

ASX Code: CMY

Issued Shares: 71.79M

Market Capitalisation: \$ 3.59M

Cash Balance: \$0.27M

QUARTERLY ACTIVITIES REPORT MARCH 2011



HIGHLIGHTS

CORPORATE

- ❖ *Shareholders Approve CMI Share Placement and Funding Scheme*
- ❖ *Intent to Participate in Uranium Exploration Joint Venture Announced*
- ❖ *Commercial Cooperation Agreements Being Negotiated in China*

COWARRA GOLD PROJECT, NSW

- ❖ *Commissioners Gold Limited (CGL) Raising Funds Through IPO*
- ❖ *Drill Program Set to Test New Targets and Extensions Beneath Workings*
- ❖ *Fieldwork Confirms Further Gold Potential in Northern Part of Licence*

PORTERS MOUNT GOLD-BASE METALS PROJECT, NSW

- ❖ *Conditional Sale of Project to Flinders Exploration Limited (FEX) Announced*
- ❖ *FEX Raising Funds Through IPO to Fund Purchase*
- ❖ *Discovery Potential Enhanced by FEX's Definition of New Porphyry Target*

CHAKOLA GOLD-BASE METALS PROJECT, NSW

- ❖ *12 Month Extension to Development Application Granted by Council*
- ❖ *Resource Update in Progress*

MUNDAERNO URANIUM-IOCGU PROJECT, SOUTH AUSTRALIA

- ❖ *Site Clearance Obtained for Drilling of Palaeochannel and Basement Targets*
- ❖ *Preparations for Commencement of Drilling Completed*

EXPLORATION ACTIVITIES

In a quarter in which the gold and silver spot prices went over US\$1500 and US\$40 per ounce respectively, exploration activities focussed on preparations for drilling in the **Cowarra Gold Project** area in southeast New South Wales, where **high-grade gold-sulphide deposits** are being targeted, as well as at the **Mundaerno Project** area in South Australia, where **uranium** in palaeochannels and Iron Oxide-Copper-Gold-Uranium (IOCGU) deposits in the basement are being targeted.

At **Cowarra, Commissioners Gold Limited (CGL)** (ACN 115 845 952) commenced its 50% Stage 1 Earn-in under the JV agreement announced last November and drill collars were set out at the **Ambassador** and **Firestone Ridge gold prospects**. Encouraging signs of gold mineralisation were also noted during a program of rock chip sampling and prospecting work that covered old workings over a combined strike length of 2.5 kilometres.

At **Mundaerno**, a field review was completed and the long awaited Work Area Clearance for the proposed drilling was obtained.

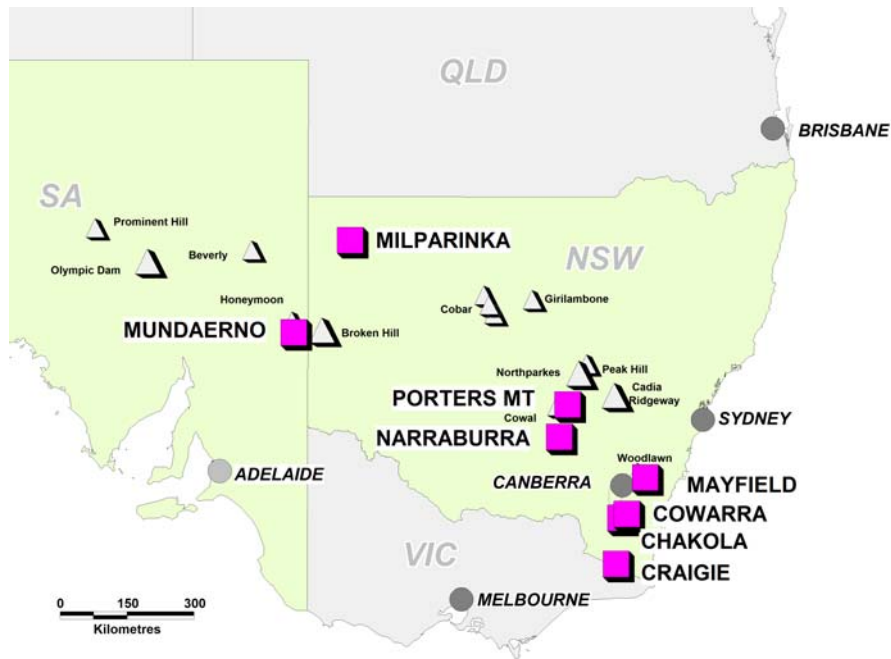
On the corporate side, there were also a number of significant developments during the reporting period which the Directors believe bode well for the Company's future. In the first instance, our **new Director, Mr Meng Tian**, who brings a wealth of experience and commercial expertise to the Company as the Managing Director of **China Metallurgical Investment Ltd (CMI)** (ACN 131 883 193), was warmly welcomed to the Board at the **Extraordinary General Meeting** which was held in Sydney on 22 February.

Also at that meeting shareholders voted overwhelmingly in favour of the resolution to issue shares to CMI under a scheme that allows for the vital injection of \$3.2 million into Capital's exploration effort.

On 28 February, in a move that is being made to take advantage of the increasing opportunities to participate in local and overseas minerals and energy ventures, the Company was also able to advise that it had entered into a Memorandum of Understanding (MOU) with CMI to set up a joint venture company for the purposes of uranium exploration.

Under the terms of the MOU, CMI would initially contribute A\$1 million in cash to take up 60% of the shares in the new entity, CMY will provide exploration tenements and take up 40% of the shares. Further, as part of a longer term strategy and after completion of the T2 placement under the CMI Subscription Agreement, CMY intends to participate in an energy company joint venture with an investment of A\$100,000 for a 17% share.

CAPITAL MINING LIMITED SOUTHEAST AUSTRALIA PROJECT LOCATION



MUNDAERNO – uranium, IOCGU drill targets
MILPARINKA - precious metals, nickel drill targets
PORTERS MT - world-class gold, copper potential
NARRABURRA - zirconium, REE resource identified

MAYFIELD - copper, gold, silver resource established
COWARRA - gold resource established
CHAKOLA - gold, base metals resource identified
CRAIGIE - alluvial gold resources identified

COWARRA - GOLD

EL 5939 – 28 km² - Bredbo, NSW

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

Exploration within EL 5939 is centred on the historic **Cowarra gold mine**, a significant former producer at grades of 5 to 13 g/t gold in the 1940's and 1980's. Gold-sulphide deposits in highly deformed metasedimentary rocks are being sought and a JORC Inferred resource of **500,000 tonnes at a grade of 2.3 g/t gold and containing 37,000 ounces of gold** has been estimated from previous drilling results (see **ANNOUNCEMENTS** at capitalmining.com.au).

The Cowarra Project is subject to a farm-in agreement with Commissioners Gold Limited (CGL) (ACN 115 845 952) in which Capital is the project manager and CGL has the right to earn a 50% interest in the project for expenditure of \$0.5 million in Stage 1. Commissioners Gold Limited is currently inviting subscriptions for 22.5 million ordinary shares at \$0.20 per share to raise \$4.5 million with a minimum subscription of \$2.5 million under its IPO Prospectus.

During the reporting period, preparations were made to collar four diamond and four reverse circulation percussion drill holes at the **Ambassador** and **Firestone Ridge** prospects respectively.

The diamond drill holes of up to 400 metres planned total depth, have been designed to test for extensions of the Victoria and Ambassador lodes, as well as an intervening target zone, newly dubbed the "Independent lode", which was intersected in a hole drilled in the late eighties.

Current drill results and historic plans indicate that there are significant blocks of mineralisation down dip and down plunge from existing stopes. The drill collars have been pegged out, a Review of Environmental Factors Statement has been prepared and the Company is awaiting official approval to commence the diamond drilling part of the program in the first instance.

Encouraging signs for the definition of more drill targets to the north and east of the Victoria and Ambassador mine areas were located during a program of rock chip sampling, detailed geological mapping and prospecting carried out in the northern part of the project area in April. The work was concentrated on the historic **Never Never** line of lode (700 metres), the **Ironclad** line of lode (900 metres) and the **John Murray's** line of lode (950 metres). The Ironclad and John Murray's lodes are on the line of strike of the Victoria lode which was the largest gold producer in the Cowarra Gold Field up to 1988. Records show that there has been little or no systematic drill testing within the area that was the subject of the current investigation despite the presence of numerous workings, continuity of structure and encouraging signs of mineralisation.

105 rock chip samples, which include gossanous and sulphide-bearing mineralised material and hydrothermally altered variably mineralised sedimentary host rock material similar to that seen at former producing mines elsewhere within the tenement were collected. The work follows on from similar detailed mapping and sampling in the southern part of the licence area in 2010, which led to the generation of drill targets at the Firestone Ridge prospect.

PORTERS MOUNT - GOLD-COPPER-MOLYBDENUM

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

The targets at Porters Mount are large, intrusion-related porphyry copper-gold and sub-epithermal gold deposits associated with a diatreme breccia and intrusive complex. The tenement is strategically located close to the Cowal gold mine, a world-class producer. Widespread signs of indicative mineralisation and alteration have been recorded at Porters Mount in an extensive network of both shallow and deep drill holes. Capital has been exploring the prospect since 2006 and has delineated a number of promising sub-epithermal style, intrusion related and breccia hosted gold targets.

During the reporting period, agreement to sell the company's 100% interest in the Porters Mount tenement was made with Adelaide based explorer **Flinders Exploration Limited (FEX)** (ACN 110 336 733). FEX is seeking to raise \$5M through an initial public offering of 25 million shares at 20 cents per share with allowances for oversubscriptions of a further \$2 million to fund its ongoing exploration programs. The sale, which is conditional on FEX successfully listing on the ASX, will see Capital receive \$200,000 in cash and be issued 2,000,000 FEX ordinary twenty cent shares on settlement. In addition, should exploration result in the discovery of a mineable gold or polymetallic deposit in the future, Capital will be entitled to royalties on any refined precious metals and minerals production.

FEX has a highly experienced exploration team that has assessed the current and historic exploration results from Porters Mount and has developed a new conceptual target model that can readily be tested by systematic drilling.

MUNDAERNO SOUTH – URANIUM - IOCGU

***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.

During the reporting period site clearance was obtained for the drilling, the Work Area Clearance agreement was forwarded for registration and the joint venture agreement with Australian Mineral and Waterwell Drilling Pty Ltd (AMWD) (ACN 127 948 850) was amended by mutual consent to include a time limitation clause.

Consumables have been purchased and mobilisation of the drill rig is imminent.

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.

In April the Company received notice that the Cooma-Monaro Shire Council had granted an extension of twelve months to its application for the Development of a Gold and Base Metal Mine on the Harnett deposit at Chakola.

The resolution was passed by Council at its meeting of 11th April 2011 after the Company had been given an opportunity to make its case for the extension in a presentation made by Company Director Mr Chris Ablett.

The presentation was well received and the extension will allow for the collection of the additional information required to supplement the existing Environmental Impact Statement. This will involve collection of more environmental baseline data and further community consultation.

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, silver 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 **ANNOUNCEMENTS** at capitalmining.com.au) and a number of very promising gold, base metal and iron skarn deposits are under evaluation in the tenement.

A joint venture meeting was held during the reporting period. Detailed mapping and prospecting at the Limekilns and Greendale prospects is planned and infill resource outline drilling will be carried out at the Mayfield prospect when funds become available.

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 the joint venture agreement with Australian Mineral and Waterwell Drilling Pty Ltd (AMWD) (ACN 127 948 850) was amended by mutual consent to include a time limitation clause. Field activities were hampered by flooding in the area.

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 (see **REPORTS** at capitalmining.com.au). 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.

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, rehabilitation works at the Shiralee exploration site were accepted as having been satisfactorily completed by the Mines Inspector and the security deposit was refunded.

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: 28 April 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 March 2011

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter 31 March 2011 \$A'000	Year to date (9 months) 31 March 2011 \$A'000
1.1 Receipts from product sales and related debtors	0	0
1.2 Payments for (a) exploration & evaluation	(92)	(360)
(b) development	0	0
(c) production	0	0
(d) administration	(77)	(237)
1.3 Dividends received	0	0
1.4 Interest and other items of a similar nature received	3	17
1.5 Interest and other costs of finance paid	0	0
1.6 Income taxes paid	0	0
1.7 Other – tenement security deposits	10	10
1.8 Other – Exploration JV management fees	18	18
Net Operating Cash Flows	(138)	(552)
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)	(138)	(490)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(138)	(490)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	100*	226
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	100	226
	Net increase (decrease) in cash held	(38)	(264)
1.20	Cash at beginning of quarter/year to date	307	533
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	269	269

* Part of Tranche 2 placement funds received from China Metallurgical Investment Ltd as per Share Subscription Agreement approved by shareholders at EGM on 22 February 2011. Shares to be issued on completion and receipt of all of Tranche 2 placement funds.

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	66
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.

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	0	0
3.2 Credit standby arrangements	0	0

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	269	307
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)	269	307

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				
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				
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:

(~~Director~~/Company Secretary)

Date: 28 April.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.

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+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Schedule of Tenements as at 28 April 2011

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			
Mundaerno South	EL 3853	100%	

EL = Exploration Licence EPM = Exploration Permit
 ELA = Exploration Licence Application EPMA = Exploration Permit Application
 MLA = Mining Lease Application

+ See chapter 19 for defined terms.