

ASX Code: CMY

Issued Shares: 86.8M

Market Capitalisation: \$ 3.3M

Cash Balance: \$0.57M

QUARTERLY ACTIVITIES REPORT JUNE 2011



HIGHLIGHTS

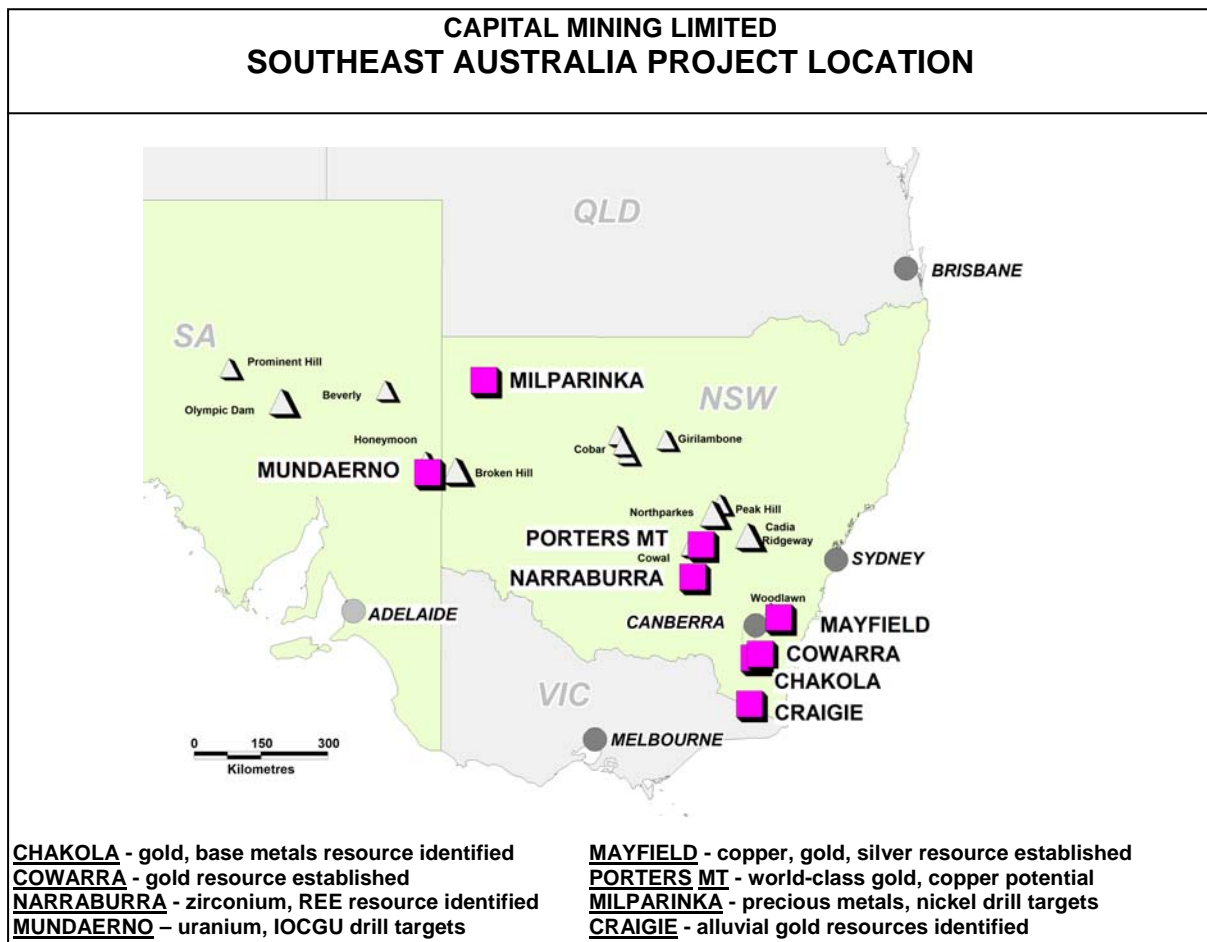
- *Record Gold Price Lifts Value of Identified Resources - Chakola, Mayfield, Cowarra*
- *Mine Development Application Being Pursued - Community Consultation Stepped Up*
- *New Gold Project Being Acquired in NSW Central West Porphyry Belt*
- *Funding From T2 CMI Share Placement Received and Applied to Work Programs*
- *Newly Appointed Director Brings Metallurgical and Economic Expertise to Board*
- *Drill Results Enhance South Australian Uranium and Gold Prospects*
- *Spike in Zirconium and REE Prices Makes Narraburra Resource More Attractive*

EXPLORATION ACTIVITIES

Exploration activities focussed on advancement of the company's gold and base metals prospects at Chakola, Cowarra and Mayfield during the reporting period and drilling was also completed at the Mundaerno uranium project area in South Australia. Funds from the T2 share placement to China Metallurgical Investment Ltd (CMI) (ACN 131 883 193) were received in mid May and a second CMI director, Ms Moya Zhang, who has a strong background in metallurgical engineering, plant design, mineral processing and project development was welcomed to the board.

The company continued to strive to get its Chakola - Harnett gold-base metals mine Development Application to the point of acceptance and move towards the establishment of a cash flow from development of the deposit. A proportion of the T2 funds were immediately applied to progress collection of the information required to supplement the Environmental Impact Statement and to upgrade the mine concept plans.

Steps to acquire a new gold project with excellent discovery potential in the porphyry belt of central New South Wales were also taken during the quarter and more drill targets for gold were established by rock chip sampling and mapping of parts of the prospective corridor in the Cowarra licence area. Very encouraging drill results were received from the Mundaerno program which has enhanced the prospectivity of the uranium, gold and copper targets there and the company is waiting on drill rigs to commence programs that have been approved for four project areas in the coming months.



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. 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) at the **Harnett prospect** and the company is pursuing a proposal to develop a shallow open cut mine on the deposit.

In the current quarter a leading industry consultancy was appointed to oversee the collection of the information required to supplement the Environmental Impact Statement. Mine concept plans are being refined and upgraded to strengthen the case for responsible development of the resource and community consultation has been stepped up.

Very positive results in terms of the Net Present Value and Internal Rate of Return, for the proposed development came from a review of the economic model by recently appointed Director Ms Moya Zhang. Block modelling of the drill data for the Harnett deposit was also completed and an evaluation of the results is in progress.

COWARRA - GOLD

EL 5939 – 28 km² - Bredbo, NSW
(Capital Mining 100%; Commissioners Gold earning 50%)

Exploration in EL 5939 is for gold-sulphide deposits located along persistent shear zones in highly deformed metasedimentary rocks and activities are being directed towards the delineation of high grade gold resources that are potentially amenable to extraction by underground mining. Work is focussed around the historic **Cowarra gold mine** where a shallow, oxide gold 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 estimated (see CMY:ASX announcement of 20 August 2009 for details). Commissioners Gold Limited (CGL) (ACN 115 845 952) is farming in to the project under an agreement 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.

In the reporting period, the results of a rock chip sampling program, which covered a 2.8 kilometre long strike segment of the well defined mineralized corridor to the north of the Cowarra mine were received and reported to the market (see CMY:ASX release of 26 May 2011). The rock chip sample results were particularly encouraging and values of up to 33.8 g/t gold from quartz-sulphide vein and gossan samples were recorded. A high proportion of the samples (i.e. 28%) had in excess of 5 g/t gold and a group of 39 anomalous samples from the John Murray's workings, which averaged 8.1 g/t gold, was highlighted as an area for follow up by drilling.

Approval to carry out a proposed program of diamond core and percussion drilling at the Ambassador and Firestone Ridge prospects was also received during the quarter and a suitable rig is being sourced to carry out the program. The drilling at the Ambassador prospect has been designed to more accurately position blocks of high grade gold mineralisation known from historic mine development and also to test extensions of the Victoria lode and any intervening gold mineralisation at depth.

MAYFIELD - GOLD - COPPER - BASE METALS

EL 6358 – 24.7 km² - Mayfield, NSW

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

Exploration at Mayfield is principally for gold, silver and copper in skarn, disseminated and vein style deposits in granitic and sedimentary host rocks. Work is being conducted in joint venture with Forge Resources Limited (ACN 139 886 187) and Forge is contributing.

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 of 28 September 2009) and a number of very promising gold, base metal and iron skarn deposits are under evaluation in the tenement.

Outstanding historic gold and copper drill intercepts at the Mayfield prospect have included:

- *42m @ 2.54 g/t gold and 0.67% copper from surface in hole MR-4*
- *75m @ 0.51 g/t gold and 0.5% copper from 8m in hole MARC-5*
- *50m @ 0.52 g/t gold and 0.25% copper from surface in hole MA-18; and*
- *66m @ 0.40% copper from 119m in hole MA-22 (inc. 8m @ 1.25% copper from 163m).*

During the reporting period attention was focussed on the highly ranked ***Limekilns prospect*** in the southern part of the licence area. There is a substantial bedrock gold, silver and base metals anomaly at Limekilns, which extends over a strike length of 750m and which coincides with a 20m wide, shallow dipping, mineralised skarn horizon at a leucogranite contact.

The mineralisation is zinc, lead and silver dominant and 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*
- *19m at 2.40% Pb plus Zn and 66.5 g/t Ag from 65.8m*
 - *including 2.0m at 10.5% Pb plus Zn and 270 g/t Ag from 75-77m*

A series of percussion drill holes, designed to test the skarn horizon and to locate a polymetallic resource at the prospect, has been laid out. A surface disturbance notice has been prepared and official approval to carry out the program is being sought.

NEW PROJECT

LACHLAN FOLD BELT – CENTRAL WEST NEW SOUTH WALES

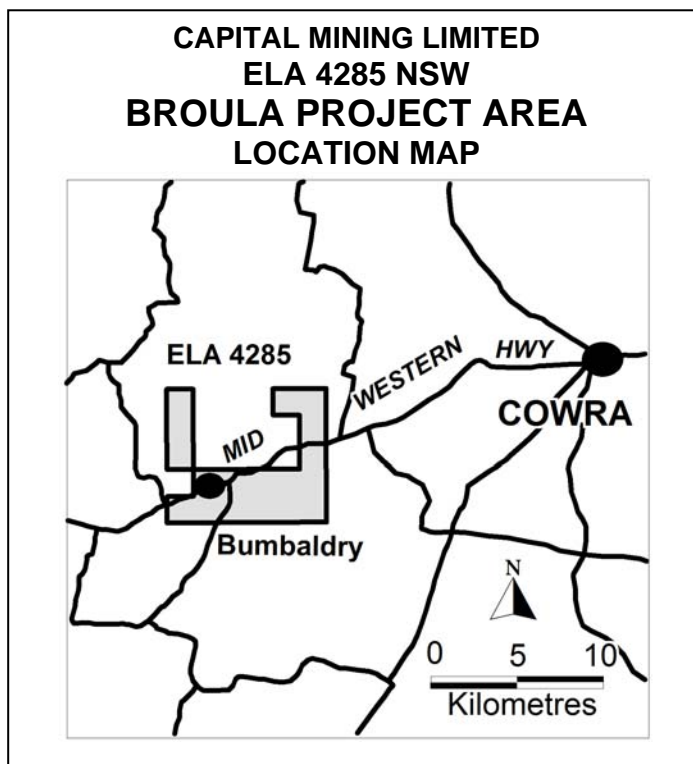
BROULA - GOLD & BASE METALS

ELA 4285 - 49.4 km²; Bumbaldry, NSW
(Capital Mining 100%)

During the reporting period an application was lodged for a 49 square kilometre Exploration Licence in the vicinity of, and surrounding the current mine lease at the Broula King Gold mine at Bumbaldry. In addition, discussions were held with interested third parties and following an assessment of previous results, agreement was reached to transfer the title to an adjacent Exploration Licence to Capital. The current Exploration Licence and Capital's ELA cover a number of underexplored gold, silver and base metal occurrences distributed over a wide area around the Broula King mine.

Gold and copper are the primary targets in the new project area which has a long mining and exploration history. The mineralisation is in the form of epithermal, fissure vein, disseminated and skarn style deposits which are interpreted to be associated with a suite of high level, possibly sub-volcanic, granitic intrusions.

The company sees both an opportunity to locate small satellite gold deposits close to the Broula King plant, which is under construction, and to explore the possibility that the many scattered mineral occurrences in the field may be part of a larger, underlying intrusion related mineral system similar to those in the region that are currently being mined or explored such as those at Cadia, Northparkes, Cowal and Copper Hill for instance.



MUNDAERNO SOUTH – URANIUM - IOCGU **EL 3853 - 52 km² - Olary, SOUTH AUSTRALIA** **(Capital Mining 51% - AMWD 49%)**

The Mundaerno South tenement is located in a uranium exploration hotspot in South Australia's Curnamona region and is being explored for roll-front style uranium deposits in palaeochannels and for iron oxide-copper-gold-uranium-REE deposits (IOCGU) in the basement.

A first pass drilling program, which consisted of 14 holes for a total of 1138 metres was completed during the reporting period. The drilling was to depths of between 50 and 124 metres and provided an initial test of a number of selected palaeochannel and geophysical anomalies across the licence. Favourable source rocks were encountered and anomalous concentrations of roll-front uranium deposit pathfinder elements phosphorous, vanadium and iron were picked up at numerous locations. Prospective sedimentary units and highly ferruginous horizons with up to 32.7% Fe₂O₃ and elevated copper and gold values were also intersected (for details see CMY:ASX announcement of 24 June 2011). The drilling was carried out and solely funded by joint venture partner Australian Mineral and Waterwell Drilling Pty Ltd (AMWD) (ACN 127 948 850) to earn a 49% equity interest in the project.

Best results came from three widely spaced holes that were drilled to test an interpreted extension of the Yarramba palaeochannel, which is the primary target in the project area and which hosts the uranium ore at the nearby Honeymoon mine. A spike to 153 ppm U₃O₈ was recorded in one hole within a 30m zone of anomalous uranium from 85 to 115m. In a nearby hole, ore grade vanadium was recorded at a peak of up to 6,122 ppm V₂O₅ within a 3m intercept averaging 4,320 ppm V₂O₅ from 34 to 37m.

More drilling to map out the subsurface trace of the palaeochannel over its 4 kilometre projected strike length and to locate sites of uranium concentration will be necessary.

Positive results also came from holes drilled to test three IOCGU/oxide gold-copper targets in the south western part of the project area. Ferruginous zones to 10.2% Fe₂O₃ with anomalous copper to 165 ppm and elevated vanadium, phosphorus, barium and lanthanum were recorded and one hole terminated in biotite schist and quartzite showing strong indications of mineralisation in the form of iron oxide fracture coatings and staining. Deeper drilling at the location to establish whether or not the coincident geochemical and magnetic anomalies are due to sulphide mineralisation is warranted.

In general, results were taken to indicate that uranium bearing solutions have percolated both along prospective sedimentary horizons in the cover sequence and through permeable structures in the basement. Mineralising processes appear to have been operative over a large area and a number of sites for follow up with a more closely spaced pattern of holes were identified. Further investigation of the area to locate uranium depositional centres is being planned and exploration is continuing.

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 deposit in a specialised granite 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 website for details).

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 upgrade the resource from the inferred to indicated category and to obtain more representative material for further metallurgical test work has been planned.

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 very large, 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 up to 800m in the first instance, has been approved. Australian Mineral and Waterwell Drilling Pty Ltd (AMWD) (ACN 127 948 850) is earning a 49% interest in the project by sole funding and carrying out the drilling. Drill sites have been selected and marked out and the company is awaiting a window in the AMWD schedule to commence the drilling.

PORTERS MOUNT - GOLD-COPPER-MOLYBDENUM

EL 6591 - 65.7 km² – Grenfell, NSW

(Capital Mining 100%)

The targets at Porters Mount are world-class, porphyry copper-gold and sub-epithermal gold deposits associated with a large diatreme breccia and intrusive complex. Widespread signs of mineralisation and alteration have been recorded in an extensive network of historic and current drill holes. An agreement has been entered into to sell the company's 100% interest in the tenement to Adelaide based explorer **Flinders Exploration Limited (FEX)** (ACN 110 336 733) for cash, shares and a royalty on production. The deal is dependent on FEX achieving successful listing on the ASX. A new conceptual target model has been developed by FEX and the company is gearing up to commence drilling of the system once the sale has been completed. During the reporting period, all drill holes from the 2010 program were properly capped and the sites were rehabilitated in anticipation of handover of the property to FEX.

CRAIGIE - ALLUVIAL GOLD **EL 5654 - 29.5 km² - Craigie, NSW** **(Capital Mining 100%)**

Capital has identified alluvial gold resources at two locations within the historic Craigie Goldfield and is aiming to establish reserves for a small scale 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 smaller of the two occurrences at the Shiralee Terrace 2 deposit has been lodged and is being assessed.

The company has satisfactorily mined and processed auriferous gravel from two bulk sample excavations at the Shiralee Terrace 2 deposit with very minimal environmental impact. The site has been fully rehabilitated and returned to its former use as grazing pasture. Given the size of the deposit, the scale of the proposed mining and processing activity and the short duration of the proposed operation, the company is unwilling to commit to the additional expense of acquiring the extra information on groundwater, noise, air quality and entomological studies to supplement the EIS.

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

Dated: 28 July 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")

30 June 2011

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter 30 June 2011 \$A'000	Year to date (12 months) 30 June 2011 \$A'000
1.1 Receipts from product sales and related debtors	0	0
1.2 Payments for (a) exploration & evaluation	(146)	(506)
(b) development	0	0
(c) production	0	0
(d) administration	(42)	(279)
1.3 Dividends received	0	0
1.4 Interest and other items of a similar nature received	3	20
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	10
1.8 Other – Exploration JV management fees	18	36
Net Operating Cash Flows	(167)	(719)
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)	(167)	(657)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(167)	(657)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	470	696
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	470	696
	Net increase (decrease) in cash held	303	39
1.20	Cash at beginning of quarter/year to date	269	533
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	572	572

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	92
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

+ See chapter 19 for defined terms.

3.2 Credit standby arrangements	0	0
---------------------------------	---	---

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	75
4.2	Development	0
4.3	Production	0
4.4	Administration	50
Total		125

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	572	269
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)	572	269

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	EL3853	Jointly with Australian Mineral and Waterwell Drilling Pty Ltd under Heads of Agreement August 2010	100%	51%
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	86,787,505	86,787,505	Fully Paid	Fully Paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	15,000,000 16		3.8 cents 8 cents	3.8 cents 8 cents
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
	12,785,150	12,785,150	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	16			
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 July 2011

(~~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.

== == == == ==

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Schedule of Tenements as at 28 July 2011

Tenement Name	Number	Interest	Comment
New South Wales			
Porters Mount	EL 6591	100%	
Cowarra	EL 5939	100%	CGL earning 50%
Narraburra	EL 5629 and EL 6787	100%	
Mayfield	EL 6358	51%	
Milparinka	EL 6832	100%	AMWD Earning 49%
Chakola	EL 5697	100%	
Chakola	MLA 269	100%	Application
Craigie	EL 5654	100%	
Broula	ELA 4285	100%	Application
South Australia			
Mundearno South	EL 3853	51%	AMWD 49%

EL = exploration licence

ELA = exploration licence application

MLA = mineral lease application

EPM = exploration permit

EPMA = exploration permit application