

ASX Code: CMY

Issued Shares: 86.8M

Market Capitalisation: \$ 2.6M

Cash Balance: \$0.43M

QUARTERLY ACTIVITIES REPORT SEPTEMBER 2011



HIGHLIGHTS

PROJECT GENERATION

- *Framework Agreements Put in Place With Local and Overseas Energy Focus*

EXPLORATION - GOLD

- *Four Diamond Drill Holes Completed on Gold Targets at Cowarra*
 - ❖ *Indicative Sulphide Mineralisation Recorded in all Holes*
 - ❖ *Core Sampling in Progress*

EXPLORATION – GOLD – SILVER – COPPER...

- *Resource Outline and Exploration Drilling Set to Commence at Mayfield Prospect*
 - ❖ *Mapping Indicates Significant Gold-Silver Potential Down Dip at Limekilns*

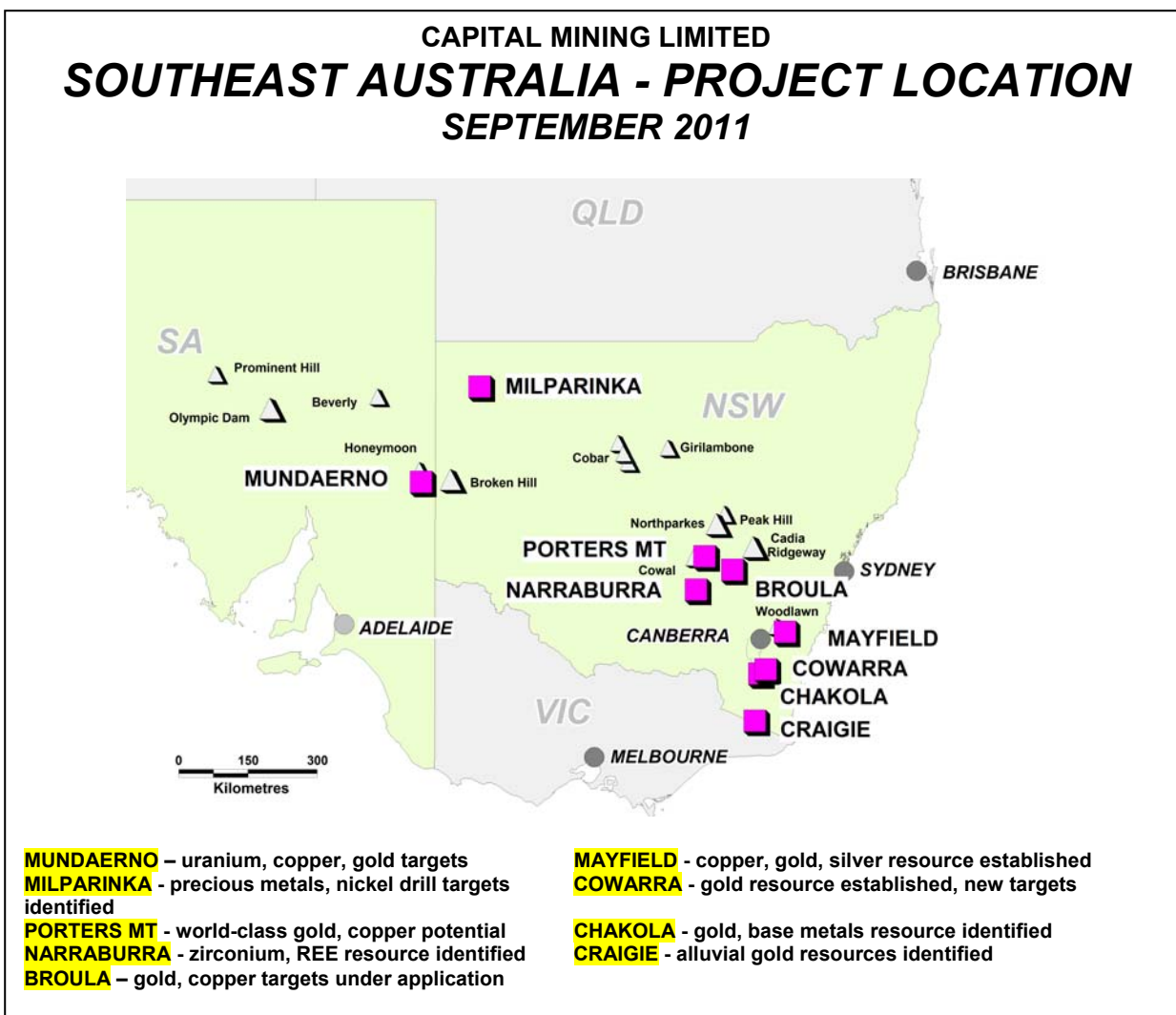
DEVELOPMENT PROPOSALS

- *Environmental Studies Advancing to Support Development Application at Chakola*

EXPLORATION ACTIVITIES

Exploration activities during the quarter concentrated on advancement of the company's gold and base metal prospects at Chakola, Mayfield and Cowarra. Environmental monitoring, field studies and sampling activities were continued to support the Chakola-Harnett Development Application and preparations were made for resource outline and exploration drilling at Mayfield. 982 metres of core drilling was completed on gold targets at Cowarra under the management of joint venture partner Commissioners Gold Limited (ACN 115 845 952).

In an important development for the future, the company announced on 8 September, 2011 that it had entered into two non-binding framework agreements: 1) to set up a joint venture company for uranium exploration in Australia by way of a Commercial Cooperation Agreement with China Metallurgical Investment Limited (CMI: ACN 131 883 193) and China National Administration of Coal Geology General Prospecting Institute (CNACG); and 2) to participate in an energy company joint venture by way of an agreement with CMI, Prominent Asia Investment and CNACG to establish the framework for the parties to agree the terms with respect to and set up an Australian registered energy focus company to explore, develop and market energy related technology and products, including coal and uranium.



CHAKOLA - GOLD & BASE METALS

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

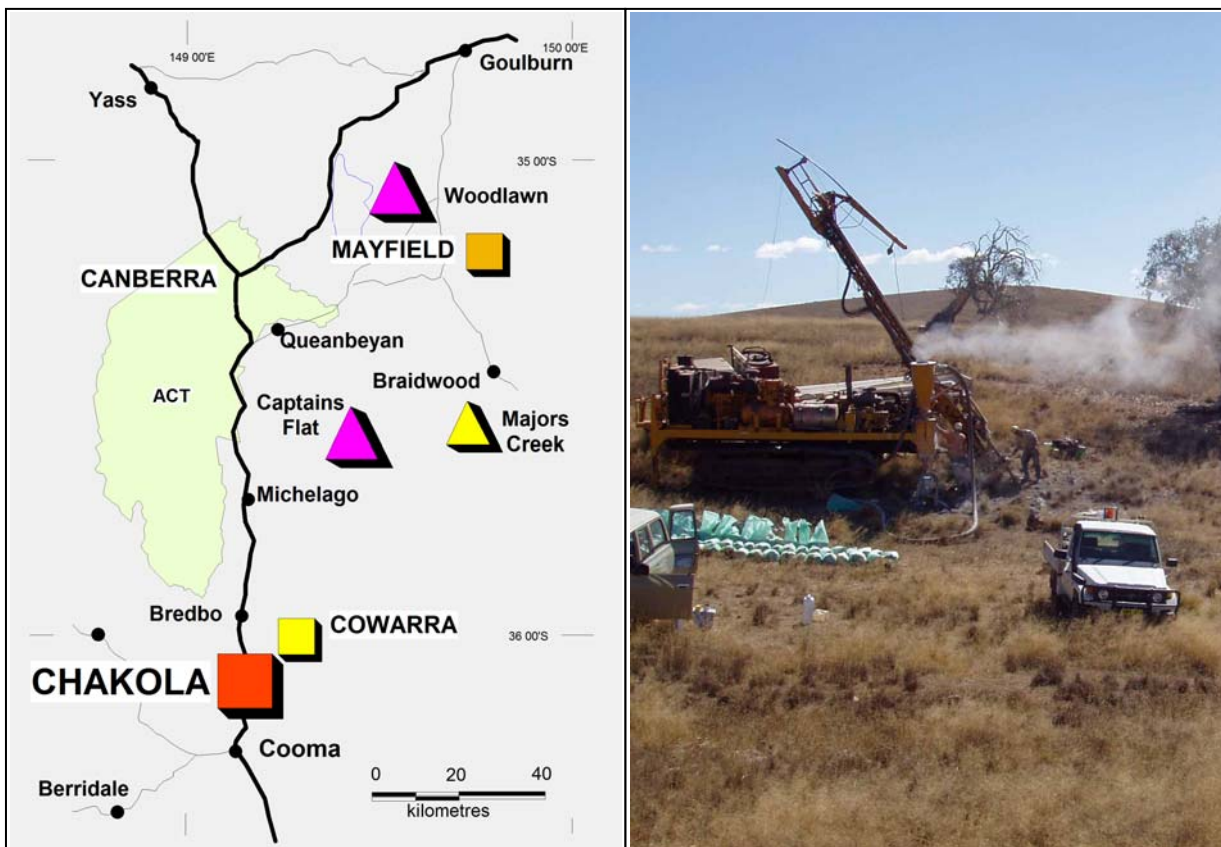
Exploration at Chakola is for gold, copper, silver, lead and zinc in prospective volcanic host rocks and some 90 drill holes have been put down in the licence area since 2004. Activities are centred at the Harnett prospect where a JORC resource estimated at:

- **1.2 Mt @ 0.8 g/t gold, 0.5% copper, 8.1 g/t silver and 1.1% lead plus zinc** and 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). A proposal to develop an open cut mine on the deposit with a 5-7 year life has been drawn up and an Environmental Impact Study is under assessment.

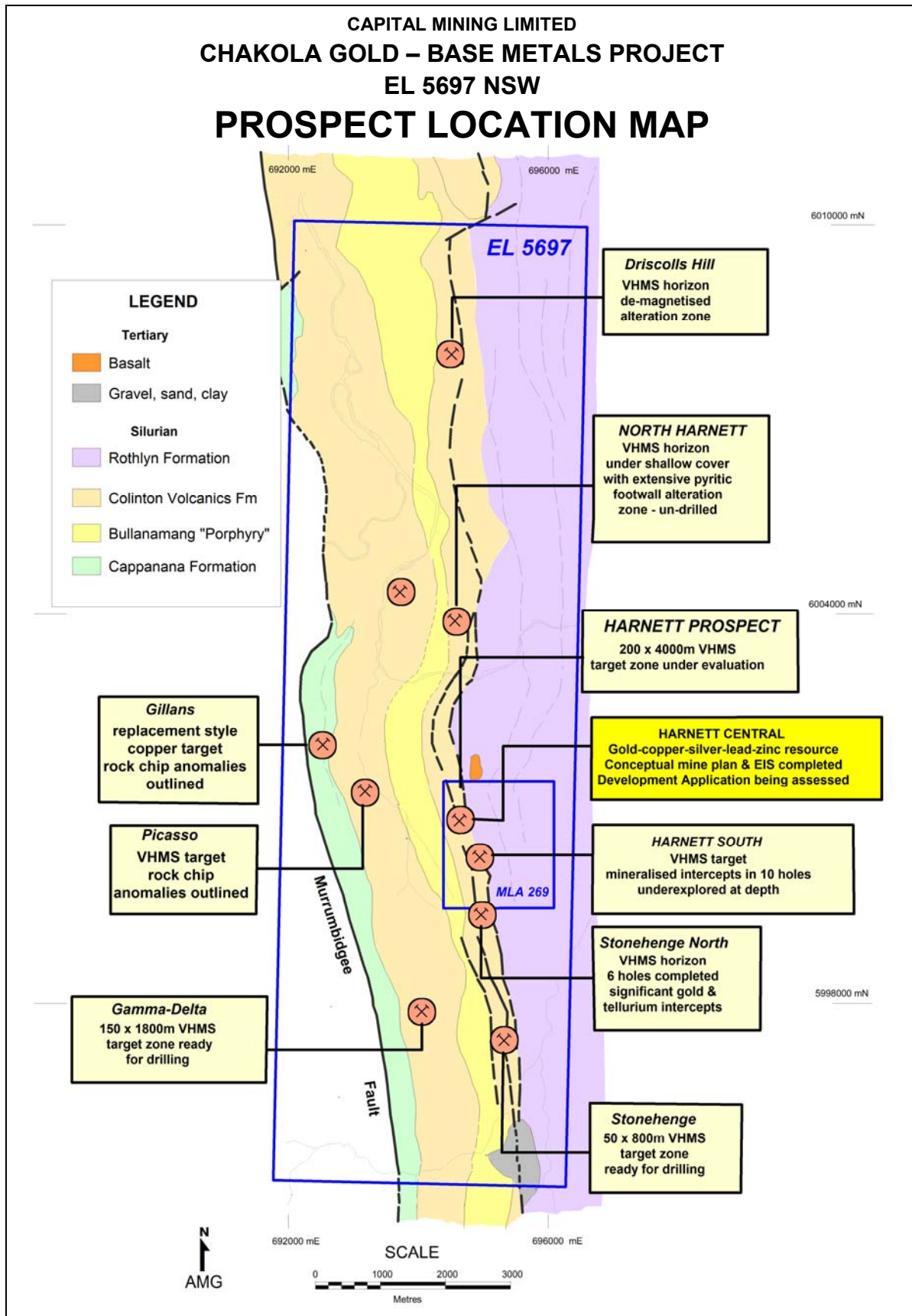
The mineralisation has not been effectively explored to any great depth and there is considered to be high potential to locate more mineralisation at Harnett and at other locations in the project area where strong indications of gold and base metal mineralisation have been identified.

All work during the quarter was directed towards the collection of the supplementary information required to update the existing EIS. Consultants were appointed to collect additional baseline data on air and noise, groundwater and material characteristics.

Additional drilling is planned for the coming quarter funds permitting and exploration is continuing.



CHAKOLA PROJECT – (Continued)



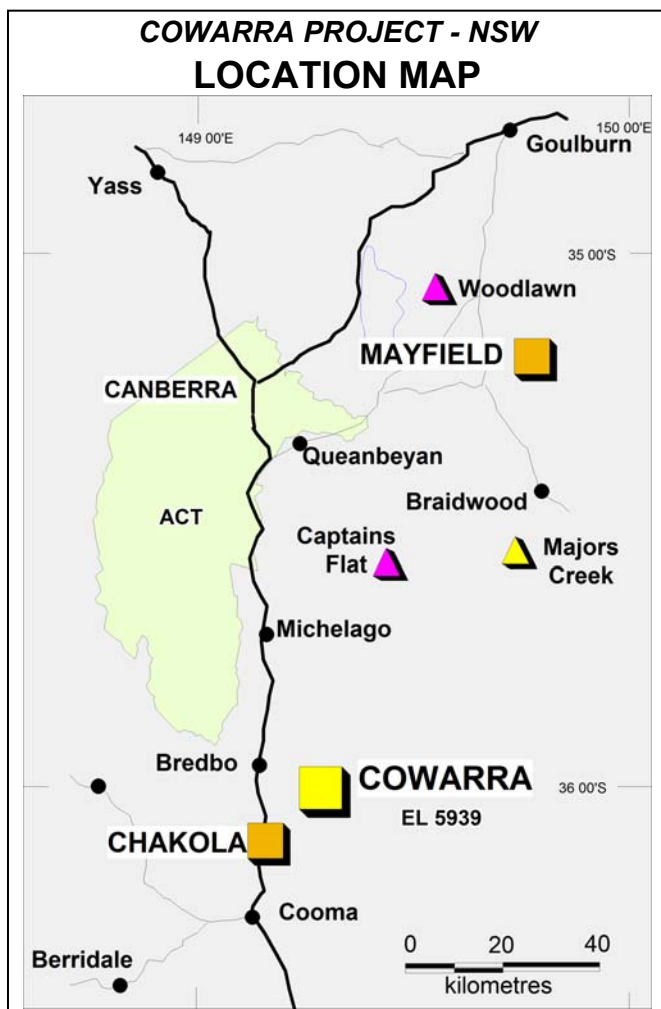
COWARRA - GOLD

EL 5939 – 28 km² - Bredbo, NSW

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

Exploration in the Cowarra project area is for gold-sulphide deposits located along persistent shear zones in highly deformed metasedimentary rocks. 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 an 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 (CGU) (ACN 115 845 952) is farming in to the project under an agreement by which CGU has the right to earn a 50% interest for expenditure of \$0.5 million in Stage 1. CGU took over project management in September 2011, upon signing by both parties of a Deed of Variation of Heads of Agreement.

A four hole diamond drilling program targeting extensions of the Ambassador and Victoria Lodes was commenced during the reporting period. The drilling was designed to more accurately position blocks of high grade gold mineralisation known from historic mine development and drilling. Details of the drilling program are listed below.



COWARRA PROJECT – (Continued)

All four drill holes intersected zones of alteration, shearing and quartz-sulphides veining that are interpreted to represent down-dip extensions of the Ambassador Lode. Holes CWD101 and CWD103 also intersected the Victoria Lode as well as several narrower mineralised zones between the two main lodes.

Mineralised intersections of drill core have been marked for sampling. Assay results are expected during November, 2011.

DRILL HOLES COMPLETED AT COWARRA, 2011

Hole#	Easting	Northing	RL	Dip	Azi_Mag	Azi_MGA	Length_m	Start Date	End Date
CWD101	707570	6012798	882	-60	258	270	351.4	16/09/2011	28/09/2011
CWD102	707540	6012812	882	-60	259	271	102.7	29/09/2011	3/10/2011
CWD103	707546	6012720	912	-60	265	277	381.3	4/10/2011	12/10/2011
CWD104	707544	6012720	912	-80	265	277	146.6	13/10/2011	16/10/2011
TOTAL							982.0		

Note: Drill hole collars surveyed using a handheld GPS, projection MGA94, Zone 55.

MAYFIELD - GOLD - COPPER - BASE METALS

EL 6358 – 24.7 km² - Mayfield, NSW
(Capital Mining 51% ; Forge Resources 46.5% - contributing)

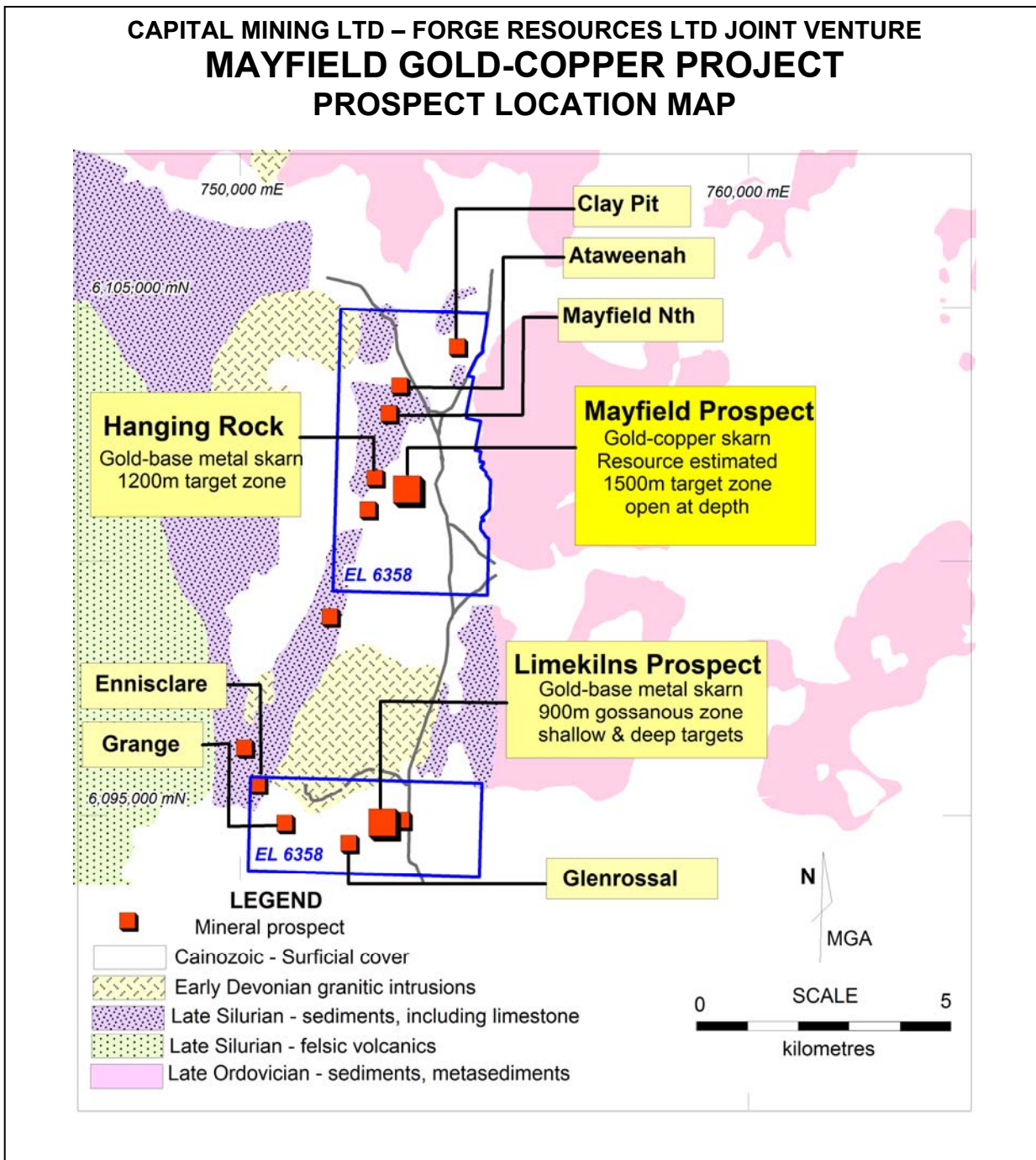
Exploration at Mayfield is for gold, silver, copper lead and zinc in skarn, disseminated and vein style deposits in granitic and sedimentary host rocks. Work is being conducted in joint venture with Forge Resources Limited (ACN 139 886 187). Capital is managing the project and Forge is contributing.

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.

During the reporting period, the licence area was renewed for a further term and reduced in size as per regulations. Outcrop mapping and rock chip sampling was completed at the **Limekilns prospect** where a 750m long bedrock gold, silver and base metals anomaly has been defined by historic drilling. The known mineralisation is lead-zinc and silver dominant and the geochemical anomaly coincides with a 20m wide, shallow dipping, mineralised skarn horizon that has developed at a leucogranite contact.

Exploration is continuing and official approval to carry out a drilling program designed to upgrade the resource categories from Inferred to Indicated and Measured at the Mayfield prospect; and to test for shallow open pit mineable mineralisation and deeper, stratabound mineralisation down dip at the Limekilns prospect has been received. Drill collars have been marked out and mobilisation of the rig is awaited.

MAYFIELD PROJECT – (Continued)



BROULA - GOLD & BASE METALS

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

The primary targets at Broula are gold and copper in epithermal, fissure vein, disseminated and skarn style deposits. Mineralisation in the district has for some time been interpreted to be associated with a suite of high-level granitic intrusions and coeval volcanics. There has been a long history of mining and exploration in the area and a considerable amount of historical data is available for review. Compilation of these data which include historic stream, soil and rock chip geochemical results and information derived from previous

BROULA PROJECT – (Continued)

drilling commenced during the reporting period. The work is aimed at pinpointing any large, underlying intrusion related mineral systems that may be present in the area.

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

The Mundaerno South tenement is located in a highly prospective uranium province in South Australia's Curnamona province. The project area is close to the producing uranium mine at Honeymoon Well and a number of exploration finds have also been made in the vicinity of the tenement in recent times. Exploration is for roll-front style uranium deposits in sedimentary host rocks of the cover sequence which would be amenable to *in situ* extraction, as well as for iron oxide-copper-gold-uranium-REE deposits (IOCGU) in the older metamorphic rocks of the granitic basement. Exploration is in partnership with Australian Mineral and Waterwell Drilling Pty Ltd (AMWD) (ACN 127 948 850) who have a 49% equity interest in the project. A first pass drilling program has been completed within the tenement and favourable source rocks and anomalous concentrations of uranium pathfinder elements have been detected at numerous locations. Drill results indicate that uranium bearing solutions had percolated along prospective sedimentary horizons and through 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 analysis of drill results was carried out during the reporting period 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 granite-hosted Rare Metals and Rare Earths deposit 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 the grades obtained by both drilling and bulk sampling and that acceptable recoveries for a wide range of rare metal oxide components including zirconium, niobium, lithium and thorium, can be achieved by using conventional treatment methods such as spiralling, flotation, hydrometallurgical and pyrometallurgical techniques. 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 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

MILPARINKA PROJECT – (Continued)

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. There were no developments to report during the quarter.

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 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. A program of soil sampling designed to detect mineralisation beneath post-mineral, transported cover was commenced during the reporting period. Exploration is continuing

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. There were no developments to report during the quarter.

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

Dated: 25 October 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 September 2011

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter 30 September 2011 \$A'000	Year to date (3 months) 30 September 2011 \$A'000
1.1 Receipts from product sales and related debtors	0	0
1.2 Payments for (a) exploration & evaluation	(139)	(139)
(b) development	0	0
(c) production	0	0
(d) administration	(43)	(43)
1.3 Dividends received	0	0
1.4 Interest and other items of a similar nature received	0	0
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	19	19
1.9 Other income	27	27
Net Operating Cash Flows	(146)	(146)
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)	(146)	(146)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(146)	(146)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	2	2
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	2	2
	Net increase (decrease) in cash held	(144)	(144)
1.20	Cash at beginning of quarter/year to date	572	572
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	428	428

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	102
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 – Directors fees, 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

+ See chapter 19 for defined terms.

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	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	428	572
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)	428	572

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	86,809,515	86,787,505	Fully Paid	Fully Paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	22,010		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
	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	22,010			
7.10 Expired during quarter	12,785,150			
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: 25 October 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 25 October 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			
Mundaerno South	EL 3853	51%	AMWD 49%

EL = exploration licence

ELA = exploration licence application

MLA = mineral lease application

EPM = exploration permit

EPMA = exploration permit application