

ASX Code: CMY

Issued Shares: 97.3M

Market Capitalisation: \$ 2.2M

Cash Balance: \$0.46M

QUARTERLY ACTIVITIES REPORT DECEMBER 2011



HIGHLIGHTS

CAPITAL RAISING COMPLETED

- *Equity capital raising made under 15% placement capacity*

EXPLORATION – GOLD-COPPER-SILVER...

- *Drilling completed at two gold-base metals prospects in the Mayfield project area*
 - ❖ *Visible copper mineralisation logged over 32 metre intercept at Mayfield*
 - ❖ *Sulphide mineralisation logged in skarn and granite at Limekilns*
 - ❖ *Assaying in progress*

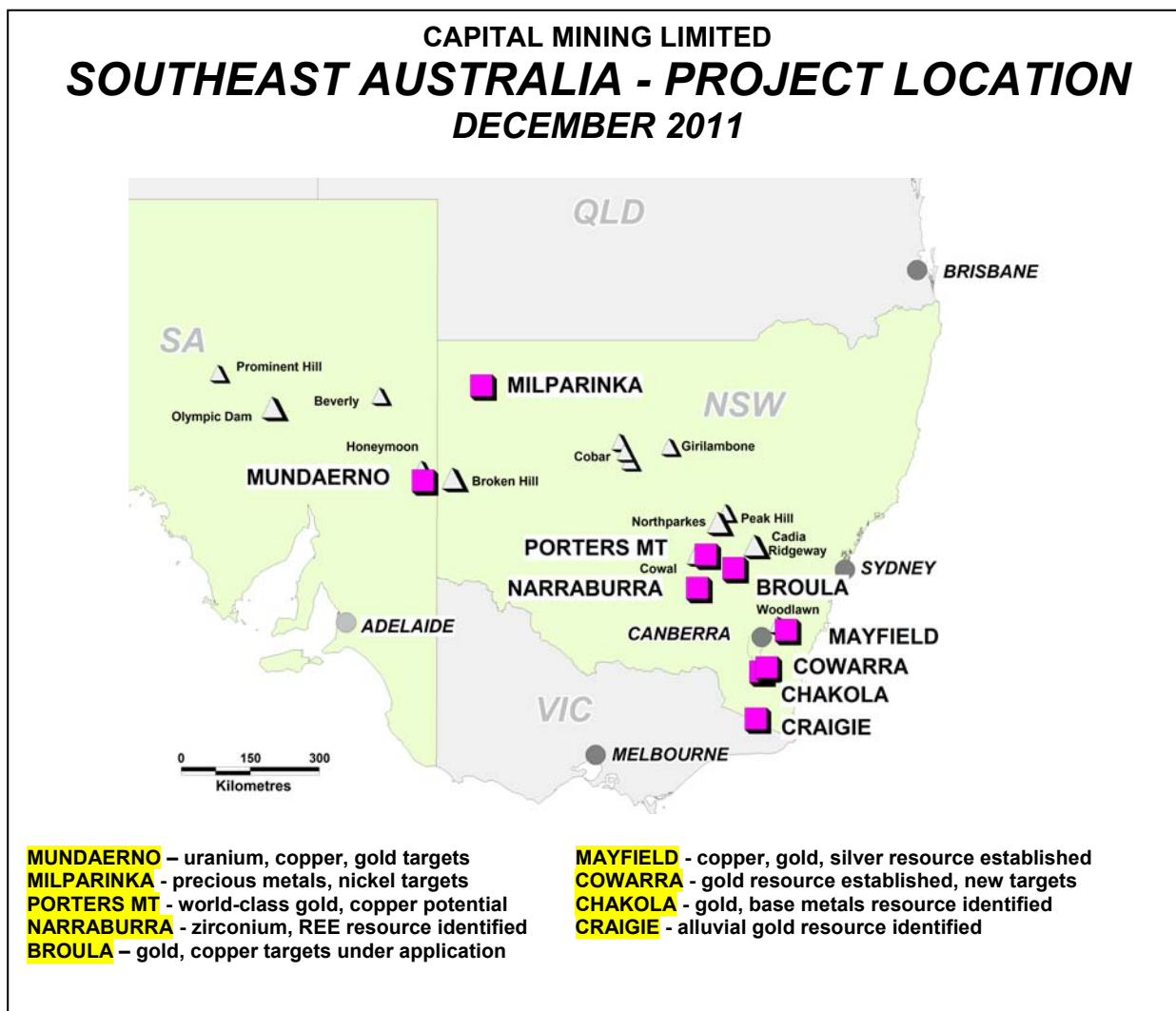
EXPLORATION – ZIRCONIUM-NIOBIUM-YTTRIUM-RARE EARTHS...

- *In situ resource upgraded by re-estimate*
 - ❖ *Inferred resource tonnage up-scaled from 55 to 73 million tonnes*
 - ❖ *Primary component - zirconium oxide up-graded by 25%*
 - ❖ *REE, yttrium, niobium, hafnium grades all higher than previous estimate*

EXPLORATION ACTIVITIES

Drilling was completed at two gold-base metals prospects within the Mayfield project area during the reporting period; the Rare Metals and Rare Earths resource at Narraburra was upgraded on re-estimate; and the results of diamond drilling of gold prospects in the Cowarra JV project area were reported.

In December the Directors also advised that the Company had made a placement of 10,536,529 ordinary shares @ 2.3 cents per share to professional and institutional investors through Capital 19 Pty Ltd of Sydney (ABN 17 124 264 366). The equity capital raising was made under the Company's 15% placement capacity and the funds raised will enable the Company to evaluate potential new acquisitions and to pursue current projects.



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, veins and disseminated 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.

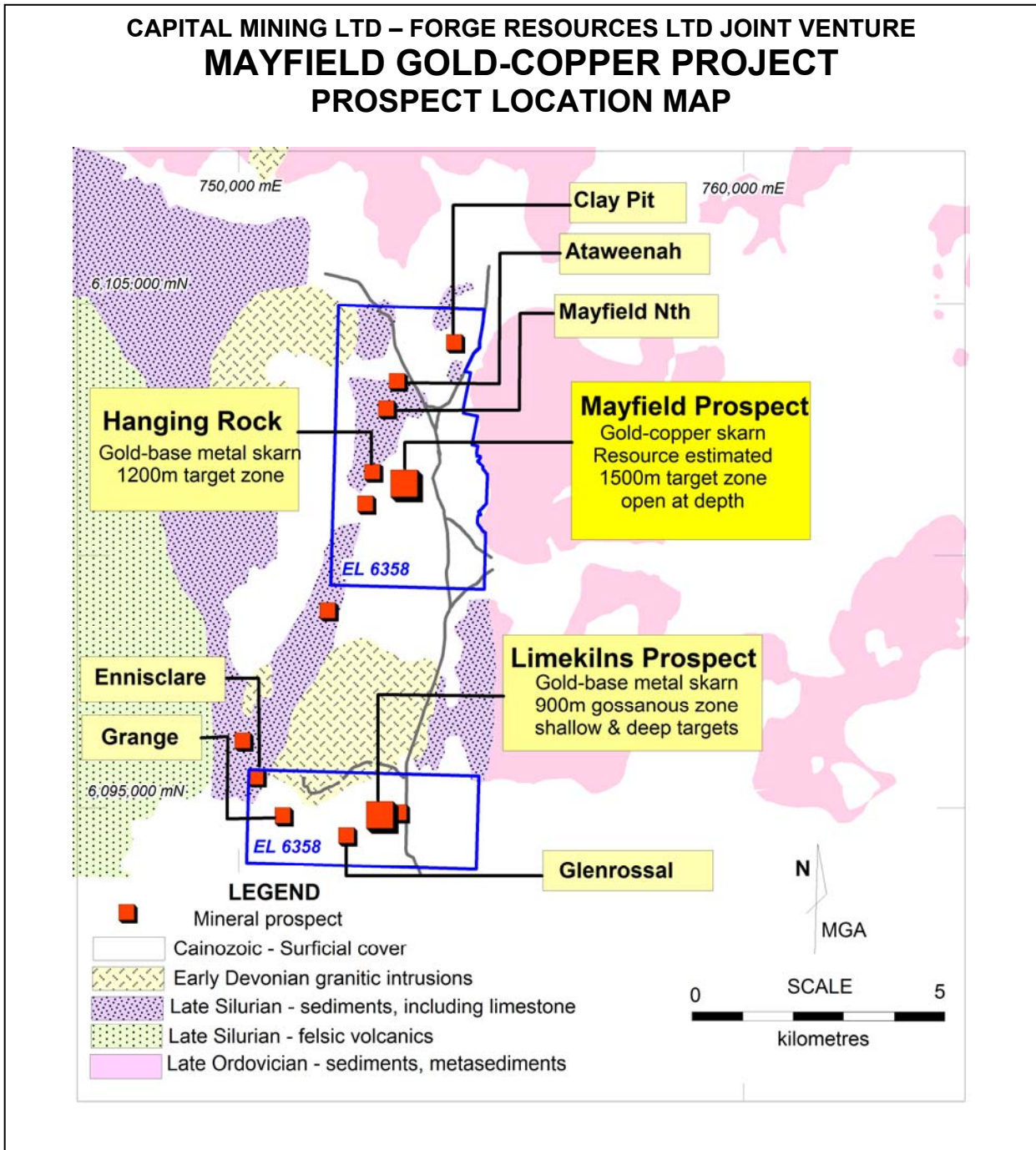
A JORC Inferred resource of: **4.0 million tonnes at 0.4% copper, 0.6 g/t gold and 8.4 g/t silver containing: 16,000 tonnes of copper; 77,000 ounces of gold; and 1.2 million ounces of silver** has been established at the **Mayfield prospect** (see CMY:ASX release of 28 September 2009). Other promising gold, base metal and iron skarn deposits are under evaluation elsewhere in the tenement.

Drilling was carried out at the **Mayfield** and **Limekilns** prospects during the reporting period and 7 holes for a total of 420 metres were drilled at Mayfield and 3 holes for a total of 156 metres were drilled at Limekilns. The drilling at the **Mayfield prospect**, where the principal target is an oxidised skarn deposit containing gold, copper, silver, zinc and lead, was designed to test the upper parts of the resource mineralisation on several key sections. The material was softer and wetter than anticipated and hard bedrock requiring percussion drilling was generally encountered only at depths of below 60-80m down hole. Samples were recovered from several holes that will ultimately be suitable for metallurgical test work. **Weathered, ferruginous skarn and ironstone were intersected in all holes and best visual signs of mineralisation were logged in aircore hole MAAC13 from 28-60m (EOH) in the form of disseminated grains of native copper.**

Encouraging signs of mineralisation were also seen at the **Limekilns prospect** where 2 holes were drilled to test a shallow dipping, precious and base metal mineralised skarn horizon and a third was drilled to test for granite hosted sulphide mineralisation in an adjacent leucogranite intrusion. A 22 metre intercept of sulphidic skarn with visually estimated 5-40 vol.% pyrrhotite was recorded in hole LMRC01 from 18m down hole and a 21m intercept of leucogranite with from 2-10% finely disseminated and stringer style sulphide mineralisation was made beneath a 6-10m gossanous zone in hole LMRC03. The latter was drilled in the vicinity of a 42 g/t gold intersection in an historic rotary air blast (RAB) hole.

555 drill samples have been submitted for analysis and assay results are awaited.



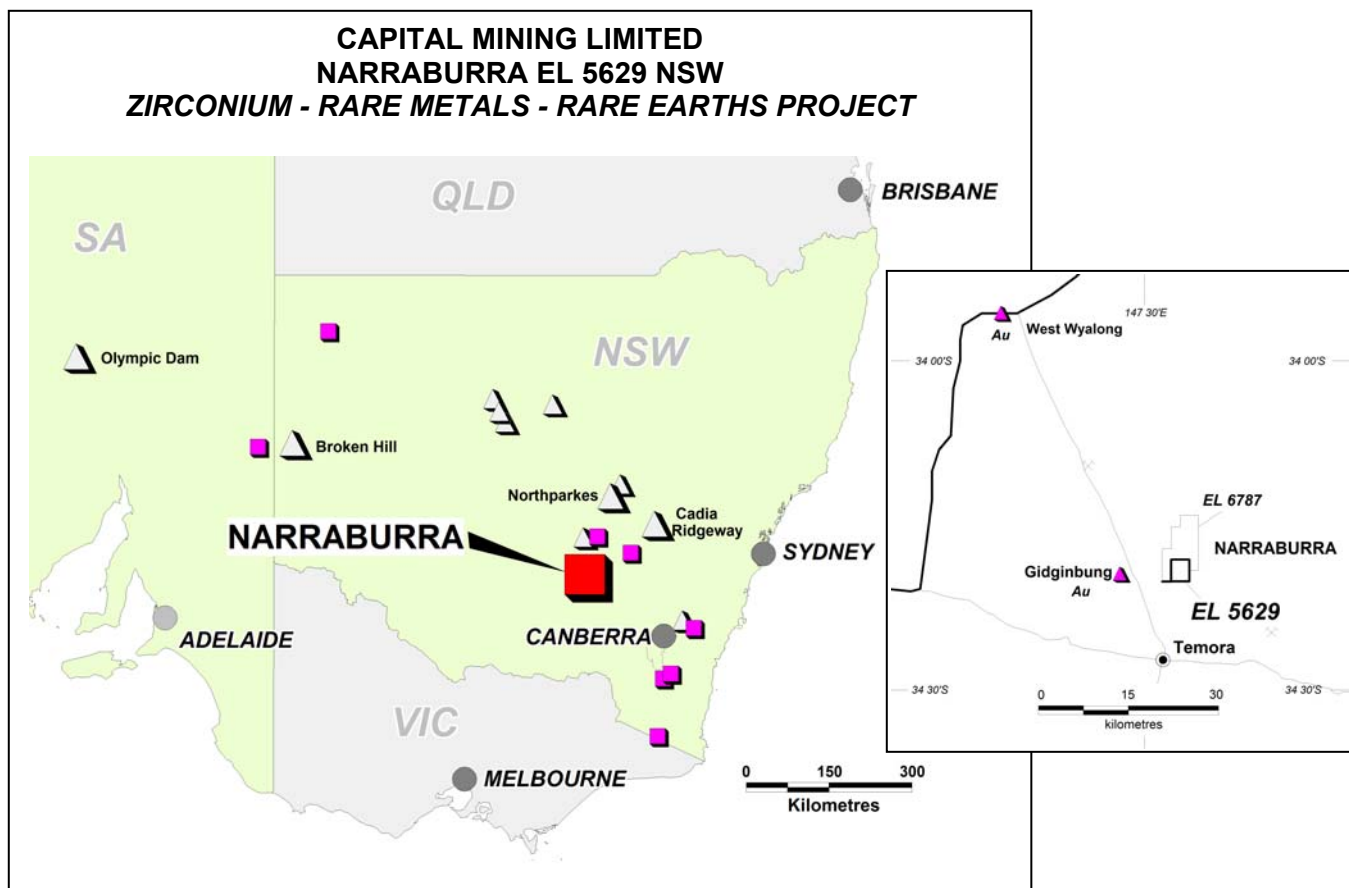


NARRABURRA ZIRCONIUM – RARE EARTHS EL 5629 and EL 6787 - 54 km² (Capital Mining 100%)

The Company has been targeting Rare Metals (RM) of high unit value such as zirconium, niobium, yttrium, thorium, beryllium, lithium, gallium and Rare Earth Elements (REE) at Narraburra since listing in 2007. Evaluation of the discovery began in earnest in 2003 and drilling, bulk sampling and metallurgical test work have been completed to date.

During the reporting period a re-estimate of the *in situ* resource at the Narraburra prospect was made and the JORC Inferred resource was upgraded to: **73.2 million tonnes at a grade of 1250 g/t zirconium oxide, 146 g/t yttrium oxide, 327 g/t REE oxides, 126 g/t niobium oxide, 61 g/t thorium oxide, 54 g/t gallium oxide and 118 g/t lithium oxide** (see CMY:ASX announcement of 9 November 2011 for details).

Third party data reviews were carried out during the reporting period with a view to attracting joint venture funding. Drilling to upgrade the resource categories and to obtain samples for further metallurgical test work has been officially approved.



Both licences were renewed in full for a further two year term expiring on the 3 November 2013 and 23 May 2013 respectively. The renewal will facilitate continued exploration of this important resource and its postulated extensions.

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 on 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 is managing the project.

The results of a four hole diamond drilling program for a total of 982 metres, which was carried out in September-October, were released during the reporting period (see CMY:ASX announcement of 6 December 2011). All four drill holes, which were targeted on extensions of the **Ambassador** and **Victoria Lodes**, intersected zones of alteration, shearing and quartz-sulphide veining. Two holes intersected the Victoria Lode, as well as several narrower mineralised zones between the two main lodes. Results indicated that there was continuation of the high grade lodes beneath the historical mining and that there was potential for similar mineralisation along strike and between known lodes.

Significant results as previously reported included:

AMBASSADOR LODE

- 1.00m @ 6.54 g/t gold from 97.22m (Hole CWD101)
- 0.87m @ 7.37 g/t gold from 102.13m (Hole CWD103)
- 0.66m @ 7.20 g/t gold from 125.76m (Hole CWD103)
- 1.76m @ 8.70 g/t gold from 128.68m (Hole CWD104).

VICTORIA LODE

- 3.00m @ 4.38 g/t gold from 279.50m (Hole CWD101)
including: 1.00m @ 9.85 g/t gold from 280.50m.

“INDEPENDENT” LODE

- 1.00m @ 11.95 g/t gold from 209.40m (Hole CWD101).

DRILL HOLES COMPLETED AT COWARRA - OCTOBER 2011

Hole#	Easting(AMG)	Northing(AMG)	RL	Dip	Azi_Mag	Azi_MGA	Length_m
CWD101	707457	6012615	878.3	-60	258	270	351.4
CWD102	707429	6012626	878.5	-60	259	271	102.7
CWD103	707434	6012536	907.8	-60	265	277	381.3
CWD104	707435	6012535	907.9	-80	265	277	146.6
TOTAL							982.0

PORTERS MOUNT - GOLD-COPPER-MOLYBDENUM

EL 6591 - 65.7 km² – Grenfell, NSW

(Capital Mining 100%- Flinders Exploration funding exploration)

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. During the reporting period the agreement 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 was extended to June 2012. FEX is funding exploration to meet commitments on the licence. A soil sampling program designed to detect mineralisation beneath post-mineral, transported cover was interrupted during the reporting period due to inclement weather and flooding. Exploration is continuing.

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. Further work to supplement the EIS including additional community liaison was completed during the December quarter and there were no other significant developments to report.

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. Digital capture and analysis of historical data aimed at defining any targets for large intrusion related mineral systems continued during the reporting period.

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 and 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. Anomalous concentrations of uranium oxide (to 153 ppm U₃O₈) and for uranium pathfinder elements (e.g. vanadium to 6122 ppm V₂O₅) in drill samples are being followed up. There were no significant developments to report during the quarter. Funding is being sought for follow up drilling to test potentially productive palaeochannels and exploration is continuing.

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. The agreement between CMY and Australian Mineral and Waterwell Drilling Pty Ltd (AMWD) (ACN 127 948 850), under which AMWD was to earn a 49% interest in the project by carrying out the drilling, expired at the end of the reporting period. There were no other developments to report during the quarter.

CRAIGIE - ALLUVIAL GOLD

MLA 366 – 4 hectares formerly EL 5654 - Craigie, NSW

(Capital Mining 100%)

Exploration Licence 5654 was allowed to lapse at the end of the current renewal period in favour of Mining Lease Application No. 366 which covers the Shiralee Terrace 2 deposit, the most promising alluvial gold prospect located within the former EL. The company has mined and processed two bulk samples of auriferous gravel from the deposit and rehabilitated the site. Given the size of the deposit, the very small 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 supplementing the EIS that would render the operation uneconomic.

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

Dated: 30 January 2012

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 2011

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter 31 December 2011 \$A'000	Year to date (6 months) 31 December 2011 \$A'000
1.1 Receipts from product sales and related debtors	0	0
1.2 Payments for (a) exploration & evaluation	(146)	(285)
(b) development	0	0
(c) production	0	0
(d) administration	(58)	(101)
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	0	(10)
1.8 Other – Exploration JV management fees	4	23
1.9 Other income	12	39
Net Operating Cash Flows	(188)	(334)
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)	(188)	(334)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(188)	(334)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	222	224
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	222	224
	Net increase (decrease) in cash held	34	(110)
1.20	Cash at beginning of quarter/year to date	428	572
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	462	462

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	89
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

--

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

+ 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	462	428
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)	462	428

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	EL 5654	100%	Nil
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	97,346,044	97,346,044	Fully Paid	Fully Paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	10,536,529		2.3 cents	2.3 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				
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: 30 January.2012

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 30 January 2012

Tenement Name	Number	Interest	Comment
New South Wales			
Porters Mount	EL 6591	100%	FEX purchasing 100%
Cowarra	EL 5939	100%	CGL earning 50%
Narraburra	EL 5629 and EL 6787	100%	
Mayfield	EL 6358	51%	CMY 51%, Forge 46.5%
Milparinka	EL 6832	100%	
Chakola	EL 5697	100%	
Chakola	MLA 269	100%	Application
Broula	ELA 4285	100%	Application
Broula	EL 6305	100%	
Craigie	MLA 366	100%	Application
South Australia			
Mundaerno South	EL 3853	51%	AMWD 49%

EL = exploration licence

ELA = exploration licence application

MLA = mining lease application

EPM = exploration permit

EPMA = exploration permit application