

ASX Code: CMY

Issued Shares: 39.6M

Market Capitalisation: \$1.8M

Cash Balance: \$1.0M

## QUARTERLY ACTIVITIES REPORT DECEMBER 2008



### **HIGHLIGHTS**

#### **GOLD - BASE METALS PROJECTS**

##### **PORTERS MOUNT**

- Highly prospective anomalies outlined by detailed magnetic and gravity survey
- Shallow gold targets identified and earmarked for drilling
- Strike of prospective zone of interest doubled to 4800m

##### **CHAKOLA – HARNETT**

- Comprehensive Environmental Impact Statement completed for Harnett deposit
- Extensive gold and base metal soil geochemical anomalies outlined on 3000m of strike
- High potential anomaly outlined at Harnett South prospect – ready for drilling

#### **ZIRCONIUM - RARE METALS PROJECT**

- Encouraging results received from in-house metallurgical testing
- Concentrate grades up to 5000 ppm zirconium achieved in preliminary tests

#### **URANIUM, GOLD, BASE METALS PROJECTS**

- Satellite remote sensing data successfully acquired to narrow search area
- Areas of interest identified for geochemical sampling and drilling

## *Exploration Activities*

Activities during the quarter were centred on the Chakola and Porters Mount project areas where in both cases very positive outcomes were obtained from the work completed. In a major step for Capital as an aspiring gold and base metals producer, the Environmental Impact Statement for the proposed development of an open pit gold and base metals mine within the Chakola project area was completed and the accompanying Development Application was prepared. At Porters Mount where the company is evaluating a large mineral system with potential to host gold-copper deposits of very significant size, the strike length of the area of interest was doubled to nearly 5 kilometres and prospective, untested magnetic and gravity anomalies comparable with those associated with world-class gold-copper deposits in the surrounding New South Wales central west region were located.

### **PORTERS MOUNT GOLD-COPPER-MOLYBDENUM PROJECT EL 6591 - 65.7 km<sup>2</sup> (*Capital Mining 100%*)**

*Target commodity* Gold, copper, silver, molybdenum  
*Target type* Porphyry copper-gold, epithermal gold  
*Metallogenic Province* Temora - Forbes- Parkes Porphyry Copper-Gold Belt

***New targets for porphyry and potentially very productive skarn hosted gold-copper deposits were generated at Porters Mount during the quarter.*** At Porters Mount exploration is for epithermal and porphyry-style gold, silver and copper-molybdenum mineralisation associated with a diatreme breccia and intrusive complex.

An 80 line kilometre high resolution ground magnetic and gravity survey was completed during the reporting period and processing of the results is in progress. ***The data were collected from the undrilled northern half of the prospect and a number of prospective anomalies were identified for follow up.*** These include discrete magnetic and gravity highs (Ridgeway-type gold-copper deposit model), coincident magnetic and gravity lows (Northparkes-type copper-gold deposit model) and stratabound magnetic linears (skarn/replacement-type gold-copper deposit model).

Integration of the new and existing historic data is in progress. Computer modelling and interpretation of the datasets to design a drill testing programme and to establish priorities for further evaluation of this outstanding prospect is planned.

In other work, a complete set of geological cross sections was prepared from historic and current drilling results to identify areas for more closely spaced and deeper drilling. Historic drill holes with up to 14m at 1.02 g/t gold from 30m, which were possibly drilled on shallow dipping veins and those that stopped at shallow depth in strongly leached bedrock with anomalous copper up to 700 ppm, which possibly overly supergene enriched deposits, are among those to be followed up in the coming months.

### **CHAKOLA GOLD & BASE METALS PROJECT EL 5697 - 66.4 km<sup>2</sup>; MLA 269 - 332 hectares**

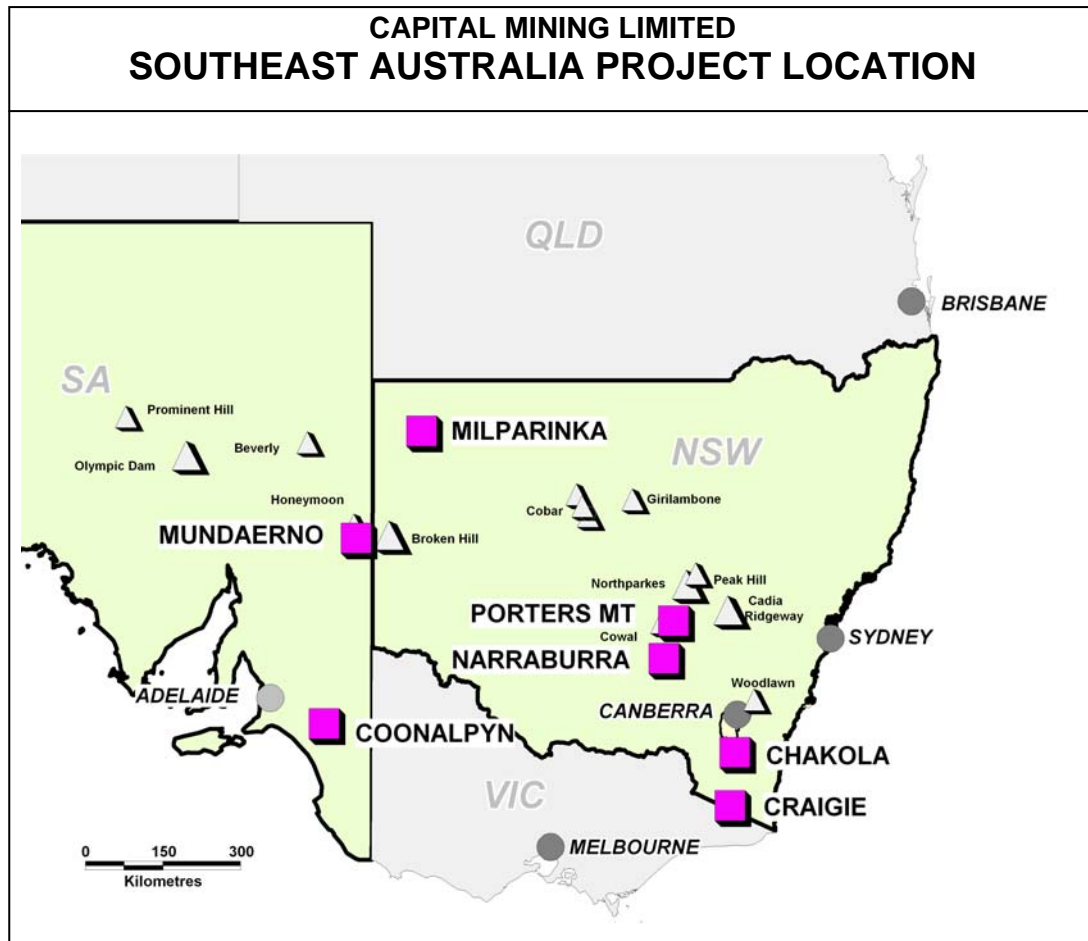
***(Harnett, Stonehenge, Gamma-Delta, Picasso, Driscolls Hill - Capital Mining 100%)***

*Target commodity* Gold, copper, lead, zinc, silver, tellurium  
*Target type* Volcanogenic massive sulphide  
*Metallogenic Province* Woodlawn-Captains Flat Silurian Volcanic Belt

Exploration within the Chakola project area is for gold, silver, copper, lead and zinc in deposits located along persistent mineralised horizons in metamorphosed volcanic rocks. A significant gold and base metal resource has been outlined at the Harnett prospect (see ASX announcement of 02 September 2008) and the search for similar deposits along strike and at depth is continuing.

## CHAKOLA PROJECT *(continued)*

Work on an Environmental Impact Statement covering proposals for development of an open pit gold and base metals mine at Harnett was completed during the quarter and an economic feasibility study commenced.



**Positive results were also received from the ongoing geochemical sampling programme conducted within the Chakola Exploration Licence during the quarter.** Significant anomalies, which constitute excellent drill targets, were recorded for gold, base metals and pathfinder elements such as barium, tellurium, mercury and antimony in a batch of 610 soil samples that were collected to map anomalism along the 3000m mineralised corridor that extends from the Harnett South prospect in the north to the southern boundary of the licence.

**Four distinct anomalies were outlined by the sampling that ranged from a broad, ovoid, 300x200m high-order gold, copper, lead and barium anomaly in the Harnett South area to a series of three linear, zinc, copper, tellurium, lead, antimony and barium anomalies in the Stonehenge North to Stonehenge South segment of the corridor.** The ovoid anomaly presents a target for a gold-copper rich pipe-like shoot or stockwork zone and the linear anomalies that are up to 1000m long are similar to that which coincides with the stratabound Harnett deposit. The linear anomalies change in character from north to south, a feature that is interpreted to be related to the original conditions of mineral deposition. The anomalies have been ranked for testing and drilling is planned.

## NARRABURRA ZIRCONIUM-RARE METALS PROJECT EL 5629 - 11.3 km<sup>2</sup> ; EL 6787 - 84.7 km<sup>2</sup> (Narraburra, Trungley - Capital Mining 100%)

Target commodity	Zirconium, niobium, yttrium, thorium, REE, beryllium
Target type	Intrusion-hosted rare metals; zircon-enriched heavy mineral sands
Metallogenic Province	Tumut Trough Post-Orogenic Igneous Belt

At Narraburra, exploration is for large disseminated deposits of rare metals (zirconium, hafnium, yttrium, thorium, gallium, Rare Earth Elements) in free digging, weathered, granitic bedrock and for zircon-bearing heavy mineral sands in palaeochannels. A large inferred resource has been outlined by drilling and current investigations are aimed at producing a heavy mineral concentrate from the mineralised material.

**Analytical results for first pass metallurgical testing of samples with the company's Micron Wave Table gravity separation facility were received during the quarter.** The tests are being performed to assess ways in which to produce an upgraded rare metal concentrate from potential ore material by using the new technology. In the initial round of tests, two types of mineralised material, represented by two palaeochannel sand and three bedrock drill samples, which were obtained from the March 2008 aircore drilling programme, were dry screened and treated by tabling.

**Best results were obtained from the weathered bedrock material (procedures NWT03, -04 and -05) which constitutes the target with the most potential at Narraburra.** Concentrates, although being of relatively low mass (to 2.9 weight percent), were significantly upgraded in rare metals, thorium, uranium and REE's. In the case of zirconium, the principal metal in the bedrock deposit, the upgrade was between 7 to1 and 15 to1 relative to the head grade of the feed material (see Table 1).

TABLE 1 NARRABURRA RARE METALS PROJECT NSW FIRST PASS MICRON WAVE TABLE METALLURGICAL TEST RESULTS								
PROCEDURE	ANALYSES (ppm)							
	Zirconium	Niobium	Yttrium	Thorium	Uranium	Cerium	Ytterbium	Iron%
<b>NWT03</b>								
Concentrate grade	5010	111	279	138.0	77.9	1660	62	3.37
Head grade	322	37	90	24.4	8.7	428	14	1.35
Upgrade Factor	15.6	3.0	3.1	5.7	8.9	3.9	4.6	2.5
Concentrate 2.9 wt%								
<b>NWT04</b>								
Concentrate grade	2100	50	158	72.9	33.7	340	32	2.64
Head grade	301	34	75	22.4	7.5	262	10	1.13
Upgrade Factor	7.0	1.5	2.1	3.3	4.5	1.3	3.1	2.3
Concentrate 0.6 wt%								
<b>NWT05</b>								
Concentrate grade	3530	69	216	124.0	52.2	322	45	3.30
Head grade	299	37	61	24.8	5.7	55	8	1.37
Upgrade Factor	11.8	1.9	3.6	5.0	9.2	5.8	5.5	2.4
Concentrate 0.6 wt%								

## **NARRABURRA PROJECT (*continued*)**

The zirconium-bearing sand samples had a higher than anticipated clay content and this appears to have interfered with the liberation and recovery of heavy mineral phases during processing (procedures NWT01 and -02). No significant upgrading of the concentrates was achieved in these procedures. However, based on recent experience, follow up tests, using different table settings, feed preparation and conditioning are expected to have a better outcome.

A second round of tests has commenced on bedrock sample material with the aim of producing a higher volume of concentrate from each run.

## **CRAIGIE ALLUVIAL GOLD PROJECT**

**EL 5654 - 29.5 km<sup>2</sup>**

**(*Shiralee, Little Bog Creek, Craigie Bog Creek - Capital Mining 100%*)**

*Target commodity*            Gold  
*Target type*                    Active placer and perched terrace deposits  
*Metallogenic Province*    Southern Highlands Tertiary plateau uplift

At Craigie, Capital has identified alluvial gold resources within an historic goldfield and is aiming to establish reserves for a low-cost mining operation. Trial mining of the Shiralee Terrace 2 deposit is proposed and an Environmental Impact Statement is being prepared to support a Mineral Claim application. Landowner consent has been obtained for the Development Application. Sampling of the larger North Little Bog Creek prospect, which was scheduled for the March quarter 2009, has been deferred to conserve funds.

## **MILPARINKA PLATINUM-NICKEL PROJECT, NSW**

**EL 6832 - 1112 km<sup>2</sup> ; EL 7147 – 856 km<sup>2</sup> (*Capital Mining 100%*)**

*Target commodity*            Platinum, nickel, gold, copper  
*Target type*                    Magmatic segregations (basement); sediment hosted (cover)  
*Metallogenic Province*    Thompson Orogen, Broken Hill -Tibooburra

At Milparinka, Capital is exploring outstanding conceptual targets for precious and base metals that are associated with very deep seated structures of continental scale. The company has a large acreage of previously unexplored terrain in a frontier region and reassessment of regional gravity, magnetic and radiometric datasets, using leading edge analysis techniques has been completed. Photogeological studies are in progress and a soil sampling programme aimed at detecting any geochemical response from deep seated mineralisation by newly developed analytical techniques is being planned. Joint venture partners are being sought and exploration is continuing.

## **MUNDAERNO SOUTH URANIUM PROJECT, SA** **EL 3853 - 52 km<sup>2</sup> (Capital Mining 100%)**

<i>Target commodity</i>	Uranium, gold, copper, REE
<i>Target type</i>	Calcrete and sandstone hosted roll-fronts; IOCGU
<i>Metallogenic Province</i>	Southern Curnamona Craton

EL 3853 is located close to the new Honeymoon uranium mine in the highly prospective Curnamona geological province and covers a series of previously untested palaeochannels and magnetic anomalies in the basement. The area is prospective for roll-front and calcrete-hosted type uranium deposits in cover sediments and for IOCGU (iron oxide copper-gold-uranium) style breccia and diatreme deposits in the basement. Targets for both have been identified within the tenement and drilling is planned. No fieldwork was undertaken during the reporting period.

## **COONALPYN URANIUM GOLD BASE METALS PROJECT, SA** **EL 3881 - 625 km<sup>2</sup> (Capital Mining 100%)**

<i>Target commodity</i>	Uranium, zinc, gold, copper
<i>Target type</i>	Skarn/carbonate replacement; calcrete and sandstone hosted roll-front
<i>Metallogenic Province</i>	Southern Delamerian Fold Belt and Murray Basin

Exploration Licence 3881 covers a large area of underexplored terrain in a region where a number of significant gold and base metal discoveries have recently been made in adjacent provinces with similar geology. Conceptual targets in EL 3881 include: uranium and base metal skarn deposits; volcanic hosted gold-base metal deposits; orogenic gold deposits and uranium deposits in Quaternary calcrete valley-fill and in Tertiary palaeochannels. Acquisition of satellite remote sensing data has been completed and areas of interest have been identified for ground follow up. Fieldwork is planned and exploration is continuing.

## *Tenements* - Changes of Interest for the Quarter

Status	Tenements	Location	Percentage Interest
Acquired	Nil		
Surrendered or cancelled	Nil		

Dated: 29 January 2009

**Richard Hine**  
Chairman

For further information please contact:

**Dr Rick Hine**  
*Executive Chairman*

**Mr Rob McCauley**  
*Managing Director*

**Mr Chris Ablett**  
*Executive Director*

Telephone 02 6281 7951

Telephone 02 6281 7951  
Mobile 0432 327 015

Telephone 02 6281 7951

Capital Mining Limited ACN 104 551 171  
PO Box 3770 Weston Creek ACT 2611  
Email [admin@capitalmining.com.au](mailto:admin@capitalmining.com.au)  
Web [www.capitalmining.com.au](http://www.capitalmining.com.au)

*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.

Name of entity

**CAPITAL MINING LIMITED**

ABN

**69 104 551 171**

Quarter ended ("current quarter")

**31 December 2008**

### Consolidated statement of cash flows

#### Cash flows related to operating activities

	Current quarter 31 December 2008 \$A'000	Year to date (6 months) 31 December 2008 \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(247)	(705)
(b) development	-	-
(c) production	-	-
(d) administration	(47)	(94)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	30	67
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>	<b>(264)</b>	<b>(732)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a)prospects	-	-
(b)equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of: (a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
Security Deposits	-	-
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>-</b>	<b>-</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(264)</b>	<b>(732)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(264)	(732)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (Share issue costs)	-	-
	<b>Net financing cash flows</b>	-	-
	<b>Net increase (decrease) in cash held</b>	(264)	(732)
1.20	Cash at beginning of quarter/year to date	1,305	1,773
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter/year to date</b>	<b>1,041</b>	<b>1,041</b>

**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	79
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Consulting fees and reimbursement of expenses paid to entities associated with Directors. 79
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**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

NIL
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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

NIL
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+ See chapter 19 for defined terms.

### 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	-	-
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	200
4.2 Development	-
<b>Total</b>	200

### 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	341	273
5.2 Deposits at call	700	1,032
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	1,041	1305

### 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	Nil		
6.2	Interests in mining tenements acquired or increased	Nil		

+ 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 <b>Preference +securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	39,613,834*	21,513,834		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	Nil	Nil		
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	250,000 250,000 14,306,231	0 0 14,306,231	<i>Exercise price</i> \$0.191 \$0.241 \$0.20	<i>Expiry date</i> 22 March 2012 22 March 2012 18 October 2010
7.8 Issued during quarter	Nil	Nil		
7.9 Exercised during quarter	Nil	Nil		
7.10 Expired during quarter				
7.11 <b>Debentures</b> <i>(totals only)</i>				
7.12 <b>Unsecured notes</b> <i>(totals only)</i>				

\* Includes 18,100,000 ordinary fully paid shares in ASX Escrow for 24 months from date of listing (22 March 2007).

## 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 January 2009  
(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.

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+ See chapter 19 for defined terms.