

ASX Code: CMY

Issued Shares: 39.6M

Market Capitalisation: \$2.2M

Cash Balance: \$0.9M

## QUARTERLY ACTIVITIES REPORT MARCH 2009



### HIGHLIGHTS

- Agreements to secure major interests in two exceptional gold prospects put in place
- Excellent discovery potential confirmed in both cases by data assessment
- Development Application lodged for Chakola gold-base metals project
- Development Application lodged for Craigie alluvial gold project
- Potential for high-grade gold deposition zone confirmed in a structure at Porters Mount
- Shallow oxide gold target and untested prospective anomalies ready for drilling
- Director's shares placed in voluntary escrow upon release from ASX trading restriction

### EXPLORATION ACTIVITIES

In an active quarter in which the company sought to refocus its efforts on gold exploration in southeast New South Wales, separate purchase option and farm-in agreements were negotiated and put in place on two exceptional gold and gold-base metals prospects at **Cowarra** near Bredbo and **Mayfield** near Braidwood respectively.

Development Applications were also lodged with respect to the company's proposed hard rock mine development at Chakola and a proposed trial alluvial gold mining operation at Craigie. Both projects are aimed at establishing potential cash flows for the company in the future.

Positive results continued to flow from ongoing work on the Porters Mount project where conceptual models were confirmed and numerous drill targets were identified.

## NEW PROJECTS

### **COWARRA GOLD**

**EL 5939 – 28.4 km<sup>2</sup>**

***(Option to Purchase 100% from Atlas Resources Pty Limited)***

<i>Target commodity</i>	Gold
<i>Target type</i>	High-grade shear zone hosted sulphide lenses and veins
<i>Metallogenic Province</i>	Southern Divide Gold and Base Metals Belt

As announced on 10 March 2009, Capital has entered into an option agreement with Atlas Resources Pty Limited ("Atlas" A.C.N. 003 463 036) whereby Capital may acquire a 100% interest in Atlas's Exploration Licence 5939, which includes the former producing gold mine at Cowarra, near Bredbo, for the consideration of 3 million ordinary shares.

The gold mineralisation at Cowarra is hosted by a swarm of at least five, sub-parallel shear zones in multiply deformed Ordovician sediments. The shear zones vary from 150 metres to two kilometres in length and carry narrow, sinuous sulphide and quartz-sulphide veins in a system that extends over an area 3 kilometres long by 1 kilometre wide at the Cowarra mine. Historic production from the mine was at relatively high grades of around 8.5g/t gold by the Broken Hill Proprietary Co. Ltd in the 1940's and between 5 and 13g/t gold by Horizon Pacific Ltd in the 1980's. Un-mined ore remains in some shoots and Atlas has obtained encouraging results from recent shallow drilling.

The mineralisation is open along strike and at depth over a large area of the field and Capital views the area as having exceptional discovery potential. Evaluation of the historic and current exploration data package to generate drill targets and formulate an ongoing exploration programme has commenced.

### **MAYFIELD GOLD- BASE METALS**

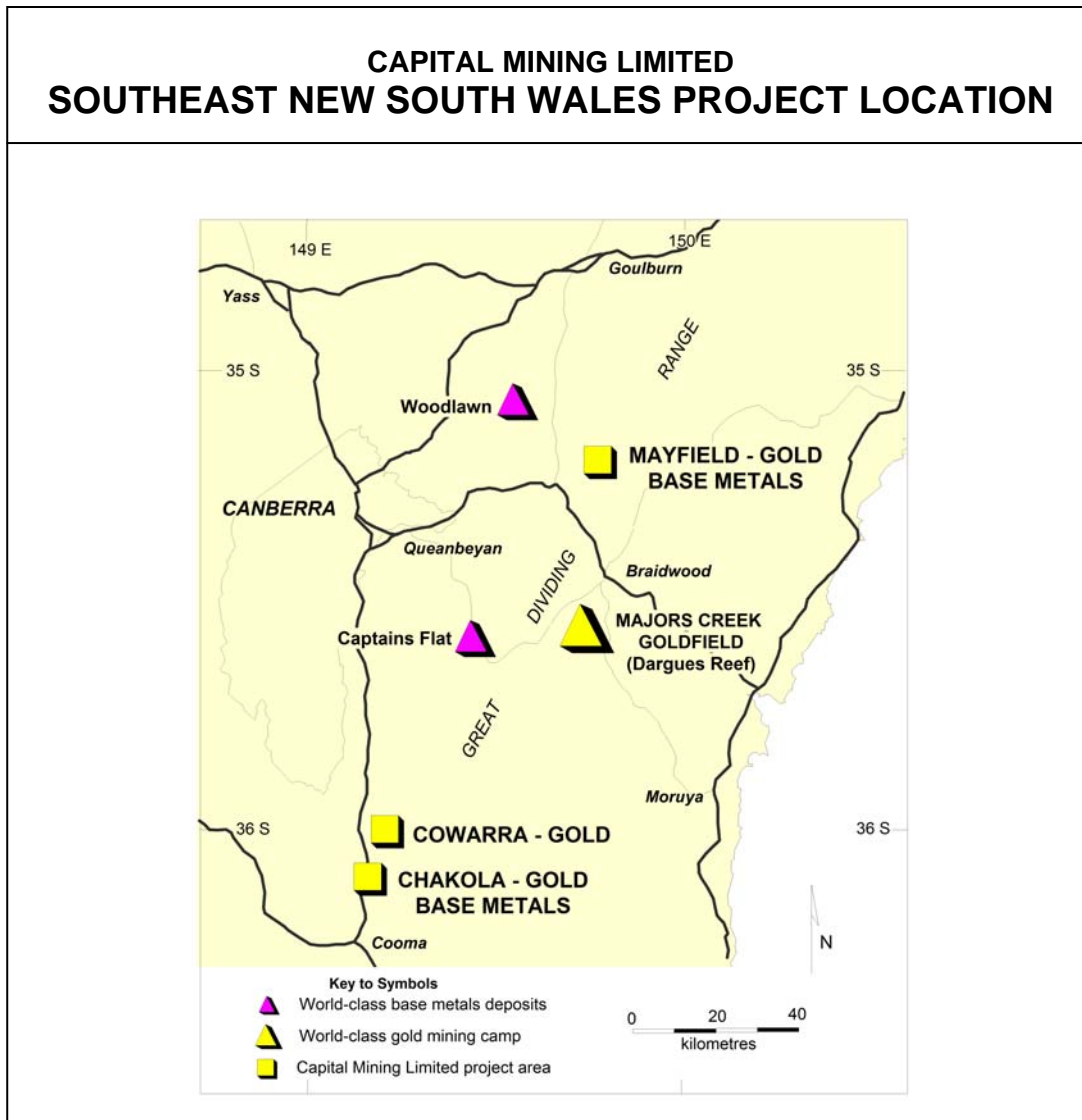
**EL 6358 – 49.4 km<sup>2</sup>**

***(Capital Earning 51% from Monaro Mining NL A.C.N. 073 155 781)***

<i>Target commodity</i>	Gold-Copper-Silver-Lead-Zinc
<i>Target type</i>	Gold-copper in skarn;
<i>Metallogenic Province</i>	Southern Divide Gold – Base Metals Belt

In another move to add to its gold prospect portfolio in southeast New South Wales, Capital announced on 29 April 2009 that it had entered into a Heads of Agreement with Monaro Mining NL ("Monaro" - ACN 073 155 781) to earn up to a 75% interest in the Mayfield Project area, EL 6358. The tenement covers a significant known gold-copper skarn deposit at the Mayfield Prospect where very encouraging historic exploration drilling results have been reported. The licence is also located close to the world-class Majors Creek gold field, a current exploration hotspot.

The main focus of the Capital led work programme at Mayfield will be to attempt to delineate a gold resource at the Mayfield gold-copper prospect and to explore the surrounding terrain for additional gold-base metals resources. A data review is in progress and fieldwork will be undertaken in the coming quarter.



## EXISTING PROJECTS

### **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, gold skarns  
**Metallogenic Province**    Temora - Forbes- Parkes Porphyry Copper-Gold Belt

At Porters Mount exploration is for epithermal, porphyry and skarn style gold and base metal deposits associated with a very large diatreme breccia and intrusive complex. Petrographic examination of drill core samples taken from the interval of epithermal breccia mineralisation that was intersected at 750m in hole PMD001, was completed during the quarter. *Results confirmed that the mineral depositional environment was in the deep epithermal to mesothermal range. More importantly, observations suggest that the drill intersection was very likely to have been made **below any boiling zone** (i.e. a potential high-grade gold depositional zone).* In order to follow up this encouraging result, it is proposed to drill at

## PORTERS MOUNT PROJECT *(continued)*

least two more holes on the section line to test for the presence of a high-grade gold zone within the vein breccia structure closer to the surface. Follow up drilling has also been planned to test other targets identified by reinterpretation of the historic drill data and also those outlined by the high resolution ground magnetic and gravity surveys completed in the previous quarter. These include an oxide gold target below shallow cover to the south of Porters Mount and a range of prospective, previously untested geophysical anomalies to the north and west.

## 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%)*

<i>Target commodity</i>	Gold, copper, lead, zinc, silver, tellurium
<i>Target type</i>	Volcanogenic massive sulphide
<i>Metallogenic Province</i>	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 within Mining Lease Application (MLA) 269 and the search for similar deposits along strike and at depth is continuing. ***In a significant development during the quarter, a Development Application (DA) was lodged in support of MLA 269 which details the company's proposals to develop a small open cut mine operation at Chakola.*** Preliminary financial analysis for the project was received from an independent consultant during the reporting period. Included in the analysis is a detailed matrix showing all of the economic variables and parameters associated with the project. Analysis of the results is in progress and economic modelling continues.

## 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%)*

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

At Narraburra, Capital is searching for large, disseminated deposits of rare metals (zirconium, hafnium, yttrium, thorium, gallium, Rare Earth Elements "REE") in free digging, weathered, granitic bedrock and for zircon-bearing heavy mineral sands in palaeochannels. A significant inferred resource has been outlined by drilling and current investigations are aimed at producing a heavy mineral concentrate from the mineralised material. Results of a second round of in-house tests using the company's Micron Wave Table gravity separation facility were received during the reporting period and were found to be similar to those reported in the previous quarter. Up to 4900 ppm zirconium was recorded in a concentrate of 3.6% by weight in the best run which had a table feed grade of 947 ppm zirconium. Best upgrades were up to 5 times for zirconium and 3.4 times for heavy REE's. Analysis of particulate matter, filtered from the process water, indicated that ***lithium***<sup>1</sup> was preferentially partitioned into the fine fraction thus offering a potential method of concentrating it. In general, recoveries of all rare metals were better on samples with higher head grades. Further testing on higher grade feed material is planned.

<sup>1</sup> Lithium is a valuable rare metal increasingly in demand as a component of lightweight batteries used in electric and hybrid vehicles, computers, mobile phones and in high-end applications in the electronics industry.

## CRAIGIE ALLUVIAL GOLD PROJECT

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

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

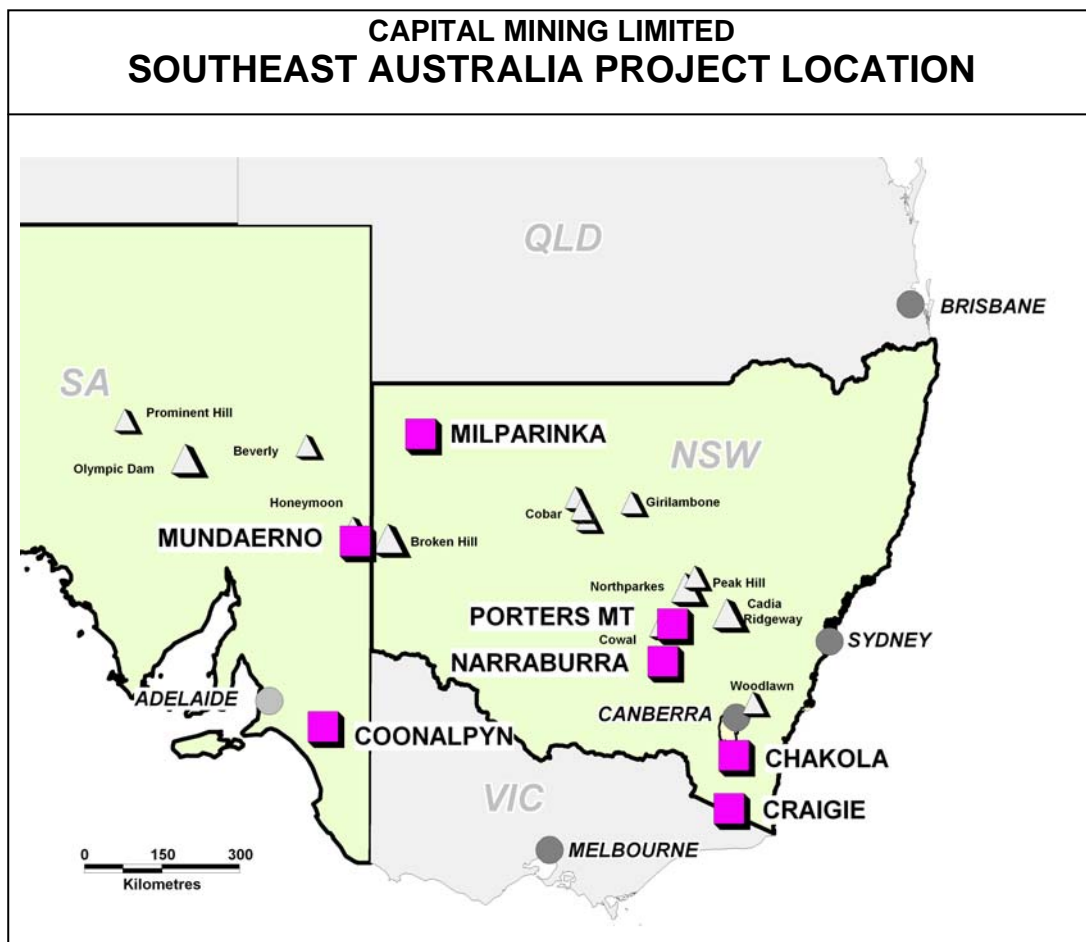
Target commodity      Gold  
 Target type              Active placer and perched terrace deposits  
 Metallogenic Province   Southern Highlands Tertiary plateau uplift

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, a conceptual mine plan has been drawn up and a Development Application (DA) in support of the application for two Mineral Claims covering the deposit was lodged in mid April.

## OTHER PROJECTS

There were no significant developments to report with respect to the Milparinka (platinum-nickel), Mundaerno South (uranium) and Coonalpyn (uranium-gold-base metals) projects during the quarter.



## TENEMENTS - Changes of Interest for the Quarter

Status	Tenements	Location	Percentage Interest
Acquired	Nil		
Surrendered or cancelled	Nil		

Dated: 30 April 2009

**Richard Hine**  
Chairman

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For further information please contact:

**Dr Rick Hine**  
*Executive Chairman*

**Mr Rob McCauley**  
*Managing Director*

**Mr Chris Ablett**  
*Executive Director*

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*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 March 2009**

### Consolidated statement of cash flows

#### Cash flows related to operating activities

	Current quarter 31 March 2009 \$A'000	Year to date (9 months) 31 March 2009 \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(112)	(817)
(b) development	-	-
(c) production	-	-
(d) administration	(43)	(137)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	13	80
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>(142)</b>	<b>(874)</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>(142)</b>	<b>(874)</b>

+ See chapter 19 for defined terms.

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

1.13	Total operating and investing cash flows (brought forward)	(142)	(874)
	<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>	(142)	(874)
1.20	Cash at beginning of quarter/year to date	1,041	1,773
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter/year to date</b>	899	899

**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	54
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. 54
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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	100
4.2 Development	-
<b>Total</b>	100

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	399	341
5.2 Deposits at call	500	700
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	899	1,041

### 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*	39,613,834		
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>				

\* Directors holding 17,700,000 of these shares have agreed to a voluntary escrow period of 6 months until 22 September 2009 via a trading lock by the company's share registry.

+ 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: 30 April 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.