

ASX Code: CMY

Issued Shares: 42.6M

Market Capitalisation: \$1.7M

Cash Balance: \$1.6M

QUARTERLY ACTIVITIES REPORT JUNE 2009



HIGHLIGHTS

- High-grade gold targets secured with exercise of Cowarra purchase option
- Gold exploration focus maintained and Cowarra resource estimate commissioned
- Sound basis for preparation of Mayfield gold-copper resource estimate established
- New targets identified in Mayfield project area by cutting edge geophysical analysis
- Targets ready for drilling at Porters Mount gold-copper project area
- Development Applications being pursued at Chakola and Craigie
- Capital raising successfully completed to fund planned work programmes

EXPLORATION ACTIVITIES

Exploration of the Company's two new gold focussed project areas in southeast New South Wales at **Mayfield** and **Cowarra** began in earnest during the quarter. Results were positive and the resource potential within both tenements was confirmed by lead up work that has included extensive reanalysis and verification of the historical databases and field surveys in both cases.

The foundation was laid for ongoing exploration at Mayfield where value adding through implementation of a programme of shallow resource outline drilling is planned for the near future. Encouraging results also continued to flow from work at commissioned to reassess the existing high-resolution magnetic and gravity survey data from the **Porters Mount** project area where epithermal gold, skarn and porphyry copper-gold targets are under investigation and ready for drilling.

As announced on 17 July 2009, a successful capital raising exercise was completed with the gratefully acknowledged support of the Company's shareholders and financial backers. The funds raised will be invested in ongoing systematic exploration of the Company's key prospects aimed at adding value through delineation of resources.

MAYFIELD GOLD - COPPER - BASE METALS PROJECT EL 6358 – 49.4 km²

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

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

Exploration of the gold-copper skarn systems that are the principal and most attractive targets in EL 6358, commenced during the reporting period. Work centred on the Mayfield and Limekilns prospects where positive results and further encouragement were obtained from a synthesis of the historic drill assay data and from reprocessing of the historic geophysical survey data.

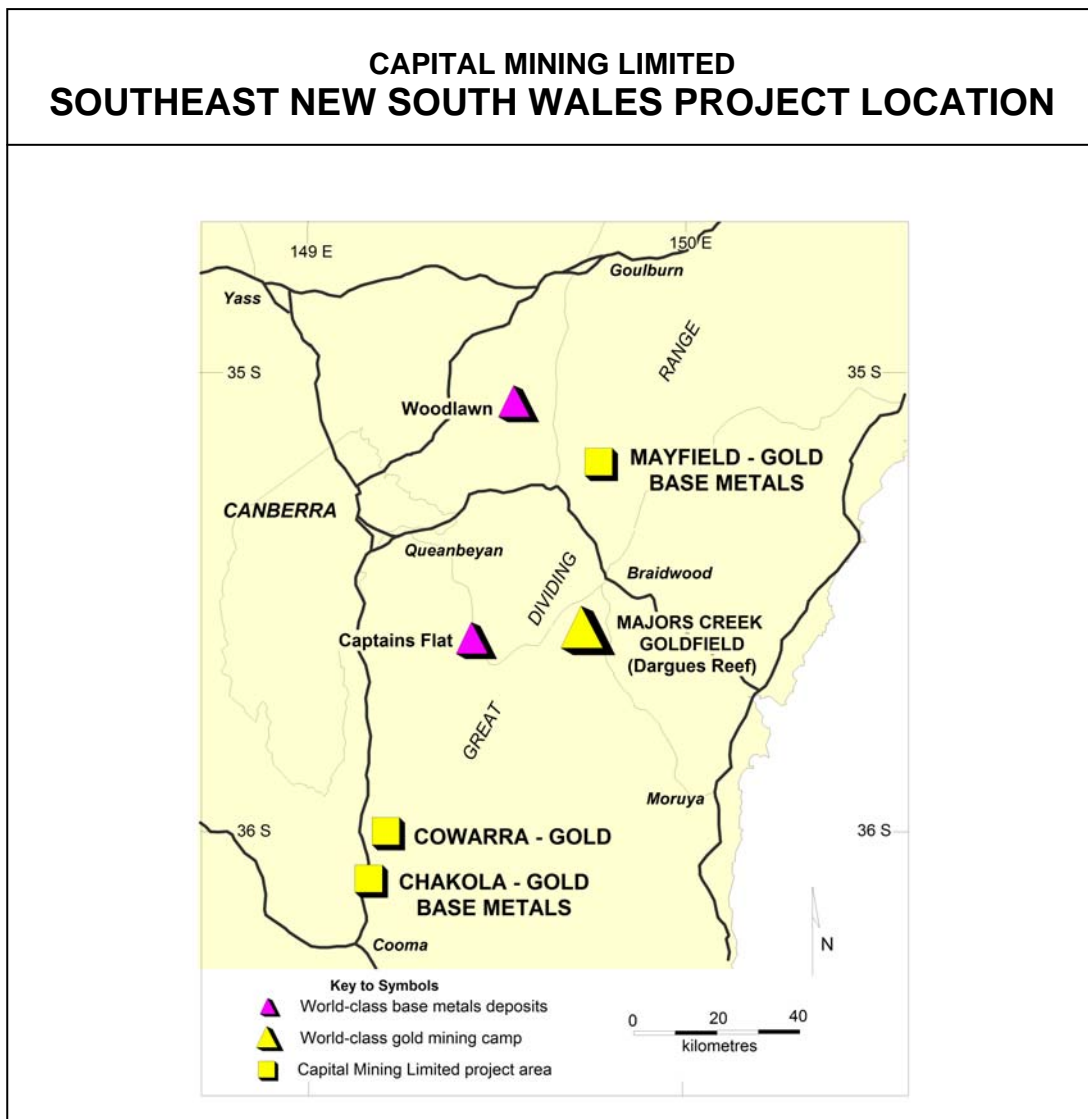
Gold and **copper** values peak at 17.2g/t and 3.3% respectively in the historic drill results and there are also pockets in the mineralisation that are rich in **silver** at up to 200g/t. Intersections such as: **7m @ 98g/t silver and 0.8% copper** (from 76m in hole MA13) were noted during the assessment and peak values of up to 10.3% for **zinc**, 1900g/t for **cobalt**, 135 g/t for **tungsten** and 11.5% for **manganese** in 1m samples also point to the additional potential for credits within the mineralisation. The mineralisation is also relatively rich in **iron**, largely as magnetic and non-magnetic oxides, and values of up to 63% iron were noted. Significant intersections at a 40% cut off were made in six holes within the range from: **25m @ 47.7% iron** in MA11 from 93m to **7m @ 44.3%** in MA13 from 95m.

Another significant advance was made during the quarter with the acquisition and re-processing under contract by state of the art target mapping software, of the high resolution magnetic and radiometric data from a 1992 airborne geophysical survey. The mineralisation has a readily identifiable geophysical signature and numerous prospective structures, coincident in part with known mineralisation, were identified and prioritised for follow up. A number of prospective anomalies have only been partially tested or have never been drilled at all. Targets are being generated and analysis of the results is continuing.

Fieldwork carried out during the quarter included detailed geological mapping at the Mayfield prospect, where the focus for exploration since the 70's has been a prominent outcrop of gossanous ironstone, siliceous breccia and mineralised skarn that is located at the southern end of a 1500m long by 30-40m wide zone of interest. Five permanent survey stations were established at strategic points across the prospect to locate former drill hole collars and to provide accurate survey control for exploration activities including drilling going into the future. A further three survey stations were also established at the Limekilns prospect where high-grade gold intercepts in shallow historic RAB holes are forming the incentive for ongoing exploration.

Re-compilation and verification of the integrity of the Mayfield historic drill database is nearing completion and in the coming quarter, inspection, refurbishment, re-logging and check sampling of historic drill cores and other drill sample residues is planned, along with contour surveying, cross section preparation, conceptual open pit design and resource estimation.





COWARRA GOLD PROJECT

EL 5939 – 28.4 km²

(Capital 100% Under Transfer 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

During the quarter, Capital exercised its option to purchase EL 5939 from Atlas Resources Pty Limited (“Atlas” A.C.N. 003 463 036) for the consideration of 3 million ordinary shares. Application for transfer of the licence has been approved by the Minister and registration of the title is awaited.

Exploration at Cowarra is for high-grade gold mineralisation in shear zones that vary from 150 metres to 2 kilometres in length and which carry narrow, sinuous sulphide and quartz-sulphide veins. The area has had a long history of mining that goes back to the discovery of alluvial gold in the 1860’s and which culminated with production from a series of underground stopes at grades in the order of 8g/t in the 1980’s. Capital is following up on a number of promising, relatively high-grade drill intercepts made

COWARRA GOLD PROJECT (continued)

by Atlas in 2004-5 during its programme to test near surface extensions to the Victoria, Princess and Democrat lodes as listed below:

- **6.5m @ 6.2 g/t gold from 39m in CRC001–VictoriaLode;**
- **4.0m @ 5.6 g/t gold from 41m in CRC003–VictoriaLode;**
- **5.0m @ 11.2 g/t gold from 64m in CRC022–VictoriaLode;**
- **2.0m @ 14.4 g/t gold from 8m in CRC007–PrincessLode;**
- **4.0m @ 10.8 g/t gold from 69m in CRC029–DemocratLode.**

A thorough data review was completed during the reporting period prior to exercise of the purchase option and collation of the information making up the large historic mining and exploration database is advanced. Ongoing evaluation of the property will be directed towards the assessment of mineralisation remaining in underground blocks and pillars and the search for high-grade shoots at depth.

A proposal to re-enter and sample the underground workings is in preparation and will be finalised once the title has been registered. Fieldwork planned for the coming quarter is to include detailed mapping and rock chip sampling, which will be aimed at establishing the structural controls on the distribution of the mineralisation.



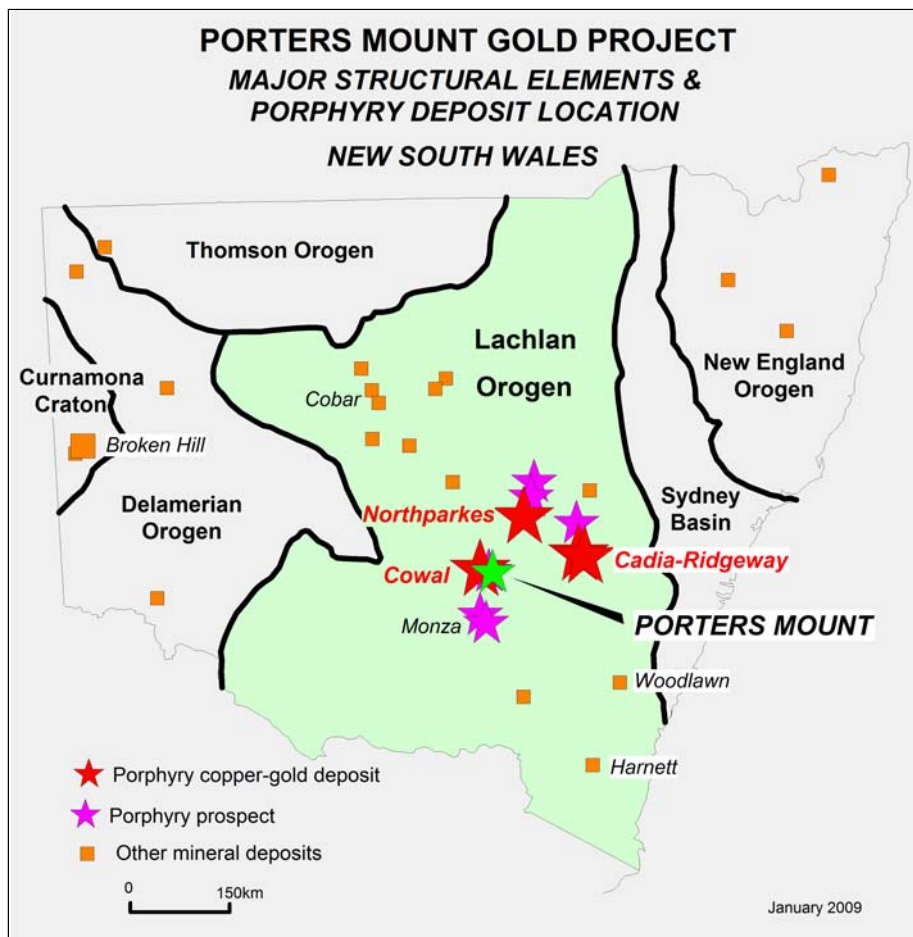
PORTERS MOUNT GOLD-COPPER-MOLYBDENUM PROJECT EL 6591 - 65.7 km² (Capital Mining 100%)

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, targets that include epithermal, porphyry and skarn style gold and copper deposits are under investigation in a region that is surrounded by operating world-class mines and significant copper-gold prospects. Numerous very attractive drill targets have been defined within a broad area of geochemical and geophysical anomalism that is associated with a large diatreme breccia and intrusive complex at the centre of the licence.

Target generation studies continued during the quarter and the raw data from the 2009 Capital Mining and 1996 North Limited magnetic and gravity surveys were reprocessed, merged and filtered to produce a series of images that for the first time covered the entire 5 by 3 kilometre area of interest. Numerous prospective bedrock magnetic and gravity anomalies, of a character similar to those associated with producing gold and copper mines in the region, were outlined. Many of the anomalies have either never been drilled, or have only been tested with inconclusive results.

There is considerable scope for more drilling across the Porters Mount tenement and a programme has been drawn up to test: a) the most prospective unexplained and underexplored bedrock geophysical anomalies; and b) conceptual targets identified from a synthesis of previous drilling results that includes the untested extensions of mineralised structures intersected at depth in current and historic diamond holes. The system is to a large extent underexplored and joint venture partners are actively being sought to accelerate the exploration programme.



CHAKOLA GOLD & BASE METALS PROJECT EL 5697 - 66.4 km²; 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 and a Development Application (DA) covering proposals for a small open pit mining operation has been lodged. Exploration for similar deposits along strike and at depth is continuing.

During the reporting period, statutory consultation was completed and representatives from the Cooma Monaro Shire Council, the DA management authority, visited the proposed Harnett mine site to inspect the area and to review the concept plans in the field.

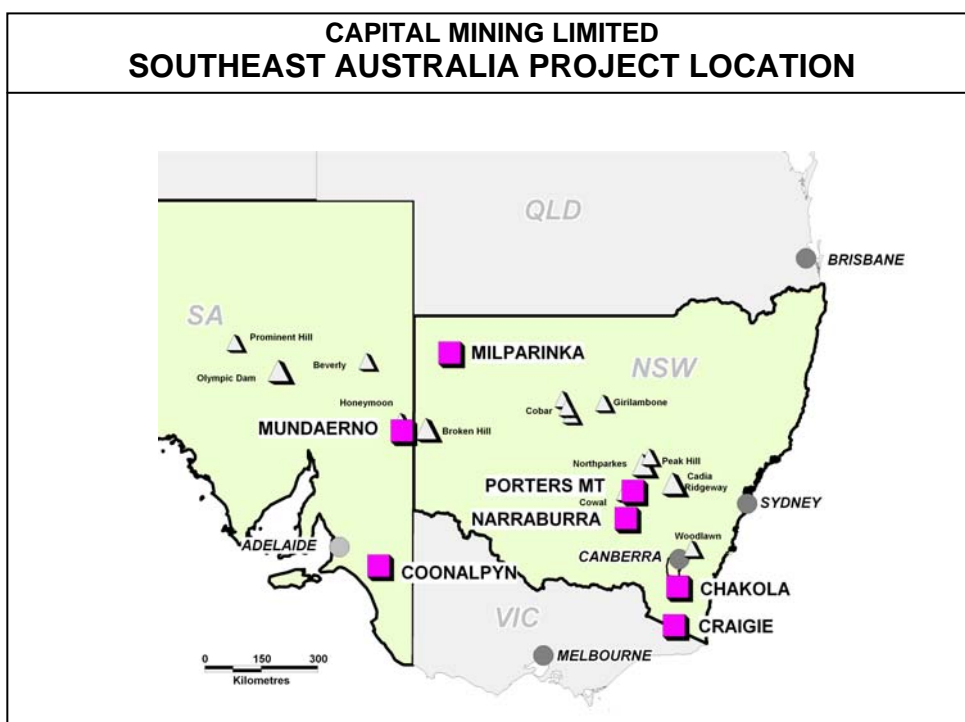
CRAIGIE ALLUVIAL GOLD PROJECT

EL 5654 - 29.5 km²

(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 series of low-cost mining operations. An application to develop a trial mining operation at the Shiralee Terrace 2 deposit was lodged in the previous quarter. Site inspections were completed by the Bombala Shire Council in the reporting period.



OTHER PROJECTS

Project reviews were completed for the Narraburra (Rare Metals-REE), Milparinka (platinum-nickel) Coonalpyn (uranium-gold-base metals) and Mundaerno South (uranium) projects during the reporting period. Licence renewals were submitted where necessary and there were no significant results to report.

TENEMENTS - Changes of Interest for the Quarter

Status	Tenements	Location	Percentage Interest
Acquired	EL 5939 -Transfer approved -Title registration awaited	Cowarra, NSW	100%
Surrendered or cancelled	Nil		

Dated: 28 July 2009

Richard Hine
Chairman

For further information please contact:

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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")

30 June 2009

Consolidated statement of cash flows

Cash flows related to operating activities

	Current quarter 30 June 2009 \$A'000	Year to date (12 months) 30 June 2009 \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(129)	(946)
(b) development	-	-
(c) production	-	-
(d) administration	(51)	(188)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	5	85
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(175)	(1,049)
Cash flows related to investing activities		
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)	-	-
Net investing cash flows	-	-
1.13 Total operating and investing cash flows (carried forward)	(175)	(1,049)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(175)	(1,049)
	Cash flows related to financing activities		
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)	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(175)	(1,049)
1.20	Cash at beginning of quarter/year to date	899	1,773
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter/year to date	724	724

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	78
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. 78

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

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

+ 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	-
Total	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	474	399
5.2 Deposits at call	250	500
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	724	899

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	EL 5939 "Cowarra" NSW	Exercise of Purchase Option Agreement with Atlas Resources Pty Ltd (ACN 003 463 036)	0%	100%

+ 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	42,617,168*	42,617,168		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	3,003,334	3,003,334		
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>	250,000 250,000 14,302,897	0 0 14,302,897	<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	3,334	3,334		
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.

* 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. Also includes a further 3,000,000 shares in voluntary escrow until 12 December 2009.

Note: on 21 July 2009 a further 25,570,321 ordinary shares and 12,785,166 Options with an exercise price of 8 cents and expiry date of 1 July 2011 were issued under the Company's Rights Issue. Cash at bank at 28 July 2009 was \$1.6million.

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 2009
(Company secretary)

Print name: JOHN KEPPO
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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.

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly 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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