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CAPITAL MINING IDENTIFIES LITHIUM BEARING PEGMATITES AT MIDWEST LITHIUM PROJECTS

Highlights

- **Lithium-bearing pegmatites have been identified at Capital Mining's Lithium Projects in the Midwest region of Western Australia**
- **Multiple anomalous rock chip samples and soil samples with elevated lithium and associated element values identified by hand-held XRF analysis**
- **Based on positive initial results samples will be sent for full laboratory analysis for lithium and other mineral elements – results expected soon**
- **Initial results support the potential of the Company's Midwest Projects to host a Lithium-Caesium-Tantalum (LCT) Pegmatite system**
- **Initial field work programs at Capital's WA lithium project portfolio complete – pending results due in near future**

Capital Mining Limited (ASX: CMY) ("**Capital**" or "**the Company**") is pleased to announce that potential lithium-bearing pegmatites have been identified at the Bigbell South, Mindoolie and Yalgoo South Projects in the Midwest region of Western Australia.

The Company recently completed a first phase reconnaissance field work program at the Big Bell South Project (ELA20/906), Mindoolie Project (ELA20/907) and Yalgoo South Project (ELA59/2196). Initial results have been particularly encouraging and have identified the presence of pegmatites with elevated lithium index¹ values along with associated elements.

A total of 185 soil samples and 18 rock chip samples (see Images 1 and 2) were collected across the project areas, and were subjected to initial analysis via portable XRF.

The pXRF analysis returned multiple anomalous rock chip samples and soil samples with elevated lithium index values plus elevated niobium (Nb), caesium (Cs), rubidium (Rb), tantalum (Ta), tin (Sn) and gallium (Ga) values. The presence of elevated values of these associated elements is further indication of the potential for project areas to host a Lithium-Caesium-Tantalum (LCT) Pegmatite system.

Based on the positive initial pXRF results, the elevated samples will be sent for full laboratory analysis for lithium, plus a full suite of other associate and related mineral elements. The laboratory analysis is being conducted by Intertek Genalysis, in Western Australia.

¹ Portable XRF Services has developed a proprietary algorithm to estimate the lithium concentration using the multielement LCT pegmatite associations in rocks and soils. The lithium index is used and reported on by ASX listed companies including PIO (27/07/2016) and POS (21/07/2016).



Image 1: Mindoolie - Rock Chip sample



Image 2: Big Bell - Rock Chip sample

Capital applied for the Big Bell South and Mindoolie Projects on the basis that they are both considered prospective for lithium-rich spodumene bearing pegmatites (ASX announcement, 2 September 2016). The projects cover a total area of 85.50km² and are located in close proximity to known mineral occurrences associated with LCT Pegmatites.

Seven rock chip samples were collected in the initial field reconnaissance program at the **Big Bell Project**, and preliminary pXRF results showed positive indication of fertile LCT pegmatites in six of the samples with elevated Rb, Ta, Nb, Sn, Ga, Cs and Li-index values. These samples are to be submitted for laboratory analysis. In addition, soil samples were collected along four traverses with the traverse closest to the elevated rock chips returning elevated Ga, Nb, Rb and Li index values. The soils from this traverse will also be submitted for laboratory analysis.

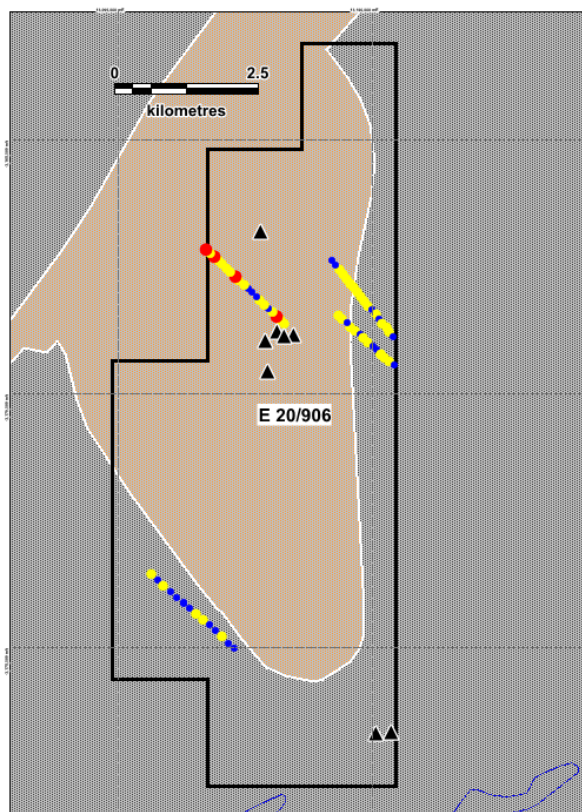


Image 3: Big Bell South - Distribution of Rock Chip samples

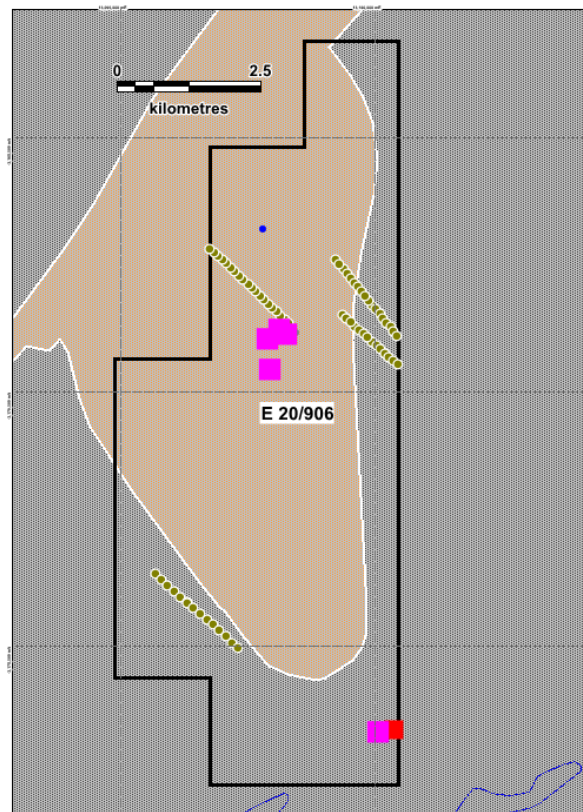


Image 4: Big Bell South - Distribution of Soil Traverses

Two rock chip samples collected at the **Mindoolie Project** and preliminary pXRF results showed positive indication of fertile LCT pegmatites in one of the samples, with elevated Rb, Nb, Ga and Li-index values. These samples lie within the interpreted granite and will be submitted for laboratory analysis. Also, soil samples were collected along four traverses. None of the traverses showed any significant elevation in key LCT elements.

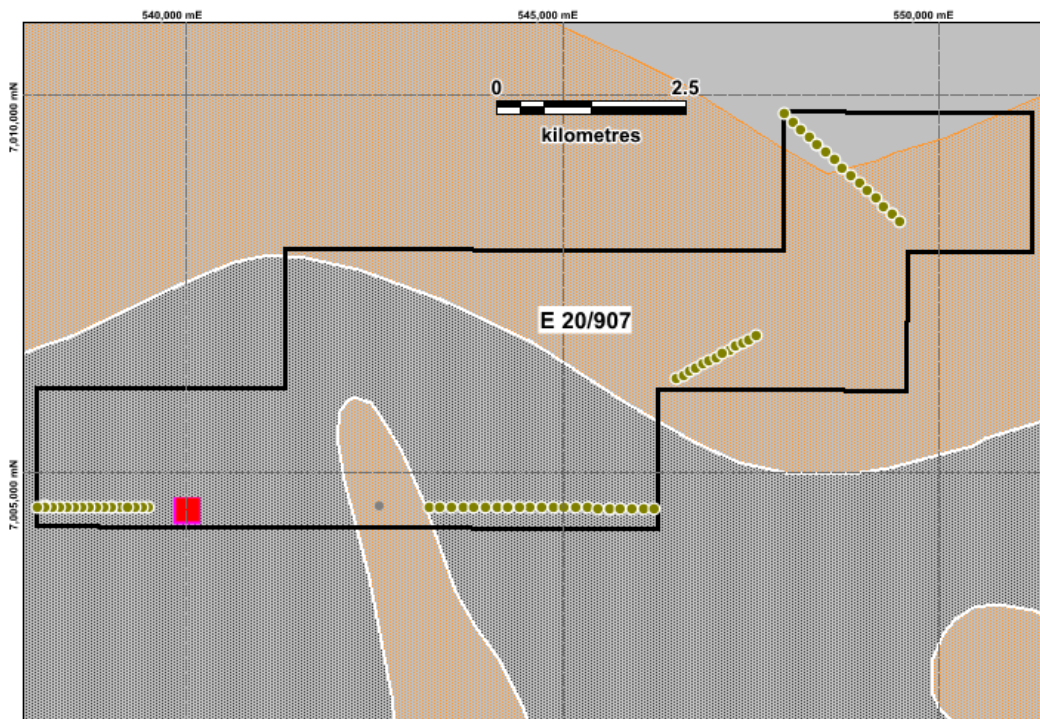


Image 5: Distribution of Rock Chip samples at Mindoolie

The **Yalgoo South Project** covers an area of 45.37km² in the Yalgoo Mineral Field, approximately 230km from the Geraldton Port. The Geological Survey of Western Australia (GSWA) has recorded a number of lithium-bearing LCT pegmatites in the Yalgoo Region. Yalgoo South lies on the eastern margin of a north, north-west trending greenstone belt and extends eastwards into granitic rocks (biotite and monzogranite), with magnetic features indicating greenstone rafts. The presence of greenstone is interpreted as a positive indicator of the project's spodumene-bearing pegmatite potential (ASX announcement 23 August 2016).

Eight rock chip samples were collected in the reconnaissance field work program at Yalgoo South. Initial pXRF results returned a positive indication of fertile LCT pegmatites in three of the samples, with elevated Rb, Nb, Sn, Ga, Li-index values. The samples will be submitted for laboratory analysis. Soil samples were collected along three traverses, and one traverse returned elevated Rb, Nb and Li-index sample values which will be subject to laboratory analysis.

The **Yalgoo North Project** covers an area of 71.9km² in the Yalgoo Mineral Field, at the northern end of the Yalgoo Greenstone belt. Geological mapping indicated the presence of greenstone host rocks, but the Company's field investigations did not confirm its prospectivity.

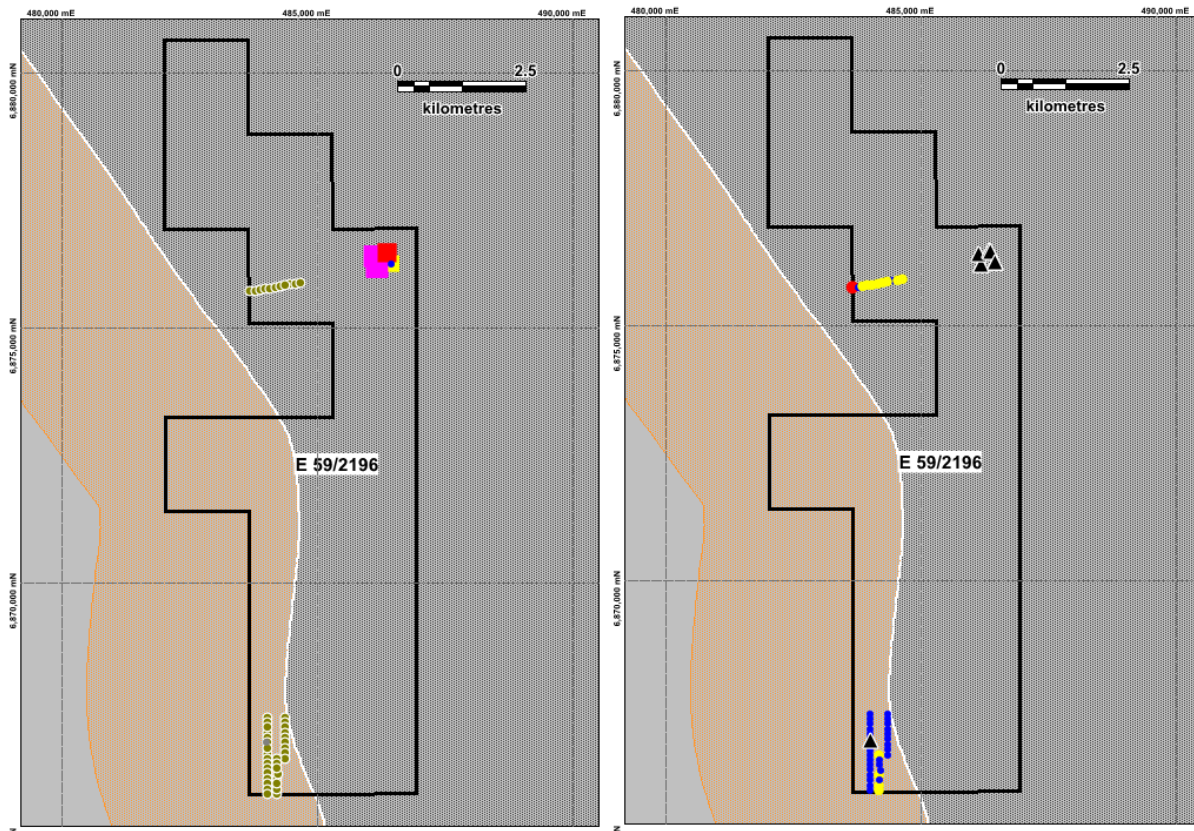


Image 6: Yalgoo South - Distribution of Rock Chip samples **Image 7:** Yalgoo South - Distribution of Soil Traverses

Next Steps

WA Lithium Projects

Capital has now completed its initial reconnaissance field work programs across its portfolio of 11 lithium prospective projects in WA.

This first phase work has been successful in identifying potential lithium-bearing pegmatites at the Reynolds, Caroline Creek and the Yinnietharra Projects in the Gascoyne region (ASX announcement, 17 October 2016). Based on the success of this work samples were submitted for laboratory analysis and results are due in the near future. Potential lithium-bearing pegmatites have also been identified at the Big Bell South, Mindoolie and Yalgoo South Projects (as reported in this ASX announcement) and samples will be subjected to laboratory analysis.

The laboratory analysis is designed to confirm and validate the initial elevated pXRF results. Subject to the laboratory results, the next phase of field work will be planned. This may include detailed grid soil surveys and geological mapping to identify the source of the LCT pegmatites, to help define targets for more detailed exploration.

Wolfhound Lithium Projects, Republic of Ireland

Capital plans to commence its initial field works program at its Wolfhound Lithium Projects in the highly prospective Leinster Granite in the south east of Ireland in the near future. Field work is planned to commence at the Ballon Project (PL 2930 & PL 2931), located adjacent to International Lithium Corporation's (TSXV: ILC) Avalonia Lithium Project. The program will be designed to identify and sample spodumene (lithium-bearing) pegmatites, to refine priority targets for Capital's future exploration.

News South Wales Gold and Base Metals Projects

The Company also plans to commence its next phase of drilling at the Mayfield Gold-Copper Project (EL 6358) this month, followed by drilling at the Chakola Project (EL 5697), subject to all requisite approvals for drilling. Further details on these drilling programs will be provide prior to commencement of drilling.

-ENDS-

Peter Dykes
Director

E20/906, E20/907 and E59/2196

SECTION 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections)

JORC Code explanation

Commentary

Sampling techniques

Nature and quality of sampling (e.g. cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc.). These examples should not be taken as limiting the broad meaning of sampling. Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.

Aspects of the determination of mineralisation that are Material to the Public Report.

In cases where 'industry standard' work has been done this would be relatively simple (e.g. 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g. submarine nodules) may warrant disclosure of detailed information.

Drilling techniques

Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc.) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc.).

Drill sample recovery

Method of recording and assessing core and chip sample recoveries and results assessed. Measures taken to maximise sample recovery and ensure representative nature of the samples.

Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.

Logging

Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.

Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc.) photography.

The total length and percentage of the relevant intersections logged.

- Reconnaissance style rock chip sampling from outcrop and float sampling if thought to demonstrate nearby mineralisation
- Rock samples of pegmatitic material and country host rock collected for analyses
- 1 to 2 kg of rock collected from each sample site.
- Samples dried overnight prior to analysis.
- Samples analysed using Bruker S1 TITAN with a proprietary calibrated Lithium Index algorithm developed for LCT pegmatites.
- Samples analysed for whole rock analyses at Intertek Genalysis for full 48 element Lithium suite.

- No drilling involved
- Recovery not relevant

- Data was collected from each sample site and entered into Excel spreadsheet. Data collected includes outcrop description, rock type, colour, mineralogy, visible lithium mineral assemblages and comments.

JORC Code explanation

Sub-sampling techniques and sample preparation

If core, whether cut or sawn and whether quarter, half or all core taken.

If non-core, whether riffled, tube sampled, rotary split, etc. and whether sampled wet or dry.

For all sample types, the nature, quality and appropriateness of the sample preparation technique.

Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.

Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.

Whether sample sizes are appropriate to the grain size of the material being sampled.

Quality of assay data and laboratory tests

The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.

For geophysical tools, spectrometers, handheld XRF instruments, etc., the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.

Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established.

Verification of sampling and assaying

The verification of significant intersections by either independent or alternative company personnel.

The use of twinned holes.

Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.

Discuss any adjustment to assay data.

Commentary

- Isolated traverse soil geochemistry sampling over potential greenstone host rocks
- Duplicated samples collected approx. every 20th sample. Bruker runs internal QAQC checks daily and operator runs daily analysis checks using standard reference material.
- 100 to 200g sample of -250 micron sieved soil fraction taken from 20-40cm deep holes.
- Samples analysed using Bruker S1 TITAN with a proprietary calibrated Lithium Index algorithm developed for LCT pegmatites
- The sample preparation was completed using an industry standard process and the assay method using a pXRF machine is considered fit for purpose.
- Samples sent to commercial laboratory were assayed for multi-elements using 4 acid digest with ICP-MS finish.
- All samples were analysed using Bruker S1 TITAN with a proprietary calibrated Lithium Index algorithm developed for LCT pegmatites.
- Sampling completed by Corad, supervised by Capital Mining and assay data/data processing completed by Geochemical Services then IntertekGenalysis to ensure sound quality control and representation.
- Data was collected from each sample site and entered into Excel spreadsheet on a portable logging device.

Location of data points

Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.

Specification of the grid system used.

Quality and adequacy of topographic control.

Data spacing and distribution

Data spacing for reporting of Exploration Results.

Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.

Whether sample compositing has been applied.

Orientation of data in relation to geological structure

Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.

If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.

Sample security

The measures taken to ensure sample security.

Audits or reviews

The results of any audits or reviews of sampling techniques and data.

- Location of samples were recorded using a Garmin 62s handheld GPS units with an accuracy of +/- 5m.
- All data points were located using the Geocentric Datum of Australia 1994 and the Map Grid of Australia zone 50 projection. Topographic control using GPS is more than adequate for outcrop rock chip sampling.
- The initial test area was designed to cover prospective geological rock types considered to be strong or likely host rocks for lithium bearing pegmatites. As this was a simple reconnaissance programme conducted under a Miner's Right and therefore limited in its scope, sampling was focussed on areas of rock exposure within the most prospective target zones in order to maximise the opportunity to locate an LCT pegmatite. There was no set spacing to the field investigation.
- Sampling was carried out near to areas accessible by quad bikes and on foot. Due to the large areas being covered, not all of the tenement applications could be visited in this short reconnaissance trip.
- All samples were collected, prepared and stored on site in a secure environment.
- Sampling techniques and protocols were developed by Dr NW Brand of Geochemical Services, Perth. These were reviewed and adopted by Capital Mining and Corad personnel.

E20/906, E20/907 and E59/2196**SECTION 2 Reporting of Exploration Results***(Criteria in this section apply to all succeeding sections)*

Mineral Tenement and Land Tenure Status	<ul style="list-style-type: none">The reported rock chip and soil samples are located within Exploration Licence Applications ELA20/906, ELA20/907 and ELA59/2196 which are within the Murchison and Yalgoo Mineral Fields respectively and are 100% owned by Capital Mining Limited.The 3 tenement applications cannot be systematically actively explored using ground disturbing techniques prior to the granting of the tenements.Native Title Agreements have yet to be entered into with the local Native Title claimants. These have to be finalised to both Parties' satisfaction prior to the WA Department of Minerals & Petroleum being able to grant the licences to Capital Mining LimitedThere are no known impediments to commence exploration operations in this area other than the completion of the appropriate Native Title arrangements.There are no royalties or other interests held.
<i>Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.</i> <i>The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.</i>	
Exploration Done by Other Parties	<ul style="list-style-type: none">Carpentaria Exploration Company Pty Ltd (<i>Taylor</i>, conducted extensive tungsten and gold exploration in the region associated with E09/2209 between 1979 and 1981. They identified 44 heavy mineral anomalies within the Reynolds project including fluorite (14), Beryl (8), wolframite (6), wulfenite (4), barite (2) casiterite (2) and
<i>Acknowledgment and appraisal of exploration by other parties.</i>	
Geology	<ul style="list-style-type: none">Zoned pegmatites associated with granitic bodies are prospective for lithium, caesium and tantalum (LCT pegmatites)
<i>Deposit type, geological setting and style of mineralisation.</i>	
Rock chip information	<ul style="list-style-type: none">Co-ordinates and other attributes of rock chip samples are included in the release.
Data aggregation methods	NA
Relationship between mineralisation widths and intercept lengths	NA
Diagrams	<ul style="list-style-type: none">Suitable summary plans have been included in the body of report
Balance reporting	<ul style="list-style-type: none">The reporting is factual & balanced
Other substantive exploration data	<ul style="list-style-type: none">All relevant material relating to the lithogeochemical sampling programme have been reported.
Further work	<ul style="list-style-type: none">The Gascoyne tenements are unexplored for lithium although pegmatites in the district have been explored for tin and tantalum but not necessarily assayed for lithium. As a result substantial grass roots exploration work is still required.