



Capital Mining Limited

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ASX Release

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CAPITAL MINING TO ACQUIRE COBALT PROJECT IN WESTERN AUSTRALIA AND COMPLETES PLACEMENT

Highlights

- **Capital Mining enters into Option Agreement to acquire 100% of the Scotia Cobalt-Nickel project in the eastern goldfields of Western Australia**
- **Project has strong Cobalt prospectivity - numerous historic zones of anomalous Cobalt**
- **Historical exploration focused largely on nickel - cobalt potential yet to be fully explored**
- **Cobalt price has risen 100% in 12 months to ~US\$50,000 per tonne**
- **Due diligence to commence immediately**
- **Placement completed to fund exploration across Capital's project portfolio**

Capital Mining Limited (ASX: CMY) ("Capital" or "the Company") is pleased to announce it has entered into a Binding Agreement ("Agreement") with Maincoast Pty Ltd ("Maincoast") to acquire the Scotia Cobalt-Nickel Project ("Acquisition") in the eastern goldfields of Western Australia.

Under the Agreement Capital is to acquire a 100% interest in the Scotia Project subject to the satisfactory completion of due diligence by Capital, to be completed by 21st April 2017. **Details of key acquisition terms are included in this announcement.**

Capital views the Scotia Project as a highly prospective cobalt asset located in an established and active mineral province approximately 65 kilometres north-north west of Kalgoorlie. It represents a significant, and potentially highly value accretive, acquisition for Capital which complements its portfolio of technology metals assets.

An initial review of historic data has shown that highly anomalous cobalt mineralisation exists across the Project, principally in association with higher grade nickel mineralisation within the project.¹ Capital will now immediately commence due diligence in respect of the Agreement.

This will involve interrogation and interpretation of all available historical data, with a view to establishing a fuller assessment of the Project's potential. Capital will report the findings of its due diligence in due course.

¹ All exploration contained in this report was conducted by Western Areas N.L., Consolidated Exploration N.L., Fodina Minerals Pty. Ltd., Project investors Pty. Ltd., or Osmere N.L. or associated and prior operators

The Company will also use the due diligence process to generate priority cobalt target areas, and, subject to successful completion of due diligence, will expedite its exploration programs at the Project, including drilling.

Background to Scotia Cobalt-Nickel Project

The Scotia Project is situated just 20km along strike of the Silver Swan and Black Swan nickel mines (which host approximately 185,000t Ni production and resources) within the Archean Kalgoorlie Greenstone Terrane of Western Australia. Nickel has historically been the key commodity focus at the Project, but Cobalt mineralisation has also been identified within the Project area.

The Project has been variously explored for nickel particularly in the late 1960's and 1970's. Two main nickel prospects were identified during this exploration; the Ringlock and GSP prospects, with several other targets also identified. Many of the drill holes completed were scout holes drilled to less than 70 metres. Deeper drilling focused on the GSP prospect. Very limited deeper drilling has been conducted at Ringlock and, whilst several geophysical anomalies were defined and tested (some with associated nickel mineralisation), many anomalies remain untested, including in respect of their cobalt potential.

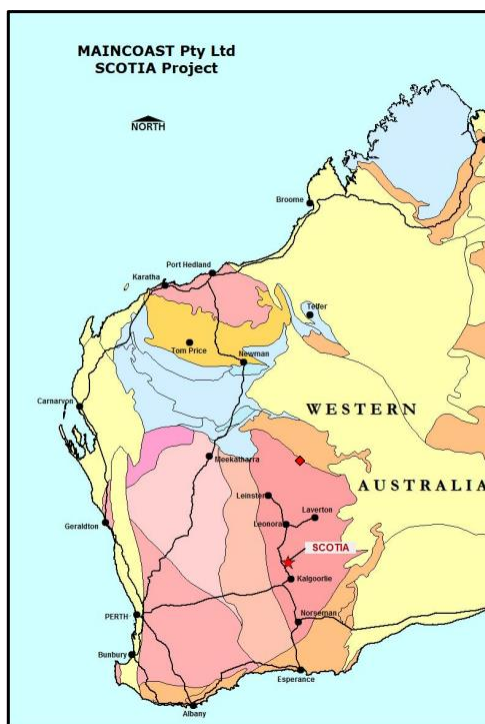


Figure 1: Project location

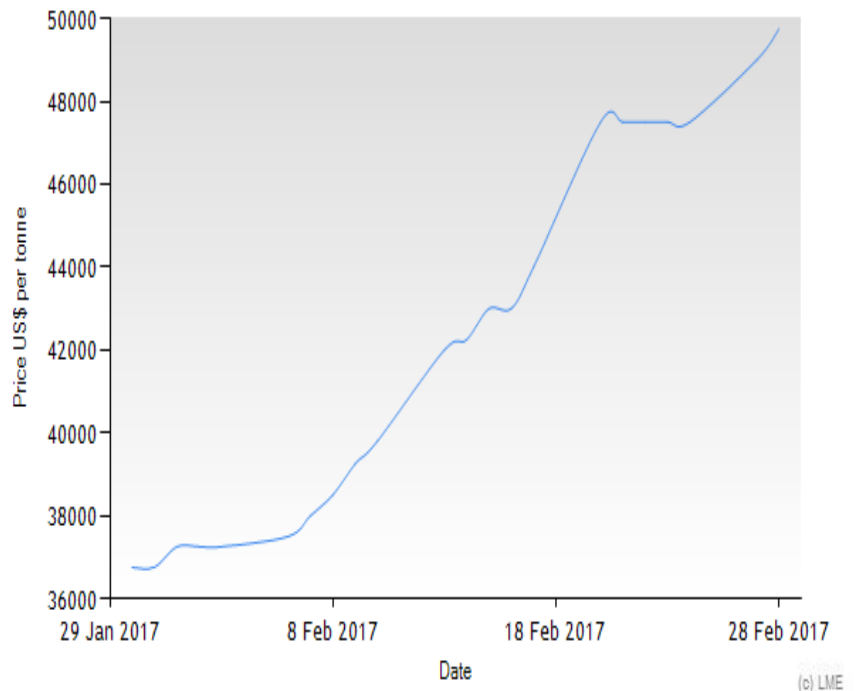


Figure 2: 2 Month Cobalt Price Chart (LME,2017)

About Cobalt

Cobalt has reached a current spot price of ~US\$50,000/t representing a 100% increase in price over the past year. The primary drivers for this price increase include:

- Recent surge in demand from the energy storage market;
- Supply challenges associated with the Democratic Republic of Congo (DRC) producing 60% of global cobalt production; and



- Lack of recent exploration discoveries.

Increasing Demand for Cobalt

Cobalt is a key component of the battery chemistry for lithium ion batteries. There is more cobalt by dollar value and weight being used in the main lithium-ion battery types than lithium. Cobalt has a diverse range of metallurgical and chemical uses ranging from aircraft engines to rechargeable batteries. The demand for cobalt is expected to grow over the next decade. Cobalt is a LME traded commodity and the price of Cobalt has increased over 100% in recent times (currently ~US\$50,000/ tonne). As demand increases, investors and traders continue to position themselves to source cobalt for the numerous large scale lithium-ion battery factories that are under construction and expected to be completed from 2016 to 2020, such as the Giga-factory in the US.

Cobalt Supply Chain Issues

Cobalt is typically mined as a low-grade by-product of copper or nickel. This by-product is an uncertain and reduced source of supply. In addition, over 55% of the cobalt produced comes from the Democratic Republic of Congo (DRC) - of which 94% makes its way to China - which has a history of supply side disruptions and significant sovereign risk. In 2016, Amnesty International released a report highlighting human rights and child labour abuses at its cobalt mines. Clean supply chain sourcing for battery materials and associated branding issues/customer expectations are expected to become an increasingly important issues for multinationals that source cobalt for their lithium-ion batteries from the DRC.

Acquisition Terms

Under the Agreement CMY has agreed to acquire the Scotia Cobalt-Nickel Project subject to the satisfactory completion of due diligence by CMY in respect of the Project by 21st April 2017.

The consideration for the Acquisition is:

- (a) 5,000,000 fully paid ordinary CMY shares for the grant of the exclusive due diligence/option period; and
- (b) 50,000,000 fully paid ordinary CMY shares and 25,000,000 options to subscribe for CMY shares for \$0.02 each within 3 years of the date of issue upon completion of the Acquisition.

Placement Completed

Capital is also pleased to advise that it has successfully completed a Placement to raise \$1,000,000 via the issue of 111 million Ordinary Shares in Capital at an issue price of 0.9c per share. The funds raised will be used to fund targeted exploration programs across the Company's project portfolio and also for working capital. The Company would like to acknowledge the support of all investors who participated in the Placement.

ENDS

Peter Dykes
Director



About Capital Mining Limited

Capital Mining Limited (ASX: CMY) is an active ASX listed junior mineral resources company focused on the acquisition and exploration of key, demand driven commodities. Its project portfolio includes cobalt and lithium prospective assets in Western Australia and the Republic of Ireland, plus gold and base metals projects in New South Wales.

Competent Persons Statement

The information in this document that relates to exploration results is based on information compiled by Mr Benjamin Sharp BSc MAIG, a Competent Person who is a Member of the Australian Institute of Geoscientists. Mr Sharp provides consultant geological advice to Capital Mining Limited. Mr Sharp has sufficient experience, which is relevant to the style of mineralisation and types of deposits under consideration and to the activity which has been undertaken to qualify as a Competent Person as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code). Mr Sharp consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Disclaimer

Certain statements contained in this announcement, including information as to the future financial or operating performance of Capital Mining Limited and its projects, are forward-looking statements that:

- *may include, among other things, statements regarding targets, estimates and assumptions in respect of mineral reserves and mineral resources and anticipated grades and recovery rates, production and prices, recovery costs and results, capital expenditures, and are or may be based on assumptions and estimates related to future technical, economic, market, political, social and other conditions;*
- *are necessarily based upon a number of estimates and assumptions that, while considered reasonable by Capital Mining Limited, are inherently subject to significant technical, business, economic, competitive, political and social uncertainties and contingencies; and,*
- *involve known and unknown risks and uncertainties that could cause actual events or results to differ materially from estimated or anticipated events or results reflected in such forward-looking statements.*

ADDITIONAL INFORMATION

JORC CODE, 2012 EDITION – TABLE 1

The following sections are provided for compliance with requirements for the reporting of exploration results under the JORC Code, 2012 Edition.

1.1 Section 1 Sampling Techniques and Data

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
Sampling techniques	<ul style="list-style-type: none"> Nature and quality of sampling (eg 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 (eg '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 (eg submarine nodules) may warrant disclosure of detailed information. 	<ul style="list-style-type: none"> Sampling intervals were adjusted to lithological boundaries where appropriate. Generally 4m composites were taken from surface to end of hole with unique sample IDs assigned. Samples were ground dumped for logging and sampling.
Drilling techniques	<ul style="list-style-type: none"> Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg 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). 	<ul style="list-style-type: none"> Anomalous zones refers to drilling by reverse circulation (RC), Aircore (AC) and rotary air blast (RAB) type, other details are currently unknown
Drill sample recovery	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Drill sample recoveries are not extensively known Drilling conditions were excellent in the high magnesian ultramafics and felsic/intermediate units. Drilling in the alternating granodiorite sill/talcose ultramafic lithology was near ineffective.

Criteria	JORC Code explanation	Commentary
	<i>material.</i>	
Logging	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Logging details included magnetic susceptibility, colour, weathering, texture, lithology, alteration, veining and mineralisation. Varying degrees of logging accuracy may have occurred from hole to hole.
Sub-sampling techniques and sample preparation	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Sampling intervals were adjusted to lithological boundaries where appropriate. Other sub-sampling techniques and sample preparation are unknown Sampling appears to be appropriate for this stage of exploration.
Quality of assay data and laboratory tests	<ul style="list-style-type: none"> 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 (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established. 	<ul style="list-style-type: none"> Historic QAQC data for anomalous areas (blanks, standards and duplicates) appear to be within nominal limits.
Verification of sampling and assaying	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Verification of sampling and assaying is unknown.
Location of data points	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Collar location pickup methods are unknown but are assumed to be by hand-held GPS. Downhole survey techniques are unknown.
Data spacing and distribution	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Drill collar spacing is sporadic across the target geophysical anomalies. Current drill spacing is expected to be unable to support a Mineral Resource or Ore Reserve estimation.

Criteria	JORC Code explanation	Commentary
	<ul style="list-style-type: none"> Whether sample compositing has been applied. 	
Orientation of data in relation to geological structure	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Orientation of sampling relative to geological structure and mineralisation is currently unknown
Sample security	<ul style="list-style-type: none"> The measures taken to ensure sample security. 	<ul style="list-style-type: none"> Sample security is unknown
Audits or reviews	<ul style="list-style-type: none"> The results of any audits or reviews of sampling techniques and data. 	<ul style="list-style-type: none"> CMY does not know of any reviews or audits that have been completed

1.2 Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	<ul style="list-style-type: none"> 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. 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. 	<ul style="list-style-type: none"> The Scotia Cobalt Nickel Project is comprised of one tenement namely E29/0897 All tenements are 100% owned by Maincoast Pty. Ltd. No historical, wilderness or national parks are known to significantly infringe on the tenure.
Exploration done by other parties	<ul style="list-style-type: none"> Acknowledgment and appraisal of exploration by other parties. 	<ul style="list-style-type: none"> All exploration contained in this report was conducted primarily by Magma Metals and Western Areas N.L., Consolidated Exploration N.L., Fodina Minerals Pty. Ltd., Project investors Pty. Ltd., or Osmere N.L. or associated operators.
Geology	<ul style="list-style-type: none"> Deposit type, geological setting and style of mineralisation. 	<ul style="list-style-type: none"> The Scotia Cobalt Nickel Project mineralisation is associated with Archaean komatiite hosted massive/matrix and disseminated sulphides.
Drill hole Information	<ul style="list-style-type: none"> A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes: <ul style="list-style-type: none"> easting and northing of the drill hole collar elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar dip and azimuth of the hole down hole length and interception depth hole length. If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case. 	<p>Material drill holes include:</p> <ul style="list-style-type: none"> MJRC012 (346455.63mE, 6665498.62mN GDA94) dip is 60° at azimuth 235°, RL is 440m and total depth is 155m. Anomalous intercept is 1m interval. PDH130 (349516.94mE, 6661478.12mN GDA94) dip is -70° at azimuth 270°, RL is 440m and total depth is 67.1m. Anomalous intercept is 1.5m interval and MJRC040 (346419.47mE, 6664969.46mN GDA94) dip is -60° at azimuth 231°, RL is 440m and total depth is 152m. Anomalous intercept is 1m interval. Additional drillhole data is available in Western Areas N.L. E27/83 Annual Report 2000 by G. Kelly (WAMEX A60742), Fodina Minerals E24/63 Annual Report 1997 (WAMEX A52591), Fodina Minerals E27/83 Annual Report 1997 (WAMEX A52084) and Fodina Minerals E27/83 Annual Report 1997 (WAMEX A51748) and Magma Metals E24/63 and E27/83 Annual Report 2007 (WAMEX A74158).
Data aggregation methods	<ul style="list-style-type: none"> In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated. Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail. The assumptions used for any reporting of metal equivalent values should be clearly stated. 	<ul style="list-style-type: none"> Assay weightings and cut-off grades are unknown

Criteria	JORC Code explanation	Commentary
Relationship between mineralisation widths and intercept lengths	<ul style="list-style-type: none"> • These relationships are particularly important in the reporting of Exploration Results. • If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported. • If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known'). 	<ul style="list-style-type: none"> • Relationship between true mineralisation width and mineralisation is unknown
Diagrams	<ul style="list-style-type: none"> • Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported. These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views. 	<ul style="list-style-type: none"> • As the report does not entail a significant discovery no maps or sections are included in this report. See Western Areas N.L. E27/83 Annual Report 2000 by G. Kelly (WAMEX A60742), Fodina Minerals E24/63 Annual Report 1997 (WAMEX A52591), Fodina Minerals E27/83 Annual Report 1997 (WAMEX A52084) and Fodina Minerals E27/83 Annual Report 1997 (WAMEX A51748) and Magma Metals E24/63 and E27/83 Annual Report 2007 (WAMEX A74158).
Balanced reporting	<ul style="list-style-type: none"> • Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results. 	<ul style="list-style-type: none"> • Comprehensive reporting of all historic Exploration Results is not practicable due to the large amount of data present. • Exhaustive analysis of all the data will occur as part of due diligence.
Other substantive exploration data	<ul style="list-style-type: none"> • Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances. 	<ul style="list-style-type: none"> • The data in this report refers to Western Areas N.L. E27/83 Annual Report 2000 by G. Kelly (WAMEX A60742), Fodina Minerals E24/63 Annual Report 1997 (WAMEX A52591), Fodina Minerals E27/83 Annual Report 1997 (WAMEX A52084) and Fodina Minerals E27/83 Annual Report 1997 (WAMEX A51748) and Magma Metals E24/63 and E27/83 Annual Report 2007 (WAMEX A74158). • Details of Inferred Mineral Resource are summarised in E27/83 Annual Report 2007 (WAMEX A74158).
Further work	<ul style="list-style-type: none"> • The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling). • Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive. 	<ul style="list-style-type: none"> • As reported in body of this release