



Capital Mining Limited

ASX: CMY

Level 11, 216 St Georges Tce
Perth WA 6000
Telephone +61 8 9481 0389
Fax +61 8 9463 6103
www.capitalmining.com.au

Directors

Mr Peter Torney
Mr Peter Dykes
Mr Anthony Dunlop

Company Secretary

Mrs Elizabeth Hunt

ASX Release

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SUCCESSFUL EM SURVEY DEFINES NEW PRIORITY DRILL TARGETS AT MAYFIELD PROJECT

Highlights

- **Successful EM survey at Mayfield Project has defined a number of new priority drill targets**
- **Next phase of drilling at Mayfield to commence in near future as a priority**
- **Expanded Mayfield Project area provides opportunity to define multiple new exploration targets**
- **Capital Mining has increased its equity interest in Mayfield Project to 75%**
- **EM survey also conducted at nearby Chakola Project – Response highly very encouraging and similar to major VHMS deposits in the region**

Capital Mining Limited (ASX: CMY) (“Capital” or “the Company”) is pleased to announce that it has completed a successful Downhole Electromagnetic (DHEM) survey over the Mayfield Base and Precious Metals Project (EL6358, ELA5415) in south-eastern New South Wales (Figure 1), which has confirmed new priority drill targets.

Capital will now immediately undertake planning for its next phase of drilling at Mayfield with a view to drilling the new targets as soon as possible.

The Company completed the EM survey after reporting high grade zinc and silver results in its previous phase of drilling at Mayfield. Highlight results included; 7.20m @ 4.31% Zn, 0.58% Cu and 16g/t Ag from 198.50 metres, in drill hole MAY2 (ASX announcement, 15 February 2017).

The DHEM survey was conducted over all holes in Capital’s previous drill campaign, in order to better define the extent and tenor mineralisation and to help generate targets for the next phase of drilling. The results were significantly positive and, in conjunction with a reinterpretation of the drill results, have delivered a number of new high priority drill targets.

DHEM Survey Results

The EM survey successfully detected conductive responses from both surveyed holes and, importantly, has confirmed the continuity of mineralisation beyond the current recorded intersections.

In addition, assay and lithological data was integrated with the EM results in a reinterpretation of the geology and mineralisation, and confirmed that mineralisation remains open down plunge to the north-north east. Also, interpretation of airborne magnetic imagery has confirmed that magnetic trends broadly line up with the known mineralisation at Mayfield, the position of which may be subject to faulted off-sets (Figure 2)

In hole MAY2, the EM response indicated two sources from within and close to the known skarn mineralisation. Modelling indicates the off-hole presence of a significant, 90 X 50 metre, plate conductor dipping steeply to the east with a north-easterly plunge. In addition, a smaller response was detected in-hole.

As a result, three new priority drill holes are proposed to test the strike and plunge extensions of the mineralisation intersected in MAY2 (Figure 3).

In hole May1, a weak anomaly was detected within the skarn zone, after extracting the background response due to the presence of a conductive overburden. It is acknowledged that EM methods work best where the conductivity of the target zone is at least 10X background, is of sufficient size and is well coupled with the transmitter loop. In the case of MAY 1, the EM response was therefore difficult to model.

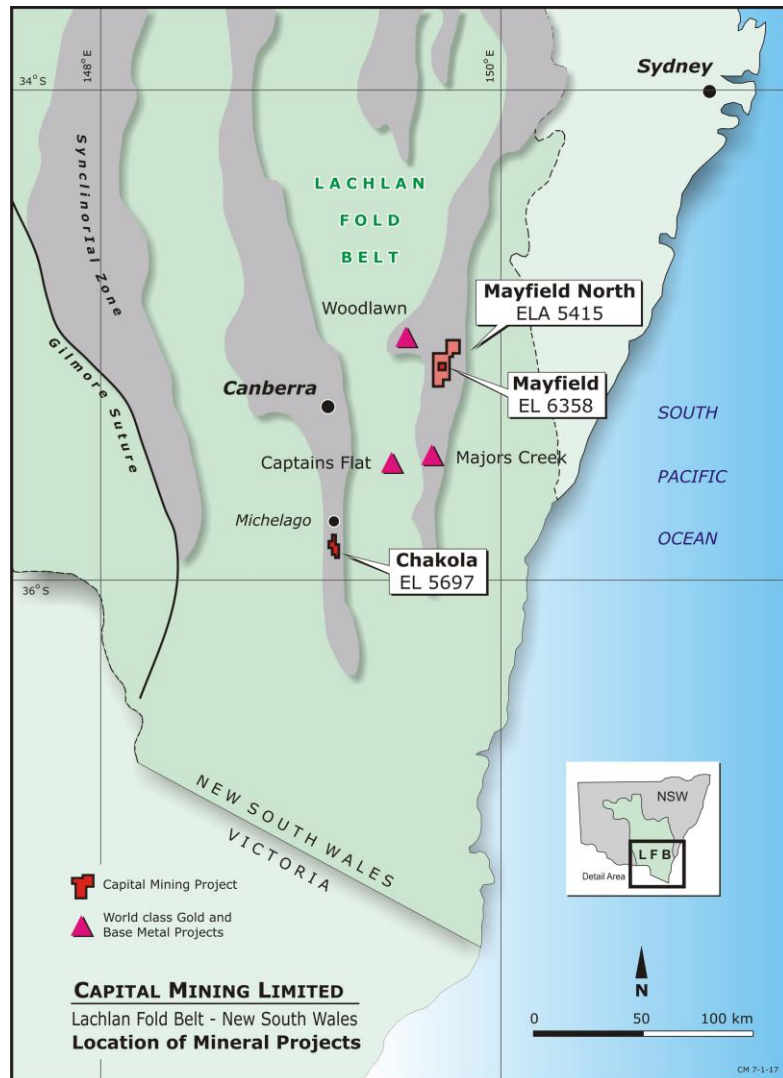


Figure 1: Capital Mining Limited exploration projects in NSW

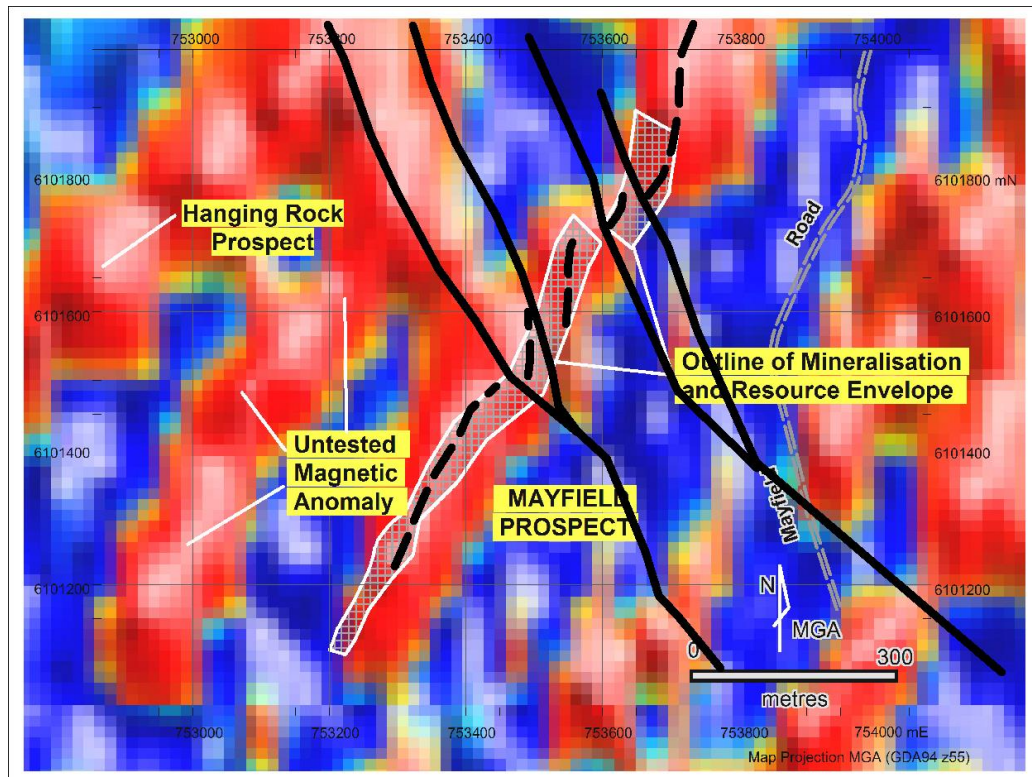


Figure 2: Magnetic interpretation of the Mayfield Prospect

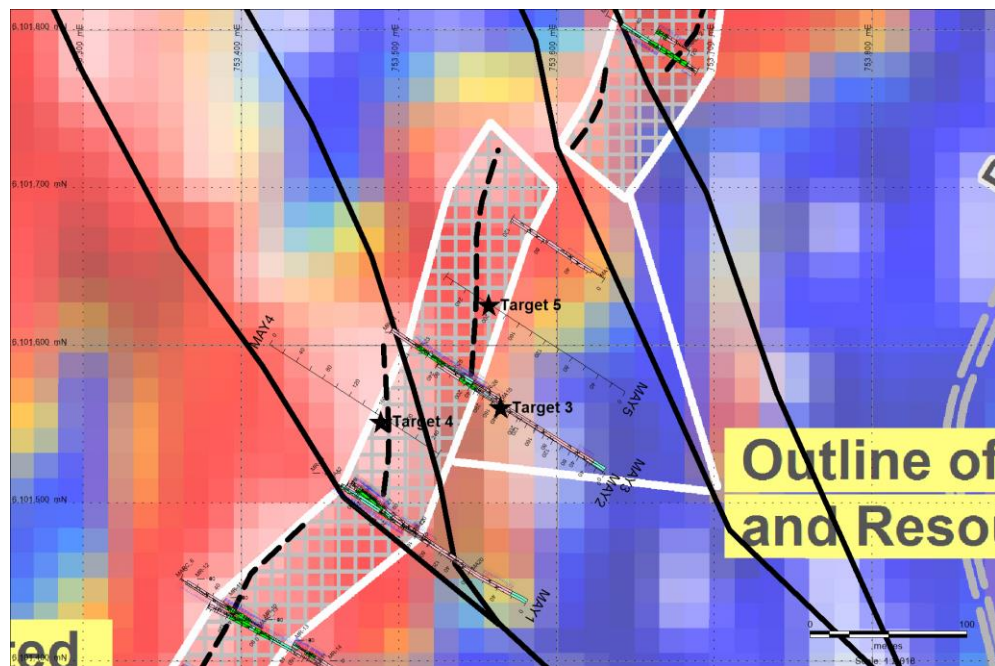


Figure 3: Close-up of Mayfield Prospect illustrating proposed target drill holes



Expansion of Mayfield Project Area

Capital is also pleased to advise that as a result of the recent expansion of its Mayfield Project area, via the acquisition of a new exploration licence application (ELA 5415) surrounding the existing project area, the Company is to embark on a process to assess and rank new regional exploration targets across its Mayfield ground holding.

The new licence application is considered highly prospective for the mineralisation style found at the Mayfield Project, and provides the Company with a substantial contiguous landholding in the area (refer Figure 1). The new application covers expands the Project area by approximately 178km².

Upon grant, the new application area will be subject to a vigorous exploration program with the objective of identifying additional mineral occurrences, and drill targets as part of Capital's targeted ongoing field works at the Mayfield Project.

Capital increases Interest in Mayfield Project

As a result of its ongoing commitment to exploration at the Mayfield Project, Capital has now, in accordance with its Earn-in Agreement for the Project, increased its equity interest in the Project from 51% to 75%. The Company's increased interest in the Project comes as a result of it having successfully funded and managed the exploration programs at Mayfield, which has seen it 'earn' its 75% project holding.

The current Mayfield Project ownership is as follows; Capital Mining Limited 75%, BBI Group Pty Ltd 23.75% and Roberts Consulting 1.25%.

Capital's exploration at Mayfield to date has delivered highly positive and encouraging results, and it remains committed to further exploration across the entire project area, to unlock its base and precious metal value.

Chakola Gold and Base Metals Project

Capital also provides the following update on activities at its 100%-owned Chakola Gold and Base Metals Project (EL 5697), located approximately 100kms south of the Mayfield Project.

An EM survey was also conducted at Chakola Project area, in February 2017. It targeted a zone where three drill holes had been previously been planned, but have yet to be drilled. The survey was a fixed loop EM survey, and the results indicated the presence of a clear, moderately strong conductive trend coinciding with the known mineralisation. It is noted that this model suggests a horizontal conductor which conflicts with the near vertical mineralisation trend, and the exact reasons for this mismatch are currently unclear.

At least one and possibly more responses were detected, which may reflect new mineralised zones. The EM response at Chakola was very encouraging and draws parallels with a number of significant VHMS deposits, such as Wilga, Dry River South, Woodlawn and Currawang - where similar results had been generated.

Based on the positive EM results at Chakola, the Company will now also proceed with drill planning of priority targets within the project area. Further details on drill plans and timing for the next phase of drilling at Mayfield and Chakola will be provided in due course.



-ENDS-

Peter Dykes
Director
Capital Mining Limited

Statements contained in this report relating to exploration results and mineral resources on the Mayfield Project is based on information compiled by Mart Rampe, who is a Member of the Australasian Institute of Mining and Metallurgy and is an independent consultant geologist engaged by Capital Mining Limited. He has sufficient relevant experience in relation to the mineralization styles being reported on, to qualify as a Competent Person as defined in the 2012 edition of the Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves (JORC Code). Mart Rampe consents to the use of applicable information in this report in the form and context in which it appears.