



CAPITAL MINING LIMITED
ABN 69 104 551 171

Half-Year Financial Report
31 December 2016

CAPITAL MINING LIMITED
CORPORATE DIRECTORY

CAPITAL MINING LIMITED
AND CONTROLLED ENTITY
ABN 69 104 551 171

DIRECTORS

Peter Dykes
Peter Torney
Anthony Dunlop

COMPANY SECRETARY

Elizabeth Hunt

PRINCIPAL PLACE OF BUSINESS AND REGISTERED OFFICE

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AUDITORS

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Level 3, 216 St Georges Terrace,
Perth WA 6000

BANKERS

National Australia Bank

STOCK EXCHANGE LISTING

ASX Code: CMY

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CAPITAL MINING LIMITED

DIRECTORS' REPORT

Your directors submit the financial report of the Capital Mining Limited ("the Company") and its controlled entity Wolfhound Lithium Limited (together referred to hereafter as "the Consolidated Entity") for the half-year ended 31 December 2016.

DIRECTORS

The names of directors who held office during the half-year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

| | |
|---------------------------|--------------------------|
| Peter Torney ¹ | (Executive Director) |
| Peter Dykes | (Non-Executive Director) |
| Anthony Dunlop | (Non-Executive Director) |

¹ Peter Torney was previously a non-executive and was appointed executive director on 1/7/2016

REVIEW AND RESULTS OF OPERATIONS

The net result of operations after applicable income tax expense for the half-year was a loss of \$4,039,018 (2015 - \$1,370,133).

CORPORATE

On 1 July 2016, the Company issued 15 million shares to the shareholders of Wolfhound Lithium Limited ("Wolfhound") as consideration for an exclusive option to conduct due diligence on Wolfhound pursuant to the Heads of Agreement announced on 1 June 2016. In September 2016 the acquisition of 100% of Wolfhound completed via the issuance of 50 million fully paid ordinary shares for the consideration value of A\$250,000.

During the period, the Company provided various loans to Chapmans Limited totaling \$1,650,000, an ASX listed company of which Messrs Dykes and Dunlop are directors. Under the terms of the loan agreements, the loans were repayable on 90 days term respectively. The loans attracted interest rate of 8% per annum. Prior to the period end, the loans principal and interest amounts have been repaid in full. Refer to Note 4 for more details.

During the half year a total of 2,602,000,000 fully paid ordinary shares were issued via various placements. Refer to Note 7 for more details.

EXPLORATION

The Consolidated Entity is a mineral resources company focused on the acquisition and exploration of key, demand driven commodities. Its project portfolio includes the Mayfield and Chakola base and precious metals projects in New South Wales and lithium prospective assets in the Republic of Ireland and Western Australia.

EXPLORATION ACTIVITIES

Mayfield Project, NSW (EL6358, ELA ELA5415) – 75%

The Company holds a 75% equity interest in the Mayfield joint venture project, having 'earned into' its holding by virtue of its exploration spend at the project (pursuant to its Earn-in Agreement for the Project). The current Mayfield Project ownership is; Capital Mining Limited 75%, BBI Group Pty Ltd 23.75% and Roberts Consulting 1.25%.

CAPITAL MINING LIMITED

DIRECTORS' REPORT

REVIEW AND RESULTS OF OPERATIONS (Continued)

Mayfield Project, NSW (EL6358, ELA ELA5415) – 75%

The Mayfield Project is located in the minerals endowed Lachlan Fold Belt of south eastern Australia, within the highly prospective Braidwood Granodiorite geology, and hosts a significant gold-copper skarn deposit. The Project forms part of an active exploration area, and is situated in close proximity to the world-class Majors Creek Gold Field, which hosts the significant Dargues Reef Gold Project.

In Q4, 2016 Capital completed a highly successful drill program, which targeted the down-dip and along-strike extensions of known mineralisation at the Project (Figure 1). The program comprised two holes, which were commenced as Reverse Circulation (RC) percussion holes and completed as diamond drill holes (due to poor ground conditions). MAY 1 was drilled to a depth of 261.6 metres and MAY 2 to a depth of 216.5 metres.

The drill program produced highly positive results and intersected significant high grade base metals and silver mineralisation in the targeted skarn zones, including a highlight intersection of; **7.2m @ 4.31% Zn, 0.58% Cu and 16g/t Ag from 198.50 metres, in drill hole MAY2.**

Assay results from drill hole MAY2 graded as high as; **28.7% Zinc, 2.20% Copper and 48.9g/t Silver.**

In addition, the entire skarn zone exhibited strong copper values with peak copper values located higher on the hanging wall of the skarn. An intersection of **17.97 metres @ 0.75% Cu from 187.03 metres in drill hole MAY2** was recorded.

These results successfully identified a high grade zone of zinc located at the base of the skarn zone and confirm that the target area is open along strike to the north as well as down dip.

Based on the successful results from the drill program, the Company completed a downhole electro-magnetic (DHEM) geophysical survey of MAY1 and MAY2 holes, in order to better define the extent and tenor mineralisation – and to help generate targets for the next phase of drilling.

The results from this were released subsequent to the reporting period (ASX announcement, 15 March 2017) and were also very positive. They confirmed the continuity of mineralisation beyond the current recorded intersections, and helped define new priority drill targets, which Capital plans to drill in the near future.

Capital also expanded its Mayfield Project area in the period, via the acquisition of a new exploration licence application (ELA 5415) surrounding the existing project area. 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. 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 to identify additional mineral occurrences, and drill targets as part of Capital's targeted ongoing field works at the Mayfield Project.

CAPITAL MINING LIMITED DIRECTORS' REPORT

REVIEW AND RESULTS OF OPERATIONS (Continued)

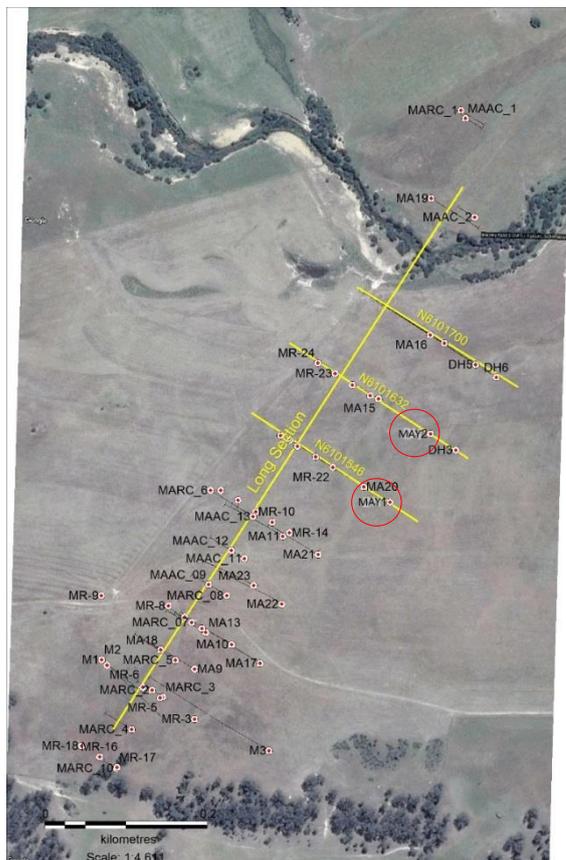


Figure 1: Location of MAY1 and MAY2 drill holes (circled red) and historic drill holes

Chakola Project, NSW (EL5697) - 100%

The Chakola Project is also situated in the highly prospective Lachlan Fold Belt, approximately 100kms south of the Mayfield Project (Figure 2).

Following assessment of the gold mineralisation at the Harnett Prospect within the Chakola Project, the Company undertook a geophysical program consisting of a Fixed Loop Electromagnetic (EM) survey over a targeted area of the prospect. This survey was designed to test the known mineralisation for extensions at depth and along strike.

The EM survey delivered positive results (reported subsequent to the reporting period, ASX announcement, 15 March 2017), which indicated the presence of a clear, moderately strong conductive trend coinciding with the known mineralisation. At least one and possibly more responses were detected, which may represent 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 also proceed with drill planning of priority targets within the project area. Details on the next phase of drilling at the Mayfield and Chakola Projects will be provided in due course.

REVIEW AND RESULTS OF OPERATIONS (Continued)

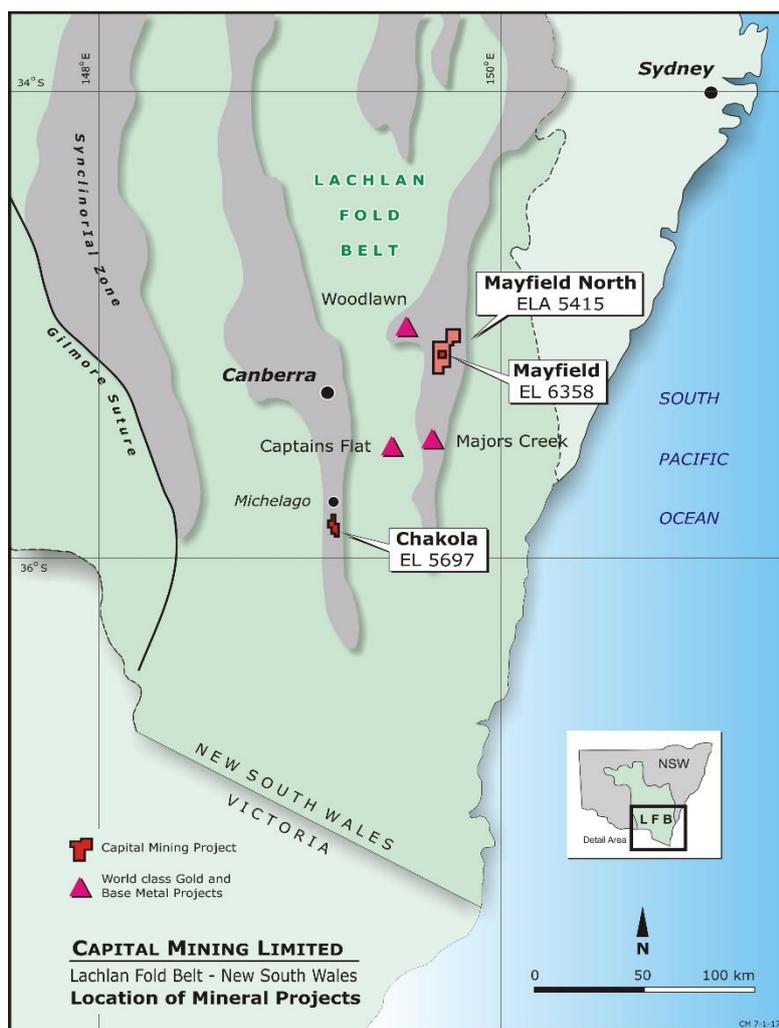


Figure 2: Capital Mining Limited exploration projects in NSW

Western Australian Lithium Projects

During the period, the Company acquired 11 lithium exploration assets in geologically favourable regions in Western Australia, consistent with its strategy to pursue and explore for high-value technology metals.

Capital completed a systematic first phase field work across its WA lithium portfolio and reported encouraging results, which confirmed the presence of lithium-bearing pegmatites at multiple project areas, and also confirmed the potential of these projects to host mineralised Lithium-Caesium-Tantalum (LCT) pegmatite systems.

Capital is currently assessing the results of its reconnaissance field program, before confirming plans for the projects for the year ahead. Details of field work activities at these projects in the reporting period included;

Reynolds, Caroline Creek & Yinnietharra Projects, Gascoyne region

The Projects comprise three exploration licence applications over a total area of 501.15km²; Reynolds Project (ELA09/2209), Caroline Creek Project (ELA08/2869) and Yinnietharra Project (ELA09/2208). The Projects are located in an established and active mineral field in the Gascoyne region of WA (Figure 3). Caroline Creek is the northern most project and is situated approximately 5km north west of the Reynolds Project. The Yinnietharra Project is located approximately 120km south east of Reynolds.

Capital completed a soil sampling, rock chip sampling and mapping designed to identify spodumene (lithium-bearing) pegmatites. A total of 55 rock chip samples were collected from the three project areas, and submitted for full laboratory analysis for lithium plus a suite of other associated LCT mineral elements at Intertek Genalysis in Western Australia.

CAPITAL MINING LIMITED

DIRECTORS' REPORT

REVIEW AND RESULTS OF OPERATIONS (Continued)

All laboratory assays were received and results confirmed the presence of multiple anomalous lithium-bearing pegmatites at all project areas, along with other key associated elements such as niobium (Nb), caesium (Cs), rubidium (Rb) and tantalum (Ta).

The results were significantly encouraging, and validated the Company's exploration model for the Gascoyne Projects; that they may represent a significant new conventional LCT Pegmatite field.



Figure 2: CMY's Reynolds, Caroline Creek and Yinnietharra Lithium Projects in the Gascoyne region of WA.

Yalgoo South, Big Bell South and Mindoolie Projects, Mid-West region

Capital completed its first phase field work program at the Big Bell South Project (ELA20/906), Mindoolie Project (ELA20/907) and Yalgoo South Project (ELA59/2196), in Midwest region of WA in November. The program delivered encouraging results and identified the presence of pegmatites with elevated lithium index¹ values along with other associated elements.

A total of 185 soil samples and 18 rock chip samples were collected across the project areas, and were subjected to initial analysis via portable XRF. Based on positive initial pXRF results, the elevated samples - 34 soil samples and 22 rock chip samples - were sent for full laboratory analysis for lithium and other associated and related mineral elements.

The laboratory results were particularly encouraging and successfully confirmed the presence of pegmatites with elevated lithium values along with associated LCT elements in pegmatitic rock chip samples and soil samples. The results also helped validate Capital's exploration model that the projects' may represent a significant new conventional LCT Pegmatite field.

In addition, Capital identified a new project area in the region and sampling confirmed its lithium prospectivity. This project is called the Dalgaranga Project (ELA59/2221) and a new 20 block tenement application was applied for over this area.

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).

CAPITAL MINING LIMITED

DIRECTORS' REPORT

REVIEW AND RESULTS OF OPERATIONS (Continued)

Wolfhound Lithium Project, Republic of Ireland – 100%

Capital entered into a Binding Agreement to acquire 100% of the issued capital of Wolfhound Lithium Limited (Wolfhound), the owner of the Ballon, Borris and Tinahely Projects, in June (ASX announcement, 1 June 2016). Capital subsequently completed the acquisition of Wolfhound and all seven Prospecting Licences covering the project areas have been granted - PLs 2930, 2931, 1597, 3211, 3559, 1473 and 1715 (ASX announcement, 22 September 2016).

The projects cover a total area of approximately 270km² in the highly prospective Leinster Granite in the south east of Ireland (Figure 4), and are considered prospective for lithium-rich spodumene bearing pegmatites. The Leinster Granite hosts lithium-bearing pegmatites that are analogous to Talison's world class Greenbushes Lithium Project in Western Australia – the Greenbushes Mineral field hosts the world's largest pegmatite hosted lithium resource.

The projects are situated in close proximity to International Lithium Corp's (TSXV: ILC) Avalonia Lithium Project. ILC recently reported high grade intersections from drilling at the Avalonia Project including; 2.33% Li₂O over 4.62m, including 3.29% Li₂O over 1.67m (refer ILC release, 21 July 2016).

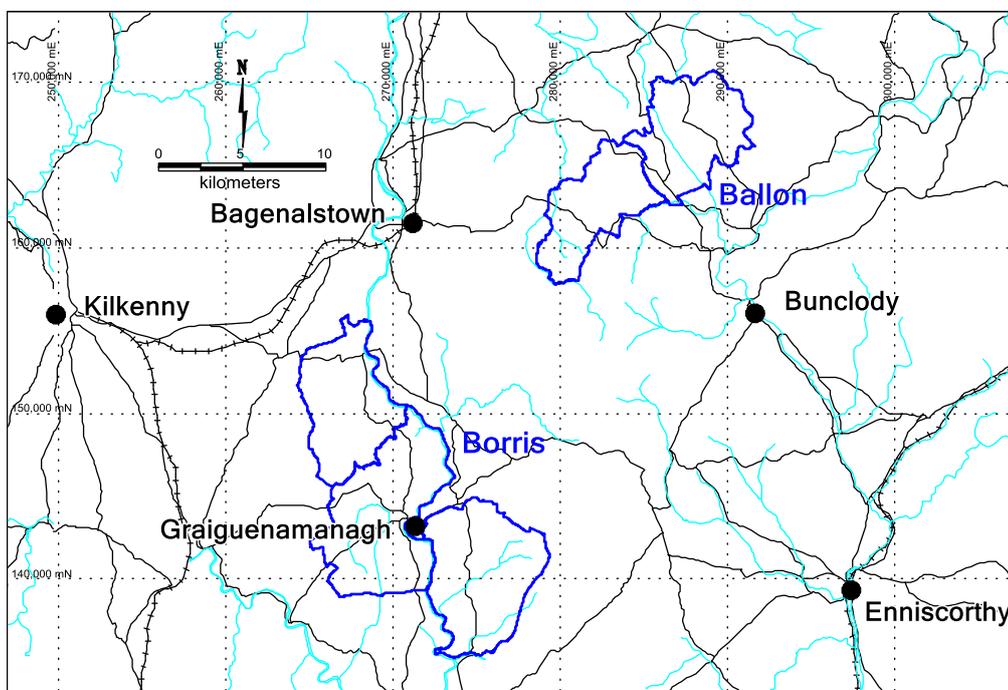


Figure 4: Wolfhound Project Location Map, Ireland

The Company completed a successful first phase, reconnaissance, exploration program at the priority Ballon (PL 2930 & PL 2931) and Borris (PL 3559, PL 3211 & PL 1597) prospects within the project area. Exploration was designed to identify and sample spodumene (lithium-bearing) pegmatites in order to define and refine priority exploration targets for the next phase of field work at the project.

The program confirmed the presence of pegmatite material at both prospects. A total of 18 samples were collected across both targets and have been sent for laboratory analysis (see Table 1 - Rock Sample Results). The initial results help confirm the project area's potential to host lithium-bearing pegmatites, and validates Company's exploration rationale at the Wolfhound Projects.

CAPITAL MINING LIMITED
DIRECTORS' REPORT

REVIEW AND RESULTS OF OPERATIONS (Continued)

| Sample_No | Easting | Northing | Elevation | Text | Sample_Type |
|-----------|-----------|-----------|-----------|--|-------------|
| ZMI-001 | 281045.00 | 158469.88 | 154.66 | Coarse to Pegmatite Granite, micas relatively small compared to Qtz & Feldspar | Float |
| ZMI-002 | 281132.91 | 158443.13 | 149.61 | Coarse granite, some Qtz/Feldspar upto Pegmatite size, coarse micas | Float |
| ZMI-003 | 281043.80 | 158358.79 | 145.52 | Pegmatite, verging on coarse granite. Medium to coarse micas | Float |
| ZMI-004 | 281149.71 | 158439.43 | 164.99 | Coarse to Pegmatite Granite, medium to coarse micas, fine tourmaline | Float |
| ZMI-005 | 281162.74 | 158511.04 | 151.29 | Coarse to Pegmatite Granite, well developed Qtz/Feldspars, coarse micas | Float |
| ZMI-006 | 281150.86 | 158580.62 | 155.86 | Medium Grained granite, 40/40/20 Qtz/feld/micas | Float |
| ZMI-007 | 281028.46 | 158317.91 | 151.77 | Pegmatite Granite, large feldspar & Qtz, coarse micas | Float |
| ZMI-008 | 280921.54 | 158671.61 | 168.36 | Pegmatite Granite, pronounced increase in mica grain size | Float |
| ZMI-009 | 273154.28 | 143779.55 | 81.12 | Pegmatite Coarse Granite contact | Float |
| ZMI-010 | 273136.43 | 143821.72 | 82.56 | Pegmatite Granite, coarse micas, possible fine tourmaline | Float |
| ZMI-011 | 273223.31 | 143855.15 | 86.16 | Pegmatite Granite, pronounced increase in mica crystal size | Float |
| ZMI-012 | 273194.63 | 143816.02 | 85.68 | Coarse to Pegmatite Granite, coarse micas crystals | Float |
| ZMI-013 | 273230.50 | 143824.73 | 94.82 | Pegmatite Granite, well developed feldspars, coarse micas. | Float |
| ZMI-014 | 273524.92 | 143811.44 | 107.31 | Coarse to Pegmatite Granite, well developed feldspars, coarse Qtz/micas | Float |
| ZMI-015 | 273199.08 | 143738.73 | 83.04 | Granite Pegmatite, well developed feldspars and micas. Trace biotite | Float |
| ZMI-016 | 273115.33 | 143706.56 | 74.63 | Pegmatite, well developed feldspars and micas | Float |
| ZMI-017 | 273082.06 | 143642.45 | 66.22 | Coarse to Pegmatite Granite, coarse mica crystals | Float |
| ZMI-018 | 273166.30 | 143653.68 | 65.01 | Pegmatite Granite, well developed feldspars, Qtz and micas | Float |

Table 1: Ballon and Borris Prospects - Rock Samples from Initial Field work Program

Subsequent to the reporting period, all assay results have been received and included an **exceptional high grade assay result of 2.47% Li₂O* from sample ZMI-013 at the Borris Prospect (ASX announcement, 27 February 2017).**

This was a significantly encouraging result to be delivered from a first pass reconnaissance exploration program and further confirmed the project area's potential to host additional lithium-bearing pegmatites.

Based on the positive results of this initial exploration program Capital will progress with plans for the next phase of exploration, in early 2017, which will be designed to confirm priority drill targets.

Rock chip assay results from the first phase exploration program at the Borris and Ballon Prospects (ASX announcement, 27 February 2017). See Figures 5 & 6 for sample locations at the Ballon and Borris Prospects.

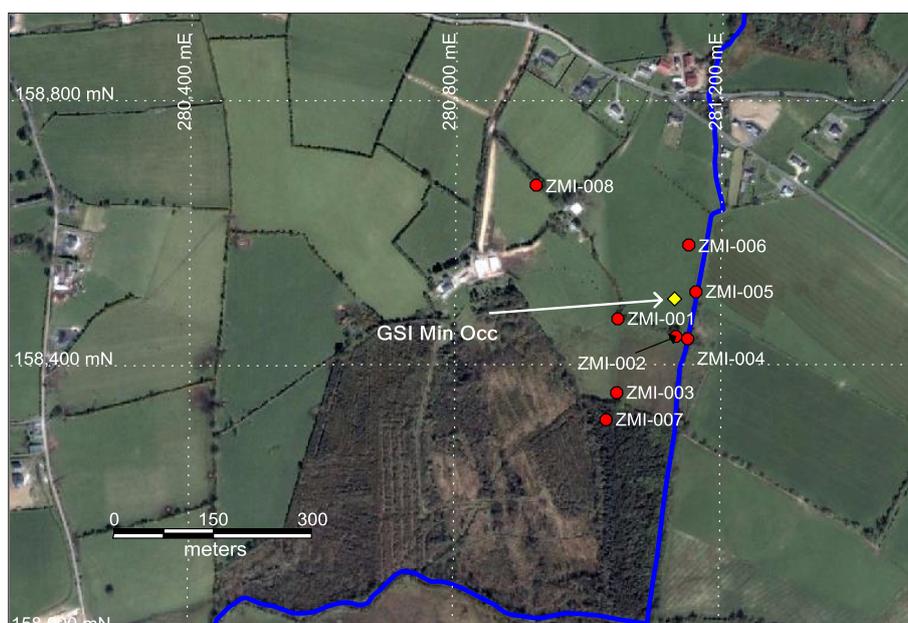


Figure 5: Ballon Prospect – Location of samples in southern region of Licence

CAPITAL MINING LIMITED

DIRECTORS' REPORT

REVIEW AND RESULTS OF OPERATIONS (Continued)

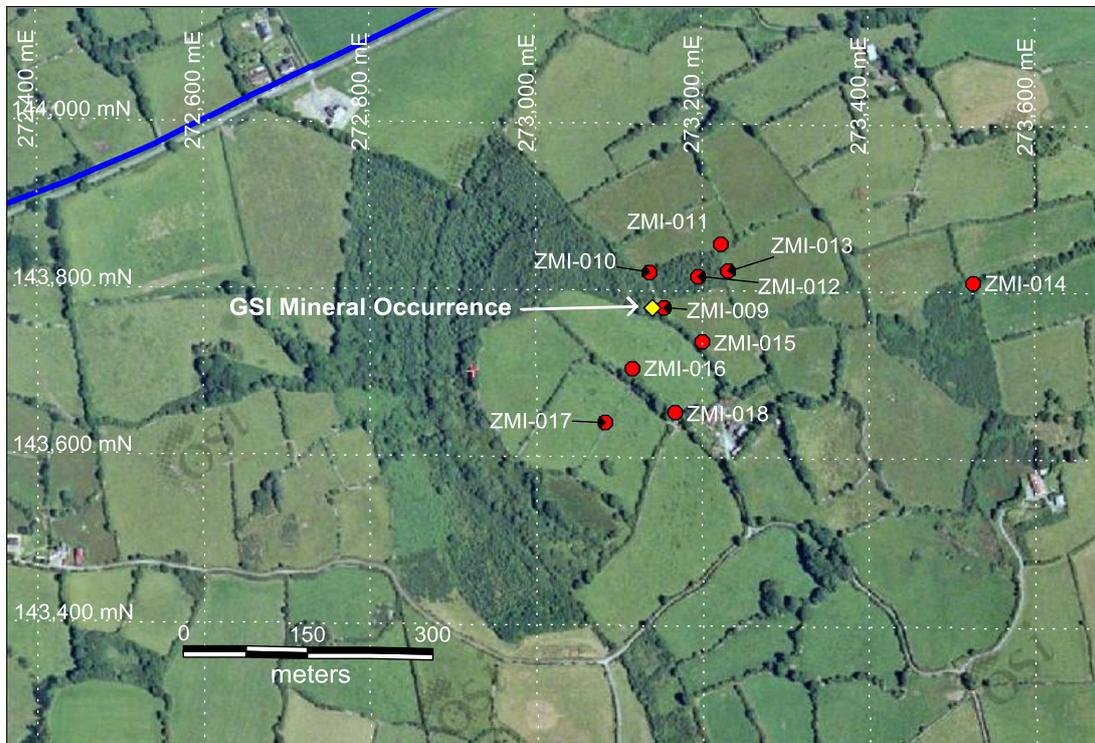


Figure 6: Borris Prospect – Location of samples in the Licence area

Competent Persons Statements

Statements contained in this report relating to exploration results and mineral resources on the Chakola and Mayfield Projects are 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 mineralisation 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. The Company is reporting the historical exploration results under the 2004 edition of the Australian Code for the Reporting of Results, Mineral Resources and Ore reserves (JORC Code 2004) on the basis that the information has not materially changed since it was last reported.

Statements and the information in this report that relates to Exploration Results on Western Australian Lithium Projects is based on information supplied to and compiled by Mr. Graeme Johnston. Mr. Johnston is a full time employee of Corad Pty Ltd and a Fellow of the Geological Society of London (member 16555). Mr. Johnston has sufficient experience which is relevant to the activities 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.' The information referenced in this report was provided in part by Dr Nigel Brand of Geochemical Services in Perth. Mr. Johnston consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

The information in this document that relates to exploration result of the Wolfhound Projects 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 is a prior director and shareholder of Wolfhound Lithium Limited and 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.

To the Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

As lead audit director for the review of the financial statements of Capital Mining Limited for the half year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- any applicable code of professional conduct in relation to the review.

Yours faithfully



BENTLEYS
Chartered Accountants



DOUG BELL CA
Director

Dated at Perth this 16th day of March 2017

CAPITAL MINING LIMITED**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

Half-year ended 31 December 2016

| | Note | 31 Dec 2016 \$ | 31 Dec 2015 \$ |
|--|------|-------------------|-------------------|
| REVENUE FROM ORDINARY ACTIVITIES | 2 | 52,296 | 679,875 |
| Administration expenses | | (111,991) | (214,566) |
| Professional fees | | (704,675) | (733,103) |
| Audit services | | (6,667) | (9,500) |
| Consultant expenses | | (837,837) | (483,345) |
| Depreciation expense | | (67) | (1,233) |
| Employee benefits expense | | (524,190) | (123,386) |
| Share based payments expense | 9 | (1,390,300) | - |
| Travel and accommodation expenses | | (20,583) | (15,887) |
| Provision for diminution in value of investments | | (307,566) | (38,772) |
| Impairment of receivable | 4(c) | - | (438,261) |
| Exploration expenditure | 6 | (140,694) | - |
| Other expenses | 3 | (46,744) | 8,046 |
| LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE | | (4,039,018) | (1,370,133) |
| INCOME TAX EXPENSE RELATING TO ORDINARY ACTIVITIES | | - | - |
| OTHER COMPREHENSIVE INCOME NET OF INCOME TAX | | - | - |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | (4,039,018) | (1,370,133) |
| Basic loss per share (cents per share) | | (2.34) | (1.25) |
| Diluted loss per share (cents per share) | | (2.34) | (1.25) |

The accompanying notes form part of these financial statements

CAPITAL MINING LIMITED
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December 2016

| | Note | 31 Dec 16 \$ | 30 Jun 16 \$ |
|---|------|------------------|------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | | 872,765 | 2,018,418 |
| Trade and Other Receivables | 4 | 276,477 | 131,303 |
| Financial Assets | 5 | 300,024 | 122 |
| Other Assets | | 25,697 | 106,700 |
| TOTAL CURRENT ASSETS | | 1,474,963 | 2,256,543 |
| NON-CURRENT ASSETS | | | |
| Plant and equipment | | 4,919 | - |
| Security Deposits | | 85,000 | 85,000 |
| Deferred exploration and evaluation expenditure | 6 | 2,203,956 | 1,429,192 |
| TOTAL NON-CURRENT ASSETS | | 2,293,875 | 1,514,192 |
| TOTAL ASSETS | | 3,768,838 | 3,770,735 |
| CURRENT LIABILITIES | | | |
| Trade and Other Payables ² | 7 | 290,284 | 253,892 |
| TOTAL CURRENT LIABILITIES | | 290,284 | 253,892 |
| TOTAL LIABILITIES | | 290,284 | 253,892 |
| NET ASSETS | | 3,478,554 | 3,516,843 |
| EQUITY | | | |
| Issued capital | 8 | 25,222,555 | 21,221,826 |
| Reserves | | 286,826 | 286,826 |
| Accumulated losses | | (22,030,827) | (17,991,809) |
| TOTAL EQUITY | | 3,478,554 | 3,516,843 |

The accompanying notes form part of these financial statements

² As at 31 December 2016, the Company is disputing \$65,400 (30 June 2016: \$106,401) of trade creditors.

CAPITAL MINING LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
Half-year ended 31 December 2016

| | 31 Dec 2016 | 31 Dec 2015 |
|---|--------------------|-------------|
| | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Payment to suppliers and employees | (2,475,440) | (1,420,869) |
| Interest received | 143 | 13,907 |
| NET CASH FLOWS (USED IN) OPERATING ACTIVITIES | (2,475,297) | (1,406,962) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Expenditure on mining interests (exploration) | (487,533) | (14,276) |
| Purchase of plant & equipment | (4,986) | - |
| Refund of tenement bonds | - | 10,000 |
| Payment for financial assets | (654,228) | (422,832) |
| Proceeds from sale of investments | 153,965 | 800,039 |
| Loans advanced to entities | (1,650,000) | (2,517,756) |
| Loans repaid by entities | 1,650,000 | - |
| NET CASH FLOWS (USED IN) INVESTING ACTIVITIES | (992,782) | (2,144,825) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from issue of securities | 2,401,700 | 4,463,327 |
| Payment of share issue costs | (79,274) | (292,073) |
| NET CASH FLOWS FROM FINANCING ACTIVITIES | 2,322,426 | 4,171,254 |
| NET INCREASE (DECREASE) IN CASH HELD | (1,145,653) | 619,467 |
| Add opening cash brought forward | 2,018,418 | 7,735 |
| CASH AT THE END OF THE PERIOD | 872,765 | 627,202 |

The accompanying notes form part of these financial statements

CAPITAL MINING LIMITED**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

Half-year ended 31 December 2016

| | Issued Capital \$ | Accumulated Losses \$ | Reserves \$ | Total Equity \$ |
|----------------------------|----------------------------------|--------------------------------------|------------------------|--------------------------------|
| AT 1 JULY 2015 | 14,410,056 | (14,255,254) | 286,826 | 441,628 |
| Loss for the period | - | (1,370,133) | - | (1,370,133) |
| Issue of share capital | 5,233,327 | - | - | 5,233,327 |
| Share issue costs | (381,533) | - | - | (381,533) |
| AT 31 DECEMBER 2015 | 19,261,850 | (15,625,387) | 286,826 | 3,923,289 |
| AT 1 JULY 2016 | 21,221,826 | (17,991,809) | 286,826 | 3,516,843 |
| Loss for the period | - | (4,039,018) | - | (4,039,018) |
| Issue of share capital | 4,264,000 | - | - | 4,264,000 |
| Share issue costs | (263,271) | - | - | (263,271) |
| AT 31 DECEMBER 2016 | 25,222,555 | (22,030,827) | 286,826 | 3,478,554 |

The accompanying notes form part of these financial statements

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the annual financial report of Capital Mining Limited as at 30 June 2016.

It is also recommended that the half-year financial report be considered together with any public announcements made by Capital Mining Limited during the half-year ended 31 December 2016 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Statement of Compliance

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

(b) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. When the Group applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, a statement of financial position as at the beginning of the earliest comparative period will be disclosed.

(c) Basis of preparation

In the current year, the consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to their operations and effective for the current half-year.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

- AASB 2014-1: Amendments to Australian Accounting Standards (Part D);
- AASB 2014-3: Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations;
- AASB 2014-4: Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation;
- AASB 2014-9: Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements;
- AASB 2015-1: Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle;
- AASB 2015-2: Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101;
- AASB 2015-5: Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception; and
- AASB 2015-9: Amendments to Australian Accounting Standards – Scope and Application Paragraphs.

The adoption of the above standards have not had a material impact on this half year financial report.

CAPITAL MINING LIMITED

NOTES TO THE CONDENSED HALF-YEAR FINANCIAL STATEMENTS

31 December 2016

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

(d) Going Concern

The half-year financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Consolidated Entity incurred a loss for the period of \$4,039,018 (2015: \$1,370,133) and net cash outflows from operating activities of \$2,475,297 (2015: \$1,406,962)

The ability of the Consolidated Entity to continue as a going concern is principally dependent upon the ability of the Company to secure funds by raising capital from equity markets and managing cashflow in line with available funds. These conditions indicate a material uncertainty that may cast significant doubt about the ability of the Consolidated Entity to continue as a going concern. In the event the above matters are not achieved, the Consolidated Entity will be required to raise funds for working capital from debt or equity sources.

The directors have prepared a cash flow forecast, which indicates that the Consolidated Entity will have sufficient cash flows to meet all commitments and working capital requirements for the 12 month period from the date of signing this financial report.

On 9 March 2017, the Company successfully completed Placement to raise \$960,000 via the issue of 106 million fully paid ordinary shares. \$851,000 was received in cash with remaining amount being the settlement of outstanding creditors.

Based on the cash flow forecasts and other factors referred to above, the directors are satisfied that the going concern basis of preparation is appropriate. In particular, given the consolidated entity history of raising capital to date, the directors are confident of the Company's ability to raise additional funds as and when they are required.

Should the Consolidated Entity be unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might result should the Consolidated Entity be unable to continue as a going concern and meet its debts as and when they fall due.

2. REVENUE FROM ORDINARY ACTIVITIES

| | 31 Dec 16 | 31 Dec 15 |
|--|---------------|----------------|
| | \$ | \$ |
| Interest received – other persons/corporations | 18,099 | 13,907 |
| Realised gain on sale of investments | - | 426,639 |
| Forgiveness of debt | 34,197 | 239,329 |
| | <u>52,296</u> | <u>679,875</u> |

3. OTHER EXPENSES

| | 31 Dec 16 | 31 Dec 15 |
|--------------------------------------|-----------------|--------------|
| | \$ | \$ |
| Exploration expenditure | - | 10,502 |
| Realised loss on sale of investments | (46,744) | - |
| Interest expense | - | (2,456) |
| | <u>(46,744)</u> | <u>8,046</u> |

CAPITAL MINING LIMITED**NOTES TO THE CONDENSED HALF-YEAR FINANCIAL STATEMENTS**

31 December 2016

4. RECEIVABLES – CURRENT

| | 31 Dec 16 \$ | 30 Jun 16 \$ |
|-----------------------------|-----------------|-----------------|
| Loan receivables | 56,638 | 204,431 |
| Provision for doubtful debt | (56,638) | (204,431) |
| Other receivables | 276,477 | 131,303 |
| | <u>276,477</u> | <u>131,303</u> |

There are no other receivables which are past due & not impaired.

5. FINANCIAL ASSETS

| | 31 Dec 16 \$ | 30 Jun 16 \$ |
|-----------------------------------|-----------------|-----------------|
| Held for trading financial assets | <u>300,024</u> | <u>122</u> |

6. NON-CURRENT ASSETS**Deferred exploration and evaluation expenditure**

| | 31 Dec 16 \$ | 30 Jun 16 \$ |
|---|------------------|------------------|
| Costs brought forward | 1,429,192 | 1,409,118 |
| Costs incurred during the period | 434,768 | 24,841 |
| Costs incurred for application tenements | 140,694 | - |
| Exploration expenditure expenses through P&L | (140,694) | - |
| Acquisition cost – Wolfhound Lithium Limited | 250,000 | - |
| Wolfhound exploration | 95,000 | - |
| Exploration expenditure written off during the period | (5,004) | (4,767) |
| Costs carried forward | <u>2,203,956</u> | <u>1,429,192</u> |

The ultimate recoupment of the exploration expenditure carried forward is dependent on the successful development and commercial exploitation and/or sale of the relevant areas of interest, at amounts at least equal to book value. During the period, the Company undertook limited exploration work while it focused on recapitalising the Company.

During the period, the Company had active exploration at its Mayfield project and has planned exploration at its Chakola project. In September 2016, the Company acquired Wolfhound Lithium Limited in the Republic of Ireland and has commenced exploration at its projects.

Under the Agreement with Wolfhound Lithium Limited, the Company has acquired 100% of the issued capital from Wolfhound Shareholders. The consideration for the Acquisition is:

- (a) 15,000,000 fully paid ordinary shares in Capital Mining Limited for an exclusive option to conduct due diligence on Wolfhound Lithium Limited;
- (b) 50,000,000 fully paid ordinary shares in Capital Mining Limited upon completion of the Acquisition;

CAPITAL MINING LIMITED**NOTES TO THE CONDENSED HALF-YEAR FINANCIAL STATEMENTS**

31 December 2016

6. NON-CURRENT ASSETS (continued)

During 2015 financial year, the Company disposed of its interest in Cowarra tenement project. The agreement for the sale was executed on 31 December 2014. The proceeds receivable on disposal are \$40,000 resulting in the net loss of \$639,900. \$20,000 deposit for the sale was received by the Company on 5 January 2015, with the remainder to be paid following registration of the transfer. The tenement transfer was settled on 22 February 2017. The Company is expecting to receive remainder of the sale funds subsequent to the date of this report.

7. TRADE AND OTHER PAYABLES

| | 31 Dec 16 | 30 Jun 16 |
|---------------------|------------------|-----------|
| | \$ | \$ |
| Trade Creditors * | 245,828 | 199,392 |
| Accrued expenses | 25,075 | 42,500 |
| Payroll liabilities | 338 | - |
| Other | 19,043 | 12,000 |
| | 290,284 | 253,892 |

* The Company is disputing \$65,400 (30 June 2016: \$106,401) of trade creditors as described in Note 12.

8. ISSUED CAPITAL

| | Number | 31 Dec 16 |
|--|----------------------|-------------------|
| | | \$ |
| (a) SHARE CAPITAL - Ordinary Shares | | |
| 1 July 2016 | 1,098,894,185 | 21,221,826 |
| Exclusivity payment – Wolfhound 1 July 2016 | 15,000,000 | - |
| Share placement 5 September 2016 | 400,000,000 | 1,000,000 |
| Share placement 23 September 2016 | 220,000,000 | 550,000 |
| Consideration payment – Wolfhound 30 September 2016 | 50,000,000 | 250,000 |
| Share placement 30 September 2016 | 180,000,000 | 450,000 |
| Share placement 31 October 2016 | 237,000,000 | 474,000 |
| Share placement 25 November 2016 | 500,000,000 | 540,000 |
| Share placement 16 December 2016 | 1,000,000,000 | 1,000,000 |
| Less: Transaction costs arising from issue of shares | - | (263,271) |
| | 3,700,894,185 | 25,222,555 |

(b) Share options

At the end of the period, the following options over unissued ordinary shares were outstanding:

- 100,000,000 options expiring 31 December 2018 at an exercise price of \$0.05 each.

On 31 December 2016, the Company's 26,933,673 unquoted options exercisable at \$0.20 expired unexercised.

No options have been exercised between the end of the period and the date of this report.

CAPITAL MINING LIMITED

NOTES TO THE CONDENSED HALF-YEAR FINANCIAL STATEMENTS

31 December 2016

9. SHARE BASED PAYMENTS

The following share-based payment arrangements were issued during the period:

| Grant Date / Entitlement | Number of Instruments | Grant Date | Fair Value at grant date \$ |
|--|-----------------------|------------|-----------------------------|
| Shares issued in lieu of mandate fees on 5 September 2016 as per GM held on 8 August 2016 | 46,200,000 | 08-08-2016 | 0.0025 |
| Shares issued in lieu of invoice payments on 22 September 2016 as per GM held on 8 August 2016 | 112,640,000 | 08-08-2016 | 0.0025 |
| Shares issued in lieu of acquisition of Wolfhound Lithium Limited on 30 September 2016 as per ASX Listing Rule 7.1 | 50,000,000 | 30-09-2016 | 0.005 |
| Shares issued in lieu of invoice payments on 30 September 2016 as per GM held on 8 August 2016 | 11,880,000 | 08-08-2016 | 0.0025 |
| Shares issued in lieu of invoice payments on 25 November 2016 as per AGM held on 9 November 2016 | 370,370,371 | 09-11-2016 | 0.00108 |
| Shares issued in lieu of invoice payments on 16 December 2016 as per AGM held on 9 November 2016 | 786,000,000 | 09-11-2016 | 0.001 |

10. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of trade and other receivables and trade and other payables. These financial instruments are measured at amortised cost, less any provision for non-recovery. The carrying amount of the financial assets and liabilities approximate their fair value.

The Company's held for trading financial assets are Level 1 financial instruments and are valued using the quoted bid prices from the Australian Securities Exchange as at the reporting date.

11. COMMITMENTS

Exploration licence expenditure requirements

In order to maintain the Company's tenements in good standing with the various mines departments, the Company will be required to incur exploration expenditure under the terms of each licence. These expenditure requirements may diminish if the Company enters into joint ventures projects to third parties. It is the Company's exploration strategy to farm-out where appropriate to larger companies to fund drilling programmes. In addition, the Company has commitments to expend funds towards earning or retaining an interest under joint venture agreements.

| | 31 December 2016 | 30 June 2016 |
|---|---------------------|-----------------|
| | \$ | \$ |
| Payable not later than one year | 69,289 | 45,277 |
| Payable later than one year but not later than five years | 264,556 | - |
| Payable later than five years | 76,375 | - |
| | <hr/> | <hr/> |
| | 410,220 | 45,277 |

It is likely that the granting of new licences and changes in licence areas at renewal, or expiry, will change the expenditure commitment of the Company from time to time.

12. CONTINGENT ASSETS AND LIABILITIES

Included in the trade creditors balance as at 31 December 2016 is \$65,400 (30 June 2016: \$106,401) of which the directors believe were not contractual and not payable by the Company. The directors are confident that negotiations on these balances will be finalised and the invoices be withdrawn by the respective creditors.

Since the last annual reporting date, there have been no change in any other contingent liabilities or contingent assets.

13. TRANSACTIONS WITH RELATED PARTIES

Transactions between related parties are on commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated.

- On 1 July 2016 Peter Dykes and Anthony Dunlop had entered into consultancy arrangements with the Company to provide extensive work in an executive capacity over and above their directors' roles. The term of the agreements is 2 years commencing from 1 September 2016. Fees payable to each of Messers Dykes and Dunlop under the consultancy agreements are \$240,000 per annum. Pursuant to the Agreements and subject to Board approval, the Company may issue additional performance fees. During the period bonuses of \$150,000 were paid to each of Messers Dykes and Dunlop. Prior to the effectuation of these agreements Messers Dykes and Dunlop were each paid a total of \$100,000 for consulting services for the months of July and August 2016.
- On 1 July 2016 Peter Torney had entered into a consultancy arrangement with the Company. The term of the agreement is 2 years commencing from 1 September 2016. Fees payable under the Agreement is \$360,000 per annum. Pursuant to the Agreement and subject to Board approval, the Company may issue additional performance fees. During the period a bonus of \$150,000 was paid to Mr Torney. Prior to the effectuation of this agreement Mr Torney was paid a total of \$100,000 for consulting services for the months of July and August 2016.

| Entity | Related Director | Total (Ex-GST) |
|--------------------------|-------------------------|-----------------------|
| Poipu Bay Pty Ltd | Peter Dykes | \$354,000 |
| Bellring Pty Ltd | Peter Torney | \$394,000 |
| Coolabah Capital Pty Ltd | Anthony Dunlop | \$354,000 |

(a) Loan to Bellring Pty Ltd

During the period the Company loaned \$7,851 to Bellring Pty Ltd bearing no interest with 90 days repayment from drawdown date (a Company of which Mr Peter Torney is shareholder and director). The loan was repaid in full during the period.

(b) Chapmans Limited

The Company entered into a mandate with Chapmans Limited (an ASX listed company of which Mr Peter Dykes and Mr Anthony Dunlop are directors) ("Chapmans") on 30 October 2015 for the provision of sales, marketing and capital markets initiatives. The monthly fee set out in the mandate is \$150,000 (ex GST) plus a 6% fee on any capital raisings. The term of the agreement expired on 30 September 2016. On 19 September 2016 the Company extended the mandate for the provision of the above mentioned services. The monthly fee is \$100,000 (ex GST) plus 6% brokerage fee on any capital raisings effective from 1 October 2016.

On 15 March 2017 the Company signed a mandate to replace its existing mandate with Chapmans whereby effective 1 April 2017, the Company will no longer be charged a monthly retainer however a success fee will be charged upon the introduction of a project. The success fee will be agreed upon by the parties and reviewed by an external independent third party to ensure that the fee is reasonable if considered necessary.

13. TRANSACTIONS WITH RELATED PARTIES (continued)

(b) Chapmans Limited

During the period \$750,000 of retainers has been charged by Chapmans. An additional \$230,861 has been charged for capital raising fees. These have been settled via cash, off-setting the loan balance provided by Capital and equity.

During the period a total of \$1,650,000 was advanced to Chapmans Limited. The loan was for a period of 180 days, was unsecured and attracted an interest rate of 8% per annum (16% per annum for overdue amounts). During the period \$1,650,000 plus interest of \$17,955 has been repaid by Chapmans to the Company via cash and offsetting against Chapmans consulting fees payable.

(c) Stirling Wealth Group Ltd (formerly Stirling Products Limited)

During the prior period the Company advanced \$468 to Stirling Wealth Group Ltd ("Stirling"), a company of which Messers Dykes and Torney are Directors. In September 2016, Stirling Wealth Group Ltd issued 2.97 million shares at \$0.05 per share to Capital Mining Limited as part repayment of the existing loan. The loan balance as at balance date is \$56,638, which has remained impaired until such time that Stirling has raised sufficient funds and repaid the balance owing. The loan currently attracts interest at 16% per annum.

During the period, the company had acquired 2.3 million Stirling shares which have been acquired at \$0.05 per share via off-market purchase from Stirling shareholders. As at balance date, Capital Mining Limited holds 13.9 million shares in Stirling with a cost of \$692,694. The investment has been impaired to nil until such time that investments in Stirling can be measured.

14. SEGMENT INFORMATION

The Company operates predominantly in the one business segment being mineral exploration and evaluation.

15. SUBSEQUENT EVENTS

The following significant events occurred after the reporting period:

- On 3 January 2017, the Company advanced \$500,000 to a third party with an interest rate of 8% per annum for a period of 90 days.
- On 1 February 2017, the Company advanced \$50,000 to a third party with an interest rate of 8% per annum with a repayment date before 30 June 2017.
- On 7 February 2017, a loan facility of \$200,000 has been provided to Stirling Wealth Group which attract 8% per annum and with a repayment date before 30 June 2017. To date, \$130,000 has been drawdown.
- On 17 February 2017, the Company's issued capital was consolidated on a 1-for-10 basis.
- On 9 March 2017, the Company entered into a Binding Agreement with Maincoast Pty Ltd to acquire Scotia Cobalt Nickel Project located in Western Australia. Under the Agreement, the Company is to acquire 100% interest in the Project subject to the satisfactory completion of due diligence by the Company, to be completed by 21 April 2017. On 9 March 2017, the Company issued a total of 5,000,000 fully paid ordinary shares as an exclusivity payment as part of the Agreement.
- On 9 March 2017, the Company successfully completed Placement to raise \$960,000 via the issue of 106 million fully paid ordinary shares. \$851,000 was received in cash with remaining amount being shared based payments. The funds raised will be used to fund targeted exploration programs across the Company's project portfolio and also for working capital.

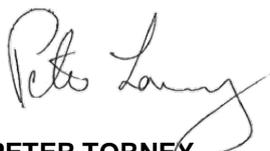
No other event has occurred subsequent to 31 December 2016 requiring disclosure in, or amendment to, these financial statements.

CAPITAL MINING LIMITED
DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Capital Mining Limited, the directors of the company declare that:

1. The financial statements and notes, as set out on pages 13 to 22, are in accordance with the Corporations Act 2001, including:
 - a. complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - b. giving a true and fair view of the Company's financial position as at 31 December 2016 and of its performance for the half-year ended 31 December 2016.
2. In the directors opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'Peter Torney', written over a horizontal line.

PETER TORNEY
Director

Perth, 16 March 2017

Independent Auditor's Review Report

To the Members of Capital Mining Limited

We have reviewed the accompanying half-year financial report of Capital Mining Limited ("the Company") and Controlled Entities ("the Consolidated Entity") which comprises the condensed consolidated statement of financial position as at 31 December 2016, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the Consolidated Entity, comprising the Company and the entities it controlled during the half-year.

Directors Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Consolidated Entity, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independent Auditor's Review Report

To the Members of Capital Mining Limited (Continued)



Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Capital Mining Limited and Controlled Entities is not in accordance with the Corporations Act 2001 including:

- a. Giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 1(d) in the half-year financial report which indicates that the Consolidated Entity incurred a net loss of \$4,039,018 during the half-year ended 31 December 2016. This condition, along with other matters as set forth in Note 1(d), indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Consolidated Entity to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the half-financial report.

BENTLEYS
Chartered Accountants

DOUG BELL CA
Director

Dated at Perth this 16th day of March 2017