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LITHIUM BEARING PEGMATITES IDENTIFIED AT GASCOYNE LITHIUM PROJECTS

Highlights

- **Lithium-bearing pegmatites identified at all three of Capital's Lithium Projects in the Gascoyne region of Western Australia**
- **Multiple anomalous rock chip samples with elevated lithium values and associated elements values identified at the Reynolds, Caroline Creek and Yinnietharra Projects**
- **Based on positive initial results all samples have been sent for full laboratory analysis for lithium and other mineral elements – results expected soon**
- **Initial results provide strong indication of the presence of a lithium mineralised system**
- **Validates the Company's exploration model that the projects' represent a compelling conventional Lithium-Caesium-Tantalum (LCT) Pegmatite model**
- **Initial field work at Capital's other WA lithium project remain ongoing**

Capital Mining Limited (ASX: CMY) ("**Capital**" or "**the Company**") is pleased to announce that lithium-bearing pegmatites have been confirmed at Reynolds and identified at Caroline Creek and Yinnietharra lithium projects in the Gascoyne Minerals District in Western Australia.

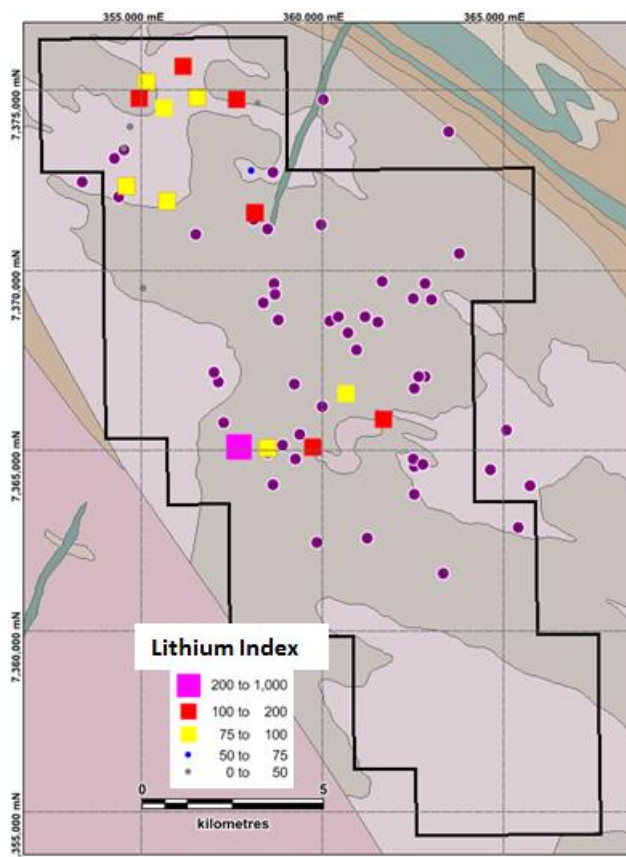
The Company recently completed its first phase, reconnaissance, field work at its Gascoyne Lithium Projects - Reynolds Project (ELA09/2209), Caroline Creek Project (ELA08/2869) and Yinnietharra Project (ELA09/2208) – and initial results have confirmed the presence of pegmatites with elevated lithium index¹ values and associated elements at all three project areas.

A total of 55 rock chip samples were collected from the three project areas, and have been subjected to pXRF analysis.

Multiple anomalous rock chip samples with elevated lithium index values along with multiple pegmatite occurrences were identified at all project areas. This provides a strong indication of the presence of lithium mineralisation, and has validated the Company's exploration model for the three project areas.

Based on the highly positive initial results, all 55 samples have now been sent for full laboratory analysis for lithium, plus a full suite of other 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).

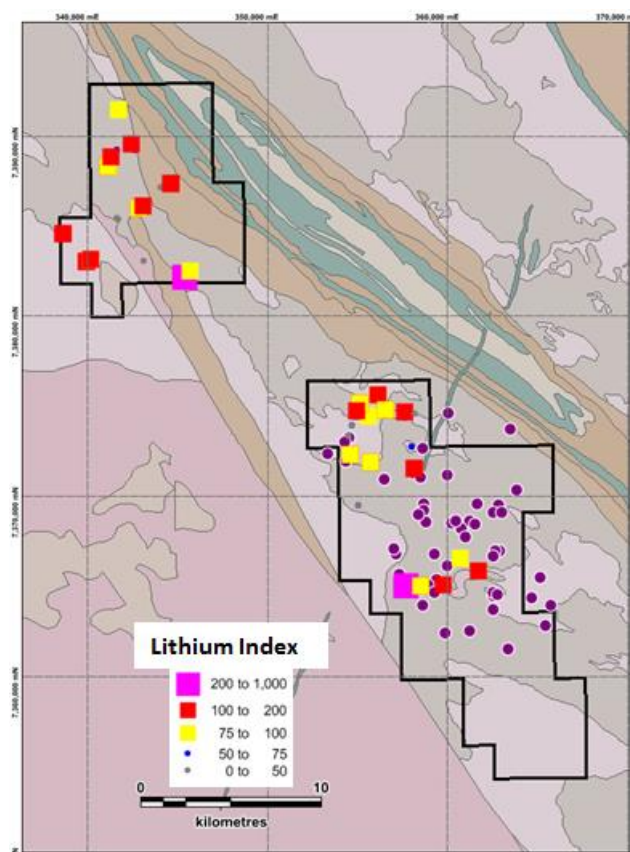


The **Reynolds Project** was identified and pegged by CMY on the basis of regionally elevated niobium and tantalum values in stream sediments (ASX: CMY 15 August 2016). These are known associated elements of Lithium-Caesium-Tantalum (LCT) Pegmatites.

The initial field reconnaissance program at Reynolds has confirmed the presence of LCT Pegmatites with elevated lithium index values in central and northern portion of the project (*Figure 1*).

The next phase of exploration at Reynolds will undertake a systematic soil geochemical program along with field mapping to identify drill targets.

Figure 1: Reynolds Project showing lithium index values and known heavy mineral anomalies (purple dots)



At the **Caroline Creek Project**, in addition to the elevated lithium index values (*Figure 2*), elevated niobium, caesium, rubidium, and tantalum values were also identified. The presence of elevated values of these associated elements is seen as providing further indication of the potential for lithium mineralisation at the project area.

Follow up work will be undertaken in parallel to Reynolds with soil geochemistry, field mapping and additional rock chip sampling to focus on the most prospective area at Caroline Creek.

Figure 2: Caroline Creek and Reynolds Project showing lithium index values

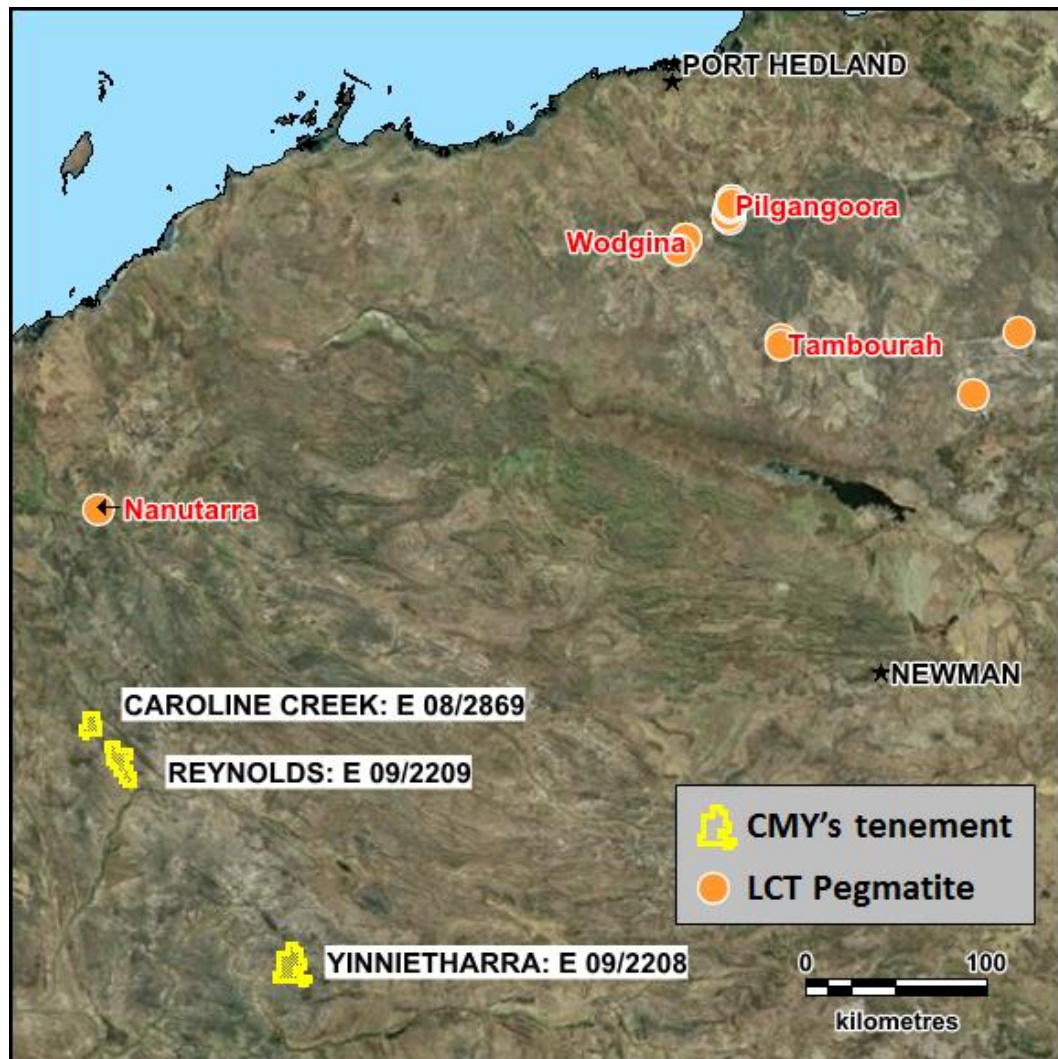


Figure 4: CMY's Gascoyne Lithium Projects at Reynolds, Caroline Creek and Yinnietharra.

ENDS

Peter Dykes
Director

E08/2869, E09/2208 and E09/2209

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	Commentary
Sub-sampling techniques and sample preparation	
<i>If core, whether cut or sawn and whether quarter, half or all core taken.</i>	<ul style="list-style-type: none"> No soil samples recovered
<i>If non-core, whether riffled, tube sampled, rotary split, etc. and whether sampled wet or dry.</i>	
<i>For all sample types, the nature, quality and appropriateness of the sample preparation technique.</i>	<ul style="list-style-type: none"> The sample preparation was completed using an industry standard process and the assay method using a pXRF machine is considered fit for purpose.
<i>Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.</i>	<ul style="list-style-type: none"> Samples sent to commercial laboratory were assayed for multi-elements using 4 acid digest with ICP-MS finish.
<i>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.</i>	<ul style="list-style-type: none"> All samples were analysed using Bruker S1 TITAN with a proprietary calibrated Lithium Index algorithm developed for LCT pegmatites.
<i>Whether sample sizes are appropriate to the grain size of the material being sampled.</i>	
Quality of assay data and laboratory tests	
<i>The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.</i>	<ul style="list-style-type: none"> 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.
<i>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.</i>	
<i>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.</i>	
Verification of sampling and assaying	
<i>The verification of significant intersections by either independent or alternative company personnel.</i>	<ul style="list-style-type: none"> Data was collected from each sample site and entered into Excel spreadsheet on a portable logging device.
<i>The use of twinned holes.</i>	
<i>Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.</i>	
<i>Discuss any adjustment to assay data.</i>	

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.

- 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.

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.

- 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.

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.

- 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.

Sample security

The measures taken to ensure sample security.

- All samples were collected, prepared and stored on site in a secure environment.

Audits or reviews

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

- 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.

E08/2869, E09/2208 and E09/2209**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 samples are located within Exploration Licence Applications ELA08/2869, ELA09/2208 and ELA09/2209 which are within the Gascoyne Pegmatite Field and is 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.