

Capital Mining Limited

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ASX Release

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QUARTERLY ACTIVITIES REPORT

SEPTEMBER, 2016

Capital Mining Limited (ASX: CMY) ("**Capital**" or "**the Company**") is pleased to present its Quarterly Activities Report for the period ending 30 September 2016.

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

QUARTER HIGHLIGHTS

- Capital embarked on an aggressive acquisition strategy to acquire lithium prospective projects in geologically favourable regions in Western Australia.
- Via this strategy the Company secured eleven lithium prospective exploration projects in the quarter.
- Systematic, first-phase reconnaissance field work across the portfolio has commenced and is ongoing.
- Lithium-bearing pegmatites identified at Reynolds, Caroline Creek and Yinnietharra Projects in the Gascoyne Minerals District in WA.
- Wolfhound Lithium Prospecting Licences in Ireland granted – field work to commence shortly.
- New drill targets identified at Mayfield and Chakola Gold and Base Metals Projects in NSW – drilling planned to commence in the December quarter.

LITHIUM PROJECTS, WESTERN AUSTRALIA

During the quarter, Capital embarked on a project identification and acquisition strategy to acquire a portfolio of lithium prospective assets in active exploration and mining jurisdictions. Consistent with this approach it secured eleven lithium exploration assets in the quarter, and commenced a targeted first stage of reconnaissance field work across the portfolio. This work remains ongoing. A summary of the lithium projects secured in the quarter is provided following.

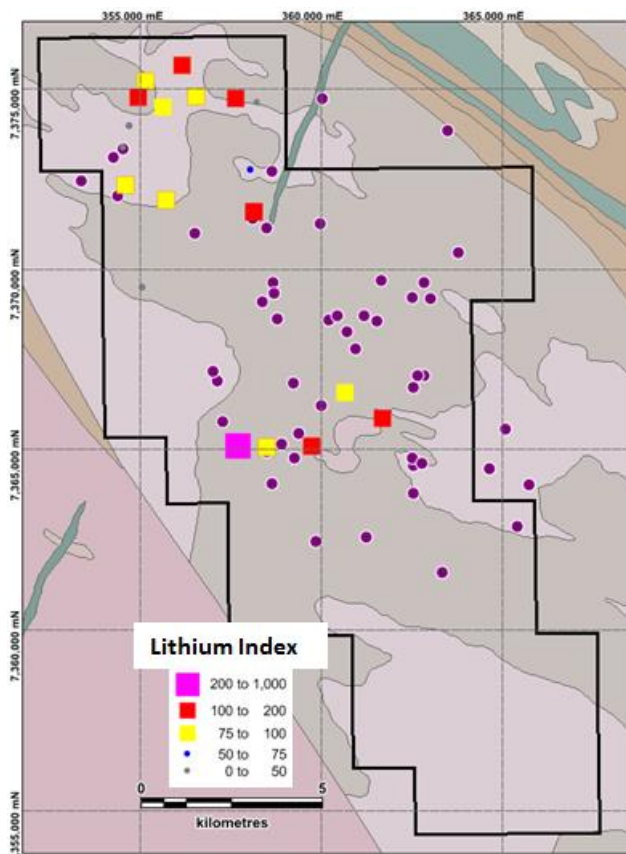
Reynolds, Caroline Creek & Yinnietharra Projects, Gascoyne region of WA – Lithium-bearing Pegmatites Identified

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 (ASX announcement 15 August 2016). 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.

All three projects are considered prospective for rare-element granitic pegmatites of the Lithium-Caesium-Tantalum (LCT) geochemical group, and demonstrate a compelling conventional LCT Pegmatite model. The projects all host a granite and greenstone contact, which is recognised as a prime target zone (or ‘goldilocks zone’) for LCT pegmatites. Also, an assessment of magnetics data over the project areas indicates the presence of greenstone, which further adds to the spodumene bearing pegmatite potential of the projects.

First phase field work successfully completed

First phase field work commenced at the Gascoyne projects in September (ASX announcement, 19 September 2016). The program consisted of 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 were subjected to pXRF analysis. The program was successful in identifying lithium-bearing pegmatites at all three projects (ASX announcement, 17 October 2016).

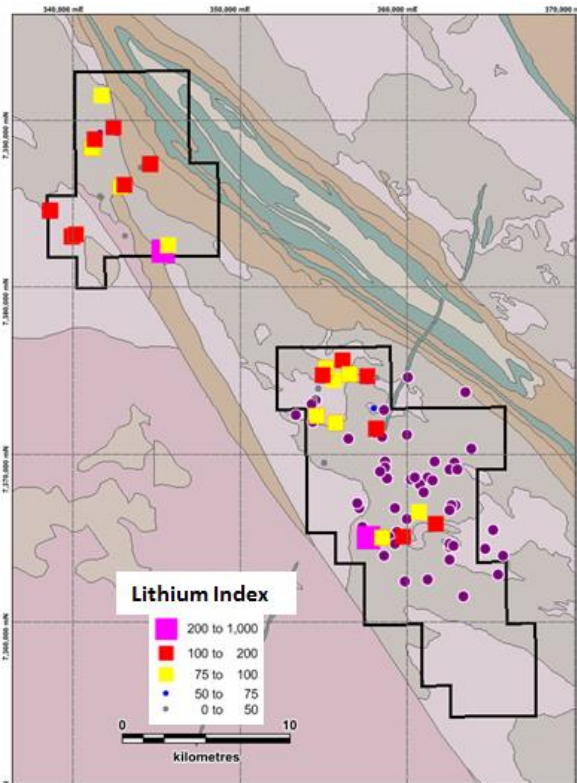


The **Reynolds Project** was identified and pegged by Capital on the basis of regionally elevated niobium (Nb) and tantalum (Ta) values in stream sediments. These are known associated elements of LCT Pegmatites.

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.

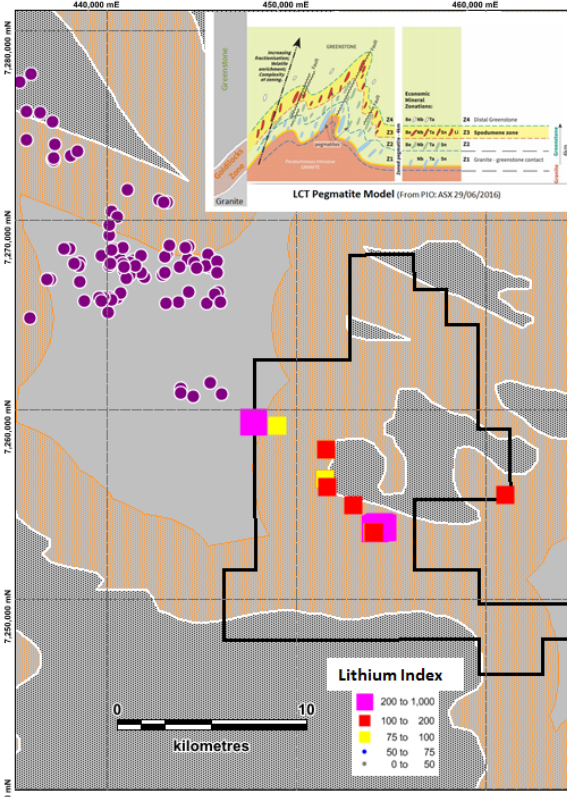
Figure 1: Reynolds Project showing lithium index values and known heavy mineral anomalies (purple dots)



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



At the **Yinnietharra Project**, elevated lithium index values up to 560 have been identified in the central and western portion of the tenement (Figure 3). All elevated values lie within the Lithium Goldilocks Zone and confirms Capital's geological model to target and confirm the presence of LCT Pegmatites on its tenements.

In addition to elevated lithium index values elevated niobium and caesium values are present.

Further exploration will be planned in the form of gridded soils, additional rock chips and field mapping to identify LCT pegmatite targets for drill testing.

Figure 3: The Yinnietharra Project showing lithium index values within the interpreted Goldilocks corridor prospective for LCT Pegmatites.



Based on these positive initial results all samples were sent for full laboratory analysis for lithium and other mineral elements, and results are expected in the near future. The initial results provide strong indication of the presence of a lithium mineralised system, and help validate the Company's conventional LCT Pegmatite model exploration model at the Gascoyne projects.

Yalgoo North and Yalgoo South Projects, Mid-West region of WA – Initial Fieldwork Commences

The Yalgoo North (E59/2195) and Yalgoo South (E59/2196) Projects cover a total area of 118.12 km² in the Yalgoo Mineral Field, approximately 230km from the Geraldton Port. The project areas are well serviced by existing infrastructure. The Geological Survey of Western Australia (GSWA) has recorded a number of pegmatites in the Yalgoo Region including lithium-bearing LCT pegmatites. Yalgoo North hosts magnetic features which indicate the presence of greenstone rafts (mafic rocks) at the northern extremity of the greenstones terrain. Yalgoo South lies on the eastern margin of the north, north-west trending greenstone belt and extends into the granitic rocks (biotite and monzogranite), with magnetic features indicating greenstone rafts. The presence of greenstone is interpreted to further add to the projects' spodumene-bearing pegmatite potential.

First phase Field work Commences

Subsequent to the end of the quarter, Capital commenced the first phase of field work at the Yalgoo Projects. The initial field work was reconnaissance in nature and included an extensive soil sampling program and rock chip sampling program across the two project areas. Samples collected will be sent for laboratory analysis. The program was designed to identify and sampling spodumene (lithium-bearing) pegmatites, which will assist the Company to define and refine targets for more detailed follow-up exploration (subject to initial results).

Outcomes of the initial field work will be reported as they become available.

The Company also secured the Ravensthorpe Project (E74/609) at the same time the Yalgoo projects were announced (ASX announcement, 23 August 2016). After an initial reconnaissance field visit to the project area, it was decided not to proceed with any further work on this project.

Bigbell South and Mindoole Projects, Murchison region of WA

Capital further expanded its lithium project portfolio with the pegging of the Bigbell South Project (ELA20/906) and the Mindoole Project (ELA20/907) in the Murchison District in WA (ASX announcement, 2 September 2016). The projects comprise two exploration licence applications over a total area of 85.50 km². They are considered prospective for lithium-rich spodumene bearing pegmatites and are located in close proximity to known mineral occurrences associated with LCT Pegmatites.

The Projects were identified and pegged on the basis that they both demonstrated a strong conventional LCT Pegmatite model. The projects demonstrate a granite and greenstone contact, recognised as a prime target zone (or 'goldilocks zone') for LCT pegmatites. An assessment of magnetics data over the project areas indicates the presence of greenstone, which further adds to the spodumene bearing pegmatite potential of the projects.

The Bigbell South Project lies adjacent to the Big Bell Gold Mine and is situated 3km from an active pegmatite field, which hosts tin and beryllium occurrences - which are key indicators to potential fertile LCT pegmatite mineralisation. The Mindoole Project is situated 5km north of the Patons Lode and Doreen LCT pegmatite field where Venus Metals Corporation (ASX: VMC) is exploring the Poona Lithium Project and Montezuma Mining (ASX: MZM) also has a ground holding.

Wail Project, Gascoyne region of WA

The Wail Project was pegged as part of Capital's targeted lithium asset acquisition strategy (ASX announcement, 27 September 2016). It comprises three tenements – Wheelock (E09/2205), Mongolia (E09/2206) and Pinthagong (E09/2207) – and covers a total area of 492.3km². The Wail Project presents as being prospective for two separate lithium models. The first, in the eastern region, is a conventional LCT Pegmatite model with a granite and greenstone contact, recognised as a prime target zone (or 'goldilocks zone') for LCT pegmatites, plus positive magnetic features. The second is a lithium-clay model in the western area of the project, which will target lithium clay deposits such as the Kings Valley Project in Nevada, USA and the Sonora Project, Mexico.

Exploration for lithium clays and LCT Pegmatites has yet to be undertaken at the Wail project area, and Capital has the opportunity to establish itself with a 'first mover' advantage in a potentially new lithium province in Western Australia.

WOLFHOUND LITHIUM PROJECT, REPUBLIC OF IRELAND

During the quarter, Capital announced that the Prospecting Licences covering the Borris, Ballon and Tinahely Lithium Projects in the Republic of Ireland had been granted (ASX announcement, 22 September 2016). With the licences granted, Capital moved to finalise the acquisition of Wolfhound Lithium Limited (Wolfhound) and formalised its plans for an initial field work program at the project area.

Capital entered into a Binding Agreement to acquire 100% of the issued capital of Wolfhound in June (ASX announcement, 1 June 2016). Wolfhound is the owner of the Borris, Ballon and Tinahely Projects in the highly prospective Leinster Granite in the south east of Ireland (refer project location map; Figures 4).

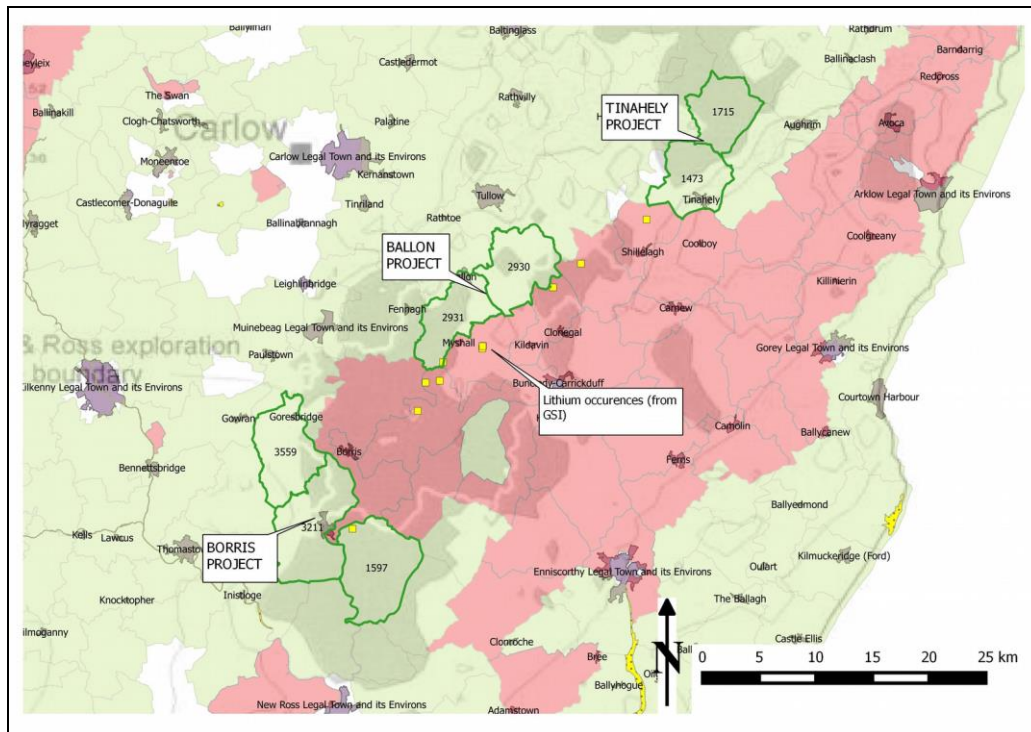


Figure 4: Wolfhound project locations: licence areas identified by green outline, and red outlined areas identify current occupied tenure. Grey areas indicate elevated lithium occurrences.



The acquisition terms included the issue of 50,000,000 fully paid ordinary shares in Capital at a price of \$0.005 each on the granting of the Prospecting Licences. The projects comprise seven Prospecting Licences (PLs 2930, 2931, 1597, 3211, 3559, 1473 and 1715) over a total area of approximately 270km², and are considered prospective for lithium-rich spodumene bearing pegmatites.

Field Work Program

The field work program is planned to commence at the Ballon Project (PL 2930 & PL 2931) situated north of and adjacent to International Lithium Corporation's (TSXV: ILC) Avalonia Lithium Project. The works program is designed to identify and sample spodumene (lithium-bearing) pegmatites, to refine priority targets for Capital's future exploration. It is anticipated that a magnetic susceptibility survey of the Ballon Project will also be undertaken, which in conjunction with the systematic sampling program, will be used to delineate and rank drill targets.

ILC declared in January 2015 that *"the prospective belt may be significantly wider than previously realized, with pegmatite bodies now indicated to occur in parallel at the Leinster granite contact or on either side of the contact in the two host rock units"*. A focus of the initial field work program will be to assess the potential extension of the Avalonia pegmatite onto the Ballon Project.

GOLD AND BASE METALS, NSW

Mayfield Project – EL 6358 (CMY 51%, Rutila Resources 46.5% and Roberts Consulting 2.5%)

This project area covers a significant gold-copper skarn deposit, where very encouraging exploration drill results have previously been reported by the Company. The tenement is located in close proximity to the world-class Majors Creek gold field near Braidwood in southern NSW. Following the most recent drilling campaign by the Company, the resource now stands at:

- **Gold-copper dominant mineralization: 4.0Mt at a 0.4% copper, 0.7 g/t gold, 8.8 g/t silver, 0.2% zinc and 25.4% iron; and**
- **Zinc dominant mineralization: 0.9Mt at a grade of 2.36% zinc, 5.9 g/t silver and 0.1% copper.**

It should be noted that the above resource estimate was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

Capital plans to undertake the next phase of exploration at the Mayfield Project in December quarter. A drilling program is proposed to delineate a gold resource and also to explore the surrounding terrain for similar occurrences. Drilling will be designed to test down-dip and along strike extensions of the known mineralisation as illustrated in Figure 5.

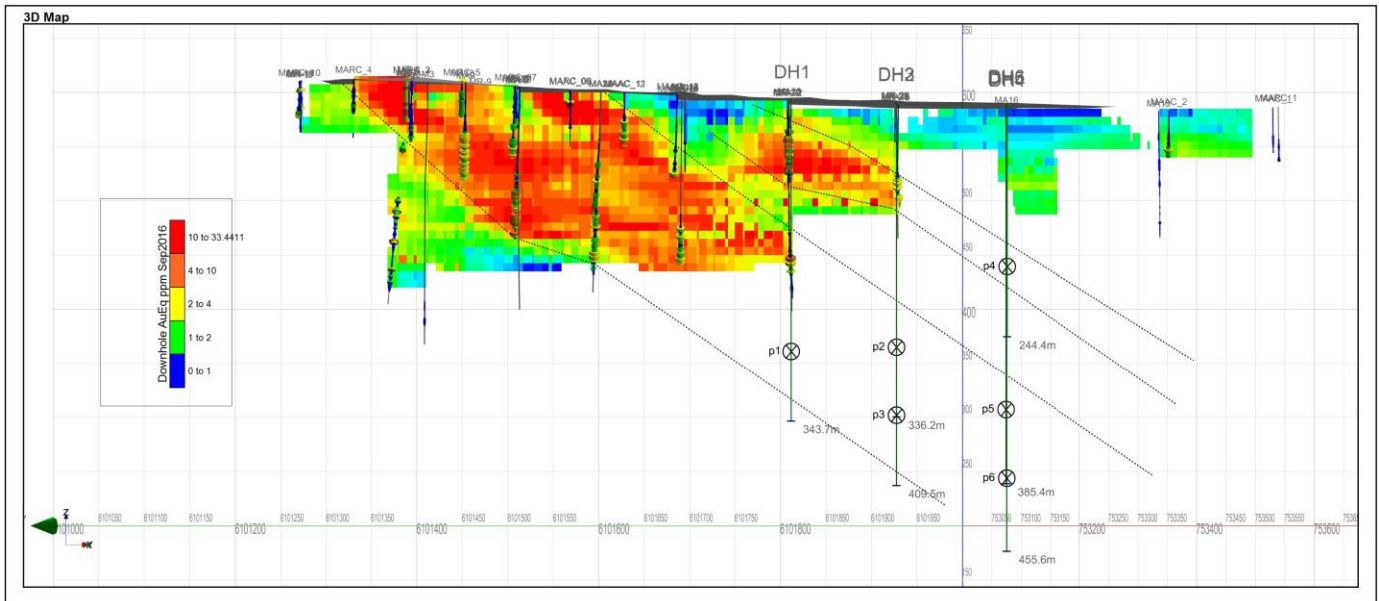


Figure 5: Trend of high grade gold (equivalent) mineralization is to be tested at depth initially by two RC drill holes, with provision for a further four drill holes.

Chakola Project (EL 5697 - CMY 100%)

Capital reviewed existing drilling data on the Harnett Deposit within the Chakola project area during the quarter and identified a strong zone of gold mineralisation with a pronounced southerly plunge (see Figure 6). It is intended to carry out a drilling program to test the extensions to this zone over the coming months, subject to all requisite approvals for drilling. The Company will provide further details and timeframes in due course.

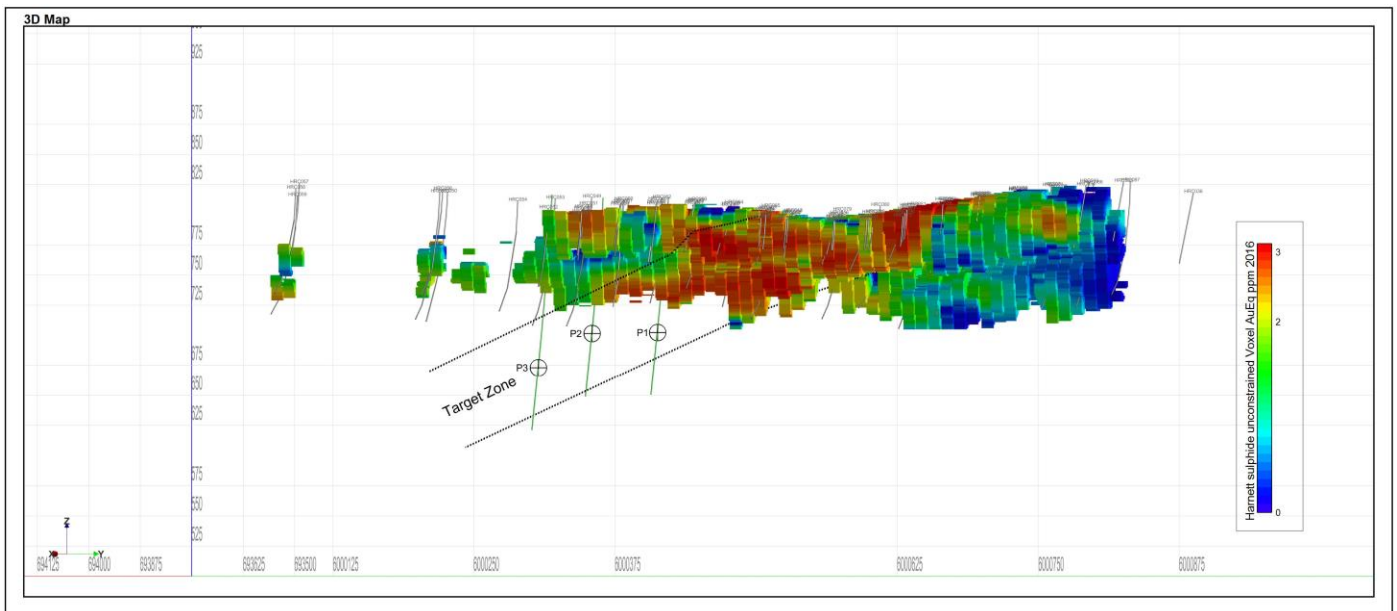


Figure 6: Modelling of drill hole data from previous campaigns on the Harnett deposit confirms a southerly plunging zone of high gold (equivalent) values.



The Company has previously identified a polymetallic deposit at the Harnett Prospect which consists of:

- **1.22Mt @ 0.8g/t gold, 0.5% copper, 8.1g/t silver, 0.4% lead and 0.7% zinc in Measured, Indicated and Inferred JORC compliant categories. The breakdown of these categories is outlined in Table 1:**

It should be noted that the above resource estimate was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

CATEGORY	TONNES	Grade Gold Equiv_g/t	Mineralisation Type	Au_g/t	Cu_%	Ag_g/t	Pb_%	Zn_%
Measured	811,300	3.40	Copper-Gold	0.9	0.6	8.2	0.4	0.6
Indicated	115,900	3.43	Copper-Gold	0.6	0.7	7.5	0.3	0.5
Inferred	nil	-	Copper-Gold	-	-	-	-	-
Sub Total	927,200	3.4	Copper-Gold	0.9	0.6	8.1	0.4	0.6
Measured	258,500	2.23	Lead-Zinc	0.36	0.25	8.1	0.45	0.97
Indicated	21,200	2.44	Lead-Zinc	0.33	0.23	9.0	0.53	1.29
Inferred	13,300	1.94	Lead-Zinc	0.40	0.19	9.8	0.37	0.61
Sub Total	293,000	2.2	Lead-Zinc	0.36	0.25	8.2	0.45	0.98
TOTAL	1,220,000	3.1		0.8	0.5	8.1	0.4	0.7

Table 1: Chakola Project Resource categories

UPCOMING ACTIVITY

- Laboratory results from Reynolds, Caroline Creek and Yinnietharra Lithium Projects
- Commencement of Field Work at Wolfhound Lithium Project in Ireland
- Drilling at Mayfield Gold and Base Metals Project, NSW
- Drilling at Chakola Gold and Base Metals Project, NSW
- First phase Field Work results from other WA lithium projects - ongoing
- New project assessment and acquisition program - ongoing

CORPORATE

During the quarter the Company completed a placement of 800,000,000 shares representing the total \$2,000,000 capacity approved by shareholders at the general meeting held 8 August 2016.



ASX LISTING RULE 5.3.3

The Company presents the tenement information in Table 1 below in accordance with ASX Listing Rule 5.3.3.

Table 1: Tenement Information

Project Name	Location	Tenement Licence	Interest held at 30 June 2016	Interest acquired/ disposed of	Interest held at 30 September 2016
Mayfield	NSW	EL6358	51%	N/A	51%
Chakola	NSW	EL5697	100%	N/A	100%
Gascoyne	WA	EL09/2209	Nil	100%	100% (Application only)
Gascoyne	WA	EL08/2869	Nil	100%	100% (Application only)
Gascoyne	WA	EL09/2208	Nil	100%	100% (Application only)
Ravensthorpe	WA	EL74/609	Nil	100%	100% (Application only)
Yalgoo	WA	EL59/2195	Nil	100%	100% (Application only)
Yalgoo	WA	EL59/2196	Nil	100%	100% (Application only)
Murchison	WA	EL20/906	Nil	100%	100% (Application only)
Murchison	WA	EL20/907	Nil	100%	100% (Application only)
Wail	WA	EL09/2205	Nil	100%	100% (Application only)
Wail	WA	EL09/2206	Nil	100%	100% (Application only)
Wail	WA	EL09/2207	Nil	100%	100% (Application only)
Borris	Republic	PL1597	Nil	100%	100%
Borris	Republic	PL3211	Nil	100%	100%
Borris	Republic	PL3559	Nil	100%	100%
Ballon	Republic	PL2930	Nil	100%	100%
Ballon	Republic	PL2931	Nil	100%	100%
Tinahely	Republic	PL1473	Nil	100%	100%
Tinahely	Republic	PL1715	Nil	100%	100%

-ENDS-

Peter Dykes

Director

Capital Mining Limited

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.