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CAPITAL MINING LIMITED

ABN 69 104 551 171

ANNUAL REPORT 2013

CAPITAL MINING LIMITED

Corporate Directory

Directors

Robert McCauley	Executive Director
Dr James Ellingford	Non-executive Director & Chairman
Peter Torney	Non-executive Director

Company Secretary

Elizabeth Hunt

Principal Office

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PO Box 3770, Weston Creek ACT 2611

Telephone: 02 6288 2661

Facsimile: 02 6288 4878

Website: www.capitalmining.com.au

Registered Office

Suite 1, 22 Railway Road, Subiaco, WA 6008

Share Registry

Boardroom Pty Limited

GPO Box 3993, Sydney, NSW 2001

Telephone: 02 9290 9600

Auditors

BDJ Partners Audit Pty Ltd

Level 13, 122 Arthur Street

North Sydney, NSW 2060

Stock Exchange Listing

Listed on the Australian Stock Exchange (ASX)

ASX code: CMY, CMYO

ABN: 69 104 551 171

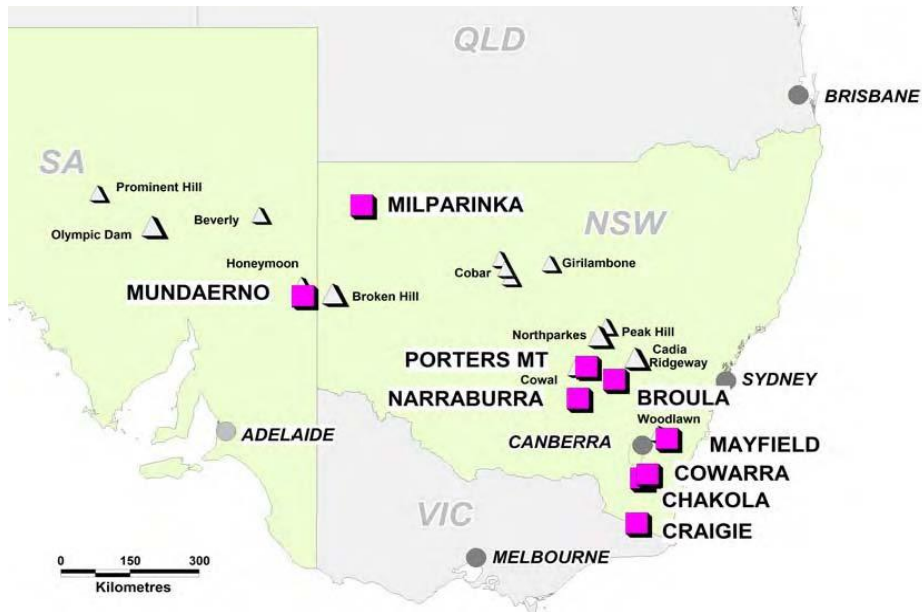
CHAIRMAN'S REPORT

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SOUTHEAST AUSTRALIA
PROJECT LOCATION MAP
SEPTEMBER 2013



MUNDAERNO – uranium, copper, gold targets
MILPARINKA - precious metals, nickel drill targets
PORTERS MT - gold, copper potential
NARRABURRA - zirconium, REE

MAYFIELD - copper, gold & silver
COWARRA – gold, new targets identified
CHAKOLA – gold & base metals
CRAIGIE - alluvial gold

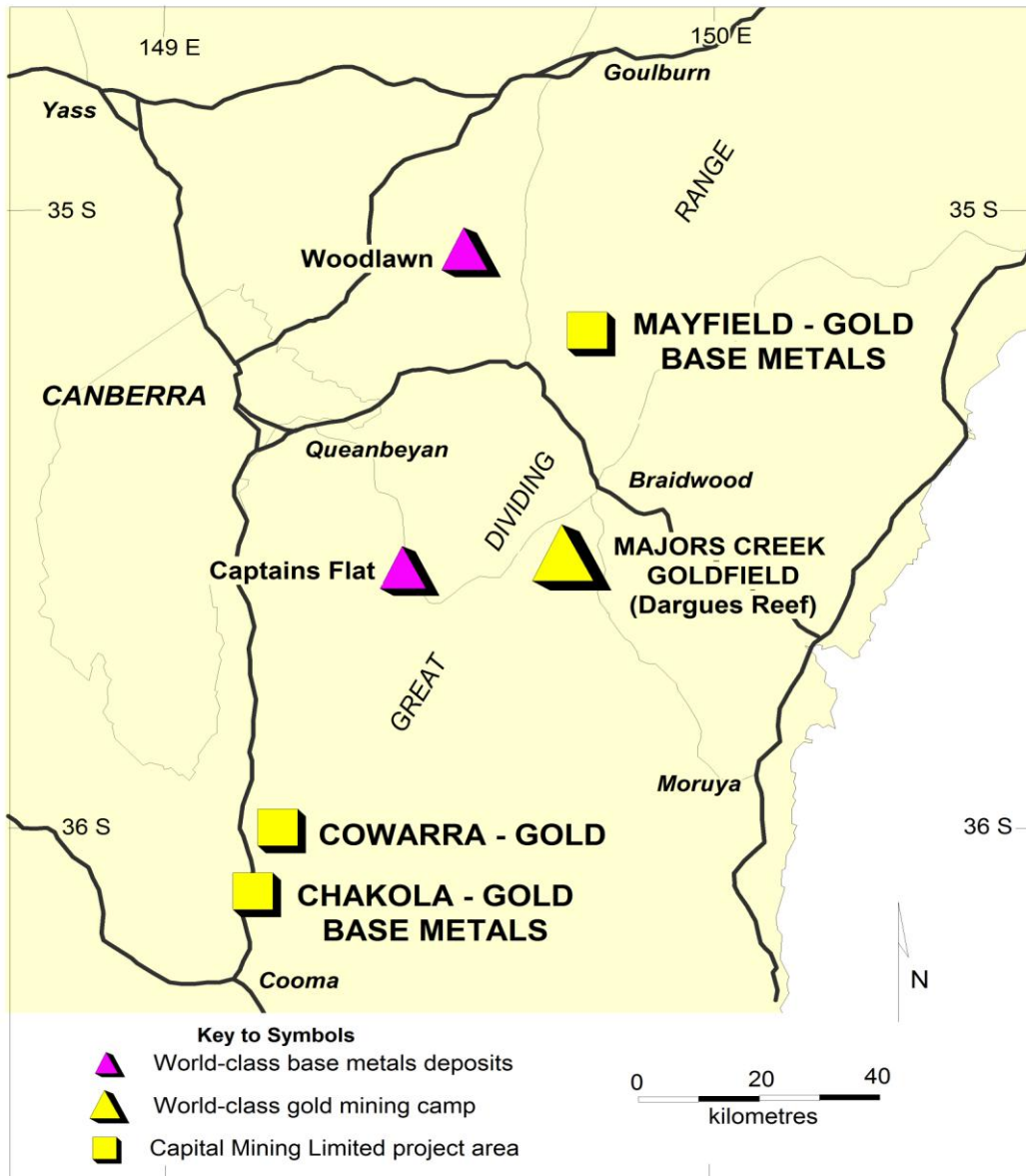
TENEMENT PORTFOLIO – SEPTEMBER 2013

PROJECT	STATE	COMMODITY FOCUS	LICENCE NUMBER	AREA square km	TERM years	CMY INTEREST
<i>Chakola</i>	NSW	Gold - Copper	EL 5697	66	2	100%
<i>Mayfield</i>	NSW	Gold - Copper	EL 6358	25	2	51%
<i>Narraburra</i>	NSW	Zirconium	EL 5629	11	2	100%
<i>Mundaerno Sth</i>	SA	Uranium	ELA 2012/00189	52	1	51%
<i>Cowarra</i>	NSW	Gold	EL 5939	28	2	50%
<i>Porters Mount</i>	NSW	Gold	EL 6591	65	2	100%
<i>Milparinka</i>	NSW	Gold-nickel-PGE	EL 6832	75	2	100%
<i>Craigie</i>	NSW	Gold	MLA366, 367	4ha	-	100%

CAPITAL MINING LIMITED
REVIEW OF OPERATIONS

CHAKOLA GOLD AND BASE METALS PROJECT, NSW
EL5697 - 66 km²
Capital Mining 100%

Exploration in EL5697 is for gold, copper, silver, lead and zinc in deposits located along persistent mineralised horizons in altered volcanic host rocks. A gold and base metals resource has been outlined at the Harnett prospect and is forming the impetus for the search for similar deposits within the tenement.



The principal gold and base metal prospects that have been identified in EL5697 are the Harnett, Stonehenge, Picasso, Gamma, Delta, Cattleyards, Gillans, and Driscolls Hill prospects. Of these, the Harnett, Stonehenge and Driscolls Hill prospects lie on the main mineralised horizon, which is close to the Colinton Volcanics -Rothlyn Formation boundary. This horizon extends for over 14km through the centre of the licence and is marked by interspersed outcrops of gossan, hematitic chert, silica-barite rock and sericite-silica-pyrite altered volcanics. The Picasso and Gamma-Delta prospects lie on a second horizon that is up to 1500m to the west of the main horizon and which can be traced for over 7km.

The sulphide and oxide JORC resources at the Harnett deposit were estimated at: **1.22 Mt @ 3.1 g/t gold equivalent** (calculated as gold plus copper, silver, lead and zinc) and **201,000 tonnes @ 1.5 g/t gold equivalent** (calculated as gold and silver) respectively.

CAPITAL MINING LIMITED

REVIEW OF OPERATIONS

MAYFIELD GOLD-BASE METALS JOINT VENTURE, NSW **EL6358 – 49 km²**

Capital 51% , Forge Resources Ltd 46.5% and Roberts Consulting 2.5%

Exploration is in joint venture with Forge Resources Ltd (“Forge” ACN 139 886 187) and Roberts Consulting and is principally for gold and copper. Capital is managing the joint venture.

Capital Mining completed almost 600 metres of drilling in 2012. Follow up drilling will be designed to close up the drill spacing and to test extensions along strike. The Mayfield Project covers a significant gold-copper skarn deposit and is located in an exploration “hotspot” close to the world-class Majors Creek gold field near Braidwood.

The main focus of the upcoming drilling program is to extend the known gold and copper resource at the Mayfield gold-copper prospect. Drilling at Mayfield has already confirmed the following resources which are compliant with the JORC (2004) guidelines as:

Gold-copper dominant mineralization:

4.0 million tonnes at a grade of 0.4% copper, 0.7 g/t gold, 8.8 g/t silver, 0.2% zinc and 25.4% iron; and

Zinc dominant mineralization:

0.9 million tonnes at a grade of 2.36% zinc, 5.9 g/t silver and 0.1% copper.

The proposed program will entail approximately 860 metres of RC drilling with the objective of doubling the size of the existing resource by drilling projected extensions of the known mineralisation at depth and along strike.

COWARRA – GOLD PROJECT, NSW

EL5939 – 28 km² - Bredbo

Capital Mining 50%; Commissioners Gold 50%

Exploration is for gold-sulphide deposits located along persistent shear zones. A diamond drilling program for a total of 982 metres was completed in 2011. Work was directed towards the delineation of high grade gold potentially amenable to extraction by underground mining and efforts were focused around the historic Cowarra gold mine where a shallow, oxide gold resource in the JORC Inferred category of **500,000 tonnes at a grade of 2.3 g/t gold and containing 37,000 ounces of gold** has been estimated.

Commissioners Gold is the manager of the project and can earn an additional 35% in the project by further exploration expenditure of \$350,000. A number of options are currently under investigation, including:

- Recovery of remnant mineralisation within mined areas of the Cowarra Mine.
- Underground recovery of high grade mineralisation in the Ambassador lode.
- Open cut mining operations centred around the existing JORC inferred resource
- Expand on resources identified during previous drilling campaigns with additional targeted infill drilling and along strike.
- Soil geochemical surveys along strike of the main Cowarra group of workings.

PORTERS MOUNT GOLD-COPPER-MOLYBDENUM PROJECT, NSW

EL6591 - 65 km² Capital Mining 100%

The project is located in central NSW in a porphyry copper-gold province close to the Cowal world-class producing gold mine.

CAPITAL MINING LIMITED

REVIEW OF OPERATIONS

PORTERS MOUNT GOLD-COPPER-MOLYBDENUM PROJECT, NSW (continued) **EL6591 - 65 km² Capital Mining 100%**

The targets at Porters Mount are porphyry copper-gold, sub-epithermal gold and skarn style deposits that are predicted to have formed in and around a large diatreme breccia and monzodiorite intrusive complex. Exploration of the system is to find a gold deposit suitable for a bulk mining operation.

The main thrust of the upcoming exploration program is to auger drill +/- 1000 holes – each to 1.0 metre deep and obtain a sample for hand held XRF analysis. The previous ionic leach soil sampling generated a number of metal anomalies – but on a coarse grid. The objective of the next stage of work is to give definition and magnitude in a very cost effective manner to what has already been identified. The availability of a small hydraulic auger rig will facilitate this program. It is anticipated that results from this work will enable planning of an extensive RC drilling program.

NARRABURRA ZIRCONIUM – RARE EARTHS PROJECT **EL5629 - 11 km² Capital Mining 100%**

The Company is targeting Rare Metals (RM) of high unit value such as zirconium, niobium, yttrium, thorium, beryllium, lithium, gallium and Rare Earth Elements (REE).

EL 5629 is being explored for Rare Metals (Zr, Nb, Y, Hf, Th, Li...) and REE in fractionated, peralkaline granites of Devonian age. An Inferred JORC resource of **73 million tonnes at a grade of 1250 g/t ZrO₂, 146 g/t Y₂O₃, 327 g/t REO, 45 g/t HfO₂, 126 g/t Nb₂O₅ and 61 g/t ThO₂** to a depth of 40 to 50m has been delineated by mapping, rock chip sampling, ground radiometric surveying and drilling at the Narraburra Prospect. Mineralised intrusions, alteration zones and palaeochannels that form favourable hosts for rare metal and heavy mineral concentrations are being sought within the licence. Positive results from metallurgical test work on samples of weathered resource material from the Narraburra Prospect indicate that a saleable Rare Metal and REE concentrate could be produced by conventional treatment methods.

MILPARINKA GOLD-PLATINUM-NICKEL PROJECT, NSW **EL6832 - 75 km² Capital Mining 100%**

Exploration at Milparinka is for large platinum-nickel and gold-copper deposits that are predicted to be associated with a very large, deep-seated mafic to ultramafic intrusion which is coincident with magnetic and gravity anomalies of crustal scale. The terrain is covered with a blanket of thick post-mineral sediments and drilling is the only definitive way to test the mineral potential in the project area.

The company is aiming to generate evidence of any signs of intrusion related gold-copper mineralisation and associated hydrothermal alteration by recovering core samples from the basement rocks that overlie the inferred intrusive mass.

MUNDAERNO SOUTH URANIUM JV, SOUTH AUSTRALIA **ELA2012/00189 - 52 km² (Capital Mining 51%; AMWD 49%)**

The Mundaerno South tenement is located in a highly prospective uranium province in South Australia's Curnamona region. The project area is close to the producing uranium mine at Honeymoon Well.

Exploration is for roll-front style uranium deposits in sedimentary host rocks of the cover sequence that would be amenable to in situ extraction, as well as for iron oxide-copper-gold-uranium-REE deposits (IOCGU) in the older metamorphic rocks of the granitic basement. A first pass drilling program for a total of 1,138 metres was completed in 2011. A number of sites were identified for follow up with a more closely spaced pattern of holes.

CAPITAL MINING LIMITED
REVIEW OF OPERATIONS

CRAIGIE - ALLUVIAL GOLD PROJECT, NSW
MLA366, MLA367 - 4 Ha Capital Mining 100%

The company is aiming to establish gold reserves for a small scale, low impact mining operation. The company has mined and processed auriferous gravel from two bulk sample excavations at the Shiralee Terrace 2 deposit.

Statements contained in this report relating to exploration results and mineral resources 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. He has sufficient relevant experience in relation to the mineralisation styles being reported on, to qualify as a Competent Person as defined in the 2004 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.

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CAPITAL MINING LIMITED

DIRECTORS' REPORT

Your Directors present the financial report of the Company for the year ended 30 June 2013.

The names and details of the Company's directors in office during the financial year and as at the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

Robert McCauley BSc, MRICS(Aust.UK), MAICD, Chartered Surveyor (Aust.UK), Licensed Surveyor (WA)

Executive Director

Robert McCauley is a Chartered Surveyor and Management Consultant with over 35 years of experience in the mining, engineering and construction industries with companies such as Worsley Alumina Pty Ltd, Sir Alexander Gibb & Partners (UK), BHP Ltd and Boral Limited on major mining and infrastructure projects including Boddington Gold Mine (WA); Monasavu Hydro Electric Scheme, Fiji and the North West Shelf Liquefied Natural Gas Project (WA).

Mr McCauley was appointed the Executive Chairman & Managing Director of Capital Mining in April 2012. He was appointed Director in November 2004 and was the founding CEO (2006-2010) of Capital Mining Limited. Mr McCauley was instrumental in Capital Mining's successful capital raising and debut on the ASX in March 2007. He was also the founding Managing Director of Commissioners Gold Limited and was pivotal to the successful capital raising & listing of Commissioners Gold on the ASX in Sep 2011.

He is a graduate of Curtin University, Perth WA; a Member of the Royal Institution of Chartered Surveyors (Aust,UK); a Member of the Australian Institute of Company Directors; a Registered Surveyor and a Licensed Surveyor (WA).

On 2nd August 2013, Mr McCauley was appointed as Chief Executive Officer of the Company.

Dr James Ellingford D.Mgt, MBA, Post Grad Corp Man, AICD

Non-Executive Director

Dr Ellingford was appointed Non-Executive director on 8 January 2013.

Dr Ellingford's professional life culminated in being President of an international publicly listed billion dollar business with its headquarters in Geneva, Switzerland and New York, USA. He has vast experience in the international arena and has successfully developed close ties with both financial institutions as well as governments throughout the world.

Dr Ellingford holds a Post Graduate in Corporate Management, a Masters in Business Administration as well as a Doctorate in Management. Dr Ellingford also lectures MBA students in Corporate Governance at a leading Sydney University and has a keen interest in ethics and governance.

Dr Ellingford is also currently Non-Executive Chairman of Victory Mines Limited.

Peter Torney

Non-Executive Director

Mr Torney was appointed as a Non-Executive director on 11 June 2013.

Mr Torney is a stockbroker with over 10 years experience in the Australian financial services industry during which time he has been involved in a number of successful stockbroking and equity capital markets businesses.

Mr Torney has experience in retail and institutional broking, capital raisings, share placements and initial public offerings in Australia and Asia, as well as assisted in dual listings on the OTCQX (USA).

Prior to entering the Equity market, Mr Torney has been involved in the advertising, real estate, finance, publishing and beef cattle production industries.

Mr Torney has held numerous directorships in both public and private companies.

CAPITAL MINING LIMITED

DIRECTORS' REPORT

Moyu Zhang BE(1st Hons), M.Eng.Sc

Non-Executive Director

Director from 2 June 2011, to 15 November 2012.

Andrew Roach

Non-Executive Director

Director from 3 April 2012, to 15 January 2013.

Michael Ivkovic

Non-Executive Director

Director from 3 April 2012, to 11 June 2013.

John Keppo

Company Secretary

Company Secretary from 6 July 2007, to 15 November 2012.

Company Secretary

Elizabeth Hunt BSc, MAcc, CSA (Cert), GAICD

Mrs Hunt has nine years corporate and accounting experience. Mrs Hunt has been involved in the IPO management, corporate advisory and company secretarial services, financial accounting and reporting and ASX and ASIC compliance management.

Mrs Hunt has completed a Masters of Accounting at Curtin University and the Chartered Secretaries of Australia Certificate in Governance and Risk Management.

Mrs Hunt is currently also Company Secretary of Victory Mines Limited.

Directors' Interests in Shares and Options

Directors' interests in shares and options as at 30 June 2013 are set out in the table below. Between the end of the financial year and the date of this report, there has not been any subscriptions for shares.

30 June 2013

Director	Shares Directly and Indirectly Held	Options
Robert McCauley	3,915,570	978,890
James Ellingford	-	-
Peter Torney	-	-

Principal Activities

The continuing principal activity of the Company is the exploration for economic deposits of minerals. For the period of this report, the emphasis has been on gold and base metals, to a lesser extent, zirconium and rare earth elements.

Results

The net result of operations after applicable income tax expense was a loss of \$2,319,089 (2012: \$370,755).

Dividends

No dividends were paid or proposed during the period

Review of Operations

Operations over the past twelve months have been focused on advancing prospects within the Company's key gold, base metal, rare metal and uranium project areas in New South Wales and South Australia.

The Company maintains a 51% interest with JV partner, Forge Resources Ltd in the Mayfield gold-copper Joint Venture project near Braidwood NSW.

The Company has a JV agreement with Commissioners Gold Limited (CGU) whereby they have earned a 50% interest in the project. CGU may earn an additional 35% in the project by expending \$350,000 on further exploration.

CAPITAL MINING LIMITED

DIRECTORS' REPORT

Review of Operations (continued)

There is also a JV agreement with AMWD covering the Mundearno project in South Australia where AMWD has a 49% interest.

As announced previously the main focus of the upcoming drilling program at *Mayfield* is to extend the known gold and copper resource. The proposed program will entail approximately 860 metres of RC drilling with the objective of doubling the size of the existing resource by drilling projected extensions of the known mineralisation at depth and along strike.

Preparations are underway for the commencement of exploration at the Company's wholly owned *Porters Mount* project located in central NSW. The targets at *Porters Mount* are porphyry copper-gold, sub-epithermal gold and skarn style deposits. The main thrust of the upcoming exploration program is to auger drill up to 1000 holes and obtain a sample for hand held XRF analysis. It is anticipated that results from this work will enable planning of an extensive RC drilling program.

Exploration work on the Company's projects was limited due to availability of funds. The Company has scheduled a General Meeting to approve the issue of securities to raise up to \$2M.

Corporate Structure

Capital Mining Limited is a limited company that is incorporated and domiciled in Australia.

Employees

The Company had one employee as at 30 June 2013. The Company uses contract geologists and other consultants as required.

Significant Changes

The Company has continued with its business during the year as detailed above in the Review of Operations and other parts of this report.

Going Concern

Refer to Note 26 in the Notes to the Accounts.

Matters Subsequent to the End of the Financial Period

There were at the date of this report no matters or circumstances which have arisen since 30 June 2013 that have significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company, except as set out below:

- (a) On 12 July 2013 the Company issued a placement of 51,250,000 ordinary shares at \$0.008 as approved by shareholders at the General Meeting held on 6 May 2013;
- (b) On 17 July 2013 the Company issued a placement of 7,500,000 ordinary shares at \$0.008 as approved by shareholders at the General Meeting held on 6 May 2013;
- (c) On 22 July 2013 the Company issued a placement of 5,000,000 ordinary shares at \$0.008 as approved by shareholders at the General Meeting held on 6 May 2013;
- (d) On 2 August 2013, the Company announced appointment of Chief Executive Officer and resignation of Chairman and Managing Director, Mr Robert McCauley. Mr McCauley was appointed as the Chief Executive Officer and remained in an executive director position; and
- (e) On 14 August 2013 the Company announced Notice of General Meeting to be held on 17 September 2013.
- (f) On 2 September 2013 the Company issued 30,464,604 ordinary shares at \$0.01 to consultants in lieu of cash payment.
- (g) Subsequent to the General Meeting held on 17 September 2013, the Company has received a Letter of Funding Commitment to raise up to \$2M, of which \$1M is fully underwritten. Of the underwritten amount, tranches of \$200,000 can be drawn down and as at the date of this report, the first tranche has been requested and accepted with the first tranche deposit being received week starting 7 October 2013. The Company is confident that this commitment will be fulfilled and sufficient funds raised.

CAPITAL MINING LIMITED

DIRECTORS' REPORT

Matters Subsequent to the End of the Financial Period (continued)

- (h) At the general meeting held 17 September 2013, shareholders approved the placement of shares to raise up to \$2M. The company's primary broker has verified that he is confident that the placement will be a minimum of \$1 million. As at 4 October 2013, the company received \$1,030,400 in signed applications and \$432,000 funds were banked in company's bank account; and
- (i) On 2 October 2013 the Company entered into a Head of Agreement with Indochine Resources Pty Ltd to acquire 85% of the issued capital in Indochine Resources Pty Ltd.

Likely Developments and Expected Results

As the Company's areas of interest are still at the exploration stage, it is not possible to comment on likely developments and any expected results. The Company is looking to identify other precious and base metal exploration targets.

Share Options

Details of unissued shares or interests of Capital Mining Limited under option at the date of this report are as follows:

Share Options (continued)

Date options granted	Expiry date	Issue price of shares	Number under option
9 September 2010	1 September 2014	\$0.04	3,000,000
9 September 2010	1 September 2014	\$0.06	2,000,000
9 September 2010	1 September 2014	\$0.08	1,500,000
Total			6,500,000

Details of listed shares or interest of Capital Mining Limited under option at the date of this report are as follows:

Date options granted	Expiry date	Issue price of shares	Number under option
10 October 2012	31 December 2016	\$0.08	27,986,525
6 May 2013	31 December 2016	\$0.08	100,500,000
9 May 2013	31 December 2016	\$0.08	2,500,000
29 May 2013	31 December 2016	\$0.08	15,000,000
Total			145,986,525

The holders of these options do not have any rights under the options to participate in any share issue of the company or of any other entity.

Remuneration Report - Audited

The remuneration report is set out under the following main headings:

- Policy used to determine the nature and amount of remuneration
- Key management personnel
- Details of remuneration
- Cash bonuses
- Share-based payment bonuses
- Option and rights granted as remuneration
- Equity instruments issued on exercise of remuneration options
- Value of options to key management personnel and executives
- Service contracts

CAPITAL MINING LIMITED

DIRECTORS' REPORT

(a) Policy used to determine the nature and amount of remuneration

The objective of the Company's remuneration framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders. The Board believes that executive remuneration satisfies the following key criteria:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency
- capital management.

These criteria result in a framework which can be used to provide a mix of fixed and variable remuneration, and a blend of short and long-term incentives in line with the Company's limited financial resources. Key Management Personnel's remuneration is not linked to the Company's performance due to the nature of the Company's activities.

Fees and payments to the non-executive directors and key management personnel reflect the demands which are made on, and the responsibilities of, the directors and the key management personnel. Such fees and payments are reviewed annually by the Board.

(b) Key management personnel

The following persons were key management personnel of Capital Mining Limited during the financial year:

Name	Position held
Robert McCauley	Executive Director
Dr James Ellingford	Non-Executive Director (appointed 8 January 2013)
Peter Torney	Non-Executive Director (appointed 11 June 2013)
Michael Ivkovic	Non -Executive Director (to 11 June 2013)
Andrew Roach	Non-Executive Director (to 15 January 2013)
Moyu Zhang	Non- Executive Director (to 15 November 2012)

Other than directors, there are no other officers or personnel who satisfy the definition of "Key Management Personnel" who are or were involved in, concerned with, or who take part in, the management of the affairs of Capital Mining Limited.

(c) Details of remuneration

Directors are entitled to remuneration out of the funds of the Company but the remuneration of the Non-Executive Directors may not exceed in any year the amount fixed by the Company in general meeting for that purpose. The board determines actual payments to directors and reviews their remuneration annually, based on independent external advice with regard to market practice, relativities, and the duties and accountabilities of directors.

Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred in consequence of their attendance at Board meetings and otherwise in the execution of their duties as directors.

Details of the nature and amount of each element of the remuneration of each of the directors of Capital Mining Limited and each of the five Key Management Personnel of the Company who received the highest emoluments during the year ended 30 June 2013 are set out in the following tables.

CAPITAL MINING LIMITED

DIRECTORS' REPORT

(c) Details of remuneration (continued)

2013			Post-employment benefits	Long-term benefits		Share based payments			
	Salary, Directors and consulting fees \$	Non monetary benefits \$	Super-annuation \$	Long service leave \$	Termination benefits \$	Options \$	Total \$	Proportion of remuneration that is performance based %	% of Value of remuneration that consists of options %
R McCauley	238,639*	32,000	2,700	-	-	-	273,339	-	-
J Ellingford	28,514	-	1,486	-	-	-	30,000	-	-
P Torney	-	-	-	-	-	-	-	-	-
M Ivkovic	62,000	-	-	-	-	-	62,000	-	-
A Roach	16,000	-	-	-	-	-	16,000	-	-
M Zhang	12,000	-	-	-	-	-	12,000	-	-
Other key management personnel									
Nil	-	-	-	-	-	-	-	-	-
Total key management personnel compensation	357,153	32,000	4,186	-	-	-	393,339	-	-

* Mr McCauley received or was due to receive salary, directors' and consulting fees totalling \$238,639 for 2013 financial year.

2012			Post-employment benefits	Long-term benefits		Share based payments			
	Salary, Directors and consulting fees \$	Non monetary benefits \$	Super-annuation \$	Long service leave \$	Termination benefits \$	Options \$	Total \$	Proportion of remuneration that is performance based %	% of Value of remuneration that consists of options %
R McCauley	74,454	-	4,050	-	-	-	78,504	-	-
M Ivkovic	6,172	-	-	-	-	-	6,172	-	-
A Roach	6,172	-	-	-	-	-	6,172	-	-
M Zhang	31,166	-	-	-	-	-	31,166	-	-
R Hine	107,408	-	-	-	-	-	107,408	-	-
C Ablett	63,420	-	-	-	-	-	63,420	-	-
J Seeley	29,434	-	2,649	-	-	-	32,083	-	-
M Tian	38,645	-	-	-	-	-	38,645	-	-
Other key management personnel									
Nil	-	-	-	-	-	-	-	-	-
Total key management personnel compensation	356,871	-	6,699	-	-	-	363,570	-	-

Options and shares do not represent cash payments to directors or key management personnel and share options granted may or may not be exercised by the directors or executives.

Any Options granted as a part of director or key management personnel remuneration have been valued using a Black and Scholes option-pricing model, which takes account of factors including the option exercise price, the share price at time of grant, volatility of the underlying share price, the risk-free interest rate and the expected life of the option.

CAPITAL MINING LIMITED

DIRECTORS' REPORT

Fair value of options

The fair value of each option is estimated on the date of grant using a Black and Scholes option-pricing model with the relative weighted average assumptions used for each grant made.

(d) Cash bonuses

No cash bonuses were paid to directors or key management personnel during the financial year, apart from the motor vehicle which was given to the Managing Director now Executive Director, Robert McCauley as a performance bonus on 5 November 2012. The fair value of the motor vehicle was \$32,000.

(e) Share-based payment bonuses

No shares were issued to directors or key management personnel during the financial year.

(f) Options and rights granted as remuneration

No options or rights were granted to directors or key management personnel as remuneration during the 2013 financial year.

(g) Equity Instruments issued on exercise of remuneration options

No equity instruments were issued to directors or key management personnel during the 2013 financial year.

(h) Value of options to key management personnel and executives

There were no options granted, exercised or lapsed to key management personnel and executives as part of their remuneration during the financial year.

(i) Service contracts

Remuneration and other terms of employment for the directors and key management personnel are formalised in Service/Appointment agreements. All contracts with the key management personnel may be terminated by either party with the required number of months notice and applicable termination payments as stipulated in the employment agreements.

Robert McCauley

In terms of an Executive Employment Agreement dated 13 April 2012, Robert McCauley will receive a Remuneration Package of \$196,200 per annum (apportioned between salary, management fees and superannuation) for his services as Executive Chairman and Managing Director. In summary, Robert J McCauley and Associates and Robert McCauley received or was due to receive payments totalling \$273,339 for the financial year ended 30 June 2013. On 2 August 2013 Mr McCauley was appointed Chief Executive Officer of Capital Mining. Mr McCauley will receive a remuneration of \$12,000 per month (inclusive of SGC Superannuation).

Dr James Ellingford

By letter of appointment dated 8 January 2013 Capital Mining Limited will pay fees of \$72,000 per annum (inclusive of SGC Superannuation) to Dr James Ellingford in his role as a Non-Executive Director. Fees of \$30,000 were paid during the financial year to 30 June 2013. On 18 July 2013, a new letter of appointment of Non-Executive Director role was executed between Capital Mining Limited and Dr Ellingford with Directors' Fees increasing from \$72,000 per annum to \$100,000 per annum (inclusive of SGC Superannuation).

Peter Torney

By letter of appointment dated 11 June 2013 Capital Mining Limited will pay fees of \$72,000 per annum (exclusive of SGC Superannuation) to Peter Torney in his role as a Non-Executive Director. There were no directors' fees paid during the financial year to 30 June 2013.

Michael Ivkovic

By letter of appointment dated 2 May 2012 Capital Mining Limited will pay directors fees of \$24,000 per annum (inclusive of SGC Superannuation) to Michael Ivkovic in his role as a Non-Executive Director. Consulting and Directors' Fees of \$62,000 were paid during the financial year to 30 June 2013. Michael left the Company on 11 June 2013.

CAPITAL MINING LIMITED

DIRECTORS' REPORT

(i) Service contracts (continued)

Andrew Roach

By letter of appointment dated 2 May 2012 Capital Mining Limited will pay fees of \$24,000 per annum (inclusive of SGC Superannuation) to Andrew Roach in his role as a Non-Executive Director. Fees of \$16,000 were paid during the financial year to 30 June 2013. Andrew left the Company on 15 January 2013.

Moyu Zhang

By Letter of appointment dated 1 June 2011 Capital Mining will pay fees of \$35,000 per annum (inclusive of Superannuation) to Moyu Zhang in her role as a Non-Executive Director of the Company, from a commencement date 2 June 2011. By agreement, Non-Executive Director fees were reduced to \$24,000 per annum from April 2012. Fees of \$12,000 were paid for the year ended 30 June 2013. Moyu left the Company on 15 November 2012.

Share Options

As at 30 June 2013 the company had granted no options to directors.

Directors' Interests

The relevant interest of each Director (including their associates) in the share capital of the Company as at 30 June 2013 is set out in Note 14 to the Financial Statements.

Options included in directors' and key management personnel remuneration is treated as follows:

Fair values have been assessed using the Black and Scholes option valuation methodology which takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the options, the current price and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option. No discount has been applied.

End of Remuneration Report

Share Capital and Options

A detailed breakdown of the company's capital, including options (unquoted options and employee options) and convertible instruments is contained in Note 11 to the Financial Statements.

Meetings of Directors

Director's attendance at Directors meetings are shown in the following table:

Director	Meetings Eligible to Attend	Meetings Attended
Robert McCauley	10	10
Dr James Ellingford	5	5
Peter Torney	-	-

The Company has established an Audit Committee which consists of two Non- Executive Directors, Dr James Ellingford and Michael Ivkovic up to 11 June 2013. The Audit Committee reviews the Company's financial systems, accounting policies, half-year and annual financial statements at appropriate times and then makes their recommendation to the Board. There was one meeting of the Audit Committee during the financial year to 30 June 2013.

Indemnification and Insurance of Officers and Auditors

Indemnification

The Company has not, during or since the end of the financial period, in respect of any person who is or has been an officer of the Company or a related body corporate indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings.

Insurance Premiums

During the financial period the Company has paid premiums to insure each of the directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

The premiums paid are not disclosed as such disclosure is prohibited under the terms of the contract.

CAPITAL MINING LIMITED

DIRECTORS' REPORT

Diversity Policy

Even though Capital Mining Limited does not yet have a defined Diversity Policy it recognises its talented and diverse workforce as a key competitive advantage and believes in treating all people with dignity and respect. Capital Mining Limited strives to create and foster a supportive and understanding environment in which all individuals realise their maximum potential within the company, regardless of their differences. It is committed to employing the *best* people to do the *best* job possible irrespective of ethnicity, gender, language, age, sexual orientation, religion, socio-economic status, physical and mental ability, thinking styles, experience and education.

Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The company is committed to diversity and recognises the benefits arising from employee and board diversity and the importance of benefiting from all available talent.

	2013		2012	
	No.	%	No.	%
Women on the Board	-	-	1	25
Women in senior management roles	1	50	-	-
Women employees in the company	1	50	1	100

Audit and Non-Audit services

During the financial year, the following fees for services were paid or payable to the auditor, BDJ Partners Audit Pty Limited:

	2013	2012
	\$	\$
Audit-related services		
Amounts paid or payable to BDJ Partners Audit Pty Ltd		
- Audit of regulatory returns	36,500	18,000
Other services		
Amounts paid to BDJ partners Audit Pty Ltd		
- Other services	500	800
	37,000	18,800

The directors are satisfied that the provision of non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The directors are satisfied that the provision of non-audit services by the auditor, as set out above, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the directors to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the non-audit services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

Environmental Performance

Capital Mining Limited holds exploration licences issued by the Mines Departments of two state governments (NSW and SA) which specify guidelines for minimising and mitigating environmental impacts in relation to exploration activities. The licence conditions provide for the full rehabilitation of the areas of exploration in accordance with the various Mines Departments' guidelines and standards. There have been no significant known breaches of the licence conditions.

CAPITAL MINING LIMITED

DIRECTORS' REPORT

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out and located after the Directors' Declaration and forms part of this report.

Signed at Sydney this 6th day of October 2013 in accordance with a resolution of the Directors.



ROBERT McCAULEY
Executive Director

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

Year ended 30 June 2013

	Note	2013 \$	2012 \$
REVENUE FROM ORDINARY ACTIVITIES	2	5,935	114,681
Administration expenses		(829,077)	(159,697)
Consultant expenses		(610,000)	(178,946)
Depreciation expense	8	(784)	(5,650)
Exploration expenditure expense		(514,804)	(29,717)
Salaries and employee benefits expense		(289,785)	(97,293)
Provision for diminution in value of investments		(179,102)	-
Realised loss on sale of investment		(50,874)	-
Travel and accommodation		(66,301)	(14,133)
Other expenses		(9,163)	-
(LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		(2,543,955)	(370,755)
INCOME TAX EXPENSE RELATING TO ORDINARY ACTIVITIES	3	-	-
(LOSS) FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE	13	(2,543,955)	(370,755)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income for the period net of tax		-	-
TOTAL OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO MEMBERS OF CAPITAL MINING LIMITED		(2,543,955)	(370,755)
Basic loss per share (cents per share)	13	(1.17)	(0.0040)
Diluted loss per share (cents per share)	13	(1.17)	(0.0040)

CAPITAL MINING LIMITED
STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	Note	2013 \$	2012 \$
CURRENT ASSETS			
Cash assets	5	9	111,012
Receivables	6	47,579	31,835
Prepayments	6	-	41,224
Financial Assets	4	18,123	-
TOTAL CURRENT ASSETS		65,711	184,071
NON-CURRENT ASSETS			
Tenement security deposits	7	85,000	85,000
Plant and equipment	8	1,614	25,839
Deferred exploration and evaluation expenditure	9	3,497,019	3,791,429
TOTAL NON-CURRENT ASSETS		3,583,633	3,902,268
TOTAL ASSETS		3,649,344	4,086,339
CURRENT LIABILITIES			
Payables	10	281,587	12,018
TOTAL CURRENT LIABILITIES		281,587	12,018
TOTAL LIABILITIES		281,587	12,018
NET ASSETS		3,367,757	4,074,321
EQUITY			
Issued capital	11	7,805,617	6,025,706
Accumulated losses	12	(4,724,686)	(2,180,731)
Reserves	12	286,826	229,346
TOTAL EQUITY		3,367,757	4,074,321

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CAPITAL MINING LIMITED
STATEMENT OF CASH FLOWS

Year ended 30 June 2013

Note	2013 \$	2012 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payment to suppliers and employees	(779,770)	(569,096)
Interest received	548	9,291
Other income	-	105,390
NET CASH FLOWS (USED IN) OPERATING ACTIVITIES	<u>22 (797,222)</u>	<u>(454,415)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of plant and equipment	-	-
Expenditure on mining interests (exploration)	(213,073)	(375,432)
Purchase of investments	(332,499)	-
Proceeds from sale of investments	84,400	-
Loans from other entities	-	-
Tenement security deposits	-	-
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES	<u>(461,172)</u>	<u>(375,432)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares and options	1,175,880	369,311
Equity raising expenses	(28,489)	-
NET CASH FLOWS FROM FINANCING ACTIVITIES	<u>1,147,391</u>	<u>369,311</u>
Net increase in cash held	(111,003)	(460,536)
Add opening cash brought forward	<u>111,012</u>	<u>571,548</u>
CLOSING CASH CARRIED FORWARD	22 9	111,012

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CAPITAL MINING LIMITED
STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2013

	Issued Capital	Accumulated Losses	Reserves	Total Equity
AT 1 JULY 2011	5,656,395	(1,809,976)	229,346	4,075,765
Loss for the period	-	(370,755)	-	(370,755)
Issue of share capital	369,311	-	-	369,311
AT 30 JUNE 2012	6,025,706	(2,180,731)	229,346	4,074,321
AT 1 JULY 2012	6,025,706	(2,180,731)	229,346	4,074,321
Loss for the period	-	(2,543,955)	-	(2,543,955)
Issue of share capital, net of transaction costs	1,779,911	-	-	1,779,911
Issue of option entitlement	-	-	57,480	57,480
AT 30 JUNE 2013	7,805,617	(4,724,686)	286,826	3,367,757

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CAPITAL MINING LIMITED

NOTES TO AND FORMING PART OF THE ACCOUNTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards.

The financial report has been prepared on a historical cost basis except for land and buildings, which have been measured at fair value.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ("IFRS").

This financial report has been prepared based on AIFRS.

(c) Basis of consolidation

The financial statements comprise the financial statements of Capital Mining Limited as at 30 June each year. There were no subsidiaries held as at 30 June 2013.

(d) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Land and buildings are measured at fair value less accumulated depreciation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- plant and equipment – 15 years

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

An item of plant and equipment is derecognised upon disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

(e) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(f) Intangible assets

Acquired both separately and from a business combination

Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. Following recognition, the cost model is applied to the class of intangible assets.

The useful lives of these intangible assets are assessed to be either finite or indefinite.

Where amortisation is charged on assets with finite lives, this expense is taken to the income statement through the "administrative expenses" line item.

Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the period in which the expenditure is incurred.

Intangible assets are tested for impairment where an indicator of impairment exists and in the case of indefinite life intangibles annually, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

(g) Recoverable amount of assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use.

CAPITAL MINING LIMITED

NOTES TO AND FORMING PART OF THE ACCOUNTS

(h) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in the income statement.

Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.

Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method.

Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.

For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired, as well as through the amortisation process.

For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date.

For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date, being the date that the Company commits to purchase the asset.

(i) Exploration, evaluation, development and restoration costs

Exploration and evaluation

Exploration and evaluation expenditure incurred by or on behalf of the Company is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not having a specific connection with a particular area of interest.

Exploration and evaluation costs in relation to separate areas of interest for which rights of tenure are current are brought to account in the year in which they are incurred and carried forward provided that:

- such costs are expected to be recouped through successful development and exploitation of the area, or alternatively through its sale; or
- exploration and/or evaluation activities in the area have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

Once a development decision has been taken, all past and future exploration and evaluation expenditure in respect of the area of interest is aggregated within costs of development.

Exploration and evaluation – impairment

The Directors assess at each reporting date whether there is an indication that an asset has been impaired and for exploration and evaluation cost whether the above carry forward criteria are met.

Accumulated costs in respect of areas of interest are written off or a provision made in the Income Statement when the above criteria do not apply or when the Directors assess that the carrying value may exceed the recoverable amount. The costs of productive areas are amortised over the life of the area of interest to which such costs relate on the production output basis, provisions would be reviewed and if appropriate, written back.

CAPITAL MINING LIMITED

NOTES TO AND FORMING PART OF THE ACCOUNTS

(i) Exploration, evaluation, development and restoration costs (continued)

Development

Development expenditure incurred by or on behalf of the Company is accumulated separately for each area of interest in which economically recoverable reserves have been identified to the satisfaction of the directors. Such expenditure comprises net direct costs and, in the same manner as for exploration and evaluation expenditure, an appropriate portion of related overhead expenditure having a specific connection with the development property.

All expenditure incurred prior to the commencement of commercial levels of production from each development property is carried forward to the extent to which recoupment out of revenue to be derived from the sale of production from the relevant development property, or from the sale of that property, is reasonably assured.

No amortisation is provided in respect of development properties until a decision has been made to commence mining. After this decision, the costs are amortised over the life of the area of interest to which such costs relate on a production output basis.

Restoration

Provisions for restoration costs are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Remaining mine life

In estimating the remaining life of the mine at each mine property for the purpose of amortisation and depreciation calculations, due regard is given not only to the volume of remaining economically recoverable reserves but also to limitations which could arise from the potential for changes in technology, demand, product substitution and other issues that are inherently difficult to estimate over a lengthy time frame.

(j) Mine property held for sale

Where the carrying amount of mine property and related assets will be recovered principally through a sale transaction rather than through continuing use, the assets are reclassified as Mine Property Held for Sale and carried at the lower of the assets' carrying amount and fair value less costs to sell – where such fair value can be reasonably determined, and otherwise at its carrying amount. Liabilities and provisions related to mine property held for sale are similarly reclassified as Liabilities – Mine Property Held for Sale and, Provisions – Mine Property Held for sale, as applicable, and carried at the value at which the liability or provisions is expected to be settled.

(k) Trade and Other Receivables

Trade receivables, which generally have 5-30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(l) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any outstanding bank overdrafts, if any.

(m) Other provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

CAPITAL MINING LIMITED

NOTES TO AND FORMING PART OF THE ACCOUNTS

(m) Other provisions (continued)

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(n) Employee Entitlements

Liabilities for wages and salaries are recognised and are measured as an amount unpaid at the reporting date at current pay rates in respect of employee's services up to that date. Current employee contracts do entitle them to annual leave and long service leave. A liability in respect of superannuation at the current superannuation guarantee rate has been accrued at the reporting date.

(o) Share-based payments

An employee share option scheme has been established where selected employees, consultants, contractors and Directors of the Company are issued with options over ordinary shares in Capital Mining Limited. The options, issued for nil consideration, are issued in accordance with a performance review by the Directors. The options cannot be transferred and will not be quoted on the ASX. Options expire if not exercised 1 month after a participant resigns from the Company. The cost of these equity-settled transactions is determined by reference to the fair value at the date at which they are granted. The fair value of the options is determined by using the Black and Scholes option pricing model.

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (a) the extent to which the vesting period has expired and (b) the number of awards that, in the opinion of the Directors of the Company, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

(p) Leases

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as the lease income.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

(q) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

Interest

Revenue is recognised as the interest accrues (using the effective interest method), which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Dividends

Revenue is recognised when the shareholders' right to receive the payment is established.

CAPITAL MINING LIMITED

NOTES TO AND FORMING PART OF THE ACCOUNTS

(r) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

(s) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(t) Currency

Both the functional and presentation currency is Australian dollars (A\$).

(u) Comparatives

Where applicable, comparative figures have been adjusted to conform with any changes in presentation for the current financial year.

CAPITAL MINING LIMITED
NOTES TO AND FORMING PART OF THE ACCOUNTS

(v) Investment in Controlled Entities

There were no investments in controlled entities as at 30 June 2013.

(w) New accounting standards for application in the current period

The following new and revised Standards and Interpretations have been adopted in the current year and have affected the amounts reported in these financial statements.

- Amendments to AASB 101: Presentation of Financial Statements. The amendment (part of AASB 2011-9 'Amendments to Australian Income' introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to AASB 01, the statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income. The amendments to AASB 101 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to AASB 101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.
- Amendments to AASB 112: Income Taxes. The Company is not affected by the adoption of this standard as the Company does not hold investment property.

	2013 \$	2012 \$
2. REVENUE FROM ORDINARY ACTIVITIES		
Interest received – other persons/corporation	548	9,291
Other income	5,387	105,390
	5,935	114,681
3. INCOME TAX		
(a) Income tax expense		
Current tax	-	-
Deferred tax	-	-
(Over) under provision in prior years	-	-
	-	-
Income tax expense is attributable to:		
Profit from continuing operations		
Aggregate income tax expense		
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Losses from continuing operations before income tax expense	(2,543,955)	(370,755)
Tax at the Australian tax rate of 30%	(763,187)	(111,226)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Additional deductions	(219,400)	-
(Over) under provision prior year	-	-
Non-allowable deductions	155,460	-
Other	-	-
Income taxes not brought to account	(827,127)	(111,226)
(c) Current tax liabilities		
Balance at beginning of year	-	-
Income tax paid	-	-
Current year's income tax on profit	-	-
Under (over) provided in prior year	-	-
Balance at end of year	-	-

No provision for income tax is considered necessary in respect of the Company for the year ended 30 June 2013.

CAPITAL MINING LIMITED

NOTES TO AND FORMING PART OF THE ACCOUNTS

No recognition has been given to any future income tax benefit which may arise from operating losses not claimed for tax purposes. The Company has estimated its losses not claimed of \$8,673,141. These amounts have not been brought to account in calculating any future tax benefit.

A benefit of 30% of approximately \$2,601,942 will only be obtained if:

- the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised,
- the Company continues to comply with the conditions for deductibility imposed by the law, and
- no changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the losses, i.e. current tax legislation permits carried forward tax losses to be carried forward indefinitely.

No franking credits are available for subsequent years.

Tax consolidation

The Tax Consolidation scheme is not applicable to the Company.

4. FINANCIAL ASSETS

The Company invested in Victory Mines Limited (VIC.ASX), a listed public company. On 13th November 2012, the Company acquired 1,800,000 ordinary shares. The Company currently holds a balance of 1,066,080 ordinary shares in Victory Mines Limited.

5. CASH AND CASH EQUIVALENTS

	2013	2012
	\$	\$
Cash at Bank	9	111,012
	9	111,012

6. RECEIVABLES AND PREPAYMENTS – CURRENT

Refund for GST paid	39,055	23,131
Trade debtors	8,524	8,524
Prepayments	-	41,224
	47,579	73,059

7. TENEMENT SECURITY DEPOSITS

Cash with government mines department. These deposits are restricted and available for any rehabilitation that may be required on exploration tenements (refer to Note 18)

	85,000	85,000
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8. PLANT, MOTOR VEHICLE AND EQUIPMENT

Plant, motor vehicle and equipment – at cost	7,725	66,415
Accumulated depreciation	(6,114)	(40,576)
	1,614	25,839

Reconciliation of the carrying amount of plant, motor vehicle and equipment at the beginning and end of the current and previous financial year

Carrying amount at beginning	25,839	31,489
Additions	-	-
Disposals	(23,441)	-
Depreciation expense	(784)	(5,650)
	1,614	25,839

CAPITAL MINING LIMITED

NOTES TO AND FORMING PART OF THE ACCOUNTS

9. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	2013	2012
	\$	\$
Costs brought forward	3,791,429	3,415,998
Costs incurred during the period	220,394	405,148
Costs written off during period	(514,804)	(29,717)
Costs carried forward	<u>3,497,019</u>	<u>3,791,429</u>
Exploration expenditure costs carried forward are made up of:		
Expenditure on joint venture areas	623,731	588,062
Expenditure on non joint venture areas	2,873,288	3,203,367
Costs carried forward	<u>3,497,019</u>	<u>3,791,429</u>

The above amounts represent costs of areas of interest carried forward as an asset in accordance with the accounting policy set out in Note 1. The ultimate recoupment of deferred exploration and evaluation expenditure in respect of an area of interest carried forward is dependent upon the discovery of commercially viable reserves and the successful development and exploitation of the respective areas or alternatively sale of the underlying areas of interest for at least their carrying value. Amortisation, in respect of the relevant area of interest, is not charged until a mining operation has commenced.

	2013	2012
	\$	\$
10. CURRENT LIABILITIES – PAYABLES		
Trade creditors	122,521	1,807
Accrued expenses	152,926	3,000
Payroll liabilities	2,935	6,300
Other	3,205	911
	<u>281,587</u>	<u>12,018</u>

11. CONTRIBUTED EQUITY

Share capital

326,946,044 ordinary shares fully paid	<u>7,805,617</u>	<u>6,025,706</u>
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(a) Movements in ordinary share capital	Date	Number of shares	Issue price	\$
1 July 2011 to 30 June 2012				
Balance b/fwd	01-07-11	86,787,505	-	5,656,395
Shares issued from conversion of Options	12-07-11	22,010	\$0.008	1,760
Shares issued from a placement	20-12-11	10,536,529	\$0.023	221,551
Shares issued from a placement	31-05-12	7,300,000	\$0.020	146,000
Balance as at 30 June 2012		104,646,044		6,025,706
1 July 2012 to 30 June 2013				
Balance b/fwd	01-07-12	104,646,044	-	6,025,706
Shares issued from a placement	27-08-12	7,300,000	\$0.008	58,400
Shares issued from a placement	15-11-12	98,375,000	\$0.008	787,000
Shares issued from a placement	27-11-12	32,875,000	\$0.008	263,000
Shares issued from a placement	14-12-12	14,750,000	\$0.008	118,000
Shares issued from a placement	08-01-13	8,000,000	\$0.008	64,000
Shares issued from a placement	21-01-13	9,250,000	\$0.008	74,000
Shares issued from a placement	06-02-13	16,750,000	\$0.008	134,000
Shares issued in lieu of invoice payment	02-05-13	5,000,000	\$0.008	40,000
Shares issued in lieu of invoice payment	09-05-13	2,500,000	\$0.008	20,000
Shares issued in lieu of invoice payment	29-05-13	15,000,000	\$0.010	150,000
Shares issued from a placement	28-06-13	12,500,000	\$0.008	100,000
Less: Transaction costs arising from issue of shares		-		(28,489)
Balance as at 30 June 2013		326,946,044		7,805,617

CAPITAL MINING LIMITED
NOTES TO AND FORMING PART OF THE ACCOUNTS

11. CONTRIBUTED EQUITY (continued)

Terms and conditions of contributed equity

Ordinary Shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company. Option holders have no voting rights until the options are exercised.

Options

The following options are outstanding at balance date.

(b) Movements in Options	Date	Number of Options	Exercise price	Maturity
(i) ASX Listed Options (CMYO)				
1 July 2012 to 30 June 2013				
Brought forward	01-07-12	-		
Entitlement options issues	10-10-12	27,986,525	\$0.02	31-12-2016
Options issued	06-05-13	100,500,000	\$0.02	31-12-2016
Options issued	09-05-13	2,500,000	\$0.02	31-12-2016
Options issued	29-05-13	15,000,000	\$0.02	31-12-2016
Options expired		-		
Balance as at 30 June 2013		145,986,525		
(ii) Unlisted Options				
Options issued	09-09-10	3,000,000	\$0.04	01-09-2014
Options issued	09-09-10	2,000,000	\$0.06	01-09-2014
Options issued	09-09-10	1,500,000	\$0.08	01-09-2014
Balance as at 30 June 2013		6,500,000		
			2013	2012
			\$	\$

12. RESERVES

(a) Options expense reserve

Balance at 1 July 2012	229,346	229,346
Option entitlement issue	57,480	-
Balance as at 30 June 2013	286,826	229,346

(b) Accumulated losses

Balance at the beginning of period	(2,180,731)	(1,809,976)
Operating profit (loss) after income tax expense	(2,543,955)	(370,755)
Balance as at 30 June 2013	(4,724,686)	(2,180,731)

13. LOSS PER SHARE

Basic loss per share (cents per share)	(1.17)	(0.0040)
Diluted loss per share (cents per share)	(1.17)	(0.0040)
Weighted average number of ordinary shares used in the calculation of basic and diluted loss per share	217,548,932	93,009,089
Loss used in calculating basic and diluted loss per share	2,543,955	370,755

Conversion, call, subscription or issue after 30 June 2013:

Since the end of the financial period, and before the reporting date of these financial statements, below are conversions to, call of, or subscriptions for ordinary shares or issues of potential ordinary shares has taken place:

CAPITAL MINING LIMITED
NOTES TO AND FORMING PART OF THE ACCOUNTS

13. LOSS PER SHARE (continued)

(a) Movements in ordinary share capital	Date	Number of shares	Issue price	\$
1 July 2013 to 7 August 2013				
Balance b/fwd	01-07-13	326,946,044		7,808,091
Shares issued from a placement	12-07-13	51,250,000		410,000
Shares issued from a placement	17-07-13	7,500,000		60,000
Shares issued from a placement	22-07-13	5,000,000		40,000
Balance as at 7 August 2013		<u>390,696,044</u>		<u>8,318,091</u>

(b) Unlisted Options	Date	Number of Options	Exercise price	Expiry date
1 July 2012 to 31 July 2013				
Brought forward	01-07-12	6,500,000		01-09-2014
Options expired		-		-
Balance as at 31 July 2013		<u>6,500,000</u>		

14. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key management personnel compensation

	2013	2012
	\$	\$
Short-term employee benefits	389,153	356,871
Post-employment benefits	4,186	6,699
Other long-term benefits	-	-
Termination benefits	-	-
Share based payments	-	-
Balance at the end of period	<u>393,339</u>	<u>363,570</u>

Further information regarding the identity of key management personnel and their compensation can be found in the Audited Remuneration Report (contained in the directors' report) located earlier in this annual report.

(b) Equity instruments

Options and Rights Holdings

Details of options and rights held directly, indirectly or beneficially by key management personnel and their related parties are as follows:

30 June 2013	Balance at 1 July 2012	Granted as compensation	Options Exercised	Other changes	Balance at 30 June 2013	Total vested at 30 June 2013	Total vested and exercisable at 30 June 2013	Total vested and unexercisable at 30 June 2013
Name								
R McCauley	-	-	-	978,890*	978,890	978,890	978,890	-
J Ellingford	-	-	-	-	-	-	-	-
P Torney	-	-	-	-	-	-	-	-
	-	-	-	978,890	978,890	978,890	978,890	-

30 June 2012	Balance at 1 July 2011	Granted as compensation	Options Exercised	Other changes	Balance at 30 June 2012	Total vested at 30 June 2012	Total vested and exercisable at 30 June 2012	Total vested and unexercisable at 30 June 2012
Name								
R McCauley	1,080,000	-	-	(1,080,000)	-	-	-	-
M Ivkovic	-	-	-	-	-	-	-	-
A Roach	-	-	-	-	-	-	-	-
M Zhang	-	-	-	-	-	-	-	-
	1,080,000	-	-	(1,080,000)	-	-	-	-

* Options acquired through Options Rights Entitlement issue as per prospectus dates 10 October 2012.

CAPITAL MINING LIMITED

NOTES TO AND FORMING PART OF THE ACCOUNTS

14. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(c) Shareholdings

Details of equity instruments (other than options and rights) held directly, indirectly or beneficially by key management personnel and their related parties are as follows:

30 June 2013 Name	Balance at 1 July 2012	Granted as compensation	Received on exercise of options or rights	Other changes	Balance at 30 June 2013	Balance held nominally
R McCauley	3,915,570	-	-	-	3,915,570	3,915,570
M Ivkovic	-	-	-	-	-	-
A Roach	-	-	-	-	-	-
M Zhang	-	-	-	-	-	-
J Ellingford	-	-	-	-	-	-
P Torney	-	-	-	-	-	-
	3,915,570	-	-	-	3,915,570	3,915,570

30 June 2012 Name	Balance at 1 July 2011	Granted as compensation	Received on exercise of options or rights	Other changes	Balance at 30 June 2012	Balance held nominally
R McCauley	3,915,570	-	-	-	3,915,570	3,915,570
M Ivkovic	-	-	-	-	-	-
A Roach	-	-	-	-	-	-
M Zhang	-	-	-	-	-	-
	3,915,570	-	-	-	3,915,570	3,915,570

(d) Loans to key management personnel

There are no loans made by the company to key management personnel or their related parties.

(e) Other transactions and balances

Consulting services

There were no specialist consulting services provided by related parties to the Company during the financial year.

	2013 \$	2012 \$
Consulting services provided by director associated entities recognised as an expense during the year:		
R Hine (Heemskirk Resources Pty Ltd)	-	107,408
C Ablett (Ablex Pty Ltd)	-	63,420
	-	170,828

15. RELATED PARTY DISCLOSURES

The Directors in office during the period were Robert McCauley, Dr James Ellingford (from 8 January 2013), Peter Torney (from 11 June 2013), Michael Ivkovic (from 3 April 2012 to 11 June 2013), Andrew Roach (from 3 April 2012 to 15 January 2013), Moyu Zhang (until 15 November 2012).

Interests and movements in the shares and options of the Company held by Directors and their Director-related entities as at 30 June 2013:

Fully Paid Ordinary Shares – at 30 June 2013

Key management personnel	Balance 1.7.12	Net changes Number	Balance 30.6.13	Balance held Nominally Number
Robert McCauley	3,915,570	-	3,915,570	3,915,570
Dr James Ellingford	-	-	-	-
Peter Torney	-	-	-	-
Michael Ivkovic	-	-	-	-
Andrew Roach	-	-	-	-
Moyu Zhang	-	-	-	-
	3,915,570	-	3,915,570	3,915,570

CAPITAL MINING LIMITED
NOTES TO AND FORMING PART OF THE ACCOUNTS

15. RELATED PARTY DISCLOSURES (continued)

Options – at 30 June 2013

Key management personnel	Balance 1.7.12	Net changes Number	Balance 30.6.13	Balance held Nominally Number
Robert McCauley	-	978,890	978,890	-
Dr James Ellingford	-	-	-	-
Peter Torney	-	-	-	-
Michael Ivkovic	-	-	-	-
Andrew Roach	-	-	-	-
Moyu Zhang	-	-	-	-
	-	978,890	978,890	-

Directors and key management personnel interests in shares and Options includes holdings in their names and in the names of director or key management personnel related entities.

Remuneration options: Granted and vested during the year

During the financial year no options were granted as equity compensation benefits to key management personnel and directors.

Consulting services

No benefits have been received or are receivable by Directors, other than those already disclosed in the notes to the accounts and the Remuneration Report.

16. JOINT VENTURES

The Company has a joint venture agreement dated 28 April 2009 with Monaro Minerals NL (now Australian American Mining Corporation) to earn 51% equity in the Mayfield project (EL 6358) by spending \$100,000 by 23 December 2010 and a possible increase up to 75% by spending a further \$100,000 should Monaro Mining elect not to contribute and thus dilute its interest. The Company announced on 12 July 2010 that it had reached the 51% controlling interest in the project. The Company has also consented to Monaro assigning its interest in this project to Forge Resources Ltd.

The Company has granted a joint venture agreement dated 3 August 2010 (with an amending deed dated 3 December 2010) to Australian Mineral and Waterwell Drilling Pty Ltd (AMWD) giving AMWD the right to earn up 49% in the Mundearno South and Milparinka projects by conducting specified exploration drilling on the tenements. AMWD has now earned 49% interest in the Mundearno South project (see ASX announcement dated 24 June 2011). The Milparinka project is yet to be drilled and AMWD has nil interest in that project as at the date of this report.

The Company has granted a joint venture agreement with Commissioners Gold Limited (CGU) in respect of the Cowarra Gold project. CGU now has a 50% interest in the project after spending \$500,000 on exploration. Commissioners Gold can earn an additional 35% by spending a further \$350,000 on EL 5939.

17. FINANCIAL REPORT BY SEGMENT

The Company operates predominantly in the one business and in one geographical area, namely Australian mineral exploration and evaluation.

18. CONTINGENT LIABILITIES

The Company has provided guarantees totalling \$85,000 in respect of mining tenements. These guarantees in respect of mining tenements are secured against deposits with the relative State Department of Mines. The Company does not expect to incur any material liability in respect of the guarantees.

19. FINANCIAL INSTRUMENTS

Interest rate risk exposure

At balance date, the Company was exposed to a floating weighted average interest rate as follows:

	2013	2012
Weighted average rate of cash balances	3.00%	3.00%
Cash balances	9	\$111,012

CAPITAL MINING LIMITED

NOTES TO AND FORMING PART OF THE ACCOUNTS

19. FINANCIAL INSTRUMENTS (continued)

Bank negotiable certificates of deposit are normally invested for 30-90 days and other cash at bank balances are at call. All other financial assets and liabilities are non-interest bearing.

Net fair value of financial assets and liabilities, on balance sheet and credit risk

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the Company approximates their carrying value. Credit risk is minimal at balance date.

19A. EMPLOYEE ENTITLEMENTS

During the financial year the Managing Director now Executive Director, Robert McCauley was given a motor vehicle as a performance bonus on 5 November 2012. The fair value of the motor vehicle was \$32,000.

20. 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 will diminish as the Company 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.

	2013 \$	2012 \$
Payable not later than one year	228,447	150,000
Payable later than one year but not later than two years	247,126	150,000
	<u>475,573</u>	<u>300,000</u>

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

21. SUBSEQUENT EVENTS

There have been no material events subsequent to 30 June 2013 apart from:

- (a) On 12 July 2013 the Company issued a placement of 51,250,000 ordinary shares at \$0.008 as approved by shareholders at the General Meeting held on 6 May 2013;
- (b) On 17 July 2013 the Company issued a placement of 7,500,000 ordinary shares at \$0.008 as approved by shareholders at the General Meeting held on 6 May 2013;
- (c) On 22 July 2013 the Company issued a placement of up to 5,000,000 ordinary shares at \$0.008 as approved by shareholders at the General Meeting held on 6 May 2013;
- (d) On 2 August 2013 the Company announced appointment of Chief Executive Officer and resignation of Chairman and Managing Director, Mr Robert McCauley. Mr McCauley was appointed as the Chief Executive Officer and remained in an executive director position; and
- (e) On 14 August 2013 the Company announced Notice of General Meeting to be held on 17 September 2013.
- (f) On 2 September 2013 the Company issued 30,464,604 ordinary shares at \$0.01 to consultants in lieu of cash payment.
- (g) Subsequent to the General Meeting held on 17 September 2013, the Company has received a Letter of Funding Commitment to raise up to \$2M, of which \$1M is fully underwritten. Of the underwritten amount, tranches of \$200,000 can be drawn down and as at the date of this report, the first tranche has been requested and accepted with the first tranche deposit being received week starting 7 October 2013. The Company is confident that this commitment will be fulfilled and sufficient funds raised.
- (h) At the general meeting held 17 September 2013, shareholders approved the placement of shares to raise up to \$2 million. The company's primary broker has verified that he is confident that the placement will be a minimum of \$1 million. As at 4 October 2013, the company received \$1,030,400 in signed applications and \$432,000 funds were banked in company's bank account; and
- (i) On 2 October 2013 the Company entered into a Head of Agreement with Indochine Resources Pty Ltd to acquire 85% of the issued capital in Indochine Resources Pty Ltd.

CAPITAL MINING LIMITED
NOTES TO AND FORMING PART OF THE ACCOUNTS

	2013	2012
	\$	\$
22. STATEMENT OF CASH FLOWS		
Reconciliation of net cash outflow from operating activities to operating loss after income tax		
(a) Operating (loss) after income tax	(2,543,955)	(370,755)
Non-cash flows in loss		
Depreciation	784	5,650
Impairment of financial assets	179,102	-
Exploration costs written off	514,804	-
Share Based Payments	690,000	-
Non-cash transfer of vehicle	32,000	-
(Gain)/Loss on disposal of asset	(5,359)	-
Loss on disposal of financial assets	50,874	-
Non operating costs in the movement in payables	(7,321)	-
Change in assets and liabilities:		
(Increase)/decrease in receivables	(15,744)	11,258
(Increase)/decrease in prepayments	41,224	(38,192)
(Decrease)/increase in trade and other creditors	266,369	(62,376)
Net cash outflow from operating activities	<u>(797,222)</u>	<u>(454,415)</u>

- (b) For the purpose of the Statement of Cash Flows, cash includes cash on hand, at bank, deposits and bank bills used as part of the cash management function. The Company does not have any unused credit facilities.

	2013	2012
	\$	\$
The balance at 30 June 2013 comprised:		
Cash assets	9	111,012
Bank deposits	-	-
Cash on hand	<u>9</u>	<u>111,012</u>

23. CORPORATE INFORMATION

The financial report of the Company for the year ended 30 June 2013 was authorised for issue in accordance with a resolution of the Directors on 30 September 2013.

Capital Mining Limited is a company limited by shares and incorporated in Australia. Its shares are publicly traded on the Australian Securities Exchange under the ticker code "CMY".

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company's principal financial instruments comprise cash and short term deposits.

The main purpose of these financial instruments is to finance the company's operations. The company has various other financial assets and liabilities such as trade receivable and trade payables, which arise directly from its operations. It is, and has been throughout the entire period under review, the company's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the company's financial instruments are cash flow interest rate risk and equity price risk. Other minor risks are either summarised below. The Board reviews and agrees policies for managing each of these risks.

(a) Cash flow interest rate risk

The company's exposure to the risks of changes in market interest rates relates primarily to the company's short-term deposits with a floating interest rate. These financial assets with variable rates expose the company to cash flow interest rate risk. All other financial assets and liabilities in the form of receivables and payables are non-interest bearing. The company does not engage in any hedging or derivative transactions to manage interest rate risk.

The following tables set out the carrying amount by maturity of the company's exposure to interest rate risk and the effective weighted average interest rate for each class of these financial instruments. Also included is the effect on profit and equity after tax if interest rates at that date had been 10% higher or lower with all other variables held constant as a sensitivity analysis.

CAPITAL MINING LIMITED
NOTES TO AND FORMING PART OF THE ACCOUNTS

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES
(continued)

(a) Cash flow interest rate risk (continued)

The company has not entered into any hedging activities to cover interest rate risk. In regard to its interest rate risk, the consolidated entity continuously analyses its exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative investments and the mix of fixed and variable interest rates.

	Notes	Floating Interest Rate		Non-Interest Bearing		Total Carrying Amount		Interest Rate Risk Sensitivity 2013			
		2013	2012	2013	2012	2013	2012	-10%		+10%	
								Profit	Equity	Profit	Equity
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Financial Assets:											
Cash at bank	5	9	111,012	-	-	9	111,012	(1)	(1)	1	1
Short-term deposits	5	-	-	-	-	-	-	-	-	-	-
Trade and other receivables	6	-	-	65,702	73,059	65,702	73,059	-	-	-	-
Total		9	111,012	65,702	73,059	65,711	184,071				
Weighted average Interest rate		3.00%	3.00%								
Financial Liabilities											
Trade and other Payables	10	-	-	(281,587)	(12,018)	(281,587)	(12,018)	-	-	-	-
Total		-	-	(281,587)	(12,018)	(281,587)	(12,018)				
Weighted average Interest rate		3.00%	3.00%	-	-	-	-				
Net financial assets (liabilities)		9	111,012	(215,885)	61,041	(215,876)	172,053	-	-	-	-

A sensitivity of 10% has been selected as this is considered reasonable given the current level of both short-term and long-term Australian dollar interest rates. A 10% sensitivity would move short-term interest rates at 30 June 2013 from around 3.50% to 3.15% representing a 35 basis points shift. With the uncertain financial markets, the current low interest rates are expected to continue, any change would likely to be only a small decrease, and this level of sensitivity would seem reasonable.

Based on the sensitivity analysis only interest revenue from variable rate deposits and cash balances is impacted resulting in a decrease or increase in overall income.

(b) Price Risk

The company is not exposed to equity securities price risk. The company has no investments held and classified on the balance sheet as available-for-sale.

CAPITAL MINING LIMITED
NOTES TO AND FORMING PART OF THE ACCOUNTS

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES
(continued)

(c) Liquidity Risk

The company manages liquidity risk by maintaining sufficient cash reserves and marketable securities, and through the continuous monitoring of budgeted and actual cash flows.

	2013	2012
	\$	\$
Contracted maturities of payables year ended 30 June 2013		
Payable:		
- less than 6 months	281,587	12,018
- 6 to 12 months	-	-
- 1 to 5 year	-	-
- later than 5 year	-	-
Total	281,587	12,018

(d) Commodity Price Risk

The company is exposed to commodity price risk. This risk arises from its activities directed at exploration and development mineral commodities. If commodity prices fall, the market for companies exploring for these commodities is affected. The company does not hedge its exposures.

(e) Foreign Exchange Risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The company's foreign transactions are immaterial and it is not exposed to foreign currency risk at the present time.

(f) Net Fair Values

For financial assets and liabilities, the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form, other than listed investments. The company has no financial assets where carrying amount exceeds net fair values at balance date.

The company's receivables at balance date are detailed in Note 6 and comprise primarily GST input tax credits refundable by the ATO. The balance (if any) of receivables comprises prepayments (if any).

The credit risk on financial assets of the company which have been recognised on the Balance Sheet is generally the carrying amount.

25. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

The Australian Accounting Standards Board (AASB) has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods, and which the company has decided not to adopt at this time, but will do as they became mandatory. The Company's assessment of the new and amended pronouncements that are relevant to the Company but applicable in future reporting periods is set out below:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending	Directors' assessment of potential effect of adoption
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2015	30 June 2016	The Consolidated Entity does not anticipate the early adoption of this Australian Accounting Standards.

CAPITAL MINING LIMITED

NOTES TO AND FORMING PART OF THE ACCOUNTS

AASB 11 'Joint Arrangements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014	The Consolidated Entity does not anticipate the early adoption of this Australian Accounting Standards.
AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014	The Consolidated Entity does not anticipate the early adoption of this Australian Accounting Standards.
AASB 127 'Separate Financial Statements' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014	The Consolidated Entity does not anticipate the early adoption of this Australian Accounting Standards.
AASB 128 'Investments in Associates and Joint Ventures' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014	The Consolidated Entity does not anticipate the early adoption of this Australian Accounting Standards.
AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014	The Consolidated Entity does not anticipate the early adoption of this Australian Accounting Standards.
AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'	1 January 2013	30 June 2014	The Consolidated Entity does not anticipate the early adoption of this Australian Accounting Standards.
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014	The Consolidated Entity does not anticipate the early adoption of this Australian Accounting Standards.
AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'	1 January 2013	30 June 2014	The Consolidated Entity does not anticipate the early adoption of this Australian Accounting Standards.
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015	The Consolidated Entity does not anticipate the early adoption of this Australian Accounting Standards.
AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle'	1 January 2013	30 June 2014	The Consolidated Entity does not anticipate the early adoption of this Australian Accounting Standards.
AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'	1 January 2013	30 June 2014	The Consolidated Entity does not anticipate the early adoption of this Australian Accounting Standards.

CAPITAL MINING LIMITED

NOTES TO AND FORMING PART OF THE ACCOUNTS

26. GOING CONCERN BASIS

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

As described in Note 20, the company is committed to exploration expenditure of \$228,447 during the financial year ending 30 June 2014. The company's cash assets of \$9 as at 30 June 2013 will be insufficient to fund these commitments and the company's normal administrative expenses.

For these reasons, uncertainty exists as to whether the company will be able to continue as a going concern.

The directors of the company believe that the actions taken and planned actions to be taken since the balance date will mean the company has the ability to raise additional funds as and when required to pay its debts as and when they become due and payable.

The actions as described in Note 21 include:

- At the general meeting held 17 September 2013, shareholders approved the placement of shares to raise up to \$2M. The company's primary broker has verified that he is confident that the placement will be a minimum of \$1 million. As at 4 October 2013, the company received \$1,030,400 in signed applications and \$432,000 funds were banked in company's bank account;
- At the 17 September 2013 general meeting, shareholders also ratified prior share and option issues, thereby refreshing the company's ability to issue shares up to 15% of the current shares on issue. Based on the current share price of \$0.008 and current 15% capacity of 21,604,407 shares, approximately an additional \$172,835 gross funds could be raised;
- The Company has received a Letter of Funding Commitment to raise up to \$2M, of which \$1M is fully underwritten. Of the underwritten amount, tranches of \$200,000 can be drawn down and as at the date of this report, the first tranche has been requested and accepted with the first tranche deposit being received week starting 7 October 2013. The Company is confident that this commitment will be fulfilled and sufficient funds raised; and
- On 2 October 2013 the Company entered into a Head of Agreement with Indochine Resources Pty Ltd to acquire 85% of the issued capital in Indochine Resources Pty Ltd.

If the company is not successful in achieving these planned actions, there is significant uncertainty whether the company will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the company not continue as a going concern.

CAPITAL MINING LIMITED

DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and accompanying notes, are in accordance with the Corporations Act 2001 and:
 - a) comply with Accounting Standards, which, as stated in the accounting policy Note1, to the financial statements, constitutes explicit and unreserved compliance with international Financial Reporting Standards (IFRS); and
 - b) give a true and fair view of the financial position as at 30 June 2013 and of the performance for the year ended on that date of the company;
2. the Chief Executive Officer and the Chief Finance Officer have each declared that:
 - a) the financial records of the company for the financial year have been properly maintained in accordance with s 286 of the *Corporations Act 2001*;
 - b) the financial statements and notes for the financial year comply with Accounting Standards; and
 - c) the financial statements and notes for the financial year give a true and fair view; and
3. 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.

This declaration is made in accordance with the resolution of the Board of Directors.

On behalf of the Board



Robert McCauley

Executive Director

Sydney, 6 October 2013

directors

C H Barnes FCA
A J Dowell CA
S Dadich CA

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Auditor's Independence Declaration

To the directors of Capital Mining Limited

As engagement partner for the audit of Capital Mining Limited for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been:

- i) no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the audit; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

BDJ Partners Audit Pty Limited



C. H. Barnes

Director

27 September 2013



directors

C H Barnes FCA
A J Dowell CA
S Dadich CA

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Independent Auditor's Report

To the members of Capital Mining Limited

Report on the Financial Report

We have audited the accompanying financial report of Capital Mining Limited, which comprises the statement of financial position as at 30 June 2013, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

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

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Capital Mining Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Capital Mining Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of Matter

We draw attention to Notes 21 and 26 in the financial report which describe anticipated capital raisings. There is doubt about the success of the capital raisings which indicates the existence of material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Our opinion is not qualified in respect of this matter.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Capital Mining Limited for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.

BDJ Partners Audit Pty Limited



.....
C. H. Barnes

Director

6 October 2013

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CAPITAL MINING LIMITED

CORPORATE GOVERNANCE STATEMENT

The Company is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve the Company has turned to the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Recommendations*. The Company is pleased to advise that the Company's practices are largely consistent with those ASX guidelines. As consistency with the guidelines has been a gradual process, where the Company did not have certain policies or committees recommended by the ASX Corporate Governance Council (the Council) in place during the reporting period, we have identified such policies or committees.

Where the Company's corporate governance practices do not correlate with the practices recommended by the Council, the Company is working towards compliance however it does not consider that all the practices are appropriate for the Company due to the size and scale of Company operations.

To illustrate where the Company has addressed each of the Council's recommendations, the following table cross-references each recommendation with sections of this report. The table does not provide the full text of each recommendation but rather the topic covered. Details of all of the recommendations can be found on the ASX Corporate Governance Council's website at asx.com.au/about/corporate_governance/index.htm.

Recommendation	Section
Recommendation 1.1 Functions of the Board and Management	1.1
Recommendation 1.2 Performance Evaluation of Senior Executives	1.4.10
Recommendation 1.3 Reporting on Principle 1	1.1 and 1.4.10
Recommendation 2.1 Independent Directors	1.2.1
Recommendation 2.2 Independent Chairman	1.2.1
Recommendation 2.3 Role of the Chairman and CEO	1.2.2
Recommendation 2.4 Establishment of Nomination Committee	2.3
Recommendation 2.5 Performance Evaluation Processes	1.4.10
Recommendation 2.6 Reporting on Principle 2	1.2.1, 1.4.10, 2.3
Recommendation 3.1 Code of Conduct	5
Recommendation 3.2 Diversity Policy	4
Recommendation 3.3 Diversity Objectives	4
Recommendation 3.4 Diversity Reporting	4
Recommendation 3.5 Reporting on Principle 3	4 and 5
Recommendation 4.1 Establishment of Audit Committee	2.1
Recommendation 4.2 Structure of Audit Committee	2.1.1
Recommendation 4.3 Audit Committee Charter	2.1
Recommendation 4.4 Reporting on Principle 4	2.1
Recommendation 5.1 Policy for Compliance with Continuous Disclosure	1.4.4
Recommendation 5.2 Reporting on Principle 5	1.4.4
Recommendation 6.1 Communications Strategy	1.4.8
Recommendation 6.2 Reporting on Principle 6	1.4.8
Recommendation 7.1 Policies on Risk Oversight and Management	3.1
Recommendation 7.2 Risk Management Reporting	3.1
Recommendation 7.3 Attestations by CEO and CFO	1.4.11
Recommendation 7.4 Reporting on Principle 7	2.1.3 , 1.4.11
Recommendation 8.1 Establishment of Remuneration Committee	2.2
Recommendation 8.2 Structure of Remuneration Committee	2.2
Recommendation 8.3 Executive and Non-Executive Director Remuneration	2.2.4
Recommendation 8.4 Reporting on Principle 8	2.2 and 2.2.4

CAPITAL MINING LIMITED

CORPORATE GOVERNANCE STATEMENT

1. Board of Directors

1.1 Role of the Board

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board has the final responsibility for the successful operations of the Company.

To assist the Board carry out its functions, it has developed a Code of Conduct to guide the Directors, the Chairman (if and when appointed) and other key executives in the performance of their roles.

1.2.1 Composition of the Board

To add value to the Company the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties given its current size and scale of operations. The names of the Directors and their qualifications and experience are stated in the Directors' Report along with the term of office held by each of the Directors. Directors are appointed based on the specific skills required by the Company and on their decision-making and judgment skills.

The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. Dr James Ellingford and Mr Peter Torney are Non-Executive Directors and independent directors as they meet the following criteria for independence adopted by the Company. The Board recognises that the following criteria is not exhaustive in determining the independence of directors.

An Independent Director is a Non-Executive Director and:

- is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- has not been employed in an executive capacity by the Company or another Company member since incorporation;
- within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another Company member, or an employee materially associated with the service provided;
- is not a material supplier or customer of the Company or another Company member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has no material contractual relationship with the Company or other Company member other than as a Director of the Company.
- their role is to advise the Company on matters pertaining to their expertise and provide governance in the best interests of the Company. Independent Directors do not participate in day to day operations or management of the Company and its affairs.
- are remunerated based on a set scale relating to the risks undertaken within their roles as Non-Executive Directors. Additional work engagements may be undertaken by independent Directors at commercial rates, however the Company and the Independent Directors must ensure that materiality thresholds are not breached.

Mr Robert McCauley is an Executive Director of the Company however does not meet the Company's criteria for independence. However, his experience and knowledge of the Company makes their contribution to the Board such that it is appropriate for them to remain on the Board.

1.2.2 Role of the Chairman and CEO

Recommendation 2.3 has been complied with as the Company currently does not have a Chairman and appointed management is separate from the Chairman's position. During the year, Mr McCauley was Chairman and Managing Director of the Company but resigned from this position on his appointment to CEO in August 2013.

1.3 Responsibilities of the Board

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company.

CAPITAL MINING LIMITED

CORPORATE GOVERNANCE STATEMENT

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following.

- Leadership of the Organisation: overseeing the Company and establishing codes that reflect the values of the Company and guide the conduct of the Board.
- Strategy Formulation: to set and review the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company.
- Overseeing Planning Activities: the development of the Company's strategic plan.
- Shareholder Liaison: ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company.
- Monitoring, Compliance and Risk Management: the development of the Company's risk management, compliance, control and accountability systems and monitoring and directing the financial and operational performance of the Company.
- Company Finances: approving expenses and approving and monitoring acquisitions, divestitures and financial and other reporting.
- Ensuring the Health, Safety and Well-Being of Employees: in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to ensure the well-being of all employees.
- Delegation of Authority: delegating appropriate powers to the CEO to ensure the effective day-to-day management of the Company and establishing and determining the powers and functions of the Committees of the Board.

Full details of the Board's role and responsibilities are contained in the Board Charter, a copy of which is available on the Company's website.

1.4 Board Policies

1.4.1 Conflicts of Interest

Directors must:

- disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the Company; and
- if requested by the Board, within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot or is unwilling to remove a conflict of interest then the Director must, as per the *Corporations Act*, absent himself or herself from the room when discussion and/or voting occurs on matters about which the conflict relates.

1.4.2 Commitments

Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the Company.

1.4.3 Confidentiality

In accordance with legal requirements and agreed ethical standards, Directors and key executives of the Company have agreed to keep confidential, information received in the course of the exercise of their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

1.4.4 Continuous Disclosure

The Board has adopted a continuous disclosure policy to ensure that the Company complies with the disclosure requirements of the ASX Listing Rules which is available on the Company's website. The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the *ASX Listing Rules* the Company immediately notifies the ASX of information:

- concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
- that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

CAPITAL MINING LIMITED

CORPORATE GOVERNANCE STATEMENT

1.4.5 Education and Induction

It is the policy of the Company that all new Directors undergo an induction process in which they are given a full briefing on the Company. Where possible this includes meetings with key executives, tours of the premises, an induction package and presentations. Information conveyed to new Directors include:

- details of the roles and responsibilities of a Director;
- formal policies on Director appointment as well as conduct and contribution expectations;
- access to a copy of the Board Charter;
- guidelines on how the Board processes function;
- details of past, recent and likely future developments relating to the Board;
- background information on and contact information for key people in the organisation;
- an analysis of the Company;
- a synopsis of the current strategic direction of the Company; and
- a copy of the Constitution of the Company.

In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development. Specifically, Directors are provided with the resources and training to address skills gaps where they are identified.

1.4.6 Independent Professional Advice

The Board collectively and each Director has the right to seek independent professional advice at the Company's expense, up to specified limits, to assist them to carry out their responsibilities.

1.4.7 Related Party Transactions

Related party transactions include any financial transaction between a Director and the Company. Unless there is an exemption under the *Corporations Act* from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction.

1.4.8 Shareholder Communication

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

- communicating effectively with shareholders through releases to the market via ASX, information mailed to shareholders, the Company website and the general meetings of the Company;
- giving shareholders ready access to balanced and understandable information about the Company and corporate proposals;
- making it easy for shareholders to participate in general meetings of the Company; and
- requesting the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company and encourages shareholders to visit the Company's website for information.

The Company's policy for shareholder communication is available on the Company's website.

1.4.9 Trading in Company Shares

On 23 December 2010 the Board adopted a Share Trading Policy. The Board periodically reminds directors, officers and employees of the prohibition in the *Corporations Act 2001*, and any other prohibited trading periods stated in the Share Trading Policy, concerning trading in the Company's securities when in possession of "inside information". The Board also periodically reminds directors of their obligations under to notify the Company Secretary of any trade in securities to ensure that ASX Listing Rule requirements are met. The Company's policy for trading in the Company's securities is available on the Company's website.

1.4.10 Performance Review/Evaluation

It is the policy of the Board to conduct regular evaluation of its performance against appropriate measures. The evaluation process was updated via the Board Charter adopted on 20 March 2013. A performance evaluation of senior executives was undertaken by the Remuneration Committee on 17 September 2013 in accordance with the Board Charter. The objective of this evaluation is to provide ongoing best practice corporate governance to the Company.

CAPITAL MINING LIMITED

CORPORATE GOVERNANCE STATEMENT

1.4.11 Attestations by CEO and CFO

It is the Board's policy, that the CEO and the CFO make the attestations recommended by the ASX Corporate Governance Council as to the Company's financial condition prior to the Board signing the Annual Report. However, as at the date of this report the Company does not have a designated CEO or CFO. Due to the size and scale of operations of the Company these roles are performed by the Board as a whole.

2. Board Committees

2.1 Audit Committee

The current audit committee was nominated on 18 January 2013 and comprised Dr James Ellingford (Chairman) and Mr Michael Ivkovic until the time of his resignation. On 17 September 2013, Mr Peter Torney was appointed to the audit committee.

Below is a summary of the role and responsibilities of an Audit Committee.

2.1.1 Role

The Audit Committee is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external auditors.

The audit committee's role includes commenting on the integrity of the financial statements of the Company and the independence of the external auditor.

2.1.2 Audit Committee Charter

The Board has adopted an Audit Committee Charter which sets of the roles and responsibilities, composition, structure and membership requirements. The Audit Committee Charter forms the basis of the functions delegated to the audit committee. A copy of the Audit Committee Charter is available on the Company's website.

2.1.3 Responsibilities

The Audit Committee or as at the date of this report the full Board of the Company reviews the audited annual and half-yearly financial statements and any reports which a Company published financial statements and recommends their approval to the members.

The Audit Committee or as at the date of this report the full Board of the Company each year reviews the appointment of the external auditor, their independence, the audit fee, and any questions of resignation or dismissal.

The Audit Committee or as at the date of this report the full Board of the Company is also responsible for establishing policies on risk oversight and management.

2.1.4 Risk Management Policies

The Board's Charter clearly establishes that it is responsible for ensuring there is a good sound system for overseeing and managing risk. Due to the size and scale of operations, risk management issues are considered by the Board as a whole. On completion of the annual report, the CEO and Company Secretary will provided the Board with written assurance that the financial statements are founded on a sound system of risk management and internal compliance. Their statement assured the Board that the risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

2.1.5 External Auditor

The Board's has adopted a policy setting out criteria for the selection and appointment of an external auditor. A copy of this policy is available on the Company's website.

2.2 Remuneration Committee

2.2.1 Role

The role of a Remuneration Committee is to assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies for employees.

The current audit committee was nominated on 18 January 2013 and comprised Dr James Ellingford (Chairman) and Mr Michael Ivkovic until the time of his resignation. On 17 September 2013, Mr Peter Torney was appointed to the audit committee.

CAPITAL MINING LIMITED

CORPORATE GOVERNANCE STATEMENT

2.2.2 Responsibilities

The responsibilities of a Remuneration Committee, or the full Board include setting policies for senior officers' remuneration, setting the terms and conditions of employment for the Chief Executive Officer, reviewing and making recommendations to the Board on the Company's incentive schemes and superannuation arrangements, reviewing the remuneration of both Executive and Non-Executive Directors, recommendations and making recommendations on any proposed changes and undertaking reviews of the Chief Executive Officer's performance, including, setting with the Chief Executive Officer goals and reviewing progress in achieving those goals.

2.2.3 Remuneration Policy

Current directors' Remuneration was approved by resolution of the Board on 6 May 2013.

2.2.3.1 Senior Executive Remuneration Policy

The Company is committed to remunerating its senior executives in a manner that is market-competitive and consistent with best practice as well as supporting the interests of shareholders. Consequently, under the Senior Executive Remuneration Policy the remuneration of senior executive may be comprised of the following:

- fixed salary that is determined from a review of the market and reflects core performance requirements and expectations;
- a performance bonus designed to reward actual achievement by the individual of performance objectives and for materially improved Company performance;
- participation in any share/option scheme with thresholds approved by shareholders;
- statutory superannuation.

By remunerating senior executives through performance and long-term incentive plans in addition to their fixed remuneration the Company aims to align the interests of senior executives with those of shareholders and increase Company performance. During the year there were no Non-Director Executives.

The value of shares and options were they to be granted to senior executives would be calculated using the Black and Scholes method.

The objective behind using this remuneration structure is to drive improved Company performance and thereby increase shareholder value as well as aligning the interests of executives and shareholders.

The Board may use its discretion with respect to the payment of bonuses, stock options and other incentive payments.

2.2.3.2 Non-Executive Director Remuneration Policy

Non-Executive Directors are to be paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors.

Non-Executive Directors are entitled to but not necessarily paid statutory superannuation.

2.2.4 Current Director Remuneration

Full details regarding the remuneration of Directors, is included in the Directors' Report.

2.3 Nomination Committee

2.3.1 Role

The role of a Nomination Committee is to help achieve a structured Board that adds value to the Company by ensuring an appropriate mix of skills are present in Directors on the Board at all times.

As the whole Board only consists of three members, the Company does not have a nomination committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues.

2.3.2 Responsibilities

The responsibilities of a Nomination Committee, as performed by the full Board, include devising criteria for Board membership, regularly reviewing the need for various skills and experience on the Board and identifying specific individuals for nomination as Directors for review by the Board. The Nomination Committee also oversees management succession plans including the CEO and his/her direct reports and evaluate the Board's performance and make recommendations for the appointment and removal of Directors. Currently the Board as a whole performs this role.

CAPITAL MINING LIMITED

CORPORATE GOVERNANCE STATEMENT

2.3.3 *Criteria for selection of Directors*

Directors are appointed based on the specific governance skills required by the Company. Given the size of the Company and the business that it operates, the Company aims at all times to have at least one Director with experience appropriate to the Company's target market. In addition, Directors should have the relevant blend of personal experience in accounting and financial management and Director-level business experience.

3. *Risk Management*

3.1 *Risk Management Policies*

The Company's risk management strategy policy states that the Board as a whole is responsible for the oversight of the Company's risk management and control framework. The objectives of the Company's risk management strategy are to:

- identify risks to the Company,
- balance risk to reward,
- ensure regulatory compliance is achieved; and
- ensure senior management, the Board and investors understand the risk profile of the Company.

The Board monitors risk through various arrangements including:

- regular board meetings;
- share price monitoring;
- market monitoring; and
- regular review of financial position and operations.

The Board requires that each major transaction proposed to the Board for decision is accompanied by a risk assessment.

The Company's risk management strategy was formally reviewed by the Board on 20 March 2013 and was considered the Company's risk management strategy sound for addressing and managing risk. A copy of the strategy is available on the Company's website.

4. *Diversity*

The Company recognises and respects the value of diversity at all levels of the organisation.

The Company is committed to setting measurable objectives for attracting and engaging women at the Board level, in senior management and across the whole organisation.

As at the date of this report, the Company has the following proportion of women appointed:

- to the Board – nil%
- to senior management – 25% (Company Secretary)
- to the organisation as a whole – 25% (Company Secretary)

The Company's objective is to promote a culture which embraces diversity through ongoing education, succession planning, director and employee selection and recognising skills are not gender specific.

The Company's objective for the next two years is to increase the proportion of women on the board, appointed to senior management and the organization as a whole however at this early stage of the Company's development it is not possible to set targets. The Board will review the targets as the Company's operations increase and personnel requirements are better understood.

The Remuneration Committee will report on the progress towards achieving these objectives annually and include details in the annual report.

5. *Company Code Of Conduct*

The Board adheres to and is responsible for enforcing the Code of Conduct set out in this Corporate Governance Statement.

The Company is committed to:

- applying the Company's funds efficiently to provide above average and sustainable return to shareholders through capital appreciation; and
- adopting high standards of occupational health and safety, environmental management and ethics.

CAPITAL MINING LIMITED

CORPORATE GOVERNANCE STATEMENT

The Board through the Managing Director (or in the absence of a Managing Director, the Chairman, if and when appointed) monitors the Company's compliance with the Code of Conduct periodically. The Code of Conduct will be reviewed by the Board to ensure it reflects the standards of behaviour and practices necessary to maintain confidence in the Company's integrity.

The Code of Conduct applies to all the directors and employees of the Company who must comply with all legal obligations and the Company policies.

The Board and the executives are obligated to avoid situations of real or apparent conflict of interest between them as individuals and as Directors or employees of the Company. If a situation where a conflict of interest arises the Managing Director (or in the absence of a Managing Director, the Chairman, if and when appointed) is to be notified; the matter will then be considered and the appropriate steps taken to avoid a repetition.

Any breach of Corporate Governance is to be reported directly to the Managing Director (or in the absence of a Managing Director, the Chairman, if and when appointed).

Corporate Responsibility

The Company complies with all legislative and common law requirements that affect its business, particularly environmental regulations, native title and cultural heritage laws.

A copy of the Company's Code of Conduct is available on the Company's website.

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CAPITAL MINING LIMITED

SHAREHOLDER INFORMATION

Information relating to shareholders at 19 August 2013 (per ASX Listing Rule 4.10)

Substantial Shareholders	Shareholding
Mr Jason Peterson	42,500,000

Distribution of Shareholders

Number of ordinary shares held

	Number of Holders	Ordinary Shares
1 – 1,000	25	6,976
1,001 – 5,000	48	154,279
5,001 – 10,000	107	974,000
10,001 – 100,000	388	15,475,884
100,001 – and over	225	404,549,509
	793	421,160,648

Top 20 Shareholders of Ordinary Shares as at 27 September 2013

	Shares	% Shares issued
SUBURBAN HOLDINGS PTY LTD <THE SUBURBAN SUPER FUND A/C>	61,753,030	14.663
BELLOC PTY LIMITED	37,577,749	8.922
CELTIC CAPITAL PTY LTD <CELTIC CAPITAL NO 2 A/C>	32,500,000	7.717
MR ERROL BOME & MRS MELANIE BOME <THE BOME SUPER FUND A/C>	13,000,000	3.087
MR JASON PETERSON & MRS LISA PETERSON <J & L PETERSON S/F A/C>	12,500,000	2.968
UNION PACIFIC PTY LTD	10,464,604	2.485
MFQ CORP PTY LTD	10,000,000	2.374
PHEAKES PTY LTD <SENATE A/C>	9,500,000	2.256
FIRST STATE PTY LIMITED	8,534,408	2.026
MR WILLIAM MOTHERWAY	8,000,000	1.900
TRADING & INVESTMENT GROUP PTY LTD	8,000,000	1.900
D M LAY PTY LIMITED	7,830,000	1.859
MR ERROL BOME & MRS MELANIE BOME <THE BOME SUPER FUND A/C>	7,353,200	1.746
LANDPATH PTY LTD	7,292,692	1.732
GURNEY CAPITAL NOMINEES PTY LTD	7,007,251	1.664
MRS HAIYING HUANG	6,000,000	1.425
MR NELSON FERNANDEZ	5,000,000	1.187
MR RICHARD HINE	5,000,000	1.187
ZELINA HOLDINGS PTY LTD <THE JAMIS FAMILY A/C>	5,000,000	1.187
SACCO DEVELOPMENTS AUSTRALIA PTY LIMITED <THE SACCO FAMILY A/C>	4,200,000	0.997
	Total	63.281
	Issued Capital	421,160,648

CAPITAL MINING LIMITED

SHAREHOLDER INFORMATION

Top 20 Option holders of \$0.02 quoted options expiring 31 December 2016 (CMYO) as at 27 September 2013	Options	% Options issued
BELLOC PTY LIMITED	29,075,000	16.347
CELTIC CAPITAL PTY LTD <CELTIC CAPITAL NO 2 A/C>	15,000,000	8.434
SUBURBAN HOLDINGS PTY LTD <THE SUBURBAN SUPER FUND A/C>	13,943,670	7.840
FIRST STATE PTY LIMITED	13,600,823	7.647
LANDPATH PTY LTD	12,000,000	6.747
PHEAKES PTY LTD <SENATE A/C>	9,500,000	5.341
SACCO DEVELOPMENTS AUSTRALIA PTY LIMITED <THE SACCO FAMILY A/C>	9,270,521	5.212
GOFFACAN PTY LTD	7,500,000	4.217
BCI INVESTMENTS LTD	5,000,000	2.811
MFQ CORP PTY LTD	5,000,000	2.811
PHEAKES PTY LTD <SENATE A/C>	5,000,000	2.811
MR WILLIAM MOTHERWAY	4,000,000	2.249
MR JASON PETERSON & MRS LISA PETERSON <J & L PETERSON S/F A/C>	3,000,000	1.687
MR LYNDON RONALD SANDERSON	2,980,000	1.675
MR HO KAKU	2,750,000	1.546
MR ERROL BOME & MRS MELANIE BOME <THE BOME SUPER FUND A/C>	2,500,000	1.406
ESSELMON PTY LIMITED <ESSELMON A/C>	2,500,000	1.406
MR NALLANATHAN PRABHODHARAN	2,000,000	1.124
NOBEL INTERNATIONAL LIMITED	1,875,000	1.054
MR PETER HOUGH	1,562,500	0.878
LARSON PTY LTD <BERSON FAMILY A/C>	1,562,500	0.878
Total	146,620,014	84.122
Issued Capital	177,861,525	

Voting Rights

There are no restrictions on voting rights. On a show of hands every member present or by proxy shall have one vote and upon a poll each share shall have one vote. Where a member holds shares which are not fully paid, the number of votes to which that member is entitled on a poll in respect of those part paid shares shall be that fraction of one vote which the amount paid up bears to the total issued price thereof. Option holders have no voting rights until the options are exercised.

Audit Committee

At the date of the Report of the Directors, the Company has a committee of two Non-Executive Directors which meets with the Company's external auditors at least once during each half-year. These meetings will take place prior to the finalisation of the half-year financial statements and Annual Report and prior to the signing of the Audit Report.

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