

ASX RELEASE - 29 March 2010

ZIRCONIUM - RARE EARTHS TREATMENT PATHWAYS NARROWED DOWN NARRABURRA PROJECT, NSW

Capital Mining Limited (**ASX:CMY**) is pleased to advise that preliminary metallurgical testing of samples from its **Narraburra Rare Metals and Rare Earths Prospect** near Temora in Central West New South Wales, has resulted in positive recovery results from a range of procedures trialled. These have included gravity concentration, flotation and hydrometallurgical and pyrometallurgical extraction techniques.

Capital has identified a large resource in the JORC Inferred category of Rare Metals (RM) and Rare Earths (REE) of **very high unit value** at Narraburra that would be amenable to low cost strip mining from a shallow open pit. **Zirconium is the most abundant metal in the deposit which also contains niobium, yttrium, thorium, beryllium, lithium, gallium and REE.**

The company is seeking to find a way to maximize recoveries from the resource, which as previously announced in its 2006 IPO Prospectus, contains an estimated 55,000 tonnes of zirconium oxide, 4,400 tonnes of niobium oxide, 3,300 tonnes of yttrium oxide, 2,750 tonnes of thorium oxide and 16,500 tonnes of Rare Earth oxides.

The preliminary metallurgical test work was carried out under the supervision of a senior metallurgist at a specialist facility in Western Australia and was aimed at establishing a viable treatment pathway to produce a marketable RM and REE oxide concentrate from the weathered, largely friable granitic material that makes up the resource.

The samples tested were obtained from a pit which was excavated to a depth of 7.2m at the geographic centre of a prominent air radiometric anomaly which coincides with the currently identified resource. Assays of the material excavated were in the range **1170-1410 g/t zirconium, 128-158 g/t niobium, 46-61 g/t yttrium, 58-70 g/t thorium and 61-76 g/t total REE.** Apart from the REE, which have been leached from the more highly oxidised near surface material, values are consistent with those of the average for the resource. However, in most tests the material was found to generate up to 18-20% slimes due to the presence of a high proportion of clay in the highly weathered material tested.

The most promising results of the metallurgical test work were obtained from flotation tests and recoveries for zirconium and yttrium¹ of 65% were obtained on the -1mm fraction using a combination of spiralling and flotation of the tails. Recoveries for hafnium, 38%, thorium and tantalum 35%, niobium and neodymium, 27% and the light REE's cerium, 28% and lanthanum, 24% using the above method were lower, although significantly higher recoveries were obtained for most of these elements using hydrometallurgical and pyrometallurgical extraction techniques as outlined below.

Other avenues for recovery investigated included **sulphidisation and chlorination.** These techniques involved conversion of the target metals to soluble sulphate and chloride states making them more amenable to water leaching. Both yielded similar results with **recoveries being 99% for lithium and 85% for the light REE cerium,** down to 45% for yttrium and tantalum and 25% for niobium, hafnium and REE's lanthanum and neodymium. Typically zirconium mineral species are unaffected by the sulphidisation and chlorination process and recovery can be undertaken on the leach residue by the gravity method.

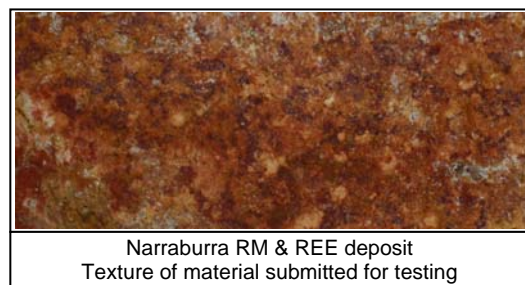
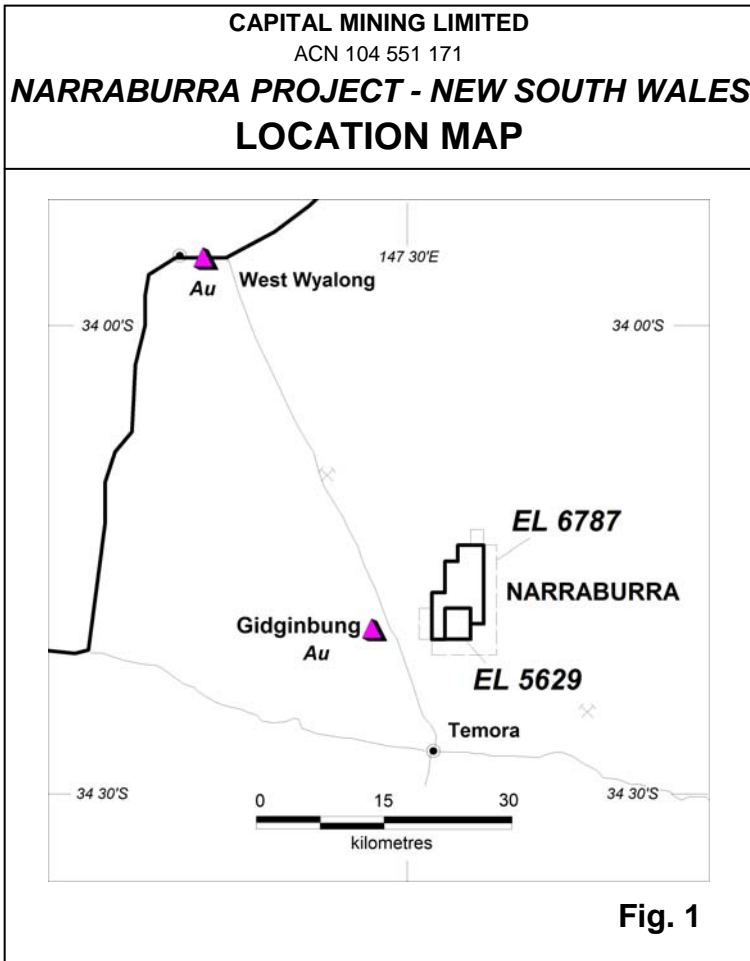
Overall, preliminary results are viewed as being encouraging and further test work is to be undertaken that will be focused around an overall process involving gravity recovery of the principal target metals through the use of spirals and flotation.

¹ Geochemically similar to the heavy REE suite of metals

Deeper sampling of the deposit by large diameter core drilling is being considered to obtain material more representative of the mineralisation at depth. From previous results and experience, tests on material of this type are predicted to produce higher overall recoveries from gravity separation methods.

The company is seeking expressions of interest from potential Joint venture partners to finance the exploratory drilling and metallurgical test work needed to bring the resource to the development stage. For further information please contact the management team Rick Hine, Chris Ablett, John Seeley or Rob McCauley.

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The information in the report to which this statement is attached that relates to Exploration Results and Mineral Resources is based on information compiled by Richard Hine who is a Member of the Australasian Institute of Mining and Metallurgy. Richard Hine is a Director of the Company and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Richard Hine consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.