

CAPITAL MINING LIMITED

ACN 104 551 171

NOTICE OF EXTRAORDINARY GENERAL MEETING
EXPLANATORY MEMORANDUM
PROXY FORM

Date of Meeting

Friday 1 June 2007

Time of Meeting

11.00 am (EST)

Place of Meeting

Hellenic Club of Canberra
Matilda Street
PHILLIP ACT 2606

NOTICE OF EXTRAORDINARY GENERAL MEETING

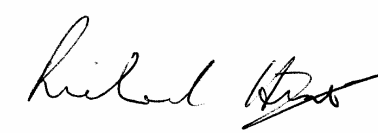
CAPITAL MINING LIMITED ACN 104 551 171

Notice is hereby given that an Extraordinary General Meeting of members of Capital Mining Limited ("**the Company**") will be held at the Hellenic Club of Canberra, Matilda Street, Phillip, Australian Capital Territory at 11.00 am (EST) on 1 June 2007 to consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

Grant of options to Mr Robert John McCauley (or his nominee)

"That approval be and is hereby given to the grant, allotment and issue by the Company of 250,000 options exercisable at \$0.25 each and 250,000 options exercisable at \$0.30 each to Mr Robert John McCauley (or his nominee) on the terms and conditions described in the Explanatory Memorandum which is attached to and forms part of this Notice."

DATED 18 April 2007
By Order of the Board



Richard Hine
Company Secretary

NOTES:

Definitions

Terms used in this Notice which are defined in the Explanatory Memorandum which is attached to and forms part of this Notice have the meanings ascribed to them therein.

Voting Restrictions

In accordance with section 224 of the *Corporations Act 2001* (Cth), a vote in respect of the resolution will be disregarded by the Company if it is cast by or on behalf of a person who is named in the relevant resolution or an associate of that named person.

However the Company need not disregard a vote if:

- it is cast by a person who is appointed by writing as proxy for a person who is entitled to vote and the written appointment specifies how the proxy is to vote; and
- the vote is not cast on behalf of the named person or an associate of the named person.

Proxies

A member entitled to attend this Meeting and vote is entitled to appoint a proxy to attend and vote for the member at the Meeting. A proxy need not be a member. If the member is entitled to cast two or more votes at the Meeting the member may appoint two proxies and may specify the proportion or number of votes which each proxy is appointed to exercise. A form of proxy accompanies this Notice.

Voting Entitlement

The Company (as convenor of the Meeting) has determined that a person's entitlement to vote at the Meeting will be the entitlement of that person set out in the register of members as at 11.00 am (EST) on 30 May 2007.

This means that any Shareholder registered at 11.00 am (EST) on 30 May 2007 is entitled to attend and vote at the Meeting.

EXPLANATORY MEMORANDUM

This Explanatory Memorandum forms part of a Notice convening an Extraordinary General Meeting of shareholders of Capital Mining Limited to be held on 1 June 2007. This Explanatory Memorandum is to assist shareholders in understanding the background to and the legal and other implications of the Notice and the reasons for the proposed resolution. Both documents should be read in their entirety and in conjunction with each other.

Background

The Company issued a Prospectus dated 8 November 2006 offering 15 million ordinary shares at an offer price of \$0.20 each to raise \$3 million with a minimum subscription of \$2.3 million and the right to accept oversubscriptions of \$1 million. The Company raised \$3,422,100 pursuant to the Prospectus and its shares were listed on ASX on 22 March 2007.

Mr McCauley was appointed as a director of the Company on 21 October 2004. By Service Agreement dated 15 August 2006, the Company agreed to employ Mr McCauley as Executive Director for one year commencing on 22 March 2007. It is a term of the Agreement that as soon as possible after 22 March 2007, the Company will grant to Mr McCauley 250,000 five year options exercisable at \$0.25 each and 250,000 five year options exercisable at \$0.30 each.

Shareholder authorisation to the grant of the options to Mr McCauley is required pursuant to Chapter 2E of the *Corporations Act 2001* (Cth).

RESOLUTION: Grant of Options to Mr Robert John McCauley

This resolution proposes to grant to Mr Robert John McCauley (or his nominee) options to subscribe for 250,000 new ordinary shares in the Company at an exercise price of \$0.25 each and 250,000 new ordinary shares in the Company at an exercise price of \$0.30 each.

This proposal is described in detail in the Annexure to this Explanatory Memorandum.

GLOSSARY

“**ASX**” means ASX Limited ACN 008 624 691;

“**ASX Listing Rules**” means the official listing rules of ASX;

“**Company**” or “**Capital Mining Limited**” means Capital Mining Limited ACN 104 551 171;

“**Listing Date**” means the date on which the Company is admitted to the official list of ASX;

“**Meeting**” means the meeting of shareholders convened by the Notice;

“**Notice**” means the notice of meeting to which this Explanatory Memorandum is attached; and

“**Shares**” means fully paid ordinary shares in the capital of the Company.

ANNEXURE

GRANT OF OPTIONS IN CAPITAL MINING LIMITED

1. The Resolution seeks shareholder authorisation pursuant to Chapter 2E of the *Corporations Act 2001* (Cth) for the grant a total of 500,000 incentive options to Mr McCauley (or his nominee).
2. For the purposes of section 219 of the *Corporations Act 2001* (Cth) information regarding the incentive options is provided as follows:

- (a) By Service Agreement dated 15 August 2006, the Company agreed to employ Mr McCauley as Executive Director for one year commencing on 22 March 2007. It is a term of the Agreement that as soon as possible after 22 March 2007, the Company will grant to Mr McCauley 250,000 five year options exercisable at \$0.25 each and 250,000 five year options exercisable at \$0.30 each. It is considered appropriate to issue incentive options to Mr McCauley (or his nominee) as a key component of his remuneration in order to attract and retain the services of Mr McCauley and to provide incentive linked to the performance of the Company. There are no additional performance criteria on the incentive options given the speculative nature of the Company's activities and the small management team responsible for its running. It is considered the performance of Mr McCauley and the performance and value of the Company will be closely related. As such, the incentive options to be granted will only be of benefit if Mr McCauley performs to the level whereby the value of the Company increases sufficiently to warrant exercising the incentive options. It is considered that any additional performance criteria were not warranted.
- (b) The break down of the incentive options that Mr McCauley (or his nominee) will receive in accordance with the resolution is highlighted in the following table:

Name of Director	No. of Options	Exercise Price	Expiry Date	Value per Option	Total Value
Robert John McCauley	250,000	\$0.25	5 years from the Listing Date	\$0.175	\$43,750
Robert John McCauley	250,000	\$0.30	5 years from the Listing Date	\$0.17	\$42,500

- (c) Mr McCauley was appointed as a director of the Company on 21 October 2004.
- (d) In addition to the incentive options proposed to be issued, Mr McCauley currently receives a salary of \$57,000 per annum (plus superannuation) from the Company.
- (e) The Company reimburses all expenses incurred by Mr McCauley in the performance of his duties.
- (f) The table appearing below shows the current interests of Mr McCauley and his associates in securities of the Company:

Director	No. of Shares
Robert John McCauley	4.15 million

- (g) The incentive options are to be granted for no consideration.
- (h) Each \$0.25 incentive option entitles Mr McCauley to subscribe for one Share in the Company at an exercise price of \$0.25 per Share exercisable on or before the expiry of the period of 5 years from the Listing Date. Each \$0.30 incentive option entitles Mr McCauley to subscribe for

one Share in the Company at an exercise price of \$0.30 per Share exercisable on or before the expiry of the period of 5 years from the Listing Date. The incentive options will not be quoted on ASX. Further terms and conditions of the incentive options are set out in the Schedule appearing at the end of this Annexure.

- (i) As Mr McCauley has an interest in the resolution under which incentive options will be issued, he does not want to make a recommendation.
- (j) A valuation of the incentive options has been conducted and these values are included in paragraph 2(b).
- (k) The valuation imputes a total value of the incentive options to be issued to Mr McCauley at \$86,250. The value may increase or decrease after the date of the valuation as it will depend upon the future price of shares in the Company. The valuation has applied the Black-Scholes valuation methodology together with the following assumptions:
 - (i) a volatility index of 106.57% based on the expected volatility of a newly listed company with little positive or negative past trading history;
 - (ii) a market value of \$0.21, being the closing price of Shares on the date of granting of the options (22 March 2007);
 - (iii) for the purposes of the valuation it is assumed that the incentive options will not be exercised any earlier than the expiration date; and
 - (iv) a risk free rate of 5.85% has been used.
- (l) The following table demonstrates the dilution of all other shareholdings in the Company, upon exercise of the incentive options issued to Mr McCauley assuming the Shareholders approve the proposed grant of the incentive options:

Approximate number of Shares on Issue at the date of the Notice	39,610,500
Shares issued assuming exercise of all the incentive options	500,000
Approximate number of shares on Issue at the date of the Notice assuming exercise of all the incentive options	40,110,500
Dilution effect	1.262%
- (m) The market price of shares in the Company would normally determine whether Mr McCauley will exercise the incentive options or not. If the incentive options are exercised at a price that is lower than the price at which shares are trading on ASX, there may be a perceived cost to the Company.
- (n) No funds will be raised by the issue of the incentive options as they are being issued for no consideration.
- (o) Other than the information set out in this Explanatory Memorandum the directors believe that there is no other information that could reasonably be required by shareholders to consider the resolution.

SCHEDULE

Terms and Conditions of Incentive Options

- The options held by the optionholder are exercisable in whole or in part at any time during the period of 5 years from the Listing Date ("**Exercise Period**"). Options not exercised before the expiry of the Exercise Period will lapse.
- The \$0.25 Options are exercisable by notice in writing to the Board delivered to the registered office of the Company and payment of the exercise price of \$0.25 per option in cleared funds.
- The \$0.30 Options are exercisable by notice in writing to the Board delivered to the registered office of the Company and payment of the exercise price of \$0.30 per option in cleared funds.
- The Company will not apply for official quotation on ASX of the options. The Company will make application for official quotation on ASX of new shares allotted on exercise of the options. Those Shares will participate equally in all respects with existing issued ordinary shares, and in particular new shares allotted on exercise of the options will qualify for dividends declared after the date of their allotment.
- Options can only be transferred with Board approval, except that if at any time before expiry of the Exercise Period the optionholder dies, the legal personal representative of the deceased optionholder may:
 - elect to be registered as the new holder of the options,
 - whether or not he becomes so registered, exercise those options in accordance with the terms and conditions on which they were granted, and
 - if the deceased has already exercised options, pay the exercise price in respect of those options.
- An optionholder may only participate in new issues of securities to holders of ordinary shares in the Company if the option has been exercised and shares allotted in respect of the option before the record date for determining entitlements to the issue. The Company must give prior notice to the optionholder of any new issue before the record date for determining entitlements to the issue in accordance with the ASX Listing Rules.
- If there is a bonus issue to the holders of ordinary shares in the capital of the Company, the number of ordinary shares over which the option is exercisable will be increased by the number of ordinary shares which the holder of the option would have received if the option had been exercised before the record date for the bonus issue.
- If the Company makes a rights issue (other than a bonus issue), the exercise price of options on issue will be reduced according to the following formula:

$$A = O - \frac{E [P - (S + D)]}{(N + 1)}$$

Where:

A = the new exercise price of the option;

O = the old exercise price of the option;

E = the number of underlying ordinary shares into which one option is exercisable;

P = the average closing sale price per ordinary share (weighted by reference to volume) recorded on the stockmarket of ASX during the five trading days immediately preceding the ex rights date or ex entitlements date (excluding special crossings and overnight sales and exchange traded option exercises);

S = the subscription price for a security under the pro rata issue;

D = the dividend due but not yet paid on existing underlying securities (except those to be issued under the pro rata issue); and

N = the number of securities with rights or entitlements that must be held to receive a right to one new security.

- If, during the currency of the options the issued capital of the Company is reorganised, those options will be reorganised to the extent necessary to comply with ASX Listing Rules.

Mark this box with an 'X' if you have made any changes to your address details (see reverse) reverse)

Appointment of Proxy

I/We (name of shareholder) _____
 Of (address) _____

Being a member/s of Capital Mining Limited and entitled to attend and vote hereby appoint

the Chairman of the Meeting (mark with an 'X') **OR** Write here the name of the person you are appointing if this person **is someone other than** the Chairman of the Meeting.

or failing the person named, or if no person is named, the Chairman of the Meeting as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Extraordinary General Meeting of Capital Mining Limited to be held at the Hellenic Club of Canberra, Matilda Street, Phillip, Australian Capital Territory at 11.00 am (EST) on 1 June 2007 and at any adjournment of that meeting.

Important: If the Chairman of the meeting is your nominated proxy, or may be appointed by default, and you have not directed your proxy how to vote, please place a mark in this box. By marking this box, you acknowledge that the Chairman of the Meeting may exercise your proxy unless he has an interest in the outcome of that item. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the meeting will not cast your vote and your vote will not be counted in computing the required majority if a poll is called on that item. The Chairman intends to vote undirected proxies in favour of the item unless he has an interest in the outcome of that item.

Voting Directions to your proxy – please mark to indicate your direction

	For	Against	Abstain*
Resolution Approval for the grant, allotment and issue by the Company of 250,000 options at an exercise price of \$0.25 each and 250,000 options at an exercise price of \$0.30 each to Mr Robert John McCauley (or his nominee)			

In addition to the intention advised above, the Chairman of the Meeting intends to vote undirected proxies in favour of each of the items of business unless he has an interest in the outcome of that item. *If you mark the Abstain box for the item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in computing the required majority on a poll.

Appointing a second proxy

We wish to appoint a second proxy

Mark with an 'X' if you wish to appoint a second proxy **AND** % **OR** State the percentage of your voting rights or the number of securities for this Proxy Form

PLEASE SIGN HERE This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Securityholder1	Securityholder2	Securityholder3
Individual/Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name _____ Contact Daytime Telephone _____ Date ____/____/____

HOW TO COMPLETE THE PROXY FORM

1 Your Address

This form has been sent to your address as it appears on the company's share register. If this address is incorrect, please mark the box and write the correct address on the form. **Please note, you cannot change ownership of your securities using this form.**

2 Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a securityholder of the company.

3 Votes on Items of Business

You may direct your proxy how to vote by placing a mark in one of the boxes opposite the item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on an item by inserting the percentage or number of securities you wish to vote in the appropriate box. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

4 Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the company's registered office or you may copy this form.

To appoint a second proxy you must:

- a) indicate that you wish to appoint a second proxy by marking the box;
- b) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded;
- c) return both forms together in the same envelope.

5 Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: to sign under Power of Attorney, you must have already lodged this document with the company. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at the address given below no later than 48 hours before the commencement of the meeting at 11.00 am (EST) on 1 June 2007. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Documents may be lodged:

by posting, delivery or facsimile to the Registered
Office of Capital Mining Limited being
72 Dundas Court
Phillip ACT 2606
Telephone: 0432 327 015
Fax: (02) 6296 6631