



15 May 2007

Company Announcements  
ASX Limited

Dear Shareholders

### **Notice of Extraordinary General Meeting – Corrections and Clarifications**

#### **1. Background**

Section 9.4(a) of Capital Mining Limited's ("**Company**") Prospectus dated 8 November 2006 contains a summary of Mr Robert McCauley's Service Agreement dated 15 August 2006 with the Company. As stated in the Prospectus, it is a term of the Agreement that as soon as possible after the Company is admitted to ASX, 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. Capital Mining was admitted to ASX on 20 March 2007.

The Company recently sent shareholders a Notice of an Extraordinary General Meeting ("**Notice**") to 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 a resolution for 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 McCauley (or his nominee) ("**Options**").

The purpose of this Announcement is to:

- 1.1 correct certain errors in the Notice; and
- 1.2 clarify certain matters in the Notice.

#### **2. Corrections and Clarifications**

- 2.1 Paragraph 2(k)(ii) of the annexure to the Notice infers that the Options have been granted to Mr McCauley. This is an error. The Options will only be granted to Mr McCauley if the resolution to which the Notice relates is passed.
- 2.2 If the resolution to which the Notice relates is passed, the Options will be granted and issued to Mr McCauley by 1 July 2007 in accordance with ASX Listing Rule 10.13.3.

- 2.3 If the resolution to which the Notice relates is passed, 250,000 options granted to Mr McCauley will be exercisable at \$0.25 each and 250,000 options granted to Mr McCauley will be exercisable at \$0.30 each. The Company's shares closed at \$0.41 on 14 May 2007, being the day immediately before this Announcement.
- 2.4 The terms and conditions of the Options are attached to this Announcement. Please note that there is no performance criteria on the exercise of the Options.

Yours sincerely

**Richard Hine**

Chairman

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### 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.