

12 October 2007

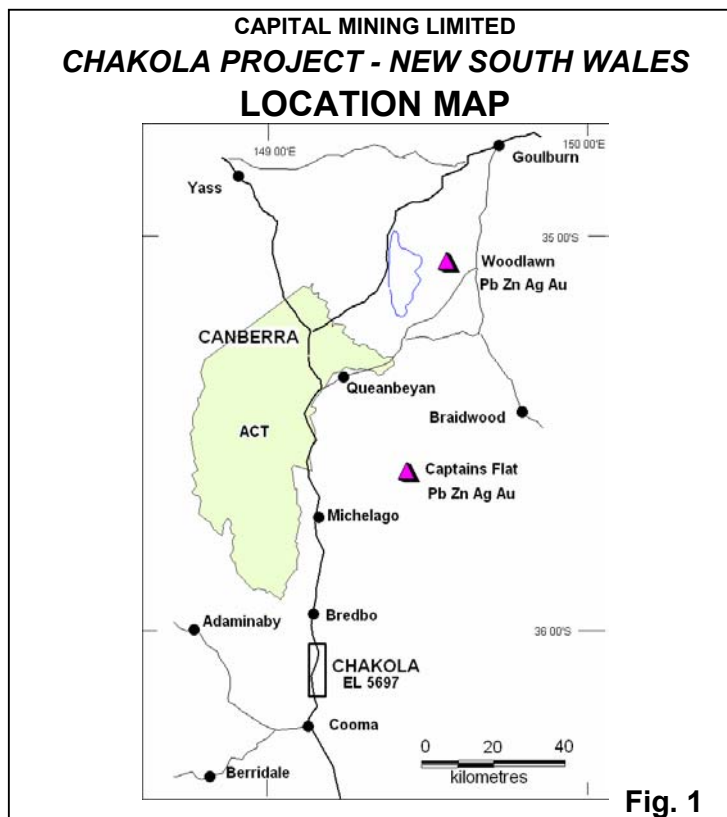
Company Announcements Office
ASX Limited

Commencement of Drilling Programme Chakola EL 5697, NSW

The directors of Capital Mining are pleased to announce that drilling has commenced within the company's Chakola project area (Exploration Licence 5697) near Cooma in southeast New South Wales Fig. 1).

Initially, a six hole programme of reverse circulation percussion drilling on three lines will be undertaken at the *Stonehenge North prospect* where very encouraging results were recently obtained from a rock chip sampling programme (see announcement of results 25 September 2007).

The drilling is designed to test an 8-10m wide gossanous zone that lies within an envelope of hydrothermal alteration up to 70m wide. Rock chip samples with gold values of up to 18 g/t have been collected from the target zone, which is in excess of 300m in length. The immediate aim is to drill an ore grade intercept beneath the geochemically anomalous target zone and in so doing confirm the perceived high potential to locate additional gold and base metal resources along this segment of the main mineralised horizon (Fig. 2).



CAPITAL MINING LIMITED

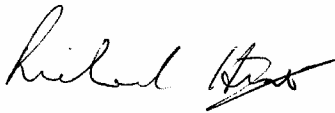
ABN 69 104 551 171



On completion of the drilling at Stonehenge North, the focus will shift back to the Harnett South and Harnett prospects where an extensive programme of exploration, geotechnical and resource outline drilling will be commenced. This work, which has been designed primarily to test predictions made from historic drilling results and to drill out down dip extensions of the currently defined gold-base metals resource, is expected to take several months to complete.

The directors look forward to reporting results as they come in.

Yours faithfully



Richard Hine
Chairman

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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.

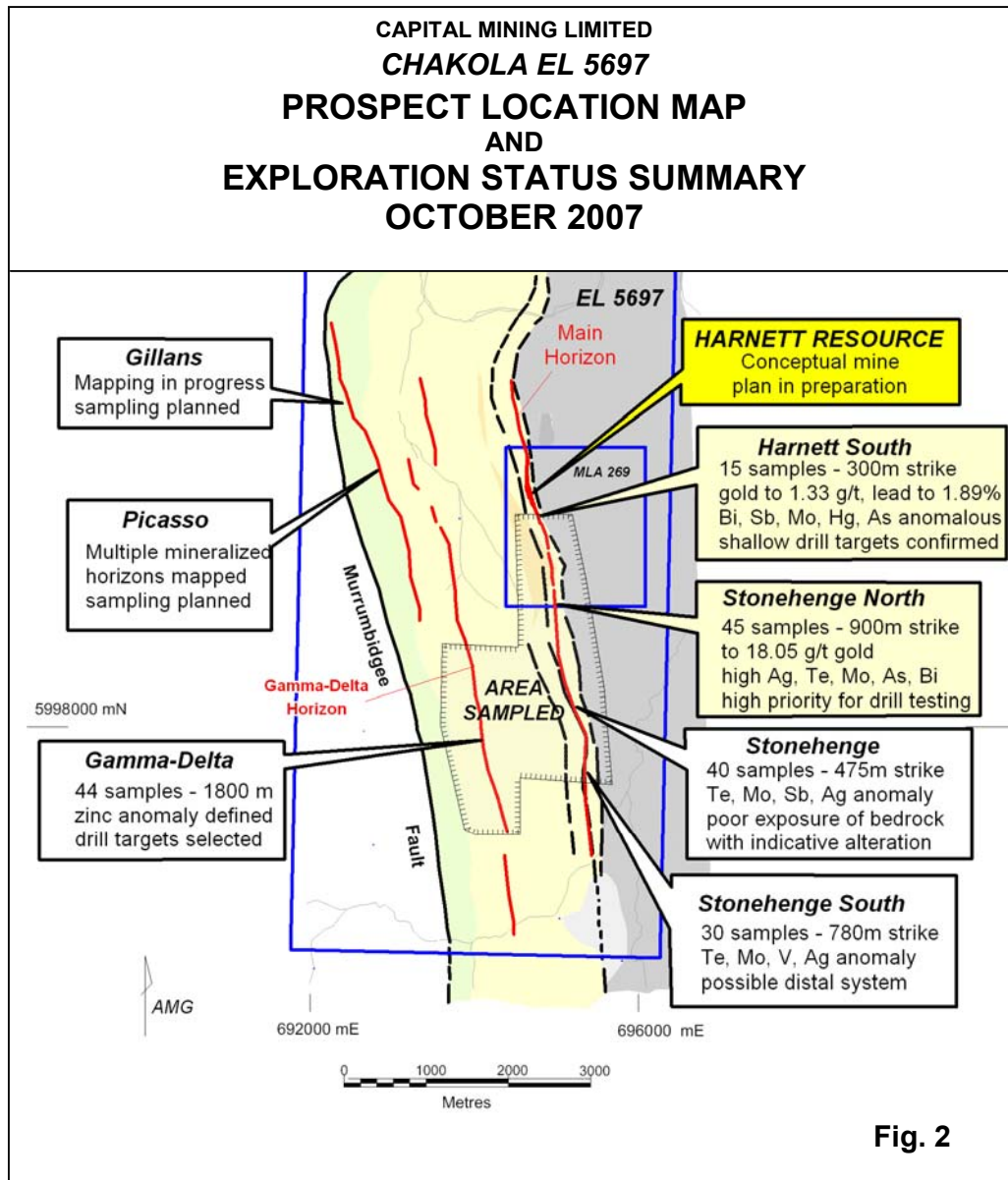


Fig. 2