

03 January 2008

Company Announcements Office  
ASX Limited

## **Drilling Results Point to Gold-Tellurium Potential**

Encouraging results have been obtained from six holes drilled at Capital Mining Limited's (ASX:CMY) *Stonehenge North gold prospect* within Exploration Licence 5697 at Chakola, near Cooma in southeast New South Wales.

Anomalous gold, silver, tellurium, copper, lead and zinc values were recorded in strongly altered, pyritic volcanics in all holes.

*Gold values were found to increase with depth on two of the three lines drilled and best results were obtained on the northernmost line leaving the prospect open at depth and to the north.*

High values for *tellurium*, a common gold pathfinder and an exceedingly rare precious metal with increasing use as a component of solar cells, were also recorded in two holes.

Highlights of the results were:

- **53 g/t tellurium over 1m within 9m @ 7.2 g/t tellurium from 40m in STN 006**
- **17m @ 4.3 g/t tellurium from surface in STN 005 inc. 1m @ 14.1 g/t tellurium from 10m**
- **15m @ 3.8 g/t tellurium from 22m in STN 005 including 1m @ 15.6 g/t tellurium from 23m**
- **4m @ 0.8 g/t gold from 29m in STN 005 (using 0.5 g/t cut off)**
- **4m @ 0.6 g/t gold from 72m in STN 001 (using 0.5 g/t cut off)**

The drilling was designed to test the near surface potential of a 250m long by 30-45m wide segment of the main mineralised horizon at the Stonehenge North prospect where outstandingly anomalous gold values up to 18g/t had previously been recorded in rock chip samples (see CMY ASX announcement of 25 September 2007).

Six angled reverse circulation (RC) percussion holes for a total of 402m were drilled on three lines at 50-100m spacing to a vertical depth of up to 65m as a preliminary test of the target (see Figures 3 and 4 and Table 2 for details). High water flows were encountered at shallow depth and sampling was mostly carried out under wet and therefore not ideal conditions.

Best gold, silver and tellurium results were obtained from holes STN005 and STN006 on the northernmost of the three drill lines where a substantial thickness (greater than 45m true width) of strongly silicified, sericite and pyrite-bearing altered bedrock with quartz sulphide veins was intersected.

Values of up to 1m at 1.29 g/t gold (STN 005), 6.7 g/t silver (STN 006) and 53.2 g/t tellurium (STN 006) were recorded from a 20m wide zone of mineralization within the wider envelope. Assay results are summarised in Table 1 and illustrated in Figure 4.

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Gold-bearing veins or lenses of mineralization with grades comparable to the highest gold values recorded in rock chips were not intersected during the drilling. In this instance the relatively high gold values in surface samples are interpreted to be due to localised gold enrichment in the oxide zone which has produced a nugget effect. However, no general enrichment of gold was found in the oxide zone, which was relatively thin at between 5-7m thick in a topographic depression encompassing Lines 1 and 2 and 15-17m thick on the adjacent hillside at Line 3.

Anomalous lead and zinc and to a lesser extent copper values were recorded in all holes. Intercepts were patchy and generally sub-grade. Lead and zinc were generally found to be in excess of copper and to be distributed peripherally to the higher grade gold-bearing zones.

Significant intercepts with base metals were:

- **1m @ 0.8% copper, 0.2% lead, 0.1% zinc with 0.7 g/t gold and 8.9 g/t silver from 7m in STN 003**
- **1m @ 0.1% copper, 0.2% lead, 0.4% zinc with 0.2 g/t gold and 4.3 g/t silver from 51m in STN 004**
- **1m @ 0.3% copper with 0.2 g/t gold and 3.5 g/t silver from 22m in STN 005**
- **1m @ 0.9% zinc, 0.4% lead with 2.1 g/t silver from 30m in STN 006**
- **1m @ 0.4% copper, 0.16% zinc with 0.55 g/t gold and 3.5 g/t silver from 65m in STN 006**

An intercept of semi-massive sulphide in a band with 40-65% pyrite and minor chalcopyrite was made at 58-60m in STN 001. Assays from the zone were sub-grade at 0.2 g/t gold, 4.6 g/t silver and 0.14% copper, although a coherent intercept of 4m @ 0.61 g/t gold from 72m was made at the base of the hole. The latter was associated with disseminated mineralization in silica-sericite altered metavolcanic schist with 2-5% pyrite.

## ***Summary***

The results of the initial shallow exploratory drilling at Stonehenge North are viewed as being very positive in terms of the exploration model being pursued. Trends in the data are interpreted as pointing to the potential to locate more extensive ore-grade gold-copper mineralization at greater depth, to the west and to the north of the area that has so far been tested. The possibility that a standalone tellurium resource may be present is also to be investigated and further analysis of the current discovery is in progress. Exploration is continuing and the preliminary drilling at Stonehenge North will be followed up by more drilling as soon as practicable.

For further information please contact the author.

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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.*

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Table 1 Chakola Project - Stonehenge North Prospect - Results of Stage 1 Exploration Drilling

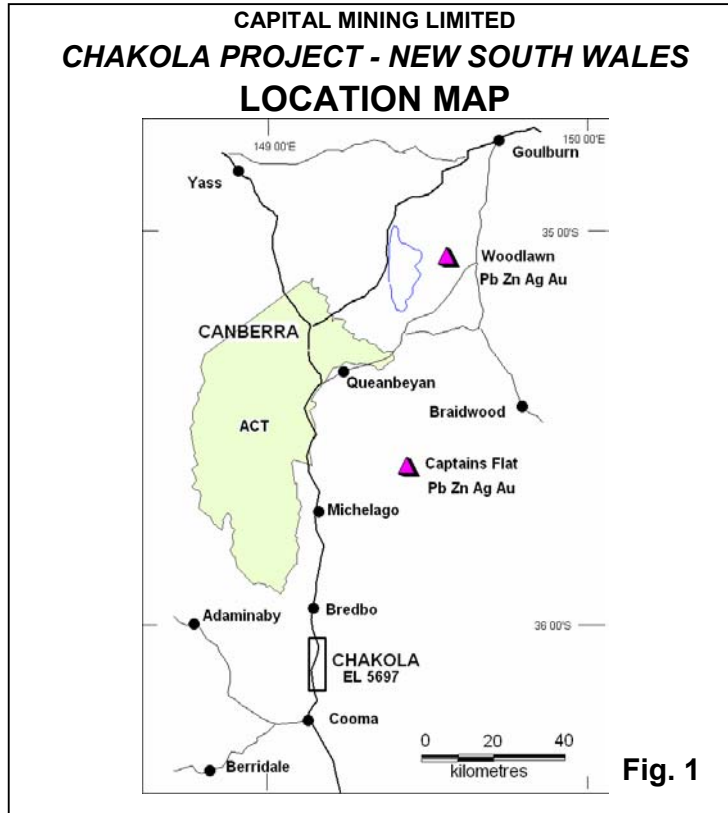
Hole #	From (m)	To (m)	Intercept (m)	Gold (g/t)	Silver (g/t)	Copper (%)	Lead (%)	Zinc (%)
STN001	65	66	1	0.73	1.7	-	-	-
STN001	72	76	4	0.61	0.4	-	-	-
<i>including</i>	72	73	1	1.24	0.6	-	-	-
<i>including</i>	75	76	1	0.71	0.6	-	-	-
STN002	55	58	3	0.17	0.9	-	-	-
<i>including</i>	56	57	1	0.23	0.8	-	-	-
STN003	12	13	1	0.65	8.9	0.76	0.22	0.13
STN004	51	52	1	0.21	4.3	0.13	0.25	0.41
STN005	13	46	33	0.26	1.0	-	-	-
<i>including</i>	29	33	4	0.81	0.9	-	-	-
<i>including</i>	29	30	1	1.29	0.7	-	-	-
STN006	58	67	9	0.30	2.6	-	-	-
<i>including</i>	59	60	1	0.53	6.7	-	-	-
<i>including</i>	65	66	1	0.55	3.5	0.37	-	-

Gold intercepts calculated at 0.10 g/t cut off; dash indicates no significant result for element over interval listed

RC drill chip samples assayed at 1m intervals by ALS Chemex; gold by 50g fire assay with AA finish, other elements by ICP MS/AES

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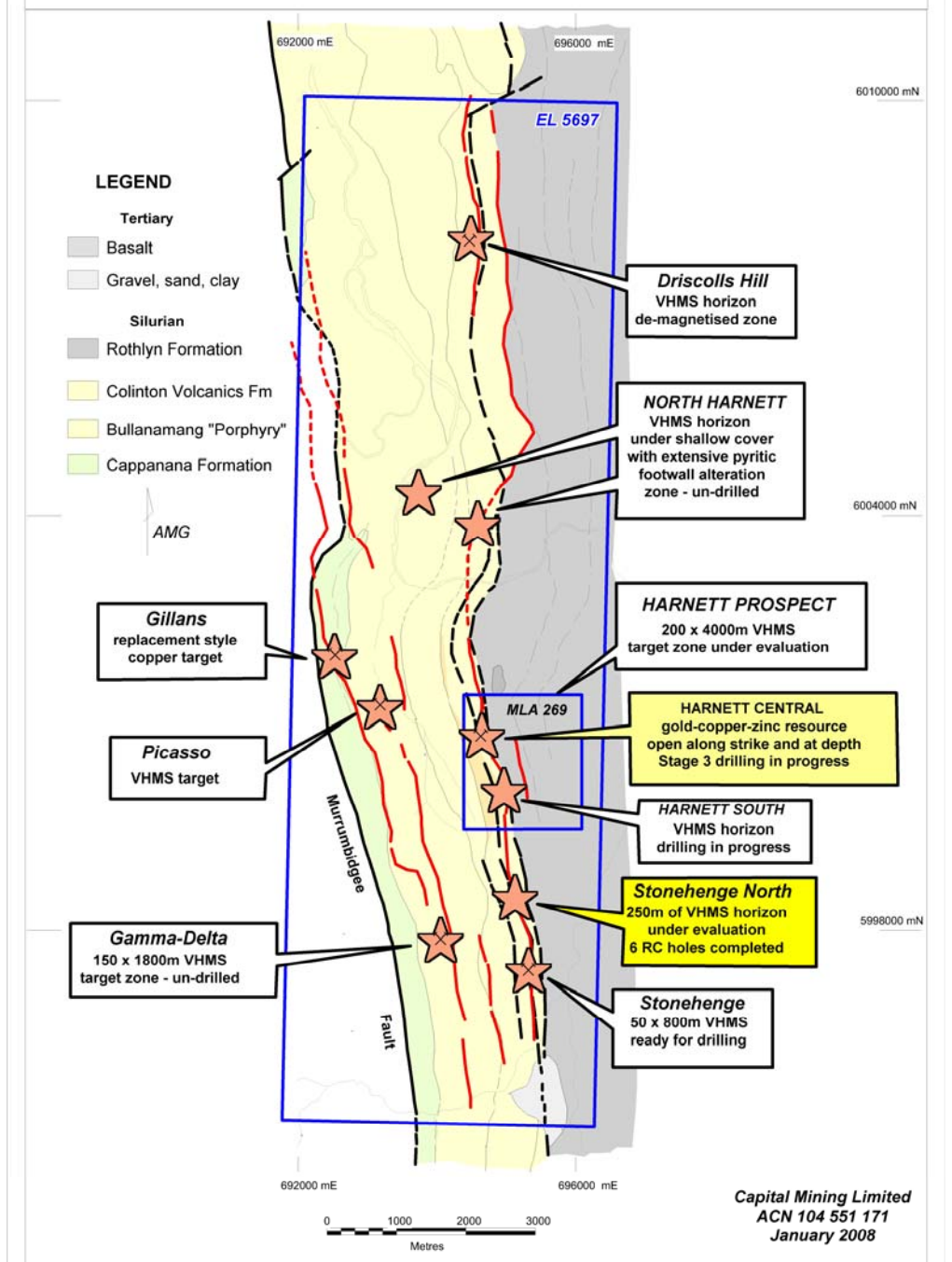


**Table 2 Chakola Project - Stonehenge North Prospect - RC Drill Hole Location Details**

Hole #	Prospect	Easting (AMG)	Northing (AMG)	RL (m)	Dip (degrees)	Direction (AMG) (degrees)	Depth (m)
STN001	Stonehenge North	694,987.69	5,999,347.86	771.67	-60	260	76
STN002	Stonehenge North	695,005.80	5,999,351.19	769.79	-60	260	67
STN003	Stonehenge North	694,977.45	5,999,408.09	769.69	-60	260	67
STN004	Stonehenge North	695,005.02	5,999,399.86	767.48	-60	260	67
STN005	Stonehenge North	694,985.84	5,999,520.67	785.24	-60	260	58
STN006	Stonehenge North	695,003.30	5,999,524.19	783.86	-60	260	67
						<b>Total metres</b>	<b>402</b>

## CAPITAL MINING LIMITED CHAKOLA EL 5697 PROSPECT LOCATION

**FIGURE 2** CHAKOLA EL 5697, NSW PROSPECT LOCATION



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**Fig. 2**

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CHAKOLA EL 5697 NSW

# STONEHENGE NORTH PROSPECT Drill Hole Location Plan

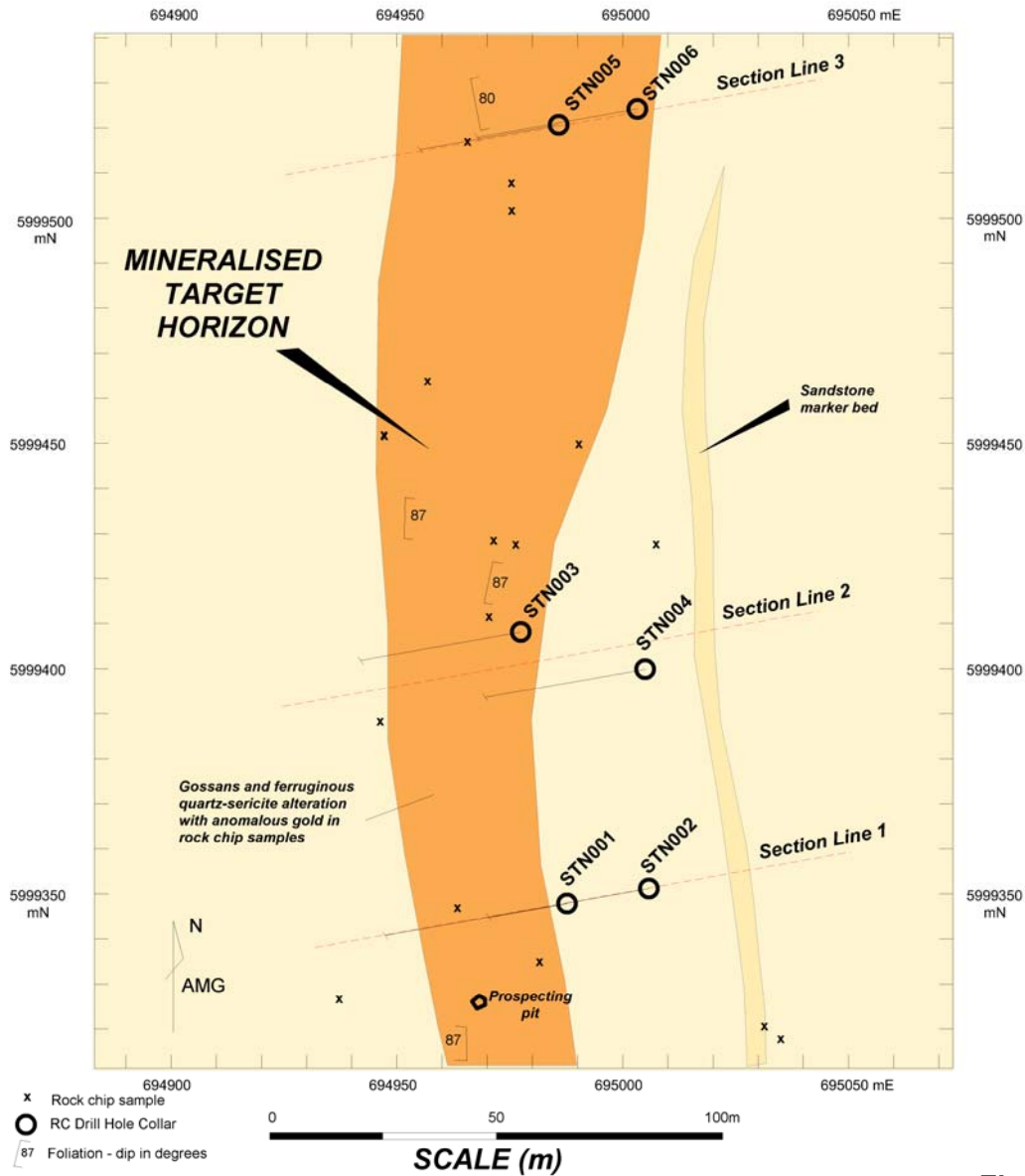


Fig. 3

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## STONEHENGE NORTH PROSPECT CROSS SECTION LINE 3

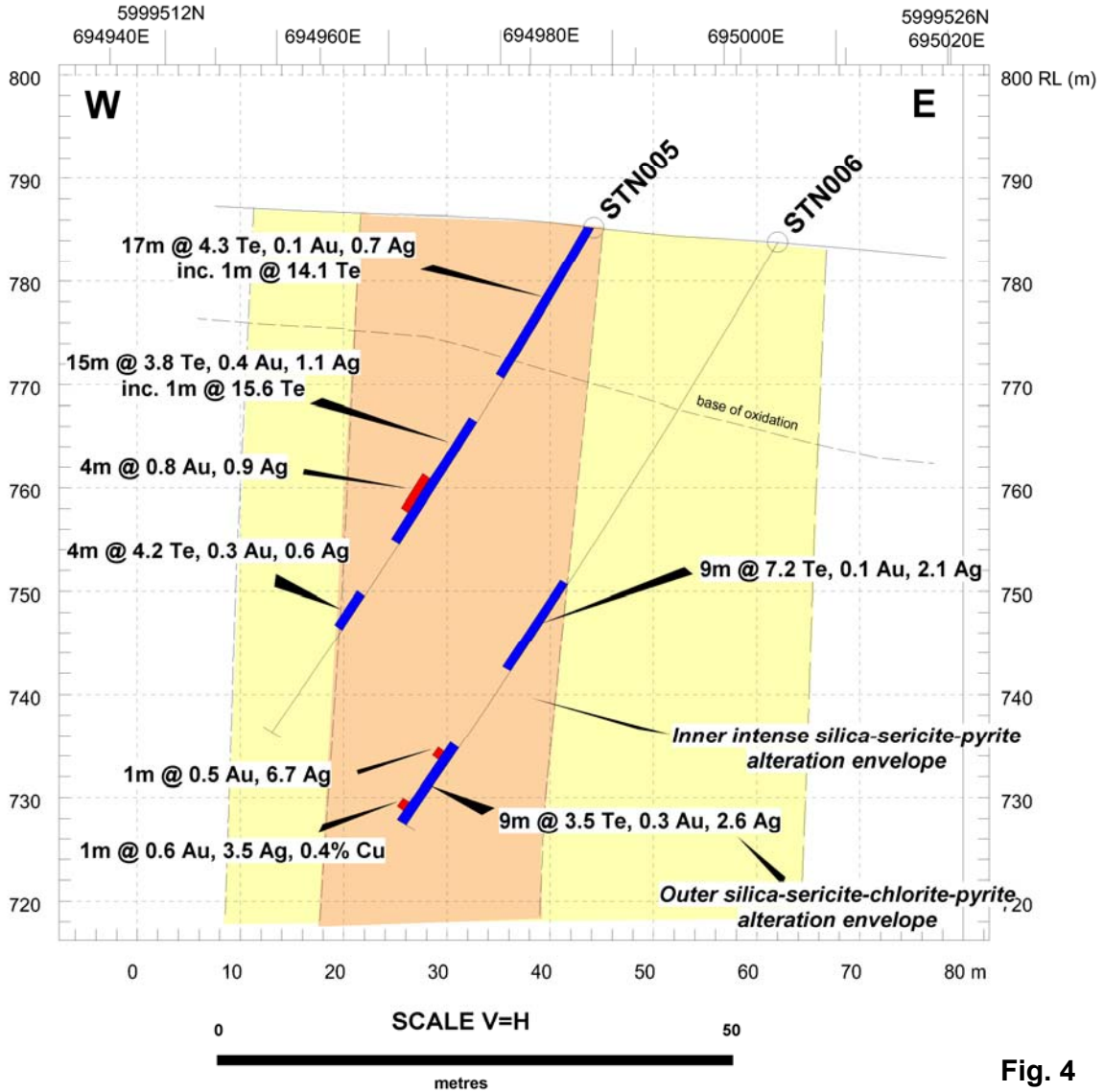


Fig. 4