CAPITAL MINING LIMITED

ABN 69 104 551 171

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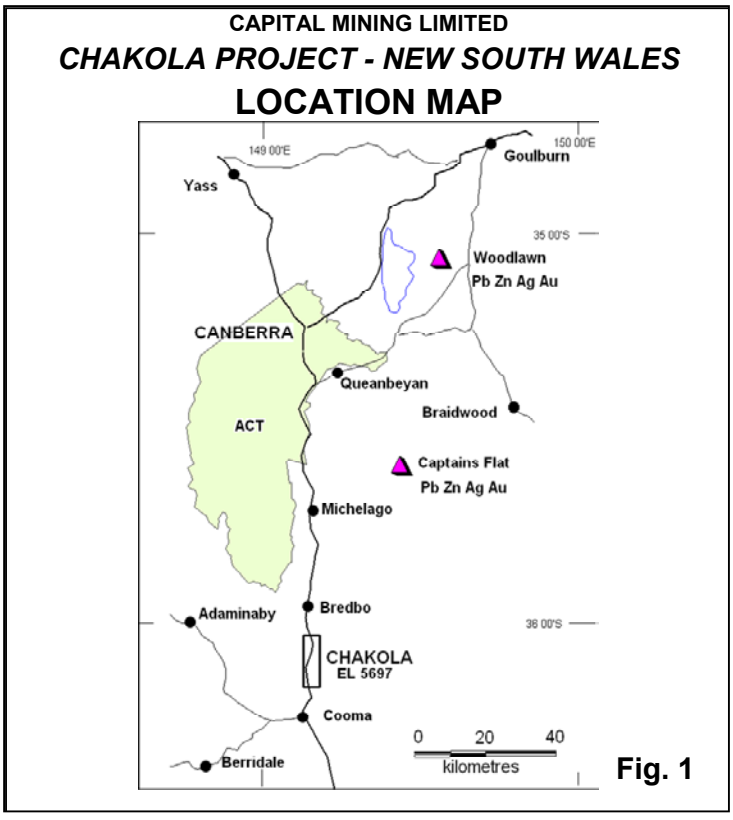
Company Announcements Office
ASX Limited

Metallurgical Test Results Point Way to Final Flotation Conditions - Chakola , NSW

Results of metallurgical tests carried out on drill core samples from the Harnett prospect in Capital Mining Limited's (**ASX:CMY**) Exploration Licence 5697 at Chakola, near Cooma in southeast New South Wales (Fig. 1) have been received along with a review report by the Company's Consultant Metallurgist.

The tests were carried out by a leading Sydney laboratory and were designed to determine the conditions under which copper-gold, lead and zinc sulphide flotation concentrates could be made from mineralisation at the Harnett gold-base metals prospect. A resource has been established at Harnett where a volcanogenic massive sulphide gold-copper-lead-zinc deposit (VMS) similar to those mined at the former world-class Woodlawn and Captains Flat mines is being targeted.



Positive results were obtained from the metallurgical test programme which consisted of 54 separate test procedures. The work completed included a round of cleaning tests on rougher flotation concentrates, quantitative mineralogical analysis, an independent international consultant's review and surface analysis of flotation products by ToF-SIMS (Time of Flight Secondary Ion Mass Spectrometry) and Energy Dispersive X-ray Spectrometry.

The test samples were made up from diamond drill cores from holes HDD001 and -002, which were drilled near the centre of the deposit in 2005. Sulphide minerals recorded in a typical rougher flotation concentrate sample included pyrite (43 vol.%), chalcocite/covellite (3.0 vol.%), sphalerite (2.9 vol.%), galena (3.4 vol.%), chalcopyrite (9.6 vol.%) and tennantite (3.4 vol.%). Head grades of the test samples are shown in Table 1 in comparison with the grade of the resource in the JORC "Measured" category (see Company announcement of 16 April 2007).

Table 1 Grade of Composite Drill Core Metallurgical Test Samples

	Gold g/t	Copper %	Silver g/t	Lead %	Zinc %	Iron %	Sulphur %
Sample 1	1.26	0.53	6	0.23	0.50	8.12	9.67
Sample 2	0.50	0.59	5	0.22	0.48	7.78	10.0
Deposit - Measured Resource	0.60	0.41	6.8	0.33	0.57	-	-

Key Elements of the Test Programme

The programme was staged so that test results were assessed on an ongoing basis and used to set conditions for subsequent tests. A benchmark flotation test was used to assess improvements in the later stages and different dosages and addition points of additives were tested to improve flotation selectivity. Alternative flotation conditions (e.g. pH control), dispersants, collectors and dosages were tested and finer primary flotation grind sizes were also tested in the later stages. Extended float time tests were conducted and cleaner tests including regrind of rougher concentrates were carried out. The potential for recovery of gold by gravity methods was also assessed and diagnostic mineralogical analysis was used throughout to assess mineral liberation.

Key Findings of the Test Programme

Early tests showed that the major sulphide components were readily liberated by milling. At a typical industry grind size of about 80% passing minus 75 microns, 80% of the pyrite, 60% of the chalcopyrite, 55% of the sphalerite and 80% of the galena was free. At this grind size about 90% of the copper can be readily recovered into a rougher concentrate weight of 8-10% while rejecting about 80% of the iron.

The gold is available for recovery as a credit in copper concentrate and the major portion was found to be free (i.e. not locked away in pyrite) and around 80% followed the copper into the rougher concentrate. Most of the lead (galena) and zinc (sphalerite) were also found to report to the rougher concentrate. Since zinc attracts a penalty above a threshold of around 2 wt% in copper-gold concentrates, attempts were made to suppress zinc in the bulk flotation procedures. Typical recoveries recorded in bulk float concentrates made under what were considered to be approaching optimum conditions are summarized in Table 2.

Analysis of the size and numbers of composite sulphide grains in the flotation products, which was carried out regularly throughout the testing programme, showed that finer grinding to minus 30 microns should very likely result in greater liberation of copper minerals, sphalerite and galena and lead to higher recoveries. This was borne out by a series of later tests that involved regrinding and cleaning of rougher concentrates which resulted in significantly improved selectivity.

Table 2 Best Recorded Selective Bulk Float Test Result (C38/C49)						
% RECOVERIES						
Gold	Copper	Lead	Zinc	Iron	Sulphur	wt%
76.7	88.0	80.5	43.1	20.3	26.1	10.9

Results of final cleaner tests carried out towards the end of the program are summarized in Table 3. The best copper content achieved of up to 14.3% in the 3rd cleaner float is below the 20% plus grade typical for copper concentrates although further improvement can be expected with optimization. The zinc content of 3.1% is only marginally higher than the 2% typical penalty threshold and again better selectivity can be expected with optimization. The lead content is also above a 2% penalty threshold. However, lead suppression from the concentrate has not yet been tested.

Table 3 Recoveries & Concentrate Grade For Best Cleaner Test Result (C54)							
% RECOVERIES							
	Gold	**Copper**	**Lead**	**Zinc**	**Iron**	**Sulphur**	**wt%**
Rougher	74.1	85.2	79.8	38.3	21.9	25.6	10.5
1st cleaner	70.1	80.6	75.6	22.7	28.3	28.6	4.1
2nd cleaner	70.1	78.8	74.2	18.9	15.7	16.5	3.4
3rd cleaner	67.1	70.7	68.3	14.2	10.6	11.3	2.7
GRADES							
	g/t Gold	**% Copper**	**% Lead**	**% Zinc**	**% Iron**	**% Sulphur**	
Rougher	6.1	4.4	1.7	2.1	21.9	26.6	
1st cleaner	14.9	10.8	4.2	3.3	31.4	39.7	
2nd cleaner	17.6	12.4	4.8	3.2	32.0	41.0	
3rd cleaner	21.6	14.3	5.7	3.1	31.9	41.2	

Results of a gravity separation test using a Knelson concentrator indicate that at least 22% of the gold is free and that there is potential for a significant proportion of the gold to be recovered by this method. The test was performed on a sample that was ground to minus 75 microns and which had a head grade of 1.02 g/t gold. Better results were obtained previously in September 2004 from an RC drill chip sample that had a head grade of 8.10 g/t gold and from which a gravity gold recovery figure of 39% was reported.

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Further Testing Recommended

Results to date have been most encouraging and show that there is scope for a more concentrated series of tests to be carried out. Further testing aimed at achieving the final float conditions has been recommended.

This will involve: 1) additional optimization tests for copper-gold flotation aimed at improving recovery and grade; 2) more test work to produce a saleable zinc concentrate since minimal work has been done on this so far; and 3) additional float tests for both copper/gold and zinc flotation to generate performance data under simulated plant operating conditions.

In future tests, finer grinding of feed material and regrinding of rougher concentrates ahead of cleaning will be employed throughout. Results indicate that this will produce better separation of copper minerals from sphalerite and galena and lead to a higher copper concentrate grade.

Since existing stocks of samples have been exhausted, new material for the follow up work will be needed. This is to be obtained from a series of diamond core holes that will be drilled across the deposit at strategic intervals. A suitable rig is being sourced to carry out the required work as soon as is practicable.

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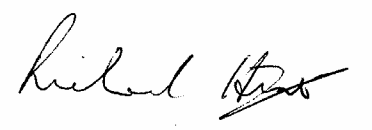
Yours faithfully



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.