

ASX ANNOUNCEMENT (ASX code: CMY)

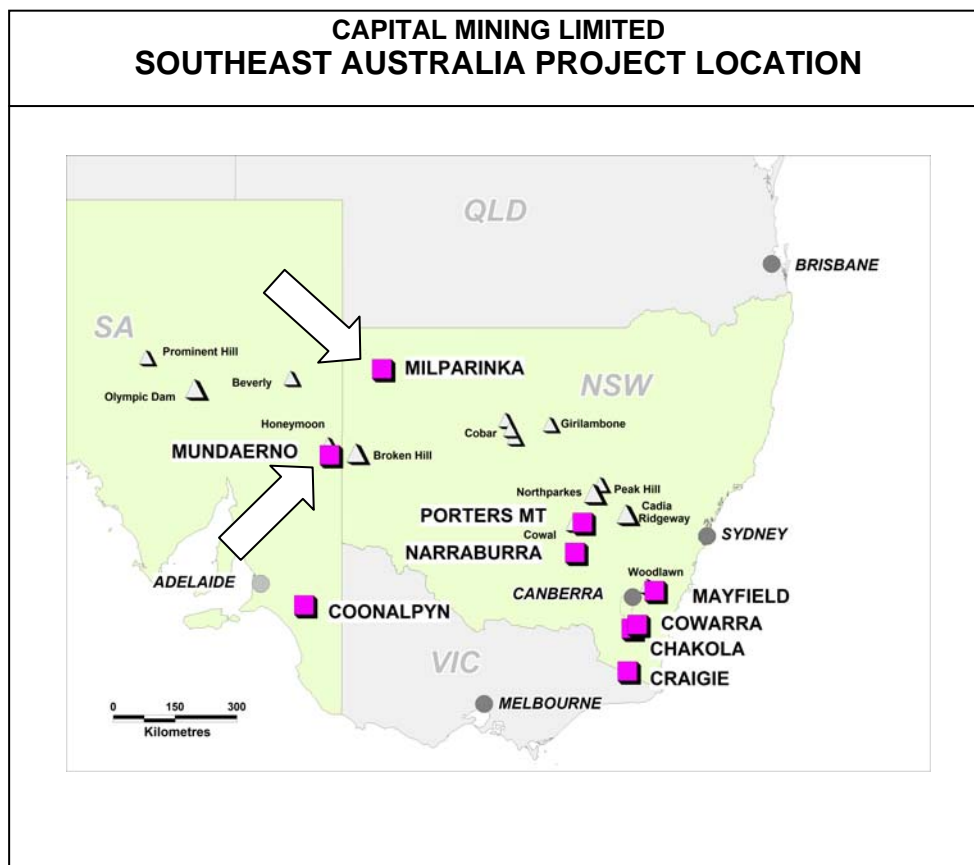
05 August 2010

AGREEMENT SECURES FUNDING FOR FRONTIER TERRAIN EXPLORATION DRILLING

Capital Mining's directors are pleased to announce that a Heads of Agreement has been put in place between Capital Mining and Australian Mineral and Waterwell Drilling Pty Ltd of Epsom, Victoria ("AMWD" ACN 127 948 850) that will enable first pass exploration drilling programmes to be completed at Capital's Milparinka and Mundaerno South project areas in Far Northwest NSW and SA respectively.

Under the terms of the agreement, AMWD can earn a 49% equity interest in each of **Exploration Licences 6832 (Milparinka)** and **3853 (Mundaerno South)** by completing and sole funding an agreed drilling programme.

Capital will provide overall management of the two drill programmes and will fund geological supervision, sample processing, results assessment, report preparation and tenement administration. AMWD will sole fund the drilling of up to 2,000 metres of diamond core drilling within Milparinka EL 6832 and 2,300 metres of aircore drilling within Mundaerno South EL 3853.



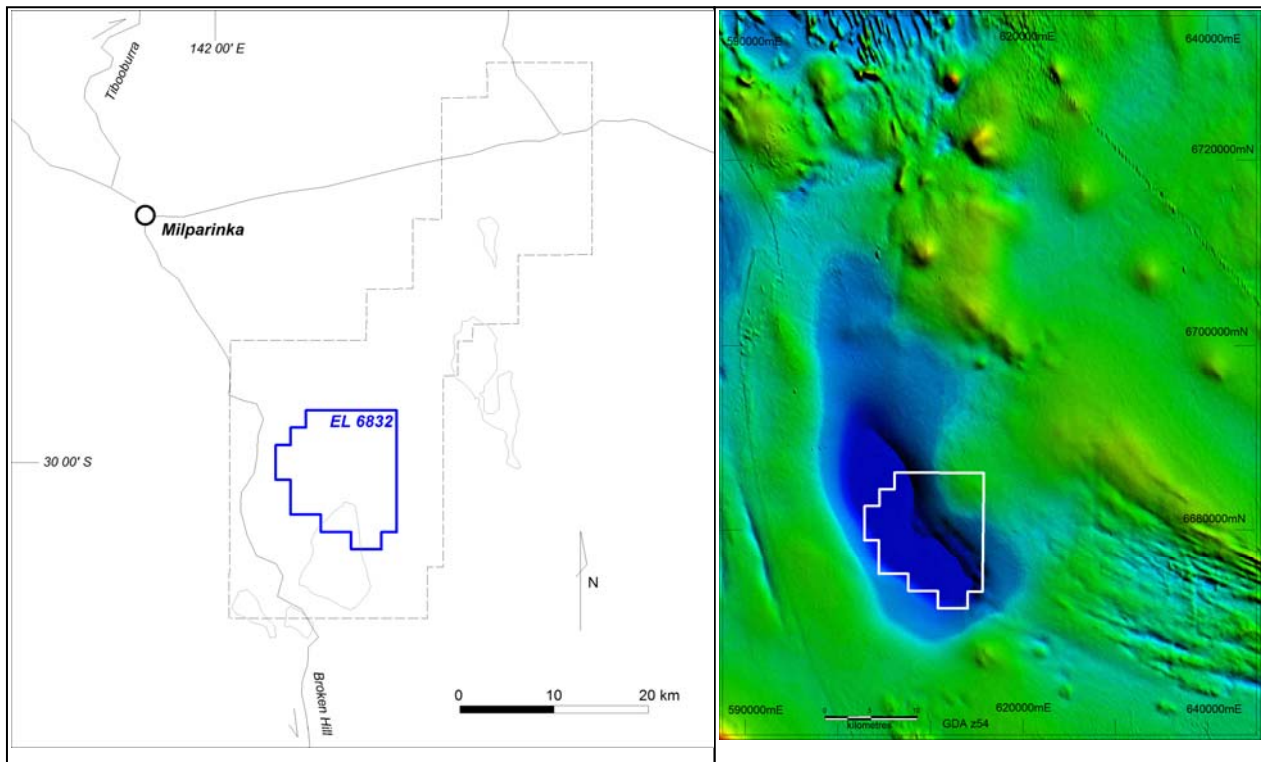
AMWD is a company that is well set up to carry out the planned drilling in these remote locations in terms of personnel and equipment and Capital welcomes AMWD's participation in the search for mineral resources in these difficult green fields terrains at high risk.

MILPARINKA – GOLD-PLATINUM-NICKEL PROJECT

The proposed drill testing of the deep-seated conceptual exploration targets at Milparinka will be the first to be attempted in the area and will yield completely new information about the geology of what is considered to be a highly prospective target zone¹.

The main target is a world-class platinum-nickel deposit associated with a magnetic anomaly of crustal scale that is interpreted to coincide with a deeply buried mafic to ultramafic intrusive complex of mantle derivation. The intrusive complex has been a thermal hotspot in the crust and the magnetic signature of the surrounding strata has been largely obliterated, making the site a potential locus for mineralisation.

The first pass diamond drilling programme has been designed to search for any signs of intrusion related gold-copper mineralisation and hydrothermal alteration in the column of basement rocks that overly the inferred intrusive mass. **Positive results will validate the conceptual model and provide the stimulus for accelerated exploration of the system.**



¹ The company's attention was first drawn to the area by comments made by geophysicist Peter Gunn in a report commissioned by the New South Wales Geological Survey in initial moves to stimulate exploration in the Thomson Orogen Frontier Terrain. Further research by independent geological consultant Barry Fordham and modeling by NSW Geol Survey geophysicists confirmed the potential in the company's view.

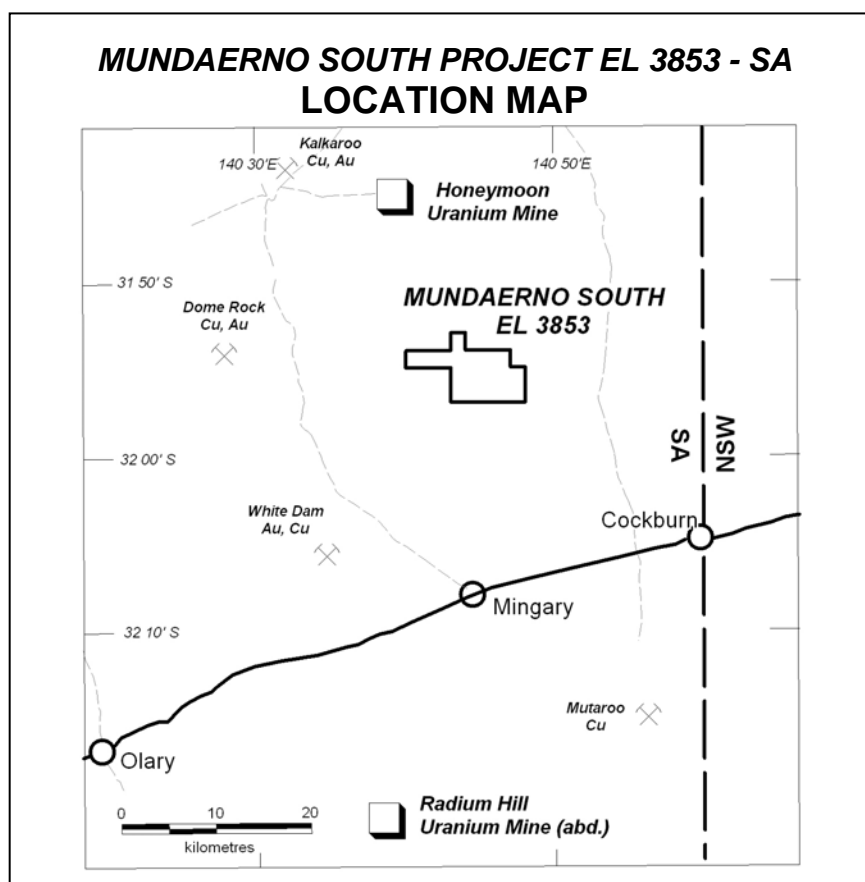
MUNDAERNO SOUTH - *SEDIMENTARY URANIUM PROJECT*

The planned drilling at Mundaerno South will be of an entirely different nature to that at Milparinka and will involve the testing of numerous shallow targets across the project area for calcrete and sandstone hosted uranium deposits, as well as iron oxide bearing copper-gold-uranium-REE deposits (IOCGU) in older basement rocks.

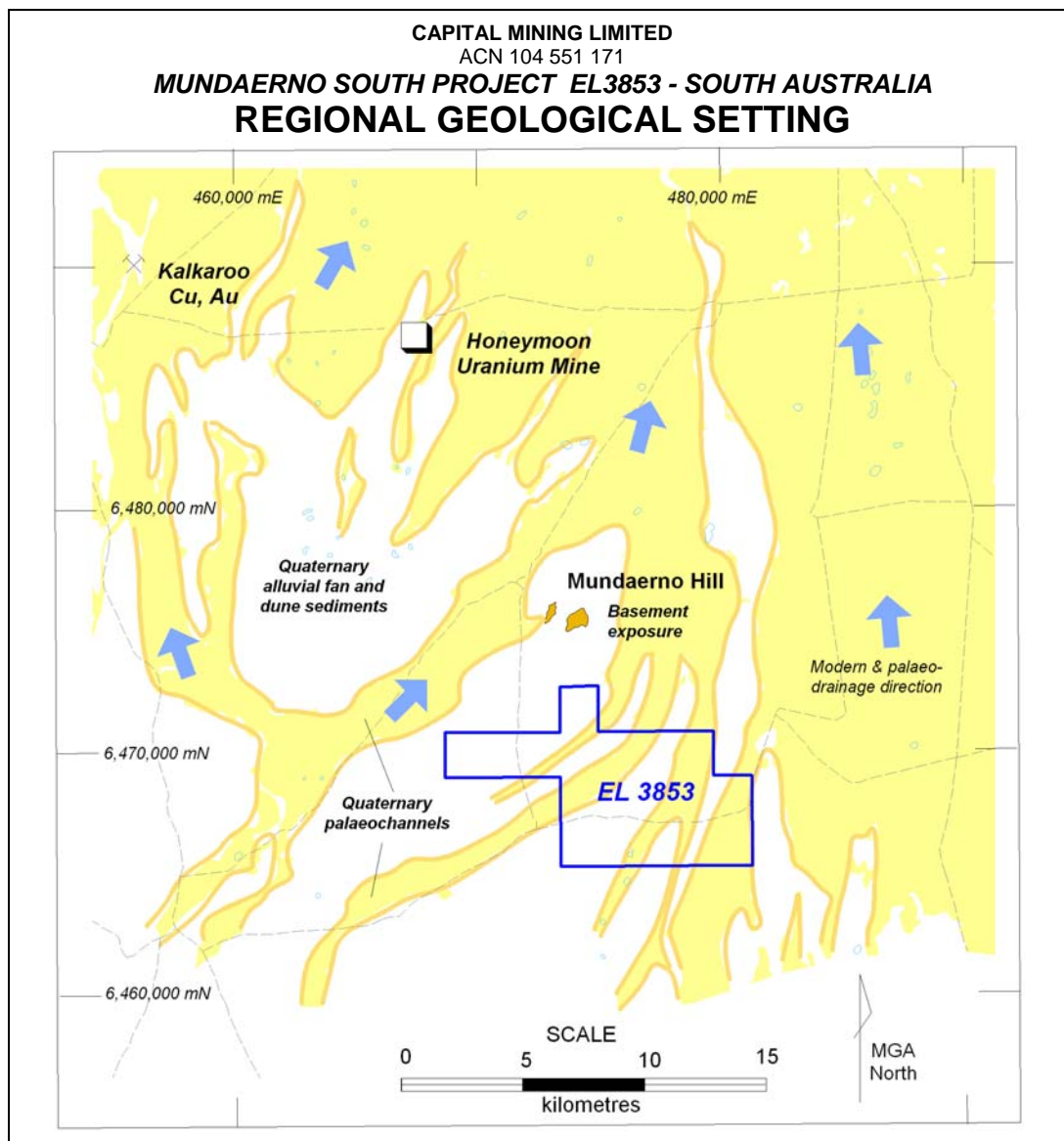
The Mundaerno South project area is located in a uranium rich province in South Australia's northeast and is 20km SSE of the Honeymoon uranium mine and 50km north of the former uranium mine at Radium Hill.

There has been no significant exploration drilling in the Mundaerno South area in the past and the proposed drilling will be the first test of a number of geophysical anomalies selected from the results of innovative, specialist reprocessing of regional aeromagnetic and radiometric data².

A recent uranium find made within 15 kilometres of the boundary of EL 3853 has confirmed the validity of the conceptual model and is providing added incentive for ongoing exploration of the tenement.



² Target Map™ of Vector Research Pty Ltd, Perth



Capital is keenly looking forward to working with AMWD in the future with a view to generating positive results from the two joint venture project areas. For further information please contact the author or visit the Company's website.

Dr Rick Hine
Capital Mining Limited
P.O. Box 3770, Weston Creek, ACT. 2611 Australia
Web: www.capitalmining.com.au
Phone: 02 6288 2661

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.