

ASX ANNOUNCEMENT (ASX code: CMY)

28 October 2011

Capital Raising Transaction and Exploration Drilling Update

Further to the ASX Announcement by Capital Mining Limited (CMY), dated 25 October 2011, the Board of Directors advise that due to issues outside the CMY's control, the payment of tranche 3 (T3) funds by China Metallurgical Investment Ltd (CMI) to CMY under the Subscription Agreement have not been made.

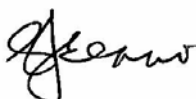
CMY has formally terminated the Subscription Agreement as at today's date by notice in writing to CMI. In the notice of termination, CMY has expressly reserved its rights to pursue any action it may have against CMI under the provisions of the Subscription Agreement, including CMY's rights to damages.

The company is progressing with work on its existing projects. Startup of drilling is imminent at Mayfield and the results of a recently completed 980 metre diamond drilling program at the Cowarra Gold Project are awaited. Initial results at Cowarra are very encouraging as all diamond drill holes intersected indicative sulphide mineralisation with assay results expected in November 2011. Further details are covered in the September Quarterly Report released earlier in the week.

The company is continuing to pursue evaluation of its excellent and substantially undervalued assets in the form of *in situ* gold and base metals resources in its Chakola, Cowarra and Mayfield tenements in southeast New South Wales (total contained gold 144,800 ounces, silver 1.5 million ounces and copper 22,000 tonnes across the three deposits¹). At the same time, it is striving to unlock the potential of a possible world-class zirconium and Rare Earths discovery near Temora in Central West New South Wales for which a JORC Inferred resource of 55 million tonnes at a grade of 1000 g/t zirconium oxide and 300 g/t Rare Earth oxides with potential for niobium, yttrium, thorium, lithium and rubidium as co-products¹).

The Company is currently pursuing other opportunities from interested third parties. It is considering other alternatives to fund its programs and will be actively seeking joint venture partners to participate in evaluation of its projects. The Board of Directors is very conscious to add value for shareholders in any future transaction.

Capital Mining Limited

A handwritten signature in black ink, appearing to read "John Keppo".

John Keppo

Company Secretary

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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.

¹ See Capital Mining 2011 Annual Report on the Company's website: www.capitalmining.com.au for details.