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Company Announcements Office
ASX Limited

Drilling Successfully Increases Zirconium - Rare Metals Resource Potential– Narraburra, NSW

Numerous drill intercepts with highly anomalous values for zirconium, yttrium, thorium, beryllium and rare earth elements (REE) have been recorded at Capital Mining Limited's (ASX:CMY) 100% owned Narraburra Project Exploration Licences near Temora (Fig. 1).

The grades are similar to those encountered in previous drilling and have significantly added to the area encompassing known and potential rare metal resources. The rare metals being targeted have very high unit values and are being increasingly used in the nuclear power, electronics and ceramics industries.

The results are from a series of 26 aircore holes drilled on geological and geophysical targets adjacent to the previously defined inferred resource of 55 million tonnes at a grade of 1000 g/t ZrO₂, 60 g/t Y₂O₃, 300 g/t REO, 40 g/t HfO₂, 80 g/t NbO₂ and 50 g/t ThO₂ to a depth of 40 to 50m (see the Company's prospectus of November 2006).

At Narraburra, the company is investigating the possibility of making a rare metals and REE concentrate on a commercial scale from free-digging, deeply weathered leucogranite material that is enriched in these components. The potential to make a heavy mineral concentrate has already been confirmed in laboratory studies (see ASX announcement of 27 July 2007).

Highlights

Values of up to 2320 ppm zirconium, 513 ppm yttrium, 135 ppm thorium and 1590 ppm total REE's were amongst the drilling results that also included highly anomalous caesium, niobium, hafnium, gallium and uranium.

Significant intercepts in terms of added resource potential were made in 25 of the 26 holes as listed in Table 1 and shown in Figure 2. Results were consistent with those obtained from earlier drilling in 2006 and highlights included:

- **28m @ 1041 ppm total Rare Metals and 63 ppm U+Th from 4m in GRAC01**
- **20m @ 1267 ppm total Rare Metals from 20m in GRAC02**
- **8m @ 1537 ppm total Rare Metals and 112 ppm U+Th from 20m in GRAC03 and 10m @ 694 ppm total REE from 40m to EOH**
- **16m @ 904 ppm total Rare Metals from 8m in GRAC05 and 8m @ 430 ppm total REE from 48m to EOH**
- **24m @ 1026 ppm total Rare Metals and 54 ppm U+Th from 12m in GRAC06 including 8m @ 1291 ppm total Rare Metals and 72 ppm U+Th from 24m**
- **8m @ 642 ppm total Rare Metals and 1101 ppm total REE from 36m in GRAC08**
- **8m @ 1143 ppm total Rare Metals from 8m in GRAC10**
- **20m @ 17.6 ppm uranium from 32m in GRAC11**
- **22m @ 499 ppm total Rare Metals and 640 ppm total REE from 28m in GRAC13.**

(Where total Rare Metals = Total of Zr, Nb, Y, Ga and Hf in ppm and Total REE = Total Rare Earths (lanthanides) La, Ce, Pr, Nd, Sm, Eu, Gd, Tb, Dy, Ho, Er, Tm, Yb, Lu)

Drilling Programme

The drilling was designed to test:

- possible extensions to the resource which had not previously been closed off to the west;
- a broad 900m diameter magnetic high concealed under cover to the west of the resource;
- a discrete, circular magnetic low to the northeast in EL 6787; and
- parts of 2 palaeochannels marked by weak ground radiometric anomalies that were inferred to be enriched in zircon.

All holes were vertical and were not in the main designed to go beyond 50m. 23 holes for a total of 1009m were drilled in EL 5629 (GRAC01 to -23) and 3 holes for 160m were drilled in EL 6787 (BWAC01 to -03). Details are listed in Table 2. Samples were analyzed for a suite of 48 elements.

Zirconium

Values for *zirconium*, the principal rare metal being targeted, peaked at 2280 ppm over the interval 36-40m in hole GRAC02 and at 2320 ppm from 24-28m in GRAC03. Both of these holes were drilled up to 200m west of the current resource boundary.

Thorium

Relatively high thorium, up to 135 ppm over 4m in GRAC03, was also recorded in close proximity to the current resource. Best thorium intercepts were:

- | | |
|---|--|
| • | 20m @ 55 ppm thorium from 12m in GRAC01 |
| • | 36m @ 45 ppm thorium from 4m in GRAC02 |
| • | 32m @ 52 ppm thorium from 12m in GRAC03. |

Uranium

Best uranium intercepts, significant in the context of the associated high rare metals in the host material, were made in holes:

- | | | | |
|---|--------|----------------|-----------|
| • | GRAC03 | 26m @ 14.1 ppm | from 24m |
| • | GRAC11 | 20m @ 17.6 ppm | from 32m |
| • | GRAC18 | 12m @ 18.6 ppm | from 20m. |

Yttrium and REE

The highest yttrium and REE values so far recorded at Narraburra came from the base of hole **GRAC03** which terminated in soft, weathered leucogranite bedrock at 50m (i.e. in ppm – Y 513, Dy 80, Er 52, Gd 81, Ho 17, La 509, Nd 418, Tb 14.7 and Yb 51). The intercept was made 400m to the west of the existing resource and both it and the REE intercept made in adjacent hole GRAC04 indicate that the mineralization is here open to the south.

Several of the best REE intercepts, notably those in GRAC13, 14 and 19, were also made within the area of the magnetic high lending support to an association between the two.

Beryllium-Iron-Vanadium-Gold-Copper Association

Highest values overall for beryllium (10.3 ppm), vanadium (434 ppm) and iron (13.7%) were obtained from the base of hole **GRAC11** (36-54m TD), which was drilled on the eastern flank of the magnetic high. A pronounced correlation between elevated iron and beryllium values was also recorded in other holes drilled within the bounds of the magnetic anomaly (notably GRAC07, 13 and 18). Anomalous gold (to 35 ppb) and copper (to 210 ppm) were also recorded in the basal GRAC11 interval in association with relatively high iron and manganese.

Caesium

Values for the highly valuable rare metal caesium peaked at up to 30 ppm in soft, weathered saprolite at 40-44m in hole **GRAC19**. These were associated with moderate to high REE and yttrium over a 12m intercept in the same hole.

Palaeochannel Zircon

Of the 5 holes drilled on the palaeochannel targets in EL 5629 (i.e. GRAC021 to -023) and EL 6787 (BWAC02, -03) best results were obtained from those in EL 5629 where a heavy mineral bearing sandy bed was recorded in GRAC021 from 2 to 7m and a 5m thick sand and gravel bed was intersected from surface in GRAC022. Corresponding zirconium assay values were:

- | | | |
|---|--------|-------------------------------------|
| • | GRAC21 | 8m @ 634 ppm zirconium from surface |
| • | GRAC22 | 8m @ 524 ppm zirconium from surface |

No significant intercepts were recorded in hole GRAC23 (1m of sand in 9m of clay over bedrock) or in holes BWAC02 and -03, which were offset from the target horizon due to rig access restrictions.

Magnetic Low Anomaly – EL 6787

The source of a small, circular magnetic low concealed beneath cover to the west of EL 5629 was established as a non-magnetic, equigranular, potassium feldspar-rich granite with no obvious mineralization (BWAC01). Moderately anomalous values for zirconium and REE's indicate that the bedrock intersected here is a peralkaline granite which probably belongs to the same suite of intrusions that is being targeted to the west.

Summary

In summary, multiple intercepts of rare metals and REE's were made in a very high proportion of holes drilled to shallow depths within the area of the previously defined resource and its surrounds. The mineralization was not closed off and there is considerable scope for follow up drilling.

Two holes drilled within the bounds of the current resource went through 7-11m of unconsolidated cover before penetrating weathered, variably iron stained microgranite bedrock that was similar in grade to that previously encountered in adjacent RC percussion holes GRRC03 and -05 where grades in the order of 1500 ppm total zirconium, niobium, yttrium, gallium and hafnium respectively had been recorded from surface to 40m.

Indications from holes drilled immediately to the west of the resource are that the prospective host intrusion underlies much of the 1200m by 1100m area tested. Soft, deeply weathered material of the type sought is present to depths of greater than 50m over much of the area and the depth of cover varies from around 6 to 8m at the present boundary of the current resource to between 25-35m over prospective material some 400m to the west. The cover material was also found to be anomalous in rare metals and it may have some resource potential in its own right.

Holes drilled on the broad magnetic anomaly to the west of the current resource were generally high in iron and this provides a possible explanation for the source. The high iron was generally accompanied by high REE's and in places beryllium.

Results indicate that the palaeochannel targets also have some resource potential, although further analysis of the geophysical data and more closely spaced drilling will be necessary to more accurately locate and test them.

Proposed Follow Up

Results are encouraging and are very positive in terms of their potential to add to the already substantial inferred resource base at the Narraburra prospect. Assay checking is in progress and

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material provided by the drilling has been collected for bench scale gravity separation tests. Further analysis of the data is in progress and re-estimation of resources will follow.

Aircore drilling has proven to be a very rapid and cost effective way of exploring the deposit. More such drilling with the aim of finally closing off the best areas and establishing measured and indicated resources is being planned.

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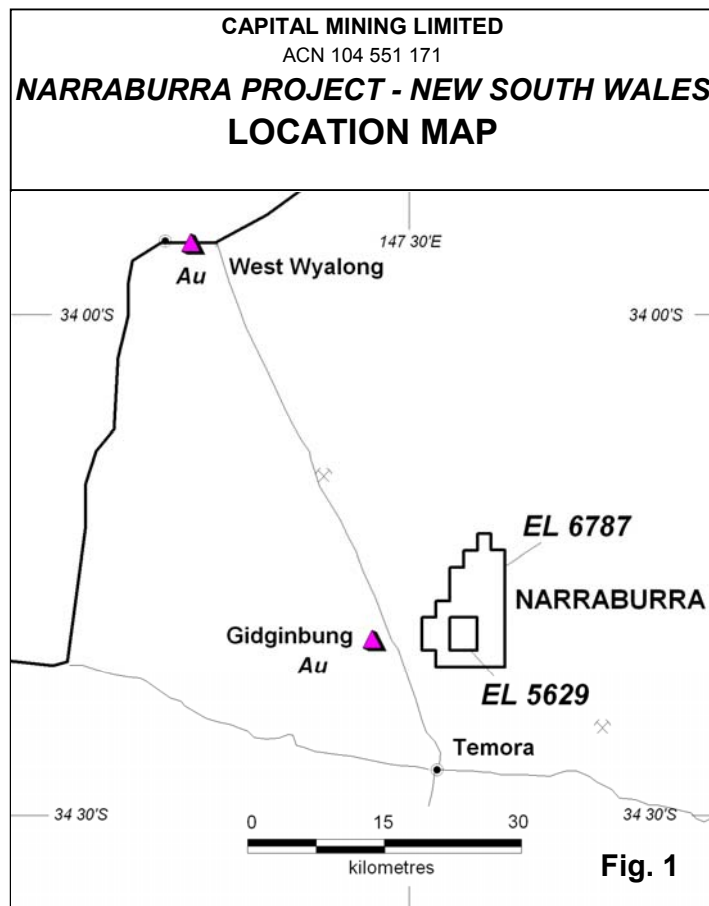
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The information in the report to which this statement is attached that relates to Exploration Results and Mineral Resources is based on information compiled by Richard Hine who is a Member of the Australasian Institute of Mining and Metallurgy. Richard 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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NARRABURRA EL's 5629, 6787
PROSPECT & DRILL HOLE LOCATION MAP

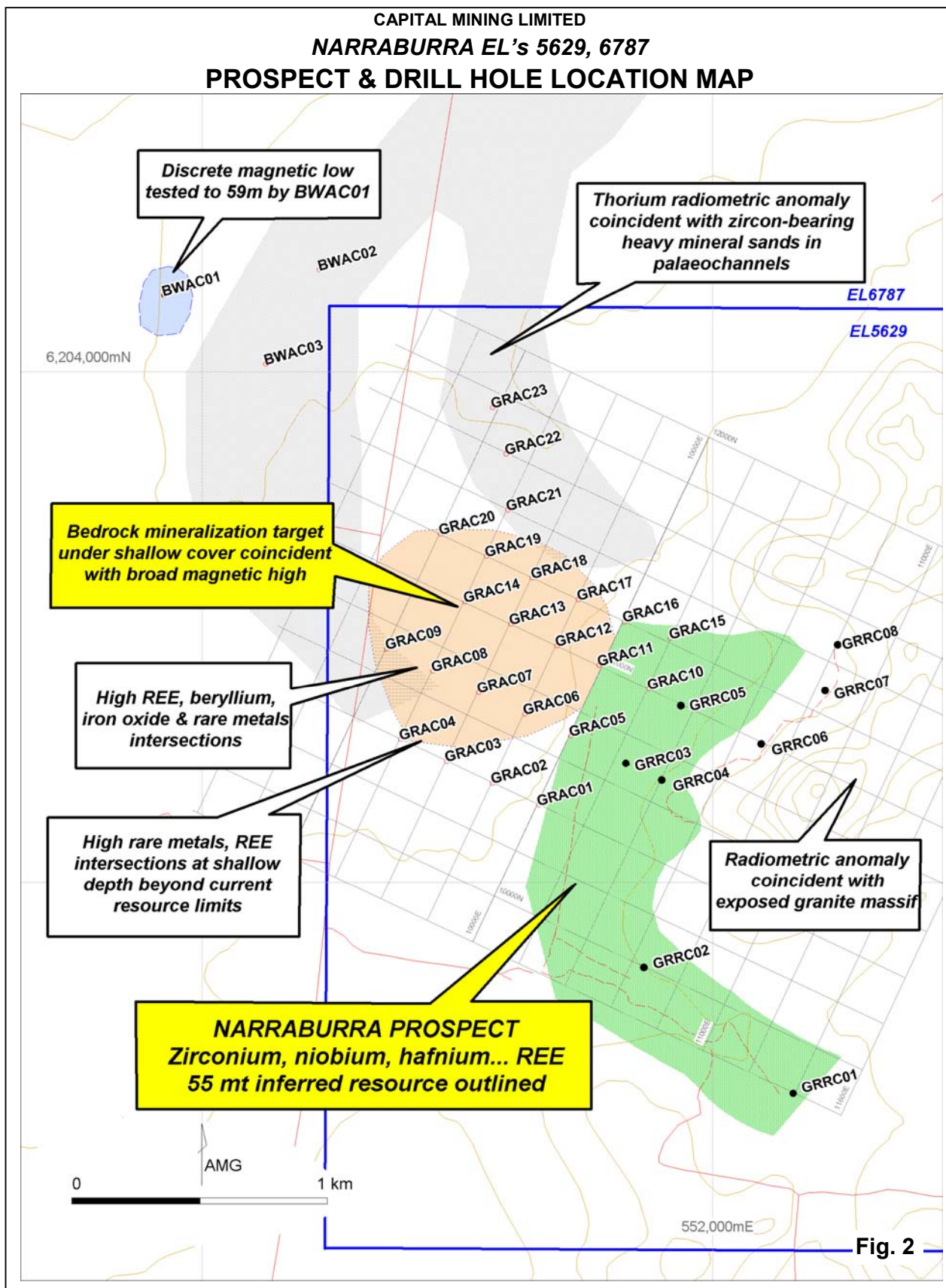


Fig. 2

Table 1 NARRABURRA EL 5629 & 6787 NSW NARRABURRA RARE METALS & RARE EARTH ELEMENTS PROSPECT AIRCORE DRILL HOLE RESULTS SUMMARY MARCH 2008							
Hole ID	From	To	Intercept	Total RM's	Total REE's	U + Th	Type
	m	m	m	ppm	ppm	ppm	
GRAC01	4	32	28	1041	61	63	Saprock
GRAC02	20	40	20	1267	139	56	Saprock
GRAC03	20	28	8	1537	76	112	Saprock
GRAC03	40	50	10	372	694	42	Saprock
GRAC04	12	31	19	293	497	33	Saprock
GRAC05	0	8	8	821	112	39	Sand-clay
GRAC05	8	24	16	904	38	37	Saprock
GRAC05	28	36	8	350	73	64	Saprock
GRAC05	48	56	8	261	430	35	Saprock
GRAC06	12	36	24	1026	119	54	Saprock
inc.	24	32	8	1291	118	72	Saprock
GRAC07	0	12	12	691	103	31	Sand-clay
GRAC07	44	60	16	424	395	28	Saprock
GRAC08	4	16	12	507	52	63	Saprock
GRAC08	28	50	22	476	741	42	Saprock
inc.	36	44	8	642	1101	43	Saprock
GRAC09	0	4	4	579	224	19	Sand
GRAC09	4	48	44	376	235	22	Saprock
GRAC10	4	8	4	929	121	35	Sand
GRAC10	8	24	16	946	93	54	Saprock
inc.	8	16	8	1143	87	48	Saprock
GRAC11	12	40	28	918	119	46	Saprock
inc.	28	36	8	1079	145	53	Saprock
GRAC12	12	16	4	889	109	51	Saprock
GRAC12	32	36	4	755	277	41	Saprock
GRAC12	36	43	7	967	71	31	Saprock
GRAC13	28	50	22	499	640	25	Saprock
GRAC14	28	47	19	452	533	28	Saprock
GRAC15	0	8	8	929	118	27	Sand
GRAC15	8	20	12	966	77	40	Saprock
GRAC15	32	39	7	467	425	31	Saprock
GRAC16	0	8	8	800	197	31	Sand
GRAC16	8	51	43	918	113	44	Saprock
inc.	44	48	4	1267	367	47	Saprock
GRAC17	0	8	8	924	76	29	Sand
GRAC17	16	50	34	950	69	47	Saprock
GRAC18	32	50	18	482	285	25	Saprock
GRAC19	36	48	12	368	558	29	Saprock
GRAC20	16	45	29	355	448	21	Saprock
inc.	16	20	4	396	918	17	Saprock
GRAC21	0	8	8	765	159	25	Sand
GRAC22	0	8	8	638	135	21	Sand
GRAC23	No Significant intercept						
BWAC01	24	28	4	1009	180	49	Saprock
BWAC01	40	60	20	326	250	29	Saprock
BWAC02	28	50	22	531	247	22	Saprock
BWAC03	36	48	12	654	601	28	Saprock
Total RM's =	Total Rare Metals Zr, Nb, Y, Ga, Hf						
Total REE's =	Total Rare Earths (lanthanides) La, Ce, Pr, Nd, Sm, Eu, Gd, Tb, Dy, Ho, Er, Tm, Yb, Lu						
U + Th =	Total actinides Th, U						

Table 2 NARRABURRA EL 5629 & 6787 NSW RARE METALS & RARE EARTH ELEMENTS PROSPECT AIRCORE DRILL HOLES COMPLETED FEBRUARY-MARCH 2008									
Hole#	Prospect	LocEast	LocNorth	AMGEast	AMGNorth	RL	Dip	Azimuth	Depth
						(m)	(deg.)	(Grid)	(m)
GRAC01	Gromit	10000	10400	551318	6202302	301	-90	0	40
GRAC02	Gromit	9800	10400	551138	6202388	299	-90	0	40
GRAC03	Gromit	9600	10400	550958	6202473	298	-90	0	50
GRAC04	Gromit	9400	10400	550778	6202559	296	-90	0	31
GRAC05	Gromit	10000	10700	551444	6202572	301	-90	0	57
GRAC06	Gromit	9800	10700	551264	6202657	298	-90	0	50
GRAC07	Gromit	9600	10700	551084	6202743	297	-90	0	60
GRAC08	Gromit	9400	10700	550904	6202828	296	-90	0	50
GRAC09	Gromit	9200	10700	550724	6202914	293	-90	0	48
GRAC10	Gromit	10200	11000	551750	6202756	306	-90	0	42
GRAC11	Gromit	9990	11000	551555	6202850	302	-90	0	54
GRAC12	Gromit	9800	11000	551390	6202927	299	-90	0	43
GRAC13	Gromit	9600	11000	551210	6203012	295	-90	0	50
GRAC14	Gromit	9400	11000	551030	6203098	293	-90	0	47
GRAC15	Gromit	10200	11215	551835	6202955	310	-90	0	39
GRAC16	Gromit	10000	11200	551654	6203021	302	-90	0	51
GRAC17	Gromit	9800	11200	551474	6203107	298	-90	0	51
GRAC18	Gromit	9600	11200	551294	6203192	295	-90	0	50
GRAC19	Gromit	9400	11200	551114	6203277	292	-90	0	48
GRAC20	Gromit	9200	11200	550934	6203363	290	-90	0	45
GRAC21	Trungley	9400	11400	551198	6203457	290	-90	0	20
GRAC22	Trungley	9300	11600	551192	6203679	281	-90	0	22
GRAC23	Trungley	9180	11735	551138	6203860	279	-90	0	21
BWAC01	Bullwinkel	NA	NA	549850	6204300	280	-90	0	59
BWAC02	Bullwinkel	NA	NA	550460	6204400	275	-90	0	50
BWAC03	Bullwinkel	NA	NA	550250	6204030	277	-90	0	51