

02 September 2008

Company Announcements Office

ASX Limited

## MINERAL RESOURCE COMPLETED FOR ENVIRONMENTAL IMPACT STATEMENT HARNETT GOLD-BASE METALS DEPOSIT, NSW

Capital Mining Limited (ASX code: CMY) is pleased to report that it has completed an update of the mineral resource for the **Harnett gold-copper-silver-lead-zinc deposit** within its 100% owned Chakola exploration project area in south eastern New South Wales.

***The resource update relates only to mineralisation lying within the confines of the conceptual open pit which is the key component in the company's proposal to develop a mining and processing operation at Harnett.*** The update has been prepared for inclusion in Capital's Environmental Impact Statement which is being compiled to support its Development Application.

Resources within the conceptual open pit include a:

- **Gold-base metals sulphide deposit of 1.22 million tonnes** at a grade of **0.8g/t gold, 0.5% copper, 8.1g/t silver, 0.4% lead and 0.7% zinc or 3.1g/t gold equivalent** in the Measured, Indicated and Inferred JORC categories for a total of approximately **31,000 ounces of contained gold, 6,000 tonnes of contained copper and 317,000 ounces of contained silver**; and a
- **Gold-silver oxide deposit of 201,000 tonnes** at a grade of **1.3g/t gold and 10.6g/t silver** in the Measured, Indicated and Inferred JORC categories for a total of approximately **8,200 ounces of contained gold and 68,000 ounces of contained silver**

Mineralisation which extends below the base of the planned pit and along strike has not been included in the estimates. Different cut off grades of 0.5g/t gold equivalent (gold and silver) for potentially heap leachable oxide material and 1.5g/t gold equivalent (gold, silver, copper, lead and zinc) for open cut mineable sulphide material amenable to processing by sulphide flotation were used in the estimates which were prepared in accordance with the 2004 Guidelines of the Australasian Joint Ore Reserves Committee Code for Reporting of Mineral Resources and Ore Reserves.

Conceptual mining of the resource to the 740 RL level, that is around 70m below the natural surface, by drill and blast from within a 530m long by 120m wide open pit designed provisionally around 15m benches with 5m berms and a pit slope of 56° could be achieved at an overall ore to waste ratio in the order of 1:4.

### Harnett Resource Estimate

Recoverable minerals in the Harnett deposit include gold, silver, copper, lead, zinc, molybdenum and antimony. The mineralisation is in the form of a tabular body that consists of from one to three steeply west dipping lenses that lie within a broad envelope of sub-grade disseminated mineralisation.

The resources within the conceptual open pit were estimated by the cross sectional method using data from Capital's three stage reverse circulation, aircore and diamond drilling programme which consisted of a total of 5,667 metres in 87 holes. The drill data were supported by structural information obtained from detailed surface mapping.

The drilling allowed for definition of a coherent body of mineralisation to a depth of 60-100m below the natural surface over a strike length of up to 530m. The resource material was classified either as oxide, that is lacking sulphides, or primary, that is containing sulphides and the primary material was further classified on assay grades as being either copper-gold dominant or lead-zinc dominant. The proportion of transition material was found to be relatively low and this was included with the primary material for the purposes of the estimation.

Drilling was nominally on 30m spaced sections and up to 6 holes were drilled per section from west to east at an inclination of minus 60-70 degrees. Drill cuttings were sampled at 1m intervals and reduced by riffing prior to analysis for gold, copper, lead, zinc, silver, arsenic, molybdenum, antimony and barium by a NATA registered laboratory. All drill collars were accurately located by EDM survey on completion and down hole surveys by Eastman camera were completed to measure hole deviation.

Cut-off grades used in the estimates were 0.5 g/t gold equivalent in gold and silver for oxide material and 1.5 g/t gold equivalent in gold, copper, zinc, lead and silver for primary material. Gold assay values were high cut to 7 g/t and silver values to 18 g/t. Results are summarised in Tables 1 and 2.

Gold equivalent grades were calculated on the basis of spot metal prices set at 24 August 2008 on the basis of trading over a 12 month period as listed in Table 3.

Specific gravities of 2.38 g/cc for oxide material and 3.00 g/cc for primary material were assumed for the tonnage estimates based on a series of 262 measurements made on drill core samples as set out in Table 4.

Metallurgical test work to establish recoveries has been carried out and the results of 54 separate metallurgical test procedures, which were designed to determine the optimum conditions under which copper-gold-lead and zinc sulphide flotation concentrates could be made from the mineralisation, were announced by the company in March 2008. Sulphide minerals recorded in a typical rougher flotation concentrate sample included pyrite (43 vol.%), chalcopyrite (9.6 vol.%), chalcocite/covellite (3.0 vol.%), sphalerite (2.9 vol.%), galena (3.4 vol.%) and tennantite (3.4 vol.%). The tests showed that the major sulphide components were readily liberated by milling and that 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 liberated and that about 90% of the copper was readily recovered into a rougher concentrate. Most of the gold is free and available for recovery as a credit in copper concentrate. Typical recoveries recorded in bulk float concentrates were 77% for gold, 88% for copper, 80% for lead and 43% for zinc. Results also showed that finer grinding should result in greater liberation of copper minerals, sphalerite and galena and lead to significantly improved selectivity and higher recoveries.

## a) HARNETT DEPOSIT – PRIMARY SULPHIDE RESOURCE

The current primary sulphide resource at Harnett to a depth of 70m at a 1.5 g/t gold equivalent cut off and with gold and silver assay values high cut to 7 g/t and 18 g/t respectively as set out in Table 1 and Table 2, is estimated at:

**1.22 Mt @ 3.1 g/t gold equivalent<sup>1</sup>.**

The estimate is for mineralisation extending from the base of oxide to the 740m RL over 530m of strike. Due to the amount of drilling completed in the Stage 3 programme, 88% of the primary sulphide resource is in the JORC Measured category (i.e. of highest confidence).

<sup>1</sup>Gold equivalent calculated as gold plus copper, silver, lead and zinc

TABLE 1

## HARNETT DEPOSIT PRIMARY SULPHIDE RESOURCE

*WITHIN CONCEPTUAL OPEN PIT TO 740 RL*

CATEGORY	TONNES	Grade Gold Equiv_g/t	Mineralisation Type	Au_g/t	Cu_%	Ag_g/t	Pb_%	Zn_%															
Measured	811,300	3.40	Copper-Gold	0.9	0.6	8.2	0.4	0.6															
Indicated	115,900	3.43	Copper-Gold	0.6	0.7	7.5	0.3	0.5															
Inferred	nil	-	Copper-Gold	-	-	-	-	-															
<b>Sub Total</b>	<b>927,200</b>	<b>3.4</b>	<b>Copper-Gold</b>	<b>0.9</b>	<b>0.6</b>	<b>8.1</b>	<b>0.4</b>	<b>0.6</b>															
Measured	258,500	2.23	Lead-Zinc	0.36	0.25	8.1	0.45	0.97															
Indicated	21,200	2.44	Lead-Zinc	0.33	0.23	9.0	0.53	1.29															
Inferred	13,300	1.94	Lead-Zinc	0.40	0.19	9.8	0.37	0.61															
<b>Sub Total</b>	<b>293,000</b>	<b>2.2</b>	<b>Lead-Zinc</b>	<b>0.36</b>	<b>0.25</b>	<b>8.2</b>	<b>0.45</b>	<b>0.98</b>															
<b>TOTAL</b>	<b>1,220,000</b>	<b>3.1</b>		<b>0.8</b>	<b>0.5</b>	<b>8.1</b>	<b>0.4</b>	<b>0.7</b>															
<b>TOTAL CONTAINED METAL</b>																							
<table border="1"> <tbody> <tr> <td>Gold</td> <td>31,350</td> <td>ozs</td> </tr> <tr> <td>Silver</td> <td>317,700</td> <td>ozs</td> </tr> <tr> <td>Copper</td> <td>6,100</td> <td>tonnes</td> </tr> <tr> <td>Lead</td> <td>4,900</td> <td>tonnes</td> </tr> <tr> <td>Zinc</td> <td>8,500</td> <td>tonnes</td> </tr> </tbody> </table>									Gold	31,350	ozs	Silver	317,700	ozs	Copper	6,100	tonnes	Lead	4,900	tonnes	Zinc	8,500	tonnes
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Gold, Copper, Lead, Zinc, Silver Equivalent g/t, 1.5 g/t cut off, 3.00 specific gravity																							
1 troy oz = 31.103 grams																							

### b) HARNETT DEPOSIT – OXIDE RESOURCE

Oxidized gold and silver-bearing mineralisation which overlies the sulphide resource at Harnett constitutes a resource at a 0.5 g/t gold equivalent cut off of:

**201,000 tonnes @ 1.5 g/t gold equivalent <sup>2</sup>.**

<sup>2</sup>Gold equivalent calculated as gold and silver

TABLE 2

## HARNETT DEPOSIT OXIDE RESOURCE

*WITHIN CONCEPTUAL OPEN PIT TO 740 RL*

CATEGORY	TONNES	Grade Gold Equiv_g/t		Au_g/t	Ag_g/t						
Measured	125,400	1.54		1.32	11.4						
Indicated	30,350	1.05		0.90	8.2						
Inferred	45,250	1.60		1.42	9.8						
<b>TOTAL</b>	<b>201,000</b>	<b>1.5</b>		<b>1.3</b>	<b>10.6</b>						
<b>TOTAL CONTAINED METAL</b>											
<table border="1"> <tbody> <tr> <td>Gold</td> <td>8,250</td> <td>ozs</td> </tr> <tr> <td>Silver</td> <td>68,200</td> <td>ozs</td> </tr> </tbody> </table>						Gold	8,250	ozs	Silver	68,200	ozs
Gold	8,250	ozs									
Silver	68,200	ozs									
Gold - Silver Equivalent, 0.5 g/t cut off, 2.38 specific gravity											
1 troy oz = 31.103 grams											

The oxide resource is up to 20m thick and extends for 530m along strike. Being weathered, the material is fundamentally different to that which constitutes the primary resource and would require a different treatment method, conceptually involving heap leaching or stack leaching.

No studies relating to the specific treatment, beneficiation or metallurgical recoveries of the oxide resource material have yet been undertaken. Recoveries are predicted to fall in the range 40-70% based on an analysis of historical production data from comparable operations.

### Summary

Confirmation of the *in situ* mineral resource at Harnett is seen as adding considerable value to the Chakola project, holding up as it has at a higher cut off grade and in a period of relatively low lead and zinc spot prices. The resource is amenable to extraction from a modest sized, comparatively shallow open pit at what is anticipated to be relatively low cost.

The company is placing emphasis on the completion of the acquisition of data and the compilation of supporting documentation for its Development Application and Environmental Impact Statement.

The Harnett deposit is located along a comparatively short, 500m segment of an 8 kilometre long mineralised corridor that has significant remaining discovery potential. Drilling results indicate that copper-gold rich mineralisation is present below the base of the planned conceptual open pit at grades that would be amenable to underground extraction. Search for repetitions of mineralisation of this type is proceeding.

**TABLE 3 HARNETT DEPOSIT  
METAL SPOT PRICES USED FOR RESOURCE ESTIMATES**

Commodity	Pricing Units	Approx. Trading Range \$USD Aug 2007 - Aug 2008		Spot Price Used In Estimate \$US	Spot Price at 24 August 2008 \$US	Assay Equivalent To 1 g/t Gold Applying to Estimate
		Low	High			
<b>Gold</b>	<i>troy ounces</i>	660	1005	<b>800</b>	830	1 g/t
<b>Silver</b>	<i>troy ounces</i>	11.8	21.0	<b>15.0</b>	13.6	53.3 g/t
<b>Copper</b>	<i>tonne</i>	6272	8980	<b>7500</b>	7840	0.34%
<b>Lead</b>	<i>tonne</i>	1546	3975	<b>1750</b>	1890	1.43%
<b>Zinc</b>	<i>tonne</i>	1625	3160	<b>1750</b>	1804	1.43%
Conversions: 1 troy oz = 31.103 grams						

**TABLE 4 HARNETT DEPOSIT  
SPECIFIC GRAVITIES OF MATERIAL CLASSES**

MATERIAL CLASS	NUMBER OF MEASUREMENTS	AVERAGE SPECIFIC GRAVITY g/cc
Oxide Mineralisation	25	<b>2.38</b>
Oxide Waste	7	2.41
Primary Mineralisation	111	<b>3.01</b>
Marginal Primary Mineralisation	12	2.93
Primary Waste	78	2.69
Sulphidic Waste	29	2.72

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**Rick Hine**  
*Executive Chairman*

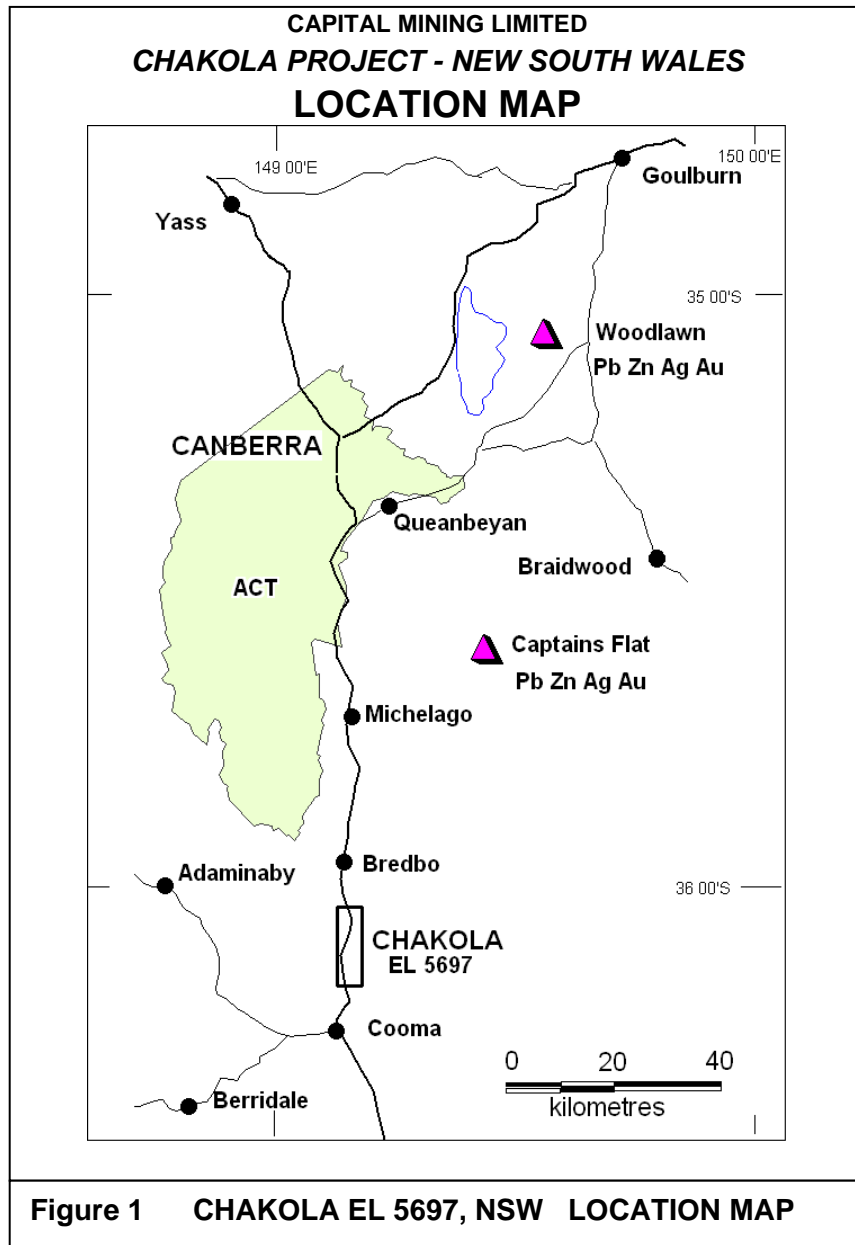
**Rob McCauley**  
*Managing Director*

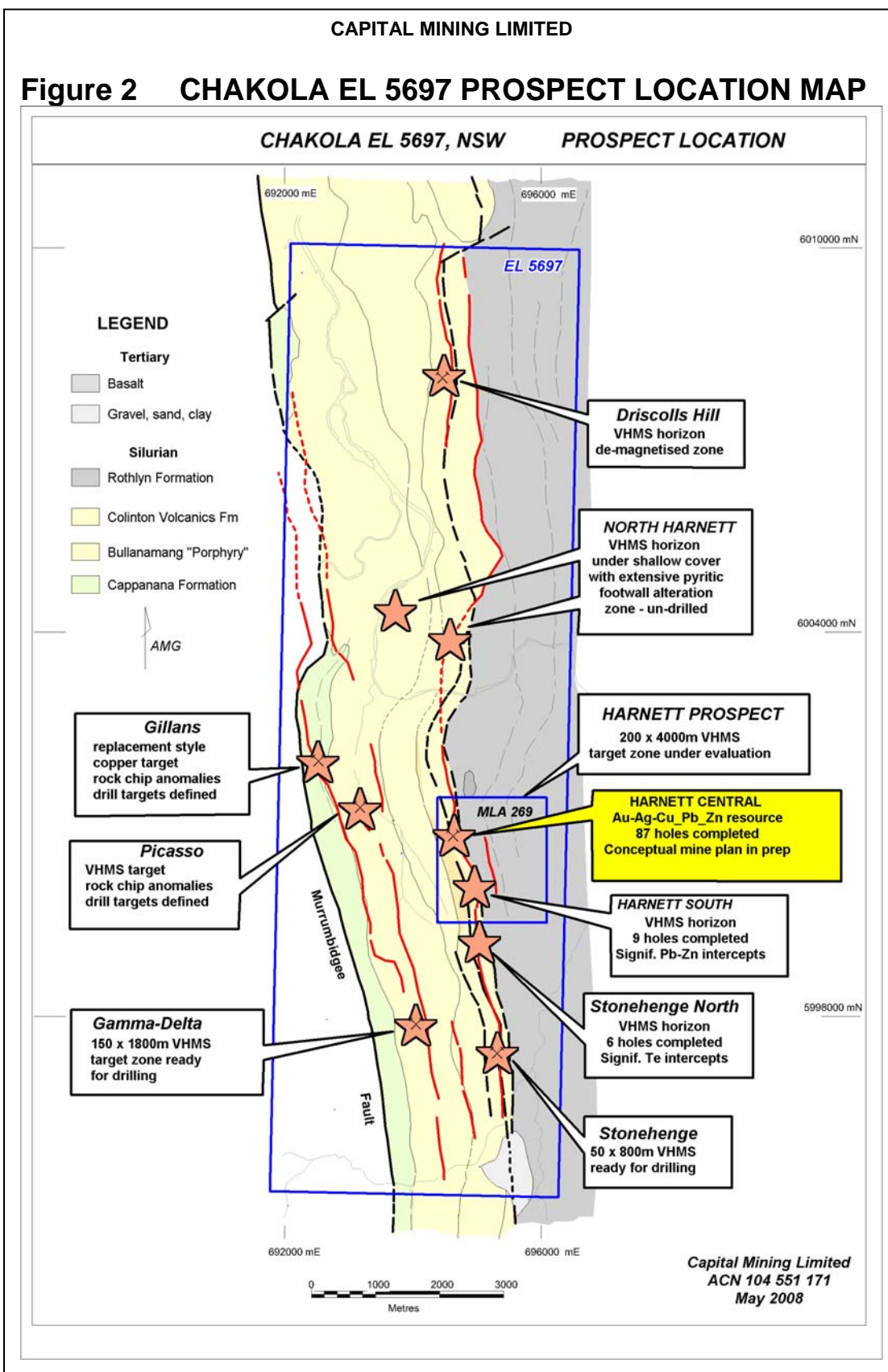
**Chris Ablett**  
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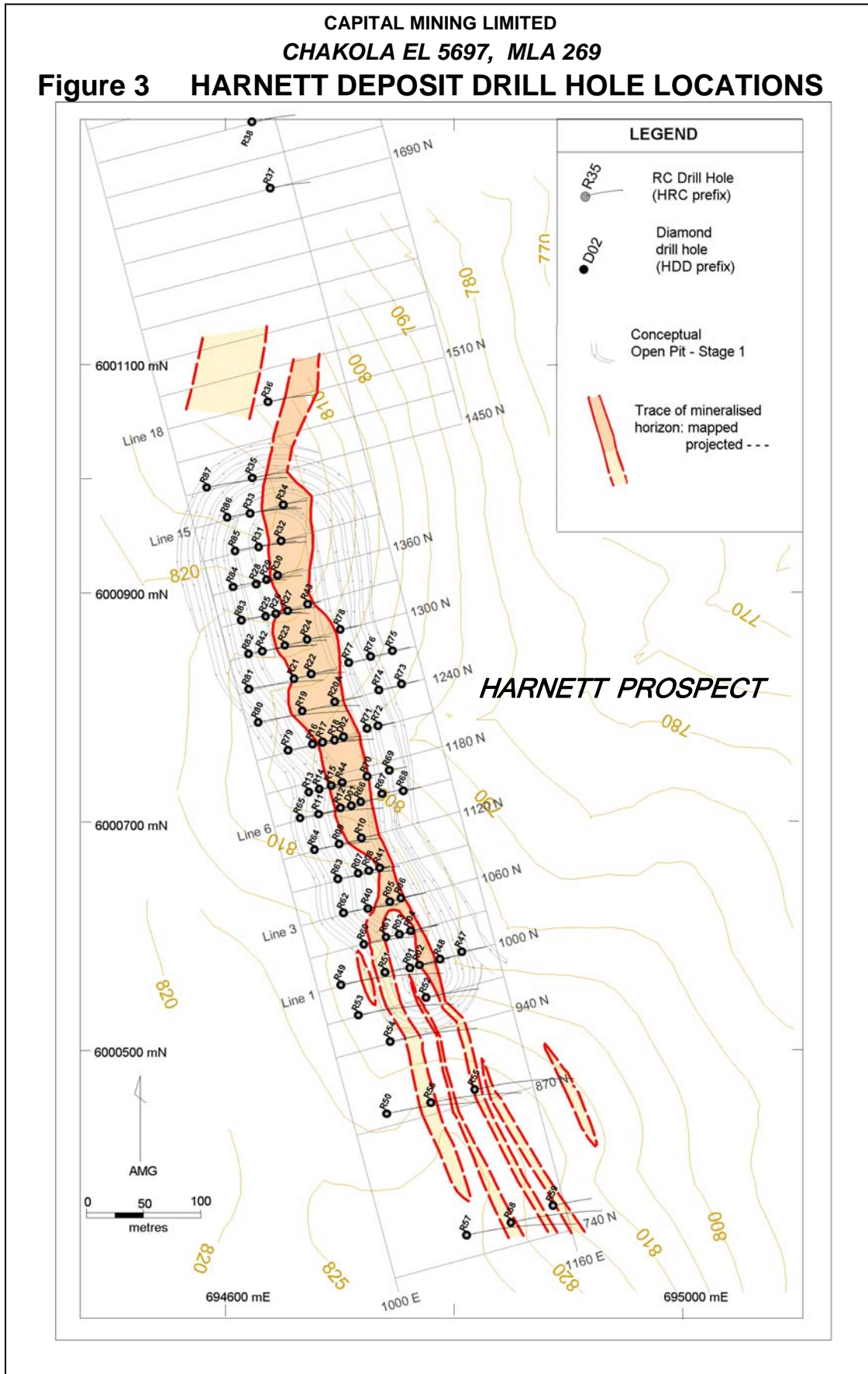
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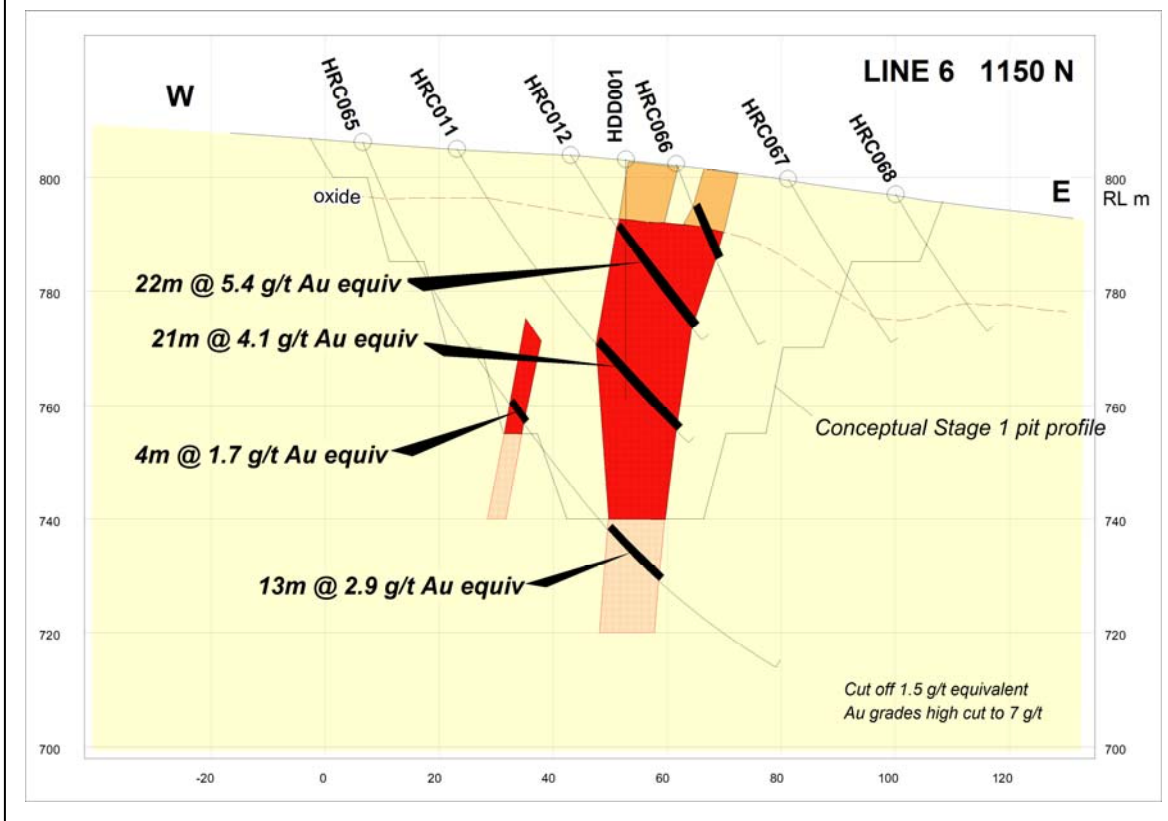




**Figure 3 HARNETT DEPOSIT DRILL HOLE LOCATIONS**



CAPITAL MINING LIMITED  
**CHAKOLA EL 5697, MLA 269**  
**Figure 4 HARNETT DEPOSIT CROSS SECTION LINE 1150N**



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.