



10 March 2009

CAPITAL MINING SECURES OPTION TO PURCHASE COWARRA GOLD PROJECT

THE DEAL

The Directors of Capital Mining Limited (Capital) are pleased to announce that the Company has entered into an Option Agreement with Atlas Resources Pty Limited (Atlas) whereby Capital may acquire a 100% interest in Atlas's Exploration Licence 5939 (Cowarra Gold Project), which covers the highly prospective Cowarra Creek Gold Mine near Bredbo in southern New South Wales.

At Cowarra Capital is targeting what it sees as a prospect that has outstanding gold discovery potential that is backed by:

- *significant historic gold production from several phases of mining;*
- *highly encouraging results from recent drilling by Atlas; and*
- *soundly based and researched conceptual models.*

The Principal Terms of the Option Agreement are:

- *Capital has the Exclusive Rights for 4 months to investigate the Cowarra Gold Project for a non refundable Option Fee of \$10,000.*
- *Upon the exercise of the Option and the Issue of 3,000,000 Ordinary Shares to Atlas Resources Pty Ltd or their nominees Capital will earn a 100% undivided interest in the Cowarra Gold Project including all Venture assets and intellectual property. As such Title for the Cowarra Gold Project will then be transferred to Capital Mining Limited.*
- *Atlas Resources Pty Ltd has agreed that these 3,000,000 issued shares shall be held in voluntary escrow for a period of six months from the date of issue.*

Further, the Directors of Capital Mining have agreed to a voluntary escrow of their shares due for release on 22 March 2009 for a further six months (See ASX announcement 9 March 2009)

THE HISTORY

Exploration Licence 5939 has a long history of exploration and mine development that goes back to the discovery of alluvial gold in Cowarra Creek by the Rev. W. B. Clarke in the 1860's. Small scale working of the oxidised upper part of a number of lodes in the area then known as the ***Umeralla Gold Field reportedly yielded 1,550kg or 49,830 ounces of gold at a grade of 31g/t gold*** between 1891 and 1921.

In the 1940's the Broken Hill Proprietary Co. Ltd. developed the Cowarra underground mine on the sulphide ore of Victoria Lode from which 54,500t of ore at about 8.5g/t of gold was mined, yielding some 14,700oz of gold. The operation closed down during WWII when the plant was removed for other wartime duties. The mine was re-opened in the 1980's when Horizon Pacific Ltd established a 50,000tpa operation on reserves left in place by BHP. ***Officially recorded production from this phase of mining at Cowarra Creek is 95,000t of ore at a grade of 6.7g/t gold for 19,300 ounces of gold.***

Horizon Pacific achieved gold recoveries of 90% using CIL technology, indicating that the metallurgy of the sulphides is non-refractory.

RECENT EXPLORATION

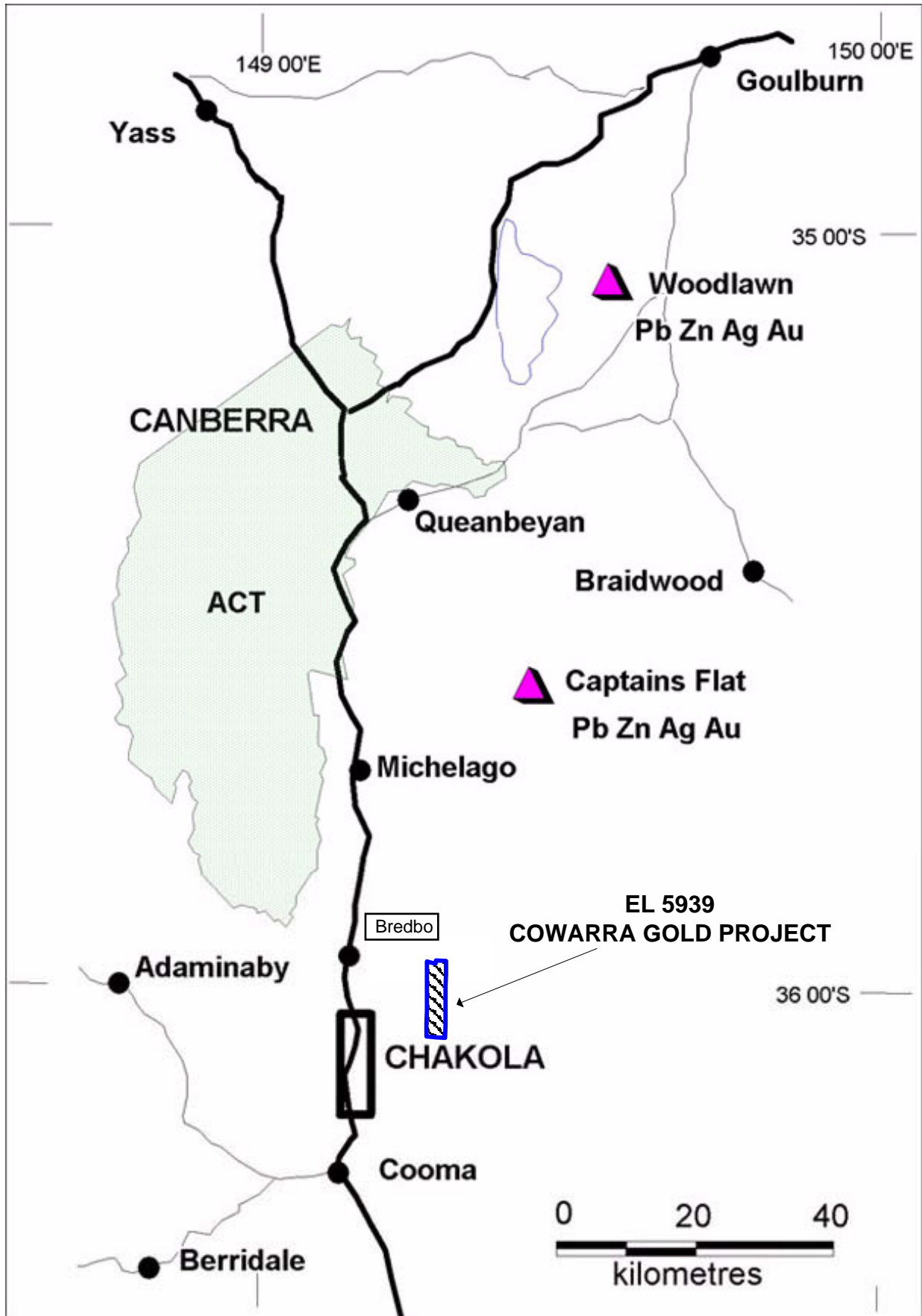
Recent exploration by Atlas, consisting of 2,285m of RC drilling in 32 holes, has confirmed the potential to locate more resources within and adjacent to the known lodes. Relatively high-grade gold-sulphide mineralisation was intersected over significant lengths in a high proportion of drill holes as shown below. ***The mineralisation is also open along strike and at depth and a significant number of lodes over a large area of the field are as yet untested by drilling.***

A selection of outstanding drill results from the Atlas 2006 programme included intercepts of:

- 6.5m @ 6.2 g/t gold from 39m in CRC001 – Victoria Lode;
- 4.0m @ 5.6 g/t gold from 41m in CRC003 – Victoria Lode;
- 5.0m @ 11.2 g/t gold from 64m in CRC022 – Victoria Lode;
- 2.0m @ 14.4 g/t gold from 8m in CRC007 – Princess Lode;
- 4.0m @ 10.8 g/t gold from 69m in CRC029 – Democrat Lode;

The gold mineralisation at Cowarra Creek is hosted by a swarm of at least five, sub-parallel shear zones in multiply deformed Ordovician shale, siltstone and fine sandstone. The shear zones vary from 150m to 2 kilometres in length and carry narrow, sinuous sulphide and quartz-sulphide veins in a system that extends over an area 3 kilometres long by 1 kilometre wide at the Cowarra mine. The veins generally dip steeply to the east and have a northerly strike. The largest veins are up to 5m wide compared with an average of width of around 1m. Significant widths of lower grade stock work mineralisation adjacent to some of the high grade veins was recorded in the 2006 drilling. Pyrite is the dominant sulphide and the gold occurs in sulphide veinlets parallel to the slaty cleavage and in blebs of sulphide in deformed quartz veins. ***Some pods of massive sulphide mineralisation with up to 60-90 g/t gold have been recorded.***

Academic research indicates that the gold deposits in the Cowarra Creek area were probably formed from mineralising fluids which emanated from an underlying, deep-seated granite intrusive body. ***This suggests that the mineralisation may extend to considerable depths and that a substantial gold target is possible within the project.***



Capital considers the Cowarra Gold Project has the potential to provide near term medium scale open pit and underground gold resources and to be prospective for a significant gold target.

THE FUTURE AND GOLD

Due diligence has commenced and an exploration programme aimed at delineating resources and testing conceptual targets will be prepared in due course. It is anticipated that a JORC resource can be announced within approximately three months from the completion of the proposed purchase of the Cowarra Gold Project.

Capital sees the proposed acquisition of the Cowarra Gold Project as an important milestone in its development. As announced to the ASX earlier today, the Development Application for the proposed mine development at Chakola has been lodged. The Cowarra Gold Project is only 15 kilometres away from Chakola and as such there are the obvious future synergies between these two proposed developments.

Lastly, as we know, Governments around the world are struggling to address the world's financial crisis by firstly lowering interest rates towards zero, followed by massive stimulus packages and now the policy of last resort... Quantitative Easing or "printing" money as the Bank of England has announced in recent days. These events will only serve to strengthen gold's place as the world's future reserve currency. As I have mentioned before, I see enormous upside in the price of Gold and I intend to position Capital firmly in this space.

For further information please contact:

Robert J McCauley

Managing Director & CEO

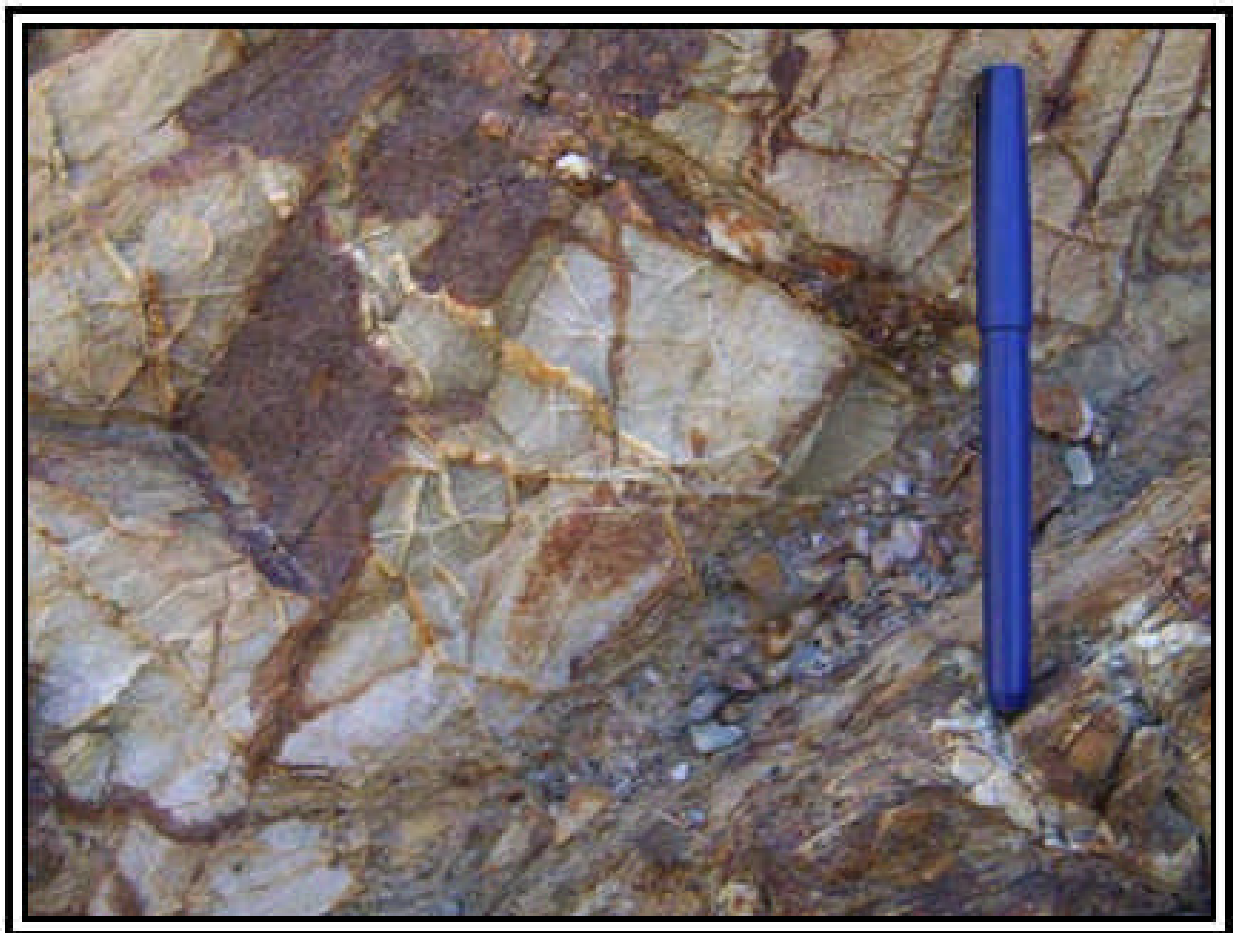
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The information in the report to which this statement is attached that relates to Exploration Results and Mineral Resources is based on information compiled by Stewart Capp who is a Member of the Australasian Institute of Mining and Metallurgy. Stewart Capp is a Consultant Geologist and an employee of Derwent Geoscience Pty Ltd. He 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". Stewart Capp consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Veining in Hanging Wall of Princess Workings



April 2003