

ASX ANNOUNCEMENT

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04 May 2011

MUNDAERNO URANIUM-IOCGU PROJECT, SA

AMWD JOINT VENTURE

DRILLING OF PROSPECTIVE TARGETS COMMENCES

Capital Mining's directors are pleased to advise that first pass drilling of a range of prospective targets within its Mundaerno South project area in South Australia has commenced.

The project area is strategically located in a uranium producing province within the Curnamona Craton and is being explored for both uranium deposits in the sedimentary cover sequence and for iron oxide bearing copper, gold, uranium and rare earth deposits (IOCGU deposits) in underlying crystalline basement rocks.

Exploration of the 52 square kilometre area is being conducted under a joint venture agreement between Capital Mining and Australian Mineral and Waterwell Drilling Pty Ltd (AMWD) (ACN 127 948 850). AMWD is earning a 50% interest in the project by providing the drilling services.

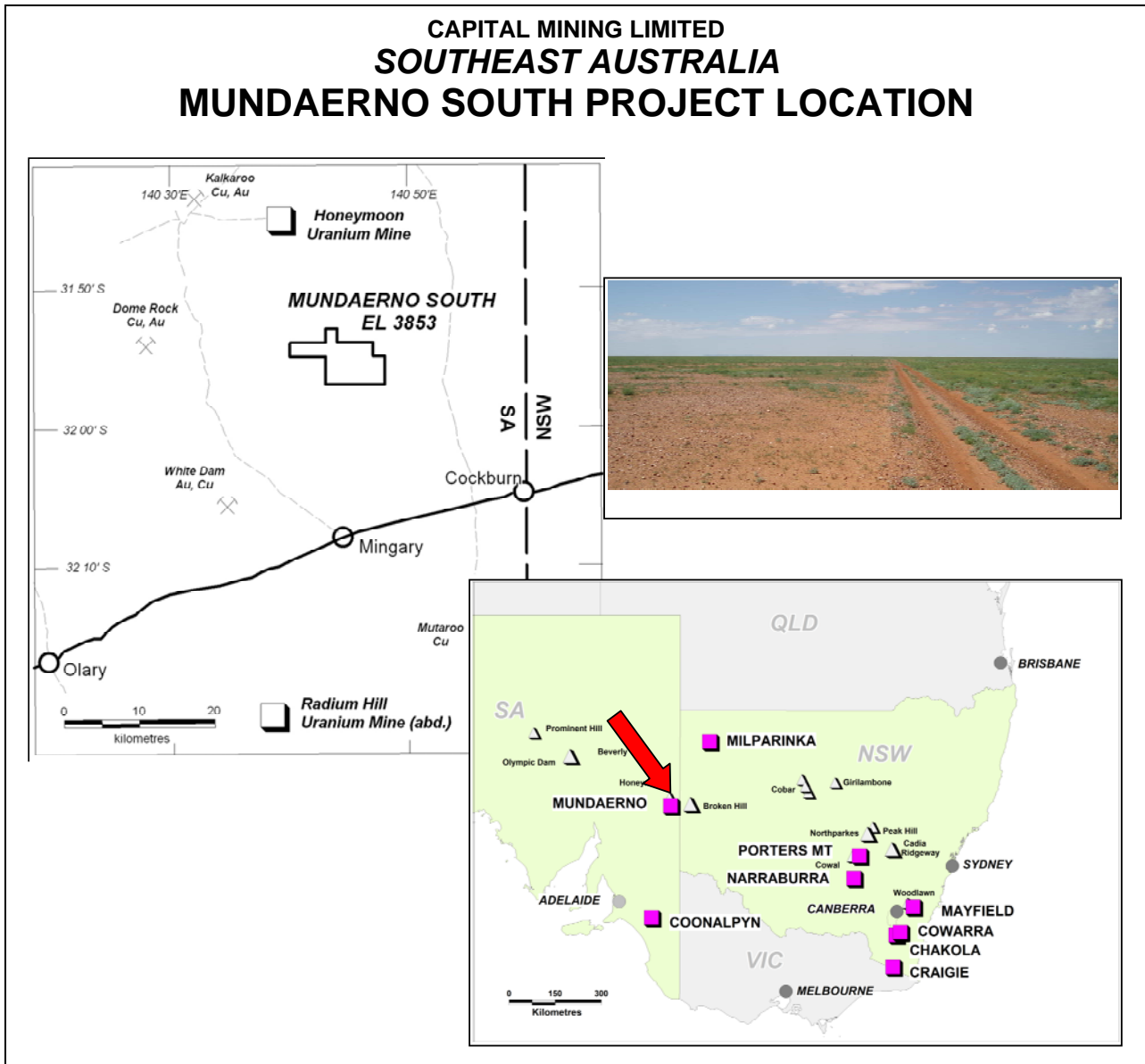
The drilling will provide an initial test of a number of previously unexplored palaeochannels and geophysical anomalies in the basement across the tenement.

The palaeochannels are prospective for uranium deposits of the type being mined by the In Situ Leach method at the nearby Honeymoon uranium mine.

The directors look forward to releasing the results of the drilling as they become available. For further background information please go to the Company's website at www.capitalmining.com.au or contact the management team.

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CAPITAL MINING LIMITED SOUTHEAST AUSTRALIA MUNDAERNO SOUTH PROJECT LOCATION



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.