

ASX ANNOUNCEMENT (ASX code: CMY)

09 November 2011

RESOURCE ESTIMATE UPDATE CONFIRMS RARE EARTH POTENTIAL *NARRABURRA PROJECT, NSW*

HIGHLIGHTS

- Inferred resource tonnage up-scaled 33% from 55 to 73 million tonnes
- Zirconium oxide as primary component up-graded by 25% from 1000 to 1250 g/t
- Estimated 91,500 tonnes contained zirconium oxide and 23,950 tonnes REE oxides
- REE, yttrium, niobium, hafnium, thorium and gallium grades higher than previous estimate
- Lithium co-product potential confirmed for contained 8,500 tonnes lithium oxide
- Potentially amenable to automated continuous mining at very low overburden to ore ratio

Capital Mining Limited (*ASX: CMY*) is pleased to release the results of a re-estimate of the resource at its zirconium-dominant, bulk low-grade Rare Metals and Rare Earths resource within its 100% owned *Narraburra Project* area in Central West New South Wales.

The Company has been targeting Rare Metals (RM) of high unit value such as zirconium (Zr), niobium (Nb), yttrium (Y), thorium (Th), beryllium (Be), lithium (Li), gallium (Ga) and Rare Earth Elements (REE) at Narraburra since listing in 2007. Drilling, bulk sampling and metallurgical test work has been completed since evaluation of the discovery began in earnest in 2003.

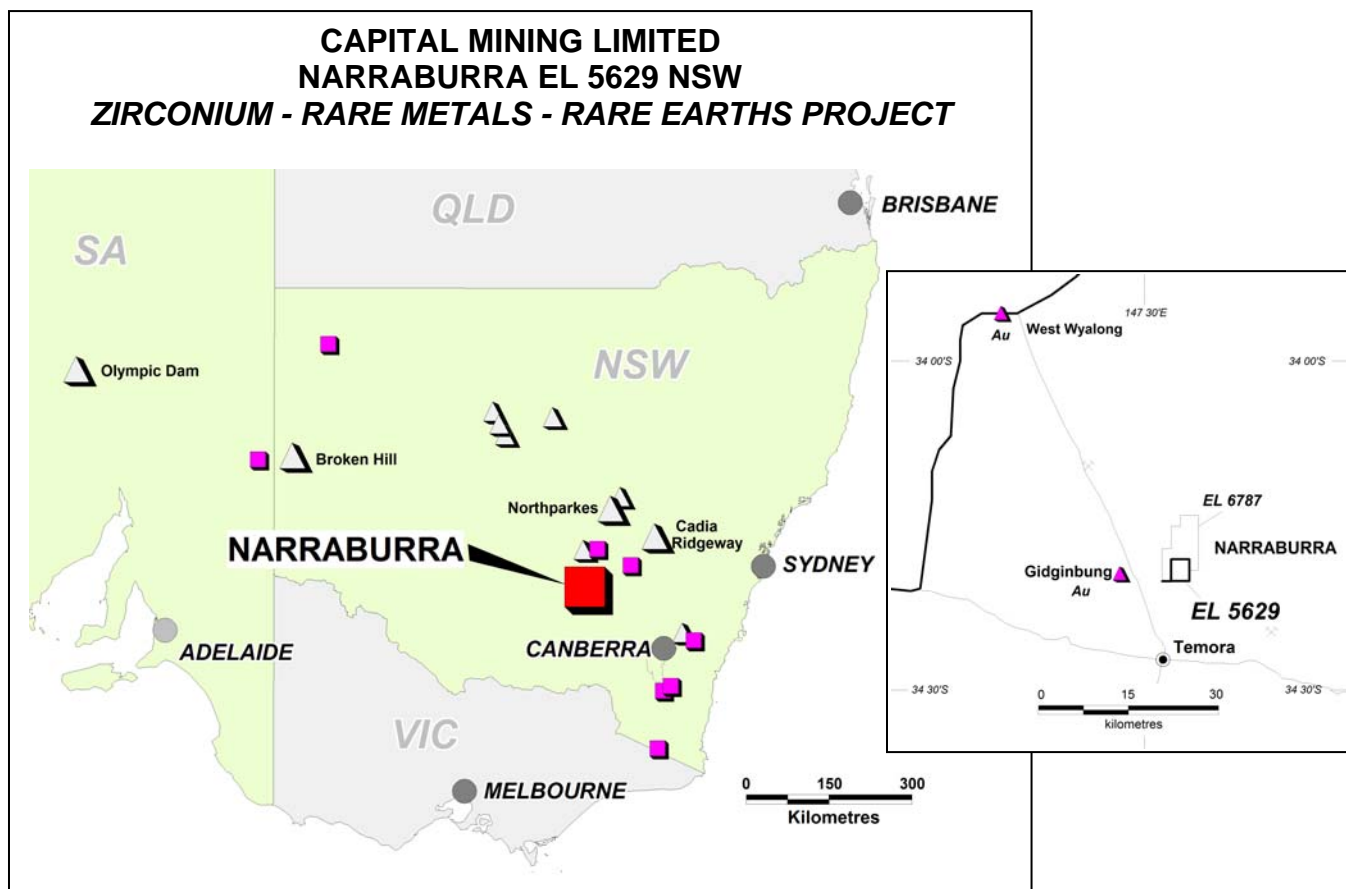
As tabulated on Page 2, the Inferred resource of:

- **73.2 million tonnes @ 1250 g/t ZrO₂ 327 g/t REO 146 g/t Y₂O₃ 126 g/t Nb₂O₅
45 g/t HfO₂ 61 g/t ThO₂ 54 g/t Ga₂O₃ 118 g/t Li₂O**

was estimated at a 1500 g/t total RM plus REE oxide assay cut-off and includes weathered material only, in an extensive, flat lying deposit of granite hosted mineralisation.

The resource was estimated by the classical cross-section method according to JORC 2004 guidelines from a drill database consisting of 17 reverse circulation percussion and reverse circulation aircore drill holes. Drill samples were collected at 1m intervals and composited to 4m for analysis due to the consistency of the disseminated mineralisation. Drill assays were supported by bulk sample grades and all samples were analysed at NATA registered laboratories by a combination of Induced Neutron Activation Analysis, X-Ray Fluorescence Spectrometry and Inductively Coupled Plasma Mass Spectrometry methods.

The resource material consists of variably weathered, friable, equigranular granite which is underlain by harder, generally fresh granite of a similar composition. The latter does not form part of the resource, although it does constitute a target for future exploration.



NARRABURRA PROSPECT INFERRED RESOURCE - November 2011

RESOURCE CATEGORY	MINERALISATION TYPE	TONNES million	Zirconium	Rare Earths	Yttrium	Niobium	Hafnium	Thorium	Gallium	Lithium
			ZrO ₂ g/t	REO g/t	Y ₂ O ₃ g/t	Nb ₂ O ₅ g/t	HfO ₂ g/t	ThO ₂ g/t	Ga ₂ O ₃ g/t	Li ₂ O g/t
Inferred	Oxide	73.2	1250	327	146	126	45	61	54	118
CONTAINED METAL AS OXIDES			Zirconium	Rare Earths	Yttrium	Niobium	Hafnium	Thorium	Gallium	Lithium
			ZrO ₂	REO	Y ₂ O ₃	Nb ₂ O ₅	HfO ₂	ThO ₂	Ga ₂ O ₃	Li ₂ O
Tonnes			91,500	23,950	10,650	9,250	3,300	4,500	3,900	8,500

Where REO = Total of lanthanum, cerium, praseodymium, neodymium, samarium, europium, gadolinium, terbium, dysprosium, holmium, erbium, thulium, ytterbium, lutetium.

The resource material was classified from drill hole logs and assay results and blocked out on eleven 100m to 200m spaced cross sections through the deposit which covers an area of 161.5 hectares. The core of the deposit is approximately 1500m by 1000m in dimension and the mineralisation extends from surface to a depth of between 40 to 50m. Where present, the overburden, which includes clay, sand, silt and marginal grade mineralisation varies from 0.5 to 3m over most of the eastern and central part of the deposit to up to 30m on its western margin. Due to the spacing of the drilling the resource was classified as Inferred under the guidelines.

Continuity of the mineralisation is evident from the radiometric signature of the deposit and has been confirmed by the results of surface sampling, drill sampling, bulk sampling and by the geological correlation between drill holes. Tonnage estimates were based on an average figure of 1.45 g/cc for the bulk density of the mineralisation, which was measured on representative samples by conventional methods in the range 1.69 g/cc to 1.27 g/cc.

Preliminary metallurgical testing of bulk samples has been completed (see Capital Mining ASX release of 29 March 2010) and the results indicate that acceptable recoveries for a range of rare metal oxide components including zirconium, niobium, lithium and thorium, could be achieved by using a combination of conventional treatment methods such as spiralling, flotation, hydrometallurgical and pyrometallurgical techniques.

Recoveries for major components zirconium and yttrium¹ of 65% were obtained by using a combination of spiralling and flotation of tails. And whereas lower recoveries using this method were obtained for hafnium, thorium, niobium, neodymium, cerium and lanthanum in the range (38-24%), sulphidisation and chlorination to convert the target metals to soluble compounds yielded recoveries of 99% for lithium and 85% for cerium. Overall, the preliminary metallurgical test work results are viewed as being encouraging and further work aimed at improving recoveries and establishing an optimal treatment path is planned.

Evaluation of the resource is continuing and the company is seeking expressions of interest from potential joint venture partners to help finance the required infill drilling, metallurgical test work, mine scoping and marketing studies that will be needed to unlock the potential of this significant resource.

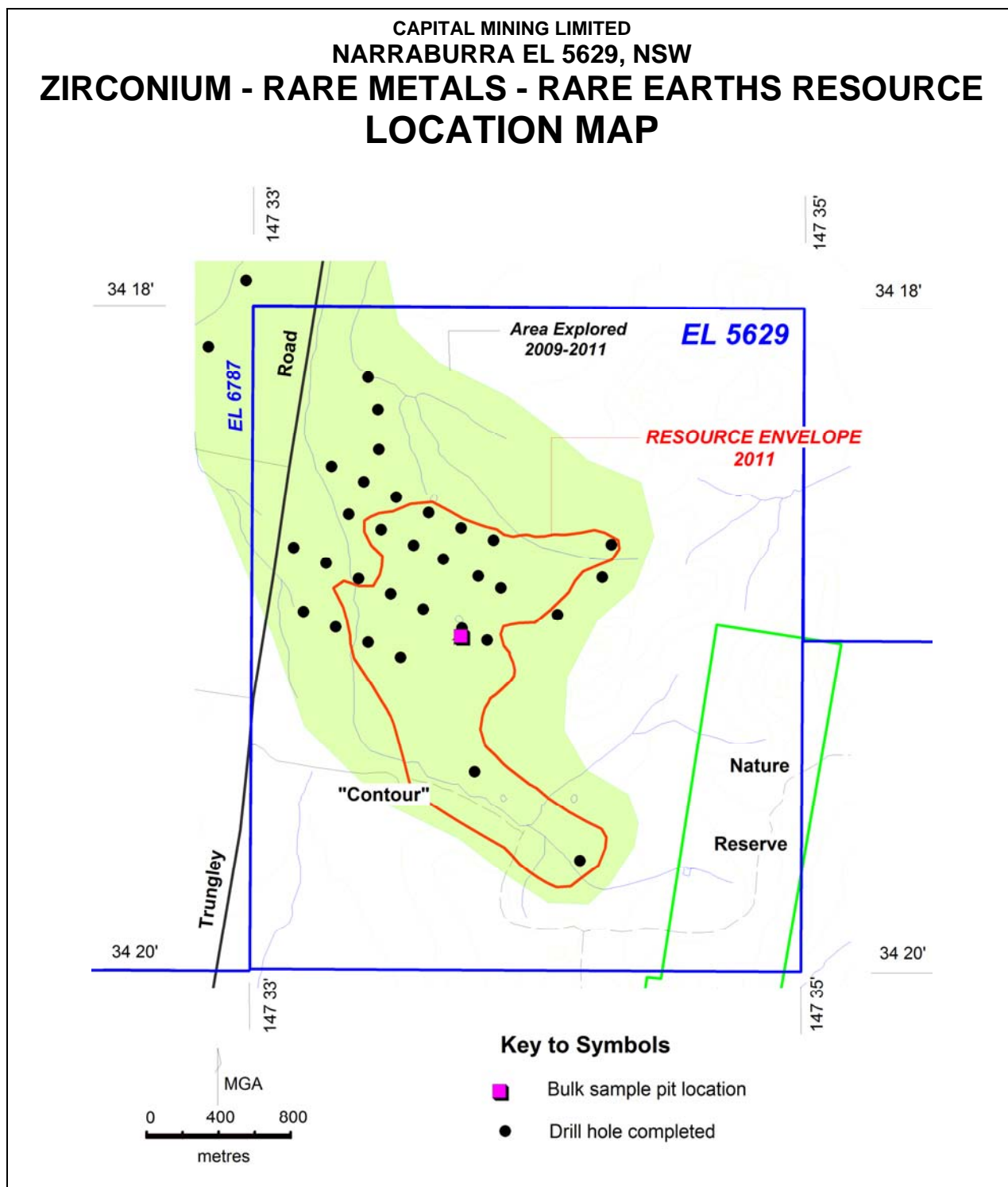
For further information please contact the management team or go to the Company's website at www.capitalmining.com.au

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¹ Geochemically similar to the heavy REE suite of metals

CAPITAL MINING LIMITED NARRABURRA EL 5629, NSW ZIRCONIUM - RARE METALS - RARE EARTHS RESOURCE LOCATION MAP



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.