



CAPITAL MINING LIMITED
ABN 69 104 551 171

**Half-Year
Financial
Report**

31 DECEMBER 2007

CORPORATE DIRECTORY

CAPITAL MINING LIMITED

ABN 69 104 551 171

DIRECTORS

Richard Hine
Robert McCauley
Christopher Ablett
John Seeley

SECRETARY

John Keppo

REGISTERED AND PRINCIPAL OFFICE

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AUDITORS

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North Sydney NSW 2060

BANKERS

Bendigo Bank

STOCK EXCHANGE LISTING

Listed on Australian Stock Exchange Limited
ASX Code: CMY

CONTENTS

Directors' Report.....	1
Auditor's Independence Declaration.....	4
Income Statement.....	5
Balance Sheet.....	6
Statement of Cash Flows.....	7
Statement of Changes in Equity	8
Notes to the Financial Statements.....	9
Directors' Declaration	11
Independent Review Report	12

DIRECTORS' REPORT

Your directors submit their report for the half-year ended 31 December 2007.

DIRECTORS

The names of the Company's directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Richard Hine (Chairman)

Robert McCauley (Chief Executive Officer)

Christopher Ablett (Director)

John Seeley (Non Executive Director – appointed 5 February 2008)

REVIEW AND RESULTS OF OPERATIONS

The net result of operations after applicable income tax expense for the half-year was a loss of \$104,825 (2006 - \$58,745).

Operational Review

During the period under review, Capital Mining continued exploration on a number of projects as outlined below.

CHAKOLA - Gold and Base Metals Project (NSW) - EL 5697, MLA 269 (CMY 100%)

Substantial progress has been made on the 4000m Stage 3 resource outline drilling programme including 6 RC holes for 402m at Stonehenge North showing tellurium values of up to 59 g/t and gold values of 1.3 g/t as reported on 3 January 2008. Rock chip samples of 18 g/t gold were also recorded at Stonehenge North and the drilling of 17 RC holes for 1,732m at the Harnett prospect was completed during the Half Year. Assaying is in progress and drilling has resumed.

Sampling of the proposed mine infrastructure sites for geotechnical study and the flora and fauna survey of Mining Lease Application (MLA) 269 has been completed.

MILPARINKA – Platinum, Nickel Project (NSW) – EL 6832 (CMY 100%)

The exploration lease covers an area within which there is potential for location of platinum, nickel, copper and gold deposits associated with what have been modeled as a series of volumetrically very large ultramafic to mafic intrusions in the basement.

During the Half Year very positive results were obtained from a thorough and comprehensive independent analysis, by an experienced consultant, of information relating to the geological setting of the complex and target models been employed in its exploration.

Regional datasets were acquired and raw gravity, magnetic and radiometric data have been forwarded to a geophysical consultancy for re-processing with proprietary target generation software. An Information Memorandum has been prepared and joint venture partners are being sought.

CRAIGIE – Alluvial Gold Project (NSW) – EL 5654 (CMY 100%)

The Company is evaluating alluvial gold deposits in the historic Craigie Goldfield with a view to establishing reserves for a series of low-cost mining operations. During the Half Year official approval was received to proceed with a fourth and more extensive programme of bulk sampling from the NSW Department of Primary Industries.

Excavation of samples and mobilization and commissioning of the Company's treatment plant is underway.

Directors' Report (continued)

PORTERS MOUNT – Gold, Copper, Molybdenum Project (NSW) – EL 6591 (CMY 100%)

Exploration is being directed towards the location of gold-copper and copper-molybdenum ore-shells at depth within a large breccia and intrusion related porphyry-style system. A comprehensive review of historic exploration results was completed during the year. The site for a deep stratigraphic drill hole, which has been designed to test coincident Induced Polarization and circular magnetic anomalies and gather information on possible depth related mineral zoning was pegged out.

Official approval for the drilling has been received, a contractor has been engaged and we expect work to commence in the near future.

NARRABURRA – Zirconium-Rare Metals Project (NSW) – EL 5629; EL 6787 (CMY 100%)

Exploration is for bulk disseminated granitic intrusion-hosted deposits containing zirconium, hafnium, yttrium, thorium, gallium, tantalum, lithium, beryllium, rubidium and Rare Earth Elements (REE) and for zircon-bearing heavy mineral sands in Tertiary to Quaternary palaeochannels.

During the Half Year results recorded in a suite of 14 heavy mineral separates made from drill chip material obtained in the 2006 RC drilling programme (see ASX announcement of 27 July 2007) were up to 12.9% zirconium and high values for hafnium, niobium, yttrium, REE (Rare Earth Elements), thorium (to 133ppm) and Uranium(to 1100ppm).

Regional gravity, magnetic and radiometric data is being re-processed to refine targets and an aircore and RC drilling programme designed to establish the extents of the mineralization and to test associated magnetic and radiometric anomalies in the two licences has been drawn up.

Official approval has been received and drilling is currently underway.

MUNDAERNO SOUTH – Uranium Project (SA) – EL 3853 (CMY 100%)

The licence is located in one of the top Uranium exploration hotspots in the country and lies strategically within the uranium-bearing Curnamona metallogenic province some 20km SSE of the Honeymoon Uranium Mine and 50km north of the former uranium mine at Radium Hill.

The geological setting is favourable for the location of calcrete-hosted uranium deposits in Quaternary valley-fill sediments and sandstone hosted roll-front type uranium deposits in Tertiary palaeochannels. (ie. Analogous to the nearby Honeymoon deposit). The area is also prospective for iron oxide copper-gold-uranium (IOCGU) style breccia and diatreme deposits; and shear zone hosted gold-copper deposits.

During the Half Year a field visit was made and access arrangements and proposed fieldwork activities were discussed with landowners. Historical exploration results were assessed and regional geophysical datasets were acquired and dispatched to an experienced geophysical consultancy for re-processing and target generation studies.

COONALPYN – Uranium, Gold and Base Metals Project (SA) – EL 3881 (CMY 100%)

This exploration licence is 120km SE of Adelaide and is located in an under explored area of southeast South Australia. Conceptual targets include uranium and base metal skarn deposits; volcanic hosted gold-base metal deposits; and uranium deposits in Quaternary calcrete valley-fill and in Tertiary palaeochannels in the Murray Basin cover sequence.

A field visit was also made during the reporting period and access arrangements and proposed fieldwork activities were discussed with landowners. Regional geophysical datasets were acquired and dispatched for third party re-processing and target generation studies.

Directors' Report (continued)

FINANCIAL

The company made an issue of options to existing shareholders during September/October 2007 raising \$143,095 as additional working capital. There were a total of 14,309,565 options issued, at purchase price of one cent, having an exercise price of 20 cents and maturity date of 18 October 2010. In December 2007 3,334 of these Options were exercised and converted to an equivalent number of ordinary shares, raising a further \$667 in working capital.

SUBSEQUENT EVENTS

The directors are not aware of any significant changes in the state of affairs of the Company occurring since the end of the half-year.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is attached to this report.

Signed at Sydney this 13th day of March 2008 in accordance with a resolution of the directors.



RICHARD HINE
Chairman

BARNES DOWELL JAMES

Incorporating P J Hennessy & Co

CHARTERED ACCOUNTANTS

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15 February 2008

The Directors
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Dear Sirs,

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF CAPITAL MINING LTD

In relation to our half year review as at 31 December 2007 of the financial report of Capital Mining Limited, to the best of our knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Yours faithfully
BARNES DOWELL JAMES



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A.J. DOWELL
Partner

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INCOME STATEMENT

Half-year ended 31 December 2007

	Note	31 Dec 2007	31 Dec 2006
		\$	\$
REVENUE FROM ORDINARY ACTIVITIES	2	113,646	6,389
Administration expenses		(16,286)	(48,338)
Audit services		(12,000)	-
Consultant expenses		(39,936)	(12,697)
Depreciation expense		(5,110)	-
Directors' fees		-	-
Employee benefits expense		(5,171)	-
Exploration expenditure written-off		(138,902)	-
Legal fees		-	-
Occupancy expenses		-	-
Travel and accommodation expenses		(566)	(4,099)
Other expenses from ordinary activities		(500)	-
LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		(104,825)	(58,745)
INCOME TAX EXPENSE RELATING TO ORDINARY ACTIVITIES		-	-
LOSS FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE		(104,825)	(58,745)
NET LOSS ATTRIBUTABLE TO MEMBERS OF CAPITAL MINING LIMITED		(104,825)	(58,745)
TOTAL REVENUES, EXPENSES AND VALUATION ADJUSTMENTS ATTRIBUTABLE TO MEMBERS OF CAPITAL MINING LIMITED AND RECOGNISED DIRECTLY IN EQUITY		-	-
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS ATTRIBUTABLE TO MEMBERS OF CAPITAL MINING LIMITED		(104,825)	(58,745)
Basic loss per share (cents per share)		0.002	0.39
Diluted loss per share (cents per share)		0.002	0.39

BALANCE SHEET

at 31 December 2007

	Note	31 Dec 07 \$	30 Jun 07 \$
CURRENT ASSETS			
Cash and cash equivalents		2,446,015	3,148,231
Receivables	3	138,925	25,458
Prepayments		19,646	7,785
TOTAL CURRENT ASSETS		2,604,586	3,181,474
NON-CURRENT ASSETS			
Tenement security deposits		95,000	70,000
Plant and equipment		100,550	39,244
Other		1,709	2,709
Deferred exploration and evaluation expenditure	4	698,910	143,304
TOTAL NON-CURRENT ASSETS		896,169	255,257
TOTAL ASSETS		3,500,755	3,436,731
CURRENT LIABILITIES			
Payables		59,424	35,985
Loan		1,647	-
TOTAL CURRENT LIABILITIES		61,071	35,985
TOTAL LIABILITIES		61,071	35,985
NET ASSETS		3,439,684	3,400,746
EQUITY			
Issued capital	5	3,884,566	3,740,804
Reserves		86,250	86,250
Accumulated losses		(531,133)	(426,308)
TOTAL EQUITY		3,439,684	3,400,746

STATEMENT OF CASH FLOWS

Half-year ended 31 December 2007

	31 Dec 2007	31 Dec 2006
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payment to suppliers and employees	(168,411)	(75,465)
Other income	51	-
Interest received	32,630	6,389
NET CASH FLOWS (USED IN) OPERATING ACTIVITIES	<u>(135,730)</u>	<u>(69,076)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of plant and equipment	(66,415)	-
Expenditure on mining interests (exploration)	(618,835)	(117,557)
Tenement security deposits	(25,000)	-
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES	<u>(710,250)</u>	<u>(117,557)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	143,763	685,900
Equity raising expenses	-	-
Repayment of borrowings	-	-
NET CASH FLOWS FROM FINANCING ACTIVITIES	<u>143,763</u>	<u>685,900</u>
NET INCREASE (DECREASE) IN CASH HELD	(702,217)	499,267
Add opening cash brought forward	3,148,232	155,722
CLOSING CASH CARRIED FORWARD	<u>2,446,015</u>	<u>654,989</u>

STATEMENT OF CHANGES IN EQUITY

Half-year ended 31 December 2007

	Attributable to the shareholders of Capital Mining Limited			
	Issued Capital \$	Accumulated Losses \$	Reserves \$	Total Equity \$
AT 1 JULY 2006	545,100	(277,851)	-	267,249
Loss for the period	-	(58,745)	-	(58,745)
Issue of share capital	685,900	-	-	685,900
AT 31 DECEMBER 2006	1,231,000	(336,596)	-	894,404
Loss for the period	-	(89,712)	-	(89,712)
Cost of share based payments taken directly to equity			86,250	86,250
Issue of share capital, net of transaction costs	2,509,804	-	-	2,509,804
AT 30 JUNE 2007	3,740,804	(426,308)	86,250	3,400,746
AT 1 JULY 2007	3,740,804	(426,308)	86,250	3,400,746
Loss for the period	-	(104,825)	-	(104,825)
Issue of share capital, net of transaction costs	143,763	-	-	143,763
AT 31 DECEMBER 2007	3,884,567	(531,133)	86,250	3,439,684

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

31 December 2007

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial report.

The half-year financial report should be read in conjunction with the annual financial report of Capital Mining Limited as at 30 June 2007.

It is also recommended that the half-year financial report be considered together with any public announcements made by Capital Mining Limited during the half-year ended 31 December 2007 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Statement of Compliance

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements.

The half-year financial report has been prepared on a historical cost basis and available-for-sale financial assets that have been measured at fair value.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

The half-year financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the half-year financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

(b) Significant Accounting Policies

The half-year financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2007.

2. REVENUE FROM ORDINARY ACTIVITIES

	31 Dec 07	31 Dec 06
	\$	\$
Interest received – other persons/corporations	113,594	6,389
Other income	52	-
	<u>113,646</u>	<u>6,389</u>

3. RECEIVABLES - CURRENT

	31 Dec 07	30 Jun 07
	\$	\$
Interest receivable	80,964	1,480
Other receivables	57,961	23,978
	<u>138,925</u>	<u>25,458</u>

4. NON-CURRENT ASSETS

Deferred exploration and evaluation expenditure

Costs brought forward	143,304	-
Costs incurred during the half-year	694,508	143,304
Expenditure written off during the half-year	(138,902)	-
Costs carried forward	<u>698,910</u>	<u>143,304</u>

Notes to the Half-Year Financial Statements (continued)

5. ISSUED CAPITAL

Share capital

1 July 2007	3,740,804	3,740,804
14,309,565 Options issued in October 2007	143,095	-
3,334 Options converted to 3,334 ordinary shares December 2007	667	-
39,613,834 ordinary shares fully paid (June 2006 – 39,610,500)	3,884,566	3,740,804

The company made an issue of options to existing shareholders during September/October 2007 raising \$143,095 as additional working capital. There were a total of 14,309,565 options issued at a purchase price of one cent with an exercise price of 20 cents and maturity date of 18 October 2010. In December 2007 3,334 of these Options were exercised and converted to an equivalent number of ordinary shares, raising a further \$667 in working capital.

6. CONTINGENT ASSETS AND LIABILITIES

Since the last annual reporting date, there has been no change in any contingent liabilities or contingent assets.

7. SEGMENT INFORMATION

The Company operates predominantly in the one business segment and in one geographical area, namely Australian mineral exploration and evaluation.

8. SUBSEQUENT EVENTS

No event has occurred subsequent to 31 December 2007 requiring disclosure in, or amendment to, these financial statements.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Capital Mining Limited, I state that:

In the opinion of the directors:

- a) the financial statements and notes of the Company:
 - i) give a true and fair view of the Company's financial position as at 31 December 2007 and the performance for the half-year ended on that date; and
 - ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



RICHARD HINE
Chairman of Directors

Sydney, 13 March 2008

BARNES DOWELL JAMES

Incorporating P J Hennessy & Co

CHARTERED ACCOUNTANTS

Partners
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A J Dowell CA
M W James CA
B Kolevski (Affiliate ICAA)

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INDEPENDENT REVIEW REPORT

To the members of Capital Mining Limited

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity and accompanying notes to the financial statements for Capital Mining Limited during the half year, and the directors' declaration for the company, for the half-year ended 31 December, 2007.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the entity, and that complies with Accounting Standard AASB 134 "Interim Financial Reporting", in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the Australian Stock Exchange and the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the Corporations Act 2001, Accounting Standard AASB 134 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, so as to present a view which is consistent with our understanding of the entity's financial position, and of its performance as represented by the results of its operations and cash flows.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is



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BARNES DOWELL JAMES

CHARTERED ACCOUNTANTS

less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Capital Mining Limited during the half-year is not in accordance with:

- (a) The *Corporations Act 2001*, including
 - (i) giving a true and fair view of the financial position of the entity at 31 December, 2007 and of its performance for the half-year ended on that date; and
 - (ii) Complying with Accounting Standards AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and:
- (b) other mandatory financial reporting requirements in Australia.

BARNES DOWELL JAMES
Chartered Accountants



.....
Anthony Dowell
Partner

12 March 2008

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