

ASX Code: CMY
Issued Shares: 39.6 M
Market Capitalisation: \$14.2 M
Cash Balance: \$3.1 M



QUARTERLY REPORT

JUNE 2007

HIGHLIGHTS

Corporate

- New Company Secretary appointed
- Branch office opened in Sydney CBD

Chakola Project Southern New South Wales

- Drill sites pegged at Harnett prospect and contract signed for mid-August start up
- Contour surveys completed for conceptual mine plan
- Metallurgical test results reviewed and second-phase testing commissioned
- Mineralogical studies on sulphides commenced
- VMS horizon at Gamma-Delta prospect mapped

Porters Mount Project Central New South Wales

- Field review completed

Narraburra Project Central New South Wales

- Replacement Exploration Licence increasing mineral rights granted
- Ground radiometric survey completed

Craigie Project Southern New South Wales

- Bulk sample sites marked out
- Processing plant refurbished and tested

SUMMARY

Progress was made in exploration of all of the Company's tenements during the reporting period. Effort was concentrated on making preparations for the proposed Stage 3 drilling programme at the Chakola - Harnett gold-base metals prospect in EL 5697 and on acquisition of baseline data to support a mine Development Application. Contour surveys of proposed infrastructure sites were completed and evaluation of proposed tailings disposal facilities continued. A second, previously known, 2000m long mineralised horizon at the Gamma-Delta prospect was located and mapped. Zircon in mineral sands drill targets were identified from ground radiometric surveys at Narraburra and the recently acquired gravity separation plant was made ready for the imminent Craigie alluvial gold bulk sampling programme.

Exploration Activities

Exploration activities continued throughout the quarter on the Company's project areas located in the Lachlan Fold Belt of New South Wales.

CHAKOLA GOLD & BASE METALS PROJECT

EL 5697 - 66.4 km²; MLA 269 - 332 hectares

(Harnett, Stonehenge, Gamma-Delta, Driscolls Hill - Capital Mining 100%)

<i>Target commodity</i>	Gold, copper, zinc, silver, lead
<i>Target type</i>	Volcanogenic massive sulphide
<i>Metallogenic Province</i>	Woodlawn-Captains Flat Silurian Volcanic Belt

Exploration within EL 5697 is for gold, copper, zinc, lead and silver in deposits located along persistent volcanic massive sulphide horizons that extend through the tenement. Work is most advanced at the Harnett prospect where a resource has been identified and baseline data to draw up a conceptual mine plan and to support a Development Application is being collected.

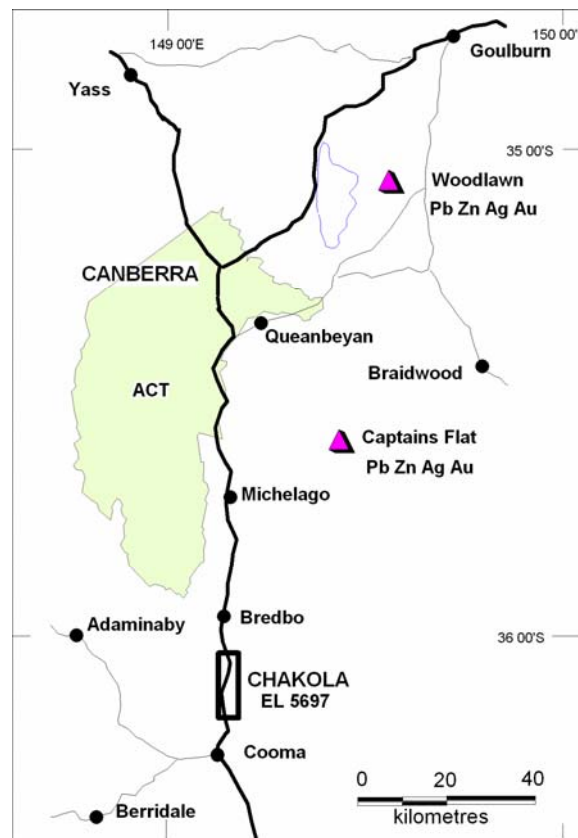
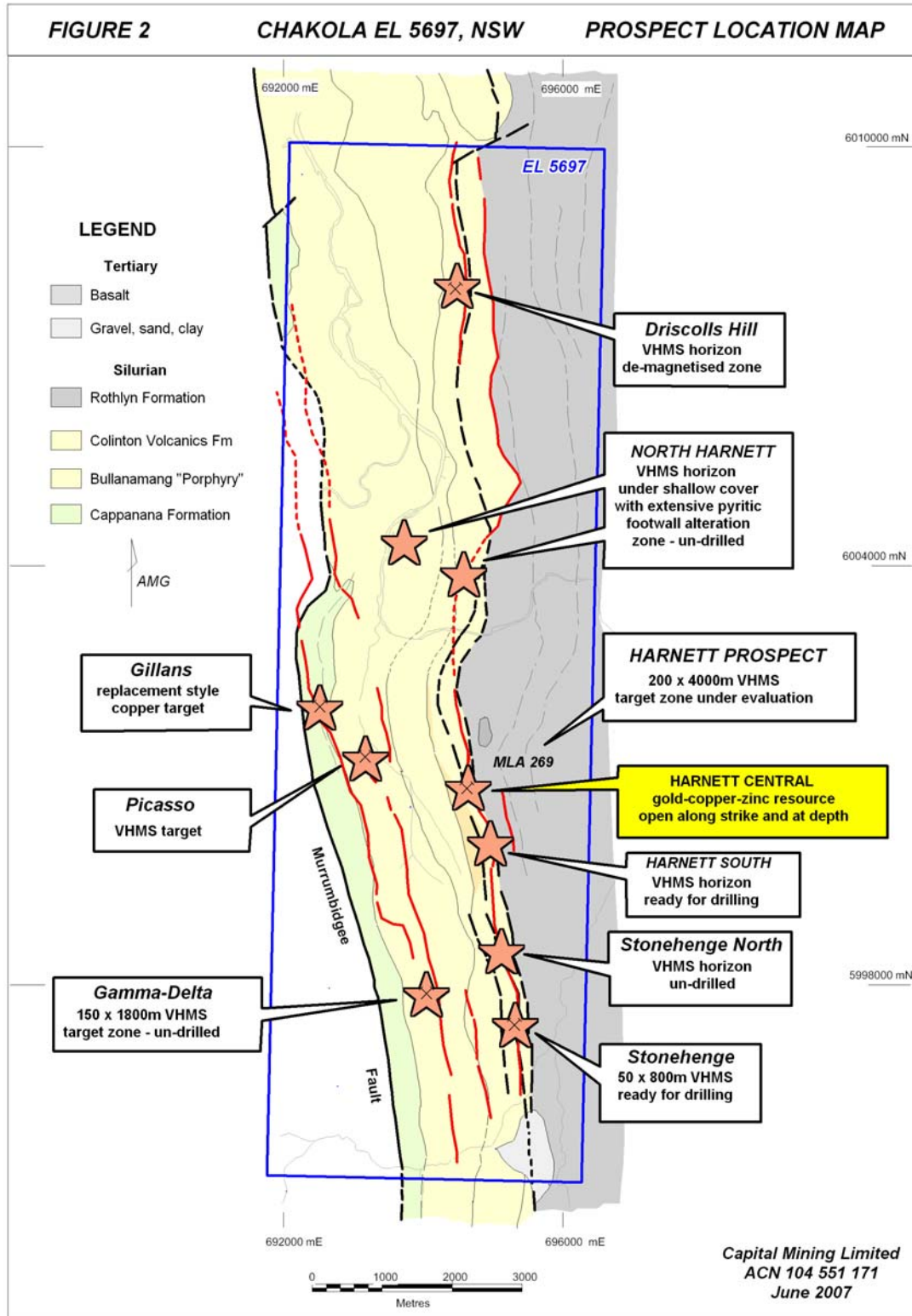


Figure 1 Chakola Project Location Map

CHAKOLA GOLD & BASE METALS PROJECT (cont.)



CHAKOLA GOLD & BASE METALS PROJECT (cont.)

In the reporting period, specifications for resource outline and exploration drilling at the Harnett prospect were drawn up. The drill collars were pegged out and a field base from which to carry out the work was established at Cooma. The drilling will be aimed at converting mineralisation in the inferred resource category to the measured and indicated categories as well as to test targets along strike. Both reverse circulation percussion (RC) and diamond core drilling is planned.

In other work, previous metallurgical test results and petrological reports were reviewed by the Company's local and international consultants. A preliminary process flow sheet was produced and further testing and mineralogical investigation is to be undertaken with a view to establishing a method to produce separate copper and zinc concentrates from the bulk sulphide flotation concentrate. Drill core samples have been submitted for the bench scale tests which will be carried out in the coming quarter. Contour surveys of proposed mine infrastructure sites were completed and a site inspection was made by a tailings dam specialist.

Detailed geological mapping of the previously known mineralised horizon at the Gamma-Delta prospect was completed and a 2,000m long zone of interest was defined. Map compilation is in progress and further evaluation by rock chip sampling and RC drilling is planned.

PORTERS MOUNT GOLD-COPPER-MOLYBDENUM PROJECT EL 6591 - 65.7 km² (Porters Mount - Capital Mining 100%)

<i>Target commodity</i>	Gold, copper, silver, molybdenum
<i>Target type</i>	Porphyry copper-gold
<i>Metallogenic Province</i>	Temora - Forbes- Parkes Porphyry Copper-Gold Belt

EL 6591 covers a large breccia and intrusion related porphyry-style gold-silver and base metals hydrothermal system which is highly fractionated and appears to be vertically zoned.



Figure 3 Porters Mount Project Location Map

PORTERS MOUNT GOLD-COPPER-MOLYBDENUM PROJECT (cont.)

Exploration is being directed towards the location of gold-copper and copper-molybdenum ore-shells at depth. These are predicted to lie beneath a cap of mineralised hydrothermal breccias, silica-tourmaline flooded metasediments and felsic intrusions that range in composition from tonalite to quartz monzonite. During the reporting period, consultations took place with landowners and a field review was completed. Reliable geological maps of the area are available and historic drill data and geophysical survey results have been compiled to site a diamond drill hole, which has been designed to form an initial test of this deep target. Exploration is continuing.

NARRABURRA ZIRCONIUM-RARE METALS PROJECT EL 5629 - 11.3 km² ; EL 6787 (formerly EL 5985) - 84.7 km² (Narraburra, Trungley - Capital Mining 100%)

<i>Target commodity</i>	Zirconium, niobium, yttrium, thorium, REE, beryllium
<i>Target type</i>	Intrusion-hosted rare metals; zircon-enriched heavy mineral sands
<i>Metallogenic Province</i>	Tumut Trough Post-Orogenic Igneous Belt

At Narraburra, exploration is for both bulk disseminated 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.

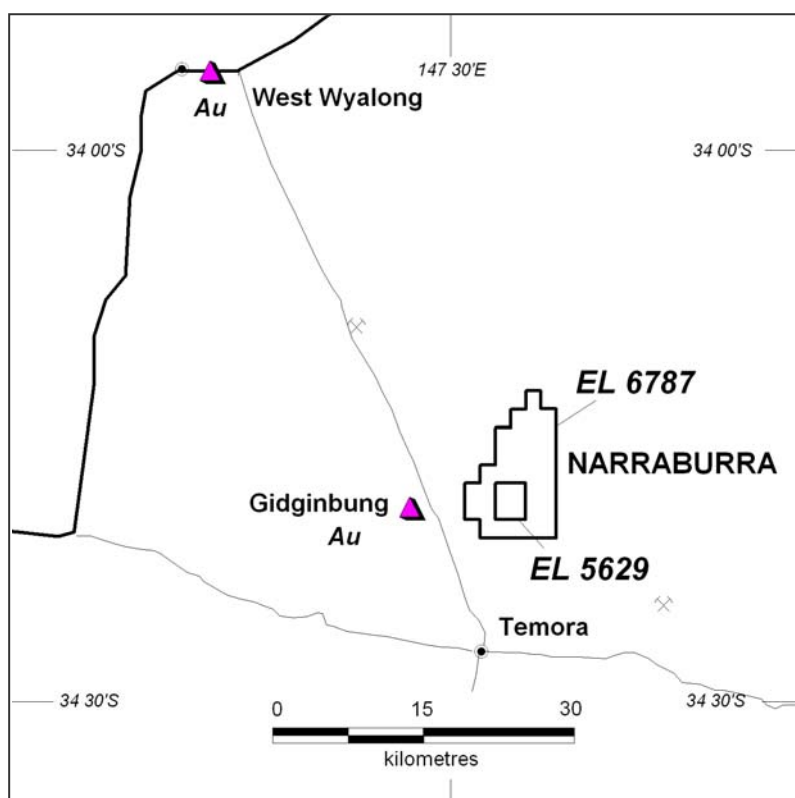


Figure 4 Narraburra Project Location Map

NARRABURRA ZIRCONIUM- RARE METALS PROJECT (cont.)

The principal targets at Narraburra are weathered deposits in the bedrock associated with areas of hydrothermal alteration within a suite of geochemically fractionated peralkaline granites of Late Devonian age. An inferred resource has been identified by RC drilling of one bedrock target and Capital is investigating whether or not a gravity concentrate can be produced from the relatively soft oxidised material in the deposit. Early in July the Company announced that it had received notification from the NSW Department of Primary Industries of the grant of EL 6787 as a replacement for EL 5985. The replacement licence covers Mineral Groups 1 and 10 (mineral sands) whereas EL 5985 was for Group 1 Minerals only.

Fieldwork completed during the quarter consisted of 9.1 line kilometres of ground radiometric surveying on 7 traverse lines across the palaeochannel system in EL 6787. Radiometric anomalies were detected on all lines at a level sufficient to allow for the positioning of follow up drill holes. Drill testing of both weathered bedrock and palaeochannel targets by a combination of auger, aircore and RC drilling methods is being planned. Analytical results for 14 drill chip samples submitted for heavy mineral separation in the previous quarter are currently being checked and final results are awaited. Exploration is continuing.

CRAIGIE ALLUVIAL GOLD PROJECT

EL 5654 - 29.5 km²

(Shiralee, Little Bog Creek, Craigie Bog Creek - Capital Mining 100%)

<i>Target commodity</i>	Gold
<i>Target type</i>	Active placer and perched terrace deposits
<i>Metallogenic Province</i>	Southern Highlands Tertiary plateau uplift

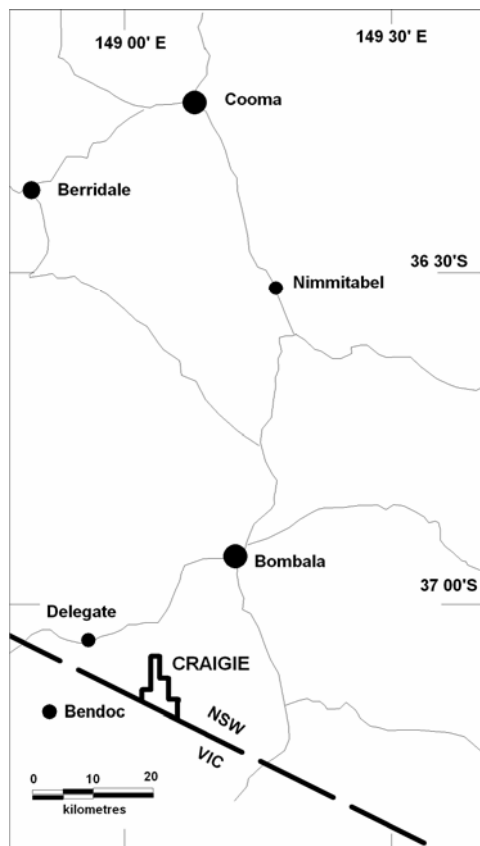


Figure 5 Craigie Project Location Map

CRAIGIE ALLUVIAL GOLD PROJECT (cont.)

At Craigie, 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. The auriferous wash lies on bedrock at a depth generally of between 2.5m to 5m. Bulk sampling has yielded positive results from gravel deposits on dry terraces and in active stream beds. Grades comparable with those of operating alluvial mines elsewhere in the region have been recorded and medium to coarse native gold grains of high purity (i.e. high fineness) have been recovered. Inferred resources have been outlined.

During the reporting period the alluvial processing plant purchased in April was transported to Cooma. Refurbishment and testing of the plant in preparation for treatment of bulk samples from the Shiralee terrace deposit and the North Little Bog Creek prospect was completed in June. Proposed bulk sample and pit sample sites were marked out. Official approval to proceed with the programme from the NSW Department of Primary Industries is awaited.

Corporate

The Company is continuing to consolidate its structure and early in July the appointment of Mr John Keppo to the position of Company Secretary was announced. Mr Keppo brings his considerable experience and expertise in the Mining Sector to the position and his appointment has been thoroughly welcomed by the Board. Mr Keppo will be working out of a Capital Mining Branch office in the Sydney Central Business District along with the Company's existing corporate advisers. A Prospectus is in preparation in respect of the proposed Bonus Loyalty Option issue that was announced in late March 2007.

Tenements - Changes of Interest for the Quarter

Status	Tenements	Location	Percentage Interest
Acquired	EL 6787	Temora District, NSW (replaces EL 5985)	100
Surrendered or cancelled	EL 5985	Temora District, NSW (cancelled - see above)	-

Dated: 25 July 2007



Richard Hine
Chairman

Enquiries may be directed to Dr Richard Hine, Exploration Manager and Chairman
Capital Mining Limited ACN 104 551 171
PO Box 3770 Weston Creek ACT 2611
Web www.capitalmining.com.au

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.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

CAPITAL MINING LIMITED

ABN

69 104 551 171

Quarter ended ("current quarter")

30 JUNE 2007

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(79)	(119)
(b) development	-	-
(c) production	-	-
(d) administration	(32)	(127)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	34	51
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(77)	(195)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects	-	-
(b)equity investments	-	-
(c) other fixed assets	(44)	(44)
1.9 Proceeds from sale of: (a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	-	-
1.10 Loans to other entities	-	(1)
1.11 Loans repaid by other entities	-	-
Security Deposits	(32)	(72)
1.12 Other (provide details if material)	-	-
Net investing cash flows	(76)	(117)
1.13 Total operating and investing cash flows (carried forward)	(153)	(312)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(153)	(312)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	3,422
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (Share issue costs)	(115)	(226)
	Net financing cash flows	(115)	3,196
	Net increase (decrease) in cash held	(268)	2,884
1.20	Cash at beginning of quarter/year to date	3,416	264
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter/year to date	3,148	3,148

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	38
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Consulting fees paid to entities associated with Directors.	24
Salary & Wages paid to Director	14
	38

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

NIL

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

NIL

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	250
4.2 Development	-
Total	250

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	348	3,416
5.2 Deposits at call	2,800	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	3,148	3,416

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	EL 5985	Cancelled on grant of EL 6787	100%	0%
6.2 Interests in mining tenements acquired or increased	EL 6787	Replaces EL 5985	-	100%

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	39,610,500*	21,510,500	Fully paid	Fully paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	250,000 250,000		<i>Exercise price</i> \$0.25 \$0.30	<i>Expiry date</i> 22 March 2012 22 March 2012
7.8 Issued during quarter	250,000 250,000		\$0.25 \$0.30	22 March 2012 22 March 2012
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

* Includes 18,100,000 ordinary fully paid shares in ASX Escrow for 24 months from listing

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: Date: 25 July 2007.....
(Director/Company secretary)

Print name: JOHN KEPPO
.....

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.