



ASX CODE: CMY

30 October 2007
Company Announcements
ASX Limited

Dear Sir / Madam,

FIRST QUARTER ACTIVITIES REPORT - SEPTEMBER 2007

During the quarter **Capital Mining** consolidated its position amongst Australia's leading junior exploration companies. Two tenements in eastern South Australia (uranium) and one in north western New South Wales (platinum-nickel) were added to **Capital Mining's** quality portfolio of leases.

Drilling has commenced at our flagship tenement at **Chakola** and a drilling program for **Porters Mount** and **Narraburra** is scheduled for early 2008. The Mining Lease Application at **Chakola** is progressing well with modifications to the conceptual mine plan and the flora and fauna survey completed. Official approval was received for a more extensive bulk sampling program for alluvial gold at **Craigie**. Work will commence once the new licence conditions have been met.

Volatility has returned to world financial markets during the quarter. Cash has become 'king' as a result of an impending credit squeeze. Oil is very close to its all time inflation adjusted high of US\$94pb. Gold is now at US\$784peroz (A\$852) and close to its 1980 all time high of US\$850peroz but still well off the all time inflation adjusted high of over US\$2,000 per oz. I believe that the bull run in Gold has only just begun and in time Gold will track oil and reach its all time inflation adjusted highs. As they say, "timing is everything" and I believe this will also help **Capital Mining** successfully secure future funding through minimal equity for the mine development at **Chakola** and beyond.

On behalf of the Board of Directors we look forward to meeting as many of our shareholders as possible at our AGM at 10.30am on 28 November 2007 at the Hellenic Club (ASX notice 26 Oct 2007)

Yours Sincerely

Robert J McCauley
Managing Director and CEO
Capital Mining Limited ACN 104 551 171
Tel: +61 4 3232 7015 Fax: +61 2 6296 6631
P.O. Box 400, Erindale Centre, 2903 Australia
Email: admin@capitalmining.com.au Web: www.capitalmining.com.au

ASX Code: CMY

Issued Shares: 39.6 M

Market Capitalisation: \$11.9M

Cash Balance: \$2.9M



QUARTERLY REPORT

SEPTEMBER 2007

HIGHLIGHTS

Exploration

- Three new exploration licences granted in the quarter
- Uranium and platinum targets added to exploration portfolio

Chakola Gold-Base Metals Project Southern New South Wales

- Rock chips with up to 18 g/t gold recorded at Stonehenge North prospect
- Drilling in progress Stonehenge North and Harnett South prospects
- Mapping and sampling of Picasso-Gillans gold-copper target horizon completed
- Harnett conceptual mine plan reviewed by consultants and refined
- Sampling of proposed mine infrastructure sites for geotechnical study completed
- Flora and fauna survey of MLA 269 completed
- Positive feedback received from pre-mine planning focus meeting

Porters Mount Gold-Copper Project Central New South Wales

- Contractor appointed and drilling programme scheduled for first quarter 2008

Narraburra Zirconium-Rare Metals Project Central New South Wales

- Drill targets selected and programme scheduled for first quarter 2008

Craigie Alluvial Gold Project Southern New South Wales

- Official approval for Stage 4 bulk sampling programme received

Corporate

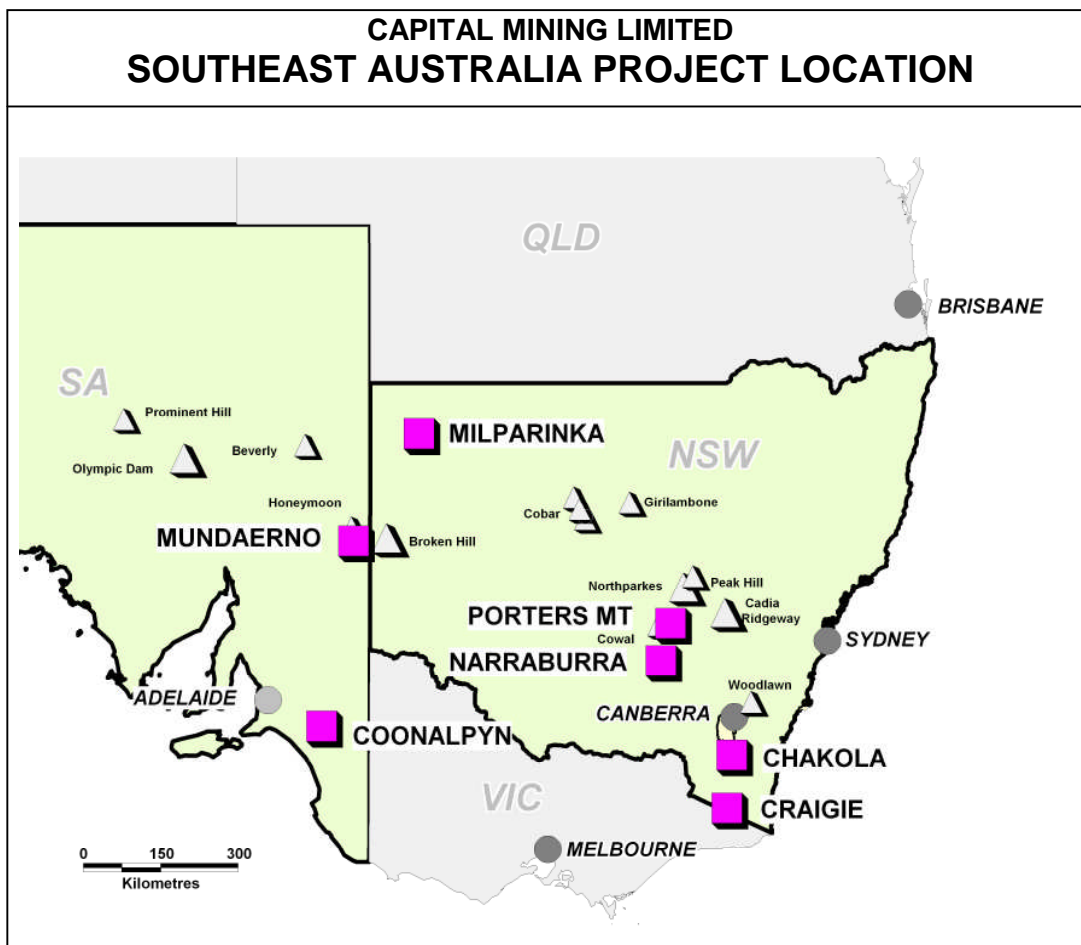
- Bonus Loyalty Option scheme well received with a pleasing 93% take up of the offer.

SUMMARY

In a very active quarter, new acreage was added to strengthen the portfolio and exploration advanced in all tenements. Advantage was taken of delays in drill rig mobilisation to complete mapping and sampling of prospective areas in EL 5697. Very encouraging results are already being followed up by exploration drilling and the 4,000m Stage 3 resource outline drilling at the Harnett gold-base metals prospect has commenced. Conceptual mine plans were well received at a pre-Mine Planning Focus meeting and more data were acquired to support the Development Application. Heavy mineral separate results from Narraburra were also encouraging and are being pursued. Drilling at Porters Mount has been scheduled for early 2008 and impediments to carrying out the bulk sampling at Craigie have been overcome.

Exploration Activities

Three new Exploration Licences were added to the Company's tenement portfolio in the reporting period. A robust conceptual model for world-class platinum and nickel deposits is to be tested in a previously unexplored region in Far Northwest New South Wales (EL 6832) and uranium is being targeted in two strategically located licences in South Australia (EL's 3881 and 3853).



New Projects

MILPARINKA PLATINUM-NICKEL PROJECT, NSW EL 6832 - 1112 km² (Capital Mining 100%)

<i>Target commodity</i>	Platinum, nickel, gold, copper
<i>Target type</i>	Magmatic segregations (basement); sediment hosted (cover)
<i>Metallogenic Province</i>	Thompson Orogen, Broken Hill -Tibooburra

EL 6832 was granted early in July 2007 and covers an area within which there is potential for location of platinum, nickel, copper and gold deposits associated with what have been modelled as a series of volumetrically very large ultramafic to mafic intrusions in the basement. The tenement is

some 250 kilometres north of Broken Hill, in the Far North West region of New South Wales and is actually located closer to Adelaide than Sydney.

The main target zone has a total strike length of 70 kilometres and there is potential for a range of different mineral deposit types to have formed in both basement rocks and in the overlying sedimentary cover sequence. Historic exploration data have been compiled, regional datasets are being acquired and a specification for exploration of the licence is being drawn up.

MUNDAERNO SOUTH URANIUM PROJECT, SA **EL 3853 - 52 km² (Capital Mining 100%)**

<i>Target commodity</i>	Uranium, gold, copper, REE
<i>Target type</i>	Calcrete and sandstone hosted roll-fronts; IOCGU
<i>Metallogenic Province</i>	Southern Curnamona Craton

EL 3853 in South Australia's northeast was granted late in July 2007. The licence is located within one of the top uranium exploration hotspots in the country and lies strategically within the uranium-bearing Curnamona metallogenic province. The tenement is 20km SSE of the Honeymoon uranium mine and is 50km north of the former uranium mine at Radium Hill. It encompasses metamorphosed granitic and pegmatitic basement units that constitute potential uranium source rocks and a late-Tertiary to Quaternary alluvial cover sequence that provides a potential depositional environment.

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 (i.e. analogous to the nearby Honeymoon deposit).

The area is also prospective for iron oxide bearing breccia and diatreme copper-gold-uranium-REE deposits (IOCGU style) in the basement. Shear-hosted gold-copper deposits on linear features within the basement have also formed targets in the area in the past. Although there has been some previous exploration, this has not involved a significant amount of drilling (2 holes recorded) and there is considerable scope for further investigation of the area.

Historical exploration results are being assessed and an ongoing work programme has been drawn up. Regional datasets have been acquired and newly released remote sensing images are to be used to generate drill targets.

COONALPYN URANIUM GOLD BASE METALS PROJECT, SA **EL 3881 - 625 km² (Capital Mining 100%)**

<i>Target commodity</i>	Uranium, zinc, gold, copper
<i>Target type</i>	Skarn/carbonate replacement; calcrete and sandstone hosted roll-front
<i>Metallogenic Province</i>	Southern Delamerian Fold Belt and Murray Basin

Exploration Licence 3881 is located 120 km SE of Adelaide and covers terrain that is considered to be prospective for deposits of uranium, zinc, copper and gold in units of the Southern Delamerian Fold Belt and Murray Basin Geological Provinces. Conceptual targets include:

- uranium and base metal skarn and limestone replacement type deposits;
- zinc, copper and gold in volcanic hosted deposits in the basement sequence; and
- uranium deposits in Quaternary calcrete valley-fill and in Tertiary palaeochannels in the Murray Basin cover sequence.

The regional geological setting of EL 3881 is considered favourable for the development of mineralization in that prior to the break up of the supercontinent of Gondwana, the basement sequence was accumulated on the margins of the Antarctic and Australian Cratons. It was subsequently deformed and thrust over continental substrate similar to that of the Gawler Craton around 510 to 490 million years ago. *As a result, there is potential for deposits to have been formed in reactive host rocks such as limestone, in the Cambrian sequence adjacent to deep seated faults or shear zones, which potentially carried hyper-saline fluids derived from the underlying continental basement.* In such an environment, there is also potential for uranium to have been remobilized from the basement and accumulated in palaeochannels and roll front type deposits in the younger cover sequence. Previous exploration has led to the location of zinc deposits associated with what are interpreted to be retrograde skarns within mafic volcanic and limestone units of Cambrian age in close proximity to EL 3881. These host rock units extend into EL 3881 and offer potential for location of similar deposits along strike. Assessment of regional geophysical data and remote sensing imagery has begun, previous exploration results have been reviewed and a work programme has been drawn up.

Existing Projects

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. Exploration is most advanced at the Harnett prospect where a resource has been identified and a conceptual mine plan has been drawn up. During the quarter geological mapping and rock chip sampling of the two main prospective structures in the southern part of the licence was completed. Prospective, ferruginous zones up to 500m long and 100m wide were identified at the Picasso prospect and 61 samples were dispatched for analysis.

Results were received from the initial batch of 174 rock chip samples collected from the Harnett South, Stonehenge and Gamma-Delta prospects in August. Relatively high gold, silver and lead values were recorded and the highest gold values of 18.05 g/t and 12.06 g/t came from the *Stonehenge North prospect* at a point some 1400m along strike from the Harnett resource. The ferruginous, sericite altered and gossanous material was also anomalous in silver, base metals and a range of gold pathfinder elements such as tellurium, arsenic, antimony and bismuth (see ASX announcement 25 September 2007). An RC drilling programme designed to follow up the results is currently in progress at the Stonehenge North prospect. Results are awaited.

Work in MLA 269 completed over the quarter included site visits by a consultant mining engineer, a metallurgist and a tailings dam engineer. The conceptual mine plan was modified and refined as a result. A series of 16 shallow pits were excavated at the proposed tailings dam and processing mill sites to obtain samples for permeability and compaction testing. Sample processing is in progress and a report is awaited. Metallurgical testing of drill core samples and mineralogical tests continued and surface analysis of concentrate particles was undertaken. Additional flotation tests are being run and results are under review. An application has been submitted to the Department of Planning New South Wales to determine guidelines for the EIS and a flora and fauna survey of the MLA was completed.

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

In EL 6591 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 gold-silver and base metals hydrothermal system. During the reporting period 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 and a contractor has been engaged to carry out the work which is currently scheduled for the first quarter of 2008.

NARRABURRA ZIRCONIUM-RARE METALS PROJECT EL 5629 - 11.3 km² ; EL 6787 - 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 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. The principal targets 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 at the Narraburra prospect in EL 5629 and the company is investigating whether or not a gravity concentrate can be produced from the relatively soft, shallow oxidised material in the deposit.

In results received early in the quarter, up to 12.9% zirconium and high values for hafnium, niobium, yttrium, REE (Rare Earth Elements), thorium (to 133 ppm) and uranium (to 1100 ppm) were 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).

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 for the drilling has been received and which has been scheduled for the first quarter of 2008.

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

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. To date, three campaigns of bulk sampling have yielded positive results and inferred resources have been outlined. 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.

In September, official approval to proceed with a fourth and more extensive programme of bulk sampling involving excavation of a series of trenches across the Shiralee terrace deposit and pits at the North Little Bog Creek prospect was received from the NSW Department of Primary Industries. Landowner consultation has been undertaken and an earthmover has been contracted. The work will commence as soon as is practicable after the new licence conditions have been met.

Corporate

On 24 October the Company announced the completion of the issue of " Bonus Options" under the prospectus in relation to a non-renounceable 1:3 entitlement offer of 20 cent exercise price options to existing shareholders.

The Company's Annual General Meeting will be held at the Hellenic Club of Canberra, Matilda Street, Phillip, Australian Capital Territory at 10.30 am (EST) on 28 November 2007.

The Notice of Meeting and the Annual Report is currently being mailed out to shareholders.

We look forward to meeting our shareholders at the meeting.

Tenements - Changes of Interest for the Quarter

Status	Tenements	Location	Percentage Interest
Acquired	EL 6832	Milparinka District, NSW	100
	EL 3853	Mundaerno South, SA	100
	EL 3881	Coonalpyn, SA	100
Surrendered or cancelled	Nil		

Dated:30 October 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 SEPTEMBER 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	(229)	(229)
(b) development	-	-
(c) production	-	-
(d) administration	(39)	(39)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	21	21
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	(247)	(247)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects	-	-
(b)equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of: (a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
Security Deposits	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	-	-
1.13 Total operating and investing cash flows (carried forward)	(247)	(247)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(247)	(247)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	20	20
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)	-	-
	Net financing cash flows	20	20
	Net increase (decrease) in cash held	(227)	(227)
1.20	Cash at beginning of quarter/year to date	3,148	3,148
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter/year to date	2,921	2,921

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	103
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 and reimbursement of expenses paid to entities associated with Directors.	90
Salary & Wages paid to Director	<u>13</u>
	<u>103</u>

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	104	348
5.2 Deposits at call	2,817	2,800
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	2,921	3,148

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	Nil			
6.2 Interests in mining tenements acquired or increased	EL 6832 EL 3853 EL 3881	Milparinka District, NSW Mundaerno South, SA Coonalpyn, SA	- - -	100% 100% 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 2,000,000		<i>Exercise price</i> \$0.25 \$0.30 \$0.20	<i>Expiry date</i> 22 March 2012 22 March 2012 18 October 2010
7.8 Issued during quarter	2,000,000		\$0.20	18 October 2010
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: 30 October 2007
(Company secretary)

Print name: JOHN KEPPO
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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.