

ASX Code: CMY

Issued Shares: 39.6 M

Market Capitalisation: \$7.9M

Cash Balance: \$2.4M



QUARTERLY REPORT

DECEMBER 2007

HIGHLIGHTS

Exploration

- 2134 metres of drilling in 23 holes completed during the quarter
- Visual sulphide mineralization intercepts encouraging
- Unusually high tellurium rare metal values encountered in drilling
- Large gold-base metals target horizon defined by chip sampling
- Very positive results received from review of platinum-nickel prospect
- Alluvial gold bulk sampling programme commenced

Corporate

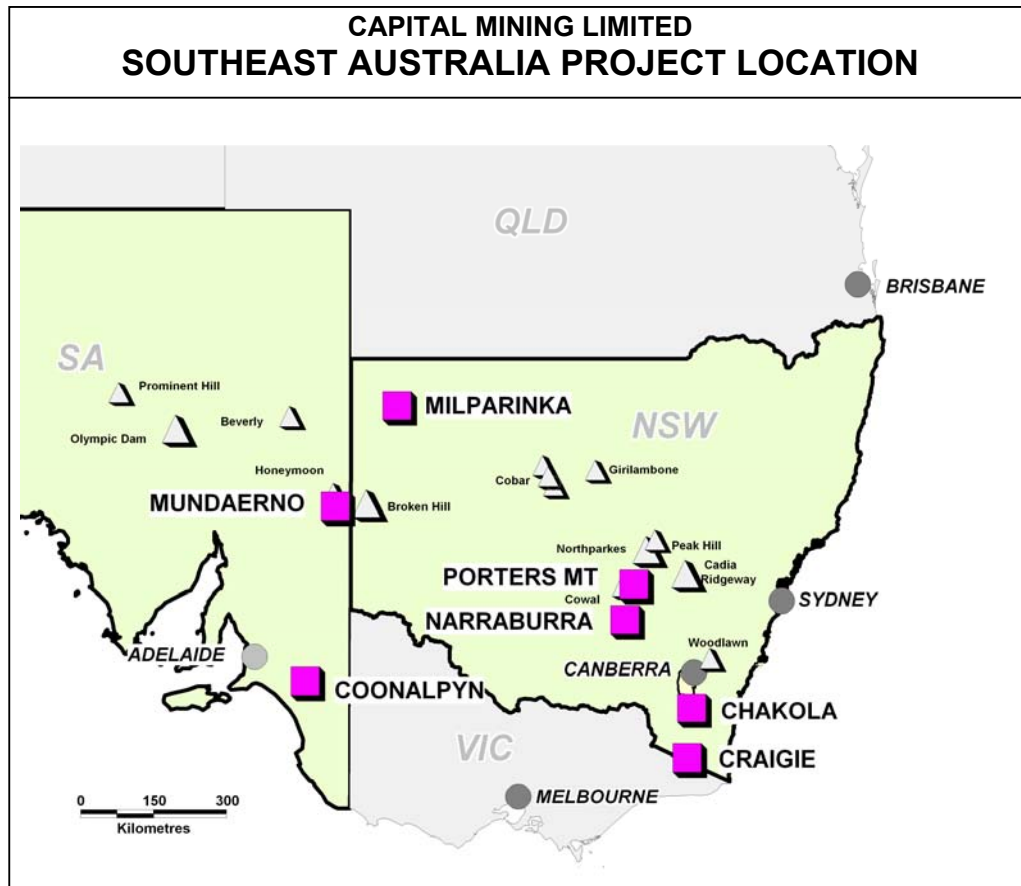
- 12.3 million Bonus Options issued and options trading commenced

SUMMARY

The focus of work during a most active quarter was the main mineralised horizon within the Chakola project area where a potentially very significant find of the extremely rare metal tellurium was made. Substantial progress was also made on the 4,000m Stage 3 resource outline drilling programme at the Harnett gold - base metals prospect where visibly well-mineralised intervals below intercepts on existing lines were recorded. Positive results were also received from a rock chip sampling programme conducted during the previous quarter and more drill targets have been defined. An independent review of the prospects at Milparinka was completed and the validity of conceptual models being used to predict the location of mineralization there was confirmed. Work also commenced on extraction of bulk samples from the Shiralee alluvial gold prospect at Craigie and preparations were made for drilling in the Porters Mount and Narraburra areas in the coming quarter.

Exploration Activities

Active exploration continued throughout the December quarter with activities including drilling in the Company's flagship licence at Chakola; completion of an independent assessment of the prospectivity of EL 6832, the Company's most important recent acquisition, at Milparinka in Far Northwest New South Wales; preparation for bulk sampling of alluvial gold prospects at Craigie; and reconnaissance of tenements covering uranium targets in South Australia.



CHAKOLA GOLD & BASE METALS PROJECT

EL 5697 - 66.4 km²; MLA 269 - 332 hectares

(Harnett, Stonehenge, Gamma-Delta, Picasso, 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 at Chakola is for gold, copper, zinc, lead and silver in deposits located along persistent mineralised horizons that extend through the tenement. Volcanogenic massive sulphide deposits (VMS) similar to the former world-class mines at Woodlawn and Captains Flat are being targeted. Exploration is most advanced at the Harnett prospect where drilling is in progress and a conceptual mine plan is being refined.

2,134m of drilling was completed in 23 holes during the reporting period. This included an initial test of the gold anomalous horizon at the Stonehenge North prospect consisting of 6 RC holes for 402m

and the completion of 17 holes for a total of 1,732m at the Harnett South and Harnett Central prospects where Stage 3 resource outline drilling is still in progress. In other developments results of rock chip sampling of prospective structures in a large area in the western half of the licence were received as reported on 20 December 2007. In other work, proposed mining waste dump sites were contoured and survey control was established for a proposed mine access road. Metallurgical testing of drill core samples continued and results are awaited from a final round of cleaning tests on rougher flotation concentrates.

Stonehenge North Drilling

At the Stonehenge North prospect, encouraging results, as reported on 3 January 2008, were obtained from the drilling of a 250m long by 30-45m wide segment of the main mineralised horizon where anomalous gold, silver, tellurium, copper, lead and zinc values were recorded in strongly altered pyritic volcanics in all six holes. Gold values were found to increase with depth on two of the three lines drilled and best results were obtained on the northernmost line leaving the prospect open at depth and to the north. High values of up to 53g/t over 1m for tellurium, a gold pathfinder and a rare precious metal with an increasing use as a component of solar cells, were also recorded in two holes. These included values up to:

- **9m @ 7.2 g/t tellurium from 40m in STN 006**
- **17m @ 4.3 g/t tellurium from surface in STN 005**

Best gold, silver and tellurium results were obtained from holes STN005 and STN006 on the northernmost of the three drill lines where a substantial thickness of strongly silicified, sericite and pyrite-bearing altered bedrock with quartz sulphide veins was intersected. Values of up to 1m at 1.29 g/t gold (STN 005) and 6.7 g/t silver (STN 006) were recorded from a 20m wide zone of mineralization within a 45m thick mineralised envelope. Trends in the data point to the possibility of locating more extensive ore-grade gold-copper mineralization at greater depth and to the north of the area that has so far been tested. Results will be followed up by more drilling as soon as practicable. Check samples have been collected and assaying is in progress.

Harnett Drilling

Drilling at the Harnett prospect commenced late in October and by mid-December 17 RC holes for a total of 1,732m had been completed at the time the programme was halted by wet weather delays and thunderstorms. Details of the holes completed are set out in Table 1. Assaying is in progress and results are awaited. Visibly well-mineralised intersections, similar to those logged in the Stage 1 and 2 drilling programmes, were recorded below the intercepts made on existing drill lines. Significant pyrite and base metal sulphide mineralization with indicative quartz-sericite alteration was logged in 15 of the 17 holes. Long laboratory turnaround times have been experienced and assay results are being processed and assessed as they come in. The 4,000m programme is scheduled to recommence early in February 2008.

Picasso-Gillans Prospecting

Encouraging results were obtained from rock chip samples collected from a 3.5km long corridor of prospective volcanic and sedimentary Silurian strata at the Picasso and Gillans prospects. Samples were anomalous in gold, silver, bismuth, tellurium, molybdenum and base metals. Detailed mapping has shown that the corridor is underlain by favourable volcanic lithologies which include numerous lenses of gossan and gossanous material.

Most significant results came from a 500m long by up to 100m wide zone at the Picasso prospect where a number of individual lenses of finely banded to semi-massive gossanous material were located. Chip samples with trace gold (to 72 ppb), copper, tellurium, arsenic, bismuth, molybdenum and mercury in ferruginous material with up to 39% iron were recorded. The gossanous zone is located in a favourable setting close to the contact between a sequence of metasediments that include marble and calc-silicate rocks and overlying metavolcanics. Ground checking has been completed and reprocessing of airborne geophysical data to generate drill targets is in progress.

Gossanous material collected from exposures at the Gillans and Gillans North prospects was also anomalous in gold (up to 176 ppb), silver, copper, lead, zinc and the gold pathfinders bismuth, arsenic and tellurium. The bedrocks include calc-silicate rocks, limestone and marble that form potential hosts for gold and copper skarn deposits.

Table 1 CHAKOLA EL 5697, NSW HARNETT GOLD-BASE METALS PROSPECT RC DRILL HOLES COMPLETED OCTOBER TO DECEMBER 2007 (Assay results are awaited)									
Hole#	Prospect	LocEast	LocNorth	AMGEast	AMGNorth	RL	Dip	Azimuth	Depth
						(m)	(deg.)	(Grid)	(m)
HRC057	Harnett South	1070	760	694810.78	6000338.05	826.10	-60	076	147
HRC058	Harnett South	1110	760	694849.62	6000349.17	821.58	-60	076	120
HRC059	Harnett South	1150	760	694886.53	6000363.91	815.60	-60	076	60
HRC050	Harnett South	1030	880	694741.03	6000444.39	818.60	-60	076	135
HRC055	Harnett South	1110	880	694817.94	6000465.50	818.47	-60	076	138
HRC056	Harnett South	1070	880	694779.64	6000454.13	820.69	-60	077	120
HRC054	Harnett South	1050	940	694744.20	6000507.53	811.31	-60	075	120
HRC052	Harnett South	1090	970	694775.46	6000546.03	805.10	-60	076	80
HRC053	Harnett South	1030	970	694716.36	6000530.61	813.20	-60	076	135
HRC047	Harnett Central	1130	1000	694806.75	6000586.26	799.50	-60	076	40
HRC048	Harnett Central	1110	1000	694787.75	6000579.59	801.81	-60	077	40
HRC049	Harnett Central	1020	1000	694700.95	6000557.20	814.18	-60	076	140
HRC051	Harnett Central	1060	1000	694739.67	6000568.25	808.32	-60	076	87
HRC060	Harnett Central	1050	1030	694720.99	6000592.72	812.01	-70	076	99
HRC061	Harnett Central	1070	1030	694740.45	6000598.95	810.41	-70	076	81
HRC062	Harnett Central	1040	1060	694703.40	6000620.10	813.56	-70	076	100
HRC063	Harnett Central	1040	1090	694698.21	6000649.81	811.74	-70	076	90

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

Investigation of a continental scale, deeply buried magnetic and gravity anomaly complex, which is the focus of the Company's exploration at Milparinka, continued during the quarter. The complex is in excess of 300 square kilometres in area and the prime targets are world-class magmatic nickel-copper-platinum deposits and orogenic gold and intrusion related gold-base metals deposits.

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 the target models being 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 is being prepared and joint venture partners are being sought.



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. Preparations were made during the December quarter for the excavation of trenches and on site processing of bulk samples at the Shiralee terrace prospect. Excavation of samples is scheduled for completion early in February 2008 and will be accompanied by mobilization and commissioning of the Company's treatment plant.

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 is strategically located in a uranium exploration hotspot in the Curnamona geological province some 20km SSE of the Honeymoon uranium mine. Exploration is for roll-front type uranium deposits in Tertiary palaeochannels; calcrete-hosted uranium deposits in Quaternary valley-fill; IOCGU (iron oxide copper-gold-uranium) style breccia and diatreme deposits; and shear zone hosted gold-copper deposits. A field visit was 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.

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 in an under explored area of southeast South Australia where the search is for uranium, zinc, copper and gold deposits in units of the Delamerian and Murray Basin Geological Provinces. 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. As for EL 3853, a field visit was 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.

PORTERS MOUNT GOLD-COPPER-MOLYBDENUM PROJECT

EL 6591 - 65.7 km²

(Porters Mount - Capital Mining 100%)

Target commodity Gold, copper, silver, molybdenum
Target type Porphyry copper-gold
Metallogenic Province 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. No fieldwork was carried out during the quarter as the Company waited on the mobilization of a rig suitable for drilling its planned deep stratigraphic drill hole. The hole has been designed to gather information on any detectable depth-related variation in geochemistry and mineral zoning within the area targeted. The drilling is currently scheduled for commencement in February-March 2008.

NARRABURRA ZIRCONIUM-RARE METALS PROJECT

EL 5629 - 11.3 km² ; EL 6787 - 84.7 km²

(Narraburra, Trungley - Capital Mining 100%)

Target commodity Zirconium, niobium, yttrium, thorium, REE, beryllium
Target type Intrusion-hosted rare metals; zircon-enriched heavy mineral sands
Metallogenic Province 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) as well as for zircon-bearing heavy mineral sands in Tertiary to Quaternary palaeochannels. The main 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. No fieldwork was undertaken during the quarter and the Company is waiting on a suitable rig to carry out a planned aircore and RC drilling programme. Regional gravity, magnetic and radiometric data are being re-processed to refine targets.

Corporate

On 24 October 2007 the Company announced the completion of the issue of 12.3 million Bonus Options to shareholders under the prospectus in relation to its non-renounceable 1:3 entitlement offer. Trading of the Options commenced on 15 October 2007.



Tenements - Changes of Interest for the Quarter

Status	Tenements	Location	Percentage Interest
Acquired	Nil		
Surrendered or cancelled	Nil		

Dated: 30 January 2008

Richard Hine
Chairman

Enquiries may be directed to Dr Richard Hine, Exploration Manager and Chairman
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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")

31 DECEMBER 2007

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(511)	(740)
(b) development	-	-
(c) production	-	-
(d) administration	(48)	(87)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	10	31
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	37	37
Net Operating Cash Flows	(512)	(759)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects	-	-
(b)equity investments	-	-
(c) other fixed assets	(65)	(65)
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	(25)	(25)
1.12 Other (provide details if material)	-	-
Net investing cash flows	(90)	(90)
1.13 Total operating and investing cash flows (carried forward)	(602)	(849)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(602)	(849)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	125	145
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	125	145
	Net increase (decrease) in cash held	(477)	(704)
1.20	Cash at beginning of quarter/year to date	2,921	3,148
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter/year to date	2,444	2,444

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	99
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.	84
Salary & Wages paid to Director	<u>15</u>
	<u>99</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	400
4.2 Development	-
Total	400

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	71	104
5.2 Deposits at call	2,373	2,817
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	2,444	2,921

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	Nil			

+ 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	39,613,834*	21,513,834		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	3,334	3,334	Fully paid	Fully paid
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 14,306,231**	0 0 8,272,896	<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	12,309,565	6,276,230	\$0.20	18 October 2010
7.9 Exercised during quarter	3,334	3,334	\$0.20	18 October 2010
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 date of listing,

** Includes 6,033,335 Options exercisable at \$0.20 in ASX escrow for 24 months from date of 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 January 2008
(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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