

ASX Code: CMY

Issued Shares: 39.6 M

Market Capitalisation: \$9.1M

Cash Balance: \$1.77M

QUARTERLY ACTIVITIES REPORT JUNE 2008



HIGHLIGHTS

Exploration

PORTERS MOUNT

- Highly encouraging epithermal style mineralisation intersected
- New conceptual targets identified from re-processed geophysical data

CHAKOLA - HARNETT GOLD-BASE METALS PROJECT

- High grade copper and gold intercepts included in drill results
- Updated resource estimates nearing completion
- Development application and EIS on track for December quarter submission
- Drill targets generated from tellurium and gold-copper-lead anomalies in soils

NARRABURRA ZIRCONIUM - RARE METALS

- Drill results show potential for addition to resources
- Positive results obtained from target generation studies

CRAIGIE ALLUVIAL GOLD

- Additional 69 cubic metres of bulk sample processed at above economic cut off grade
- Preparations made for installation of Micron Wave Table for gold concentrate processing

TARGET GENERATION

- Targets identified from re-processed geophysical data - NSW and SA project areas
- Acquisition of satellite remote sensing data commences – Coonalpyn SA

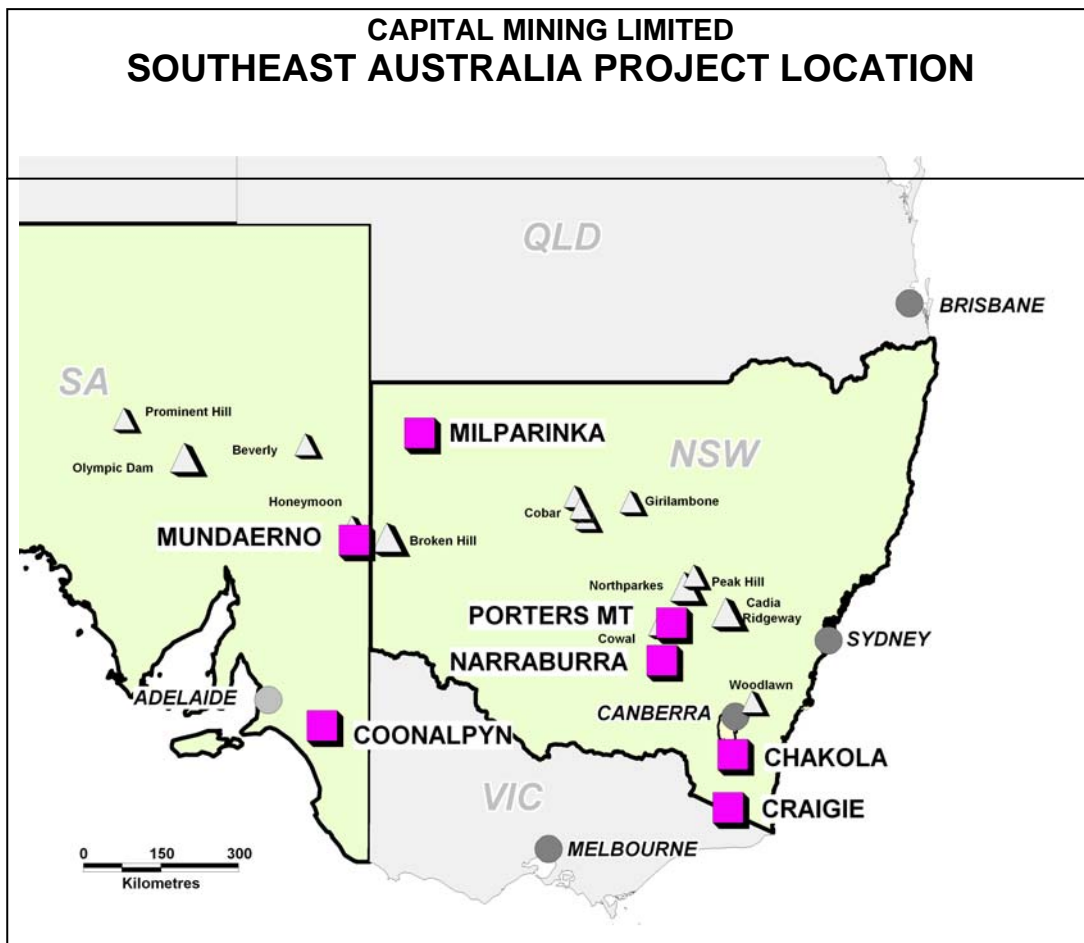
Corporate

- 2008-2009 programme and budget review completed

Exploration Activities

Exploration throughout another very active quarter centred on the Porters Mount gold-copper prospect where an 891m diamond drill hole was completed to test geophysical anomalies at depth on the eastern flank of what is a very large mineral system. Unexpected epithermal style vein mineralisation was intersected at depth and disseminated and veinlet-style pyrite mineralisation together with indicative alteration was encountered in both sedimentary and intrusive lithologies. Drill core samples are currently being analysed and results are awaited.

In other developments, most encouraging assay results with potential to boost resources were received in May from drill programmes completed at both Chakola (Harnett gold-base metals prospect) and at Narraburra (zirconium-rare metals prospect). Processing of alluvial gold bulk samples was successfully carried out at Craigie (Shiralee terrace prospect) also with positive results. Targets were identified from re-processed regional geophysical datasets in the company's tenements in Far Northwest New South Wales (nickel-platinum-gold) and South Australia (uranium). And acquisition of leading-edge satellite remote sensing data covering the underexplored Coonalpyn area southeast of Adelaide (uranium-gold-base metals) has commenced.



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

Diamond Drilling – Epithermal Vein Mineralisation Encountered

Drilling of this exceptional target, where there is potential to locate a world-class copper-gold deposit within a large area of indicative mineralisation, alteration and brecciation, commenced during the quarter. The aim of the drilling was to test the mineral system at significantly greater depth than had previously been achieved and to test conceptual models based on metal zoning patterns within comparable mineral systems.

The drill programme consisted of a single diamond core hole, which was drilled on the eastern side of the Porters Mount prospect to a depth of 891.5m at an inclination of 75 degrees. The hole was taken beyond the design target depth of 800m to get a better look at the pyrite dominant mineralisation encountered beyond 700m. Drilling was stopped when the hole could no longer be safely advanced in broken and soft ground.

The hole was designed to investigate the source of coincident Induced Polarisation and magnetic low geophysical anomalies being generally indicative of disseminated pyrite mineralisation and magnetite destructive alteration respectively. Carbonaceous and calcareous siltstones, fine sandstones and quartzite cut by discordant and concordant intrusions of porphyritic diorite and andesite were encountered.

Highly encouraging signs of mineralisation were seen and significant intercepts logged in the hole included a pyrite-rich vein breccia with colloform banded and chalcedonic quartz and intervals of disseminated and stockwork style pyrite-dominant mineralisation.

The epithermal vein style mineralisation was unexpected at the depth encountered (746m) and the find significantly increases the depth range over which underlying porphyry-related gold-copper disseminated mineralisation may be present in the system. The discovery also has significant implications for ongoing exploration in that the search for boiling zone depositional sites, which have the potential to carry bonanza gold and silver grades, can now be added to the list of available targets.

Diamond Drilling – Results Awaited

Sampling of the core has been completed and 456 half-core samples have been forwarded for analysis. Assaying is in progress and a detailed announcement will be prepared when all of the results have been received and processed.

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, lead, zinc, silver
<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 which extend through the tenement. Volcanogenic massive sulphide deposits (VMS) similar to the former mines at Woodlawn and Captains Flat are being targeted. Very positive results have been obtained from the company's work programmes to date and resources have been outlined at shallow depth.

Harnett Prospect – Resource Update in Progress

Results of a third round of drilling at the Harnett gold-base metals prospect were received and processed during the quarter (see ASX announcement of 02 May 2008). Re-estimation of gold-silver and base metal resources and estimation of marginal grade mineralisation and waste volumes is in progress and the work is nearing completion.

Conceptual Mine Plan and Environmental Impact Study

Considerable advances were made on the EIS that is being prepared to support the development application for an open cut mining operation at the Harnett prospect. The "Description of Project" document is nearing completion and results of third party studies commissioned to address Departmental guidelines have been very positive. These have included reports on the proposed Tailings Storage Facility, road access design and Traffic Impact study, Archaeological and Heritage study and hydrogeological assessment of water impacts. An Air and Noise study has commenced and community consultation is in progress.

Stonehenge North Prospect – Evaluation of Tellurium Potential & Soil Sampling

Further work to evaluate the potential for tellurium (a rare metal increasingly used in the manufacture of solar cells) along the Stonehenge North – Harnett segment of the main mineralised horizon was completed during the quarter. Check sampling of outcrops, RC drill cuttings and diamond drill core was carried out by World Industrial Minerals of Colorado and Capital's previous results were confirmed.

Rock chips with between 12 and 35 ppm tellurium and 0.36 to 59.6 g/t gold were collected from the Stonehenge North prospect and trace tellurium to 10.4 ppm was also recorded in a sample of diamond drill core from the Harnett prospect. The latter assayed 1.24 g/t gold, 1.05% copper and 1.44% lead plus zinc.

Stonehenge North Prospect – Soil Sampling Programme

In order to map out the Stonehenge North tellurium anomaly, 266 soil samples were collected from a grid covering an 800m corridor between the Stonehenge North and Harnett prospects. The highest tellurium values were recorded at the Stonehenge North prospect and were up to 19.1 ppm. The higher values fell within a 200m long by 50m wide dispersion zone which was open to the south and which was also anomalous in gold, copper and zinc.

CHAKOLA GOLD & BASE METALS PROJECT (cont.)

Harnett South Prospect – New Soil Anomaly Detected

A second, stronger, coherent gold-copper-lead anomaly, which was poor in tellurium but high in the gold pathfinders barium, arsenic and antimony, which are associated with ore grade mineralisation at the Harnett prospect, was also defined on the northernmost four lines of the grid. This anomaly, which was surrounded by a zinc-rich halo, was 200m long and open to the north and east. Drill testing is justified and ground follow up is in progress.

In view of its effectiveness, further soil sampling is being planned to close off the northern anomaly at Harnett South and to extend the grid to the Stonehenge South prospect.

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 intrusion-hosted deposits containing rare metals (zirconium, hafnium, yttrium, thorium, gallium, Rare Earths) in weathered bedrock and for zircon-bearing heavy mineral sands in palaeochannels. An inferred resource has been outlined and investigations are aimed at producing a heavy mineral concentrate from free-digging material at a low ore to waste strip ratio.

Resource Update in Progress

Assay results for 23 aircore holes, which were drilled during the previous quarter to establish the limits of the resource at Narraburra and to test outlying geophysical anomalies, were received and processed in May (see ASX announcement of 09 May 2008 for details). Check assaying of 118 samples for 7 elements including zirconium, yttrium and thorium by X-Ray Fluorescence analysis was also completed to verify original ICPMS results. All data have been compiled and re-estimation of the resource is in progress.

Target Generation Successful

Target generation studies also continued during the reporting period and analysis of re-processed regional air magnetic and radiometric data to define palaeochannel and bedrock targets for follow-up drilling commenced. The third party processing techniques employed were very successful in pinpointing known deposits within EL 5629 and the results have immediate application in the ongoing search of both tenements.

Metallurgical Test Work Commencing

In other work, a suite of drill residue samples was collected for in-house bench scale metallurgical testing with the company's newly purchased Micron Wave Table. The testing is being carried out by way of follow up of laboratory tests in which a heavy mineral concentrate high in zirconium and rare metals was successfully made from Narraburra drill sample material by heavy liquid separation. The Micron Wave Table is a gravity separation device that is capable of recovering extremely fine heavy mineral grains from a slurry of feed material that can be finely ground or up to 1-2mm in grain size. Tests will begin as soon as the Cooma based facility has been set up and commissioned.

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, Capital is evaluating a series of separate alluvial gold deposits in an historic goldfield with a view to establishing reserves for low-cost mining operations.

Shiralee Prospect – Bulk Sampling Programme

Processing of three large gravel samples from the Shiralee prospect, where an inferred resource of 30,500 bank cubic metres at an estimated gold grade of 650 milligrams/bcm is under investigation, was completed during the quarter.

Encouraging gold grades of up to 1615 milligrams per bank cubic metre were recorded (see ASX announcement 23 June 2008) and the highest result obtained in the round of sampling was up to four times the assumed cut off grade for deposits of the type under investigation (i.e. 350-450 milligrams/bcm).

In all, 129 bcm of material was treated at a weighted average recovered grade of 655 mg/bcm. This is remarkably close to the previous estimate for the deposit which was based on the grades obtained from a suite of considerably smaller samples. The result is considered to be most encouraging, especially in view of the fact that there was significant dilution of most of the combined sample by barren overburden.

Shiralee Prospect – Heavy Mineral Residue Analysis

Analysis of two tailings samples and of seven heavy mineral residues was also completed during the quarter. The tailings assays ranged from 4.4 g/t gold near the plant outfall, where there was potential to concentrate fine gold in the sump, to 0.037 g/t further from the outfall where the sample was more representative of the run of mill tails. Results are taken to indicate that satisfactory recoveries have been achieved during the processing.

The gold concentrate heavy mineral residues constitute a potential by-product of any mining at Craigie and contain significant amounts of titanium, zirconium, chromium and niobium as tabulated below.

CRAIGIE EL 5654								
GOLD CONCENTRATES - HEAVY MINERAL RESIDUES ANALYSIS								
SAMPLE	Au	Cr	Nb	Sn	Ta	Ti	W	Zr
DESCRIPTION	ppm	%	ppm	ppm	ppm	%	ppm	%
08CRH001	69.3	0.60	504	154	100	24.30	220	5.45
08CRH002	219.0	1.17	340	165	70	14.85	130	0.77
08CRH003	212.0	1.02	469	186	100	21.30	190	3.57
08CRH004	130.0	3.40	417	266	100	13.05	170	1.18
08CRH005	40.7	5.45	476	121	120	12.10	200	0.12
08CRH006	104.0	0.98	534	545	100	21.80	200	1.49
08CRH007	284.0	1.33	477	1085	100	18.85	230	3.32

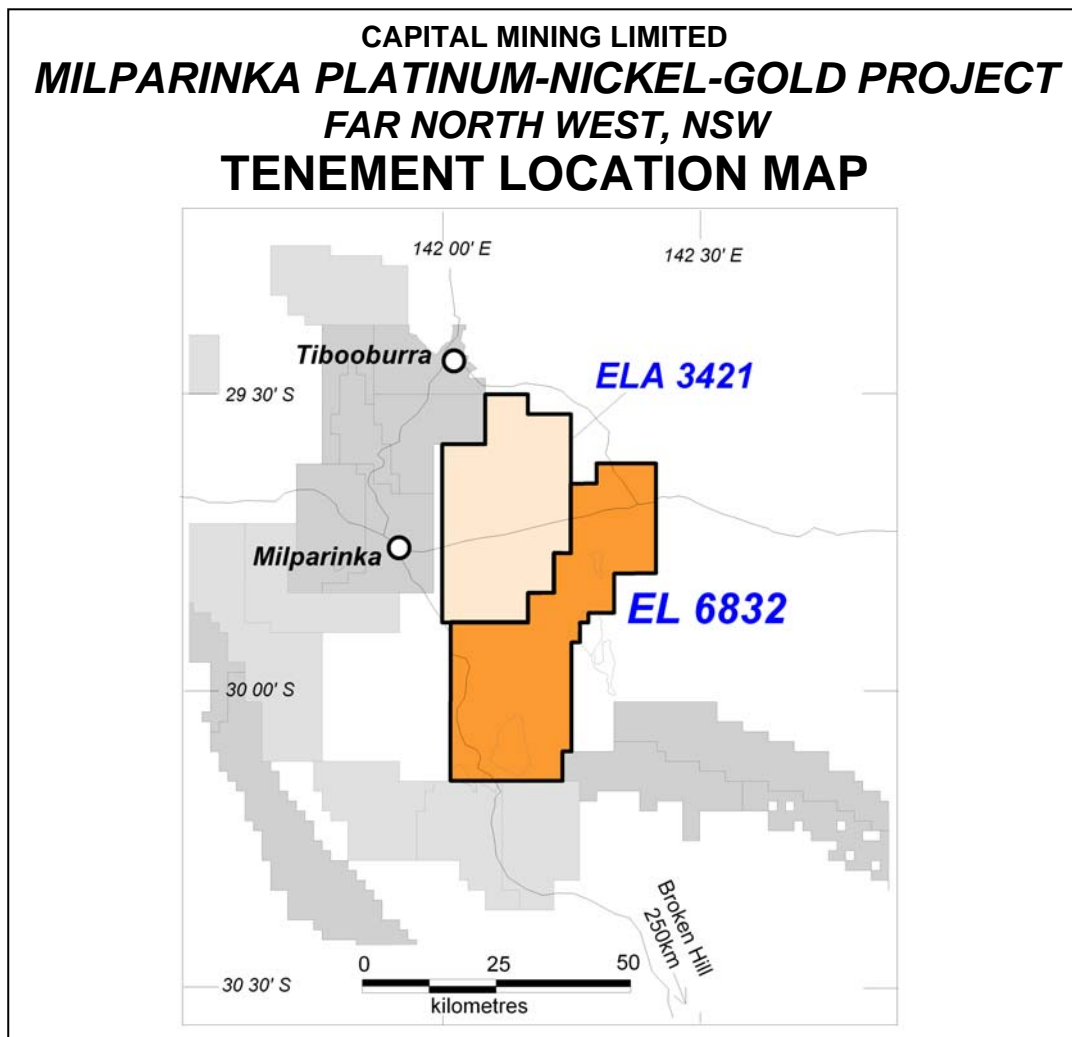
MILPARINKA PLATINUM-NICKEL PROJECT, NSW EL 6832 - 1112 km² ; ELA 3421 – 856 km² (Capital Mining 100%)

<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

At Milparinka Capital is exploring a deep-seated magnetic and gravity anomaly complex of continental scale that has the potential to host exceptionally large magmatic nickel-copper-platinum deposits as well as orogenic gold and intrusion related gold-base metals deposits. There has been no previous exploration of the area other than by remote sensing methods and Capital is outlining targets for drilling.

During the reporting period the assessment of re-processed regional gravity, magnetic and radiometric datasets commenced and target maps were prepared. The offer of an Exploration Licence in respect of ELA 3421 of 856 km² was made by the Department of Primary Industries and accepted. Notification of grant of the licence is awaited

An Information Memorandum outlining the concepts and summarising the geophysics, geology and the perceived outstanding prospectivity of the area is available.



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 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.

During the reporting period, third party re-processing of regional geophysical datasets was completed and an analysis of the resultant gravity, magnetic and radiometric images commenced. Prospective features have been identified in the licence, target maps have been prepared and drilling is being planned.

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 being explored for uranium, gold and base metal deposits in units of the Delamerian and Murray Basin Geological Provinces. 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.

The area is underexplored and lacks recent regional airborne geophysical survey coverage. Third party acquisition of new satellite remote sensing data, commissioned at the company's request, commenced during the reporting period. The information is being acquired to narrow the search region within the tenement and to identify areas for ground follow up and drill testing.



Tenements - Changes of Interest for the Quarter

Status	Tenements	Location	Percentage Interest
Acquired	Nil		
Surrendered or cancelled	Nil		

Dated: 29 July 2008

Richard Hine

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")

30 June 2008

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(400)	(1,437)
(b) development	-	-
(c) production	-	-
(d) administration	(32)	(168)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	119	156
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	37
Net Operating Cash Flows	(313)	(1,412)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a)prospects	-	-
(b)equity investments	-	-
(c) other fixed assets	(8)	(73)
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	(20)	(35)
1.12 Other (provide details if material)	-	-
Net investing cash flows	(28)	(108)
1.13 Total operating and investing cash flows (carried forward)	(341)	(1,520)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(341)	(1,520)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	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	-	145
	Net increase (decrease) in cash held	(341)	(1,375)
1.20	Cash at beginning of quarter/year to date	2,114	3,148
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter/year to date	1,773	1,773

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	90
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.	77
Salary & Wages paid to Director	<u>13</u>
	<u>90</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	173	114
5.2 Deposits at call	1,600	2,000
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,773	2,114

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	Nil	Nil		
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 14,306,231	<i>Exercise price</i> \$0.191 \$0.241 \$0.20	<i>Expiry date</i> 22 March 2012 22 March 2012 18 October 2010
7.8 Issued during quarter	Nil	Nil		
7.9 Exercised during quarter	Nil	Nil		
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.

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: 29 July 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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+ See chapter 19 for defined terms.