

ASX Code: CMY

Issued Shares: 39.6M

Market Capitalisation: \$2.5M

Cash Balance: \$1.3M

QUARTERLY ACTIVITIES REPORT SEPTEMBER 2008



HIGHLIGHTS

Exploration

PORTERS MOUNT - GOLD-BASE METALS

- Drill assay results confirm gold potential and wide extent of mineral system
- New conceptual epithermal, high-grade vein and gold skarn targets identified
- High resolution gravity survey commissioned

CHAKOLA - HARNETT GOLD-BASE METALS

- Updated conceptual open pit resource of 1.22Mt @ 3.1 g/t gold equivalent announced
- 99% of resource in highest JORC Measured and Indicated categories
(as reported to ASX on 2 September 2008, Tables 1-4)
- Key component studies for Chakola-Harnett EIS completed ahead of schedule
- Development Application for Chakola expected to be lodged by December 2008
- Systematic soil sampling of main prospective horizon completed

NARRABURRA ZIRCONIUM - RARE METALS

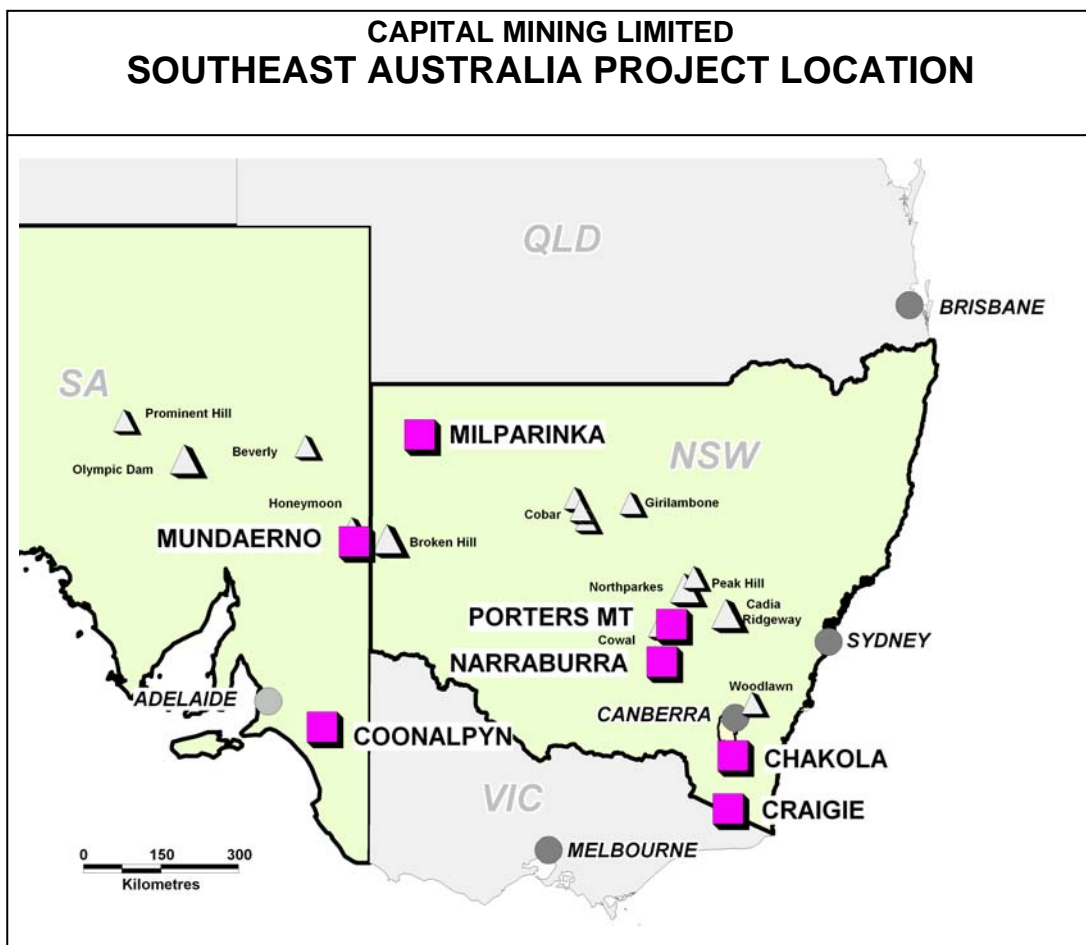
- In-house metallurgical testing commences with positive visual results

COONALPYN – URANIUM, GOLD, BASE METALS

- Satellite remote sensing data successfully acquired to narrow search area
- Areas of interest identified for ground follow up

Exploration Activities

Efforts in the reporting period centred on assessment of the considerable amount of data generated by drill programmes which were completed in three project areas over the previous two quarters. Very positive assay results were received from the Porters Mount deep diamond hole, which have revealed previously unrecognised potential in the mineral system and will lead to redirection of the exploration programme to evaluate new targets. An update of the resource at the Harnett gold-base metals prospect was completed in September with a resultant move to a higher degree of confidence in the estimate. In-house metallurgical testing of Narraburra zirconium and rare metals bearing drill samples also commenced and the company's new Micron Wave Table gravity separation unit was successfully installed and commissioned during the quarter. Acquisition of new satellite remote sensing data for the Coonalpyn area was successfully completed and the potential to target specific areas within the large licence area was demonstrated.



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, epithermal gold
Metallogenic Province	Temora - Forbes- Parkes Porphyry Copper-Gold Belt

Exploration at Porters Mount is focused on evaluation of epithermal and porphyry-style gold, silver and copper-molybdenum mineralisation associated with a diatreme breccia complex. The prospect occupies a large, 15 square kilometre area and is located at the intersection of two major lineaments, one of which forms the faulted margin of a Silurian sediment filled rift.

PORTERS MOUNT PROJECT *(continued)*

Diamond Drilling – Assay Results Received and Assessed

In the reporting period assay results for hole PMD001(891.5m), which was drilled on the eastern flank of the prospect on coincident Induced Polarization and magnetic low anomalies, were received (see announcement to market of 07 August 2008). Highly encouraging signs of mineralisation were seen and significant intercepts included a pyrite-rich vein breccia with colloform banded and chalcedonic quartz, and intervals with disseminated and stockwork style pyrite-dominant mineralisation. Seven significant intercepts with gold and pathfinder elements at highly anomalous levels were made in the hole and results confirmed that the system is strongly metalliferous. Intercepts included:

- **4.4m @ 24.5 g/t silver from 530.9m;**
- **28.0m @ 0.5 g/t gold from 740.0m including 16m @ 0.8 g/t gold; and**
- **20.5m @ 0.5 g/t gold from 779.5m including 2.4m @ 2.37 g/t gold with 3.32% arsenic**

High arsenic values to 70,800 ppm in the mineralised intervals and high silver to gold and lead plus zinc to copper ratios were taken to indicate that the mineralisation was in distal veins and possibly overlying a gold deposition zone.

Data Review in Progress

A review of the extensive historic drill data base, which includes results such as 14m @ 1.02 g/t gold in hole TARRA61 from 6 to 20m (North Limited, 1996), is in progress to determine whether or not the previous drilling was too widely spaced and in places too shallow to allow for the discovery of any potentially productive near surface gold mineralisation that may link with that intersected in PMD001.

Gravity Survey Planned

In order to follow up conceptual gold-copper skarn targets developed from the results of hole PMD001 and to locate any potentially productive pipe-like intrusions, a high resolution gravity survey, timed for completion in the first quarter of 2009, has been commissioned. The technique is known to have been successfully used to locate porphyry copper-gold deposits in the Northparkes area in the past.

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, tellurium
<i>Target type</i>	Volcanogenic massive sulphide
<i>Metallogenic Province</i>	Woodlawn-Captains Flat Silurian Volcanic Belt

The Chakola licence lies on an extension of the very productive Woodlawn – Captains Flat belt of Silurian volcanics and exploration is for gold, copper, zinc, lead and silver in deposits which are located along a series of underexplored, persistent mineralised horizons. Shallow, potentially mineable gold and base metal resources have been outlined at the Harnett prospect and these form the focus for evaluation of the tenement.

CHAKOLA PROJECT *(continued)*

Harnett Prospect – Resource Update Completed

During the quarter, an update of the mineral resource within the Harnett conceptual open pit to a depth of 70m was completed and reported to the market (see two CMY - ASX announcements of 02 September 2008 for full details). The updated estimate of **1.22Mt @ 3.1 g/t gold equivalent** was made at a 50% higher cut off grade of 1.5g/t gold equivalent for the primary gold-silver-copper-lead-zinc sulphide mineralisation which constitutes 86% of the resource within the conceptual open pit. ***The drilling completed earlier in the year lifted 99% of the primary sulphide resource into the highest JORC Measured and Indicated categories.*** In practical terms it is this resource material that the company is looking to convert into an ore reserve in the near future.

It should be noted that the body of mineralisation which constitutes the current resource, that is, mineralisation within the conceptual open pit to a depth of 70m, is surrounded and underlain by a considerably larger halo or envelope of mineralisation that is sub-grade at the spot metal prices and cut off grade used for the 02 September 2008 resource estimate. The envelope includes a significant volume of lead-zinc dominant mineralisation of marginal grade that has potential to be included in resources should commodity price movements allow.

Environmental Impact Study Advanced –DA Expected to be Lodged Dec. 2008

Flora and fauna, water quality, noise and air quality studies were completed in the reporting period for the Environmental Impact Statement that is being prepared to support the development application for an open cut mining operation at the Harnett prospect. Results were very positive and to date no significant or unmanageable impacts of the proposed development have been identified. It is expected that the Development Application will be lodged by December 2008.

Harnett - Stonehenge Main Horizon Segment - Soil Sampling Completed

In view of the successful delineation of copper-gold drill targets by soil sampling along mapped mineral horizons in the area, a further 610 soil samples were collected during the quarter to close off a newly discovered copper and gold anomaly at the Harnett South prospect and to complete the coverage of the 4km long mineralised horizon which extends to the Stonehenge South prospect near the southern licence boundary. Sample processing has been completed and analysis is in progress. The aim is to prioritise anomalies for drilling and results are awaited.

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 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. A large 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.

NARRABURRA PROJECT (*continued*)

In-House Metallurgical Testing in Progress

During the quarter emphasis was placed on assessment of a viable method to produce a heavy mineral concentrate from potential ore material by using innovative technology. The company's Cooma based, Micron Wave Table gravity separation facility was set up and successfully commissioned. Testing of a series of drill samples with known head grades commenced and an initial batch of 25 concentrate, table residue and tailings samples was forwarded for analysis. ***Production of a concentrate is the key to unlocking the low grade rare metal resource at Narraburra which has considerable tonnage potential.*** Visual results of the gravity separation testing were positive and assay results, which will be used to guide further tests are awaited.

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 alluvial gold deposits in an historic goldfield with a view to establishing reserves for low-cost mining operations. A terrace resource potentially suitable for dry mining has been delineated at the Shiralee Terrace 2 prospect where a bulk sample processing plant has been established. There was no fieldwork during the reporting period. Sampling of the larger North Little Bog Creek prospect is planned for the first quarter 2009.

MILPARINKA PLATINUM-NICKEL PROJECT, NSW

EL 6832 - 1112 km² ; EL 7147 – 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 outstanding conceptual targets for precious and base metals which are associated with very deep seated structures of continental scale. The company has a large acreage of previously unexplored terrain in a frontier region and innovative reassessment of regional gravity, magnetic and radiometric datasets has been completed. Target maps have been prepared and an Information Memorandum outlining the concepts and perceived high prospectivity of the area is available. During the reporting period notification of the grant of Exploration Licence 7147 in respect of ELA 3421 was received. Joint venture partners are being sought and exploration is continuing.

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 located close to the recently established Honeymoon uranium mine in the Curnamona geological province and covers a series of previously untested palaeochannels and magnetic anomalies in the basement. The area is prospective for roll-front and calcrete-hosted type uranium deposits in cover sediments and for IOCGU (iron oxide copper-gold-uranium) style breccia and diatreme deposits in the basement. Targets for both have been identified within the tenement and drilling is planned. In the reporting period, the licence was renewed for a second term.

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 covers a large area of underexplored terrain in a region where a number of significant gold and base metal discoveries have recently been made in adjacent provinces with similar geology. Conceptual targets in EL 3881 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. Acquisition of new satellite remote sensing data under contract was successfully completed at the end of the reporting period. This was despite its having to have been collected under cool and relatively cloud free conditions in winter. Several areas have been identified for ground follow up ahead of drill testing and assessment of the data is continuing.

Tenements - Changes of Interest for the Quarter

Status	Tenements	Location	Percentage Interest
Acquired	EL 7147	Milparinka, NSW	100
Surrendered or cancelled	Nil		

Dated: 31 October 2008

Richard Hine

Chairman

For further information please contact:

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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 September 2008

Consolidated statement of cash flows

Cash flows related to operating activities

	Current quarter 30 September 2008 \$A'000	Year to date (3 months) 30 September 2008 \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(458)	(458)
(b) development	-	-
(c) production	-	-
(d) administration	(47)	(47)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	37	37
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	(468)	(468)
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)	(468)	(468)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(468)	(468)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
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	-	-
	Net increase (decrease) in cash held	(468)	(468)
1.20	Cash at beginning of quarter/year to date	1,773	1,773
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter/year to date	1,305	1,305

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	130
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.	95
Non Executive Directors fees (covering 12 month period)	<u>35</u>
	<u>130</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	300
4.2 Development	-
Total	300

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	273	173
5.2 Deposits at call	1,032	1,600
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,305	1,773

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 7147	Milparinka NSW	Nil	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	39,613,834*	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 (22 March 2007).

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: 31 October 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.