

ASX Code: CMY

Issued Shares: 39.6 M

Market Capitalisation: \$13 M

Cash Balance: \$3.4 M



QUARTERLY REPORT

MARCH 2007

HIGHLIGHTS

Corporate

- IPO successfully completed with ASX listing March 20
- 17 million shares issued to public
- \$3.4 million raised for exploration programmes

Chakola Project Southern New South Wales

- Review of identified resources completed
- Significant upgrade of gold and base metal resources announced
- Preparations for Stage 3 resource outline drilling advanced

Porters Mount Project Central New South Wales

- Data review completed
- High potential drill target identified

Narraburra Project Central New South Wales

- New heavy mineral sand and bedrock targets identified
- Specifications for drill programme being prepared

Craigie Project Southern New South Wales

- Flora survey completed
- Processing plant purchased
- Official go ahead for bulk sampling programme awaited

SUMMARY

Capital Mining was admitted to the Official List of the ASX on 20th March 2007 following the allotment of 17.1 million shares to the public under the terms of its Prospectus lodged in November 2006. Share trading commenced on 22nd March. Work programmes, which were delayed by the IPO process have recommenced and funds are being applied to pursue a vigorous exploration programme which will include ground surveys, bulk sampling and drilling in the June and September quarters.

Exploration Activities

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

CHAKOLA GOLD & BASE METALS PROJECT

EL 5697 - 66.4 km²; MLA 269 - 332 hectares

(Harnett, Stonehenge, 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 principally for gold, copper, zinc, lead and silver deposits located along a persistent volcanic massive sulphide horizon that runs the length of the tenement.

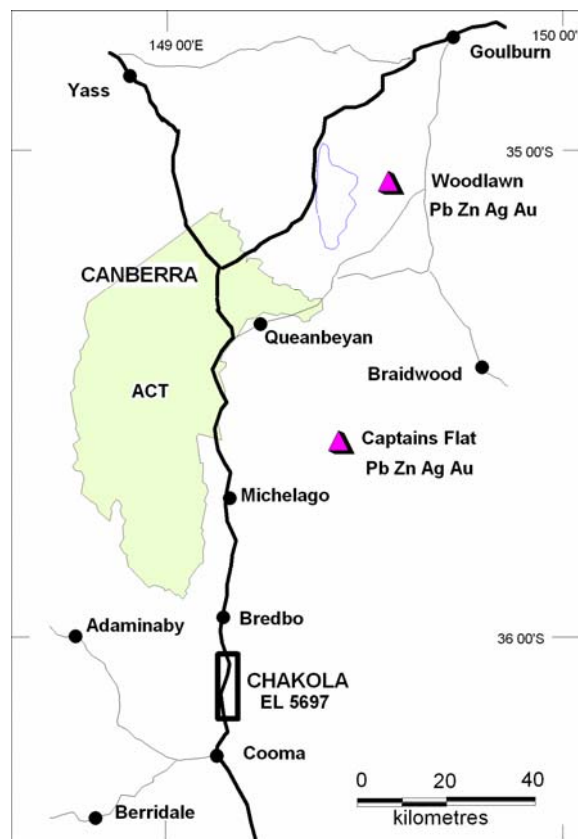


Figure 1 Chakola Project Location Map

CHAKOLA GOLD & BASE METALS PROJECT (cont.)

During the reporting period a review of the identified gold and base metal resources at the Harnett prospect, the principal prospect within the tenement was completed. A significant increase in the estimated tonnage and contained metal content of the primary sulphide resource was reported to the ASX on 3rd of April 2007. Results are summarized in the tables below. A detailed report can be found under "Announcements" on the Company's website at www.capitalmining.com.au or can be obtained by writing to the Company.

The review took into account:

- a) significant increases in metal prices since November 2005 when the original estimate was made;
- b) the addition of zinc to the suite of recoverable elements in the primary sulphide mineralisation;
- c) the potential to extract material to 100m depth (710 RL) by open pit mining rather than to 70m;
- d) historic results from diamond drill holes which intersected the mineralised envelope below the defined resource and along strike at a depth of up to 300m below the surface.

TABLE 1 HARNETT PROSPECT - PRIMARY RESOURCE TO 740 RL

1.0 g/t Au equivalent cut-off; revised April 2007

RESOURCE CATEGORY	TONNES	GRADE g/t Gold Equivalent		Au g/t	Cu %	Ag g/t	Pb %	Zn %
Measured	926,000	3.5		0.60	0.41	6.8	0.33	0.57
Indicated	1,068,000	3.1		0.41	0.22	5.1	0.30	0.79
Inferred	1,137,000	2.4		0.33	0.21	5.1	0.28	0.53
TOTAL	3,131,000	3.0		0.44	0.27	5.6	0.30	0.63

TABLE 2 HARNETT PROSPECT - PRIMARY RESOURCE TO 710 RL

1.0 g/t Au equivalent cut-off; revised April 2007

RESOURCE CATEGORY	TONNES	GRADE g/t Gold Equivalent		Au g/t	Cu %	Ag g/t	Pb %	Zn %
Measured	926,000	3.5		0.60	0.41	6.8	0.33	0.57
Indicated	1,110,000	3.1		0.40	0.22	5.0	0.30	0.79
Inferred	2,596,000	2.7		0.39	0.22	5.4	0.28	0.59
TOTAL	4,632,000	2.9		0.43	0.26	5.6	0.30	0.63

TABLE 3 HARNETT PROSPECT - OXIDE RESOURCE

0.5 g/t Au equivalent cut-off; revised April 2007

RESOURCE CATEGORY	TONNES	GRADE g/t Gold Equivalent		Au g/t	Ag g/t
Measured	130,500	1.4		1.14	10.5
Indicated	19,000	0.9		0.63	11.2
Inferred	45,500	1.3		1.12	5.3
TOTAL	195,000	1.3		1.1	9.3

TABLE 4 HARNETT RESOURCE - METAL PRICES USED IN ESTIMATES

COMMODITY	Gold	Silver	Copper	Lead	Zinc
SYMBOL	Au	Ag	Cu	Pb	Zn
PRICE USED IN ESTIMATE \$USD	630 / oz	12.7 / oz	6300 / tonne	1670 / tonne	4200 / tonne

CHAKOLA GOLD & BASE METALS PROJECT (cont.)

Specifications for an intensive drilling programme at the Harnett prospect with the aim of converting material in the inferred resource category to the measured and indicated categories are being drawn up. Proposed work will include: geotechnical investigations; mapping; scoping and pre-feasibility studies; metallurgical testing; and drilling of targets along strike.

PORTERS MOUNT GOLD-COPPER-MOLYBDENUM PROJECT

EL 6591 - 65.7 km²

(Porters Mount - Capital Mining 100%)

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

EL 6591 covers a large breccia and intrusion related porphyry-style gold-silver and base metals hydrothermal system which is highly fractionated and appears to be vertically zoned. Exploration is being directed towards the location of gold-copper and copper-molybdenum ore-shells at depth. Deposits of the type targeted are characteristically related to sub-volcanic intrusions, can be of great vertical extent and have high contained metal contents. Despite a substantial amount of previous exploration the system has not been explored to the depth required to test its full potential. The tenement is centred on Porters Mount where a complex of mineralised hydrothermal breccias and silica-tourmaline flooded metasediments are exposed on a prominent hill surrounded by black soil plains. Felsic intrusions ranging in composition from tonalite to quartz monzonite have been intersected in shallow drill holes in the past. The prospect is in close proximity to Barrack's Cowal gold deposit near West Wyalong where production has recently commenced from a resource of 51mt @ 1.7 g/t containing 139 tonnes of gold.

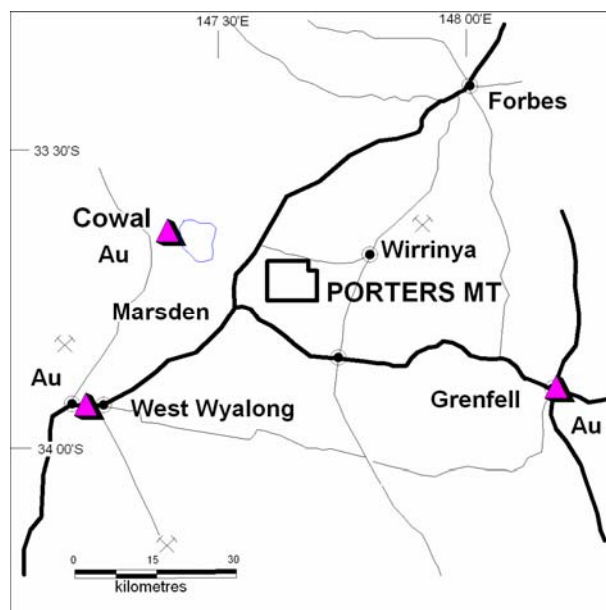


Figure 2 Porters Mount Project Location Map

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

Historical exploration, including five campaigns of drilling, has outlined a large intrusion-related gold-silver and base metals hydrothermal system that is enriched in arsenic, boron, antimony and other volatile elements. Outcrop samples with up to 3.2 g/t gold have been recorded and a 750 x 300m bedrock geochemical anomaly at plus 0.1 g/t gold has been outlined by drilling. The breccias have intense quartz-tourmaline and sericite-carbonate-pyrite alteration and have been intruded by biotite diorite, tonalite, feldspar porphyry and pink, hematite dusted micro-monzonite intrusions. Mineral isotopic data are consistent with a Late Silurian to Early Devonian age for the mineralisation and the sulphides have a magmatic isotopic signature. More work is needed to reach an understanding of the controls on the formation of the mineralisation and the Company is addressing this question.

A comprehensive review of historic exploration results from the Porters Mount porphyry copper-gold prospect has recently been completed and specifications for drilling what is considered to be this exceptional target have been drawn up. The initial target is a zone of magnetite destructive alteration that is coincident with an Induced Polarization electrical geophysical anomaly. The target zone is interpreted to be a pyritic alteration halo surrounding a potentially copper-gold mineralised intrusion with a footprint around 250m in diameter.

NARRABURRA ZIRCONIUM-RARE METALS PROJECT

EL 5629 - 11.3 km² ; EL 5985 - 84.7 km²

(Narraburra, Trungley - Capital Mining 100%)

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

At Narraburra, exploration is for bulk disseminated intrusion-hosted deposits containing zirconium, hafnium, yttrium, thorium, gallium, tantalum, lithium, beryllium, rubidium and Rare Earth Elements (REE); and for zircon-bearing heavy mineral sands in palaeo-channels emanating from a source at the foot of the Narraburra Hills. The principal targets are weathered deposits that are associated with areas of hydrothermal alteration within a suite of geochemically fractionated peralkaline granites of Late Devonian age. The granite suite is apparently unique in the Lachlan Fold Belt and there has been no systematic search for these types of deposits in the area in the past. Capital is investigating whether or not a concentrate can be produced from oxidised granitic material that is naturally enriched in a suite of highly valuable rare metals and REE.

A geochemically anomalous zone has been located in EL 5629 near the centre of a prominent potassium, thorium and uranium air radiometric anomaly. The rare metal concentration is hosted by a coarse grained, highly fractionated peralkaline granitic intrusive phase that forms part of what is interpreted to be an asymmetrically zoned ring complex centred in surrounding EL 5985.

Exploration is based on models drawn from mineralisation associated with specific magmatic phases in zoned, peralkaline ring complexes in Nigeria and other locations through Africa, North America and Asia. The search is for near surface residual deposits and deeper underlying, primary deposits containing a suite of rare metals with high unit value that have uses in the emerging high-tech industrial sector.

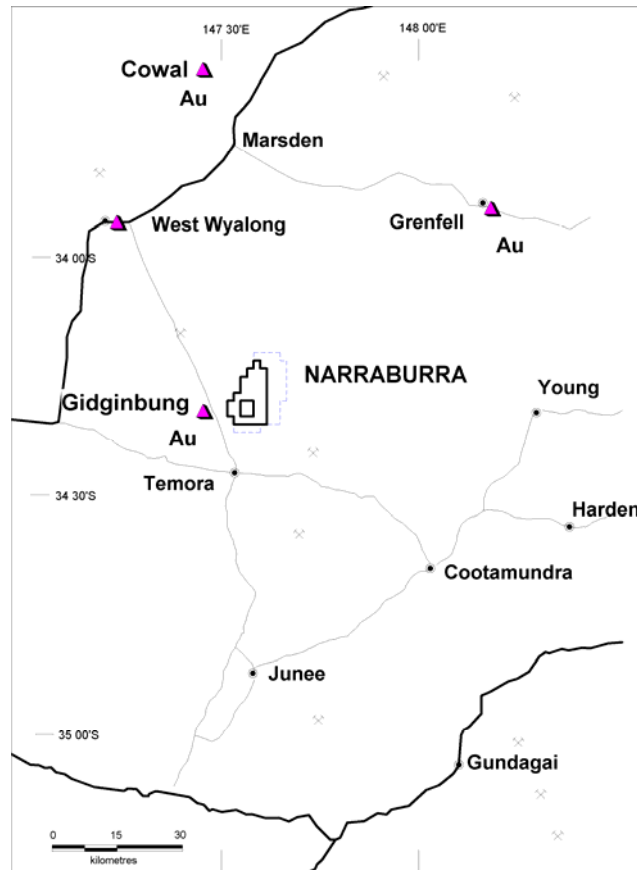


Figure 3 Narraburra Project Location Map

Work to date has included: an assessment of historic exploration results; interpretation of airborne magnetic and radiometric data; photogeological study; geological mapping; rock chip sampling; ground radiometric surveying; petrological and mineralogical studies; preliminary metallurgical testing and RC percussion drilling. Results have been encouraging and a 1500m long by 500 to 800m wide target zone in deeply weathered granitic intrusives that has geochemically anomalous levels of zirconium, hafnium, niobium, thorium, cerium and heavy REE has been defined.

Research is in progress to identify the nature and distribution of the rare metal bearing mineral phases in the host rock. The results will be used to design a metallurgical testing programme that will be aimed at establishing methods to produce a saleable rare metals and REE concentrate. The rare metals being sought have a wide range of uses in ceramics, electronics, alloys, super-magnets, superconductors and the nuclear industry. Demand is increasing and there have been recent significant price rises in a number of these commodities, zircon in particular.

In the reporting period, a review of data highlighted the potential for zircon to be concentrated in heavy mineral sands in a palaeo-channel system emanating from a source at the foot of the Narraburra Hills. The northward trending palaeo-channel system is marked by an anomalous thorium radiometric signature. The source region includes the area encompassing the bedrock resource at the Narraburra prospect and a broad magnetic high under shallow cover to its west. The association between concentrations of iron oxide and rare metals found by analysis of bedrock drill samples makes the magnetic high an attractive target for higher-grade bedrock mineralisation. The Company considers the prospect to have excellent potential and will undertake a programme of ground geophysical surveying and drilling to test these promising targets as soon as is practicable.

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. The auriferous wash lies on bedrock at a depth generally of between 2.5m to 5m.

Bulk sampling has yielded positive results from gravel deposits on dry terraces and in active stream beds. Grades comparable with those of operating alluvial mines elsewhere in the region have been recorded and medium to coarse native gold grains of high purity (i.e. high fineness) have been recovered. Work to date has resulted in the discovery of one terrace deposit of 20,500 cubic metres at an estimated grade of 650 milligrams per bank cubic metre containing an estimated 430 ounces of gold and has confirmed the existence of a larger volume of auriferous gravel beneath marshy cover elsewhere within the Licence.

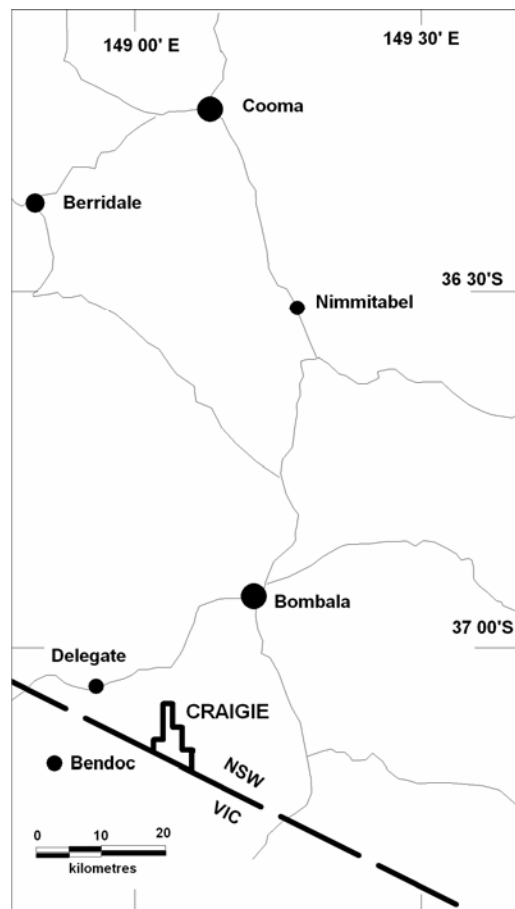


Figure 4 Craigie Project Location Map

CRAIGIE ALLUVIAL GOLD PROJECT (cont.)

Exploration is aimed at establishing reserves to support a 2,000 ounce/year alluvial mining operation. The slate belt terrain in which the alluvial deposits are located is geologically similar to that of the Central Victorian Goldfields.

Work completed on the project prior to the IPO has included an assessment of historic data; photogeological and geomorphological studies; reconnaissance geological mapping and hand auger sampling. Positive results of this work were followed up by three campaigns of bulk sampling that were designed to rank the most promising prospects within the Licence. Two of these have been singled out for further evaluation and a programme of trenching, pitting and bulk sampling aimed at establishing reserves for a trial mining operation has been designed.

Work carried out on EL 5654 in the March quarter has included a survey of the area comprising the Little Bog Creek prospect by an Environmental Consultant. The survey was commissioned to search for any populations of the threatened plant species *Euphrasia Scabra* or Rough Eyebright and to assess the site for any potential significant environmental impacts that may arise from the Company's proposed pit sampling programme at the North Little Bog Creek prospect. No communities or populations of endangered species were found and the consultant's report has been forwarded to the Department of Primary Industries for consideration. Formal approval to proceed with the proposed sampling is awaited.

In preparation for treatment of bulk samples from both the Shiralee terrace deposit and the North Little Bog Creek prospects, a second hand alluvial processing plant based around 2 automated Inline Spinner Bowls and capable of treating 25 tonnes of feed per hour was purchased. Arrangements have been made for transportation of the plant and its refurbishment prior to installation on site. The plant was built by a world leader in the design of alluvial plants and is in very good condition having had less than 100 hours of use.

Although primarily purchased for the processing of alluvial gold bulk samples at Craigie, the plant can also be used to produce heavy mineral concentrates. As such, it is envisaged that it will also be utilised in the future to process heavy mineral sand bulk samples from the Narraburra Rare Metals Project.

Investigations are underway to find a suitable contractor to carry out the earthmoving works associated with the proposed bulk sampling at the Shiralee and North Little Bog Creek prospects. A site visit has been arranged to a gold concentrating facility in the central west of New South Wales to discuss the possible gold extraction from our concentrate produced during the bulk sampling. Once final approval is received from DPI – Minerals Division these plans will be put into place.


Corporate

Capital Mining listed on the Australian Stock Exchange during the quarter. The Company was admitted to the Official List on 20th March 2007 following the allotment of 17.1 million shares to the public under the terms of its Prospectus dated 8th November 2006. Share trading commenced on 22nd March. As a token of thanks to Shareholders and supporters, on 30th March the Company announced its intention to issue a Prospectus for a non-renounceable pro-rata offer of 3 year Options, each at an issue price of \$0.01 and exercisable at \$0.20. The proposed Bonus Loyalty Option issue will be on the basis of one Option for every three Shares held at a Record Date to be set within six months of the announcement.

Tenements - Changes of Interest for the Quarter

Status	Tenements	Location	Percentage Interest
Acquired	Nil		
Surrendered	Nil		

Dated: 27 April 2007

A handwritten signature in black ink, appearing to read "Richard Hine".

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
E-Mail admin@capitalmining.com.au
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")

31 MARCH 2007

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (9months) \$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration and evaluation	(11)	(39)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(14)	(96)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	11	17
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		(14)	(118)
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)
1.11	Loans repaid by other entities	-	-
	Security Deposits	(40)	(40)
1.12	Other (provide details if material)	-	-
Net investing cash flows		(40)	(41)
1.13	Total operating and investing cash flows (carried forward)	(54)	(159)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(54)	(159)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	2,736	3,422
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (Share issue costs)	(29)	(111)
	Net financing cash flows	2,707	3,311
	Net increase (decrease) in cash held	2,653	3,152
1.20	Cash at beginning of quarter/year to date	763	264
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter/year to date	3,416	3,416

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	51
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, management fees and reimbursement of security deposits for 4 Exploration Licences (see 1.11) paid to entities associated with Directors.

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

Financing facilities available

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

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	350
4.2 Development	-
Total	350

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	3,416	763
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	3,416	763

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	39,610,500 ¹	21,510,500	Fully paid	Fully paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	17,110,500 ²	17,110,500	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>			<i>Exercise price</i>	<i>Expiry date</i>
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				

¹ Includes 18,100,000 ordinary fully paid shares in ASX Escrow 24 months from listing

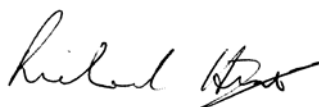
² Fully paid ordinary shares issued to public through IPO

+ See chapter 19 for defined terms.

7.12	Unsecured notes (totals only)			
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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: 26 April 2007
 (Director/Company secretary)

Print name:
 RICHARD HINE

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.