

4 October 2007

AIM: CHL

**CHURCHILL MINING PLC**

("Churchill" or "the Company")

**South Woodie Woodie Manganese Project**

**Project Update and Acquisition by Spitfire Resources Limited**

**Highlights:**

- Heliborne Versatile Time-Domain Electromagnetic geophysics programme and interpretive work completed
- Follow-up Dipole-Dipole IP survey identifies multiple drill targets
- South Woodie Woodie project to be acquired by Spitfire Resources Limited - ASX listing in Q4 2007 ("the Disposal")

The Directors of Churchill Mining Plc (AIM: CHL) announce a project update to its South Woodie Woodie Manganese Project ("South Woodie Woodie") and the disposal of 80% of the project to Spitfire Resources Limited which is due to list on the ASX in the fourth quarter.

**Project Update**

Churchill has completed a detailed phase of airborne and ground geophysical exploration work at its 100%-owned South Woodie Woodie manganese project in the East Pilbara region of Western Australia in preparation for drilling.

Following on from its 6,600km airborne magnetic and radiometric survey over the entire South Woodie Woodie project last year, the Company has used a deep ground-probing technology, from Canadian company Geotech Airborne, called Versatile Time-Domain Electro Magnetics ("VTEM") to target the northern third of its tenement position.

The VTEM survey was flown at a line spacing of 100 metres and 30-metre ground clearance to test for sub-surface conductors. Interpretive work by Perth-based consultancy Resource Potentials identified 38 conductive units of which 14 were chosen for immediate follow-up exploration by a dipole-dipole induced polarisation ("IP") ground survey. The survey, which was conducted by specialist IP group, Zonge, found that 8 of the 14 VTEM conductors had strong chargeability responses. It is well documented that some of the deposits at the Woodie Woodie Manganese Mining Centre have coincident EM and IP responses. Accordingly a first-phase 7,000 metre RC drilling programme has been designed to test these 8 targets.

## **The Disposal**

Given the increased prospectivity of South Woodie Woodie, and Churchill's increasing focus on its Indonesian coal and coal bed methane projects, the Company has decided to sell 80% of the project to Australian company Spitfire Resources Limited ("Spitfire"). Spitfire will have the option to purchase the remaining equity in the project after spending AUD\$1.5 million on exploration. Spitfire plans to list on the Australian Stock Exchange ("ASX") via an AUD\$4 million Initial Public Offering (IPO) later this year. The Disposal will allow Churchill to focus purely on its Sendawar and East Kutai coal projects in Indonesia whilst retaining a substantial stake in Spitfire.

## **The Consideration and Terms of the Disposal**

Assuming an AUD \$4 million IPO, the consideration to Churchill for South Woodie Woodie will be 25 million new ordinary shares in Spitfire, making Churchill Spitfire's largest shareholder with approximately 49 per cent of the company. Churchill will retain these shares.

Churchill will also be entitled to retain a manganese production royalty should a mine be developed. The production royalty is price indexed so as to ensure Churchill retains substantial leverage to any future mining cash flow.

The Disposal is subject to a successful listing on the ASX by Spitfire.

## **Related Party Transaction**

James Hamilton and Paul Mazak are directors and shareholders of Churchill and are also directors of Spitfire. The Disposal therefore constitutes a related party transaction (as defined) under the AIM Rules. After careful consideration, David Quinlivan, the independent director of Churchill, having consulted with its nominated adviser, Blue Oar Securities Plc, believes that the terms of the Disposal are fair and reasonable insofar as its shareholders are concerned.

It should be noted that Mr Hamilton and Mr Mazak will receive no benefit for being directors of Spitfire by way of pre-IPO shares, options or warrants from this transaction.

Commenting on the rationale for the Disposal, non-executive chairman David Quinlivan, said: "Owing to the fact that our primary focus recently has moved towards our coal projects in Indonesia, we believe that the sale of South Woodie Woodie into Spitfire is a logical move and will ultimately benefit Churchill shareholders."

“The City is well aware of the recent increase in the price of manganese and the considerable market interest in the acquisition of Consolidated Minerals Limited, which operates the Woodie Woodie Mining Centre directly north of our ground position. As a result of these factors we expect a considerable take-up of the Spitfire IPO from London and Australia which will provide Spitfire with the funds to develop South Woodie Woodie into a high quality manganese project. This will allow Churchill to carry on developing its coal assets”.

Churchill’s focus remains on its two key Indonesian assets – the East Kutai coal project and the recently announced Sendawar coal bed methane project – both located in Kalimantan. The Company is currently drilling at East Kutai.

To register for a copy of the Spitfire Resources prospectus please look up the website:  
[www.spitfireresources.com](http://www.spitfireresources.com)

*In accordance with the AIM Guidelines, Dr Michael G Jones of Lithofire Consulting Geologists is the qualified person that has reviewed the technical information contained in this announcement.*

## **ENDS**

### **Enquiries:**

#### **Churchill Mining Plc**

Paul Mazak/ James Hamilton  
+61 (0)8 9388 0377

[paul.mazak@churchillmining.com](mailto:paul.mazak@churchillmining.com)

[james.hamilton@churchillmining.com](mailto:james.hamilton@churchillmining.com)

#### **Blue Oar Securities**

Romil Patel  
+44(0)20 7448 4000  
Olly Cairns  
+61 (8) 6430 1631

#### **Parkgreen Communications**

**Justine Howarth**  
+44 (0) 20 7493 3713

### **Notes to editors**

Churchill Mining Plc listed on AIM in April 2005. Its principle operations are the South Woodie Woodie manganese project in Australia and the Sendawar and East Kutai projects in Indonesia.

### **South Woodie Woodie**

The South Woodie Woodie project covers approximately 490 square kilometres in the East Pilbara region of Western Australia. Owned via Churchill Mining’s wholly owned subsidiary, Planet Mining Pty Ltd, the project sits approximately 400km southeast of Port Hedland in the highly prospective Pilbara manganese province. Churchill owns the project 100%. To date much of the project area has never been explored due to the presence of surface cover.

Churchill recently conducted a versatile time-domain electromagnetic (VTEM) geophysics survey to define targets for drilling. VTEM is a leading heli-borne technology that can detect conductive mineralisation and related structures to depths of 400m below surface.

### **Sendawar**

The Sendawar project in Kalimantan, Indonesia, covers more than 800 square kilometres of prospective ground and lies in close proximity to two operating open-cut mines: Thai miner Banpu's newly commissioned Trubaindo operation and the privately-owned Gunung Bayan mine which has been operating since 1998 and produces approximately 3.4 million tpa. Coal from these mines is transported by barge via the Mahakam River to the port of Samarinda. In September, Churchill announced that its project was prospective for coal bed methane and was awarded Indonesia's CBM Joint Evaluation Agreement license.

### **East Kutai**

Churchill announced on 15 February 2007 that it had signed an Exclusivity Agreement with PT Techno Coal Utama to enable it to conduct due diligence work on the thermal coal project. In May 2007 Churchill announced a sales agreement had been entered into to purchase a 75% interest in the Project.