

**5 April 2006**

**CHURCHILL MINING PLC** ("Churchill" or "the Company")

## **Acquisition of Sendawar Coal Project in Indonesia**

### **Placing to raise £5.25m**

Churchill Mining PLC (AIM-CHL) is pleased to announce that it has acquired the Sendawar Coal Project ("Sendawar" or "the Project"), a large thermal coal exploration project in Kalimantan, Indonesia.

The Sendawar project covers more than 1,000 square kilometres of prospective coal ground and lies in close proximity to two operating open-cut mines: Thai miner Banpu's newly-commissioned Trubaindo operation which is currently producing at a rate of approximately 6 million tonnes per annum; and the privately-owned Gunung Bayan mine which has been operating since 1998 and produces approximately 3.4 million tonnes per annum. The Sendawar project is located approximately 50km from the Mahakam River, the central coal transport artery in the region.

Churchill has acquired the Project from PT Indonesia Coal Development ("ICD"), for a value asset consideration of £2,750,000 of which £2,500,000 is being satisfied by the issue of 100 million Churchill shares at 2.5p per share and £250,000 in cash. The shares issued to the vendors of ICD ("the Vendors") will be subject to a 1 year lock-in period.

The sale and purchase agreement with ICD entitles the Company to an 80% stake in the Sendawar project, up to the completion of a bankable feasibility study, after which the Vendors are obliged to either contribute to the next stage of the Project's development or dilute their shareholding in the Project. ICD will also be entitled to a royalty once production commences.

Churchill's short term strategy is to delineate a reserve on the Project so that it can begin trial mining with a view to producing immediate cash-flow. Any such revenues from this mining programme will then be redirected back into the Project to work towards defining a large resource base that will support a multi-million tonne mining operation, such as those established by its nearby neighbours.

## **The Placing**

In conjunction with the acquisition of Sendawar, the Company has raised £5.25m by way of a placing of 210,000,000 new ordinary shares at 2.5p per ordinary share with institutional and other investors. Application will be made for these new ordinary shares and the shares to be issued pursuant to the acquisition to be admitted to trading on AIM. This is expected to take place on 10 April 2006.

The proceeds from the placing will be used to map and sample coal outcrops and begin drilling at those areas already identified by the Company as immediately prospective.

Churchill has assembled a strong team of local and expatriate geologists to run the exploration programme. The Company is also establishing offices in Jakarta and at Sendawar, the main provincial town close to the project.

Ends

## **Enquiries**

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## ***Notes to editors***

### **Background to Indonesia and Sendawar**

Indonesia has approximately 7 billion tonnes of measured coal reserves and 33 billion tonnes of measured and indicated resources (source: Barlow Jonker). The majority of coal produced in Indonesia comes from Kalimantan.

Typically, coal mining operations in Kalimantan are either located near the sea or along major river systems. The Sendawar project is located within close proximity to the Mahakam river via which coal is shipped to the port of Samarinda. Coal barges used on the Mahakam most commonly range in size from 6,000-8,000 tonnes but more recently larger sizes of 10,000-12,000 tonnes have been employed. The barges are used to deliver coal to larger vessels unable to load in shallow coastal waters

Indonesian coal production and export sales have surged in recent years. In 2004 total coal production grew by 14.2% year-on-year to 136.2 million tonnes (source: Barlow Jonker).

Tight supply in world thermal coal markets coupled with China's flat coal export performance continues to benefit Indonesian producers.

### **Churchill's South Woodie Woodie Manganese Project**

South Woodie Woodie has three granted exploration licences. These licences cover a total area of approximately 490 km<sup>2</sup>, in the highly prospective East Pilbara Craton of Western Australia, an area renowned for its proliferation of manganese deposits.

During 2006, the Company intends to begin a campaign of airborne and ground geophysics to look at mineral bearing structures "under cover" in its Licence area.