

13 April 2016

AIM: CHL

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

INDONESIA DEFAULTS IN ICSID PROCEEDINGS

Churchill Mining plc ("Churchill") wishes to advise that the Republic of Indonesia ("Indonesia") has failed to pay its share of an advance payment sought by the International Centre for the Settlement of Investment Disputes ("ICSID") and accordingly is in default of its payment obligations in the ICSID arbitration proceedings.

Background

On 11 February 2016, ICSID issued a request for payment to both Churchill and Indonesia seeking the sum of US\$200,000 from each party as the fifth advance payment of ICSID's fees and expenses. ICSID advised that the funds requested were for "*fees in connection with the Tribunal's further deliberations and drafting of its upcoming ruling*" - meaning the upcoming ruling on Indonesia's Forgery Dismissal Application of 24 September 2014.

Payment of the fifth advance was due by 12 March 2016 and on 9 March 2016 ICSID confirmed receipt of Churchill's US\$200,000 share of the fifth advance payment. Indonesia however failed to pay its share of the fifth advance by the due date and on 28 March 2016, ICSID issued a notice under ICSID Administrative and Financial Regulation 14(3)(d), notifying the parties of Indonesia's default and inviting either party to rectify Indonesia's default by paying the outstanding US\$200,000 by 12 April 2016.

To ensure the continued progress of the ICSID arbitration and enable the ICSID Tribunal to make its decision on Indonesia's Forgery Dismissal Application, at 9.13pm Washington DC time on 12 April 2016 and in the absence of any payment being received from Indonesia, Churchill paid Indonesia's share of the fifth advance.

Legal Framework and Consequences of Default

The ICSID Tribunal previously ruled in the Jurisdictional phase that, pursuant to Indonesia's Bilateral Investment Treaties ("BIT's") with the United Kingdom (the "UK BIT") and Australia (the "Australia BIT"), Indonesia had consented to resolve this dispute with Churchill by ICSID arbitration.

Consent to ICSID arbitration incorporates as a matter of process that the arbitration will be undertaken in accordance with the ICSID Convention and its related instruments, namely the ICSID Arbitration Rules and the ICSID Administrative and Financial Regulations.

By defaulting in the manner it has, Indonesia has breached Regulation 14(3)(d) of the ICSID Administrative and Financial Regulations and Item 9.1 of Procedural Order No. 1, which provides that "*[t]he parties shall defray the direct costs of the proceeding in equal parts*".

Further, as Indonesia's consent to this ICSID arbitration was conveyed by treaty – in the case of Churchill, the UK BIT and in the case of Planet Mining, the Australia BIT – Indonesia's default is also a direct violation of the terms of the two BITs.

(i) Update to Churchill's Costs Submission

Churchill believes Indonesia has acted in a manifestly unreasonable fashion by defaulting (without any explanation or excuse) on an advance payment requested in relation to its own Forgery Dismissal Application.

In light of (*inter alia*) the additional advance payment that Churchill has now made and additional legal costs Churchill has incurred as a result of responding to Indonesia's failure to pay its share, the Company has sought leave to amend its previously filed (December 2015) Cost Submissions.

(ii) Inferences From Default

There is no question that Indonesia can afford to pay its share of the costs of these proceedings. Indonesia has failed to provide any explanation at all for its default, despite being given a number of written notices and an additional one month grace period in which payment could be made. From these facts, Churchill can only conclude that Indonesia's non payment was the result of a positive decision not to pay.

(iii) ICSID Rule 28 - Costs

Indonesia has on a number of occasions foreshadowed making further applications during the course of these arbitration proceedings. However, in light of Indonesia's failure to pay its share of costs associated with the determination of its own Forgery Dismissal Application, Churchill will ask the Tribunal to direct that Indonesia pay the entirety of any advance payment requested by ICSID in respect of any future applications brought by Indonesia.

(iv) ICSID Rule 42 - Default

Indonesia has been silent since the fifth advance payment was requested by ICSID over two months ago. Churchill interprets the combination of Indonesia's failure to pay its share of the advance payment and its ongoing silence as an indication that Indonesia may no longer wish to participate in the ICSID arbitration proceedings.

Churchill has accordingly sought unequivocal clarification from Indonesia as to whether it intends to continue participating in these arbitration proceedings.

Churchill's Letter to the ICSID Tribunal

Today, Churchill's lawyers Clifford Chance wrote to the ICSID Tribunal to:

- (i) register Churchill's protest at Indonesia's failure to pay its share of the fifth advance;

- (ii) make submissions on the legal consequences of Indonesia's failure to pay its share of the fifth advance;
- (iii) update Churchill's Costs Submissions of December 2015;
- (iv) put Indonesia on notice for the purposes of Rule 28 of the ICSID Arbitration Rules; and
- (v) invite Indonesia to provide unequivocal confirmation that it is still participating in the arbitration and put Indonesia on notice that if it does not provide such confirmation by 6pm Singapore time Wednesday 20 April 2016, Churchill will bring an application under Rule 42 of the ICSID Arbitration Rules and ask the Tribunal to fix a schedule for the completion of this case without the participation of Indonesia.

Churchill Chairman David Quinlivan said *"It is strange that Indonesia has failed to pay its share of an advance payment requested by the Tribunal to cover the costs of deciding Indonesia's own application. But this is not the first time that Indonesia has been issued a default notice in this arbitration. What makes this time different is that Indonesia has not cured its default and has not offered any explanation or excuse for its failure to pay. In fact, Indonesia has not said or done anything in the arbitration since the fifth advance payment was requested two months ago. We are taking Indonesia's silence and failure to pay its share of the fifth advance payment as a sign that Indonesia may no longer wish to participate in the arbitration. It is too early to tell if this is the case, and our lawyers have written to clarify the situation. We will know by next Wednesday. However, if Indonesia does pull out, that will not stop the arbitration. Churchill remains committed to the resolution of its dispute with Indonesia through the ICSID process and will do whatever has to be done to ensure that the arbitration progresses to its natural conclusion."*

ENDS

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