

19 October 2016

AIM: CHL

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

Full Year Results for the 12 Months ended 30 June 2016

Churchill Mining (AIM: CHL) reports its full year results for the 12 months ended 30 June 2016.

CHAIRMAN'S STATEMENT

Dear Shareholder

I present Churchill Mining Plc's ("**Churchill**" or the "**Company**") Full Year Report for the 12 months ended 30 June 2016.

Introduction

During the year the Company continued to actively pursue its claim - currently quantified at US\$1.315 billion (plus interest from July 2014) - against the Republic of Indonesia ("**Indonesia**") for unlawful measures taken by Indonesia against Churchill's interests in the East Kutai Coal Project ("**EKCP**").

The unlawful measures taken by Indonesia include Indonesia's revocation (without justification, compensation or due process) of the mining licences that underpinned the EKCP (the "**EKCP licences**"), which were held by Churchill and its local partner in the project, the Ridlatama Group.

At the time the EKCP licences were illegally revoked, Churchill and its wholly-owned subsidiary Planet Mining Pty Ltd ("**Planet**") held a 75% interest in the EKCP. The area covered by the EKCP licences (i.e. the EKCP) contained a JORC Resource of 2.8 billion tonnes and incorporated a JORC Reserve of 980 million tonnes.

Churchill brings its claims against Indonesia under the United Kingdom-Indonesia Bilateral Investment Treaty (the "**UK BIT**"); Planet's claim – which is being run in consolidation with Churchill's case – is brought under the Australia-Indonesia Bilateral Investment Treaty (the "**Australia BIT**"). In the summary that follows, unless otherwise indicated, where I refer to Churchill or the Company I am also referring to Planet.

The consolidated Churchill/Planet arbitration is being conducted at the International Centre for Settlement of Investment Disputes ("**ICSID**"). The arbitral tribunal hearing the case comprises highly-credentialed arbitrators: Professor Gabrielle Kaufmann-Kohler (Chairperson) from Switzerland, Professor Albert Jan van den Berg from the Netherlands and Judge Michael Hwang SC from Singapore.

In legal terms, Churchill and Planet's causes of action are brought primarily under the expropriation and Fair and Equitable Treatment ("**FET**") provisions of the respective treaties.

I am pleased to report on developments in the ICSID arbitration both during the financial year and post 30 June 2016. These developments relate to Indonesia's Forgery Dismissal Application and the associated hearing, briefs and call for further submissions.

Developments in the ICSID arbitration during the year

(i) Document Authenticity – Hearing

Pursuant to ICSID Procedural Order 15, Indonesia's Forgery Dismissal Application was heard in Singapore between 3 and 10 August 2015. Churchill and Planet were represented by Clifford Chance LLP and Robert Richter QC with members of the Churchill board and management also in attendance at the hearing.

The conduct of the hearing included fact witnesses, oral presentations and expert witnesses. All of the witnesses for Churchill whom Indonesia requested for cross-examination attended the hearing. With the exception of the very person responsible for the revocation of the Ridlatama mining licences in which Churchill held a 75% interest – former Regent of East Kutai, Mr Isran Noor – all of the witnesses for Indonesia whom Churchill requested for cross-examination attended the hearing.

As the party that brought the Forgery Dismissal Application, Indonesia went into the August 2015 document authenticity hearing with a lot to prove. It was for Indonesia to:

- 1) firstly establish, with clear and convincing evidence, that the disputed mining licences were forged by Ridlatama (as alleged by Indonesia);
- 2) secondly then prove, again with clear and convincing evidence, the "*massive, systematic and sophisticated scheme to defraud Indonesia*" alleged in the Forgery Dismissal Application; and
- 3) finally address the *legal consequences* in the event that a finding of forgery were to be made.

At the hearing the Company and its solicitors argued that the evidence contradicting the dismissal application was overwhelming. It is Churchill's view that Indonesia categorically failed step 1.) and barely attempted steps 2.) and 3.). The key points that lead Churchill to this view include:

- Isran Noor – who Churchill considers to be a key figure in this dispute – refused to attend the hearing and as a result of his refusal to attend, the Tribunal formally excluded his evidence, effectively disposing of Indonesia's allegation that Mr Noor was "*tricked*" into hand signing the long-term (initial term of 20 years with options to extend for a further 20 years) Exploitation Licences.
- the most senior of Indonesia's witnesses was evasive and repeatedly called for people including Mr Noor, his lawyer and his "*friend*" General Prabowo to answer questions about the events that took place;
- a number of Indonesia's other witnesses freely acknowledged the existence of important documents that Indonesia refused to provide or earlier said either never existed or had been lost;
- not one of Indonesia's witnesses gave any direct evidence that Ridlatama either:
 - owned or operated the device alleged to have been used in the application of the impugned signatures to the disputed documents; or more generally
 - engaged in acts of forgery or fraud.
- no documentary evidence was introduced by Indonesia to show that the first of Ridlatama's mining licence applications – the General Survey licence applications – were rejected at this stage by a number of senior officials from the East Kutai Regency government. Further, these same senior officials admitted their direct involvement in the subsequent administration preceding the grant of the later *exploration and exploitation* phases of the East Kutai Coal Project licences;
- both Indonesia and its witnesses conceded that if for the sake of argument the disputed documents were forged, the forging of these documents could only have occurred with assistance from an "*insider*" – the immediate legal consequence of which would be that Indonesia would be responsible for the criminal wrongdoing of its public officials;

- evidence was introduced (supported by Indonesia's witnesses) that showed Nusantara did not have valid title to the EKCP area at the time Ridlatama was granted its general survey licences;
- evidence was introduced that extensive survey, exploration and pre-development work was undertaken at the EKCP by Ridlatama / Churchill while complying with the East Kutai Regency and the Ministry of Energy and Mineral Resources ("MEMR") filing and payment requirements. Indonesia on the other hand failed to introduce any evidence that Nusantara performed any work or complied with any of its payment and reporting obligations between 2006 and July 2008, when Nusantara's exploration licences were extended or revised (unlawfully, in Churchill's view) by Mr Noor; and
- evidence was introduced by Churchill (and corroborated by certain of Indonesia's witnesses) to show that the alleged "*irregularities*" on the Ridlatama licences and maps were not indicia of forgery as alleged by Indonesia but rather clerical errors indicative of the East Kutai Regency's lack of cohesive and consistent administrative processes at the time.

(ii) Document Authenticity – Post Hearing Brief

Following the August hearing the Tribunal issued Procedural Order 20. This order invited the Parties to file two post-hearing briefs (the second being a reply) to address all the matters which the Parties deemed appropriate to further their respective positions. Churchill and Indonesia each submitted their first-round briefs in October 2015.

In support of its case that both Ridlatama's general survey and exploration licences were authorised by the Regency, Churchill's first post-hearing submission consolidated the substantial body of evidence detailed in the Company's reply to Indonesia's forgery dismissal application with the overwhelming evidence presented at the August 2015 hearing.

One of the points that Churchill addressed in its first post-hearing submission was the following question: "*how then does Churchill explain the conclusion of both parties' forensic experts that Mr Ishak's signatures on the Ridlatama General Survey and Explorations licences were not applied by his own hand?*" Given all of the evidence presented, Churchill put forward two theories as to why the Regency might have applied signatures to the disputed documents using some kind of device, these being *good faith* authorization and *bad faith* authorization. Under either scenario the disputed documents were authorized by Indonesia with the difference being one solely of motive (ie whether the signatures were intended to be deniable at some later stage or not) on the part of the East Kutai Regency officials concerned.

Churchill believes the simplest explanation is that signatures were applied regularly in the East Kutai Regency with the full knowledge and consent of the party whose signature was being applied as a matter of administrative convenience. In other words the application of the signatures was authorized in *good faith*.

Alternately the Company considers that, if the disputed signatures were *not* applied in good faith as a matter of administrative convenience, but were rather applied using some kind of device as part of a design by Indonesia to make the disputed documents plausibly deniable, the application of the signatures was still authorized by Indonesia but was done in *bad faith*. In this scenario the disputed documents were designed by Indonesia to be flawed in a subtle but arguably fatal way so that, if commercially viable quantities of coal were found within the area of the EKCP, Indonesia could then deny it had ever issued the disputed documents.

Procedural Order 20 also included a number of specific questions that the members of the Tribunal invited the Parties to address in their first post hearing brief. The specific questions were:

- summary of positions, both factual and legal, with respect to adverse inferences.
- what are the consequences of disregarding Mr. Noor's evidence?
- what is the relevance of the official seals (chops) of the Regency, the provincial government, and the MEMR for purposes of the assessment of the authenticity?
- what is the evidence showing that the issuance of the impugned documents was authorized or not?
- subject to being within the scope of Procedural Order 15, in the event that the signatures on:
 - the survey and exploration licenses and/or
 - the re-enactment decrees and/or
 - the legality and cooperation letters and/or
 - the payment letters and/or
 - the borrow-for-use recommendation letters and/or
 - the borrow-for-use technical consideration letters
 are not handwritten or not authorized, what would be the legal consequences on each Party's case?
- if only the re-enactment decrees were found not to be handwritten or to be unauthorized, what would be the effect on the Claimants' case?
- if it were established that only Ridlatama engaged in forgery, what would be the effect on the Claimants' case?
- comments as a matter of fact and law, on the references to corruption and other improper payments, which certain witnesses made in the course of the hearing.
- what is the relevance of Nusantara's involvement?
- if the Tribunal were to come to the conclusion that the impugned documents are not authentic or not authorized, what issues would remain to be resolved in fact and law?

Below I set out only the core points made in Churchill's response to the questions posed by the Tribunal above. However, I note that the Company provided the Tribunal with detailed submissions in response to each of its questions.

- By defying the Tribunal's orders to produce certain documents within its control, many of which its own witnesses confirmed do exist, Indonesia has firstly tried (unsuccessfully) to engineer the record in its favour and secondly denied Churchill the ability to fully test the serious allegations Indonesia has made. The documents Indonesia has refused to provide fall into a number of different classes including Regency Register Books, Comparator Mining Licences, Comparator Legality Letters and Cooperation Letters, Planology Office Maps, MEMR Maps, the spatial analysis of both Ridlatama and Nusantara's mining applications, Police Investigation Files and State Investigations into Mr Ishak and Mr Noor.

While the specific adverse inferences Churchill has asked the Tribunal to consider vary for each of the document classes, the broad principle underlying Churchill's requests for adverse inferences is that *"if the document sought had been provided it would not have supported Indonesia's case"*.

A specific example is the adverse inference Churchill sought in regard to failure of Indonesia to provide the original East Kutai Regency Register Books: Churchill submitted that, if produced, these Register Books would not have supported Indonesia's allegations that (i) there were no entries in these Register Books regarding Ridlatama's General Survey and Exploration licences, (ii) Ridlatama's Exploitation licences were processed in an irregular manner and (iii) Nusantara's application for extension of its Exploration licences was received at the time Indonesia claimed it was received.

- It is Churchill's view that Indonesia's case suffered significant damage when Mr Noor's evidence was excluded by the Tribunal. The key areas in which the exclusion of Mr Noor's evidence adversely impacted upon Indonesia's case are the following:
 - the Exploitation licences: these documents were hand signed by Mr Noor and there is now no direct evidence on the record to impugn the authenticity of these documents;
 - the Certificates of the Approval of Business Cooperation: these documents were hand signed by Mr Noor and without his evidence there is now no factual evidence to impugn the authenticity of these documents;
 - the Approvals for Cooperation and Amendment to Share Composition: these documents were hand signed by Mr Noor and there is now no factual evidence to impugn the authenticity of these documents;
 - the Revocation Decrees: the Revocation Decrees signed by Mr Noor identified forestry breaches (rather than forgery as is now being alleged) as the basis for revocation of the EKCP exploitation licences;
 - erratic behaviour and decision making by Mr Noor: the many examples of erratic behaviour and decision making by Mr Noor now create a problem for Indonesia. As an example on 3 September 2009, Mr Noor sent a letter to AIM in London alleging that Ridlatama's EKCP licences had been forged (a letter which Mr Noor when questioned first claimed he did not send and knew nothing about only to later admit that he had sent). On that very same day, however, Mr Noor also sent four letters to the Ministry of Forestry in support of Ridlatama's forestry permits, stating clearly that the Ridlatama licences had "secured" exploitation licences (the authenticity of these four letters is not disputed by Indonesia).
- Official seals (chops) are a common feature of Indonesian administrative practice. The purpose of a seal or chop is to signal to the reader that the document is official in nature and a seal/chop is one of the features people in Indonesia look for when checking whether a government document is complete and valid. Indonesia does not dispute the authenticity of the official seals on the Ridlatama licences and other disputed documents and has said that its case is not based in any way on the stamps appearing on the forged documents. There is therefore common ground that the disputed documents were at least partly authentic.

The Company's forensic examination of the disputed documents also revealed that there are reasons to conclude that, based on the impressions on the back of the chopped/sealed documents, the official seals may have been applied over the signatures and Indonesia and its expert have not opposed this. Churchill therefore believes that, if that was the sequence, then there would be a sequential presumption that the underlying signatures were validated by the seal/chop regardless of how the signature was applied.

- Churchill considers that there is a broad and compelling body of evidence to show that the issuance of the impugned documents was authorised. Some of the more significant examples include:
 - the 23 March 2007 letter from MEMR to Ridlatama concluding that if the mining licences held by Nusantara expire the concession area will be open for other parties; coupled with the MEMR map of the EKCP area dated some three months later (June 2007) showing no reference to the former Nusantara licences;
 - the March 2007 staff analysis concluding that the Ridlatama licences did overlap with mining licence areas previously held by Nusantara but that the Nusantara licences had expired and the area was available;
 - the 21 May 2007 spatial analysis prepared by the East Kutai Government describing the Nusantara licences as "*former*" licences;

- the final draft General Survey licences, which bear the undisputed coordination initials of a number of senior East Kutai Government officials (including Mr Noor in his then capacity as Deputy Regent);
 - the final General Survey licences, which bear the East Kutai Regency seal/chop;
 - the General Survey licences are recorded in the East Kutai Government Legal Section Register Book. According to Indonesia's witnesses the entry into the Legal Section Register Book is only possible after the document has been signed and sealed;
 - there are 79 separate Indonesian government documents acknowledging the Ridlatama General Survey licences. These include quarterly reports, annual reports, budgets and final survey reports;
 - the Ridlatama EKCP General Survey licences are recorded on the Central Indonesian Government's MEMR maps dated 25 June 2007 and 10 December 2007. The MEMR also sent a letter to Ridlatama welcoming the company to East Kutai and inviting Ridlatama to coordinate with the relevant government agencies;
 - Ridlatama made payments to Indonesia for items such as licence rent and seriousness bonds in accordance with its statutory obligations; and
 - there were numerous documented meetings in 2009 between Ridlatama and the East Kutai Regency Government prior to Ridlatama's EKCP Exploration licences being upgraded to long term (initially 20 years with options to extend for a further 20 years) Exploitation licences. Documents prepared and photographs taken during the course of these meetings confirmed the presence of many senior East Kutai Regency Government officials including Mr Noor.
- Subject to being within the scope of Procedural Order 15, Churchill considers that the legal consequences on each Party's case in the event that the signatures on the various classes of documents nominated by the Tribunal are not handwritten or not authorized are as follows:
 - the survey and exploration licenses:

If the Tribunal finds bad faith authorisation, then, regardless of the intent that informed the way the licenses were executed by Indonesian officials concerned, bad faith cannot be rewarded – meaning the appropriate finding would be that the licences were executed and Indonesia is bound accordingly, either by operation of the general principle of good faith or the doctrines of preclusion and estoppel (the essence of which is the same: Indonesia cannot in good faith deny that the signatures on the licences were authorised).

If, on the other hand, the Tribunal finds good faith authorisation of all Ridlatama licences, then Indonesia's allegations of forgery and fraud will have been adjudicated by a competent court and may not therefore be pursued further by the same parties, Churchill's claims will stand unaffected and the case will go on in its original scope (save only that Churchill will have additional claims for the way Indonesia conducted itself in the fraud/forgery phase of the arbitration).

If the Tribunal finds that the general survey licences and exploration licences were not authorised, Churchill's position is that; as a matter of Indonesian law, the exploitation licences were stand-alone administrative acts taken after deliberation and advice from officials.
 - the re-enactment decrees:

If the Tribunal finds that the re-enactment decrees were produced as part of an Indonesian Regency Government scam (bad faith authorisation), then Churchill will have fresh claims for violation of FET and breach of good faith.

If (for the sake of argument) the re-enactment decrees were found not to be authorised, it would be for Indonesia to prove the relevance and impact of these post-expropriation events on Churchill's claim.

- the legality and cooperation letters and payment letters:

Indonesia has made it clear that it never argued these documents would have direct consequence in terms of dismissal.

It is a term of Ridlatama's General Survey licences that a mining licence holder intending to establish cooperation with a third party/foreign investment partner shall obtain a written approval from the Regent of East Kutai. If these documents were found to be unauthorised, the question of "*what the lack of such an approval means for the holder of a mining licence*" would need to be considered. This would be for Indonesia to establish as part of its burden of demonstrating legal consequences.

- the borrow-for-use recommendation letters:

Churchill's view is that like the re-enactment decrees and the legality/cooperation letters, the borrow-for-use recommendation letters have no direct value as investments. Therefore if the Tribunal were to find that the signatures on these letters were not authorized that finding of itself would have no direct impact on the Company's positive case.

The legal question to be answered in a scenario where, for the sake of argument, the Tribunal finds the signatures on the borrow-for-use recommendation letters were not authorized is whether the lack of a supporting letter in a permit application process justifies the revocation of a mining licence under Indonesian and international law. In this regard Churchill maintains that a licence holder lacking a borrow for use permit does not justify the immediate unilateral revocation of a mining licence and that the revocation decrees – which were based on alleged forestry breaches and made no mention of forgery or fraud – constitute unlawful acts of indirect expropriation.

One point of interest in regard to this aspect raised at the August 2015 hearing was that when an Indonesian Ministry of Forestry official was questioned as to whether they were aware of any mining licence or coal contract of work or other contract of work being revoked because the holder of that licence or contract was in a production forest area and did not have a borrow for use permit, the forestry official answered in the negative. This is clear evidence that the revocation of Ridlatama's Exploitation licences for alleged breaches of the forestry regulations was not justified under Indonesian law.

- the borrow-for-use technical consideration letters

Churchill considers the legal consequences of a finding that the signatures on the technical consideration letters were not authorized would be the same as the consequences summarized above in relation to borrow for use recommendation letters.

- Churchill considers that if, (for the sake of argument) only the re-enactment decrees were found not to be handwritten or to be unauthorized, the effect on the Company's case would be as described above.
- Churchill considers that if, (for the sake of argument) it were established that Ridlatama alone engaged in forgery, claims would still be made against Indonesia by Churchill. The doctrines of estoppel and acquiescence as pleaded in the Company's Reply Memorial would apply to prevent Indonesia from denying rights under the mining licences.

However, it does not appear to be Indonesia's case that Ridlatama acted alone. Indonesia has repeatedly referred to the possibility of an "*inside job*" and its most senior witness implicated at

least one senior government official. On the basis of the evidence available and testimony given Churchill believes there is no basis for a finding that Ridlatama acted alone.

If, again for the sake of argument, it was found that Ridlatama did act in concert with one or more government “*insiders*”, Indonesia’s liability would still be engaged. Firstly good faith lies at the heart of FET and fraud and forgery of the kind alleged would, by its very nature, amount to bad faith conduct by one or more Indonesian government officials (thereby placing Indonesia in direct breach of the FET standard). Secondly, the acts in question and the fact that they were able to occur and go undetected for so long demonstrates a serious lack of transparency by Indonesia, which is in itself a further breach of the FET. Thirdly, the active participation of Indonesian government officials in such acts would amount to a clear violation of Churchill’s legitimate expectation that public officials discharge their duties in a lawful manner (an expectation that is protected by the FET standard).

- As a matter of law, a finding of corruption requires clear and convincing evidence and there is no direct evidence on the record regarding improper payments made by any party in connection with the EKCP. I note here that Indonesia has never made allegations of this nature against either Churchill or Ridlatama.

Indonesia’s failure to produce the police and corruption eradication commission (KPK) investigation files however has severely limited the Tribunal’s ability to inquire into the possibility that Indonesian government officials acted in a corrupt fashion in connection with the EKCP.

- It is Churchill’s view that Nusantara’s involvement in the EKCP is highly relevant as it goes directly to the question of motive and, more specifically, to the issue of which parties would have had a motive to act fraudulently in the processing of Ridlatama’s licences. If, for the sake of argument, Nusantara had valid title to the EKCP area then Ridlatama may have had a motive to act fraudulently. If, on the other hand, the Nusantara licences had expired then Nusantara (and perhaps its allies in Indonesia) may have had a motive to act fraudulently or incentivise others to do so. The motive divide therefore sits at the time of expiry of the Nusantara licences. Churchill has argued that the Nusantara licences were expired at the relevant time (and that Indonesia has failed to prove the contrary) and that, if any party had a motive to act fraudulently, it was Nusantara (and its allies). Further, insofar as motive is concerned, it can hardly be a coincidence that, only three days before the Nusantara licences were extended on 17 July 2008, Churchill announced that it had discovered 250 million tonnes of coal at East Kutai.
- If the Tribunal were to come to the conclusion that the disputed documents are not authentic Churchill believes the following core issues would remain to be resolved in fact and law.
 - firstly, the issue of whether the invalidity of the general survey and exploration licences in some way invalidated the later exploitation licences (which Indonesia does not allege were forged). This was a point that the Tribunal specifically noted in Procedural Order 20 but directed both Churchill and Indonesia to refrain from addressing at this stage;
 - secondly, if Indonesia were to be able to satisfy the Tribunal that the exploitation licences were so invalidated it would then be for the Tribunal to determine which of Churchill’s claims are unaffected and for those claims that are found to be affected whether, as a matter of law, Churchill have surviving substitute causes of action;
 - thirdly, if Churchill has unaffected claims and/or substitute causes of action these would need to be determined and if the Tribunal finds Indonesia has committed a breach of the BIT (or international law more generally) the quantum payable to Churchill;
 - fourthly, Churchill’s claims for denial of justice and threats of force would survive any finding of forgery. The legal and factual issues raised by those claims will therefore remain to be resolved; and

- finally, if Churchill needs to resort to estoppel, acquiescence or preclusion in aid of its other claims, an indication of the scope of fact remaining to be resolved is the full footprint of documentary evidence.

(iii) Document Authenticity – Post Hearing Brief Reply

In its Post Hearing Brief Reply Churchill addressed the various issues raised in Indonesia's Post Hearing Brief. Churchill believes that whatever standard of proof applies and without considering the many adverse inferences Indonesia has exposed itself to by refusing to comply with the Tribunal's document production orders and Mr Noor's refusal to attend the hearing, Indonesia did not prove its case as originally framed (or as improperly revised in its Post Hearing Brief). Accordingly, Churchill argued that Indonesia's contrived Forgery Dismissal Application has no merit and should be dismissed.

Further, whatever irregularities there may have been in the processing of the preceding (general survey and exploration) licences, the evidence shows that Ridlatama operated openly with the full knowledge and consent of Indonesia. Thus, on any view, Indonesia's Forgery Dismissal Application is not dispositive of Churchill's claims (nor was it ever).

In a case in which the internal licensing processes of the relevant Indonesian government departments are material (on both Parties' cases), Indonesia's response to Churchill's case on authorisation was feeble. In its attempts to discount as peripheral the many documents that Churchill relies upon, Indonesia ignores both the central nature of the documents concerned and the fact that they are overwhelming evidence of process.

Indonesia's answer to the Tribunal's question regarding the relevance of Nusantara's involvement was evasive and not credible. Indonesia's position is that Nusantara is relevant only as a basis for comparing how properly-authorized mining licences were signed and registered at the Regency in 2008. There is clearly much more to Nusantara's involvement than Indonesia says.

In its Post Hearing Brief Indonesia accused Churchill of a range of new offences – including fraud and forgery and criminal conversion of Nusantara's property rights – and it singled out one of the former directors of Churchill as the key wrongdoer. Churchill sought particulars of its alleged involvement when Indonesia first aired this issue in March 2015 but Indonesia declined to provide any particulars, instead saying it made no accusation against Churchill.

In later reversing its position to accuse Churchill, Indonesia claimed that the previously unknown facts concerning that former director only emerged at the August 2015 hearing. Churchill considers that this attempted justification has no credibility at all and expressly refutes these new unsubstantiated allegations. Indonesia has had the benefit of many years of police investigations (the records of which it has refused to produce) together with all of the evidence its police have gathered including the documents, computers and back-up drives seized from Churchill's offices in Indonesia. Churchill therefore believes that Indonesia's feigned surprise is disingenuous as Indonesia clearly already knew exactly what Churchill's officers (including the former director) did in connection with the disputed documents during the period in question.

There was however a clear pattern evident in Indonesia's Post Hearing Brief, whereby when Churchill exposed holes in Indonesia's case, Indonesia tried to fill that gap with allegations of more crime (as an example the new misleading and deceptive allegations made against Churchill's former Director) and attempts to impugn more items of evidence as even more grand forgeries by Ridlatama or the products of more "*inside jobs*" by Indonesia's own government officials. Churchill believes that in circumstances where Indonesia refused to produce either the police or anti-corruption commission investigation files, its ever-expanding and evolving allegations of mass fraud cannot be taken seriously. What Indonesia is doing is effectively asking the Tribunal to make findings that its own police – who Indonesia says have responsibility to make the initial determination as to whether criminal prosecution is appropriate - have been unable to make.

Indonesia's New Case against Churchill

In its Post Hearing Brief Indonesia made another new allegation that Churchill had structured its investments to facilitate the fraud alleged.

The record shows that Churchill went into the document authenticity hearing to meet the forgery dismissal application put forward by Indonesia and in reliance on (amongst other things) the many historical representations made by Indonesia that it had never alleged forgery or fraud by Churchill. Churchill believes that for Indonesia to now make such an allegation is improper and an abuse of due process and Churchill accordingly sought a declaration that Indonesia is precluded from pressing these unsubstantiated allegations against Churchill.

For the record Churchill states unequivocally that Indonesia's new allegations are baseless and they should not be entertained. Indonesia's baseless allegations are further undermined by the fact that not one of Indonesia's witnesses gave evidence that Churchill or any of its officers had structured its investments to facilitate the fraud alleged. Indeed the Governor of East Kalimantan, Mr Ishak, apologised to Churchill at the document authenticity hearing and also expressed a view that he hoped that what happened to Churchill was the first and last time it will ever happen.

Indonesia's New Allegations Regarding a Former Director of Churchill

In its Post Hearing Brief Indonesia made a range of new affirmative allegations that a former Director of Churchill, amongst other things, presented forged documents, made material misstatements and laundered forged documents.

The core of these new Indonesian allegations (which Churchill denies emphatically) appears to be that because Churchill did not provide a witness statement from that former Director for the document authenticity hearing and did not bring him to the hearing ahead of or in addition to others he must have been guilty. Churchill believes there is no logical or legal basis to support Indonesia's position. In response to this issue Churchill notes that the witnesses it called were the most appropriate and best placed people to respond to the case that Churchill was facing at the time and not the new allegations first raised in Indonesia's Post Hearing Brief. If Indonesia wished to ask questions of that former director, Indonesia could and should have asked for his attendance (which is what Churchill did with respect to Indonesia's witnesses). Indonesia however chose not to request that former director's attendance at the August 2015 hearing.

Indonesia's new case against the former director of Churchill essentially boils down to the proposition that it must have been him because he was not called by Churchill to give evidence. Given that the former director concerned has lived in Jakarta since 2008 and that Indonesia has refused to produce its police files, Churchill believes that (i) it would be reasonable to assume that the actions of its former director were considered by Indonesia along with the actions of all the other people in the dramatis personae of the EKCP, and (ii) in the absence of the police files it would also be reasonable to infer (adversely) that no evidence was found to support the allegations Indonesia now makes against Churchill, its former director or Ridlatama. Such an inference would obviously be consistent with the fact that to date nobody has been charged with the alleged wrongdoing and it would also be aligned with the terms of the Investigation Termination Order issued by the East Kutai police on 28 December 2009.

Events Post 30 June 2016

The following significant events have occurred post 30 June 2016

Call for Further Submissions

In its letter of 9 September 2016 the Tribunal referred to the 2014 ICSID case of *Minnotte v. Poland* and invited the parties to comment on this decision and in particular to provide their views (on the basis of the existing factual record) on paragraph 163 of the decision in connection with (i) the

admissibility in international law of claims tainted by fraud or forgery where the alleged perpetrator is a third party; (ii) the lack of due care or negligence of the investor to investigate the factual circumstances surrounding the making of an investment; and (iii) the deliberate "closing of eyes" to indications of serious misconduct or crime, or an unreasonable failure to perceive such indications.

The Parties were asked to provide submissions based only on the evidence currently on the record and limited to 15 pages in response to the above questions by 23 September 2016. Churchill filed its submission accordingly.

The *Minnotte v Poland* decision is available online at the link below:

<http://www.italaw.com/sites/default/files/case-documents/italaw3192.pdf>

Churchill believes that the fundamental principle of international law that underlies paragraph 163 of the *Minnotte* decision is good faith. This explains why the *Minnotte* tribunal held that an investor's failure to make enquiries that might (or might not) have detected third-party wrongdoing does not automatically deprive that investor of treaty protection as an investor can fail to make such inquiries whilst still acting in good faith. This also explains why the *Minnotte* tribunal held that, if the proven facts clearly show that the investor did more than fail to make such inquiries, and instead deliberately closed its eyes to serious third-party criminal wrongdoing, that may vitiate the investor's claim because it may mean the investor was not acting in good faith.

Churchill also believes paragraph 163 of the *Minnotte* decision cannot however be viewed in isolation. Paragraphs 129 to 140 explain the basis on which the *Minnotte* tribunal reached the above conclusions.

In response to the Tribunal's first question, Churchill believes that in circumstances where jurisdiction has previously been determined (Churchill's case) a claim can only be found to be inadmissible on some ground other than jurisdiction or the ultimate merits of the case. Accordingly the parameters for the Tribunal to consider in regards Indonesia's objection to admissibility are (i) if any ground of Indonesia's objection goes to jurisdiction, that ground cannot form a basis for a finding of inadmissibility as jurisdiction has already been determined and (ii) if any ground of Indonesia's objection goes to the ultimate merits of Churchill's claims that ground cannot form a basis for a finding of inadmissibility either.

In response to the Tribunal's second question, in looking to determine where the level of due diligence should sit in relation to any investment, Churchill believes that the appropriate commercial benchmark is what a reasonably prudent investor would do in the circumstances. Due diligence is also about reasonably foreseeable risks at the time an investment is made. The record shows firstly that Churchill conducted extensive due diligence (well in excess of that conducted by the investors in *Minnotte*) including multiple legal reviews on their investments prior to making any investment and secondly that the risk that signatures on mining licences could be forged was not foreseeable throughout the process of applying for and obtaining the Ridlatama licences. Although forensic document authenticity testing may be on an Indonesia due diligence checklist today, there is nothing to suggest that this level of due diligence was required at the time Churchill made its investment in East Kutai.

In response to the Tribunal's third question, Churchill believes that, whilst not defined in *Minnotte*, the deliberate closing of eyes might be akin to the concept of wilful blindness as it is understood in some national legal systems. For wilful blindness to be established, a very high legal threshold must be met and proven. Firstly it must be proven that the individual person subjectively believes that there is a high probability that a fact exists and secondly it must be proven that the individual concerned took deliberate actions to avoid learning that fact. The record shows that far from closing its eyes to indications of serious misconduct or taking deliberate actions to avoid learning of such indications, Churchill actively pursued all challenges to its mining licences by instigating such actions as police investigations and fully supporting the investigations being undertaken by statutory government bodies such as BAWASDA.

Both parties filed their respective reply submission as requested. In its reply submissions, Churchill argued that Indonesia's Forgery Dismissal Application has devolved to a point where it can no longer credibly be labelled an "admissibility" challenge (as it originally was). Churchill argued that Indonesia's motion is, instead, a broad-ranging objection comprising elements of jurisdiction (which have already been decided), liability and quantum (which are for later stages), underpinned by baseless allegations of forgery, fraud, and corruption. Churchill also addressed the many other legal authorities that Indonesia relied upon in its submission.

Churchill understands that, once the Tribunal has considered the Parties' further submissions and replies, the Tribunal will proceed to finalise and issue its decision in respect of Indonesia's Forgery Dismissal Application.

As with any litigation, there is uncertainty and risk in the arbitration against Indonesia. Further, due to confidentiality restrictions that Indonesia insisted upon as a condition of its provision of certain items of evidence, it is not yet possible to give Shareholders a complete picture of the materials that have been presented to the Tribunal. So the summary provided above should not be taken as comprehensive. However, the Tribunal's decision or award will be published and will include the facts and evidence that the Tribunal considers to be material to its findings. Churchill looks forward to being able to provide a further update to Shareholders when the Tribunal's decision is published.

Information on the progress of Churchill/Planet's claim against the Republic of Indonesia can be found at the website of the International Centre for Settlement of Investment Disputes at <https://icsid.worldbank.org/apps/ICSIDWEB/Pages/default.aspx> (under cases for "Churchill").

AIM Disciplinary Action

The matter was resolved during the year.

I would like to conclude by thanking our shareholders, my fellow Directors and our staff for their continued support and patience and can assure you the Board continues actively to seek a suitable outcome for shareholders.

David Quinlivan
Chairman
19 October 2016

The full report and accounts for the period ended 30 June 2016 are available on the Company's website www.churchillmining.com and will be sent to shareholders.

This announcement contains inside information for the purposes of Article 7 of Regulation 596/2014.

For further information, please contact:

Churchill Mining plc

David Quinlivan
Nicholas Smith
Russell Hardwick

Northland Capital Partners Limited

Nominated adviser
Edward Hutton/William Vandyk/Gerry Beaney

Broking
John Howes / Abigail Wayne

+ 61 8 6380 9670

+44 (0)20 3861 6625

STRATEGIC REPORT

FAIR REVIEW AND COMPANY STRATEGY

Churchill Mining Plc (“Churchill” or “the Company”) listed on AIM in April 2005. Churchill’s growth path accelerated following the discovery of a world-class thermal coal deposit (the East Kutai Coal Project “EKCP”) in the East Kutai Regency of Kalimantan, Indonesia, through an intensive and targeted exploration program.

Churchill's investments and operations culminated in the completion of a feasibility study in readiness for funding and the commencement of construction of the necessary infrastructure to support the exploitation of the coal resource. The Group's operations were subsequently halted by a decision by the East Kutai Regent to revoke the mining licences held by Churchill's Indonesian partners, the Ridlatama Group of companies ("Ridlatama") in which Churchill held a 75% interest. The East Kutai Regent's decision was challenged before the Indonesian courts, resulting initially in a negative ruling from the Samarinda Administrative Tribunal which upheld the East Kutai Regent's decision to revoke the licences. The decision was appealed, first to the Administrative High Court in Jakarta and then to the Supreme Court of Indonesia, but both appeals were unsuccessful. Churchill then took its claim for damages to the International Centre for Settlement of Investment Disputes.

The principal activity of the Group during the year was therefore to continue to actively progress the claim in international arbitration against the Republic of Indonesia (“ROI”) for breaches of Indonesia’s obligations under the Bilateral Investment Treaty between the United Kingdom and the Republic of Indonesia and the Australia-Indonesia Bilateral Investment Treaty. The arbitration claim has in effect become Churchill’s principal activity and focus for the Company.

INTERNATIONAL ARBITRATION CLAIM

In May 2012 Churchill filed a Request for Arbitration at the International Centre for Settlement of Investment Disputes (“ICSID”) against ROI alleging breaches by the ROI of obligations under the UK-Indonesia Bilateral Investment Treaty. In addition, Churchill’s Australian subsidiary, Planet Mining Pty Ltd (“Planet”), also filed a Request for Arbitration at ICSID against the ROI pursuant to the Australia-Indonesia Bilateral Investment Treaty. The Churchill and Planet arbitrations were subsequently consolidated into a single proceeding.

Churchill and Planet have filed their Memorials setting out their case against the ROI supported by witness statements and expert and documentary evidence. Key elements within the Memorials include:-

- The ROI initially supported and encouraged Churchill/Planet to invest in the East Kutai Coal Project;
- Churchill/Planet invested in the ROI in compliance with applicable laws and regulations;
- After Churchill/Planet’s discovery of substantial coal deposits, the ROI took a series of unlawful actions that resulted in the destruction of Churchill/Planet's valuable investment;
- The actions of the ROI constitute clear violations of its obligations under the Bilateral Investment Treaties with the United Kingdom and Australia; and
- Churchill/Planet have quantified their losses and seek damages in the amount of USD 1.315 billion (including interest) based on an industry-standard Discounted Cash Flow analysis.

Further detail in relation to the progress of the international arbitration claim during the 2016 Financial Year is included in the Chairman’s Statement.

STRATEGY AND OBJECTIVES

Churchill's key objective is to restore shareholder value following the revocation of the mining licences that made up the EKCP in East Kalimantan, Indonesia, in which Churchill/Planet held a 75% interest. The Company will continue to seek to restore value for shareholders by actively progressing its claim for damages via ICSID against the ROI.

FINANCIAL SUMMARY

Results of Operations (All amounts in US\$)

The Group incurred a loss for the year attributable to equity shareholders of the parent of \$3.15 million compared to a loss of \$2.79 million for the previous year. The basic loss per ordinary share for the year was 2.27c compared with the loss per share of 2.24c for the previous year.

Other administrative expenses totalled \$3.27 million (June 2015: \$2.55 million).

Significant expenditure items during the period include:

- Legal and professional fees of \$1.54 million (June 2015: \$1.17 million) mainly reflecting ongoing expenditure for the Company's arbitral claim against the ROI;
- Consulting, directors, staff and professional fees of \$0.92 million (June 2015: \$0.75 million)

Net cash outflow from operating activities has increased compared to the year ended 30 June 2015 and mainly reflects the ongoing legal and administrative costs of pursuing the ICSID claim against the ROI.

	30 June 2016	30 June 2015
	\$'000	\$'000
	Audited	Audited
Net cash outflows from operating activities	(3,058)	(2,042)

The balance of operating expenditure is in line with the Company's expectations with the cash resources allocated to progressing the ICSID arbitration proceedings.

Selected Annual Information

The Group's statement of financial position at 30 June 2016 and comparatives at 30 June 2015 and 30 June 2014 are summarised as follows:

	2016	2015	2014
	\$'000	\$'000	\$'000
Non-current assets	2	8	7
Current assets	1,527	2,195	5,565
Total assets	1,529	2,203	5,572
Current liabilities	453	921	3,222
Non-current liabilities	48	45	40
Total liabilities	501	966	3,262
Net assets	1,028	1,237	2,310

Liquidity & Capital

The Group began the year with \$2.05 million in cash and ended the year with \$1.47 million in cash assets. The Company continues to minimise other administration and corporate overheads where possible to preserve the Company's cash position.

In September 2015, the Company raised £750,000 before expenses through a placing and subscription of 4,166,664 new Ordinary Shares of 1p each at a price of 18p per share together with the issue of warrants over Ordinary Shares on the basis of one warrant for every two Placing Shares exercisable at a price of 27p per Ordinary Share expiring on 31 October 2018.

In March and April 2016, the Company raised a total of £1,100,000 before expenses through a placing and subscription of 10,000,000 new Ordinary Shares of 1p each at a price of 11p per share together with the issue of warrants over Ordinary Shares on the basis of one warrant for every two Placing Shares exercisable at a price of 20p per Ordinary Share expiring on 31 March 2019.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board regularly reviews the risks to which the Group is exposed and endeavours to minimise these risks as far as possible. The following summary, which is not exhaustive, outlines some of the risks and uncertainties facing the Group in its present position following the revocation of the mining licences that made up the EKCP and the filing of international arbitration against the ROI.

Litigation risk

As detailed in the Chairman's statement and Strategic Review, the Company is engaged in legal actions including a significant damages claim in international arbitration against the Republic of Indonesia of which the outcome remains unknown. There can be no assurance that any or all of the proceedings may be awarded in favour of the Company. The Company has engaged experienced international counsel to assist in mitigating this risk and providing the best possible chance of recovering value for shareholders.

Sovereign risk

The Group has an administration office in Indonesia where there are a number of associated risks over which it will have no control. Potential risks in Indonesia could include economic, social or political instability, terrorism, currency instability, government participation and taxation.

Reliance on key management

The Group's future success is substantially dependant on the continued services and performance of its key personnel. The Company's aim is to ensure that key personnel are rewarded and incentivised for their contribution to the Group and are motivated to enhance the return to Shareholders. There can be no assurance that the Company's current personnel, systems, procedures and controls will be adequate to support the litigation or any future operations or expansion.

Funding risk

The ability of the Group to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions as well as the general performance of the Company and the progress of the International arbitration claim. There can be no assurance that additional capital or other forms of finance may be available if needed, or that, if available the terms of such financing will be favourable to the Group. The Directors have a reasonable expectation that the Group will have access to the necessary resources to continue its pursuit of the ICSID litigation. This risk has been mitigated by the group raising funds from the equity markets to maintain sufficient working capital to support the arbitration claim against Indonesia.

Currency risk

The Company is exposed to exchange rate risk in its daily operations and mitigates this risk where possible by holding currency in GBP, USD and AUD based on budgeted expenditure.

ANALYSIS USING KEY PERFORMANCE INDICATORS

The International arbitration claim has in effect become Churchill's principal activity and focus. The key performance indicator is to manage the arbitration claim in an efficient and cost effective manner and raise sufficient funds to support the claim. During the year the Company raised £1,850,000 to support the arbitration claim. The Directors regularly monitor available cash to meet on-going administration and legal costs with the aim of a recovery of value for Shareholders.

APPROVAL OF THE BOARD

This strategic report contains certain forward-looking statements that are subject to the usual risk factors and uncertainties with a Company that has a legal claim as its main principal activity and focus. Whilst the Directors believe that any expectation reflected herein to be reasonable in light of the information available up to the time of their approval of this report, the actual outcome may be materially different owing to factors beyond the Group's control. Accordingly no reliance may be placed on any forward-looking statements.

By order of the Board

David Quinlivan

Chairman

19 October 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2016

	Note	2016 \$'000	2015 \$'000
Other administrative expenses		(3,275)	(2,554)
Reassessment of loan payable		-	2,229
Impairment of receivables		-	(2,229)
Total administrative expenses	3	(3,275)	(2,554)
Loss from operations		(3,275)	(2,554)
Finance income	2	128	4
Finance expense	3	(4)	(243)
Loss before taxation		(3,151)	(2,793)
Tax expense	5	-	-
Loss for the year attributable to equity shareholders of the parent		(3,151)	(2,793)

Other comprehensive expense:

Foreign exchange differences on translating foreign operations		(262)	(9)
Other comprehensive expense for the year		(262)	(9)
Total comprehensive loss for the year attributable to equity shareholders of the parent		(3,413)	(2,802)
Loss for the year attributable to:			
Owners of the parent		(3,151)	(2,793)
Total comprehensive loss for the year attributable to:		(3,151)	(2,793)
Owners of the parent		(3,413)	(2,802)
Loss per share attributable to owners of the parent:			
Basic and diluted loss per share (cents)	6	(2.27c)	(2.24c)

The accompanying notes form part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 30 June 2016

	Note	Consolidated		Company	
		2016	2015	2016	2015
		\$'000	\$'000	\$'000	\$'000
ASSETS					
Current assets					
Cash and cash equivalents		1,466	2,050	1,452	2,029
Other receivables	9	61	145	51	135
Total current assets		1,527	2,195	1,503	2,164
Non-current assets					
Property, plant and equipment	10	2	8	-	5
Total non-current assets		2	8	-	5
TOTAL ASSETS		1,529	2,203	1,503	2,169
LIABILITIES					
Current Liabilities					
Trade and other payables	12	453	777	443	769
Provisions	14	-	144	-	144
Total current liabilities		453	921	443	913
Non-current liabilities					
Provisions	14	48	45	-	-
Total non-current liabilities		48	45	-	-
TOTAL LIABILITIES		501	966	443	913
NET ASSETS		1,028	1,237	1,060	1,256
CAPITAL AND RESERVES					
ATTRIBUTABLE TO OWNERS					
OF THE COMPANY					
Share capital	16	2,595	2,381	2,595	2,381
Share premium	16	81,112	79,235	81,112	79,235
Other reserves		3,357	2,506	4,370	3,593

Retained deficit	(86,036)	(82,885)	(87,017)	(83,953)
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	1,028	1,237	1,060	1,256
TOTAL EQUITY	1,028	1,237	1,060	1,256

The accompanying notes form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 19 October 2016 and were signed on its behalf by:

David Quinlivan
Director

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2016

Consolidated	Other Reserves						Total Equity attributable to equity holders of Company	Non-controlling Interest	Total Equity
	Share Capital	Share premium reserve	Retained deficit	Foreign exchange	Warrant Reserve	Equity settled share options			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000			
Changes in equity for year to 30 June 2015									
Balance at 1 July 2014	2,237	77,791	(81,246)	(64)	-	2,488	1,206	1,104	2,310
Loss for the period	-	-	(2,793)	-	-	-	(2,793)	-	(2,793)
Other comprehensive expense	-	-	-	(9)	-	-	(9)	-	(9)
Transfer of non-controlling interest to retained deficit	-	-	1,104	-	-	-	1,104	(1,104)	-
Expiry of share options	-	-	50	-	-	(50)	-	-	-
Recognition of share based payments	-	-	-	-	-	141	141	-	141
Issue of shares	144	1,473	-	-	-	-	1,617	-	1,617
Share issue costs	-	(29)	-	-	-	-	(29)	-	(29)
Balance at 30 June 2015	2,381	79,235	(82,885)	(73)	-	2,579	1,237	-	1,237
Changes in equity for year to 30 June 2016									
Balance at 1 July 2015	2,381	79,235	(82,885)	(73)	-	2,579	1,237	-	1,237
Loss for the period	-	-	(3,151)	-	-	-	(3,151)	-	(3,151)
Other comprehensive expense	-	-	-	(262)	-	-	(262)	-	(262)
Recognition of share based payments	-	-	-	-	-	412	412	-	412
Issue of shares	214	2,671	-	-	-	-	2,885	-	2,885
Issue of warrants	-	(701)	-	-	701	-	-	-	-
Share issue costs	-	(93)	-	-	-	-	(93)	-	(93)
Balance at 30 June 2016	2,595	81,112	(86,036)	(335)	701	2,991	1,028	-	1,028

The accompanying notes form part of these financial statements.

Company	Share Capital	Share premium reserve	Retained deficit	Foreign Exchange reserve	Warrant Reserve	Equity settled share options reserve	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Changes in equity for year to 30							
June 2015							
Balance at start of the year	2,237	77,791	(80,142)	-	-	2,488	2,374
Total comprehensive loss for the year	-	-	(3,861)	-	-	-	(3,861)
Other comprehensive income	-	-	-	1,014	-	-	1,014
Expiry of share options	-	-	50	-	-	(50)	-
Issue of shares	144	1,473	-	-	-	-	1,617
Share issue costs	-	(29)	-	-	-	-	(29)
Recognition of share based payments	-	-	-	-	-	141	141
Balance at 30 June 2015	2,381	79,235	(83,953)	1,014	-	2,579	1,256
Changes in equity for year to 30							
June 2016							
Balance at start of the year	2,381	79,235	(83,953)	1,014	-	2,579	1,256
Total comprehensive profit/ (loss) for the year	-	-	(3,064)	-	-	-	(3,064)
Other comprehensive expense	-	-	-	(336)	-	-	(336)
Issue of shares	214	2,671	-	-	-	-	2,885
Issue of warrants	-	(701)	-	-	701	-	-
Share issue costs	-	(93)	-	-	-	-	(93)
Recognition of share based payments	-	-	-	-	-	412	412
Balance at 30 June 2016	2,595	81,112	(87,017)	678	701	2,991	1,060

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS For the year ended 30 June 2016

	Note	Consolidated		Company	
		2016	2015	2016	2015
		\$'000	\$'000	\$'000	\$'000
Cash flows used in operating activities	18	(3,058)	(2,042)	(2,979)	(1,867)
Net cash used in operating activities		(3,058)	(2,042)	(2,979)	(1,867)

Cash flows used in investing activities					
Finance income		-	1	-	1
Acquisition of property, plant and equipment		-	(4)	-	(3)
Advances to subsidiaries		-	-	(101)	(175)
Repayment of subsidiary loans		-	-	-	13
Cash flows generated from/(used in) investing activities		-	(3)	(101)	(164)
Cash flows from financing activities					
Proceeds from issue of share capital	16	2,715	1,346	2,715	1,346
Expense of share issue	16	(126)	(20)	(126)	(20)
Cash flows from financing activities		2,589	1,326	2,589	1,326
Net decrease in cash and cash equivalents		(469)	(719)	(491)	(705)
Cash and cash equivalents at beginning of year		2,050	3,016	2,030	2,993
Effect of foreign exchange rate differences		(115)	(247)	(87)	(258)
Cash and cash equivalents at the end of year		1,466	2,050	1,452	2,030

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

IAS 8 requires that management shall use its judgement in developing and applying accounting policies that result in information which is relevant to the economic decision-making needs of users; that are reliable, free from bias, prudent, complete and represent faithfully the financial position, financial performance and cash flows of the entity.

BASIS OF PREPARATION

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated. All amounts presented are in thousands of US dollars (\$'000) unless otherwise stated.

These financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations issued by the International Accounting Standards Board (IASB) adopted by the European Union and in accordance with applicable United Kingdom Law. The adoption of all of the new and revised Standards and Interpretations issued by the IASB and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to the operations and effective for annual reporting periods beginning on 1 July 2015 are reflected in these financial statements.

As at 30 June 2016 the Group has cash funds of \$1.46m. As detailed in the Chairman's Statement, the ICSID litigation is progressing and the Group has successfully raised additional equity funding to pursue its claims against the Republic of Indonesia. Subject to the ongoing progress of the claim, it is expected that additional funding will be needed in the form of a further equity raise and/or debt funding. The Directors have a reasonable expectation that the Group will have access to the necessary resources to continue its pursuit of the ICSID litigation and for this reason, they continue to adopt the going concern basis in preparing these accounts.

Effective 1 May 2015 the Parent Company's functional currency changed from US dollar to pounds sterling ("GBP"). The change was mainly due to the fundraisings and underlying expenditure being denominated in GBP and the Directors consider GBP to most faithfully represent the economic effect of the underlying transactions, events and conditions in the parent Company.

NEW STANDARDS AND INTERPRETATIONS APPLIED

The IASB has issued no new standards, amendments to published standards and interpretations to existing standards with effective dates on or prior to 1 July 2015 which have a material effect on the Group.

New standards and interpretations not yet effective

It is not anticipated that the adoption in the future of the new or revised standards or interpretations that have been issued by the International Accounting Standards Board but are not yet effective will have a material impact on the Group's earnings or shareholders' funds. The Company has not adopted any new standards in advance of the effective dates. The Group is in the process of assessing the impact of these new standards and amendments on the financial statements.

SIGNIFICANT ACCOUNTING POLICIES

Finance income

Interest income is accrued on a time basis, by reference to the principal outstanding at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Basis of consolidation

The financial statements incorporate a consolidation of the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

The financial statements of subsidiaries are included in the Group's financial statements from the date that control commences until the date that control ceases.

Non-controlling interests are presented in the statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company and in respect of the statement of comprehensive income are presented on the face as an allocation of the total profit or loss and other comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Foreign currency

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the statement of comprehensive income.

On the 1st May 2015, the parent Company's ("Churchill Mining Plc") functional currency changed to GBP from USD as this appropriately reflects the Company's primary economic environment, being the United Kingdom, in which it primarily generates its funding and expends part of its operating cash. The consolidated and company financial information continues to be presented in US dollars (\$), which is the presentation currency of the Company to ensure consistency with prior periods.

On consolidation, the results of the Group's and parent's operations are translated into \$ at rates approximating to those when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised directly in the statement of changes in equity (the "foreign exchange reserve"). Exchange differences recognised in the statement of comprehensive income of Group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to the foreign exchange reserve if the item is denominated in the functional currency of the Company or the overseas operation concerned. On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the consolidated statement of comprehensive income as part of the profit or loss on disposal.

Financial instruments

Financial assets and financial liabilities and equity instruments are recognised when the Group and Company become party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual right to the cash flow expires or when all the risks and rewards of ownership are substantially transferred. Financial liabilities are derecognised when the obligations specified in the contract are either discharged or cancelled.

Financial assets

The Group and Company classify their financial assets into one category – Loans and Receivables. The Group's and Company's accounting policy for each category is as follows:

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They incorporate various types of contractual monetary assets, such as advances made to affiliated entities which give rise to other receivables and cash and cash equivalents includes cash in hand and deposits held at call with banks. Other receivables are carried at cost less any provision for impairment. Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty) that the Group will be unable to collect all of the amounts due under the terms of the receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

Financial liabilities

The Group's financial liabilities consist of trade payables, other short-term monetary liabilities and long term liabilities which are initially stated at fair value and subsequently at their amortised cost.

Equity instruments

The warrants are recorded as an equity financial instrument as the Group will receive a fixed amount of cash on exercise of the warrant in the functional currency of the relevant entity for issuing a fixed number of shares.

Provisions

Provisions are recognised for liabilities of uncertain timing or amount that have arisen as a result of past transactions and are discounted at a pre-tax rate reflecting current market assessments of the time value of money and the risks specific to the liability.

Share-based payments

Where share options are awarded to Directors and employees, the fair value of the options at the date of grant is charged to the statement of comprehensive income immediately or over the vesting period if applicable. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where equity instruments are granted to persons other than employees, the statement of comprehensive income is charged with the fair value of goods and services received or where this is not possible at the fair value of the equity instruments granted. Fair value is measured by use of an option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. When the Company grants options over its shares to employees of subsidiaries, the fair value at grant date is recognised as an increase in the investment in subsidiaries, with a corresponding increase in equity over the vesting period of the grant.

Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future costs of dismantling and removing items if applicable. The corresponding liability is recognised within provisions. Depreciation is provided on all items of property and equipment to write off the carrying value of items over their expected useful economic lives as follows:

Freehold land	- not depreciated
Leasehold improvements	- 5 years
Furniture and fixtures	- 3 years
Office equipment	- 3 years
Motor vehicles	- 8 years

Taxation

Tax on the profit or loss from ordinary activities includes current and deferred tax.

Current tax is based on the profit or loss adjusted for items that are non-assessable or disallowed and is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Tax is charged or credited to the statement of comprehensive income, except when the tax relates to items credited or charged directly to equity, in which case the tax is also dealt with in equity.

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs to its tax base, except for differences arising on:

- The initial recognition of goodwill;
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- Investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/ (assets) are settled/ (recovered).

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- The same taxable Group company; or
- Different Group entities which intend either to settle current tax assets and liabilities on a net basis or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Tax consolidation

The Company and its 100% Australian controlled entities have formed a tax consolidation Group. Members of the tax consolidated Group intend to enter into a tax sharing arrangement which will allow for the allocation of income tax expense to the wholly controlled entities on a pro rata basis. The arrangement will provide for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. The head entity of the tax consolidated Group is Churchill Mining Plc.

Impairment of non-financial assets

Impairment tests on intangible assets and tangible assets with indefinite useful economic lives are undertaken annually on 30 June or when a trigger for impairment is identified. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (i.e. the lowest level Group of assets in which the asset belongs for which there are separately identifiable cash flows).

Impairment charges are included within total administration expenses in the statement of comprehensive income, except to the extent that they reverse gains previously recognised in the statement of changes in equity.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is the Managing Director, under his delegated board authority, is responsible for allocating resources and assessing performance of the operating segments.

Investments

In its separate financial statements, the Company recognises its investments in subsidiaries at cost inclusive of share based payments less any provision for impairment.

Cash and cash equivalents

Cash comprises bank and cash deposits at variable interest rates. Any interest earned is accrued monthly and classified as interest income. Cash equivalents comprise short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash flows to be made for those benefits.

Key sources of estimation uncertainty

The Group makes estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may deviate from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

- While conducting an impairment review of its assets, the Group exercises judgement in making assumptions by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Changes in these estimates used can result in significant charges to the statement of comprehensive income ; and
- Employee, corporate advisory and consulting services received as well as the corresponding increase in equity, are measured by reference to the fair value of the equity instruments at the date of grant, excluding the impact of any non market vesting conditions. The fair value of share options is estimated by using an option pricing model, on the date of grant based on certain assumptions. Those assumptions are described in the Notes to the accounts where more details, including carrying values, are disclosed.

NOTE 2: FINANCE INCOME

	Consolidated	
	2016	2015
	\$'000	\$'000
Finance income – foreign exchange gains	128	3
Finance income - Bank interest	-	1
Total finance income	128	4

NOTE 3: LOSS FROM OPERATIONS

	Consolidated	
	2016	2015

	\$'000	\$'000
Loss before tax includes the following expense items:		
Administrative expenses		
Audit & accounting and other fees	60	71
Consulting & professional fees	645	454
Legal fees	1,538	1,176
VAT costs unrecovered	-	3
Depreciation & amortisation	5	4
Employee salaries and benefits	279	286
Operating lease expense	44	51
Travel expenses	171	67
Public relations consultancy	15	27
Other administrative costs	118	285
Equity settled share based payment expense	400	130
	3,275	2,554
Finance expense		
Foreign exchange losses	4	243
Total administrative and finance expenses	3,279	2,797

During the year the following fees were paid or payable for services provided by the Auditors of the parent entity and subsidiaries:

	Consolidated	
	2016 \$'000	2015 \$'000
Fees payable to the Company's Auditor for the audit of the Company's annual accounts	28	30
Other services – interim review	6	6
Fees payable for the audit of the subsidiaries	5	8
Total	39	44

NOTE 4: SALARIES

	Consolidated	
	2016 \$'000	2015 \$'000
Staff costs (including Directors' fees) comprise:		
Employee salaries and benefits	57	69
Directors' fees	223	218
Share-based payments	354	130
	634	417
Average number of employees		
Administration and Finance	4	3
Directors	6	6
Directors' remuneration and Other Key Management disclosures	2016 \$'000	2015 \$'000

Directors' short term benefits

Directors' fees and benefits	223	218
Consultancy fees/Salaries	338	186
Sub-Total	561	404

Directors' share based payments

Share based payments (options)	271	96
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Total Director Remuneration

832	500
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Other Key management short term benefits

Consultancy fees	232	212
Sub-Total	232	212

Key management share based payments

Share based payments (options)	83	28
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Total Other Key Management Remuneration

83	28
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Total Director and Key Management Remuneration

1,147	740
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The amounts set out above include emoluments for the highest paid Director as follows:

Short term benefits	227	146
Long term benefits	91	36

Total

318	182
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Key management consists of the Board of Directors and the Company Secretary/Chief Financial Officer.

The Company provides Directors' & Officers' liability insurance at a cost of \$25,897 (2015: \$25,069). This cost is not included in the above table.

NOTE 5: TAXATION ON LOSS FOR THE YEAR

	Consolidated	
	2016	2015
	\$'000	\$'000

Major components of income tax expense for the years ended 30 June 2016 and 2015 are:

Current tax expense	-	-
Deferred tax expense	-	-
Total tax expense	-	-

A reconciliation of income tax expense applicable to accounting loss before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate for the years ended 30 June 2016 and 2015 is as follows:

Accounting loss before income tax	(3,151)	(2,793)
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At the Australian statutory income tax rate of 28.5% (2015 - 30%)	(898)	(838)
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	Consolidated	
	2016 \$'000	2015 \$'000
Effects of:		
Non-deductible expenses	677	514
Tax losses not brought to account as a deferred tax asset	221	324
Income tax expense	-	-
Effective income tax rate of 0%	0%	0%

No amounts of deferred tax assets or liabilities have been charged / (credited) to the consolidated statement of comprehensive income or reserves. The deductible temporary differences and Australian domestic tax losses being approximately \$22,941,000 (2015: \$21,347,000) do not expire under current tax legislation. Indonesian tax losses expire after five years. Deferred tax assets have not been recognised in respect of these items because at this point it is not probable that future taxable profits will be available against which the Group can utilise the benefits of tax losses. The Group has not offset deferred tax assets across different jurisdictions. Foreign tax losses in relation to the Indonesian subsidiary PT Indonesia Coal Development expire as follows:

Financial Year	Expire (year)	\$'000
2011/2012	2017	3,680
2012/2013	2018	1,086
2013/2014	2019	277
2014/2015	2020	140
2015/2016*	2021	120

*Estimate based on the actual loss for 2015/2016

NOTE 6: LOSS PER SHARE

	Consolidated	
	2016 \$'000	2015 \$'000
Loss attributable to owners of the parent company	(3,151)	(2,793)
	Number	
Weighted average number of shares used in the calculation of basic loss per share	138,922,131	124,755,382
	Cents	
Basic and diluted loss per share	(2.27c)	(2.24c)

26,929,515 (2015: 15,202,192) potential ordinary shares have been excluded from the above calculations as the exercise price is higher than the average share price. The effect of the potential ordinary shares is also considered to be anti-dilutive, as it will result in decrease in the loss per share.

NOTE 7: PARENT COMPANY PROFIT FOR THE FINANCIAL YEAR

The Company has taken advantage of the exemption as allowed by Section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The Company loss for the year was \$3,063,884 (2015: Loss \$3,860,532).

NOTE 8: SEGMENT INFORMATION

The Group's reportable segments are set out below and include the Indonesian and Australian corporate offices which are administrative cost centres.

Operating segments are reported in a manner consistent with the reporting provided to the board.

Consolidated 2016	Australia – Corporate office \$'000	Indonesia – Administration Office \$'000	Total \$'000
Administration expenses	(3,172)	(103)	(3,275)
Exchange differences (finance income)	105	23	128
Exchange differences (finance expense)	(4)	-	(4)
Loss for the year after taxation	(3,071)	(80)	(3,151)
Non current assets	-	2	2
Other receivables	51	10	61
Cash and cash equivalents	1,452	14	1,466
Segment assets	1,503	26	1,529
Trade and other payables	443	10	453
Provisions	-	48	48
Segment liabilities	443	58	501
Segment net assets	1,060	(32)	1,028

Consolidated 2015	Australia – Corporate office \$'000	Indonesia – Administration Office \$'000	Total \$'000
Administration Expense	(2,429)	(313)	(2,742)
Exchange differences (finance income)	6	3	9
Exchange differences (finance expense)	(60)	-	(60)
Loss for the year after taxation	(2,483)	(310)	(2,793)
Non current assets	5	3	8
Other receivables	135	10	145
Cash and cash equivalents	2,029	21	2,050
Segment assets	2,169	34	2,203
Trade and other payables	769	8	777
Provisions	144	45	189
Segment liabilities	913	53	966
Segment net assets	1,256	(19)	1,237

NOTE 9: OTHER RECEIVABLES

	Consolidated		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Current				
Related party receivables	3,034	3,000	-	-
Impairment for non-recovery	(3,034)	(3,000)	-	-
Prepayments and other receivables	61	145	51	135
	61	145	51	135

The Group's exposure to credit and currency risk related to other receivables is disclosed in Note 19. Details on the impairment of the related party receivables are provided in Note 20.

NOTE 10: PROPERTY, PLANT AND EQUIPMENT

	Consolidated		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Plant & Equipment				
Cost				
Balance at start of year	160	243	115	111
Written off	-	(82)	-	-
Additions	-	4	-	1
Effects of movements in exchange rates	(19)	(5)	(19)	3
Balance at end of year	141	160	96	115
Accumulated Depreciation				
Balance at start of year	152	236	105	105
Depreciation expense for the year	5	3	4	2
Reversal of accumulated depreciation – Written off	-	(82)	-	-
Effects of movements in exchange rates	(18)	(5)	(13)	3
Balance at end of year	139	152	96	110
Net book value at end of the year	2	8	-	5
Net book value at start of year	8	7	5	6

NOTE 11: INVESTMENT IN SUBSIDIARIES

The subsidiaries of Churchill Mining Plc, all of which have been included in these consolidated financial statements, are as follows:

Name	Country of Incorporation	Proportion of ownership or beneficial interest
Planet Mining Pty Ltd	Australia	100%
PT Indonesia Coal Development	Indonesia	100%
PT Techno Coal Utama Prima*	Indonesia	100%
PT Ridlatama Tambang Mineral*	Indonesia	75%
PT Ridlatama Trade Powerindo*	Indonesia	75%

PT Ridlatama Steel*	Indonesia	75%
PT Ridlatama Power*	Indonesia	75%

*Undertaking held indirectly by the Company.

Churchill Mining Plc owns 95% of the shares in PT Indonesia Coal Development with the balance (5%) held by Planet Mining Pty Ltd.

Movements of investments in subsidiaries during the period are:

	Company	
	2016 \$'000	2015 \$'000
Loans to subsidiaries – Non-current assets		
- Loan Balance	49,202	49,040
- Loans to subsidiaries	101	175
- Repayment of loans from subsidiaries	-	(13)
- Impairment of loans to subsidiary	(49,303)	(49,202)
Total loans to subsidiaries – non-current assets	-	-

The total of subsidiary loans at 30 June 2016 is \$49,302,933 (2015: \$49,201,733), the recovery of which has been impaired in full. The intercompany loans are unsecured, non-interest bearing and repayable on demand. Following impairment of the underlying assets held within the relevant subsidiaries, Churchill Mining Plc has accordingly reduced the carrying value of investments held at a parent company level.

NOTE 12: TRADE AND OTHER PAYABLES

	Consolidated		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Current				
Trade payables	225	418	225	415
Accruals and other payables	228	359	218	354
	453	777	443	769

The Group's exposure to credit and currency risk related to trade and other payables is disclosed in Note 19.

NOTE 13: LOANS AND BORROWINGS

	Consolidated		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Current				
Related party payables	2,255	2,229	-	-
Reassessment of related party loan payable	(2,255)	(2,229)	-	-
	-	-	-	-

Included in the loans and borrowings are amounts potentially payable of \$2,254,552 due to the non-controlling shareholders of the IUP Companies PT Ridlatama Tambang Mineral, PT Ridlatama Trade Powerindo, PT Ridlatama Steel and PT Ridlatama Power. The loan payable was reassessed to nil, during the year ended 30 June 2015. There have been no changes in this assessment.

NOTE 14: PROVISIONS

	Consolidated		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Current				
Provision for fine	-	144	-	144
	-	144	-	144
Non-current				
Employee benefits	48	45	-	-
	48	45	-	-

Current

During the year, the proceedings commenced by the London Stock Exchange plc against the Company under the AIM Disciplinary procedures were resolved. The excess of the provision was credited through profit and loss.

Non-Current

The Non-current provision relates to the estimated liability for post-employment benefits at year end for staff engaged by PT Indonesia Coal Development.

NOTE 15: COMMITMENTS

	Consolidated		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Operating lease commitments				
The total future aggregate minimum lease payments under non-cancellable operating leases:				
Within one year	11	19	11	19
Within two to five years	-	-	-	-
	11	19	11	19

The above amount relates to a property sub-lease for Suite 1, 346 Barker Road Subiaco Western Australia with the term expiring on 31 December 2016 with rent payable monthly in advance.

Consultant and Key Management compensation commitments

Commitments under consulting contracts not provided for in the financial statements and payable:

Within one year	135	321	135	321
	135	321	135	321

NOTE 16: SHARE CAPITAL, SHARE PREMIUM, RESERVES, AND WARRANTS

The Companies Act 2006 (as amended) abolishes the requirement for a company to have an authorised share capital. The Company's articles of association does not include any provisions relating to authorised share capital.

	Company		Company	
	2016 Number	2015 Number	2016 \$'000	2015 \$'000

Allotted, called up and fully paid

At start of year	132,775,613	123,619,562	2,381	2,237
Additions	14,677,626	9,156,051	214	144
At end of year	147,453,239	132,775,613	2,595	2,381

Date	Details	Allotted, called up and fully paid		Share premium
		Number Ordinary	\$'000	\$'000
30/6/2014	Closing balance at 30 June 2014	123,619,562	2,237	77,791
15/01/2015	Issue of shares in lieu of cash fees @ 27.09p per share	606,051	9	261
14/05/2015	Issue of shares for cash @ 10p per share	8,500,000	134	1,201
14/05/2015	Share issue expense	-	-	(29)
16/06/2015	Conversion of options @ 15p per share	50,000	1	11
30/6/2015	Closing balance at 30 June 2015	132,775,613	2,381	79,235
02/10/2015	Issue of shares @ 18p per share for cash	4,166,664	63	1,074
02/10/2015	Share issue expense	-	-	(51)
02/10/2015	Issue of warrants exercisable @27p	-	-	(297)
06/01/2016	Issue of shares in lieu of cash fees @ 27p per share	510,963	7	207
15/03/2016	Issue of shares @ 11p per share for cash	7,272,727	104	1,041
15/03/2016	Share issue expense	-	-	(86)
15/03/2016	Issue of warrants exercisable @20p	-	-	(300)
04/04/2016	Issue of shares @ 11p per share for cash	2,727,272	40	393
04/04/2016	Issue of warrants exercisable @20p	-	-	(104)
30/06/2016	Closing balance at 30 June 2016	147,453,239	2,595	81,112

Share premium

The share premium reserve amount arises from subscriptions for or issue of shares in excess of nominal value.

Warrants granted with share placements

Exercise price	Grant date	Outstanding at start of year	(Exercised)/ Granted during the year	(Lapsed/ Expired) during the year	Outstanding at end of year	Final exercise date
2015						
15p	14/05/2015	-	4,250,000/ (50,000)	-	4,200,000	30/06/2018
Total		-	4,200,000	-	4,200,000	
2016						
15p	14/05/2015	4,200,000	-	-	4,200,000	30/06/2018
27p	01/10/2015	-	2,083,332	-	2,083,332	31/10/2018
20p	15/03/2016	-	3,636,363	-	3,636,363	31/03/2019

20p	04/04/2016	-	1,363,636	-	1,363,636	31/03/2019
Total		4,200,000	7,083,331	-	11,283,331	

Other Reserves -

Other Reserves include

(i) Foreign exchange reserve

The amount represents gains/losses arising from the translation of the financial statements of foreign operations, the functional currency of which is different from the presentation currency of the Group. The reserve is dealt with in accordance with the accounting policy set out in note 1 to these financial statements.

(ii) Equity settled share options reserve

The amount relates to the fair value of the share options that have been expensed through the statement of comprehensive income less amounts, if any, that have been transferred to the retained earnings/deficit upon exercise.

(iii) Warrant reserve

The amount relates to the fair value of free attaching warrants issued as part of share placements by the Company.

Fair value

The fair value of the warrants attaching to share placements has been derived using the Black-Scholes model that takes into account factors such as the option/warrant life, the volatility of share price and expected early exercise of warrants. Volatility has been based on the historic volatility of the Company's shares over the expected period over which the warrants may be exercised. The assumptions inherent in the use of the models are as follows (assumptions presented below are in GBP, as the options/warrants are denominated in GBP):

2016

Grant date	2/10/2015	11/03/2016	04/04/2016
Free attaching warrants	Placing Warrants	Placing Warrants	Placing Warrants
Number granted	2,083,332	3,636,363	1,363,636
Fair value at grant date	9.9p	5.74p	5.31p
<i>Assumptions used</i>			
Share price	23.25p	14.63p	14.13p
Exercise price	27p	20p	20p
Expected volatility	101%	103%	102%
Average Option life	1.5	1.5	1.5
Risk free interest rate	0.5	0.5	0.5

Retained deficit

Retained deficit represents the cumulative net gains and losses recognised in the statement of comprehensive income less any amounts reflected directly in other reserves.

NOTE 17: SHARE BASED PAYMENTS

Share options and warrants issued as compensation

The Company has issued share options, some of which have vested immediately on grant and others with vesting periods. The options are unlisted. Share options are exercisable for ordinary shares which when exercised rank equally with existing ordinary shares.

Exercise price	Grant date	Outstanding at start of year	(Exercised)/ Granted during the year	(Lapsed/ Expired) during the year	Outstanding at end of year	Final exercise date
2015						
50p	19/08/2011	4,700,000	-	(800,000)	3,900,000	19/08/2016
50p	29/10/2012	1,500,000	-	(250,000)	1,250,000	29/10/2017
28p	21/03/2013	5,400,000	-	-	5,400,000	21/03/2018
48p	03/05/2013	50,000	-	-	50,000	03/05/2018
50p	09/12/2013	3,000,000	-	-	3,000,000	09/12/2018
25p	02/04/2015	-	5,000,000	-	5,000,000	02/04/2020
15p	20/05/2015	-	100,000	-	100,000	30/06/2018
Total		14,650,000	5,100,000	(1,050,000)	18,700,000	

2016

50p	19/08/2011	3,900,000	-	-	3,900,000	19/08/2016
50p	29/10/2012	1,250,000	-	-	1,250,000	29/10/2017
28p	21/03/2013	5,400,000	-	-	5,400,000	21/03/2018
48p	03/05/2013	50,000	-	-	50,000	03/05/2018
50p	09/12/2013	3,000,000	-	-	3,000,000	09/12/2018
25p	02/04/2015	5,000,000	-	-	5,000,000	02/04/2020
15p	20/05/2015	100,000	-	-	100,000	30/06/2018
27p	01/10/2015	-	70,379	-	70,379	31/10/2018
35p	23/12/2015	-	4,600,000	-	4,600,000	23/12/2020
Total		18,700,000	4,670,379	-	23,370,379	

	Weighted average exercise price 2016	Number 2016	Weighted average exercise price 2015	Number 2015
Outstanding at beginning of the year	37p	18,700,000	42p	14,650,000
Expired during the year	-	-	50p	(1,050,000)
Issued during the year	35p	4,670,379	25p	5,100,000
Outstanding at end of the year	36p	23,370,379	37p	18,700,000
Exercisable at the end of the year	37p	18,770,379	41p	13,700,000

The weighted average share price during the year was 21.18p (2015: 30.61p).

The weighted average remaining contractual life of options outstanding at year end 30 June 2016 was 2.51 years.

Fair value

The fair value of the share options and warrants granted as compensation has been derived using the Black-Scholes model that takes into account factors such as the option/warrant life, the volatility of share price and expected early exercise of share options/warrants. Volatility has been based on the historic volatility of the Company's shares over the expected period over which the share options or warrants may be exercised. . The assumptions inherent in the use of the models are as follows (assumptions presented below are in GBP, as the options/warrants are denominated in GBP):

2016

Grant date	23/12/2015	01/10/2015
Granted to	Key Management Personnel	Broker warrants
Number granted	4,600,000	70,739
Fair value at grant date	8.64p	10.20p
<i>Assumptions used</i>		
Share price	20.13p	23.25p
Exercise price	35.00p	27.00p
Expected volatility	96%	104%
Average Option life	2.50	1.50
Risk free interest rate	0.5%	0.5%

2015

Grant date	2/04/2015	20/05/2015
Granted to	Key Management Personnel	Broker warrants
Number granted	5,000,000	100,000
Fair value at grant date	1.78p	5.76p
<i>Assumptions used</i>		
Share price	10.89p	16.00p
Exercise price	25.00p	15.00p
Expected volatility	65%	71%
Average Option life	2.50	1.50
Risk free interest rate	0.5%	0.5%

Equity settled share based payment expense

The share based payment for the year ended 30 June 2016 was \$412,114 (2015: \$130,000).

Shares

On 06th January 2016, the Company issued 510,963 new Ordinary shares to directors, executives and the company secretary at a deemed issue price of 27pence per share in lieu of the payment of cash fees.

NOTE 18: NOTES TO THE CASH FLOW STATEMENT

	Consolidated		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000

Reconciliation of (loss) after tax to cash from operating activities

(Loss) after tax	(3,151)	(2,793)	(3,064)	(3,861)
Share option expense	400	130	400	130
Shares issue in lieu of fees	215	271	215	271
Depreciation expense	5	4	4	2
Impairment expense	-	-	101	162
(Gain)/ Loss on exchange rates	(125)	240	(227)	1,276
Finance income	-	(1)	-	(1)
Reassessment of loan payable	-	2,229	-	-
Impairment of receivables	-	(2,229)	-	-
Excess provision reversed	(22)	-	(22)	-
Decrease / (Increase) in receivables	84	2,150	84	(78)
(Decrease) / Increase in payables	(320)	(2,043)	(326)	232
(Decrease) / Increase in provisions	(144)	-	(144)	-
Cash flow from operating activities	(3,058)	(2,042)	(2,979)	(1,867)

NOTE 19: FINANCIAL INSTRUMENTS**Significant accounting policies**

Details of the significant accounting policies in respect of financial instruments are disclosed in Note 1 of the financial statements.

Financial risk management

The Board seeks to minimise its exposure to financial risk by reviewing and agreeing policies for managing each financial risk and monitoring them on a regular basis. No formal policies have been put in place in order to hedge exposure of the Group's and Company's activities to the exposure to currency risk or interest risk. No derivatives or hedges were entered into during the year.

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group and Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function.

The Group is exposed through its operations to the following financial risks:

- Liquidity risk;
- Credit risk;
- Foreign exchange risk.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group and Company's competitiveness and flexibility. There have been no substantive changes in the Group and Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note. Further details regarding these policies are set out below:

Principal financial instruments

The principal financial instruments used by the Group and Company, from which financial instrument risk arises are as follows:

- Loans and receivables;
- Other receivables;
- Cash and cash equivalents;

- Trade and other payables; and
- Loans and borrowings.

Categories of financial assets

	Consolidated		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Current financial assets classified as loans and receivables				
Other receivables	21	97	13	86
Cash and cash equivalents	1,466	2,050	1,452	2,029
Total current financial assets	1,487	2,147	1,465	2,115
Total financial assets	1,487	2,147	1,465	2,115

Categories of financial liabilities

	Consolidated		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Current financial liabilities measured at amortised cost				
Trade and other payables	453	777	443	769
Loans and borrowings	-	-	-	-
Total current financial liabilities	453	777	443	769
Total financial liabilities	453	777	443	769

There is no material difference between the book value and fair value of the Group's financial instruments, due to the short-term nature of these instruments.

LIQUIDITY RISK

The Group's and Company's policy is to ensure that it has sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain readily available cash balances to meet expected requirements for a period of at least 60 days.

Cash forecasts identifying the liquidity requirements of the Group and Company are produced frequently. These are reviewed regularly by management and the Board to ensure that sufficient financial headroom exists for at least a 12 month period.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

Consolidated	Carrying amount	Contractual cash flows	6 months or less	Greater than 6 months
2016	\$'000	\$'000	\$'000	\$'000

Current financial liabilities

Trade and other payables	453	453	453	-
	453	453	453	-

Company	Carrying amount	Contractual cash flows	6 months or less	Greater than 6 months
2016	\$'000	\$'000	\$'000	\$'000

Current financial liabilities

Trade and other payables	443	443	443	-
	443	443	443	-

Consolidated	Carrying amount	Contractual cash flows	6 months or less
2015	\$'000	\$'000	\$'000

Current financial liabilities

Trade and other payables	777	777	777
	777	777	777

Company	Carrying amount	Contractual cash flows	6 months or less
2015	\$'000	\$'000	\$'000

Current financial liabilities

Trade and other payables	769	769	769
	769	769	769

CREDIT RISK

Credit risk arises principally from the Group's other receivables and cash and cash equivalents. It is the risk that the counterparty fails to discharge its obligations in respect of the instrument.

The Group holds its cash balances with reputable financial institutions with strong credit ratings.

The Group and Company's maximum exposure to credit risk by class of individual financial instrument is shown in the table below:

Consolidated	2016		2015	
	Carrying value	Maximum exposure	Carrying value	Maximum exposure
	\$'000	\$'000	\$'000	\$'000

Current assets

Cash and cash equivalents	1,466	1,466	2,050	2,050
Other receivables	24	24	97	97
	1,490	1,490	2,147	2,147

Company	2016		2015	
	Carrying value	Maximum exposure	Carrying value	Maximum exposure

	\$'000	\$'000	\$'000	\$'000
Current assets				
Cash and cash equivalents	1,452	1,452	2,029	2,029
Other Receivable	13	13	85	85
	1,465	1,465	2,114	2,114

CASH FLOW INTEREST RATE RISK

The Group and Company is exposed to cash flow interest rate risk from its deposits of cash and cash equivalents with banks. The risk is considered to be minimal with the current low rates available for GBP and USD deposits. The cash balances maintained by the Group and Company are managed in order to ensure that the maximum level of interest is received for the available funds without affecting the working capital flexibility the Group and Company require.

The Group and Company is not at present exposed to cash flow interest rate risk on borrowings as they are not interest bearing. No subsidiary Company of the Group is permitted to enter into any borrowing facility or lease agreement without prior consent of the Company.

FOREIGN EXCHANGE RISK

The Group has overseas subsidiaries, in Australia and Indonesia, whose expenses are mainly denominated in US dollars with some expenses in Australian Dollars and Indonesian Rupiah. In addition, the Parent Company incurs some expenses in British Pounds and raises its equity finance in British Pounds. Foreign exchange risk is inherent in the Group's activities. The Group mitigates foreign exchange risk by transferring appropriate amounts to match the budgeted spend in each currency. Although its geographical spread reduces the Group's operational risk, the Group's net assets arising from such overseas operations are exposed to currency risk resulting in gains and losses on retranslation into US dollars. No formal arrangements have been put in place in order to hedge the Group and Company's activities to the exposure to currency risk or interest risk. It is the Group's policy to ensure that individual Group entities enter into local transactions in their functional currency wherever possible. The Group considers that this policy minimises any unnecessary foreign exchange exposure.

In order to monitor the continuing effectiveness of this policy, the Board, through its approval of both corporate and capital expenditure budgets, and review of the currency profile of cash balances and management accounts, considers the effectiveness of the policy on an on-going basis.

The following table discloses the exchange rates of the major currencies utilised by the Group:

	Pounds Sterling	Australian Dollar	Indonesian Rupiah
Foreign currency units to US \$1			
Average for 2015/2016	0.6951	1.3725	13,619
At 30 June 2016	0.7466	1.3441	13,180
Average for 2014/2015	0.6477	1.2194	12,549
At 30 June 2015	0.6234	1.330	13,332

At the year end, the Group had a cash balance of \$1,466,012 (2015: \$2,049,728) which was made up as follows:

	Consolidated		Company	
	2016	2015	2016	2015

	\$'000	\$'000	\$'000	\$'000
Great British Pound	574	396	574	396
United States Dollar	511	1,225	507	1,209
Australian Dollar	371	424	371	424
Indonesian Rupiah	10	5	-	-
	1,466	2,050	1,452	2,029

Currency exposures & Sensitivity analysis

The monetary assets and liabilities of the Group that are not denominated in US dollars and therefore exposed to currency fluctuations are shown below. The amounts shown represent the US dollar's equivalent of local currency balances.

	Australian Dollar \$'000	Pound Sterling \$'000	Indonesian Rupiah \$'000	Total \$'000
US Dollar equivalent of exposed net monetary assets and liabilities				
At 30 June 2016	314	447	13	774
At 30 June 2015	421	417	3	841

A 10% strengthening of the US dollar against the Australian dollar at 30 June 2016 would have increased the loss by \$33,691 (2015: increased loss by \$38,550) and reduced equity by 33,691 (2015: \$38,550). This analysis assumed that all other variables, in particular interest rates, remain constant. A 10% weakening of the US dollar against the above currency at 30 June would have had approximately the equivalent but opposite effects on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

A 10% strengthening of the US dollar against the Great British Pound ("GBP") at 30 June 2016 would have increased the cash balance held by \$52,228 (2015: \$35,986) and decrease equity by \$52,228 (2015: \$35,986). This analysis assumed that all other variables, in particular interest rates, remain constant. A 10% weakening of the US dollar against the above currency at 30 June would have had approximately the equivalent but opposite effects on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Capital

The objective of the Directors is to maximise Shareholder returns and minimise risks with the Group being mainly equity financed. In managing their capital, the Group and Company's primary objective is to ensure their ability to provide a sufficient return for their Shareholders, principally though the ICSID damages claim. In order to achieve and maximise this return objective, the Group and Company will, in future, seek to maintain any gearing ratio that balances risks and returns at an acceptable level while also maintaining a sufficient funding base to enable the Group and Company to meet their working capital and strategic investment needs. In making decisions to adjust their capital structure to achieve these aims, either through new share issues, increases or reductions in debt, or altering dividend or share buyback policies, the Group considers not only its short term position but also its medium and longer term operational and strategic objectives.

NOTE 20: RELATED PARTY TRANSACTIONS

The Group had the following material transactions (excluding Directors' salaries and fees) with related parties during the year ended 30 June 2016.

- a) The amounts receivable and payable to Ms Florita were impaired in full in the prior period. No events or conditions were noted throughout the year ended 30 June 2016 to indicate that the impairment should be reversed. Ms Florita is the partner of Mr Mudjiantoro who are both related parties of Churchill by way of their Directorships in Indonesian subsidiary companies.
- b) The amounts receivable and payable to Ms Ani Setiawan were impaired in full in the prior period. No events or conditions were noted throughout the year ended 30 June 2016 to indicate that the impairment should be reversed. Ani Setiawan is the partner of Mr Andreas Rinaldi. Ms Ani Setiawan is a related party of Churchill as she holds the position of Commissioner with some of the Indonesian subsidiary companies.

On the 1st December 2015, the company entered into a lease agreement for office premises with Borden Holdings Pty Ltd a company controlled by Mr David Quinlivan. The terms of the lease were approved by the Independent Directors and are on normal commercial terms. During the year the Company paid \$17,045 to Borden Holding Pty Ltd under the terms of the lease.

The Key Management personnel disclosures (composition and compensation) are included in Note 4 to the financial statements.

NOTE 21: CONTINGENCIES

On 28th November 2012 the South Jakarta District Court held that the deeds of grant by which members of the Ridlatama Group transferred 75% of the issued share capital in two of the four licence companies that made up the East Kutai Coal Project (PT Ridlatama Tambang Mineral and PT Ridlatama Trade Powerindo) to PT TCUP are null and void on the basis that the requirements for a valid grant under Indonesian laws had not been satisfied. On 6th Dec 2012 PT ICD and PT TCUP filed a notice of appeal with the High Court in respect of the South Jakarta District Court's decision. In May/June 2014 the High Court ruled in favour of Ridlatama. In June/July 2014 PT ICD and PT TCUP filed a memoranda of appeal with the Supreme Court of Indonesia. The Company has been advised that in the case of PT Ridlatama Tambang Mineral the Supreme Court has rejected the appeal although no written decision has been provided. In the case of PT Ridlatama Trade Powerindo the Supreme Court has not yet made a decision. The Group has previously impaired the remaining receivable of \$2,228,848 and also reassessed the loan payable of \$2,228,848 to nil. It remains the Group's position that this receivable and payable are able to be offset in the future if required.

The Group is involved in litigation as detailed in the Chairman's Statement and Strategic Report. As at the date of this report the disclosure of any further information about the above matters would be prejudicial to the interests of the Group.

NOTE 22: EVENTS AFTER THE REPORTING PERIOD

On 1 July 2016, the Company issued 517,425 new Ordinary Shares to the Directors and the Company Secretary at an average issue price of 18.36 pence per share in lieu of cash fees payable for the period 1 January to 30 June 2016.

On 19th August 2016 3,900,000 share options exercisable at 50p per share expired.

There has not been any other matter or circumstance occurring subsequent to the end of the financial year, that has significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.