

CHURCHILL MINING PLC

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

FILING OF ANNULMENT APPLICATION

The Directors of Churchill Mining PLC ("Churchill" or "the Company") are pleased to present the Company's unaudited interim results for the six months ended 31 December 2016 and to confirm that later today the Company will lodge an application to annul the ICSID Award of 6 December 2016. The Company will receive a temporary ("provisional") automatic stay of execution of the Award including the cost orders contained in it once the Application for Annulment is registered by ICSID. A further announcement will be made following the lodging of the application setting out the Company's grounds for making the application together with an update on the suspension position.

CHAIRMAN'S STATEMENT

Introduction

During the half year, the Company continued actively to pursue its US\$1.315 billion (plus interest) claim 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's ("**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**").

The consolidated Churchill/Planet arbitration is being conducted at the International Centre for Settlement of Investment Disputes ("**ICSID**").

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.

ICSID arbitration

The following significant events occurred during the 6-month period between 30 June 2016 and 31 December 2016 in regard to the ongoing ICSID arbitration.

Eleventh Hour Call for Further Submissions

After having deliberated for over a year the Tribunal, in a letter to the parties dated 9 September 2016, referred to the recent (2014) 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 only) 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 directed 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 and Churchill filed its submission accordingly.

Whilst Churchill did comply with the Tribunal's last minute request for two further submissions, the Company also objected to the Tribunal (i) significantly expanding of the scope of the Document Authenticity phase at the eleventh hour, and (ii) directing that no new evidentiary or factual material be filed when responding to new issues that were clearly outside the scope of the Document Authenticity phase. The Company specifically put the Tribunal on notice that it had directed the parties to provide submissions on factual and legal issues that were well outside the intended scope of the Document Authenticity phase and that the volume and nature of these issues was such that they could only be properly briefed, investigated and determined in a full merits hearing.

As I have previously stated, Churchill believes 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.

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 factual aspects of the Tribunal's questions on *Minnotte*, Churchill made all the points it could, based on the existing evidentiary record of the proceedings (as per the limitations set by the Tribunal). One of the key points was that determining the level of due diligence is primarily a question of appropriate commercial benchmarks - "what would a reasonably prudent investor 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 including multiple legal reviews prior to and during the making of its investments and, secondly, that the risk that signatures on mining licences and related consents could be forged was not foreseeable throughout the process of applying for and obtaining the Ridlatama licences. Churchill noted that there was nothing on the record to suggest that forensic document authenticity testing was required at the time Churchill made its investment in East Kutai.

Further, Churchill emphasised 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.

The Award

On 7 December 2016, the ICSID Tribunal handed down its Award in relation to Indonesia's application for dismissal of the Company's claims based on forged Ridlatama mining licences.

In its Award the Tribunal granted Indonesia's application to dismiss the Company's claims for damages arising out of the revocation of the mining licenses that made up the EKCP in East Kalimantan Indonesia and made the following findings:

- Thirty four (34) disputed documents were held to be not authentic;
- The forger of the disputed documents was most likely a person or persons acting for or on behalf of Churchill's Indonesian partner the Ridlatama group in collusion with a person inside the East Kutai Regency;
- There was no finding that Churchill or its officers were involved in any forgery;
- Churchill's due diligence investigations conducted at the time of acquiring the East Kutai Coal licenses were insufficient;
- The claims brought by Churchill in this arbitration are dismissed; and
- Churchill is ordered to pay a total of USD 9,446,528 in costs and arbitration tribunal fees.

Whilst accepting the finding that neither Churchill nor any of its officers were in any way involved in any fraud or forgery, the Company remains deeply troubled by many aspects of this Award.

Events Post 31 December 2016

The following significant events have occurred post 31 December 2016.

Annulment Application

The Company will today lodge an application to annul the ICSID Award of 6 December 2016. The Company will receive a temporary ("provisional") automatic stay of execution of the Award including the cost orders contained in it once the Application for Annulment is registered by ICSID. Whilst the Directors believe the annulment application has reasonable prospects of success, there can be no guarantee that the tribunal will grant a permanent stay of the adverse USD 9,446,528 costs order on terms satisfactory to the Company and subsequently grant a partial or full annulment of the ICSID Award.

The Company's Application for Annulment of the ICSID Award will be available on the Company's website www.churchillmining.com

Financial Summary

The loss for the half year was \$9,835,946 or 6.66c per ordinary share (half year Dec 2015: \$1,858,975 or 1.39c per share and 12 months to June 2016: \$3,151,287 or 2.27c per share). Other administrative expenses totalled \$443,391 (Dec 2015: \$1,909,428 and June 2016: \$3,275,437).

Significant expenditure items during the period include:

- Provision of \$9,446,528 for the costs order following the ICSID award in December 2016;
- Legal and professional fees of \$67,681 (Dec 2015: \$1,005,219 and June 2016: \$1,538,315) reflecting expenditure for the Company's arbitral claim against the Republic of Indonesia.
- Consulting, directors, staff and professional fees of \$196,467 (Dec 2015: \$598,434 and June 2016: \$923,841).

The Group's Net cash from operating activities for the period ending 31 December 2016 with comparatives for the half year 31 December 2015 and 12 months to 30 June 2016 are summarised below:

	31 Dec 2016	31 Dec 2015	30 June 2016
	\$'000	\$'000	\$'000

	Unaudited	Unaudited	Audited
Net cash from operating activities	(614)	(1,839)	(3,058)

The Group's statement of financial position as at 31 December 2016 with comparatives at 31 December 2015 and 30 June 2016 are summarised below:

	31 Dec 2016 \$'000 Unaudited	31 Dec 2015 \$'000 Unaudited	30 June 2016 \$'000 Audited
Non-current assets	2	7	2
Current assets	870	1,371	1,527
Total assets	872	1,378	1,529
Current liabilities	9,573	831	453
Non-current liabilities	50	46	48
Total liabilities	9,623	877	501
Net assets	(8,751)	501	1,028

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 in the ICSID proceedings for shareholders.

David Quinlivan
Chairman
31 March 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 31 December 2016

	Note	6 months to 31 Dec 2016 Unaudited \$'000	6 months to 31 Dec 2015 Unaudited \$'000	Year ended 30 June 2016 Audited \$'000
Other operating income		-	-	-
Provision for ICSID costs award		(9,447)	-	-
Other administrative expenses		(443)	(1,909)	(3,275)
Loss from operations		(9,890)	(1,909)	(3,275)
Total finance income		54	52	128
Total finance expense		-	(2)	(4)
Loss before taxation		(9,836)	(1,859)	(3,151)
Tax expense		-	-	-
Loss for the period/year attributable to equity shareholders of the parent		(9,836)	(1,859)	(3,151)

Other comprehensive income:

Foreign exchange differences on translating foreign operations	(80)	(58)	(262)
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Other comprehensive income for the period/year	(80)	(58)	(262)
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Total comprehensive loss for the period/year attributable to equity shareholders of the parent	(9,916)	(1,917)	(3,413)
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Loss for the period/year attributable to:

Owners of the parent	(9,836)	(1,859)	(3,151)
Non-controlling interest	-	-	-

(9,836)	(1,859)	(3,151)
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Total comprehensive loss for the period/year attributable to:

Owners of the parent	(9,916)	(1,917)	(3,413)
Non-controlling interest	-	-	-

(9,916)	(1,917)	(3,413)
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Loss per share attributable to owners of the parent:

Basic and diluted loss per share (cents)	2	(6.66c)	(1.39c)	(2.27c)
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

Company number 5275606

	As at 31 Dec 2016 Unaudited \$'000	As at 31 Dec 2015 Unaudited \$'000	Year ended 30 June 2016 Audited \$'000
ASSETS			
Current assets			
Cash and cash equivalents	837	1,297	1,466
Other receivables	33	74	61
Total current assets	870	1,371	1,527
Non-current assets			
Property, plant and equipment	2	7	2
Total non-current assets	2	7	2
TOTAL ASSETS	872	1,378	1,529
LIABILITIES			
Current liabilities			
Trade and other payables	126	698	453
Provisions	9,447	133	-
Total current liabilities	9,573	831	453
Non-current liabilities			
Provisions	50	46	48
Total non-current liabilities	50	46	48
TOTAL LIABILITIES	9,623	877	501
NET ASSETS	(8,751)	501	1,028
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	2,602	2,444	2,595
Share premium	81,242	80,258	81,112
Other reserves	3,277	2,543	3,357
Retained deficit	(95,872)	(84,744)	(86,036)
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	(8,751)	501	1,028
Non-controlling interest	-	-	-
TOTAL EQUITY	(8,751)	501	1,028

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 31 December 2016

Consolidated	Other Reserves						Total Equity attributable to equity holders of Company \$'000	Non-controlling Interest \$'000	Total Equity \$'000
	Share Capital	Share premium reserve	Retained deficit	Foreign exchange	Equity settled share options	Warrant Reserve			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000			
Changes in equity for the period to 31 December 2015									
Balance at 1 July 2015	2,381	79,235	(82,885)	(73)	2,579	-	1,237	-	1,237
Loss for the period	-	-	(1,859)	-	-	-	(1,859)	-	(1,859)
Other comprehensive income	-	-	-	(58)	-	-	(58)	-	(58)
Issue of shares	63	1,074	-	-	-	-	1,137	-	1,137
Share issue expense	-	(51)	-	-	11	-	(40)	-	(40)
Recognition of share based payments	-	-	-	-	84	-	84	-	84
Balance at 31 December 2015	2,444	80,258	(84,744)	(131)	2,674	-	501	-	501
Changes in equity for the period to 31 December 2016									
Balance at 1 July 2016	2,595	81,112	(86,036)	(335)	2,991	701	1,028	-	1,028
Loss for the period	-	-	(9,836)	-	-	-	(9,836)	-	(9,836)
Other Comprehensive income	-	-	-	(80)	-	-	(80)	-	(80)
Issue of shares	7	130	-	-	-	-	137	-	137
Balance at 31 December 2016	2,602	81,242	(95,872)	(415)	2,991	701	(8,751)	-	(8,751)

CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 31 December 2016

	Note	6 months to 31 Dec 2016 Unaudited \$'000	6 months to 31 Dec 2015 Unaudited \$'000	Year ended 30 June 2016 Audited \$'000
Cash flows from operating activities		(614)	(1,839)	(3,058)
Net cash from operating activities	3	(614)	(1,839)	(3,058)
Cash flows used in investing activities		-	-	-
Cash flows from financing activities			-	
Proceeds from issue of share capital		11	1,137	2,715
Expense of share issue		-	(40)	(126)
Cash flows from financing activities		11	1,097	2,589
Net decrease in cash and cash equivalents		(603)	(742)	(469)
Cash and cash equivalents at beginning of period		1,466	2,050	2,050
Effect of foreign exchange rate differences		(26)	(11)	(115)
Cash and cash equivalents at the end of period		837	1,297	1,466

NOTE 1: BASIS OF PREPARATION

The consolidated interim financial statements of the Group for the six months ended 31 December 2016 which comprise the Company and its subsidiaries (together referred to as the "Group") were approved by the Board. The interim results have not been audited or subject to an independent review.

As at 31 December 2016 the Group has cash and cash equivalents of \$0.837m. As detailed in the Chairman's Statement, the ICSID tribunal granted Indonesia's application to dismiss the Churchill claims for damages arising out of the revocation of the mining licenses that made up the East Kutai Coal Project in East Kalimantan ("EKCP") Indonesia. Included in the tribunal's decision Churchill was ordered to pay a total of USD 9,446,528 in costs and arbitration tribunal fees. As a matter of prudence, the Company has recognised a full provision for the costs order in this report.

The Company will file an application for annulment of the ICSID award. The Company will receive a temporary ("provisional") automatic stay of execution of the Award including the cost orders contained in it once the Application for Annulment is registered by ICSID.

Whilst the Directors believe the annulment application has reasonable prospects of success, there can be no guarantee that the tribunal will grant a permanent stay of the adverse costs order on terms satisfactory to Churchill and subsequently grant a partial or full annulment of the ICSID award. The Directors have concluded that the combination of these circumstances represent a material uncertainty over the Company's ability to continue as a going concern.

Subject to the progress of the annulment application it is likely that additional funding will be needed in the form of a further equity raise and/or debt funding. The group has held discussions with a number of interested parties and the Directors have a reasonable expectation that subject to the progress of the annulment application, 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.

The interim financial information has been prepared on the basis of a going concern and in accordance with the recognition and measurement requirements of International Financial Reporting Standards (IFRS) and IFRIC interpretations issued by the International Accounting Standards Board (IASB) adopted by the European Union.

The accounts have been prepared in accordance with the accounting policies that are consistent with the June 2016 Report and Accounts and that are expected to be applied in the Report and Accounts of Churchill Mining Plc for the year ended 30 June 2017. The financial information for the six months to 31 December 2016 does not constitute statutory accounts of the Company or the Group. The statutory accounts for the year ended 30 June 2016 have been filed with the Registrar of Companies. The auditor's report on those accounts was unqualified, did not include any references to any matters to which the auditors drew attention by way of emphasis and did not contain a statement under section 498(2)-(3) of the Companies Act 2006.

The consolidated financial statements incorporate the results of Churchill Mining Plc and its subsidiary undertakings as at 31 December 2016. The corresponding amounts are for the year ended 30 June 2016 and the 6 month period ended 31 December 2015.

NOTE 2: LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

	6 months to 31 Dec 2016 Unaudited \$'000	6 months to 31 Dec 2015 Unaudited \$'000	Year ended 30 June 2016 Audited \$'000
Loss for the period attributable to owners of the parent company	(9,836)	(1,859)	(3,151)
	Number	Number	Number
Weighted average number of shares used in the calculation of basic and diluted loss per share	147,717,255	134,813,655	138,922,131
	Cents	Cents	Cents
Loss per share			
Basic and diluted loss per share	(6.66c)	(1.39c)	(2.27c)

The effect of all potential ordinary shares arising from the exercise of options going forward is considered to be anti-dilutive. 20,093,038 potential ordinary shares (Dec 2015: 19,795,087) (June 2016: 26,929,515) have been excluded from the above calculation as they are not dilutive.

NOTE 3: NOTES TO THE CASH FLOW STATEMENT

	6 months to 31 Dec 2016 Unaudited \$'000	6 months to 31 Dec 2015 Unaudited \$'000	Year ended 30 June 2016 Audited \$'000
Reconciliation of loss after tax to cash from operating activities			
Loss after tax	(9,836)	(1,859)	(3,151)
Share option expense	-	87	400
Share issue in lieu of fees	126	-	215
Depreciation expense	-	1	5
Net (gain)/loss on exchange rates	(54)	(51)	(125)
Decrease/ (Increase) in receivables	29	71	84
Excess provision reversed	-	-	(22)
(Decrease)/ Increase in payables	(326)	(79)	(320)
(Decrease) / Increase in provisions	9,447	(9)	(144)
Cash flows from operating activities	614	(1,839)	(3,058)

NOTE 4: TAXATION

No taxation has been provided due to losses in the period. No deferred tax asset has been recognised for past or current losses as the recoverability of any such asset is not considered probable in the foreseeable future.

NOTE 5: EVENTS AFTER THE REPORTING PERIOD

On 31 March 2017, the Company filed an application for annulment of the ICSID award. As part of that application, the Company has also sought a provisional stay of the USD 9,446,528 adverse costs order.

NOTE 6: CONTINGENCIES

The Group is involved in an International arbitration claim against the Republic of Indonesia and has filed an application for annulment of the ICSID award. Further detail can be referenced in the Chairman's Statement.

NOTE 7: FORWARD LOOKING STATEMENTS

This report contains certain forward looking statements, which include assumptions with respect to future plans and results. The reader is cautioned that assumptions used in the preparation of such information may prove to be incorrect. All such forward looking statements involve substantial known and unknown

risks and uncertainties which are beyond the Company's control. Please refer to the Company's Annual Report available from the Company's web site for a list of risk factors. The Company's actual results could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits the Company will derive therefrom. All subsequent forward-looking statements, whether written or oral, attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. Furthermore, the forward-looking statements contained in this report are made as at the date of this report.

NOTE 8: INTERIM REPORT

Copies of this interim report for the six months ended 31 December 2016 will be available from the offices of Churchill Mining PLC, Unit1/346 Barker Road Street Subiaco, WA, 6008 and on the Company's website www.churchillmining.com

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This announcement contains inside information.

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