

3 August 2017

NEX: CHLL

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

ICSID Arbitration – Annulment Proceedings Update

The Directors of the Company wish to provide the following update on the progress of the Company's application for annulment of the award dated 6 December 2016 ("**Award**"). These proceedings are on foot at the International Centre for Settlement of Investment Disputes ("**ICSID**") before an *ad hoc* Annulment Committee of three members ("**Committee**"). As part of these proceedings, the Company obtained a provisional stay of enforcement of the Award when its application for annulment was registered by ICSID. The Company then applied to the Committee for continuance of the provisional stay of enforcement.

On 27 June 2017, the Committee issued a decision ("**Decision**") granting the Company's request and staying enforcement of the award pending its decision on the Company's application for annulment, subject to the condition that the Company pledge as security certain land it purchased in the East Kalimantan Province of Indonesia for the East Kutai Coal Project (the "**Port Land**"). The Committee directed the Company to (i) use its best efforts to pledge the Port Land (the "**Pledge**"), (ii) provide an update on the Pledge to the ICSID Secretariat within 15 days and (iii) provide a copy of the Pledge to the Committee and the ICSID Secretariat within 30 days.

As per the directions given by the Committee in the Decision:

- On 30 June 2017, the Company passed a formal board resolution to enable the Company to give effect to the Pledge.
- In conjunction with its solicitors, the Company prepared an Irrevocable (Conditional) Power of Attorney ("**Power of Attorney**") authorising the Indonesian Minister of Law and Human Rights ("**Minister**"), or some other person to be nominated by Indonesia, to sell the Port Land on behalf of Indonesia if the Committee decides to dismiss the Company's annulment application such that the Award, including the costs order, becomes enforceable against the Company under the ICSID Convention.
- The Company's solicitors prepared the materials necessary for the shareholders of PT Techno Coal Utama Prima ("**PT TCUP**") – being Churchill and PT Indonesia Coal Development ("**PT ICD**") – to resolve to authorise a director of PT TCUP to execute the Power of Attorney and take any actions necessary to implement the Pledge ("**PT TCUP Resolution**").
- On 11 July 2017, the Company wrote to the Committee to provide an update on its progress, attaching the Company's resolution of 30 June 2017 and explaining its intention to implement the Pledge by way of the Power of Attorney and the consequent need for the PT TCUP Resolution. As part of this update, the Company requested

certain information from Indonesia for inclusion in the Power of Attorney. Indonesia did not respond to this request.

- The Company then made efforts to procure the execution of the PT TCUP Resolution. Regrettably, due to the refusal of one of the directors of PT TCUP to sign the PT TCUP Resolution, it was not until 21 June 2017 that the PT TCUP Resolution was signed (by another director).
- On 23 July 2017, the Company wrote again to the Committee, providing (i) a copy of the signed PT TCUP Resolution and (ii) a copy of the unsigned Power of Attorney, ready for execution by the relevant PT TCUP director and the Minister before a notary in Jakarta. The Company also informed the Committee of the report it had received from the director of PT TCUP regarding his refusal to sign the PT TCUP Resolution. The Company again stated that it stood ready to execute the Power of Attorney and called on Indonesia to urgently provide its preferred time and place for execution before a notary in Jakarta.
- On 25 July 2017, Indonesia wrote to the Company making a range of requests for further information regarding the Port Land. In good faith, Company responded the same day to three out of five of Indonesia's requests. The Company opposed Indonesia's other two requests (which were for "marketability" and an "independent third party valuation" of the Port Land) on the basis that they were not required under the Decision and that, in making those requests, Indonesia was attempting to re-litigate the issue of security decided by the Committee. The Company again asked Indonesia to provide its preferred place and time for execution of the Power of Attorney in Jakarta.
- On 27 July 2017 – the last day of the 30-day time limit for the Pledge – Indonesia wrote indicating that it was preparing a response to the information provided by the Company on 25 July 2017. On the assumption that Indonesia's forthcoming response would not be cooperative (which assumption proved to be correct), the Company instructed its solicitors to prepare a Deed Poll under Australian law by which the Company would covenant in favour of Indonesia to cause a director of PT TCUP to execute the Power of Attorney with the Minister (or such other official as Indonesia may designate) before a notary in Jakarta ("**Deed Poll**"). This solution was developed as an alternative means of implementing the Pledge, without the need for cooperation from Indonesia.
- The same day (27 July 2017), the Company wrote to the Committee, attaching the executed Deed Poll. The Company noted that the 30-day time limit fixed by the Committee was due to expire that day and that, due to a lack of cooperation from Indonesia, the Company had not been able to perfect the Pledge it had offered under Indonesian law. The Company explained it was therefore making the Pledge unilaterally by signing the Deed Poll. The Company stressed that it remained ready to execute the Power of Attorney and again called for Indonesia to cooperate in doing so. The Company requested urgent confirmation from the Committee that the Deed Poll, and the documents attached to it, satisfied the Pledge condition of the Decision and that the stay of enforcement would remain in place.

- On 27 July 2017, Indonesia wrote to the Committee repeating earlier objections and rejecting the Power of Attorney offered by the Company on the basis that it was insufficient to produce any effects under Indonesian law in compliance with the Decision.
- On 28 July 2017, the Committee wrote to the parties confirming that the stay of enforcement would remain in effect until the Committee had reached a final determination on the matter. The Committee invited Indonesia to provide its observations by 2 August 2017. At the time of this update, Indonesia is yet to file its observations.

Churchill Chairman David Quinlivan made the following observations on the events described above:

"It is disappointing but unsurprising that Indonesia has at the last minute refused to execute the irrevocable Power of Attorney (in its favour) that was prepared to give effect to the pledge of the Company's Port Land ordered by the annulment committee. It is clear to me that Indonesia intends to take the same obstructive approach to these annulment proceedings as it did in the initial arbitration. "

The Company will make a further announcement on this issue once it receives the Committee's ruling.

The Directors of the Company are responsible for the contents of this announcement.

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