4 April 2017

AIM: CHL

CHURCHILL MINING PLC

CHURCHILL FILES REQUEST FOR ANNULMENT OF ICSID AWARD

UPDATE ON SUSPENSION

Further to the announcement of 28 February 2017, the Directors of Churchill Mining plc (AIM: CHL) and its subsidiary Planet Mining Pty Ltd (collectively "the Company") advise that on 31 March 2017, following a detailed analysis of the ICSID Award ("Award") of 6 December 2016 with its solicitors Clifford Chance LLP, the Company lodged an application to annul the Award under Article 52 of the ICSID Convention ("Annulment Application").

A copy of the Company's Annulment Application is available on the Company's website at www.churchillmining.com

In the Annulment Application, the Company explains how the Award is the product of a process that was tainted by a range of serious departures from fundamental rules of procedure and fairness and manifest excesses of power by the arbitrators. In particular:

1. Long after all of the evidence was filed and over a year after the document authenticity hearing, the Tribunal requested new submissions on a legal authority that neither side had relied upon (this new legal authority was the case of *Minnotte v Poland*). The Tribunal prevented the parties from introducing new factual evidence with their submissions, even though *Minnotte v Poland* gave rise to a distinct legal framework which clearly raised new issues of fact, specifically whether the Company (i) lacked due care or was negligent in investigating the factual circumstances surrounding the making of its investment and (ii) deliberately closed its eyes to indications of serious misconduct or crime or unreasonably failed to perceive such indications. The Tribunal eventually disposed of the case on the basis of this new legal framework – a clear violation of the Company's right to be heard.

2. The Tribunal re-admitted (without notice) the witness evidence of the State's key witness, Mr Isran Noor (the Regent of East Kutai) – despite having previously struck Mr Noor's testimony from the record because he outright refused to attend the hearing to face questions (even via video-link). The Tribunal then relied on Mr Noor's evidence as part of the Award, including when applying the new legal framework described above.

3. The Tribunal dismissed the Company's claims in respect of the exploitation licences for the EKCP (in respect of which no allegations of forgery were made by the State) without giving the Company the right to be heard on (and without applying) Indonesian law, which was critical to determining the validity of these licences as stand-alone title instruments. The Tribunal did this even though the Company emphasised the importance of this Indonesian law issue at the hearing and requested notice if the Tribunal intended to decide this issue. The Tribunal subsequently expressly carved-out this issue from the scope of the parties'

post-hearing briefs, which the Company took as a clear and unambiguous indication that it would be addressed in a subsequent phase of the proceedings.

4. The Tribunal committed a range of other annullable errors, including failing to state the reasons on which the Award was based.

In its Annulment Application, the Company invoked three grounds for annulment of the Award:

(i) that the Tribunal seriously departed from a fundamental rule of procedure (ICSID Convention, Article 52(1)(d));
(ii) that the Tribunal manifestly exceeded its powers (ICSID Convention, Article 52(1)(b)); and
(iii) that the Tribunal failed to state the reasons on which the Award was based (ICSID Convention, Article 52(1)(e)).

As part of its Annulment Application, the Company requested a stay of enforcement of the Award (ICSID Convention, Article 52(5)) and asked the ICSID Secretary-General to inform the State that the enforcement of the Award has been provisionally stayed (ICSID Arbitration Rules, Rule 54).

The filing of the Annulment Application has automatically resulted in a provisional stay of the Award (including the costs order). This remains in place until the ICSID ad hoc Committee has decided on whether or not to continue the stay, having given each party an opportunity to present its observations. The ad hoc Committee takes into account the specific circumstances of each case when considering whether it should grant a continued stay of enforcement of the Award. This process may take three to four months, but the overall duration will depend on how quickly an ad hoc Committee is constituted to hear the Company's application, how quickly Indonesia applies for the provisional stay to be lifted (we assume it will do so promptly) and, finally, how long it takes the ad hoc Committee to hear and determine the parties' submissions on continuation of the stay. Please note that if the stay is continued, the ad hoc Committee may at any time modify or terminate the stay if requested to do so by either party (after hearing the parties).

Update on suspension

The Company confirms that the suspension in trading in the Company's shares on AIM remains in place and will be reviewed following the ad hoc Committee's decision as to whether it should grant a continued stay of enforcement of the Award.

Churchill Chairman David Quinlivan said:

"Our detailed assessment has revealed that the Award contains many annullable errors. As we explain in the Annulment Application, the Tribunal was not clear in the procedural orders it used to manage the document authenticity phase.

The Tribunal surprised the parties by unilaterally changing the scope of the document authenticity phase at the eleventh hour. At the same time, the Tribunal denied the Company the opportunity to

present the evidence needed to address the new issues raised. We protested the Tribunal's surprising change in scope but this protest was ignored by the Tribunal.

In my view, one of the most unsound things about the Award is the Tribunal's unsubstantiated condemnation of the Company for its failure to conduct reasonable due diligence over a period that spanned many years without ever articulating what it considered the standard due diligence program of an investor in the Indonesian mining sector was at the time. We also note that the State did not put on any such evidence. Indeed, the few due diligence materials that were incidentally on the record were filed by Churchill and went directly against the Tribunal's conclusions on this critical point: none of the documents showed that other mining investors into Indonesia considered the forgery of signatures on official State documents to be a known risk at the time, let alone that forensic document examination was a standard due diligence item for mining companies investing in Indonesia.

Having not identified what it considered a reasonable due diligence process to be, we are even more confused by the Tribunal's conclusion that Churchill should have done yet more due diligence after the making of the investment. Due diligence is of course an important process but it occurs prior to the making of an investment not after.

We were also aggrieved by the Tribunal's failure in the Award to apply any sanctions at all for the refusal by Indonesia to produce certain documents, particularly documents relating to investigations into events that were the focus of the document authenticity phase of the proceedings. Despite long-term investigations by various agencies, no charges have ever been laid against anyone connected to the Company or the EKCP. The Company fails to understand how the Tribunal could accept Indonesia's allegations of forgery and fraud without having seen these documents, especially when the Tribunal previously ordered that they be produced by Indonesia. It is concerning that the Tribunal seems to have been willing to accept at face value serious allegations that the State's own agencies have never made, let alone prosecuted.

But, from our perspective, probably the most unsound aspect of the Award is that it shows that, despite having decided to disregard Mr Noor's witness statement due to his outright and contemptuous refusal to attend the hearing on document authenticity at all, the Tribunal then re-admitted and relied upon Mr Noor's witness statement as part of its finding that the exploitation licences were signed by him in circumstances where he was deceived by another senior member of the Regency staff. The Tribunal did not give the Company any notice that it was considering doing this and, if it had, the Company would obviously have objected in the strongest terms. In the Company's view, this was a gross violation of due process.

In the Annulment Application we note that, the day after the issuance of the Award, Mr Noor hosted a press conference in which he accepted congratulations for the Tribunal's decision. I struggle to see how the same witness who refused to attend the hearing to face cross-examination can take credit for the result, unless of course the decision not to come to the hearing was calculated to achieve that result. In my personal opinion, the behaviour of Isran Noor in this case has been very poor and reflects badly on Indonesia as an investment destination.

There are many other aspects of the Award that the Company challenges in the Annulment Application, including the Tribunal's failure to apply Indonesian law to determine the validity of the exploitation licences signed by Mr Noor and the Tribunal's failure to state the reasons on which it dismissed certain of the Company's claims, including its intellectual property claims based on the feasibility studies. Overall, the Company is extremely disappointed with the way its case has been handled so far but looks forward to the opportunity to present its grievances to the Annulment Committee."

ENDS

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