CHURCHILL MINING

HIGHLIGHTS

OPERATIONAL

East Kutai Coal Project (“EKCP”) (75%) Indonesia

- Feasibility Study Completed NPV $1.8 billion, 21% IRR payback 7 years;
- EKCP JORC-Code compliant resource of 2.7 billion tonnes;
- Includes JORC Probable In-Situ Reserve of 961 million tonnes;
- Memorandum of Understanding signed with PLN subsidiary;
- Appointment of Prestigious Indonesian Advisory Board guarantees access to all levels of industry and Government;
- Project financing discussions continue with various finance institutions and potential joint venture partners;
- Mine planning scenario analysis supports production levels up to 30 million tonnes per annum; and
- During June 2010 the Group converted the majority of its 75% beneficial interest in the Ridlatama Tambang Mineral license into a direct equity interest in accordance with the new Indonesian Mining Law.

South Woodie Woodie Manganese (20%) Australia

- ASX-listed Spitfire Resources Ltd (Churchill “CHL” 21.74% owner) increased its JORC inferred Resources manganese estimate at the Tally-Ho prospect at South Woodie Woodie in Western Australia.

Corporate

- In December 2009, the Company appointed Pala Investments AG as a strategic advisor to assess the Company’s current structure with a view towards increasing Churchill’s operational and capital-raising flexibility. In addition, through its wholly owned Indonesian subsidiary, PT Indonesia Coal Development, the Company has engaged PricewaterhouseCoopers Indonesia (“PwC”) to assist with assessing certain aspects of the Company’s current structure from a tax and financial perspective;
- In April 2010 Churchill appointed Credit Suisse to complete a strategic review process, which will evaluate the various options for financing the development of the East Kutai Coal Project, including the development of the project with a joint venture partner or the conclusion of a long-term offtake arrangement; and
- In May 2010 the Company successfully raised GBP 16.1 million (US$24.3 million) through the placing of 16,087,700 new shares at 100p per share with predominantly institutional investors.

Financial

- In line with expectations, the full year loss was US$6,676,166 or US 8.25c per ordinary share primarily reflecting investment in supporting pre-development activities at the EKCP; and
- The Company currently has a strong cash position, with cash reserves at the end of June totalling US$22.9 million, enabling the Company to continue with the pre-development work and complete the strategic review process undertaken with Credit Suisse to evaluate the various options to finance the development of the East Kutai Coal Project.

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CHAIRMAN'S STATEMENT

It is again my pleasure to present the Churchill Mining ("Churchill" or "the Company") Annual Report and Financial Statements following a year of tremendous achievement and growth.

The highlight of the year has undoubtedly been the completion of the East Kutai Coal Project (EKCP) Feasibility Study which confirmed the technical and economic feasibility of the project and estimated a pre-tax Net Present Value of US$1.8 billion.

The Study conclusively underscores your Board's long-held view that EKCP is a world-class thermal coal deposit that is ideally positioned as a strategic asset for independent power producers across Asia, particularly power-hungry utilities in India and China.

Modelling by our technical experts proposes exploiting the EKCP deposit via open cut mining at a rate of 30 million tonnes per annum over an initial 25 year period. At current coal prices this would produce a pre-tax net cash flow in excess of US$500 million per annum over the first 20 years of capacity production.

When brought on stream, the mine stands to become one of the biggest in the Indonesian Archipelago.

Yet despite the project's handsome NPV and substantial predicted revenue flows, the Churchill team recognises that there is still much that needs to be done to garner full value recognition in the broader market place. In my recent discussions with investors post the release of the Feasibility Study results, much of the conversation has revolved around project funding and future development timetables.

As commented on last year, Asian demand for energy inputs continues to march forward at record rates and we remain convinced that thermal coal will remain a crucial part of Asia's energy solution mix for many years to come.

Likewise, and much like the famous statesman after which the Company is named, Churchill during its past five years of corporate life has prided itself on its ability to consistently overcome market perceived issues on both a micro and macro basis.

This year has been no exception - just stop and consider some of the key accomplishments achieved in the past year:

- We have again grown the EKCP JORC coal resource. The project now has 2.73 billion JORC tonnes of which 961 million tonnes has been classified as Probable In-Situ Reserves;
- In a very tough post Global Financial Crisis capital market, Churchill raised US$24.3 million of new working funds;
- We, with great help from our 25% partners at EKCP Ridlatama Group, created a prestigious Indonesian Advisory Board to help ensure that Churchill has high level strategic counsel at all levels of Indonesian industry and government;
- Churchill signed an off-take Memorandum of Understanding with a subsidiary of PT Perusahaan Listrik Negara (PLN), the Indonesian state electricity firm, to review the purchase of up to five million tonnes of coal per annum; and
- Following an order by the Indonesian Directorate General of Minerals, Coal and Geothermal, to the Regent of East Kutai, Churchill has had all of its EKCP mining licences reformatted under new Indonesian Mining Law to IUP Production and Operations licences.

In isolation some of these achievements tend to go unheralded. Put them together and add them to the findings of the Feasibility Study and it becomes obvious that this year your Company has made huge strides towards its goal becoming a major coal production house.

The final piece to the "puzzle" remains finding a funding solution for this world class project. To that end we appointed Credit Suisse in April to become our strategic advisor with regard to EKCP's development. Having completed over US$13 billion of Indonesia-related coal transactions in the past five years, Credit Suisse is considered the pre-eminent international bank in the Indonesian coal space.

Having recently completed a rigorous review of the asset and Churchill's Indonesian partnerships, Credit Suisse is now progressing a strategic process to find the best solution to bring EKCP into development.

This is therefore a most exciting time for Shareholders and we keenly look forward to bringing further news following a review of technical datasets by numerous interested parties.

In conclusion, I would like to thank my fellow Board members for their contribution to Churchill over the past year. I would also like to thank all of our Shareholders for their continuing support. Your Company is well placed for growth and we anticipate another landmark year as we progress towards mine development and ultimately production.

David Quinlivan
Chairman
Churchill Mining Plc

REVIEW OF OPERATIONS AND FINANCE

COMPANY HISTORY AND STRATEGY

Churchill Mining Plc ("Churchill" or "the Company") listed on the Alternative Investment Market of the London Stock Exchange in April 2005. Churchill's growth path continues to accelerate following the discovery of a world-class thermal coal deposit in the East Kutai Regency of Kalimantan, Indonesia.

During the past year, Churchill has taken the East Kutai Coal Project ("EKCP") discovery through to feasibility in readiness for funding and the commencement of construction. The Company has a 75% beneficial ownership and controlling interest in the EKCP, with the balance being held by its Indonesian partners, the Ridlatama Group.

EAST KUTAI COAL PROJECT - YEAR IN REVIEW

Churchill regards the EKCP as a highly strategic asset, ideally located in relation to core energy consuming markets and in the context of rising demand for energy resources such as high quality thermal coal. Consequently, during the year the bulk of the Company's technical and financial investment was centred on progressing this asset.

EKCP has a current JORC resource of 2.73 billion tonnes of coal. The coal is clean-burning by global standards, being comparatively low in ash and sulphur, and the resource will benefit from its close proximity to the Asian end-markets once it is in production. Throughout the year Churchill has continued with development work and has identified that its Northern mine plan has the potential to support production rates of up to 40 to 45 million tonnes per annum ("Mtpa"). With this in mind, infrastructure planning was optimised utilising an overland conveyor for transportation at a production rate of 30 Mtpa.

In addition, 5 Mtpa will be mined from the project's Southern mining area fulfilling Churchill's obligation to provide coal for the domestic market. Indonesia's domestic power utility - the PLN (Pt Perusahaan Listrik Negara) who have an interest in the procurement of this coal, will investigate the opportunity of upgrading the coal by reducing its moisture content, thus turning the coal from sub-bituminous to bituminous.

The development of the EKCP resource is timed to coincide with the increase in coal requirements from rapidly growing Asian markets, in particular India where huge increases in thermal coal demand have been widely publicised. The EKCP Base Case has been recognised as 30Mtpa production rate that is easily sustainable for a minimum of 25 years of mineable life from the known JORC compliant Probable In-Situ reserve of 961 million tonnes, which forms part of the 2.73 billion tonnes JORC resource.

Churchill, along with its Indonesian partners, have focussed over this last year on the successful completion of the following milestones in order to best position the EKCP for production:

a) Upgrade of Resources and Reserves

In May 2010 Churchill announced an update to its JORC Probable In-Situ Reserve and JORC Resource position. The East Kutai Coal Project Geological Reserve statement, compiled by SMG Consultants, defines the updated JORC reserve/JORC resource as follows:

JORC In-Situ Reserve **961 million tonnes**

JORC Resource

Measured	693 million tonnes
Indicated	825 million tonnes
Inferred	1,212 million tonnes
Total JORC Resource	**2,730 million tonnes**

b) Direct Ownership under the new Indonesian Mining Law

On 12 January 2009, a new Indonesian Mining Law came into effect enabling foreign companies to take direct equity ownership in local PT companies holding mining concessions. Prior to the new Mining Law becoming effective, the Company held its interest in the East Kutai Coal Project through contractual arrangements similar to those typically used by other foreign companies operating in Indonesia.

During the year the Company completed the initial stage of its Indonesian restructuring and has converted its 75% beneficial interest in the Ridlatama Tambang license area into a direct equity interest. Churchill has also converted to a 75% direct ownership in PT Ridlatama Trade Powerindo, which holds a prospective 5,386 hectare license area adjacent to the Ridlatama Tambang license area, on which no drilling has been done to date.

These blocks along with the beneficial control and ownership of the concession companies, PT Investama Resources and PT Investmine Persada gives Churchill and its Indonesian partners a total of 35,000 hectares (approximately 350 square kilometres) of coal concessions under its control.

c) Mining Permits

At the time of writing, the issuing of the EKCP IUP Exploitation Licenses by the Region was completed after the New Mining Law was passed in January 2009. Whilst the Government Regulations for implementation guidance on the New Mining Law were not released until February 2010, this did stop the Region, with support from the Central Department of Mines, from issuing upgrade licences applied for by mining companies. Churchill consequently was issued its EKCP IUP Exploitation Licenses in May 2010.

d) Design and Engineering of the EKCP

Recognition of the coal reserve potential provided the catalyst for development of a 30Mtpa mine plan, replacing the original plans for a 20Mtpa mine. Engineering and design work focussed on development of the associated infrastructure. The engineering and design work involved detailed engineering plans for the mine plan, the mine haulage route, the ROM pad area, the mine stockyard area, the multi-flight overland conveyor system, the port stockyard area and the wharf shipping export area. In addition the Company has continued to review the logistic requirements for access and early construction works. Preparations for the land acquisition process have commenced and are on-going.

e) Capital Raising

In May 2010, the Company raised US$24.3 million at 100p (before expenses) through the placing of 16,087,700 new ordinary shares with new and existing investors. The proceeds from the placing will be used to continue to advance the East Kutai Coal Project, as the project moves to the development and production phase, and for general working capital.

f) Memorandum of Understanding with PLN subsidiary

In April 2010, Churchill Mining signed a Memorandum of Understanding ("MOU") with a subsidiary of PT. Perusahaan Listrik Negara (PLN), the Indonesian state electricity firm. Under the MOU, PLN-Batubara (PLN-B) will review the purchase of up to 5 Mtpa of coal from Churchill.

In addition, a Joint Study Group will be established to focus on the use of the PLN's coal drying and enhancement technology ("Licol") for use with coal from the East Kutai Coal Project. Initial testing on Churchill's coal, with the Licol process, has already successfully upgraded Churchill's sub-bituminous coal to coal with bituminous characteristics, increasing its value.

Churchill sees its partnering relationship with the PLN as a tremendous and unique opportunity for both groups.

g) Appointment of Strategic Advisor

During the year the Company appointed Credit Suisse as strategic financial advisor to Churchill.

Credit Suisse have been engaged to work with Churchill to complete a strategic review process, which will evaluate the various options for financing the development of the East Kutai Coal Project, including the development of the project with a joint venture partner or the conclusion of a long-term offtake arrangement. Having completed more than $13 billion of Indonesia-related coal transactions in the past five years, Credit Suisse is considered the pre-eminent international investment bank in the Indonesian coal space.

This is a significant milestone for Churchill as it focuses on maximising value for Shareholders.

h) Indonesian Advisory Board

In support of Churchill's continued progress towards becoming a major Indonesian coal producer, Churchill has formed a prestigious Indonesian Advisory Board with extensive experience in high level government positions in Indonesia. The Indonesian Advisory Board will provide Churchill with high level strategic counsel focused on steering the Company successfully through the process of becoming a major Indonesian coal producer and providing increased access to all levels of industry and government.

FEASIBILITY STUDY COMPLETION

The highlight of the year has been the completion and announcement post the year end, of the EKCP Feasibility Study which confirmed the technical and economic feasibility of the project.

The Study indicated that the project has a pre-tax net present value of US$1.8 billion, an internal rate of return of 21% and a payback period of 7 years. The Study demonstrates that the East Kutai Coal Project is a world-class thermal coal deposit which is ideally positioned to supply the growing energy needs from both the Chinese and Indian markets.

ONGOING EKCP WORK

Having confirmed the size of the mineable deposit, Churchill is now concentrating its efforts on producing a mine plan and engineering infrastructure to suit the production of 30 Mtpa for the next 25 years and beyond.

Additional geotechnical drilling in the north of the RTM block will further enhance the understanding of the potential for extending the mine life and or increasing the mine production rate. Other on-going engineering will involve the investigation of In-Pit Crushing for the removal of Over and Inter-burden waste material and the possible introduction of electric shovels and haul trucks.

With the conclusion of the Feasibility Study, Churchill Mining is looking forward to the next stage of developing the East Kutai Coal Project.

At the date of this Report, the following milestones to be completed were as follows:

Upcoming Milestones:	**Status:**
Securing ground tenure around the primary port target area.	Negotiations underway
Bulk Sample Test Pit work	Anticipated late 2010
License haulage and port license	Preliminary internal government department approvals given
Pinjam Pakai (Forestry licence)	In progress
Geotechnical Investigation on mine stockyard, over land conveyor route and port	Ongoing

PROJECT FINANCING OPTIONS

With the completion of the Feasibility Study, Churchill along with Credit Suisse and its Indonesian partners, can now concentrate on investigating the most advantageous method of financing the East Kutai Coal Project. Three primary areas have been identified as possible means of financing:

- A “stand-alone” strategy based on financing the project through a combination of equity and project debt;
- A joint venture with a strategic partner combined with project financing; and
- The part sale of the project once its true value can be demonstrated through the Feasibility Study.

The size and the prospects of the EKCP have already captured the interest of a number of groups that have come to the site to conduct due diligence. The Company also continues to have ongoing discussions with a number of investment and project financing institutions.

CHURCHILL’S OTHER ASSETS

- In addition to the EKCP, Churchill has maintained a 70% interest in the Sendawar CBM Project in East Kalimantan along with its Indonesian partner RMU which owns the remaining 30%. During the year the Group continued to field interest in the project but due to no further development work or activity conducted during the year, it was determined to have no potential to contain economic coal deposits and in accordance with accounting standards impaired its investment down to nil.

Churchill continued to maintain its 20% direct interest in the original South Woodie Woodie Manganese Project in Western Australia, as well as a 21.74% interest in Spitfire Resources, the ASX-listed Company that purchased the Company’s stake.

CORPORATE

FINANCIAL SUMMARY

Results of Operations

The Group incurred a loss for the year of US$6,676,166 compared to a loss of US$14,089,527 for the previous year. The basic loss per ordinary share for the year was 8.25c compared with the loss per share of 20.76c for the previous year.

During the year, the Company committed approximately US$8.6 million to project evaluation and pre-development expenditure at the flagship East Kutai Coal Project. This reflects the ramp up in technical and engineering work which has contributed to the release of the Project Feasibility Study on the 23 September 2010. The Feasibility Study confirmed the technical and economic feasibility of the project with a pre-tax net present value of US$1.8 billion (discount rate of 10%).

Significant expenditure items during the period include:

- Impairment of the carrying cost for the Sendawar CBM project for the amount of US$1.56 million due to no further development work or activity conducted during the year. It was determined to have no potential to contain economic coal deposits and no further work is recommended in the area;
- Consulting and professional fees of US$1.88 million (2009: US$996,000) reflects the increased level of activity with the East Kutai Coal Project and corporate restructuring work undertaken during the last 12 months; and
- Loss on fair value of its investment in Spitfire Resources Limited for the amount of US$345,731 (2009: $491,898).

The balance of operating expenditure is in line with the Company's stage of pre-development and includes increasing its project and technical staff resources in Indonesia during the year.

Selected Annual Information

The Group's statement of financial position at 30 June 2010 and comparatives at 30 June 2009 and 30 June 2008 are summarised as follows:

	2010 $'000	2009 $'000	2008 $'000
Non-current assets	25,846	19,067	19,308
Current assets	27,501	11,075	16,314
Total assets	53,347	30,142	35,622
Current liabilities	4,408	589	527
Non-current liabilities	42	27	9
Total Liabilities	4,450	616	536
Net assets	48,897	29,526	35,086

Non-current assets increased during the year by the capitalisation of pre-development expenditure at the East Kutai Coal Project.

Liquidity & Capital

The Group began the year with US$10.9 million in cash and ended the year with US$22.8 million cash holdings. The increase in cash resulted from an equity raising in May 2010, where the Company issued 16,087,700 new ordinary shares at 100p per share with institutional investors to raise US$24.3 million. This provided sufficient funding for the pre-development activities at the East

Kutai Coal Project and to develop the Company's operating structure and personnel to position the Group for future development.

Churchill's overall financial position remains strong and the Company has the necessary cash resources to continue with the pre-development work and complete the strategic review process undertaken with Credit Suisse to evaluate the various options to finance the development of the East Kutai Coal Project.

In summary, Churchill remains committed to its core value of creating Shareholder value. We look forward with excitement and anticipation as the East Kutai Coal Project accelerates toward production.

Paul G Mazak
Managing Director
Churchill Mining Plc

Competent Person's Statement

The information in this Report relating to the JORC Resource of the East Kutai Coal Project and technical matters is based on information compiled by Mark Manners, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Manners is employed as a Principal Geologist by SMG Consultants Pty Ltd and has over 20 years experience in exploration and mining of coal deposits. Mr Manner's consents to the inclusion in the Report of the information as presented. He has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the type of activity described to qualify as a competent person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves".

The information in this Report relating to the Probable In-Situ Reserves of the East Kutai Coal Project is based on information compiled by Keith Whitchurch, who is a Member of the Australasian Institute of Mining and Metallurgy, a Chartered Professional Mining Engineer by PT SMG Consultants. Keith Whitchurch has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves". Keith Whitchurch has over 25 years experience in planning and mining of coal deposits.

The market price of the Company's shares on 30 June 2010 was £1.02 ($1.54) (2009: 53.2p ($0.88)) and the range of closing prices during the year was 84p ($1.27) (2009: 20.5p ($0.34)) to £1.38 ($2.08) (2009: 70.2p ($1.16)).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2010

	2010 $'000	2009 $'000
Revenue	-	-
Cost of Sales	-	-
Gross profit	**-**	**-**
Other operating income	-	-
Other administrative expenses	(4,187)	(3,544)
Impairment/expensing of exploration assets	(1,565)	(5,715)
Total administrative expenses	**(5,752)**	**(9,259)**
Loss from operations	**(5,752)**	**(9,259)**
Finance income – interest received	19	260
Finance income – foreign exchange gains	63	-
Total finance income	**82**	**260**
Finance expense – interest	(3)	(2)
Finance expense – foreign exchange losses	(130)	(3,534)
Total finance expense	**(133)**	**(3,536)**
Fair value loss on options held in associate	(101)	(624)
Impairment of investment in associate	(346)	(491)
Deemed loss on disposal of associate	(52)	(111)
Share of operating loss of associate	(374)	(329)
Loss before taxation	**(6,676)**	**(14,090)**
Tax expense	-	-
Loss for the year	**(6,676)**	**(14,090)**
Other comprehensive income:		
Foreign exchange differences on translating foreign operations	322	(919)
Other comprehensive income for the year	**322**	**(919)**
Total comprehensive loss for the year	**(6,354)**	**(15,009)**
Loss for the year attributable to:		
Owners of the parent	(6,676)	(14,090)
Non-controlling interest	-	-
	(6,676)	**(14,090)**
Total comprehensive loss for the year attributable to:		
Owners of the parent	(6,354)	(15,009)
Non-controlling interest	-	-
	(6,354)	**(15,009)**

Basic and diluted loss per share (cents)	(8.25c)	(20.76c)

STATEMENTS OF FINANCIAL POSITION
As at 30 June 2010

Company number 5275606	**Consolidated**		**Company**	
	2010 $'000	**2009 $'000**	**2010 $'000**	**2009 $'000**
ASSETS				
Current assets				
Cash and cash equivalents	22,879	10,903	21,595	10,452
Other receivables	4,622	172	38	62
Total current assets	**27,501**	**11,075**	**21,633**	**10,514**
Non-current assets				
Property, plant and equipment	238	224	60	77
Other receivables	1,230	805	-	-
Intangible assets	22,450	15,422	220	220
Other financial assets	-	101	-	-
Investment in subsidiaries	-	-	39,111	28,082
Investment in associate	1,928	2,515	-	-
Total non-current assets	**25,846**	**19,067**	**39,391**	**28,379**
TOTAL ASSETS	**53,347**	**30,142**	**61,024**	**38,893**
LIABILITIES				
Current Liabilities				
Trade and other payables	1,105	581	320	138
Loans and borrowings	3,303	8	-	-
Total current liabilities	**4,408**	**589**	**320**	**138**
Non-current liabilities				
Provisions	42	27	-	-
Total non-current liabilities	**42**	**27**	-	-
TOTAL LIABILITIES	**4,450**	**616**	**320**	**138**
NET ASSETS	**48,897**	**29,526**	**60,704**	**38,755**
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share capital	1,797	1,507	1,797	1,507
Share premium	62,982	39,147	62,982	39,147
Merger reserve	6,828	6,828	6,828	6,828
Other reserves	2,818	2,000	3,163	2,667
Retained deficit	(26,632)	(19,956)	(14,066)	(11,394)
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	**47,793**	**29,526**	**60,704**	**38,755**
Non-controlling interest	1,104	-	-	-
TOTAL EQUITY	**48,897**	**29,526**	**60,704**	**38,755**

The financial statements were approved and authorised for issue by the Board of Directors on 01 November 2010 and were signed on its behalf by:

Paul G Mazak
Director

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2010

Consolidated	Share Capital	Share premium	Merger reserve	Retained deficit	Foreign exchange reserve	Equity settled share options reserve	Total Equity attributable to equity holders of Company	Non-controlling Interest	Total Equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Changes in equity for year to 30 June 2009									
Balance at start of the year	1,316	30,503	6,828	(5,866)	252	2,053	35,086	-	35,086
Total comprehensive loss for the year	-	-	-	(14,090)	(919)	-	(15,009)	-	(15,009)
Recognition of share based payments	-	-	-	-	-	614	614	-	614
Issue of shares	191	8,815	-	-	-	-	9,006	-	9,006
Share issue expenses	-	(171)	-	-	-		(171)	-	(171)
Balance at 30 June 2009	**1,507**	**39,147**	**6,828**	**(19,956)**	**(667)**	**2,667**	**29,526**	**-**	**29,526**
Changes in equity for year to 30 June 2010									
Balance at start of the year	1,507	39,147	6,828	(19,956)	(667)	2,667	29,526	-	29,526
Total comprehensive loss for the year	-	-	-	(6,676)	322	-	(6,354)	-	(6,354)
Recognition of share based payments	-	-	-	-	-	496	496	-	496
Issue of shares	290	24,091	-	-	-	-	24,381	-	24,381
Share issue expenses	-	(256)	-	-	-	-	(256)	-	(256)
Non-controlling Interests' share of reserves	-	-	-	-	-	-	-	1,104	1,104
Balance at 30 June 2010	**1,797**	**62,982**	**6,828**	**(26,632)**	**(345)**	**3,163**	**47,793**	**1,104**	**48,897**

The accompanying notes form part of these financial statements.

Company	**Share Capital**	**Share premium**	**Merger reserve**	**Retained deficit**	**Equity settled share options reserve**	**Total Equity**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Changes in equity for year to 30 June 2009						
Balance at start of the year	1,316	30,503	6,828	(5,975)	2,053	34,725
Total comprehensive loss for the year	-	-	-	(5,419)	-	(5,419)
Recognition of share based payments	-	-	-	-	614	614
Issue of shares	191	8,815	-	-	-	9,006
Share issue expenses	-	(171)	-	-	-	(171)
Balance at 30 June 2009	**1,507**	**39,147**	**6,828**	**(11,394)**	**2,667**	**38,755**
Changes in equity for year to 30 June 2010						
Balance at start of the year	1,507	39,147	6,828	(11,394)	2,667	38,755
Total comprehensive loss for the year	-	-	-	(2,672)	-	(2,672)
Recognition of share based payments	-	-	-	-	496	496
Issue of shares	290	24,091	-	-	-	24,381
Share issue expenses	-	(256)	-	-	-	(256)
Balance at 30 June 2010	**1,797**	**62,982**	**6,828**	**(14,066)**	**3,163**	**60,704**

The accompanying notes form part of these financial statements.

STATEMENTS OF CASH FLOWS
For the year ended 30 June 2010

	Consolidated		Company	
	2010	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
Cash flows used in operating activities	(3,733)	(3,471)	(1,933)	(1,721)
Interest paid	(2)	(2)	-	-
Net cash used in operating activities	**(3,735)**	**(3,473)**	**(1,933)**	**(1,721)**
Cash flows used in investing activities				
Finance Income	19	281	7	273
Payments for exploration and evaluation assets	(8,287)	(7,306)	-	-
Acquisition of property, plant and equipment	(91)	(108)	-	(92)
Repayment of advances to subsidiaries	-	-	100	69
Advances to subsidiaries	-	-	(11,110)	(9,152)
Cash flows used in investing activities	**(8,359)**	**(7,133)**	**(11,003)**	**(8,902)**
Cash flows from financing activities				
Proceeds from issue of share capital	24,381	9,006	24,381	9,005
Share issue expenses paid	(256)	(171)	(255)	(171)
Repayments of borrowings	(8)	(15)	-	-
Cash flows from financing activities	**24,117**	**8,820**	**24,126**	**8,834**
Net increase / (decrease) in cash and cash equivalents	12,023	(1,786)	11,190	(1,789)
Cash and cash equivalents at beginning of year	10,903	16,124	10,452	15,596
Effect of foreign exchange rate differences	(47)	(3,435)	(47)	(3,355)
Cash and cash equivalents at 30 June 2010	**22,879**	**10,903**	**21,595**	**10,452**

NOTE 1: LOSS FROM OPERATIONS

	Consolidated	
	2010	2009
	$'000	$'000
Loss before tax includes the following expense items:		
Administrative expenses		
Consulting and professional fees	1,887	996
Depreciation and amortisation	90	60
Employee salaries and benefits	514	543
Occupancy costs	20	38
Operating lease expense	141	72
Travel expenses	362	255
Other administrative costs	677	966
Impairment of exploration costs	1,565	5,715
Equity settled share based payment expense	496	614
	5,752	**9,259**
Finance expenses		
Bank interest	3	2
Foreign exchange losses	121	3,534
Total administrative and finance expenses	**5,876**	**12,795**

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

Fees payable to the Company's Auditor for the audit of the Company's annual accounts	45	48
Other services – interim review	12	13
Fees payable to the associates of the Company's Auditor for other services		
- The audit of the subsidiaries pursuant to legislation	9	9
Total	**66**	**70**

NOTE 2: LOSS PER SHARE

	Consolidated	
	2009	2009
	$'000	$'000
Loss attributable to owners of the parent company	**(6,676)**	**(14,090)**
	Number	**Number**

Weighted average number of shares used in the calculation of basic loss per share	80,918,920	67,860,344
Weighted average number of shares used in the calculation of diluted loss per share	87,918,819	74,114,293
	Cents	**Cents**
Total loss per share		
Basic loss per share	(8.25c)	(20.76c)
Loss per share		
Basic and diluted loss per share	(8.25c)	(20.76c)

The effect of all potential ordinary shares arising from the exercise of options going forward is considered to be anti-dilutive. No (2009: 3,350,000) potential ordinary shares have been excluded from the above calculation as they are all dilutive.

NOTE 3: INVESTMENTS IN ASSOCIATES

The following entity meets the definition of an associate and has been equity accounted in the consolidated financial statements. As at 1 July 2007 the Group controlled 100% of the issued capital of Spitfire Resources Limited ("Spitfire"). During the prior year, the Group's investment in Spitfire was diluted to 35.64% and then to 28.80% at year-end by additional equity issues by Spitfire in which the Group did not participate. During the current year, the Group's investment in Spitfire was further diluted from 28.80% to 21.74% by additional equity issues by Spitfire in which the Group did not participate.

Name	Country of incorporation	Reporting Date	Proportion of voting rights held at 30 June 2010	Proportion of voting rights held at 30 June 2009
Spitfire Resources Limited	Australia	30 June 2010	21.74%	28.80%

	2010 $'000	2009 $'000
Balance at beginning of year	2,515	4,199
Deemed loss on disposal of associate	(52)	(111)
Share of loss of associate	(374)	(329)
Impairment to fair value	(346)	(491)
Effect of movement in exchange rates	185	(753)
Total carrying value at the end of the year	**1,928**	**2,515**

Spitfire Resources Limited ("Spitfire") shares are listed on the Australian Securities Exchange ("ASX") and are classified as a listed investment. The fair value of the investment using the closing prices at 30 June 2010 was $1,927,575 (2009: $2,514,908) based on a closing price of AU$0.09 (US$0.07) (2009: AU$0.125 (US$0.10).

The share of associates loss recognised during the year is $374,373 (2009: $328,361).

Summary of audited financial statements of the associate at 30 June 2010 and converted from AU$ to US$ at the closing rate are as follows:

	2010 $'000	2009 $'000
Total assets	13,358	11,019
Total liabilities	379	159
Equity	12,979	10,860
Revenues	199	241
Loss	(1,571)	(1,041)

Included in the total assets of Spitfire Resources Limited are cash balances of $4,279,769 (2009: $3,841,167).

NOTE 4: NOTES TO THE CASH FLOW STATEMENT

	Consolidated		Company	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Reconciliation of (loss) after tax to cash from operating activities				
(Loss) after tax	**(6,676)**	**(14,090)**	**(2,672)**	**(5,419)**
Share option expense	496	614	472	584
Depreciation expense	90	60	16	22
Impairment expense	1,565	5,715	-	-
Loss on exchange rates	58	3,534	47	3,403
Fair value gain on options held in associate	110	624	-	-
Impairment on investment in associate	346	491	-	-
Deemed loss on disposal of associate	52	111	-	-
Finance income	(19)	(260)	(6)	(250)
Share of associate loss	374	329	-	-
(Increase) / decrease in receivables	(440)	(400)	28	15
Increase / (decrease) in payables and provisions	311	(199)	182	(76)
Cash flow from operating activities	**(3,733)**	**(3,471)**	**(1,933)**	**(1,721)**
Reconciliation of cash and cash equivalents Cash and cash equivalents at the end of the year as shown in the Statement of Cash Flows is reconciled to the related items in the statement of financial position as follows:				
Cash and cash equivalents	22,879	10,903	21,595	10,452

Net Fair Value

The carrying value and net fair value of financial assets and liabilities at reporting date are:

NOTE 5: RELATED PARTY TRANSACTIONS

The Group had the following material transactions (excluding Directors' salaries and fees) with related parties during the year ending 30 June 2010:

During the year, the Group paid Direct Invest Group Limited $576,081 (2009: $480,209) for the consultancy services of Mr Paul Mazak who is a Director of the Company. The amount of $40,810 was owing to Direct Invest Group Limited as at 30 June 2010 (2009: $37,125).

During the year, the Group paid Borden Holdings Pty Ltd $93,979 (2009: $16,696) for the consultancy services of Mr David Quinlivan who is a Director of the Company. There were no amounts owing to Borden Holdings Pty Ltd as at 30 June 2010 (2009: Nil).

During the year, the Group paid Goldregis Corporation Pty Ltd $88,748 (2009: $88,806) for the consultancy services of Mr James Hamilton who resigned as a Director of the Company in April 2009. There were no amounts owing to Goldregis Corporation Pty Ltd as at 30 June 2010 (2009: $8,910).

In June 2008, the Company entered into a lease agreement with Borden Holdings Pty Ltd, a related party of Mr David Quinlivan who is a Director of the Company. The lease is for the office at Suite 1, 346 Barker Road, Subiaco, Western Australia. The lease is for a period of three years with a two year option and the terms of the lease are no more favourable than normal market rates. The terms of the lease were reviewed and approved by the independent Directors. The amount paid for the year ending 30 June 2010 was $58,447 (2009: $52,870).

During the year, the Group paid Pala Investments AG ("Pala") $228,323 (2009: nil) for consultancy services. The Pala Group is the major shareholder of Churchill Mining Plc (32.07%). Pala was appointed as a strategic advisor to assess the Company's current structure with a view towards increasing Churchill's operational and capital-raising flexibility. The terms of the advisory agreement were reviewed and approved by the independent Directors. The amount of $25,000 was owing to Pala Investments AG as at 30 June 2010 (2009: nil).

In June 2010, in accordance with the change in Indonesian Mining Law, the Company formalised its 75% beneficial interest in two of the four main IUP Exploitation Licences covering the EKCP by taking a direct equity interest in the Company that holds a 75% interest in each of those licences. This was achieved by the Company's 100% subsidiary, PT Indonesia Coal Development ("ICD"), subscribing for 30 Billion Indonesian Rupiah ($3,335,562) of new shares in PT Techno Coal Utama Prima ("TCUP"). PT Indonesia Coal Development now owns 99.01% of the issued share capital of TCUP which holds a 75% direct equity interest in PT Ridlatama Tambang Mineral, PT Ridlatama Trade Powerindo, PT Ridlatama Steel, PT Ridlatama Power ("the IUP companies"). As at 30 June 2010 US$2,233,296 was receivable from, and US$ 1,761,533 was payable to a related party of Mr Anang Mujiantoro who is a Director of PT Ridlatama Tambang Mineral and PT Ridlatama Trade Powerindo. These amounts are included in other receivables and other payables respectively and remain outstanding at 30 June 2010.

As at 30 June 2010 US$2,201,915 was receivable from and US$1,541,340 was payable to a related party of Mr Andreas Rinaldi who is an executive and consultant to PT Indonesia Coal Development. These amounts are included in other receivables and other payables respectively and remain outstanding at 30 June 2010.

During the year the Group paid PT Trisinergy Global Resources $580,801, PT Andarus Jaya Mandiri, $234,731 and PT Ridlatama Mining Utama $194,646 for consultancy fees and technical assistance with the East Kutai Coal Project. Mr Anang Mujiantoro and Mr Andreas Rinaldi who are related parties of the Group are Directors of PT Trisinergy Global Resources,PT Andarus Jaya Mandiri and PT Ridlatama Mining Utama. The amount outstanding at 30 June 2010 was PT Trisinergy Global Resources $140,427, PT Andarus Jaya Mandiri, $74,397, PT Ridlatama Mining Utama $93,580.

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NOTE 6: POST REPORTING DATE EVENTS

On 21 September 2010 the Company set up a newly incorporated Luxembourg-based company Black Kutai 1 S.a.r.l. It is expected that this company will be used for holding investments in Indonesia in accordance with the new mining law in Indonesia.

On 23 September 2010 the Company announced completion of the East Kutai Coal Project Feasibility Study which is based on a 30 Million Tonnes per Annum mine plan and which has a pre-tax NPV of US$1.8 billion using a discount rate of 10%.

Basis of accounting and presentation of financial information

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. However this announcement does not in itself contain sufficient information to comply with IFRS.

The financial information does not constitute the Group's statutory financial statements as defined in Section 434 of the Companies Act 2006 but is derived from those accounts. The financial information for the year ended 30 June 2010 has been extracted from the audited accounts of Churchill Mining Plc which will be delivered to the Registrar of Companies in due course. The auditors reported on those accounts and their report was unqualified and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. The financial information for the year ended 30 June 2009 has been extracted from the audited accounts of Churchill Mining Plc which have been delivered to the Registrar of Companies. The auditors reported on those accounts and their report was unqualified and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.