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CHL: AIM

Churchill Mining PLC

30 Million Tonnes per Annum East Kutai Coal Project Feasibility Study Returns Pre-Tax NPV of US\$1.8 Billion

Highlights:

- Study confirms the technical and economic feasibility of the Project and demonstrates that it is a world-class thermal coal deposit
- Investment evaluation, modeled over an initial 25-year period, indicates a pre-tax net present value of US\$1.8 Billion (discount rate of 10%), internal rate of return of 21% and payback period of 7 years
- Pre-tax net cashflow in excess of US\$500 Million per annum over the first 20 years of capacity production
- Proposed 30Mtpa open-pit mining operation producing high-quality sub-bituminous coal over an initial 25-year period, although the reserve base would support a much longer mine life
- The Study now forms the platform for the next stage in the development of the Project and the ongoing strategic process
- Direct capital expenditure estimated at US\$1.2 Billion before indirects (Engineering Procurement Construction Management ("EPCM"), insurance costs) and contingency
- Low average strip ratio of 3.7 bcm/tonne
- Operating cost estimated at US\$25.10 per tonne FOB (excluding royalty of US\$2.32 per tonne)

Churchill Mining PLC (AIM:CHL, "Churchill") and its Indonesian partners the Ridlatama Group, are pleased to announce the completion of the Feasibility Study ("the Study") on the 2.73 billion tonne ("bt") East Kutai Coal Project ("the Project") in Indonesia. Churchill has a 75% interest in the Project with the Ridlatama Group owning the outstanding 25%.

Located in East Kalimantan, Indonesia, approximately 160km from the coast, the Project is ideally positioned as a strategic asset for independent power producers across Asia, particularly in India and China, as these countries expand their generating capacity and need to secure long-term supplies of thermal coal. The Project has a 2.73bt JORC resource, of which 961mt has been classified as Proven and Probable Reserves. The Study demonstrates that the Project is a world-class thermal coal deposit.

Paul Mazak, Managing Director commented, "The completion of the East Kutai Coal Project Feasibility Study is a significant milestone for Churchill. With the Study indicating the Project has a pre-tax net present value of US\$1.8 Billion, an internal rate of return of 21% and payback period of 7 years, this confirms the Project's technical and economic viability. 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 demand from both the Chinese and Indian markets. With the Study now completed, we look forward to moving swiftly into the next stage in the ongoing strategic process and bringing this large scale Project into development."

East Kutai Coal Project:

The Study proposes an open-pit operation mining 30Mtpa of coal, with the coal to be transported from mine to port via wholly-owned supply chain infrastructure, featuring the following key components:

- Mine crushing (two-stage) and stockyard facility (528,000 tonnes storage);
- 160km overland conveyor, 8 flights, each approximately 20km in length (1,600mm belt width, 3,600tph capacity);
- Port stockyard facility (852,000 tonnes storage); and
- Dedicated port and ship loader capable of loading a variety of ships, including Capesize vessels.

The selected mining method of standard truck and excavator is typical for the region. The average strip ratio over the first 25 years is 3.7 bcm/tonne. In-pit crushing and conveying, and the adoption of electric-powered hydraulic excavators, have been identified as options with the potential to significantly lower operating costs. Depending on the path(s) chosen by Churchill, the Ridlatama Group and any additional project partner, the Project can be constructed within a 24 or 36 month period. This includes pre-stripping, to be followed by a ramp-up in coal production over a further 2 year period to the headline 30Mtpa capacity. The Study currently assumes a 100MW coal-fired power plant for generating electricity. However, modular and scalable options, such as a configuration of diesel generators, would reduce the lead time of the power solution by more than 1 year and therefore time-to-market for the Project's coal production.

Mine production will be stocked as run-of-mine or crushed immediately to a market specification of minus 50mm. The marketable product will be transferred to the mine stockyard, with stacker reclaimers providing the capability to segregate and blend different seams as required. Coal will be transported 160km from the mine stockyard to the port stockyard by overland conveyor, over 8 conveyor flights, each approximately 20kms in length. The route for the overland conveyor has been selected to minimise any environmental and social impacts. The site location for the port area facilities provides direct access for transferring coal from the port stockyard to the dedicated ship loader and deepwater berths.

Coal Quality:

The Project's coal seams are high-quality sub-bituminous, for which there is strong regional and global demand, and offer distinctly beneficial characteristics of low ash (generally less than 5%) and low sulphur (generally less than 0.15%), with an average calorific value across all seams of 5,151 kcal/kg on an air-dried basis ("ADB").

Due to advantageous location, proximity to customers, and low impurities, Indonesian coals are in high demand in Asian seaborne thermal coal markets. The Project's development is timed to meet the rapid growth in consumption driven by the power generation sector in Asia, particularly in India and China.

Licenses Update:

Transport Infrastructure

Whilst the Study has focused on an overland conveyor as the means of transporting coal from mine to port, positive changes within the Indonesian Government with regard to the private development of large scale rail projects has led Churchill to review the previously set-aside option of rail infrastructure. As such, Churchill has conducted an Order of Magnitude Study for rail, in tandem with the feasibility work for the overland conveyor, in order to assess all viable options and select the most suitable for the Project. At this stage, the Order of Magnitude study estimates a capital cost of US\$1.1 Billion, which combined with a lower operating cost versus conveying, would improve the NPV of the Project. Development studies for the rail option are continuing and as a result, Churchill has begun the process for obtaining the necessary clearances and licenses required to construct and operate a special purpose coal handling rail link from the mine to port; advancing its application for an In-Principle Rail License from the Indonesian Government.

Churchill's technical team has selected an initial rail route that has been given internal approval by the Department of Forestry, and will put this route forward for Pinjam Pakai approval after completing the required intermediate steps with various levels of government. The Indonesian Minister of Transport recently advised the Director General of Rail Transport and the Director of Rail Transport and Traffic, in an official instruction, to begin the evaluation and licensing process for the proposed Project rail transport alternative. Churchill and its Indonesian partners will now work with the Ministry of Transport and the Regional and Provincial governments to obtain the necessary approvals for rail infrastructure, should Churchill choose to pursue this option.

Port

The Department of Transport signed-off on the port site in August 2010 giving internal department technical approval, and advising the Minister of Transport and other government officials that the site was suitable to receive shipping up to 210,000Mt DWT (cape size), that it would create no adverse marine safety conditions, and was therefore recommended for Special Purpose Port (SPP) status.

The Department of Transport's internal recommendation and supporting documentation will now be presented to the Regency and Provincial government leaders and to the Minister of Transport for the final SPP decree. This is expected to be completed by the end of 2010. Concurrently, Churchill has begun the land acquisition process in cooperation with the local community and the relevant government departments.

Reserves and Resource:

Following additional analysis undertaken by independent coal geology and mining specialists SMG Consultants ("SMGC"), Churchill announced an update to the JORC Mining Reserve earlier this year. The Geological Reserve statement compiled by SMGC defines the JORC reserve and resource as follows:

Reserves & Resource	Million tonnes
Proven & Probable Reserves	961
Measured	693
Indicated	825
Inferred	1,212
Total Resource	2,730

Investment Evaluation:

The investment evaluation for the Project gives a pre-tax net present value of US\$1,829 Million (assuming a discount rate of 10%), internal rate of return of 21% and payback period of 7 years. Revenue calculations were based on market analysis for Indonesian sub-bituminous coal, which determined an average long-term coal price of US\$46.60 per tonne.

The long-term price for coal from the Project has been forecast using 3-year historical average Platts Weekly 90-Day Forward Benchmarks for Pacific coal FOB, comprising Kalimantan 5,900 kcal/kg ("K1"), Kalimantan 5,000 kcal/kg ("K2"), Newcastle and Gladstone.

Using the historical data points, a best-fit line was interpolated between the points (R^2 : 99.8%). The line was then adjusted by the differential between the 3-year Newcastle FOB historical average and the 2013 Newcastle FOB forward price, to reflect a long-term price scenario. The forecast line was then used to extrapolate a price for projected coal calorific values in each production year. To validate the methodology, prices being secured in current contract negotiations, e.g. Indonesian major sub-bituminous coal exporters including Adaro, Bumi Resources and Kideco were also plotted and fell on the best-fit line.

The Project is ideally positioned as a potential strategic asset for independent power producers across Asia, but particularly in India and China, who are expanding their generating capacity and need to secure long-term supplies of high-quality sub-bituminous coal. The market pricing methodology described here is solely based on coal characteristics, and does not take into account the premium that buyers may be willing to pay for long-term security of supply.

Capital Costs:

The results of the study show that the Project can be developed for a capital cost of US\$1,591 million, which includes provisions for Engineering Procurement Construction Management ("EPCM"), insurance costs, and contingency. The main items are categorised below:

Capital Cost Summary	US\$m
Mine infrastructure	24
Coal supply chain infrastructure	737
Power generation & transmission	333
Pre-development	65
Direct costs	1,159
Indirects	167
Contingency	265
Total	1,591

Notes:

- Mining operations will be contracted.
- The coal supply chain infrastructure costs include the establishment of all coal handling equipment and support facilities.
- Pre-development includes land acquisition and pre-stripping.
- All costs are inclusive of Indonesian VAT.
- Indirects includes mobilization/demobilization, EPCM and insurance.

Operating Costs:

The Study shows that the Project can produce coal in the top quartile of the thermal coal cost curve, at an average cost of US\$25.10 per tonne over an initial 25-year period (FOB operating cost, excluding royalties), although the reserve base clearly supports a much longer mine life.

Operating Cost Summary	\$/t
Mining & ore handling	14.80
Transport & port	6.60
Admin & contingency	3.80
Total (excluding royalty)	25.10

NPV Sensitivities:

Sensitivities		Pre-tax NPV US\$'000	Difference US\$'000	Difference %
Base Case		1,829		
Price	Average US\$/t			
10% decrease	41.90	900	(929)	-51%
10% increase	51.30	2,758	929	51%
Opex				
10% decrease		2,407	578	32%
10% increase		1,251	(578)	-32%
Capex				
10% decrease		1,994	164	9%
10% increase		1,664	(164)	-9%

Technical and Engineering Studies:

The Study contains a number of technical reports (covering the technical requirements to mine the sub-bituminous coal from the open-pit mine) and engineering studies (covering surface infrastructure, coal handling and preparation, and logistics).

In addition to the Churchill team, work has been undertaken by consultants and contractors experienced in Indonesian coal mining and the development of capital and operating cost estimates for similar projects. These capital and operating cost estimates have been used to support the project valuation.

Study Work:

The Study consolidates work done by Churchill over the last 12 months in development of key areas of the Project, namely:

- Mine design optimisation;
- Coal supply chain, general infrastructure design;
- Capital cost estimating;
- Operating cost estimating; and
- Economic evaluation.

Key steps in the Study work have been:

- Design/basic engineering completed in October 2009;
- Rigorous competitive tendering of key infrastructure elements from Q4 2009 to Q1 2010;
- SMGC Geological Reserve Statement, February 2010;
- Mine planning/scheduling, including optimisation studies with respect to mine production rates Q2/Q3 2010; and
- Study reviews at key project development milestones.

For further information, please contact:

Churchill Mining Plc

Managing Director - Paul G. Mazak

+62 81510539186 /

+62 21 39832398

+61 8 6382 3737

paul.mazak@churchillmining.com

Astaire Securities

Shane Gallwey /

Toby Gibbs

+44(0)20 7448 4400

Conduit PR

Paul Youens /

Jos Simson

+44(0)20 7429 6666

+44(0)7843 260 623

paul@conduitpr.com

Notes to Editors

Churchill Mining PLC is an AIM listed (Ticker: CHL) mining company with a significant thermal coal development project located in the East Kutai Regency of Kalimantan, Indonesia, where to date more than 2.73 Billion tonnes of coal resource has been defined to JORC standard. Churchill has a 75% interest in the Project, with its Indonesian partners the Ridlatama Group owning the remaining 25%. Churchill is working with the Ridlatama Group to develop the Project.

The Project feasibility study has been completed and forms the platform for the next stage in the development of the Project and the ongoing strategic process. Highlights of the feasibility study include:

- NPV of US\$1.8 Billion modelled over an initial 25-year period

- Pre-tax net cashflow in excess of US\$500 Million per annum over the first 20 years of capacity production
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In addition to the East Kutai Coal Project, Churchill has interests in the Sendawar Coal Bed Methane Project in East Kalimantan, Indonesia and a strategic holding in Spitfire Resources, who are developing the South Woodie Woodie Manganese Project in Western Australia.

For more information, please visit www.churchillmining.com.

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