

3 March 2011

CHL: AIM

**CHURCHILL MINING PLC**  
**(“Churchill” or “the Company”)**

**Negative decision by State Administrative Tribunal**

- The State Administrative Tribunal in Samarinda, East Kalimantan ruled on 3 March 2011 against Churchill Mining Plc (“Churchill” or “the Company”) and its Indonesian partners, the Ridlatama Group (“Ridlatama”) in regard to an attempt to cancel the EKCP licenses
- The decision by the Samarinda Administrative Tribunal is not final and binding as a matter of law until after all appeal avenues have been exhausted
- The proceedings before the Samarinda Administrative Tribunal do not constitute an action that will immediately affect the legal rights of the owners of the EKCP Licenses

Churchill Mining (AIM:CHL), announces that the State Administrative Tribunal in Samarinda, East Kalimantan has today ruled against Churchill Mining Plc (“Churchill” or “the Company”) and its Indonesian partners, the Ridlatama Group (“Ridlatama”).

Under the Indonesian legal system an Administrative Tribunal is supposed to rule strictly on matters of process as to whether bureaucrats, elected officials, and government institutions have observed procedural rules and regulations in making decisions. The proceedings before the Samarinda Administrative Tribunal do not constitute an action that will immediately affect the substantive rights of the owners of the EKCP Licenses and the decision by the Samarinda Administrative Tribunal is not final and binding as a matter of law until after all appeal avenues have been exhausted.

The Company strongly disagrees with the decision and is currently evaluating options to remedy the situation, including appeal to the State Administrative Tribunal in Jakarta. At no time during this process has Churchill considered the EKCP licenses cancelled or invalid.

**Background to the State Administrative Tribunal**

It was brought to the attention of the Company and Ridlatama in 2010 that the East Kutai Regent (“Regent” or “*Bupati*”) had purported to have cancelled the four mining licenses that comprise the East Kutai Coal Project (EKCP).

Ridlatama and Churchill initiated the Administrative Tribunal in September 2010 in order to have the original cancellations officially expunged from the record, as they considered that the Bupati had violated a number of administrative protocols.

Ridlatama and Churchill requested that the review be held ‘in camera’ until the results were made public, although the Board took the decision on the 21 February to notify the market of the upcoming action, in-order to pre-empt potential speculation in the Indonesian press which could have been detrimental to the process.

The Administrative Tribunal did not however agree with Churchill's and Ridlatama's position and ruled that the *Bupati's* attempted revocation of the EKCP licenses did not defy any administrative regulations, a decision that Ridlatama and Churchill will appeal to the State Administrative Tribunal. Instead, the Tribunal cited an April 2010 letter from the Ministry of Forestry to the Regent advising the cancellation of Ridlatama and Churchill's licenses after receiving reports from residents that the Company had carried out mining activities leading to the damage of forestry areas.

Churchill strongly protests this decision and emphasizes that the Company and its partners have never done any mining at the EKCP site. Furthermore, Churchill points out that the communities around the EKCP site have never made such a complaint, a claim substantiated by a sworn Ministry of Forestry affidavit from the chief of the local Dayak cultural council (the traditional community's foremost authority on land issues) that affirmed that local land owners have found the EKCP partners to have never performed any illegal activities and to have acted responsibly at all times. This evidence was presented during the Administrative Tribunal proceedings. Finally, Ridlatama and Churchill note that the licenses that make up the EKCP, which were issued by the same Regent in 27 March 2009, lie outside forestry areas, and therefore are not subject to Ministry of Forestry oversight.

### **Validity of Licenses**

Notwithstanding the decision of the Samarinda Administrative Tribunal, the validity of the EKCP Licences has been confirmed on at least two separate occasions:

- ◆ The BPK (an independent state agency tasked with the oversight and audit of state accounts and spatial data), and the East Kutai Police have upheld Ridlatama and Churchill's mining rights in relation to the EKCP Licences;
- ◆ During the Administrative Tribunal the Ministry of Energy and Mineral Resources' Head of Legal and Legislative Affairs gave expert testimony that the ministry continued to regard the EKCP partners' licenses as legally valid and enforceable, as no cancellation decree has ever been lodged with the ministry as is required by administrative protocol.

### **Next Steps**

Though disappointed by the Administrative Tribunal's decision, Ridlatama and Churchill remain committed to remedying this unfortunate situation and will perform a serious and exhaustive evaluation of legal options.

The Administrative Tribunal has only concluded in the last couple of hours, and there is currently only a verbal report from the Company's counsel available. The Tribunal is expected to make available a written report of its findings in the coming weeks, and the Company will make a further announcement once the Board has reviewed this report in conjunction with its lawyers.

Restoration of trading on AIM in the Company's shares will take place at 15:00 today.

**END**

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