



CHURCHILL  
MINING PLC

Incorporated in England and Wales  
with Registered Number 5275606



# ANNUAL REPORT 2007

For the period 1 July 2006 to 30 June 2007

# CORPORATE DIRECTORY

## Directors

David F Quinlivan  
Paul G Mazak  
James T Hamilton  
Farook Basrewan

## Company Secretary

Stephen F Ronaldson  
Russell P Hardwick

## Registrar

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## Brokers

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M1 3FH

## Bankers

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## Auditors

BDO Stoy Hayward LLP  
8 Baker Street  
London W1U 3LL

## Nominated Adviser

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London  
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EC2N 1HT

## Solicitors

Ronaldsons Solicitors  
55 Gower Street  
London  
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## Website

[www.churchillmining.com](http://www.churchillmining.com)



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## CHAIRMAN'S STATEMENT



Dear Shareholder,

I am pleased to present Churchill Mining Plc's 2007 Annual Report and Financial Statements following an active and successful 12 months.

During the year, we continued to build our asset base in the high- growth carbon energy sector with the acquisition of a 75% interest in the exciting East Kutai Coal Project (EKCP), located approximately 110km north of Sangatta in the province of Kalimantan, Indonesia.

This project, which sits in a very under-explored part of Kalimantan, lies 55km from a major new coal discovery at Pakar which, as at December 2006, had a JORC compliant reserve of 270 million tonnes of coal.

Churchill is taking an aggressive approach to exploring the EKCP. The company now has a field team in excess of 100 personnel in place with drilling rigs relocated during the year from our existing Sendawar project to undertake drilling.

The initial results of this drilling have been most encouraging, and we are confident of defining a JORC compliant resource in the 2008 financial year.

This year the Company also signed a Heads of Agreement with Indonesian power utility company, PT Ridlatama Bangun Mandiri (PT RBM), to supply approximately 840,000 tonnes of coal a year for 30 years to feed two planned power stations that the utility is building near the project. PT RBM is also investigating the potential of building other larger plants within Kalimantan.



This Heads of Agreement will convert to a final coal-purchase agreement once a JORC compliant resource of a minimum of 30 million tonnes has been defined. The new power plants are located in a region with a rapidly expanding population base and growing energy needs.

The addition of the East Kutai Project to our portfolio follows last year's acquisition of the Sendawar Project, also in Kalimantan, where we continued to make solid progress during the year.



Together with our consultants, GMT Indonesia, the Company conducted geophysical surveys during the year to identify the most promising areas for test drilling and improve exploration success rates. Importantly, the Sendawar project has shown the potential to host a large coal bed methane resource and the Company has engaged CBM specialists to investigate this potential.

Because of our focus on these large-scale energy projects at Sendawar and East Kutai, the Board decided to divest an 80% interest in the Company's South Woodie Woodie Manganese Project in Australia to newly established Company, Spitfire Resources Ltd ("Spitfire"),

which is undertaking an AUD\$4million IPO and listing on the Australian Stock Exchange. Spitfire has the option to purchase the remaining 20% in the project for AUD\$3million providing it spends AUD\$1.5million on exploration within 18 months of listing.

Assuming a successful AUD\$4million IPO, Churchill will retain a major interest in Spitfire, becoming its biggest shareholder with 49% of the shares on issue at listing. Churchill will also be entitled to production royalties from the project should a mine be developed in the future.

Investor interest in the manganese sector is currently very high following the strong recovery in manganese prices seen during 2007 and the response to Spitfire's IPO plans has been enthusiastic.

In a year of many changes, your Company continues to remain committed to its core value of creating shareholder wealth: the acquisition of East Kutai and associated major drilling campaign; the investigation of CBM potential at Sendawar; and the successful spin-off of the South Woodie Woodie Project will, I believe, all contribute strongly towards achieving this objective.

The global demand for coal, and indeed all commodities, shows few signs of slowing in the near future and our intention is to capitalise on this by expediting the development of our projects.

I would like to take this opportunity to thank our Executive Directors, James Hamilton and Paul Mazak, for their commitment and dedication. I would also like to thank our Indonesian operating team and consultants, in particular Paul Benjamin, Brett Gunter and Andreas Rinaldi. We've also been fortunate to benefit corporately from the input of Melissa Sturgess who has recently relocated to London. The Board also wishes to welcome Faroek Basrewan as a Director of the Company.

Finally, on behalf of the Churchill Board I would like to thank you, the Shareholders, for your support of the Company's activities and I look forward to your ongoing support as we embark on another exciting period of growth in 2008.

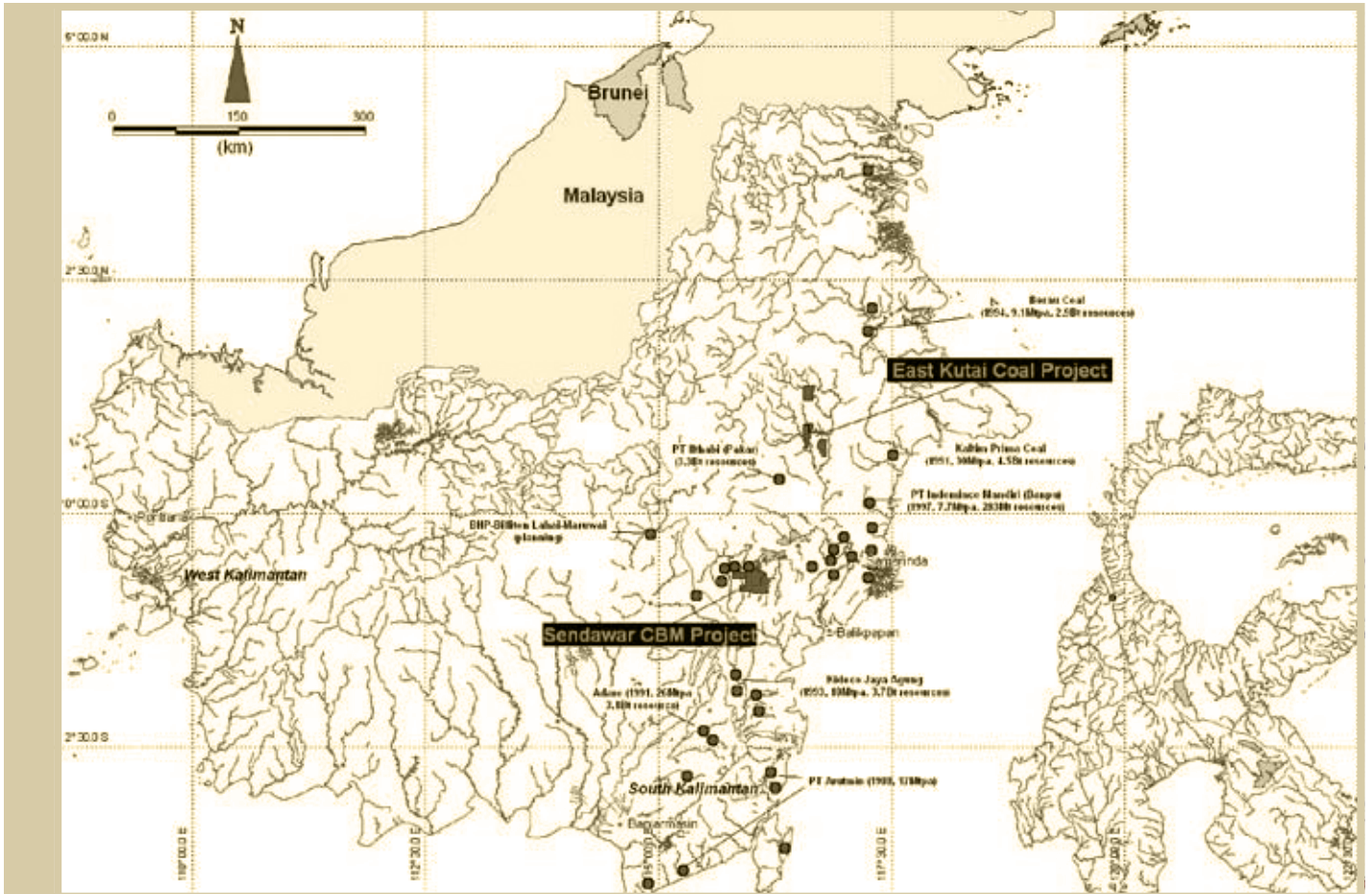
**David F Quinlivan**  
Chairman



## BACKGROUND

Churchill Mining Plc listed on the Alternative Investment Market (AIM) of the London Stock Exchange in April 2005 and is committed to growing Shareholder value by becoming a leading minerals explorer and future miner at a time of accelerating commodities demand.

Churchill's business plan is to leverage off the strong growth in demand currently being experienced in China and India for commodities which are used as feedstock in the ever expanding energy industries.





The execution of this business plan was instigated with the acquisition of the Sendawar Coal Project, located in East Kalimantan, Indonesia, as well as continued exploration of the South Woodie Woodie Manganese Project in Western Australia. Subsequent to the end of the 2007 financial year, the Company divested an 80% interest in this asset to Spitfire Resources Ltd – a new company which is scheduled to list on the ASX in December 2007.

Additionally, in May 2007, Churchill entered into a formal sales agreement with PT Techno Coal Utama Prima, to acquire 75% of the East Kutai Coal Project – a large coal project also located in Indonesia.

Churchill's management continues to assess further opportunities in Australia and southern Asia to acquire quality projects consistent with the Company's business plan.

## REVIEW OF OPERATIONS AND FINANCE (CONTINUED)

BHP-Billiton Lahai-Maruwai  
(planning)

Sendawar CBM Project

Adaro (1991, 26Mtpa  
1Bt resource)

### SENDAWAR CBM PROJECT

#### BACKGROUND

Churchill acquired the Sendawar Coal Project in East Kalimantan, Indonesia, in April 2006 after several months of due diligence.

The Sendawar Project, which is about 800km<sup>2</sup> in size, sits in a world-renowned coal province whose production output has been estimated to be growing at approximately 20% per annum.

Strategic attractions of Kalimantan as a resource development opportunity for Churchill include:

- Strong global demand for both metallurgical and thermal coal, which has risen sharply due to unprecedented demand from many parts of Asia;
- Governmental mandates in the Asian region to substitute existing oil-fired power stations;
- The increasing attraction of Kalimantan coal to purchasers because of its low ash and low sulphur content in combination with Indonesia's close proximity to markets; and
- Well developed and well understood exploration, mining and transport logistics in the Region, given the major domestic and international coal mining investments made in Kalimantan during the first half of the 1990s and onwards.



Early sampling of coal found at the Sendawar project indicates that it has a high calorific value (above 6,300Kcal/kg), is low in moisture and has high fixed carbon levels.

Work began at Sendawar by examining already identified coal outcrops. This delivered coal but not in economic quantities and consequently the Company conducted ground resistivity surveys to identify further drill targets.

Subsequent to this process, and together with the collection of further historical drilling data, Churchill's geologists have realised the potential of the greater Sendawar region to contain very large amounts of Coal Bed Methane.

Consequently, the Company is examining joint venture opportunities to continue coal exploration at Sendawar while prioritising its focus on CBM. To this end, the Company began discussions with an Indonesian partner called PT Ridlatama Mining Utama, (RMU) which together form the "Ridlatama Consortium" – and the group at the date of this report was to be awarded a CBM Joint Evaluation Agreement ("JEA") license in Kalimantan, Indonesia.

Following the successful appointment of the JEA from the Indonesian Oil and Gas government regulator, DIRJEN MIGAS, Churchill and RMU will create a Joint Operating Company (JOC) and will conduct a full investigation of the 800km<sup>2</sup> block in the Kutai Basin, East Kalimantan. The Company would then proceed to a Production Sharing Agreement (subject to the Company's satisfaction with the Joint Evaluation Study) with the Indonesian Government at the appropriate time. Churchill will hold 70% of the JOC and RMU 30%, with expenditure by each party proportional to their holding.



EAST KUTAI COAL PROJECT

PT Ilthabi (Pakar)  
(3.3Bt resources)

East Kutai Coal Project

**BACKGROUND**

During March 2007, Churchill signed an exclusivity agreement with PT Techno Coal Utama to conduct due diligence exploration on a further Indonesian thermal coal development at East Kutai. The East Kutai Coal Project (EKCP) area covers approximately 575km<sup>2</sup>, made up of four blocks, and is situated 110km north-west of the main population centre of Sangatta.

Churchill was attracted to the East Kutai opportunity by the recent re-evaluation of the potential of East Kutai as a coal target. The catalyst has been a new discovery called Pakar, made by a private Indonesian group, which sits approximately 55km south-west of Churchill's ground and which, as at December 2006, had a JORC compliant reserve of 270 million tonnes of thermal coal. The Pakar resource is believed to be open in a variety of directions and is still being drilled.



**PROJECT ACQUISITION**

In May 2007, Churchill entered into a formal sales agreement with PT Techno Coal Utama Prima to acquire 75% of the East Kutai project. Churchill has now fully completed the transaction and has taken control of the EKCP for an initial payment of US\$250,000 and a final payment of US\$750,000. No Churchill shares were issued as part of the consideration for the EKCP.

## EXPLORATION

Work conducted in East Kutai by consulting group PT Rimeneo Geological and Mining Services in December 2006 and January 2007, identified numerous outcrops of coal in the area ranging in thickness from two to seven metres and hosted in a sequence of tertiary sediments cropping out in the area.

Churchill relocated drill rigs from the Sendawar project to begin the due diligence drilling and in April 2007 announced that 8 out of 10 holes drilled had intersected coal with best intercepts including coal seams of 19.25m, 13.8m and 9.35m thickness.

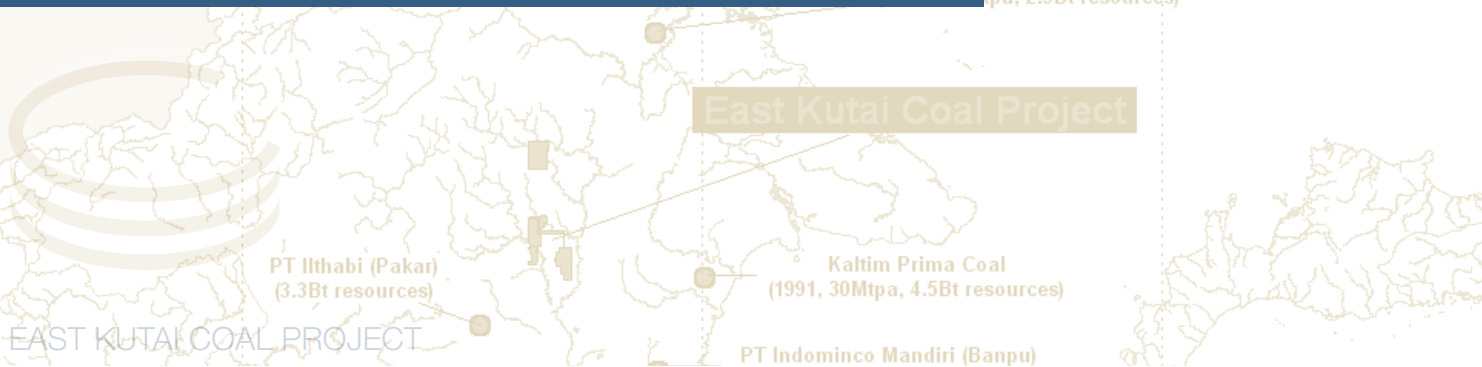
A total of 3,891m has been drilled since the commencement of the programme and to date, 36 holes have been drilled with the most recent bore holes having a spacing of between 750m and 1,000m between centres. Current target seams for a JORC compliant resource are all dipping at less than 10 degrees and drilling rates will increase when infill block-drilling begins.

Additionally, over 250 coal outcrops have been mapped on the EKCP, with coal thicknesses up to more than 20m in outcrop. Mapping will continue as the drilling proceeds to assist in seam correlations and define further extensions to the coal-bearing stratigraphy.



## INFRASTRUCTURE & PERSONNEL

All exploration camps and facilities are in place and the Company now has a field team of over 100 personnel including 12 geologists, drilling contractor staff, community liaison and local development officers, logistical support and locally sourced non-skilled personnel working on the Project.



**OFFTAKE AGREEMENT**

In June 2007, Churchill signed a Heads of Agreement (“HOA”) with Indonesian power utility company PT Ridlatama Bangun Mandiri (PT RBM) to supply thermal coal for 30 years to feed two power stations that PT RBM is building in Kalimantan, Indonesia.

PT RBM is an independent power producer owned 55% by PT Indonesia Power (a wholly owned subsidiary of Indonesia’s state owned electricity utility, PLN) with the remainder owned by private investors. PT RBM was recently granted licence approval to build the power stations and construction will start at the beginning of 2008. The plants are expected to be on-stream by mid-2010. PT RBM is also investigating the potential of building other larger plants within Kalimantan.

These first-stage plants will be built at a cost of approximately US\$60 million at Muara-Marrah, a provincial town located approximately 15km east of Churchill’s East Kutai coal discovery. The location for the plants was chosen because of East Kutai’s rapidly expanding population base and its growing energy needs.

Under the HOA – which will convert into a final coal-purchase agreement once a JORC compliant mining reserve of a minimum of 30 million tonnes has been defined – Churchill will supply approximately 840,000 tonnes of coal per annum for 30 years, with prices based on a 5% discount to the prevailing market price.

Test work on coal discovered by Churchill at its East Kutai project to date has found it to have an average calorific value of 5,340Kcal/kg. Investigations made by Churchill show that similar type coals are currently trading for approximately US\$30 per tonne.



## THE ROAD AHEAD

Aside from the potential ability to turn its EKCP into short-term income revenue via its HOA with PT RBM, the Company ultimately believes the future of the Project is a super-scale export operation, mining and shipping large tonnages of coal to Asian customers.

For this reason the Company is looking to dramatically accelerate its drilling rates in 2008 and will shortly be seeking funds to employ more teams to action this plan. The Company plans to announce a volumetric calculation to the market in January 2008 and then proceed with infill drilling to steadily work up a JORC compliant resource in preparation for feasibility and marketing studies.

## PRINCIPAL RISKS AND UNCERTAINTIES

There are risks associated with the exploration industry. The Board regularly reviews the risks to which the group is exposed and endeavors to minimise these risks as far as possible. The following summary, which is not exhaustive, outlines some of the risks and uncertainties facing the group at its present stage of development:

- The exploration for and development of mineral deposits involves risks, which even a combination of careful evaluation and knowledge may not eliminate;
- The group's future success is substantially dependant on the continued services and performance of its key personnel. The Company's aim is to ensure that key personnel are rewarded for their contribution to the group and are motivated to enhance the return to shareholders;
- There is underlying commodity price risk associated with the Company's exploration activities. The group endeavors to make what it considers to be prudent assumptions for all relevant commodity project investment decisions;
- The Group has operations in Indonesia where there may be a number of associated risks over which it will have no control. These may include economic, social or political instability, terrorism, currency instability, changes of laws affecting foreign ownership, government participation, taxation and exploration licensing; and
- Some or all of the exploration licenses issued in respect of the group's projects may be subject to conditions which, if not satisfied, may lead to revocation of such licenses.



## SOUTH WOODIE WOODIE MANGANESE PROJECT



### BACKGROUND

The South Woodie Woodie Project area covers approximately 490km<sup>2</sup> and is located in the highly prospective East Pilbara Manganese Province in Western Australia, about 1,200km north-east of Perth and some 50km south of the Woodie Woodie Manganese Mining Centre.

Although manganese was first discovered in the Project Area at Enacheddong Creek in 1977, there was no systematic exploration of the area until Churchill (through its subsidiary Planet Mining Ltd) acquired the rights to 80% of the property and subsequently 100% in 2005.

Since that time, Churchill has undertaken various exploration programmes aimed at identifying new targets for manganese mineralisation.

### EXPLORATION

The Enacheddong Creek Prospect was discovered in 1977 by the Australian and New Zealand Exploration Company after they completed an airborne infra-red aerial photography survey.

Reconnaissance mapping and channel sampling identified outcrops of manganese over a strike length of 700m with grades of between 31% and 54% manganese, however no follow up work was done and since that time there has been no further work reported.

Following on from its 6,600km airborne magnetic and radiometric survey over the entire South Woodie Woodie Project last year, the Company has used a deep ground-probing technology from Canadian company Geotech Airborne, called Versatile Time-Domain Electro Magnetics ("VTEM") to target the northern third of its tenement position.

The VTEM survey was flown at a line spacing of 100m and 30m ground clearance to test for sub-surface conductors. Interpretive work by Perth-based consultancy Resource Potentials identified 38 conductive units of which 14 were chosen for immediate follow-up exploration by a dipole-dipole induced polarisation ("IP") ground survey. The survey, which was conducted by specialist IP group, Zonge, found that 8 of the 14 VTEM conductors had strong chargeability responses.

It is well documented that some of the deposits at the Woodie Woodie Manganese Mining Centre have coincident EM and IP responses. Accordingly, a first phase 7,000m RC drilling programme has been planned to test these 8 targets.

### ACQUISITION BY SPITFIRE RESOURCES LTD

Given the increased prospectivity of South Woodie Woodie and Churchill's increasing focus on its Indonesian coal and coal bed methane projects, the Company has recently (subsequent to the end of the financial year) decided to divest 80% of the project to Australian company Spitfire Resources Ltd ("Spitfire"). Spitfire will have the option to purchase the remaining 20% equity in the project for AUD\$3 million after spending AUD\$1.5 million on exploration within 18 months of listing.

The consideration to Churchill for South Woodie Woodie will be 25 million new ordinary shares in Spitfire, making Churchill Spitfire's largest Shareholder.

Spitfire plans to list on the Australian Stock Exchange ("ASX") via an AUD\$4 million Initial Public Offering (IPO) later this year. The disposal of South Woodie Woodie will allow Churchill to focus on its Sendawar and East Kutai coal projects in Indonesia, whilst retaining a substantial stake in Spitfire and the growth potential of the South Woodie Woodie Project.

Churchill will also be entitled to retain a manganese production royalty should a mine be developed in the future. The production royalty is price indexed so as to ensure Churchill retains substantial leverage to any future mining cash flow.

**Paul G Mazak**  
Managing Director



**DAVID F QUINLIVAN (AGED 52)**  
NON-EXECUTIVE CHAIRMAN

Mr Quinlivan is a Mining Engineer and Principal of Borden Mining Services. With almost 30 years experience on projects throughout the world, Mr Quinlivan is familiar with all aspects of resources developments from grass roots exploration through to bankable feasibility reviews and detailed mining programmes. He assisted the Administrators with the operation and corporate reconstruction of Sons of Gwalia Ltd. Mr Quinlivan is currently Chief Executive Officer of Mt Gibson Iron Ltd, a mid-tier iron ore producer in Australia.

Mr Quinlivan is a Fellow of the Australian Institute of Mining and Metallurgy, Member of the Australian Institute of Arbitrators & Mediators Australia and an Associate of the Financial Services Institute of Australia. He is also a Non-Executive Director of ASX-listed gold explorer Avoca Resources Ltd. Mr Quinlivan is responsible for Board performance and bringing technical excellence to Churchill Mining Plc.



**PAUL G MAZAK (AGED 49)**  
MANAGING DIRECTOR

Mr Mazak is a business development specialist and Managing Director of Hastings and Associates Pty Ltd for the past 18 years. Responsible for leading and managing financial, investment, consulting and governmental teams across the globe, Mr Mazak has an intimate knowledge of business practice in many parts of Asia, Africa and Europe. Due to his in-depth knowledge of the mining business, Mr Mazak specialises in securing projects for listed companies. In this regard, he was responsible for the creation and management of the successfully bidding, B.Vijakumar Diamond mining consortium, which sought to develop the world-class Madhya Pradesh diamond property in India.

In addition, Mr Mazak sourced the mine assets and was part of the reconstruction team of ASX-listed Majestic Resources NL, where he served as a Director between 2001 and 2003. Mr Mazak has been Managing Director of Churchill Mining Plc since 2005 and is responsible for project procurement of the coal and gas assets in Indonesia for the company. In addition he serves in an honorary capacity to Dr Alwi Shihab, the Indonesian President's Envoy to the Middle East, in regard to mining investment into Indonesia.



**JAMES T HAMILTON (AGED 39)**  
EXECUTIVE DIRECTOR

Mr Hamilton is a former award-winning Financial Journalist who has specialised in covering the global resources industry. For 13 years Mr Hamilton travelled extensively analysing exploration projects, mines and management teams across a variety of mineral commodities, including precious metals, ferrous metals, diamonds, energy minerals and industrial minerals. He is the former Editor of Australian technical mining journal *Australia's Mining Monthly*. He has also been Editor of dedicated mining investment magazine *ResourceStocks* and is the founder of mining information news service, *MiningNews.net*. In 2005 he was appointed Joint Managing Director of AIM-listed company Churchill Mining Plc and has helped grow the company from concept into a successful explorer. In his position as Executive Director, his responsibilities have included operations management, marketing, treasury, project development and corporate compliance.



**FAROEK BASREWAN (AGED 62)**  
NON-EXECUTIVE DIRECTOR

Mr Basrewan specialises in dealing with the various levels of Indonesian central, provincial and local government. A graduate in law from Indonesian Christian University, Mr Basrewan has had a long and distinguished career in general mediation and dispute resolution, government and regulatory relations within Indonesia.

Mr Basrewan has distinguished himself in service to Indonesia as Special Staff to the Minister of Defence and has carried out various assignments for the Indonesian Government over many years. He was the Special Assistant to the first democratically elected Indonesian President, Abdul Rachman Wahid (Gustur).

He is currently Special Advisor and Special Assistant to Dr Alwi Shihab, the Indonesian President's Envoy to the Middle East.

The Directors are pleased to present their report and the audited consolidated financial statements of the Company and its subsidiaries for the period ended 30 June 2007.

## PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the Group during the year were to explore for manganese and coal, and to acquire further projects and investments in the mining sector.

The information that fulfils the requirements of the business review can be found in the Chairman's Statement and the Review of Operations and Finance which are incorporated in pages 4 to 14 of this Report. These statements provide an analysis of the development and future of the Company including principle risks and uncertainties.

As at 30 June 2007 the company had working capital of £2,415,189.

## CORPORATE STRUCTURE

Churchill Mining Plc is a Company limited by shares that is incorporated and domiciled in England and Wales. The Company has the following subsidiaries:

- Planet Mining Pty Ltd Australia (100%);
- PT Indonesia Coal Development Indonesia (100%);
- Spitfire Resources Limited (100%).

5% of PT Indonesia Coal Development is owned by Planet Mining Pty Ltd.

## RESULTS AND DIVIDENDS

Loss on ordinary activities of the Group after taxation amounted to £1,108,467, (2006 loss: £2,132,580).

The Directors do not propose the payment of a dividend (2006: NIL).

## FUTURE DEVELOPMENTS

Likely developments in the operations of the group have been included in the Review of Operations and Finance and Chairman's Statement which are incorporated into this report.

## DIRECTORS

The following have been Directors of the Company since the start of the financial year ended 30 June 2007.

David F Quinlivan

James T Hamilton

Paul G Mazak

Melissa J Sturgess (Resigned 1 October 2007)

Faroek Basrewan (Appointed 3 October 2007)

# DIRECTORS' REPORT (continued)

for the year ending 30 June 2007

## DIRECTORS' INTERESTS IN SHARES AND OPTIONS

The Directors who held office at 30 June 2007 had, at that time, the following beneficial interests in the shares of the Company:

Shares	Ordinary shares held at 30 June	
	2007	2006
David F Quinlivan (i)	602,952	377,952
James T Hamilton	1,098,817	1,048,817
Paul G Mazak	550,000	500,000
Melissa J Sturgess (ii)	125,984	125,984

(i) These shares are held in the name of Borden Holdings Pty Ltd which is a Company controlled by Mr David F Quinlivan.

(ii) These shares are held in the name of Vail Capital Pty Ltd which is a Company controlled by Ms Melissa J Sturgess.

Share Options	Date of grant	Number of options	Balance at 30/06/07	Option exercise price (pence)	Expiry date
David F Quinlivan	8/4/2005	100,000	100,000	20p	8/4/2010
	18/4/2006	101,140	101,140	35p	18/4/2011
	23/5/2006	650,000	650,000	35p	23/5/2011
	28/3/2007	1,200,000	1,200,000	12p	28/3/2012
James T Hamilton	8/4/2005	300,000	300,000	20p	8/4/2010
	18/4/2006	140,914	140,914	35p	18/4/2011
	23/5/2006	1,157,100	1,157,100	35p	23/5/2011
	28/3/2007	2,400,000	2,400,000	12p	28/3/2012
Paul G Mazak	8/4/2005	300,000	300,000	20p	8/4/2010
	18/4/2006	140,914	140,914	35p	18/4/2011
	23/5/2006	1,157,100	1,157,100	35p	23/5/2011
	28/3/2007	2,400,000	2,400,000	12p	28/3/2012
Melissa J Sturgess	8/4/2005	200,000	200,000	20p	8/4/2010
	18/4/2006	140,914	140,914	35p	18/4/2011
	23/5/2006	650,000	650,000	35p	23/5/2011
	28/3/2007	1,200,000	1,200,000	12p	28/3/2012
Total		12,238,082	12,238,082		

The market price of the Company's shares on 30 June 2007 was 52p and the range of closing prices during the year was 21.25p to 66.50p.

## RE-ELECTION OF DIRECTORS

The Articles of Association require one-third of the Directors who are subject to retirement by rotation to retire and submit themselves for re-election each year.

## ANNUAL GENERAL MEETING

Details of the Company's forthcoming Annual General Meeting are set out in a separate circular that will be sent to all Shareholders with the Annual Report and Accounts.

## SUPPLIER PAYMENT POLICY

The Company policy, in relation to all of its suppliers, is to negotiate its terms of payment when agreeing the terms of the transactions, to ensure that those suppliers are made aware of the terms of payment and to abide by those terms provided that it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The Group does not follow any universal code or standard on payment practice but subsidiary companies are expected to establish payment terms consistent with local procedures, custom and practice. Trade Creditors of the Group at 30 June 2007 represent 34.45 days purchases (2006: 58 days).

## POLITICAL CONTRIBUTIONS

During the year the Company made no political contributions (2006: NIL).

## FINANCIAL INSTRUMENTS

Details of the use of financial instruments by the Company and its subsidiary undertakings are contained in note 17 of the financial statements.

## CHARITABLE DONATIONS

During the year the Group made no charitable donations (2006: NIL).

## POST BALANCE SHEET EVENTS

On 3 August 2007 the Company issued 96,000 ordinary shares pursuant to the exercise of share options.

On 15 September 2007 the Company announced that the Company and its Indonesian partner, PT Ridlatama Mining Utama, (RMU) which together form the "Ridlatama Consortium", have been awarded Indonesia's first Coal Bed Methane (CBM) Joint Evaluation Agreement ("JEA") license in Kalimantan, Indonesia.

On 4 October 2007 the Company announced that its 100% controlled subsidiary Planet Mining Pty Ltd has reached agreement to sell 80% of the South Woodie Woodie Manganese Project to an Australian Company Spitfire Resources Ltd ("Spitfire"). Spitfire will have the option to purchase the remaining equity in the project after spending AUD\$1.5 million on exploration. Spitfire plans to list on the Australian Stock Exchange ("ASX") via an AUD\$4 million Initial Public Offering (IPO) later this year. The disposal will allow Churchill to focus purely on its Sendawar and East Kutai coal projects in Indonesia whilst retaining a substantial stake in Spitfire.

On 22 October 2007 the Company issued 200,000 ordinary shares pursuant to the exercise of share options.

On 9 November 2007 the Company issued 200,000 ordinary shares pursuant to the exercise of share options.

During the period PT Indonesia Coal Development purchased a 75% beneficial interest in four KP licenses that make up the East Kutai Coal Project for USD\$1,000,000. The Company made a payment of USD \$250,000 prior to 30 June 2007 with the balance paid in the 2007/2008 financial year.

## AUDITORS

BDO Stoy Hayward LLP has indicated its willingness to accept appointment as auditors of the Group for the years ending 30 June 2007 and 30 June 2008. A resolution proposing their reappointment is contained in the Notice of Annual General Meeting and will be put to the Shareholders at the Annual General Meeting.

## DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

Each of the Directors, who were all members of the Board at the time of approving the Annual Report, confirms that having made enquiries of fellow Directors and of the Company's auditors:

So far as the Director is aware, there is no relevant information of which the Company's auditors are unaware; and

He has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

## GOING CONCERN

The Directors confirm that, after making enquiries, they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing these accounts.

By Order of the Board



Churchill Mining Plc

**Paul G Mazak**

Director

13 November 2007

The Company's shares are traded on the AIM market of the London Stock Exchange and the Company is not therefore required to report on compliance with the Combined Code appended to the listing rules. However, the Company recognises the importance of, and is committed to high standards of corporate governance.

The Board comprises the Non-Executive Chairman, Managing Director, Executive Director and one Non-Executive Director. The Board is satisfied that, having considered the background and current circumstances of each of the Non-Executive Directors, there are no relationships or other matters which could affect their respective judgement in carrying out their duties. Accordingly, the Non-Executive Directors are considered by the Board to be independent of management.

David Quinlivan is the senior independent Non-Executive Director. The Non-Executive Directors have disclosed to the Chairman and the Company Secretary their significant commitments other than their directorship of the Company. All Directors have access to the Company Secretary and may take independent professional advice at the Company's expense. Each Director may also receive appropriate training as necessary and a record of training undertaken is maintained by the Company Secretary.

The Board receives detailed proposal papers in advance of meetings, together with management presentations to facilitate proper consideration and debate of matters brought before it. The Board is primarily responsible for the strategic direction of the Group. Major strategic initiatives involving significant cost or perceived risk are only undertaken following their full evaluation by the Board. Matters of an operational nature are delegated to the Executive Directors.

During the year ended 30 June 2007, seven Board meetings were held. The Directors who were members of the board during the year attended as follows:

<b>Board of Directors</b>	<b>Number of meetings</b>	<b>Attendance</b>
David F Quinlivan	7	7
James T Hamilton	7	7
Paul G Mazak	7	7
Melissa J Sturgess	7	5

## INTERNAL AUDIT

Due to the size of the Group, it is not economically viable or considered necessary to employ Internal Auditors.

## AUDIT COMMITTEE

Chaired by David Quinlivan, the Committee comprises the independent Non-Executive Directors. The Audit Committee is responsible for ensuring that appropriate financial reporting procedures are properly maintained and reported on and where required meet with the Group's auditors and review their reports on the accounts and the Group's internal controls.

It also reviews the performance of the Group's auditors to ensure an independent, objective, professional and cost-effective relationship is maintained. As well as reviewing the Company's published financial results, the Committee reviews the Group's corporate governance processes (including risk analysis), accounting policies and procedures, reporting to the Board on any control issues identified. The Audit Committee meets twice per year to review the interim and annual financial statements and to consider any other associated matters. The auditors have unrestricted access to the Chairman of the Audit Committee.

## REMUNERATION COMMITTEE

The Remuneration Committee consists of the independent Non-Executive Directors and is chaired by David F Quinlivan. The Committee's aim is to ensure that the Executive Directors are rewarded for their contribution to the Group and are motivated to enhance the return to Shareholders.

The Remuneration Committee is responsible for reviewing the performance of the Executive Directors, setting their remuneration, considering the grant of options under any share option scheme and, in particular the price per share and the application of performance standards which may apply to any such grant. The Remuneration Committee meets on an "as required" basis.

## SHAREHOLDER RELATIONS

Communications with Shareholders is undertaken through face-to-face meetings, general news releases and the release of interim and full-year results. The Company's website ([www.churchillmining.com](http://www.churchillmining.com)) facilitates the publication of results and the posting of news regarding the Group and its developments.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of the Directors' Report.

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with the Companies Act 1985. The Directors have chosen to prepare financial statements for the Group and the Company in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

International Accounting Standard 1 requires that the financial statements present fairly for each financial period the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the preparation and presentation of financial statements". In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards.

A fair presentation also requires the Directors to:

- Select suitable accounting policies and apply them consistently;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, and any other events and conditions on the entity's financial position and financial performance; and
- Prepare the accounts on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

Financial information is published on the Company's website. The maintenance and integrity of this website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may occur to the financial statements after they are initially presented on the website.

It should be noted that legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# INDEPENDENT AUDITOR'S REPORT

To The Shareholders Of Churchill Mining Plc

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CHURCHILL MINING PLC

We have audited the Group and Parent Company financial statements (the "financial statements") of Churchill Mining Plc for the year ended 30 June 2007 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statement of Changes in Shareholders' Equity and related notes. These financial statements have been prepared under the accounting policies set out therein.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with those financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Statement of Director's Responsibilities, the Chairman's Statement, the Review of Operations and Finance, the Board of Directors, the Directors Report and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

### BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## OPINION

In our opinion:

- The Group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs as at 30 June 2007 and of its loss for the year then ended;
- The Parent Company financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 30 June 2007;
- The financial statements have been properly prepared in accordance with the Companies Act 1985; and
- The information given in the Directors' Report is consistent with the financial statements.

### **BDO STOY HAYWARD LLP**

Chartered Accountants and Registered Auditors

London

14 November 2007

# INCOME STATEMENT

for the year ended 30 June 2007

		CONSOLIDATED	
	Note	2007 £	2006 Restated £
<b>Continuing Operations</b>			
Revenue	3	-	-
Cost of Sales	4	-	-
<b>Gross Profit/(Loss)</b>			
Other Operating Income	3	-	10,613
Administrative Expenses	4	(1,266,440)	(2,211,019)
<b>Loss from Operations</b>			
Finance Income	3	158,916	67,826
Finance Costs	4	(943)	-
<b>Loss on Ordinary Activities Before Tax</b>			
Taxation	6	-	-
<b>Loss for the Year attributable to equity shareholders of the parent.</b>			
		(1,108,467)	(2,132,580)
<b>Loss Per Share</b>			
Basic (Pence)	7	(2.4865)	(10.6785)
Diluted (Pence)	7	(2.4865)	(10.6785)

The accompanying notes form part of these financial statements.

## BALANCE SHEET

As at 30 June 2007

	Note	CONSOLIDATED		COMPANY	
		2007 £	2006 Restated £	2007 £	2006 Restated £
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	21	2,415,189	5,229,499	1,859,649	5,083,096
Trade and other receivables	9	195,895	92,907	2,594,663	191,486
<b>Total current assets</b>		<b>2,611,084</b>	<b>5,322,406</b>	<b>4,454,312</b>	<b>5,274,582</b>
<b>Non-current assets</b>					
Property, plant and equipment	10	49,550	15,839	-	-
Intangible assets	11	5,336,317	3,329,450	110,055	218,832
Investments in subsidiaries	12	-	-	2,946,301	3,464,611
<b>Total non-current assets</b>		<b>5,385,867</b>	<b>3,345,289</b>	<b>3,056,356</b>	<b>3,683,443</b>
<b>TOTAL ASSETS</b>		<b>7,996,951</b>	<b>8,667,695</b>	<b>7,510,668</b>	<b>8,958,025</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables	14	518,918	284,389	51,427	175,309
Borrowings	15	6,366	-	-	-
<b>Total current liabilities</b>		<b>525,284</b>	<b>284,389</b>	<b>51,427</b>	<b>175,309</b>
<b>Non-current liabilities</b>					
Borrowings	15	12,426	-	-	-
Deferred tax	13	-	-	-	-
<b>Total non-current liabilities</b>		<b>12,426</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>537,710</b>	<b>284,389</b>	<b>51,427</b>	<b>175,309</b>
<b>NET ASSETS</b>		<b>7,459,241</b>	<b>8,383,306</b>	<b>7,459,241</b>	<b>8,782,716</b>
<b>CAPITAL &amp; RESERVES</b>					
<b>ATTRIBUTABLE TO EQUITY</b>					
<b>HOLDERS OF THE COMPANY</b>					
Share capital	19	445,800	445,800	445,800	445,800
Share premium reserve	19	6,200,382	6,200,382	6,200,382	6,200,382
Merger reserve	19	3,425,000	3,425,000	3,425,000	3,425,000
Other reserves		729,435	545,033	761,033	545,033
Retained losses		(3,341,376)	(2,232,909)	(3,372,974)	(1,833,499)
<b>TOTAL EQUITY</b>		<b>7,459,241</b>	<b>8,383,306</b>	<b>7,459,241</b>	<b>8,782,716</b>

These financial statements were approved by the board of directors and submitted for issue on the 13th November 2007.

Paul G Mazak  
Director

The accompanying notes form part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2007

<b>Consolidated</b>	<b>Share capital £</b>	<b>Share premium reserve £</b>	<b>Merger Reserve £</b>	<b>Accumulated losses £</b>	<b>Foreign exchange reserve £</b>	<b>Equity settled share options reserve £</b>	<b>Restated total equity £</b>
<b>Changes in equity for period to 30 June 2006</b>							
Balance at start of the year	110,800	816,341	-	(100,329)	-	-	826,812
Loss for the year	-	-	-	(2,132,580)	-	-	(2,132,580)
Total recognised income and expense for the year	-	-	-	(2,132,580)	-	-	(2,132,580)
Recognition of share based payments	-	-	-	-	-	545,033	545,033
Issue of shares	335,000	5,640,000	3,425,000	-	-	-	9,400,000
Expenses of share issues	-	(255,959)	-	-	-	-	(255,959)
<b>Balance at 30 June 2006</b>	<b>445,800</b>	<b>6,200,382</b>	<b>3,425,000</b>	<b>(2,232,909)</b>	<b>-</b>	<b>545,033</b>	<b>8,383,306</b>
<b>Changes in equity for period to 30 June 2007</b>							
Balance at start of the year	445,800	6,200,382	3,425,000	(2,232,909)	-	545,033	8,383,306
Loss for the year	-	-	-	(1,108,467)	-	-	(1,108,467)
Exchange differences on translation of foreign operations	-	-	-	-	(31,598)	-	(31,598)
Total recognised income and expense for the year	-	-	-	(1,108,467)	(31,598)	-	(1,140,065)
Recognition of share based payments	-	-	-	-	-	216,000	216,000
<b>Balance at 30 June 2007</b>	<b>445,800</b>	<b>6,200,382</b>	<b>3,425,000</b>	<b>(3,341,376)</b>	<b>(31,598)</b>	<b>761,033</b>	<b>7,459,241</b>

Net expense recognised directly in equity for the year is £31,598 (2006: £Nil)

The accompanying notes form part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY (continued)

for the year ended 30 June 2007

Company	Share capital £	Share premium reserve £	Merger Reserve £	Accumulated losses £	Foreign exchange reserve £	Equity settled share options reserve £	Restated total equity £
<b>Changes in equity for period to 30 June 2006</b>							
Balance at start of the year	110,800	816,341	-	(29,070)	-	-	898,071
Loss for the year	-	-	-	(1,804,429)	-	-	(1,804,429)
Total recognised income and expense for the year	-	-	-	(1,804,429)	-	-	(1,804,429)
Recognition of share based payments	-	-	-	-	-	545,033	545,033
Issue of shares	335,000	5,640,000	3,425,000	-	-	-	9,400,000
Expenses of share issues	-	(255,959)	-	-	-	-	(255,959)
<b>Balance at 30 June 2006</b>	<b>445,800</b>	<b>6,200,382</b>	<b>3,425,000</b>	<b>(1,833,499)</b>	<b>-</b>	<b>545,033</b>	<b>8,782,716</b>
<b>Changes in equity for period to 30 June 2007</b>							
Balance at start of the year	445,800	6,200,382	3,425,000	(1,833,499)	-	545,033	8,782,716
Loss for the year	-	-	-	(1,539,475)	-	-	(1,539,475)
Total recognised income and expense for the year	-	-	-	(1,539,475)	-	-	(1,539,475)
Recognition of share based payments	-	-	-	-	-	216,000	216,000
<b>Balance at 30 June 2007</b>	<b>445,800</b>	<b>6,200,382</b>	<b>3,425,000</b>	<b>(3,372,974)</b>	<b>-</b>	<b>761,033</b>	<b>7,459,241</b>

The accompanying notes form part of these financial statements.

# CASH FLOW STATEMENT

for the year ended 30 June 2007

	Note	CONSOLIDATED		COMPANY	
		2007 £	2006 £	2007 £	2006 £
<b>Cash flows from operating activities</b>	21	(923,853)	(586,058)	(279,911)	(301,996)
Interest expense		(943)	-	-	-
<b>Net Cash flows from operating activities</b>		(924,796)	(586,058)	(279,911)	(301,996)
<b>Investing activities</b>					
Interest received		182,324	67,826	161,749	64,441
Payments for property, plant and equipment		(42,278)	(12,534)	-	-
Payments for exploration assets		(125,389)	(213,981)	-	(110,054)
Payments for exploration and evaluation		(1,717,526)	(470,901)	(106,880)	(17,777)
Payments for investment in subsidiaries		-	-	(595,379)	(850,132)
Payments for loan to subsidiaries		-	-	(2,197,589)	(30,552)
<b>Cash flows from investing activities</b>		(1,702,869)	(629,590)	(2,738,099)	(944,074)
<b>Financing activities</b>					
Proceeds from issue of shares		-	5,800,000	-	5,800,000
Share issue expenses paid		(150,000)	(105,959)	(150,000)	(105,959)
Proceeds from borrowings		18,792	-	-	-
<b>Cash flows from financing activities</b>		(131,208)	5,694,041	(150,000)	5,694,041
<b>(Decrease)/Increase in cash and cash equivalents</b>		(2,758,873)	4,478,393	(3,168,010)	4,447,971
Cash and cash equivalents at start of year	21	5,229,499	751,106	5,083,096	635,125
Effect of foreign exchange rate differences		(55,437)	-	(55,437)	-
<b>Cash and cash equivalents at end of year</b>		2,415,189	5,229,499	1,859,649	5,083,096

## 1. ACCOUNTING POLICIES

IAS 8 requires that management shall use its judgement in developing and applying accounting policies that result in information which is relevant to the economic decision-making needs of users; that are reliable, free from bias, prudent, complete and represent faithfully the financial position, financial performance and cash flows of the entity.

### **Basis of preparation**

These financial statements have been prepared on the basis of a going concern and in line with International Financial Reporting Standards (IFRS) and IFRIC interpretations issued by the International Accounting Standards Board (IASB) adopted by the European Union and in accordance with applicable United Kingdom Law. The adoption of all of the new and revised Standards and Interpretations issued by the IASB and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to the operations and effective for annual reporting periods beginning on 1 July 2006 are reflected in these financial statements.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of revision and future periods if the revision affects both current and future periods.

### **New standards and interpretations not applied**

The IASB have issued the following standards and interpretations with an effective date of after the date of these financial statements:

#### **International accounting standards (IAS/IFRS)**

IFRS 7 Financial instruments disclosures – Effective date 1 January 2007

IFRS 8 Operating segments - Effective date 1 January 2009

IAS 23 Borrowing costs – Effective date 1 January 2009

#### **International financial reporting interpretations committee (IFRIC)**

IFRIC 11 IFRS 2, Group and Treasury share transactions – Effective date 1 March 2007

IFRIC 12 Service concession arrangements – Effective date 1 January 2008

The Directors do not anticipate that the adoption of these statements and interpretations will have a material impact on the group's financial statements.

### **First time adoption of International Financial Reporting Standards**

This is the first time the Company has prepared its financial statements in accordance with IFRS, having previously prepared its financial statements in accordance with UK accounting standards. Details of how the transition from UK accounting standards to IFRS has affected the Group's reported position, financial performance and cash flows are given in Note 2. In preparing these financial statements, the Group has elected to apply the following transitional arrangements permitted by IFRS 1 'First-time Adoption of International Financial Reporting Standards':

- Business combinations effected before 1 July 2005, including those that were accounted for using the merger method of accounting under UK accounting standards, have not been restated;
- The carrying amount of capitalised goodwill at 30 June 2005 that arose on business combinations accounted for using the acquisition method under UK GAAP was frozen at this amount and tested for impairment at 1 July 2005. The carrying amount was adjusted for intangible assets that would have been required to be recognised in the acquiree's separate financial statements in accordance with IAS 38 'Intangible Assets', such as development costs;

## 1. ACCOUNTING POLICIES (continued)

- Only those exchange differences arising on the retranslation of foreign operations since 1 July 2005 have been recognised as a separate component of equity; and
- IFRS 2 'Share-based payments' has been applied to employee options granted after 7 November 2002 that had not vested by 1 June 2005.

The Group has made estimates under IFRS at the date of transition, which are consistent with those estimates made for the same date under UK GAAP unless there is objective evidence that those estimates were in error i.e. the Group has not reflected any new information in its opening IFRS balance sheet but reflected that new information in its income statement for subsequent periods.

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements have been prepared using the UK Pound as this is the functional currency of the Group.

### **Restatement 2006**

During the period the company has restated the acquisition of PT Indonesia Coal Development (Refer to Note 23 for full details).

### **Revenue**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for mineral products and services provided in the normal course of business, net of discounts, VAT and other sales related taxes to third party customers.

Interest income is accrued on a time basis, by reference to the principal outstanding at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

### **Basis of consolidation**

Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

### **Business combinations**

The consolidated financial statements incorporate the results of the business combinations using the acquisition method of accounting.

In the consolidated balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated income statement from the date on which control is obtained.

As a consolidated Group income statement is published, an income statement for the Parent Company is omitted from the Group financial statements by virtue of Section 230 of the Companies Act 1985.

### **Goodwill**

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated income statement. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated income statement.

## 1. ACCOUNTING POLICIES (continued)

At the date of transition to IFRS 1 July 2005, the goodwill carrying amount under UK GAAP was tested for impairment and based on the conditions existing at the transition date no impairment was identified. Thus, the carrying amount of goodwill in Churchill Mining Plc's IFRS opening balance was equal to the goodwill carrying amount under UK GAAP. From the date of transition to IFRS 1 July 2005, Churchill Mining Plc discontinued the amortisation of goodwill and implemented annual impairment tests for goodwill.

### **Intangible assets**

Intangible assets consist of mining exploration leases, mineral production rights, exploration licences and capitalised exploration and evaluation expenditure and certain costs incurred to bring mining leases to the condition necessary for such leases to be capable of operating in the manner intended by the management of the Group. Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual or legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques.

Amortisation is calculated so as to write off the cost of an intangible asset over the useful economic life of that asset. The useful life of mineral rights and related capitalised exploration and evaluation costs is not determined until a mining lease or mineral production right is acquired. Mining rights and exploration costs are allocated and capitalised to the specific area of interest where they are considered to have an enduring benefit and are carried as intangible assets until such time as it is determined that there are economically exploitable reserves/resources within each area of interest. Amortisation is effected on a straight line or units of production basis with effect from the date on which commercial production activities commence.

### **Exploration, evaluation and development expenditure**

In line with IFRS 6 'Exploration for and Evaluation of Mineral Resources', exploration and evaluation expenditure has been capitalised as an intangible asset in respect of each area of interest. This expenditure includes:

- Acquisition of rights to explore;
- Topographical, geological, geochemical and geophysical studies;
- Exploratory drilling;
- Trenching;
- Sampling; and
- Activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource.

These costs are carried forward only if they relate to an area of interest for which rights of tenure are current.

Capitalisation of exploration and evaluation expenditure commences on the acquisition of a right to explore a specific area or evaluate a mineral resource, either by means of the acquisition of an exploration licence or an option to a mineral right and ceases either on the acquisition of a mining lease or mineral production right in respect of that specific area or mineral resource or the making of a decision by management of the Group as to the technical feasibility or economic viability of conducting mining operations in that specific area or extracting the mineral resource being evaluated.

Where it is decided by management of the Group that it is not technically feasible or economically viable to conduct mining operations in a specific area or to extract the mineral resource being evaluated, then capitalised exploration and evaluation expenditure attributable to the exploration and evaluation of that specific area or mineral resource, as the case may be, capitalised up to the date of making such a decision, is written off and any further exploration and evaluation expenditure incurred in respect thereof is charged to profit or loss as and when incurred.

Tangible assets used exclusively in activities in respect of the exploration for and evaluation of mineral resources are classified as property, plant and equipment. Depreciation charges reflecting the consumption of these assets in carrying out such activities are included in exploration and evaluation expenditure.

## 1. ACCOUNTING POLICIES (continued)

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

### **Impairment review**

While conducting an impairment review of its assets, the Group makes certain judgements in making assumptions about the future prices, reserve levels, and future development and production costs. Changes in the estimates used can result in significant charges to the income statement.

### **Foreign currency**

Transactions entered into by group entities in a currency other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are similarly recognised immediately in the income statement.

On consolidation, the results of overseas operations are translated into UK Pounds at rates approximating to those when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the balance sheet date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised directly in equity (the "foreign exchange reserve"). Exchange differences recognised in the income statement of Group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to the foreign exchange reserve if the item is denominated in the functional currency of the Group or the overseas operation concerned.

### **Foreign exchange**

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the consolidated income statement as part of the profit or loss on disposal.

At the date of transition to IFRS 1 July 2005, the Group used an exemption available under IFRS 1, 'First time adoption of International Financial Reporting Standards', which resulted in the cumulative translation differences for all foreign operations were deemed to be zero at the date on transition to IFRS and the gain and loss on a subsequent disposal of those foreign operations would exclude the differences that arose before the date of transition to IFRS and include only later translation differences.

### **Segment reporting**

A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of an enterprise that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

### **Share-based payments**

Where share options are awarded to Directors and employees, the fair value of the options at the date of grant is charged to the income statement immediately or over the vesting period if applicable. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

## 1. ACCOUNTING POLICIES (continued)

Where equity instruments are granted to persons other than employees, the income statement is charged with the fair value of goods and services received or where this is not possible at the fair value of the equity instruments granted. Fair value is measured by use of a trinomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

### Tax

Income tax on the profit or loss from ordinary activities includes current and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowed and is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Income tax is charged or credited to the income statement, except when the tax relates to items credited or charged directly to equity, in which case the tax is also dealt with in equity.

### Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs to its tax base, the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit, investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised. The amount of the asset or liability is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either the same taxable Group Company or different Group Entities which intend either to settle current tax assets and liabilities on a net basis or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

### Leased assets

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Group (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability.

Lease payments are analysed between capital and interest. The interest element is charged to the consolidated income statement over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Group (an "operating lease"), the total rentals payable under the lease are charged to the consolidated income statement on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis. The land and buildings elements of property leases are considered separately for the purposes of lease classification.

## 1. ACCOUNTING POLICIES (continued)

### Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future costs of dismantling and removing items if applicable. The corresponding liability is recognised within provisions.

Depreciation is provided on all items of property and equipment to write off the carrying value of items over their expected useful economic lives as follows :-

Furniture and Fixtures	- 4 years
Motor Vehicles	- 8 years
Office Equipment	- 3 years

### Impairment of non-financial assets including goodwill

Impairment tests on intangible assets and tangible assets with indefinite useful economic lives are undertaken annually on 30 June. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly. Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (i.e. the lowest level group of assets in which the asset belongs for which there are separately identifiable cash flows).

Impairment charges are included within administration expenses, except to the extent that they reverse gains previously recognised in the statement of changes in equity.

### Investments

In its separate financial statements, the company recognises its investments in subsidiaries at cost less any provision for impairment.

### Financial assets

The group classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The group's accounting policy for each category is as follows:

- (i) Fair value through profit or loss: This category comprises only in-the-money derivatives. They are carried in the balance sheet at fair value with changes in fair value recognised in the income statement. The group does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.
- (ii) Loans and receivables: These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They incorporate various types of contractual monetary assets, such as advances made to affiliated entities and the provision of goods and services to customers which give rise to trade receivables. They are carried at cost less any provision for impairment.

### Financial liabilities

The Group's financial liabilities consist of trade payables and other short-term monetary liabilities, which are initially stated at fair value and subsequently at their amortised cost.

### Cash and cash equivalents

Cash comprises bank and cash deposits at variable interest rates. Any interest earned is accrued monthly and classified as interest income. Cash equivalents comprise short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## 1. ACCOUNTING POLICIES (continued)

**Key sources of estimation uncertainty**

The Group makes estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may deviate from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

- Exploration and evaluation costs are capitalised as intangible assets and are assessed for impairment when circumstances suggest that the carrying amount may exceed the recoverable value thereof. This assessment involves judgement as to the likely future commerciality of the asset and when such commerciality should be determined as well as future revenues and costs pertaining to the utilisation of the mining lease or mineral production rights to which such capitalised costs relate and the discount rate to be applied to such future revenues and costs in order to determine a recoverable value;
- While conducting an impairment review of its assets, the Group exercises judgement in making assumptions about future commodity prices, mineral reserves / resources and future development and production costs. Changes in the estimates used can result in significant charges to the income statement; and
- Employee services received, and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments at the date of grant, excluding the impact of any non-market vesting conditions. The fair value of share options is estimated by using the Trinomial valuation model, on the date of grant based on certain assumptions. Those assumptions are described in Note 20 and include, among others, the dividend growth rate, expected volatility, expected life of the options and number of options expected to vest. More details including carrying values is disclosed in Note 20.

## 2. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Reconciliation and explanatory notes on how the transition to IFRS has affected profit/(loss) and net assets previously reported under UK Generally Accepted Accounting Principles (UK GAAP) are given below. No Balance Sheet Reconciliation as at 1 July 2005 has been shown due to there being no measurement changes from the adoption of IFRS:

INCOME STATEMENT RECONCILIATION FOR THE YEAR ENDED 30 JUNE 2006	Sub- note	CONSOLIDATED		
		RESTATED UK GAAP £	Adjustments £	IFRS £
Revenue		-	-	-
Cost of sales		-	-	-
<b>GROSS PROFIT/(LOSS)</b>		-	-	-
Other operating income		10,613	-	10,613
Administrative expenses		(1,655,986)	-	(1,655,986)
Share based payments	i	-	(545,033)	(545,033)
<b>LOSS FROM OPERATIONS</b>		(1,655,373)	(545,033)	(2,200,406)
Finance income		67,826	-	67,826
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAX</b>		(1,587,547)	(545,033)	(2,132,580)
Taxation		-	-	-
<b>LOSS FOR THE YEAR</b>		(1,587,547)	(545,033)	(2,132,580)

# NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2007

## 2. FIRST TIME ADOPTION OF IFRS (continued)

BALANCE SHEET RECONCILIATION AS AT 30 JUNE 2006	Sub- note	CONSOLIDATED		
		RESTATED UK GAAP £	Adjustments £	IFRS £
<b>ASSETS</b>				
Current assets		-	-	-
Cash		5,229,499	-	5,229,499
Receivables		89,052	-	89,052
Total current assets		5,318,551	-	5,318,551
<b>Non-current assets</b>				
Receivables		3,855	-	3,855
Property, plant and equipment		15,839	-	15,839
Intangible assets	ii	6,504,000	(3,174,550)	3,329,450
Total non-current assets		6,523,694	(3,174,550)	3,349,144
<b>TOTAL ASSETS</b>		11,842,245	(3,174,550)	8,667,695
<b>LIABILITIES</b>				
Current liabilities				
Payables		284,389	-	284,389
Total current liabilities		284,389	-	284,389
<b>TOTAL LIABILITIES</b>		284,389	-	284,389
<b>NET ASSETS</b>		11,557,856	(3,174,550)	8,383,306
<b>CAPITAL &amp; RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>				
Share capital		445,800	-	445,800
Share premium reserve		6,200,382	-	6,200,382
Merger reserve		3,425,000	-	3,425,000
Other reserves	i, ii	3,174,550	(2,629,517)	545,033
Retained earnings	i	(1,687,876)	(545,033)	(2,232,909)
<b>TOTAL EQUITY</b>		11,557,856	(3,174,550)	8,383,306

## 2. FIRST TIME ADOPTION OF IFRS (continued)

BALANCE SHEET RECONCILIATION AS AT 30 JUNE 2006	Sub- note	RESTATED UK GAAP £	COMPANY Adjustments £	IFRS £
<b>ASSETS</b>				
<b>Current assets</b>				
Cash		5,083,096	-	5,083,096
Receivables		47,995	-	47,995
<b>Total current assets</b>		5,131,091	-	5,131,091
<b>Non-current assets</b>				
Receivables		143,491	-	143,491
Intangible assets		218,832	-	218,832
Investments		3,464,611	-	3,464,611
<b>Total non-current assets</b>		3,826,934	-	3,826,934
<b>TOTAL ASSETS</b>		8,958,025	-	8,958,025
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables		175,309	-	175,309
<b>Total current liabilities</b>		175,309	-	175,309
<b>TOTAL LIABILITIES</b>		175,309	-	175,309
<b>NET ASSETS</b>		8,782,716	-	8,782,716
<b>CAPITAL &amp; RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>				
Share capital		445,800	-	445,800
Share premium reserve		6,200,382	-	6,200,382
Merger reserve		3,425,000	-	3,425,000
Other reserves	i	-	545,033	545,033
Retained earnings		(1,288,466)	(545,033)	(1,833,499)
<b>TOTAL EQUITY</b>		8,782,716	-	8,782,716

**Adjustments**

Explanations of the adjustments made to the UK GAAP Income Statement and Balance Sheet are as follows:

- (i) IFRS 2 "Share-based Payment" requires the Group to expense the fair value of the options granted for the amount of £545,033 during the year ended 30 June 2006. The impact in the Income Statement is the recognition of the expense item Share Based Payment with the corresponding entries in the Balance Sheet under Other Reserves and Retained Earnings.
- (ii) Under IAS 38 the Group is required to reverse the prior revaluation of the South Woodie Woodie Project recorded under UK GAAP. The impact upon adoption of IAS 38 is £3,174,550 with a reduction in other reserves and a corresponding reduction in other intangible assets.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2007

		Consolidated	
	Note	2007 £	2006 £
<b>3. REVENUE AND INCOME</b>			
Loss on ordinary activities before tax includes the following revenue and income items:			
Other operating income			
Other income		-	10,613
		-	10,613
Finance income			
Interest		158,916	67,826
		158,916	67,826
Total Revenue and income		158,916	78,439

The Company has taken advantage of Section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The Company loss for the year was £1,539,476 (2006: £1,804,429).

	Note	Consolidated	
		2007 £	2006 Restated £
<b>4. EXPENSES</b>			
<b>Loss on ordinary activities before tax includes the following expense items:</b>			
Administrative expenses			
Consulting & professional fees		330,711	281,215
Depreciation & amortisation		8,567	2,334
Employee salaries and benefits	5	121,147	61,455
Property rental		30,088	13,011
Travel expenses		151,147	85,292
Foreign currency loss		55,347	-
Other administrative costs		118,620	197,679
Impairment of exploration costs	11	234,813	-
Impairment of goodwill		-	1,025,000
Share based payment expense	5	216,000	545,033
		1,266,440	2,211,019
Finance costs			
Interest		943	-
Total Expenses		1,267,383	2,211,019

During the year the following fees were paid or payable for services provided by the auditors of the parent entity and subsidiaries. The non-audit services were in relation to taxation services provided to the parent entity and subsidiaries.

Fees payable to the company's auditor for the audit of the company's annual accounts	24,000	6,000
Fees payable to the associates of the company auditor for other services		
- the audit of the subsidiaries pursuant to legislation	10,091	2,642
- Tax services	2,034	1,000
	36,125	9,642

# NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2007

	Consolidated		Company	
	2007 £	2006 £	2007 £	2006 £
<b>5. SALARIES</b>				
<b>Staff costs (including Directors fees) comprise:</b>				
Employee salaries and benefits	121,147	61,455	60,000	45,000
Share options	19 216,000	526,700	216,000	526,700
	<b>337,147</b>	<b>588,155</b>	<b>276,000</b>	<b>571,700</b>

	Consolidated		Company	
	2007 Number	2006 Number	2007 Number	2006 Number
Average number of employees (including Directors)	13	13	4	4

The majority of staffing for the exploration projects are provided by external contractors.

	2007 £	2006 £
<b>Directors' emoluments</b>		
Directors' fees	60,000	45,000
Consulting Fees	203,855	155,112
Sub-Total Directors' emoluments	263,855	200,112
Share options expense	194,400	493,585
Total	458,255	693,697

All Directors' remuneration is paid in cash in accordance with their contracts. In addition the Directors received options to purchase ordinary shares of the Company (refer Directors Report). The highest paid Directors were Mr James T Hamilton and Mr Paul G Mazak £113,190 (2006: £87,193) each. This amount includes management consulting fees paid to Boston Noble Pty Ltd to provide the services of Mr James T Hamilton and Mr Paul G Mazak to manage and develop the business of the Company. Other than Directors, there were no key management employees.

The Company provides Directors' & Officers' liability insurance at a cost of £11,497 (2006: £8,582). This cost is not included in the above table.

	Consolidated	
	2007 £	2006 Restated £
<b>6 TAXATION ON LOSS ON ORDINARY ACTIVITIES</b>		
Loss on ordinary activities	(1,108,467)	(2,132,580)
Loss on ordinary activities at the UK corporation tax rate of 30% (2006: 30%)	(332,540)	(639,774)
Expenses disallowed for tax	74,578	116,170
Tax losses carried forward	257,962	523,604
Tax charge for the period	-	-

**Factors that may affect future tax charges**

No deferred tax asset has been recognised on accumulated tax losses as the recoverability of any such assets is not probable in the foreseeable future. (Refer Note 13).

	Consolidated	
	2007 £	2006 Restated £
<b>7. LOSS PER SHARE</b>		
Earnings		
Loss attributable to ordinary Shareholders	(1,108,467)	(2,132,580)
	<b>2007 Number</b>	<b>2006 Number</b>
Number of shares		
Weighted average number of shares used in the calculation of basic loss per share	44,580,000	19,970,959
	<b>2007 pence</b>	<b>2006 Restated pence</b>
Basic loss per share (pence)	(2.4865)	(10.7685)
Diluted loss per share (pence)	(2.4865)	(10.7685)

The effect of all potential ordinary shares arising from the exercise of options going forward is considered to be anti-dilutive. 13,864,200 (2006: 6,000,000) potential ordinary shares have been excluded from the above calculation as they are anti-dilutive.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2007

## 8. SEGMENT INFORMATION

Based on risks and returns the Directors consider that the primary reporting format is by business segment. The Directors consider that there are two business segments, being exploration of coal (in Indonesia) and manganese (in Australia) with the head office (corporate in the United Kingdom). The secondary reporting format is by geographical analysis. The operations are based in three main geographical areas, being the UK, Australia and Indonesia, which is considered to be the same as the primary reporting format. The UK is the home country of the Parent Company. Segment assets and capital expenditures are allocated based on where the assets are located.

<b>CONSOLIDATED 2007</b>	<b>Loss on Ordinary Activities £</b>	<b>Assets £</b>	<b>Liabilities £</b>	<b>Capital Expenditure £</b>	<b>Depreciation £</b>
United Kingdom - Head office	(538,474)	1,892,120	51,427	-	-
Australia - Exploration manganese	(285,360)	794,988	59,500	183,920	3,639
Indonesia - Exploration coal	(442,646)	5,309,843	426,783	1,834,261	4,928
Sub-Total	(1,266,480)	7,996,951	537,710	2,018,181	8,567
Interest revenue	158,916	-	-	-	-
Interest expense	(943)	-	-	-	-
	(1,108,507)	7,996,951	537,710	2,018,181	8,567

<b>CONSOLIDATED 2006</b>	<b>Restated Loss on Ordinary Activities £</b>	<b>Assets</b>	<b>Liabilities £</b>	<b>Capital Expenditure £</b>	<b>Depreciation £</b>
United Kingdom - Head office	(853,267)	5,126,824	175,306	-	-
Australia - Exploration manganese	(296,740)	446,179	99,357	300,902	2,029
Indonesia - Exploration coal	(1,050,399)	3,094,692	9,726	163,346	305
Sub-Total	(2,200,406)	8,667,695	284,389	464,248	2,334
Interest revenue	67,826	-	-	-	-
Interest expense	-	-	-	-	-
	(2,132,580)	8,667,695	284,389	464,248	2,334

	<b>Consolidated</b>		<b>Company</b>	
	<b>2007 £</b>	<b>2006 £</b>	<b>2007 £</b>	<b>2006 £</b>

## 9. RECEIVABLES

### Current

Trade debtors	54,350	17,058	3,838	4,138
Prepayments and other debtors	141,545	75,849	28,368	38,137
Intercompany loans	-	-	2,562,457	149,211
	195,895	92,907	2,594,663	191,486

	Consolidated		Company	
	2007 £	2006 £	2007 £	2006 £
<b>10. PROPERTY, PLANT AND EQUIPMENT</b>				
<b>Property, Plant and Equipment</b>				
<b>Cost</b>				
Balance at start of year	18,412	5,878	-	-
Additions	16,368	12,534	-	-
Balance at end of year	34,780	18,412	-	-
<b>Accumulated depreciation</b>				
Balance at start of year	2,573	239	-	-
Depreciation expense for the year	7,357	2,334	-	-
Balance at end of year	9,930	2,573	-	-
<b>Net book value at end of year</b>	<b>24,850</b>	<b>15,839</b>	<b>-</b>	<b>-</b>
<b>Leased Assets</b>				
<b>Cost</b>				
Balance at start of year	-	-	-	-
Additions	25,910	-	-	-
Balance at end of year	25,910	-	-	-
<b>Accumulated depreciation</b>				
Balance at start of year	-	-	-	-
Depreciation expense for the year	1,210	-	-	-
Balance at end of year	1,210	-	-	-
<b>Net book value at end of year</b>	<b>24,700</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Mining assets</b>				
<b>Cost</b>				
Balance at start of year	-	47,780	-	16,000
Reclassified as intangible assets	-	(47,780)	-	(16,000)
Balance at end of year	-	-	-	-
<b>Net book value at end of year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Property, Plant &amp; Equipment</b>				
<b>Cost</b>				
Balance at start of year	18,412	53,658	-	16,000
Additions	42,278	12,534	-	-
Reclassified as intangible assets	-	(47,780)	-	(16,000)
Balance at end of year	60,690	18,412	-	-
<b>Accumulated depreciation</b>				
Balance at start of year	2,573	239	-	-
Depreciation expense for the year	8,567	2,334	-	-
Balance at end of year	11,140	2,573	-	-
<b>Net book value at end of year</b>	<b>49,550</b>	<b>15,839</b>	<b>-</b>	<b>-</b>

# NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2007

	Consolidated		Company	
	2007 £	2006 £	2007 £	2006 £
<b>11. INTANGIBLE ASSETS</b>				
<b>Exploration and evaluation assets</b>				
<b>Capitalised exploration expenditure:</b>				
Balance at start of year	204,426	21,522	17,777	-
Additions	1,738,054	182,904	106,879	17,777
Impairment losses	(234,813)	-	-	-
Transfer to Subsidiary	-	-	(124,656)	-
Balance at end of year	1,707,667	204,426	-	17,777
<b>Exploration and evaluation assets</b>				
<b>Cost:</b>				
Balance at start of year	3,124,758	-	201,055	-
Additions	503,626	3,076,978	-	185,055
Reclassified from Plant, Property and Equipment	-	47,780	-	16,000
Transfer to Subsidiary	-	-	(91,000)	-
Balance at end of year	3,628,384	3,124,758	110,055	201,055
<b>Goodwill</b>				
<b>Cost:</b>				
Balance at start and end of year	266	266	-	-
<b>Total</b>				
<b>Cost:</b>				
Balance at start of year	3,329,450	21,788	218,832	-
Additions	2,241,680	3,259,882	106,879	202,832
Impairment of exploration costs	(234,813)	-	-	-
Reclassified from Plant, Property and Equipment	-	47,780	-	16,000
Transfer to Subsidiary	-	-	(215,656)	-
Balance at end of year	5,336,317	3,329,450	110,055	218,832

During the period in accordance with the Company's accounting policy, the subsidiary PT Indonesia Coal Development impaired an amount of £234,813 in relation to costs incurred to date in respect of one of the areas of interest for the Sendawar coal project which is expected to be relinquished during the 2007/08 financial year.

## 11. INTANGIBLE ASSETS (continued)

Exploration and Evaluation Expenditure Consolidated 2007	Assets £	Liabilities £	Income £	Expense £	Operating cash flows £	Investing cash flows £
South Woodie Woodie Project	471,458	30,121	-	-	-	176,608
Sendawar Project	3,605,379	1,276	-	234,813	-	802,285
East Kutai Project	1,259,214	354,358	-	-	-	864,022
Goodwill	266	-	-	-	-	-
	5,336,317	385,755	-	234,813	-	1,842,915

Exploration and Evaluation Expenditure Consolidated 2006	Assets £	Liabilities £	Income £	Expense £	Operating cash flows £	Investing cash flows £
South Woodie Woodie Project	294,851	77,238	-	-	-	103,926
Sendawar Project	3,034,333	-	-	-	-	580,956
Goodwill	266	-	-	-	-	-
	3,329,450	77,238	-	-	-	684,882

The value of the Company's interest in exploration and evaluation expenditure is dependent upon:

- The continuance of the Company's rights to tenure of the areas of interest;
- The results of possible future exploration; and
- The recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

## 12. INVESTMENT IN SUBSIDIARIES

The principal subsidiaries of Churchill Mining Plc, all of which have been included in these consolidated financial statements, are as follows:

Name	Country of incorporation	Proportion of ownership interest
Planet Mining Proprietary Limited	Australia	100%
PT Indonesia Coal Development	Indonesia	100%
Spitfire Resources Limited	Australia	100%

Churchill Mining Plc owns 95% of the shares in PT Indonesia Coal Development with the balance (5%) held by Planet Mining Pty Ltd.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2007

	Consolidated		Company	
	2007 £	2006 Restated £	2007 £	2006 Restated £
<b>13. DEFERRED TAX</b>				
A deferred tax asset has not been recognised for the following :				
Unused tax losses	781,566	523,604	451,231	388,371
Deductible temporary differences	10,474	8,448	76	76
Deductible temporary differences - share option expense	1,123,713	2,648	1,123,713	2,648
	<u>1,915,753</u>	<u>534,700</u>	<u>1,575,020</u>	<u>391,095</u>
No deferred tax asset has been recognised as the recoverability of any such assets is not probable in the foreseeable future.				
<b>14. PAYABLES</b>				
<b>Current</b>				
Trade creditors	117,567	174,836	51,427	168,025
Accruals and other creditors	401,351	109,553	-	7,284
	<u>518,918</u>	<u>284,389</u>	<u>51,427</u>	<u>175,309</u>
<b>15. BORROWINGS</b>				
<b>Current</b>				
Lease – motor vehicle hire purchase	6,366	-	-	-
	<u>6,366</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Non-Current</b>				
Lease – motor vehicle hire purchase	12,426	-	-	-
	<u>12,426</u>	<u>-</u>	<u>-</u>	<u>-</u>

	Consolidated		Company	
	2007 £	2006 £	2007 £	2006 £
<b>16. COMMITMENTS</b>				
<b>Operating lease commitments</b>				
The total commitments under non-cancellable operating leases expiring:				
Within one year	13,683	6,023	-	-
	<u>13,683</u>	<u>6,023</u>	<u>-</u>	<u>-</u>

The Company has a property lease for the First Floor, Churchill Court, Unit 8, 331-335 Hay Street, Subiaco, Western Australia which is a non-cancellable sub-lease with a 1.5 year term, with rent payable monthly in advance.

#### Finance lease commitments

The minimum lease repayments on the finance lease is as follows:

Within one year	6,602	-	-	-
Within two to five years	16,535	-	-	-
	<u>23,137</u>	<u>-</u>	<u>-</u>	<u>-</u>
Finance charges	4,345	-	-	-
Net Obligations	<u>18,792</u>	<u>-</u>	<u>-</u>	<u>-</u>

The liabilities incurred as a result of the lease vehicles from PT Dipo Star Finance Tbk are secured by the related leased assets.

#### Exploration commitments

In order to maintain current rights of tenure to exploration tenements, the Group has the following discretionary exploration expenditure up until the expiry of leases. These obligations are not provided for in the financial statements and are payable:

Within one year	46,657	46,834	-	-
Within two to five years	134,079	164,154	-	-
	<u>180,736</u>	<u>210,988</u>	<u>-</u>	<u>-</u>

If the Group decides to relinquish certain licenses and/or does not meet these obligations, assets recognised in the balance sheet may require review to determine the appropriateness of carrying values. The sales, transfer or farm-out of exploration rights to third parties will reduce or extinguish these obligations.

## 17. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

The Board seeks to minimise its exposure to financial risk by reviewing and agreeing policies for managing each financial risk and monitoring them on a regular basis. No formal policies have been put in place in order to hedge the Group and Company's activities to the exposure to currency risk or interest risk, however as the Group enters commercial production this may be considered. No derivatives or hedges were entered into during the period.

The group is exposed through its operations to the following financial risks:

- Cash flow interest rate risk;
- Foreign currency risk;
- Liquidity risk; and
- Credit risk.

The company's risks are the same or similar to the Group's risks. The policy for each of the above risks is described in more detail below.

### Cash flow interest rate risk

The Group manage the interest rate risk associated with the Group cash assets by ensuring that interest rates are as favourable as possible, through the use of bank deposits, whilst managing the access the Group requires to the funds for working capital purposes.

At the year end, the Group had a cash balance of £2,415,189 (2006: £5,229,499) which was made up as follows:

	Consolidated		Company	
	2007	2006	2007	2006
	£	£	£	£
Great British pound	1,859,649	5,083,096	1,480,757	5,083,096
Australian dollar	291,504	100,980	-	-
United States dollar	264,036	45,423	378,892	-
	2,415,189	5,229,499	1,859,649	5,083,096

Included in the consolidated totals above are amounts of £2,203,517 (2006: £5,137,026) held within fixed rate deposit accounts.

There is no material difference between the book value and fair value of the Group's cash.

### Foreign currency risk

The Group has two overseas subsidiaries, one being in Australia and the other in Indonesia, whose expenses are mainly denominated in Australian dollar, United States dollar and Indonesian rupiah respectively. Foreign exchange risk is inherent in the Group's activities and is accepted as such. The majority of Parent Company expenses are denominated in Great British pounds.

During the year, the Group was exposed to translation and transaction foreign exchange risk and takes profits or losses as they arise.

### Liquidity risk

The liquidity risk of each of each Group entity is managed centrally by the Group treasury function. The investment budgets and work plans are set locally and agreed by the Board annually in advance, enabling the Group's cash requirements to be anticipated.

### Credit risk

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Group made investments and advances of £2,867,969 into subsidiary companies during the year, recovery of which is dependant on future income generation of those subsidiaries.

## 18. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

**Foreign currency and interest rate risk**

The currency and interest rate profile of the Group's financial assets and financial liabilities are as follows:

Consolidated 2007	Floating rate assets	Fixed rate assets		Non-interest bearing assets	Total
	Within 1 year	Within 1 year	1 to 5 years		
<b>Financial assets</b>					
Great British pound	21,015	1,459,743	-	32,206	1,512,964
Australian dollar	11,489	280,015	-	18,663	310,167
United States dollar	179,168	463,759	-	145,026	787,953
Total financial assets	211,672	2,203,517	-	195,895	2,611,084
Weighted average interest rate	4.57%	4.54%			
<b>Financial liabilities</b>					
Great British pound	-	-	-	51,427	51,427
Australian dollar	-	-	-	59,500	59,500
United States dollar	-	6,366	12,426	407,991	426,783
Total financial liabilities	-	6,366	12,426	518,918	537,710
Weighted average interest rate		17.96%	17.96%		

Consolidated 2006	Floating rate assets	Fixed rate assets		Non-interest bearing assets	Total
	Within 1 year	Within 1 year	1 to 5 years		
<b>Financial assets</b>					
Great British pound	26,472	5,056,624	-	43,461	5,126,557
Australian dollar	20,578	80,402	-	44,297	145,277
United States dollar	45,423	-	-	5,149	50,572
Total financial assets	92,473	5,137,026	-	92,907	5,322,406
Weighted average interest rate	4.59%	4.31%			
<b>Financial liabilities</b>					
Great British pound	-	-	-	175,309	175,309
Australian dollar	-	-	-	99,355	99,355
United States dollar	-	-	-	9,725	9,725
Total financial liabilities	-	-	-	284,389	284,389

# NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2007

## 18. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Company 2007	Floating rate assets	Fixed rate assets		Non-interest bearing assets	Total
		Within 1 year	1 to 5 years		
<b>Financial assets</b>					
Great British pound	21,015	1,459,743	-	2,594,663	4,075,421
Australian dollar	-	-	-	-	-
United States dollar	-	378,891	-	-	378,891
Total financial assets	21,015	1,838,634	-	2,594,663	4,454,312
Weighted average interest rate	4.57%	4.54%			
<b>Financial liabilities</b>					
Great British pound	-	-	-	51,427	51,427
Australian dollar	-	-	-	-	-
United States dollar	-	-	-	-	-
Total financial liabilities	-	-	-	51,427	51,427

Company 2006	Floating rate assets	Fixed rate assets		Non-interest bearing assets	Total
		Within 1 year	1 to 5 years		
<b>Financial assets</b>					
Great British pound	26,472	5,056,624	-	191,486	5,274,582
Australian dollar	-	-	-	-	-
United States dollar	-	-	-	-	-
Total financial assets	26,472	5,056,624	-	191,486	5,274,582
Weighted average interest rate	4.59%	4.31%			
<b>Financial liabilities</b>					
Great British pound	-	-	-	175,309	175,309
Australian dollar	-	-	-	-	-
United States dollar	-	-	-	-	-
Total financial liabilities	-	-	-	175,309	175,309

## 19. SHARE CAPITAL, SHARE PREMIUM AND MERGER RESERVE

	Company		Company	
	2007 Number	2006 Number	2007 £	2006 £
<b>Allotted, called up and fully paid</b>				
At start of year	44,580,000	11,080,000	445,800	110,800
Additions	-	33,500,000	-	335,000
At end of year	44,580,000	44,580,000	445,800	445,800

Date	Details	Authorised shares Number	Allotted, called up and fully paid Number	£	Share premium £	Restated Merger reserve £
01/07/2005	Opening balance					
	1 July 2005	1,000,000,000	11,080,000	110,800	816,341	-
02/12/2005	Placement at 25p per share (cash)	-	2,200,000	22,000	528,000	-
28/12/2005	Purchase of mining assets (non-cash)	-	300,000	3,000	72,000	-
03/04/2006	Purchase of share in PT Indonesia Coal Development (non-cash)	-	10,000,000	100,000	-	3,425,000
03/04/2006	Placement at 25p per share (cash)	-	21,000,000	210,000	5,040,000	-
03/04/2006	Expenses on placement at 25p per share (cash)	-	-	-	(255,959)	-
30/06/2006	Closing balance 30 June 2006	1,000,000,000	44,580,000	445,800	6,200,382	3,425,000
01/07/2006	Opening balance 1 July 2006	1,000,000,000	44,580,000	445,800	6,200,382	3,425,000
30/06/2007	Closing balance 30 June 2007	1,000,000,000	44,580,000	445,800	6,200,382	3,425,000

On 28 April 2006, Shareholders resolved that all of the ordinary shares of 0.1p in the capital of the Company be consolidated into ordinary shares of 1p on the basis of 10 ordinary shares of 0.1p for each new ordinary share of 1p. The amounts shown in the table above and in Note 20 are post the consolidation of the Company's shares for ease of comparison to the prior year.

**Merger Reserve**

The merger reserve arose due to the availability of merger relief in connection with the acquisition of PT Indonesia Coal Development by a share for share exchange and represents the difference between the fair value of consideration given for the shares and the nominal value of those instruments.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2007

## 20. SHARE BASED PAYMENTS

### Share options

The Company has issued share options which have vested immediately on grant and are not traded in the market. Share options are exercisable for ordinary shares which rank equally with existing ordinary shares.

Exercise price (p)	Grant date	Outstanding at start of year	Granted during the year	Cancelled/ lapsed during the year	Outstanding at end of year	Final exercise date
<b>2006</b>						
20.00	15/04/2005	1,296,000	-	-	1,296,000	15/04/2010
25.00	22/03/2006	-	135,800	-	135,800	22/03/2007
35.00	18/04/2006	-	568,200	-	568,200	18/04/2011
35.00	10/05/2006	-	135,800	-	135,800	10/05/2009
35.00	23/05/2006	-	3,864,200	-	3,864,200	23/05/2011
<b>Total</b>		<b>1,296,000</b>	<b>4,704,000</b>	<b>-</b>	<b>6,000,000</b>	
<b>2007</b>						
20.00	15/04/2005	1,296,000	-	-	1,296,000	15/04/2010
25.00	22/03/2006	135,800	-	135,800	-	22/03/2007
35.00	18/04/2006	568,200	-	-	568,200	18/04/2011
35.00	10/05/2006	135,800	-	-	135,800	10/05/2009
35.00	23/05/2006	3,864,200	-	-	3,864,200	23/05/2011
12.00	28/03/2007	8,000,000	-	-	8,000,000	28/03/2012
<b>Total</b>		<b>14,000,000</b>	<b>-</b>	<b>135,800</b>	<b>13,864,200</b>	

### Fair value

The fair value of the share options granted have been independently valued using the Trinomial model that takes into account factors such as the option life, the volatility of share price and expected early exercise of share options.

Grant date	22/03/2006	18/04/2006	10/05/2006	23/05/2006	28/03/2007
Share price at date of grant (p)	31.25	36.25	41.50	37.00	9.38
Exercise price (p)	25.00	35.00	35.00	35.00	12.00
Volatility of share price	45%	45%	45%	45%	45%
Option life	1 year	5 years	3 years	5 years	5 years
Dividend yield	0%	0%	0%	0%	0%
Risk-free investment rate	4.32%	4.53%	4.70%	4.63%	4.92%
Employee turnover	5.00%	5.00%	5.00%	5.00%	5.00%
Fair value (p)	8.9	11.0	13.5	11.7	2.7
Number of options	135,800	568,200	135,800	3,864,200	8,000,000
Total expense	£12,086	£62,502	£18,333	£452,111	£216,000

Volatility has been based on the following:

- The annualised volatility of the Company's share since its floatation on the AIM market; and
- The volatility of comparable listed Companies that are considered to be most comparable to Churchill based on historical share price information dating back to July 1998.

Details in relation to options issued to Directors are included in the Directors' Report.

## 20. SHARE BASED PAYMENTS (continued)

**Expense arising from share based payments**

Based on the above fair value the 2007 expense arising from share options made to Directors, employees and suppliers was £216,000 (2006: £545,033).

## 21. NOTES TO THE CASH FLOW STATEMENT

	Consolidated		Company	
	2007 £	2006 Restated £	2007 £	2006 Restated £
<b>Reconciliation of loss on ordinary activities after tax to net cash from operating activities</b>				
<b>Loss on ordinary activities after tax</b>	(1,108,467)	(2,132,580)	(1,539,476)	(1,804,429)
Share option expense	216,000	545,033	216,000	545,033
Depreciation expense	8,584	2,334	-	-
Impairment expense	234,813	-	1,113,689	-
Impairment expense goodwill/investments	-	1,025,000	-	1,025,000
Net exchange differences	55,437	-	55,437	-
Interest revenue in investing activities	(182,324)	(67,828)	(161,749)	(64,441)
Decrease/(Increase) in accounts receivables	(127,714)	(59,103)	10,070	(16,869)
Increase/(decrease) in creditors and accruals	(20,182)	101,086	26,118	13,710
<b>Cash flow from operating activities</b>	<b>(923,853)</b>	<b>(586,058)</b>	<b>(279,911)</b>	<b>(301,996)</b>
<b>Reconciliation of cash and cash equivalents</b>				
Cash and cash equivalents at the end of the year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:				
Cash and cash equivalents	2,415,189	5,229,499	1,859,649	5,083,096

# NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2007

## 22. CORRECTION OF PRIOR PERIOD ERRORS

During the year ended 30 June 2007, the Group has corrected the reporting of certain items in its consolidated Cash Flow Statement in the 2006 Annual Report. These corrections are presentational only and do not affect the reported changes in cash during the year. The correction for each financial statement line items is detailed below:

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006	CONSOLIDATED	
	Revised £	Reported £
<b>Operating activities</b>		
Receipt of management and consulting fees	-	-
Payments to suppliers and employees	(586,058)	(473,383)
<b>Cash flows from operating activities</b>	<b>(586,058)</b>	<b>(473,383)</b>
<b>Investing activities</b>		
Interest received	67,826	67,826
Payments for property, plant and equipment	(12,534)	(12,401)
Payments for exploration assets	(213,981)	(223,412)
Payments for exploration and evaluation	(470,901)	(424,278)
Payments for investment in subsidiaries	-	-
Payments for loan to subsidiaries	-	-
<b>Cash flows from investing activities</b>	<b>(629,590)</b>	<b>(592,265)</b>
<b>Financing activities</b>		
Proceeds from issue of shares	5,800,000	5,800,000
Share issue expenses paid	(105,959)	(255,959)
Proceeds from borrowings	-	-
<b>Cash flows from financing activities</b>	<b>5,694,041</b>	<b>5,544,041</b>
<b>Increase in cash</b>	<b>4,478,393</b>	<b>4,478,393</b>
Cash and cash equivalents at start of year	751,106	751,106
<b>Cash and cash equivalents at end of year</b>	<b>5,229,499</b>	<b>5,229,499</b>
<b>Reconciliation of profit/(loss) on ordinary activities after tax to net cash from operating activities</b>		
<b>Profit/(Loss) on ordinary activities after tax</b>	<b>(2,132,580)</b>	<b>(1,107,580)</b>
Share option expense	545,033	545,033
Depreciation and amortisation expenses	2,334	2,334
Exploration and evaluation expense	-	(186,646)
Foreign exchange differences	-	8,186
Impairment expense	1,025,000	-
Interest revenue (shown in financing activities)	(67,828)	67,826
<b>Changes in assets and liabilities</b>		
Decrease/(Increase) in accounts receivables	(59,103)	(53,622)
Increase/(decrease) in creditors and accruals	101,086	251,086
<b>Cash flow from operating activities</b>	<b>(586,058)</b>	<b>(473,383)</b>

## 23. BUSINESS COMBINATIONS

**2007**

There were no acquisitions for 2007.

**2006**

On 3 April 2006, the Group acquired 100% of the share capital of PT Indonesia Coal Development, a Company whose principal activity is to invest into the emerging energy sectors in Indonesia. Details of the fair value of identifiable assets and liabilities acquired and purchase consideration are as follows:

	<b>Total £</b>
<b>Fair value of assets acquired</b>	
Net tangible assets at point of business combination	-
Fair value adjustment on acquisition - Mineral properties (Sendawar)	2,862,996
Goodwill	1,025,000
	<hr/>
	3,887,996
<b>Consideration paid</b>	
Cash	362,996
10 million ordinary shares at a fair value of 35.25p	3,525,000
	<hr/>
Total	3,887,996

As consideration for the acquisition the Company issued a total of 10,000,000 ordinary shares of 1p each in the Company (the fair value of which is considered to be £3,525,000) together with cash payments totalling £362,996 including a final payment of £249,829. The investment in PT Indonesia Coal Development is held by Churchill Mining plc (95%) and Planet Mining Pty Ltd (5%). In accordance with the provisions of IFRS "Business Combinations" the published price of the shares issued on the date of exchange should have been applied in accounting for the acquisition of PT Indonesia Coal Development. The Goodwill was impaired immediately and charged directly to the income statement. In order to reflect the correct accounting treatment, the affected disclosure has been amended accordingly. The correction of the disclosure does not affect the reported net asset position of the Group in either the current or prior year.

The fair value adjustments and impairment arise based upon Directors' review of the underlying exploration projects.

PT Indonesia Coal Development had not traded prior to its acquisition other than acquiring the rights to 80% of the Sendawar Coal Project. The operating loss for PT Indonesia Coal Development from the date of acquisition to 30 June 2006 was £25,386.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2007

## 24. RELATED PARTY TRANSACTIONS

The Group had the following material transactions (excluding Directors' fees) with related parties during the year ending 30 June 2007:

	Consolidated		Company	
	2007 £	2006 £	2007 £	2006 £
Boston Noble Pty Ltd – a company associated with Mr James T Hamilton and Mr Paul G Mazak Consulting and management fees	196,380	151,886	74,050	151,886
Borden Holdings Pty Ltd – a company associated with Mr David F Quinlivan Consulting and technical fees	7,475	3,266	7,475	3,266
Bushvale Holdings Pty Ltd – a company associated with Mr Russell P Hardwick who is a Director of Planet Mining Pty Ltd Consulting and secretarial services	38,647	16,939	38,647	16,939
Planet Mining Pty Ltd and PT Indonesia Coal Development Management and consulting fees received or receivable from subsidiary companies	-	-	27,000	18,000
During the period the parent entity provided loan funding to the subsidiary companies Planet Mining Pty Ltd and PT Indonesia Coal Development The amounts outstanding at year end are:-				
Planet Mining Pty Ltd	-	-	255,965	143,211
PT Indonesia Coal Development	-	-	2,306,492	6,000

During the period PT Indonesia Coal Development purchased a 75% beneficial interest in four KP licenses that make up the East Kutai Coal Project for USD\$1,000,000 (£499,030). This amount has been capitalised within intangible assets. Mr Fareok Basrewan who was appointed as a Director of Churchill on 3 October 2007 is also a Director of PT Techno Coal Utama Prima who acted as an agent for the vendors of the East Kutai Coal Project. The Company has made a payment of USD \$250,000 prior to 30 June 2007 with the balance included in accruals and to be paid in the 2007/2008 financial year. During the year ended 30 June 2007 amounts payable to Mr Basrewan for consulting services amounted to £12,104.

## 25. POST BALANCE SHEET EVENTS

On 3 August 2007 the company issued 96,000 ordinary shares pursuant to the exercise of share options.

On 15 September 2007 the company announced that the Company and its Indonesian partner, PT Ridlatama Mining Utama (RMU), which together form the "Ridlatama Consortium", have been awarded Indonesia's first Coal Bed Methane (CBM) Joint Evaluation Agreement ("JEA") license in Kalimantan, Indonesia.

On the 4 October 2007, the Company announced that its 100% controlled subsidiary Planet Mining Pty Ltd has reached agreement to sell 80% of the South Woodie Woodie Manganese Project to an Australian company Spitfire Resources Limited ("Spitfire"). Spitfire will have the option to purchase the remaining equity in the project after spending AUD\$1.5 million on exploration. Spitfire plans to list on the Australian Stock Exchange ("ASX") via an AUD\$4 million Initial Public Offering (IPO) later this year. The Disposal will allow Churchill to focus purely on its Sendawar and East Kutai coal projects in Indonesia whilst retaining a substantial stake in Spitfire.

On 22 October 2007, the Company issued 200,000 ordinary shares pursuant to the exercise of share options.  
On 9 November 2007, the Company issued 200,000 ordinary shares pursuant to the exercise of share options.

During the period PT Indonesia Coal Development purchased a 75% beneficial interest in four KP licenses that make up the East Kutai Coal Project for USD\$1,000,000. The Company made a payment of USD \$250,000 prior to 30 June 2007 with the balance paid in the 2007/2008 financial year.





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