

26 October 2011

CHURCHILL MINING PLC
("Churchill" or "the Company")

Full Year Results

Churchill Mining (AIM: CHL) reports its full year results for the 12 months ended 30 June 2011.

Chairman's Statement

I present Churchill Mining Plc's Full Year Report for the 12 months ended 30 June 2011.

I can best describe the past year as consisting of two distinct time periods separated by a very surprising decision by the Administrative Tribunal in Samarinda on 3 March 2011.

The year started out positively for Churchill with focus centred firmly on planning and progressing the more traditional project development aspects of the East Kutai Coal Project ("EKCP") mine, transport corridor and port facilities.

More critically however, the second part of the year saw the Company subjected to a frankly surprising negative ruling from the regional Samarinda Administrative Tribunal that sought to ratify the Bupati's improper unilateral decision to revoke the licenses in which Churchill has a 75% interest. Whilst the Samarinda Administrative Court decision remains a matter of record, the Company believes strongly that this court ruling was fatally flawed because it did not properly address (and in some cases did not address at all) a number of key issues raised during the hearing.

Whilst Churchill appealed this decision to the Administrative High Court in Jakarta (which dismissed this appeal) and has now appealed to the Indonesian Supreme Court and will continue to pursue all legal avenues available to it, the Company believes that the actions of the Bupati and the subsequent Administrative Court decisions have brought into serious question the ability of foreign companies to invest in long-term high value projects in Indonesia.

In accordance with International Financial Reporting Standards the Directors have impaired the full group carrying amount of the East Kutai Coal Project ("EKCP") of US\$27.89 million at 30 June 2011. In addition the Company has impaired its subsidiary investment and intercompany receivables of US\$47.12 million. The Company will however continue to vigorously pursue its claim for the full reinstatement of its rights in relation to the EKCP.

A more detailed summary of the legal proceedings is included in the Operating and Financial Review sections of this report.

In order to be best placed to defend the attempted encroachment of the EKCP, the Board and executive management of the Company have been restructured. Paul Mazak has stepped down as Managing Director and from the Board and for the time being I have taken on the day to day running of the Company as Executive Chairman.

The Company remains well funded with cash at bank of US\$18.1 million at the date of this report to pursue the legal appeal process and continue its strategy to develop value with the EKCP, both for shareholders and the local Regency.

East Kutai Coal Project

It is relevant to highlight again that the EKCP has a JORC compliant Probable In-Situ reserve of 961 million tonnes of coal, forming part of the 2.73 billion tonnes JORC resource. Potential exists to expand this further and we believe this size and class of coal production will be extremely attractive to end-users of thermal coal, particularly in India and China.

Key achievements during the period on the EKCP included the completion of a 30 million tonne per Annum Feasibility Study, which confirmed the technical and economic feasibility of the Project. Additionally we purchased the land to be used as the site of the future port facility for the shipment of coal from the EKCP.

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

Modelling by our technical experts proposes exploiting the EKCP deposit via open cut mining at a rate of 30 million tonnes per annum over an initial 25 year period. At current coal prices this would produce a pre-tax net cash flow in excess of US\$500 million per annum over the first 20 years of capacity production. The Investment evaluation, modelled over an initial 25 year period, indicates a pre-tax net present value of US\$1.8 billion (discount rate of 10%), internal rate of return of 21% and payback period of seven years.

In May 2011, the Company welcomed two new strategic Indonesian based shareholders with a private placement of ordinary shares to Mr. Rachmat Gobel and Ms. Fara Luwia, through a jointly-held company majority owned by Mr. Gobel. The placement raised more than £7.7 million (approximately US\$12.8 million) and brings to Churchill a significant Indonesian shareholder that has both the financial capacity and local presence necessary to help see the East Kutai Coal Project through its current legal challenges to the production phase. Following completion of the placement, Mr Gobel and Ms Luwia have both joined the Board of Churchill.

Mr. Gobel is the President Director and majority owner of PT Gobel International. PT Gobel International is a well-known and highly respected company with an impressive track record in partnering with international companies in Indonesia. Ms. Luwia is a successful Indonesian businesswoman who is currently developing one of the largest modern rice mills in Indonesia in partnership with a large global commodities trader based in Switzerland. We are delighted to have them both onboard.

In summary the Company remains committed to protecting its interest in the EKCP and seeking an appropriate remedy in relation to the EKCP license for its shareholders. On behalf of the Board I would like to thank you, our Shareholders, for your continued support and can assure you the Directors will continue to work diligently in the period ahead to reclaim the value inherently owed to Churchill.

I look forward to updating you on the Company's developments as we progress during the year.

David Quinlivan
Executive Chairman
26 October 2011

For further information, please contact:

Churchill Mining Plc

David Quinlivan
+ 61 8 6382 3737

**Northland Capital
Partners Limited**

Shane Gallwey / Luke Cairns
+44(0)20 7796 8800

Tavistock Communications

Paul Youens / Jos Simson
+44(0)20 7920 3150
pyouens@tavistock.co.uk

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2011

	Note	2011 \$'000	2010 \$'000
Other administrative expenses		(9,167)	(4,187)
Impairment of exploration assets	13	(27,897)	(1,565)
Impairment of related party receivables	11	(1,196)	-
Total administrative expenses	3	(38,260)	(5,752)
Loss from operations		(38,260)	(5,752)
Finance income – interest received	2	34	19
Finance income – foreign exchange gains	2	165	63
Total finance income		199	82
Finance expense – interest	3	-	(3)
Finance expense – foreign exchange losses	3	(454)	(130)
Total finance expense		(454)	(133)
Fair value loss on options held in associate		-	(101)
Fair value gain/(loss) on investment in associate		772	(346)
Deemed loss on disposal of associate	8	(54)	(52)
Share of operating loss of associate	8	(482)	(374)
Loss before taxation		(38,279)	(6,676)
Tax expense	5	-	-
Loss for the year attributable to equity shareholders of the parent		(38,279)	(6,676)
Other comprehensive income:			
Net gain on revaluation of financial assets		1,721	-
Foreign exchange differences on translating foreign operations		630	322
Other comprehensive income for the year		2,351	322
Total comprehensive loss for the year attributable to equity shareholders of the parent		(35,928)	(6,354)
Loss for the year attributable to:			
Owners of the parent		(38,279)	(6,676)
Non-controlling interest		-	-

		(38,279)	(6,676)
Total comprehensive loss for the year attributable to:			
Owners of the parent		(35,928)	(6,354)
Non-controlling interest		-	-
		(35,928)	(6,354)
Loss per share attributable to owners of the parent:			
Basic and diluted loss per share (cents)	6	(38.57c)	(8.25c)

STATEMENTS OF FINANCIAL POSITION
As at 30 June 2011

	Note	Consolidated		Company	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
ASSETS					
Current assets					
Cash and cash equivalents		22,385	22,879	22,062	21,595
Other receivables	11	3,822	4,622	127	38
Total current assets		26,207	27,501	22,189	21,633
Non-current assets					
Property, plant and equipment	12	1,953	238	48	60
Other receivables	11	-	1,230	-	-
Intangible assets	13	262	22,450	-	220
Other financial assets	9	4,370	-	-	-
Investment in subsidiaries	14	-	-	2,786	39,111
Investment in associate	8	-	1,928	-	-
Total non-current assets		6,585	25,846	2,834	39,391
TOTAL ASSETS		32,792	53,347	25,023	61,024
LIABILITIES					
Current Liabilities					
Trade and other payables	15	1,628	1,105	732	320
Loans and borrowings	16	3,456	3,303	-	-
Total current liabilities		5,084	4,408	732	320
Non-current liabilities					
Provisions	17	66	42	-	-
Total non-current liabilities		66	42	-	-
TOTAL LIABILITIES		5,150	4,450	732	320
NET ASSETS		27,642	48,897	24,291	60,704
CAPITAL AND RESERVES					
ATTRIBUTABLE TO OWNERS					
OF THE COMPANY					
Share capital	19	2,195	1,797	2,195	1,797
Share premium	19	77,257	62,982	77,257	62,982
Available for sale reserve	19	1,721	-	-	-
Merger reserve	19	6,828	6,828	6,828	6,828
Other reserves	19	3,448	2,818	3,163	3,163
Retained deficit		(64,911)	(26,632)	(65,152)	(14,066)

TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	26,538	47,793	24,291	60,704
Non-controlling interest	1,104	1,104	-	-
TOTAL EQUITY	27,642	48,897	24,291	60,704

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2011

Consolidated	Share Capital	Share premium reserve	Merger reserve	Retained deficit	Other Reserves			Total Equity attributable to equity holders of Company	Non- controlling Interest	Total Equity
					Foreign exchange	Equity settled share options	Available for sale			
					\$'000	\$'000	\$'000			
Changes in equity for year to 30 June 2010										
Balance at start of the year	1,507	39,147	6,828	(19,956)	(667)	2,667	-	29,526	-	29,526
Total comprehensive loss for the year	-	-	-	(6,676)	322	-	-	(6,354)	-	(6,354)
Recognition of share based payments	-	-	-	-	-	496	-	496	-	496
Issue of shares	290	24,091	-	-	-	-	-	24,381	-	24,381
Share issue expenses	-	(256)	-	-	-	-	-	(256)	-	(256)
Non-controlling Interests' share of reserves	-	-	-	-	-	-	-	-	1,104	1,104
Balance at 30 June 2010	1,797	62,982	6,828	(26,632)	(345)	3,163	-	47,793	1,104	48,897
Changes in equity for year to 30 June 2011										
Balance at start of the year	1,797	62,982	6,828	(26,632)	(345)	3,163	-	47,793	1,104	48,897
Total comprehensive loss for the year	-	-	-	(38,279)	630	-	1,721	(35,928)	-	(35,928)
Issue of shares	398	14,275	-	-	-	-	-	14,673	-	14,673
Balance at 30 June 2011	2,195	77,257	6,828	(64,911)	285	3,163	1,721	26,538	1,104	27,642

Company	Share Capital	Share premium reserve	Merger reserve	Retained deficit	Equity settled share options reserve	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Changes in equity for year to 30 June 2010						
Balance at start of the year	1,507	39,147	6,828	(11,394)	2,667	38,755
Total comprehensive loss for the year	-	-	-	(2,672)	-	(2,672)
Recognition of share based payments	-	-	-	-	496	496
Issue of shares	290	24,091	-	-	-	24,381
Share issue expenses	-	(256)	-	-	-	(256)
Balance at 30 June 2010	1,797	62,982	6,828	(14,066)	3,163	60,704
Changes in equity for year to 30 June 2011						
Balance at start of the year	1,797	62,982	6,828	(14,066)	3,163	60,704
Total comprehensive loss for the year	-	-	-	(51,086)	-	(51,086)
Issue of shares	398	14,275	-	-	-	14,673
Balance at 30 June 2011	2,195	77,257	6,828	(65,152)	3,163	24,291

STATEMENT OF CASH FLOWS
For the year ended 30 June 2011

	Note	Consolidated		Company	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Cash flows from operating activities	21	(8,440)	(3,733)	(3,209)	(1,933)
Interest paid		(3)	(2)	-	-
Net cash from operating activities		(8,443)	(3,735)	(3,209)	(1,933)
Cash flows used in investing activities					
Finance income		34	19	21	7
Payments for exploration and evaluation assets		(5,520)	(8,287)	-	-
Acquisition of property, plant and equipment		(1,806)	(91)	(2)	-
Repayment of advances to subsidiaries		-	-	-	100
Advances to and investments in subsidiaries		-	-	(10,795)	(11,110)
Cash flows used in investing activities		(7,292)	(8,359)	(10,776)	(11,003)
Cash flows from financing activities					
Proceeds from issue of share capital		14,671	24,381	14,671	24,381
Share issue expenses paid		-	(256)	-	(255)
Repayments of borrowings		-	(8)	-	-
Cash flows from financing activities		14,671	24,117	14,671	24,126
Net (decrease) / increase in cash and cash equivalents		(1,064)	12,023	686	11,190
Cash and cash equivalents at beginning of year		22,879	10,903	21,595	10,452
Effect of foreign exchange rate differences		570	(47)	(219)	(47)
Cash and cash equivalents at the end of year		22,385	22,879	22,062	21,595

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

NOTE 1: STATEMENT OF SIGNIFICANT 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

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. All amounts presented are in thousands of US dollars (\$'000) unless otherwise stated.

These financial statements have been prepared on the basis of a going concern and in accordance 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 2010 are reflected in these financial statements.

EKCP LICENCES

On 3 March 2011 the Company announced that it had received a negative ruling from the Samarinda Administrative Tribunal in relation to the licenses that make up the East Kutai Coal Project ("the EKCP"). This tribunal action was initially undertaken by the Company and its Indonesian partners, the Ridlatama Group ("Ridlatama") to protect the validity of the EKCP licenses.

The Company and Ridlatama reject the conclusions of the Tribunal and lodged an appeal to the Administrative High Court in Jakarta. On the 19 August 2011 the Company was advised that the appeal to the Administrative High Court in Jakarta has been dismissed and the Court agreed wholly with the legal considerations and findings of the Administrative Tribunal in Samarinda.

The Company moved to lodge a notice of appeal to the Supreme Court of Indonesia on 15 September 2011 and subsequently prepared and filed Memoranda of appeal on 26 September 2011.

Should the Company be unsuccessful in all avenues of appeal then it may lose the right to exploit and commercialise the coal within the EKCP licensed areas. While the Company continues to vigorously defend its rights in relation to the EKCP licenses with its legal advisers through the appeal process there are currently no assurances that the appeal process will be successful and accordingly the ultimate outcome of the matter cannot presently be determined. In accordance with International Financial Reporting Standards the Directors have impaired the full carrying amount of EKCP within intangible assets at 30 June 2011.

CHANGES IN ACCOUNTING POLICIES

The following new standards, interpretations and amendments to existing standards have been adopted by the Group:

International Accounting Standards (IAS/IFRS)

Standard	Description	Effective date
IFRIC 19	- Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

The adoption of these standards, interpretations and amendments did not affect the Company results of operations or financial positions. No other IFRS issued and adopted but not yet effective are expected to have an impact on the Group's financial statements.

(ii) Standards, amendments and interpretations, which are effective for reporting periods beginning after the date of these financial statements which have not been adopted early:

Standard	Description	Effective date
IAS 24	Revised - Related Party Disclosures	1 Jan 2011
IFRIC 14	Amendment - IAS 19 Limit on a defined benefit asset	1 Jan 2011
IFRS 7 *	Amendment - Transfer of financial assets	1 Jul 2011
Improvements to IFRSs (2010)	Miscellaneous amendments resulting from the IASB's annual improvements projects	1 Jan 2011
IAS 12 *	Deferred Tax: Recovery of Underlying Assets	1 Jan 2012
IAS 1 *	Amendment - Presentation of Items of Other Comprehensive Income	1 Jul 2012
IFRS 9 *	Financial instruments	1 Jan 2013
IFRS 10 *	Consolidated financial statements	1 Jan 2013
IFRS 11 *	Joint arrangements	1 Jan 2013
IFRS 12 *	Disclosure of Involvement with Other Entities	1 Jan 2013
IAS 28 *	Investments in Associates (revised 2011)	1 Jan 2013
IAS 27 *	Separate Financial Statements (revised 2011)	1 Jan 2013
IFRS 13 *	Fair Value Measurement	1 Jan 2013
IAS 19 *	Employee Benefits	1 Jan 2013

The Group has not yet assessed the impact of IFRS 9. Except for the amended disclosure requirements of IAS 24 (Revised), amendments and interpretations are not expected to materially affect the Group's reporting or reported numbers.

* Not yet endorsed by European Union.

SIGNIFICANT ACCOUNTING POLICIES

Finance income

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.

The financial statements of subsidiaries are included in the Group's financial statements from the date that control commences until the date that control ceases.

Non-controlling interests are presented in the statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company and in respect of the statement of comprehensive income are presented on the face as an allocation of the total profit or loss and other comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Business combinations

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

In the consolidated statement of financial position, 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 statement of comprehensive income from the date on which control is obtained.

Associates

Where the Group has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the consolidated statement of financial position at cost. The Group's share of post-acquisition profits and losses is recognised in the consolidated statement of comprehensive income, except that losses in excess of the Group's investment in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. The carrying amount of investment in an associate is subject to impairment. Where there is objective evidence that the investment in an associate has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

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 reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the statement of comprehensive income.

The consolidated financial information is presented in US dollars (\$), which is the functional and presentation currency of the Company. On consolidation, the results of overseas operations are translated into US\$ at rates approximating to those when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting 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 other comprehensive income. Exchange differences recognised in the statement of comprehensive income 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 Company or the overseas operation concerned. 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 statement of comprehensive income as part of the profit or loss on disposal.

Financial instruments

Financial assets and financial liabilities are recognised when the Group and Company become party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual right to the cash flow expires or when substantially all the risks and rewards of ownership are transferred. Financial liabilities are de-recognised when the obligations specified in the contract are either discharged or cancelled.

Financial assets

The Group and Company classify their financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Group's and Company's accounting policy for each category is as follows:

(i) Available-for-sale

Financial assets designated as available for sale are initially recognised at fair value, being the consideration given including, where appropriate, acquisition costs associated with the investment. The Group's investments in quoted shares are designated as 'available-for-sale' financial assets and are included in non-current assets. Such investments are subsequently carried at fair value, with any gains or losses arising from changes in fair value being recognised in equity. Financial assets are derecognised when the rights to receive cashflows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Fair value is based on market value at the reporting date.

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of a financial asset classified as available-for-sale, a significant or prolonged decline in the fair value of the financial asset below its cost is considered as an indicator that the financial asset is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement.

(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 which give rise to other receivables and cash and cash equivalents includes cash in hand and deposits held at call with banks. Other receivables are carried at cost less any provision for impairment. Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty) that the Group will be unable to collect all of the amounts due under the terms of the receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

Financial liabilities

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

Provisions

Provisions are recognised for liabilities of uncertain timing or amount that have arisen as a result of past transactions and are discounted at a pre-tax rate reflecting current market assessments of the time value of money and the risks specific to the liability.

Fair value measurement hierarchy

IFRS 7 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement. The fair value hierarchy has the following levels:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2);
and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the financial asset or financial liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

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 statement of comprehensive income 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 reporting 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.

Where equity instruments are granted to persons other than employees, the statement of comprehensive income 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 an option pricing 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.

When the Company grants options over its shares to employees of subsidiaries, the fair value at grant date is recognised as an increase in the investment in subsidiaries, with a corresponding increase in equity over the vesting period of the grant.

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 regarded as current. Refer to the Basis of Preparation in Note 1.

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 management of the Group decide 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. Management reviews the levels of capitalised exploration and evaluation expenditure for each area of interest on a regular basis and where deemed appropriate either continues to carry forward costs or impair expenditure based on management estimates of recoverable values for each area of interest.

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.

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:

Freehold land	- not depreciated
Leasehold improvements	- 5 years
Furniture and fixtures	- 3 years
Office equipment	- 3 years
Motor vehicles	- 8 years

Taxation

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

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

Tax is charged or credited to statement of comprehensive income, 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 statement of financial position differs to its tax base, except for differences arising on:

- The initial recognition of goodwill;
- 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; and
- 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 substantively enacted by the reporting 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.

Tax consolidation

The Company and its 100% Australian controlled entities have formed a tax consolidation Group. Members of the tax consolidated Group intend to enter into a tax sharing arrangement which will allow for the allocation of income tax expense to the wholly controlled entities on a pro rata basis. The arrangement will provide for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. The head entity of the tax consolidated Group is Churchill Mining Plc.

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 statement of comprehensive income 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 statement of comprehensive income 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.

Impairment of non-financial assets

Impairment tests on intangible 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 total administration expenses in the statement of comprehensive income.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is the Managing Director, under his delegated board authority, is responsible for allocating resources and assessing performance of the operating segments.

Investments

In its separate financial statements, the Company recognises its investments in subsidiaries at cost inclusive of share based payments less any provision for impairment.

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.

Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash flows to be made for those benefits.

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. Refer to the Basis of Preparation in Note 1 for the details of the provision for impairment made in the current year ;

- 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. By their nature, impairment reviews include significant estimates regarding future financial resources and commercial and technical feasibility to enable the successful realisation of the exploration expenditure. Changes in the estimates used can result in significant charges to the statement of comprehensive income; and
- Employee, corporate advisory and consulting 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 an option pricing model, on the date of grant based on certain assumptions. Those assumptions are described in the Notes to the accounts 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 are disclosed in the Notes to the accounts.

NOTE 2: FINANCE INCOME

	Consolidated	
	2011 \$'000	2010 \$'000
Finance income – foreign exchange gains	165	63
Finance income - Bank interest	34	19
Total finance income	199	82

NOTE 3: LOSS FROM OPERATIONS

	Consolidated	
	2011 \$'000	2010 \$'000
Loss before tax includes the following expense items:		
Administrative expenses		
Consulting & professional fees	2,550	1,887
Legal fees	3,287	68
VAT costs unrecovered	482	-
Depreciation & amortisation	88	90
Employee salaries and benefits	1,161	514
Operating lease expense	220	161
Travel expenses	470	362
Other administrative costs	909	609
Impairment of exploration and evaluation assets	27,897	1,565
Impairment of related party receivables	1,196	-

Equity settled share based payment expense	-	496
	38,260	5,752
Finance expenses		
Bank interest	-	3
Foreign exchange losses	454	130
Total administrative and finance expenses	38,714	5,885
During the year the following fees were paid or payable for services provided by the Auditors of the parent entity and subsidiaries:		
Fees payable to the Company's Auditor for the audit of the Company's annual accounts	48	45
Other services – interim review	14	12
Fees payable for the audit of the subsidiaries	26	9
Total	88	66

NOTE 4: SALARIES

	Note	Consolidated	
		2011 \$'000	2010 \$'000
Staff costs (including Directors & Consulting fees) comprise:			
Employee salaries and benefits		1,004	368
Superannuation/pension costs		19	11
Directors short term benefits		1,132	980
Key management short term benefits		929	890
Share-based payments	20	-	496
		3,084	2,745
		Number	Number
Average number of employees (including Directors)		73	38
		2011 \$'000	2010 \$'000
Key Management remuneration			
Short term benefits			
Fees and benefits		260	221
Consultancy fees		669	669
Sub-Total		929	890
Long term benefits			
Share based payments (options)		-	56
Total key management remuneration		929	946
Directors' remuneration			
Short term benefits			

Fees and benefits	138	135
Consultancy fees	994	845
Sub-Total	1,132	980
Long term benefits		
Share based payments (options)	-	328
Total directors' remuneration	1,132	1,308
The amounts set out above include emoluments for the highest paid Director as follows:		
Short term benefits	514	623
Long term benefits (share based payments)	-	184
Total	514	807
The approximate aggregate gain made on the sale of share options by the highest paid director, Mr Paul Mazak, was \$177,855 (2010: \$2.13 million). Shares and share options held by all the Directors in the year are disclosed in the Directors report.		

Key management consists of the Board of Directors, the Company Secretary, the Project Director, the Chief Financial Officer and the Community Development Manager.

The Company provides Directors' & Officers' liability insurance at a cost of \$26,820 (2010: \$25,932). This cost is not included in the above table.

NOTE 5: TAXATION ON LOSS FOR THE YEAR

	Consolidated	
	2011	2010
	\$'000	\$'000
Major components of income tax expense for the years ended 30 June 2011 and 2010 are:		
Current tax expense	-	-
Deferred tax expense	-	-
Total Tax expense	-	-
A reconciliation of income tax expense applicable to accounting loss before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate for the years ended 30 June 2011 and 2010 is as follows:		
Accounting loss before income tax	(38,279)	(6,676)
At the statutory income tax rate of 30%	(11,484)	(2,003)
Effects of:		
Non-deductible expenses	9,380	380
Temporary differences and tax losses not brought to account as a deferred tax asset	1,822	1,507
Less:		
Capital raising costs	-	(26)

	Consolidated	
	2011 \$'000	2010 \$'000
Tax rate differential	282	142
Income tax expense	-	-
Effective income tax rate of 0%	0%	0%

No amounts of deferred tax assets or liabilities have been charged/ (credited) to the consolidated statement of comprehensive income or reserves. The deductible temporary differences and domestic tax losses being \$14,440,000 (2010: \$11,899,700) do not expire under current tax legislation. Indonesian tax losses expire after five years. Deferred tax assets have not been recognised in respect of these items because at this point in the Group's development it is not probable that future taxable profits will be available against which the Group can utilise the benefits of tax losses. The Group has not offset deferred tax assets across different jurisdictions.

Foreign tax losses in relation to the Indonesian subsidiary PT Indonesia Coal Development expire as follows:

Financial Year	Expire (year)	\$'000
2006/2007	2012	749
2007/2008	2013	1,644
2008/2009	2014	1,313
2009/2010	2015	2,822
2010/2011*	2016	3,105

*Estimate based on the actual loss for 2010/2011

NOTE 6: LOSS PER SHARE

	Consolidated	
	2011 \$'000	2010 \$'000
Loss attributable to owners of the parent company	(38,279)	(6,676)
	Number	Number
Weighted average number of shares used in the calculation of basic and diluted loss per share	99,225,074	80,918,920
	Cents	Cents
Loss per share		
Basic and diluted loss per share	(38.57c)	(8.25c)
5,850,000 (2010: 12,040,348) potential ordinary shares relating to share options have not been included in the calculation of diluted earnings per share as their value has no dilutive effect, therefore dilutive and basic loss per share are identical.		

NOTE 7: LOSS FOR THE FINANCIAL YEAR

The Company has taken advantage of the exemption as allowed by Section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The Company loss for the year was \$51,085,807 (2010: Loss \$2,672,483).

NOTE 8: INVESTMENTS IN ASSOCIATES

During the year the group's investment in Spitfire Resources Limited was diluted from 21.74% to 18.44% by additional equity issues by Spitfire in which the Group did not participate. Subsequent to the year end the group's investment in Spitfire was further diluted to 15.99%. Prior to 2 December 2010, the Group had significant influence and the Spitfire holding was held as an associate and equity accounted. Post 2 December 2010, the Spitfire holding was accounted for as an available-for-sale financial asset.

Name	Country of incorporation	Reporting Date	Proportion of voting rights held at 30 June 2011	Proportion of voting rights held at 30 June 2010
Spitfire Resources Limited	Australia	30 June 2011	18.44%	21.74%

	2011 \$'000	2010 \$'000
Balance at beginning of year	1,928	2,515
Deemed loss on disposal of associate	(54)	(52)
Share of loss of associate	(482)	(374)
Revaluation / (Impairment) to fair value	772	(346)
Revaluation of available for sale financial assets (reserve)	1,721	-
Effect of movement in exchange rates	485	185
Transfer to available for sale financial asset	(4,370)	-
Total carrying value at the end of the year	-	1,928

The share of associates loss up to 2 December 2010 recognised during the year is \$482,000 (2010: \$374,373).

NOTE 9: OTHER FINANCIAL ASSETS

	Consolidated		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Non-current investments				
Investment in ASX listed Spitfire Resources Limited as available for sale	4,370	-	-	-
	4,370	-	-	-

Spitfire Resources Limited (“Spitfire”) shares are listed on the Australian Securities Exchange (“ASX”) and are classified as an available for sale investment. The fair value of the investment using the closing prices at 30 June 2011 was \$4,370,480 (2010: \$1,927,575) based on a closing price of A\$0.165 (US\$0.175) (2010: A\$0.09 (US\$0.07)).

NOTE 10: SEGMENT INFORMATION

The Group has one reportable segment as set out below and the Australian corporate office which is an administrative cost centre and includes costs relating to the AIM listing in the United Kingdom. The operating results of the segments are regularly reviewed by the Group’s chief operating decision makers in order to make decisions about the allocation of resources and to assess their performance.

Consolidated 2011	Australia – Corporate office \$’000	Indonesia – Exploration Coal \$’000	Total \$’000
Finance income	23	11	34
Administration expenses	(3,686)	(5,481)	(9,167)
Impairment of related party receivable	-	(1,196)	(1,196)
Impairment of exploration and evaluation assets	(220)	(27,677)	(27,897)
Revaluation to fair value	772	-	772
Share of operating loss in associate	(482)	-	(482)
Loss on deemed disposal of associate	(54)	-	(54)
Exchange differences	(218)	(71)	(289)
Loss for the year after taxation	(3,865)	(34,414)	(38,279)
Non current assets	4,685	1,900	6,585
Other receivables	142	3,680	3,822
Cash and cash equivalents	22,102	283	22,385
Segment assets	26,929	5,863	32,792
Loans and borrowings	-	3,456	3,456
Trade and other payables	753	875	1,628
Provisions	-	66	66
Segment liabilities	753	4,397	5,150
Segment net assets	26,176	1,466	27,642

During the year ended 30 June 2011 the Group’s investment in Spitfire Resources Limited was reduced by a deemed disposal from 21.74% to 18.44% due to a share placement in which the Group did not participate. Subsequent to the year end the group’s investment in Spitfire was further diluted to 15.99%. Prior to 2 December 2010 the investment was accounted for as an associate and equity accounted. Post

2 December 2010, the investment is held as an available-for-sale financial asset and included within the Australia corporate office segment. At 30 June 2011 the Group has no associates.

During the year ended 30 June 2010 the Indonesian Sendawar Coal Bed Methane Project was terminated and the carrying value was fully impaired and is no longer a reportable segment.

Consolidated 2010	Australia – Corporate office	Australia – Investment in Associate	Indonesia – Exploration Coal Bed Methane/Coal	Indonesia – Exploration Coal	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Finance income	6	1	-	75	82
Administration expenses	(2,667)	(8)	-	(1,515)	(4,190)
Impairment loss	-	-	(1,565)	-	(1,565)
Fair value loss on investment in associate	-	(447)	-	-	(447)
Share of operating loss in associate	-	(374)	-	-	(374)
Loss on deemed disposal of associate	-	(52)	-	-	(52)
Exchange differences	(76)	-	-	(54)	(130)
Loss for the year after taxation	(2,737)	(880)	(1,565)	(1,494)	(6,676)
Non current assets	282	2,145	-	23,419	25,846
Other receivables	38	-	-	4,584	4,622
Cash and cash equivalents	21,595	5	-	1,279	22,879
Segment assets	21,915	2,150	-	29,282	53,347
Loans and borrowings	-	-	-	3,303	3,303
Trade and other payables	320	-	-	785	1,105
Provisions	-	-	-	42	42
Segment liabilities	320	-	-	4,130	4,450
Segment net assets	21,595	2,150	-	25,152	48,897

NOTE 11: OTHER RECEIVABLES

	Consolidated		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Current				
Related party receivables	4,652	4,435	-	-
Impairment for non-recovery	(1,196)	-	-	-
Prepayments and other receivables	366	187	127	38
	3,822	4,622	127	38
Non Current				
VAT receivable	-	1,230	-	-
	-	1,230	-	-

As at 30 June 2011 the amount of US\$4.65 million is receivable from members of the Ridlatama Group and US\$3.46 million is payable to members of the Ridlatama Group. The Group has recognised an impairment of the difference of US\$1.19 million.

At 30 June 2010 VAT charged on exploration and operating costs in Indonesia, was held as a non current asset as the directors believed these amounts to be recoverable as a deduction in future tax payable. At 30 June 2011, due to the uncertainty over the operating structure and ownership of the EKCP license, the directors do not believe that sufficient profits will be available within the allocated time to recover the VAT. Of the \$1,230,410 held at 30 June 2010, \$482,459 has been included in administrative expenses and \$747,951 was transferred to intangible assets and subsequently impaired in full.

The Group's exposure to credit and currency risk related to other receivables is disclosed in Note 22.

NOTE 12: PROPERTY, PLANT AND EQUIPMENT

	Consolidated		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Plant & Equipment				
Cost				
Balance at start of year	417	274	100	100
Additions	50	143	2	-
Balance at end of year	467	417	102	100
Accumulated Depreciation				
Balance at start of year	179	89	40	23
Depreciation expense for the year	88	87	14	17
Effects of movements in exchange rates	4	3	-	-
Balance at end of year	271	179	54	40
Net book value at end of the year	196	238	48	60
Freehold land				
Cost				
Balance at start and end of year	-	-	-	-
Additions	1,757	-	-	-
Balance at the end of year	1,757	-	-	-

Net book value at end of year	1,757	-	-	-
Total				
Cost				
Balance at start of year	417	326	100	100
Additions	1,807	91	2	-
Balance at end of year	2,224	417	102	100
Accumulated Depreciation				
Balance at start of year	179	102	40	23
Depreciation expense for the year	88	87	14	17
Effect of movements in exchange rates	4	(10)	-	-
Balance at end of year	271	179	54	40
Net book value at end of year	1,953	238	48	60
Net book value at start of year	238	224	60	77

NOTE 13: INTANGIBLE ASSETS

	Consolidated		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Exploration and evaluation assets				
Capitalised exploration expenditure:				
Balance at start of year	19,578	12,553	-	-
Additions	5,696	8,590	-	-
Impairment of exploration expenditure	(25,080)	(1,565)	-	-
Balance at end of year	194	19,578	-	-
Exploration and evaluation assets				
Cost of acquisition:				
Balance at start of year	2,872	2,869	220	220
Impairment of exploration assets	(2,817)	-	(220)	-
Effects of movements in exchange rates	13	3	-	-
Balance at end of year	68	2,872	-	220
Total				
Cost:				
Balance at start of year	22,450	15,422	220	220
Additions	5,696	8,590	-	-
Impairment of exploration and evaluation costs	(25,080)	(1,565)	-	-
Impairment of exploration assets	(2,817)	-	(220)	-
Effects of movements in exchange rates	13	3	-	-
Balance at end of year	262	22,450	-	220

The Group has a 75% interest in the East Kutai Coal Project ("EKCP") - (Refer to Basis of Preparation in Note 1).

Whilst the company continues to vigorously protect its interest in the Indonesian EKCP, the Company has in accordance with the requirements of International Financial Reporting Standards and its accounting policies impaired the carrying value of the EKCP in full at 30 June 2011.

The Group retains a 20% interest in the original South Woodie Woodie Manganese Project in which Spitfire Resources Limited continues to hold the remaining 80% interest. The Group is “free-carried” on its share of exploration costs in respect of its 20% interest until a decision to mine is made in relation to the project. An amount of \$261,543 is included within the exploration and evaluation asset above.

NOTE 14: 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 Pty Ltd	Australia	100%
PT Indonesia Coal Development	Indonesia	100%
Indonesia Coal Trading Pte Ltd	Singapore	100%
Churchill Mining Pte Ltd	Singapore	100%
Indonesia Coal Investments No 1 Pte Ltd	Singapore	100%
Indonesia Coal Investments No 2 Pte Ltd	Singapore	100%
Infrastructure Investments S.a.r.l	Luxemburg	100%
Black Kutai 1 S.a.r.l	Luxemburg	100%
Coal Investments S.a.r.l	Luxemburg	100%
PT Techno Coal Utama Prima*	Indonesia	100%
PT Ridlatama Tambang Mineral*	Indonesia	75%
PT Ridlatama Trade Powerindo*	Indonesia	75%
PT Ridlatama Steel*	Indonesia	75%
PT Ridlatama Power*	Indonesia	75%

*Undertaking held indirectly by the Company.

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

During the year the Group increased its interest in PT Techno Coal Utama Prima from 99.01% of the issued share capital to 100%. PT Techno Coal Utama Prima owns a 75% direct equity interest in PT Ridlatama Tambang Mineral, PT Ridlatama Trade Powerindo, PT Ridlatama Steel, PT Ridlatama Power with the balance held by Churchill’s Indonesian partners.

Movements of investments in subsidiaries during the period are:

	Company	
	2011 \$'000	2010 \$'000
Loans to subsidiaries – Non-current assets		
- Opening Balance	31,017	19,988
- Loans to subsidiaries	10,792	11,029
- Impairment of subsidiary carrying value	(41,454)	-
Total loans to subsidiaries – non-current assets	355	31,017
Equity investment in subsidiaries		
- Opening Balance	8,094	8,094
- Investment in subsidiary	3	-
- Impairment of subsidiary carrying value	(5,666)	-
Total equity investment in subsidiaries	2,431	8,094
Total investment in subsidiaries	2,786	39,111

The Company has impaired its subsidiary investments and intercompany receivables for its Indonesian, Singapore and Luxembourg subsidiaries for the amount of US\$47.12 million. The remaining balance relates to the Company's investment in Planet Mining Pty Ltd. The intercompany loans are unsecured, non interest bearing and repayable on demand.

NOTE 15: TRADE AND OTHER PAYABLES

	Consolidated		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Current				
Trade payables	1,460	767	669	118
Accruals and other payables	168	338	63	202
	1,628	1,105	732	320

The Group's exposure to credit and currency risk related to trade and other payables is disclosed in Note 22.

NOTE 16: LOANS AND BORROWINGS

	Consolidated		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Current				
Related party payables	3,456	3,303	-	-
	3,456	3,303	-	-

Included in the loans and borrowings are amounts payable of \$3,456,438 due to the non-controlling shareholders of the IUP Companies that make up the EKCP. (See note 11).

NOTE 17: PROVISIONS

	Consolidated		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Non-current				
Employee benefits	66	42	-	-
	66	42	-	-

The provision relates to the estimated liability for post employment benefits at year end for PT Indonesia Coal Development. The only movement is the increase in provision during the year.

NOTE 18: COMMITMENTS

	Consolidated		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Operating lease commitments				
The total future aggregate minimum lease payments under non-cancellable operating leases:				
Within one year	101	108	65	47
Within two to five years	60	5	60	-
	161	113	125	47
The above amount relates to a property lease for:				
- Suite 1, 346 Barker Road, Subiaco which is a non-cancellable lease with a 24 month term expiring on 31 May 2013 with rent payable monthly in advance; and				
- Wisma Kosgoro Building, Jakarta which is a non-cancellable lease with a 24 month term expiring on 31 Jan 2012 with rent payable monthly in advance.				
Consultant compensation commitments				
Key management personnel				
Commitments under non-cancellable consulting contracts not provided for in the financial statements and payable:				
Within one year	699	677	699	677
	699	677	699	677

NOTE 19: SHARE CAPITAL, SHARE PREMIUM AND RESERVES

	Company		Company	
	2011 Number	2010 Number	2011 \$'000	2010 \$'000
Allotted, called up and fully paid				
At start of year	96,727,354	77,338,514	1,797	1,507
Additions	24,193,014	19,388,840	398	290
At end of year	120,920,368	96,727,354	2,195	1,797

Date	Details	Allotted, called up and fully paid		Share premium
		Number	\$'000	\$'000
1/07/2009	Opening balance 1 July 2009	77,338,514	1,507	39,147
23/7/2009	Conversion of options @ 20p per share	75,000	1	23
30/9/2009	Conversion of options @ 20p per share	25,000	1	8
11/11/2009	Conversion of options @ 20p per share	600,000	10	189
11/11/2009	Conversion of options @ 12p per share	2,400,000	40	437
31/3/2010	Conversion of options @ 20p per share	100,000	1	29
31/3/2010	Conversion of options @ 35p per share	101,140	1	52
26/5/2010	Placement at 100p per share (cash)	16,087,700	236	23,353
26/5/2010	Share issue costs	-	-	(256)
30/06/2010	Closing balance 30 June 2010	96,727,354	1,797	62,982
1/7/2010	Opening balance at 1 July 2010	96,727,354	1,797	62,982
12/1/2011	Conversion of options @ 50p per share	250,000	4	191
24/2/2011	Conversion of options @ 12p per share	1,200,000	20	214
17/5/2011	Conversion of options @ 35p per share	1,048,014	17	577
20/5/2011	Conversion of options @ 35p per share	1,009,086	16	557
9/5/2011	Conversion of options @ 12p per share	1,200,000	20	216
9/5/2011	Conversion of options @ 35p per share	140,914	2	78
1/6/2011	Placement at 40p per share (cash)	19,345,000	319	12,442
30/06/2011	Closing balance at 30 June 2011	120,920,368	2,195	77,257

Share premium

The share premium reserve amount arises from subscriptions for or issue of shares in excess of nominal value.

Other Reserves

Date	Details	Merger Reserve \$'000	Other Reserves		
			Foreign exchange reserve \$'000	Equity settled share options reserve \$'000	Total other reserves \$'000
1/07/2009	Opening balance at 1 July 2009	6,828	(667)	2,667	2,000
30/06/2010	Exchange differences on translation of foreign operations	-	322	-	322
30/06/2010	Recognition of share based payments	-	-	496	496
30/06/2010	Closing balance at 30 June 2010	6,828	(345)	3,163	2,818
1/7/2010	Opening balance at 1 July 2010	6,828	(345)	3,163	2,818
30/6/2011	Exchange differences on translation of foreign operations	-	630	-	630
30/6/2011	Recognition of share based payments	-	-	-	-
30/6/2011	Closing balance at 30 June 2011	6,828	285	3,163	3,448

The company other reserve is in relation to Equity settled share options and there has been no movement during the 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.

Foreign exchange reserve

The amount represents gains/losses arising from the translation of the financial statements of foreign operations the functional currency of which is different from the presentation currency of the Group. The reserve is dealt with in accordance with the accounting policy set out in note 1 to these financial statements.

Equity settled share options reserve

The amount relates to the fair value of the share options that have been expensed through the statement of comprehensive income less amounts, if any, that have been transferred to the retained earnings/deficit upon exercise.

Retained deficit

Retained deficit represents the cumulative net gains and losses recognised in the statement of comprehensive income less any amounts reflected directly in other reserves.

NOTE 20: SHARE BASED PAYMENTS

Share options

The Company has issued share options, some of which have vested immediately on grant and others with vesting periods. The options are not traded. Share options are exercisable for ordinary shares which rank equally with existing ordinary shares.

Exercise price	Grant date	Outstanding at start of year	Exercised during the year	Outstanding at end of year	Final exercise date
<u>2010</u>					
20p	15/04/2005	800,000	(800,000)	-	15/04/2010
35p	18/04/2006	427,286	(101,140)	326,146	18/04/2011
35p	23/05/2006	3,214,200	-	3,214,200	23/05/2011
12p	28/03/2007	6,800,000	(2,400,000)	4,400,000	28/03/2012
50p	17/12/2007	250,000	-	250,000	17/12/2012
60p	17/12/2007	250,000	-	250,000	17/12/2012
70p	17/12/2007	250,000	-	250,000	17/12/2012
80p	17/12/2007	250,000	-	250,000	17/12/2012
75p	9/05/2008	3,100,000	-	3,100,000	09/05/2013
Total		15,341,486	(3,301,140)	12,040,346	
<u>2011</u>					
35p	18/04/2006	326,146	(326,146)	-	18/04/2011
35p	23/05/2006	3,214,200	(3,214,200)	-	23/05/2011
12p	28/03/2007	4,400,000	(2,400,000)	2,000,000	28/03/2012
50p	17/12/2007	250,000	(250,000)	-	17/12/2012
60p	17/12/2007	250,000	-	250,000	17/12/2012
70p	17/12/2007	250,000	-	250,000	17/12/2012
80p	17/12/2007	250,000	-	250,000	17/12/2012
75p	9/05/2008	3,100,000	-	3,100,000	09/05/2013
Total		12,040,346	(6,190,346)	5,850,000	

On 19 August 2011, the company issued 5,950,000 50p share options to Directors and management.

	Weighted average exercise price 2011	Number 2011	Weighted average exercise price 2010	Number 2010
Outstanding at beginning of the year	39p	12,040,346	34p	15,341,486
Exercised during the year	24p	(4,848,012)	15p	(3,301,140)
Expired during the year	35p	(1,342,334)	-	-
Outstanding at end of the year	53p	5,850,000	39p	12,040,346
Exercisable at the end of the year	53p	5,850,000	39p	12,040,346

The weighted average share price during the year was 67.82p (2010: 99.43p).

Fair value

The fair value of the share options granted has been derived using the Black Scholes model that takes into account factors such as the option life, the volatility of share price and expected early exercise of share options.

Volatility has been based on the following:

- The annualised volatility of the Company's shares since 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.

Equity settled share based payment expense

The share based payment for the year ended 30 June 2011 was \$nil (2010: \$496,117).

NOTE 21: NOTES TO THE CASH FLOW STATEMENT

	Consolidated		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Reconciliation of (loss) after tax to cash from operating activities				
(Loss) after tax	(38,279)	(6,676)	(51,086)	(2,672)
Share option expense	-	496	-	472
Depreciation expense	88	90	14	16
Impairment expense	27,897	1,565	47,341	-
Loss on exchange rates	289	58	220	47
Fair value gain on options held in associate	-	110	-	-
Impairment of related party receivable	1,196	-	-	-
Impairment on investment in associate	-	346	-	-
Deemed loss on disposal of associate	54	52	-	-
Finance income	(34)	(19)	(21)	(6)
Share of associate loss	483	374	-	-
VAT written off	482	-	-	-
Gain on fair value of investment	(772)	-	-	-
(Increase) / decrease in receivables	(394)	(440)	(97)	28
Increase in payables	550	311	420	182
Cash flow from operating activities	(8,440)	(3,733)	(3,209)	(1,933)

NOTE 22: FINANCIAL INSTRUMENTS**Significant accounting policies**

Details of the significant accounting policies in respect of financial instruments are disclosed in Note 1 of the financial statements.

Financial 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. No derivatives or hedges were entered into during the year.

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group and Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives regular reports from the Group Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

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

- Liquidity risk;

- Credit risk;
- Cashflow interest rate risk;
- Foreign exchange risk; and
- Price risk.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group and Company's competitiveness and flexibility. There have been no substantive changes in the Group and Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note. Further details regarding these policies are set out below:

Principal financial instruments

The principal financial instruments used by the Group and Company, from which financial instrument risk arises are as follows:

- Loans and receivables;
- Other receivables;
- Cash and cash equivalents;
- Available for sale financial instruments;
- Trade and other payables; and
- Loans and borrowings.

Categories of financial assets

	Consolidated		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Current financial assets classified as loans and receivables				
Trade and other receivables	3,631	4,465	-	4
Cash and cash equivalents	22,385	22,879	22,062	21,595
Total current financial assets	26,016	27,344	22,062	21,599
Non-current financial assets classified as loans and receivables				
Intergroup receivables	-	-	41,809	31,017
Impairment for non-recovery	-	-	(41,454)	-
Non-current financial assets classified as available for sale				
Other financial assets	4,370	-	-	-
Total non-current financial assets	4,370	-	355	31,017
Total financial assets	30,386	27,344	22,417	52,616

The Group was exposed to movements in the fair value of its ASX-listed shares in Spitfire Resources Limited which at the 30 June 2011 is held as an available for sale asset with its fair value determined by its share price at 30 June 2011. The available for sale asset was measured in accordance with level 1 in the fair value hierarchy.

Categories of financial liabilities

	Consolidated		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Current financial liabilities measured at amortised cost				
Trade and other payables	1,628	1,105	732	320
Loans and borrowings	3,456	3,303	-	-
Total current financial liabilities	5,084	4,408	732	320
Total financial liabilities	5,084	4,408	732	320

At the year end, the Group had a cash balance of US\$22,384,756 (2010: US\$22,879,118) which was made up as follows:

	Consolidated		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Great British Pound	12,804	484	12,804	484
United States Dollar	8,834	20,504	8,576	20,263
Australian Dollar	687	854	682	848
Indonesian Rupiah	60	1,037	-	-
	22,385	22,879	22,062	21,595

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

The Group and Company received interest for the year as follows:

	Consolidated		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Interest from bank deposits	34	19	21	7
Total interest from bank deposits	34	19	21	7

Liquidity Risk

The Group's and Company's policy is to ensure that it has sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain readily available cash balances to meet expected requirements for a period of at least 60 days. The Group currently has no long term borrowings.

Cash forecasts identifying the liquidity requirements of the Group and Company are produced frequently. These are reviewed regularly by management and the Board to ensure that sufficient financial headroom exists for at least a 12 month period.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

Consolidated	Carrying amount	Contractual cash	6 months or less	Greater than 6
2011	\$'000	flows	\$'000	months
		\$'000		\$'000
Current financial liabilities				
Trade and other payables	1,628	1,628	1,628	-
Loans and borrowings	3,456	3,456	3,456	-
	5,084	5,084	5,084	-

Company	Carrying amount	Contractual cash	6 months or less	Greater than 6
2011	\$'000	flows	\$'000	months
		\$'000		\$'000
Current financial liabilities				
Trade and other payables	732	732	732	-
	732	732	732	-

Consolidated	Carrying amount	Contractual cash	6 months or less	Greater than 6
2010	\$'000	flows	\$'000	months
		\$'000		\$'000
Current financial liabilities				
Trade and other payables	1,105	1,105	1,105	-
Loans and borrowings	3,303	3,303	3,303	-
	4,408	4,408	4,408	-

Company	Carrying amount	Contractual cash	6 months or less	Greater than 6
2010	\$'000	flows	\$'000	months
		\$'000		\$'000
Current financial liabilities				
Trade and other payables	320	320	320	-
	320	320	320	-

Credit Risk

Credit risk arises principally from the Group's other receivables and investments in cash deposits. It is the risk that the counterparty fails to discharge its obligations in respect of the instrument.

The Group holds its cash balances across several bank accounts. The Groups seeks to deposit its cash with reputable financial institutions with strong credit ratings.

The Group and Company's maximum exposure to credit risk by class of individual financial instrument is shown in the table below:

Consolidated	2011		2010	
	Carrying value	Maximum exposure	Carrying value	Maximum exposure
	\$'000	\$'000	\$'000	\$'000
Current assets				
Cash and cash equivalents	22,385	22,385	22,879	22,879
Other receivables	3,631	3,631	4,465	4,465
	26,016	26,016	27,344	27,344

As at 30 June 2011 the amount of US\$4.65 million is receivable from members of the Ridlatama Group and US\$3.46 million is payable to members of the Ridlatama Group. The Group has recognised an impairment of the difference of US\$1.19 million.

Company	2011		2010	
	Carrying value	Maximum exposure	Carrying value	Maximum exposure
	\$'000	\$'000	\$'000	\$'000
Current assets				
Cash and cash equivalents	22,062	22,062	21,595	21,595
Other receivables	-	-	4	4
Non – current assets				
Loans to subsidiaries	41,809	41,809	31,017	31,017
Impairment for non-recovery	(41,454)	(41,454)	-	-
	22,417	22,417	52,616	52,616

Cash Flow Interest Rate Risk

The Group and Company is exposed to cash flow interest rate risk from its deposits of cash and cash equivalents with banks. The cash balances maintained by the Group and Company are proactively managed in order to ensure that the maximum level of interest is received for the available funds but without affecting the working capital flexibility the Group and Company require.

The Group and Company is not at present exposed to cash flow interest rate risk on borrowings as they are not interest bearing. No subsidiary company of the Group is permitted to enter into any borrowing facility or lease agreement without prior consent of the Company.

Interest rates on financial assets and liabilities

The Group and Company's financial assets consist of cash and cash equivalents, loans, listed investments and other receivables. The interest rate profile at 30 June 2011 of these assets was as follows:

	Floating interest rate	Fixed interest maturing in 1 year or less	Fixed interest maturing over 1 to 5 years	Non-interest bearing	Total
Consolidated 2011	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets					
Great British Pound	12,805	-	-	-	12,805
Australian Dollar	14	672	-	-	686
United States Dollar	40	8,794	-	175	9,009
Indonesian Rupiah	60	-	-	3,456	3,516
	12,919	9,466	-	3,631	26,016
Weighted average interest rate	0%	0.47%			
Financial liabilities					
Great British Pound	-	-	-	401	401
Australian Dollar	-	-	-	88	88
United States Dollar	-	-	-	350	350
Indonesian Rupiah	-	-	-	4,245	4,245
	-	-	-	5,084	5,084

	Floating interest rate	Fixed interest maturing in 1 year or less	Fixed interest maturing over 1 to 5 years	Non-interest bearing loan	Total
Company 2011	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets					
Great British Pound	12,805	-	-	-	12,805
Australian Dollar	9	672	-	-	681
United States Dollar	-	8,576	-	41,809	50,385
Impairment for non-recovery	-	-	-	(41,454)	(41,454)
	12,814	9,248	-	355	22,417
Weighted average interest rate	0%	0.39%			
Financial liabilities					
Great British Pound	-	-	-	401	401
Australian Dollar	-	-	-	88	88
United States Dollar	-	-	-	243	243

	-	-	-	732	732
--	---	---	---	-----	-----

Consolidated 2010	Floating interest rate \$'000	Fixed interest maturing in 1 year or less \$'000	Fixed interest maturing over 1 to 5 years \$'000	Non- interest bearing \$'000	Total \$'000
Financial assets					
Great British Pound	450	-	-	-	450
Australian Dollar	48	806	-	-	854
United States Dollar	-	20,489	-	187	20,676
Indonesian Rupiah	929	-	-	4,435	5,364
	1,427	21,295	-	4,622	27,344
Weighted average interest rate	0.01%	0.09%			
Financial liabilities					
Great British Pound	-	-	-	142	142
Australian Dollar	-	-	-	153	153
United States Dollar	-	-	-	674	674
Indonesian Rupiah	-	-	-	3,439	3,439
	-	-	-	4,408	4,408
Weighted average interest rate	-	-			

Company 2010	Floating interest rate \$'000	Fixed interest maturing in 1 year or less \$'000	Fixed interest maturing over 1 to 5 years \$'000	Non-interest bearing loan \$'000	Total \$'000
Financial assets					
Great British Pound	484	-	-	-	484
Australian Dollar	47	806	-	-	853
United States Dollar	-	20,262	-	31,017	51,279
	531	21,068	-	31,017	52,616
Weighted average interest rate	0.04%	0.03%			
Financial liabilities					
Great British Pound	-	-	-	142	142
Australian Dollar	-	-	-	153	153

United States Dollar	-	-	-	25	25
	-	-	-	320	320

Sensitivity Analysis

Interest Rate Risk

The Group and Company have performed sensitivity analysis relating to its exposure to their interest rate risk at reporting date. The sensitivity analysis demonstrates the effect on the current financial year results and equity which could result from a change in these risks.

Interest Rate Sensitivity Analysis

At 30 June 2011, the effect on loss and equity as a result of changes in the interest rate, with all other variables remaining constant, would be as follows:

	Consolidated		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Change in profit				
- Increase in interest rate by 1%	95	231	94	218
- Decrease in interest rate by 1%	(34)	(19)	(21)	(6)
Change in equity				
- Increase in interest rate by 1%	95	231	94	218
- Decrease in interest rate by 1%	(34)	(19)	(21)	(6)

The comparative amounts for 2010 have been restated this financial year.

Net Fair Value

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

Consolidated	2011		2010	
	Carrying Amount \$'000	Net Fair Value \$'000	Carrying Amount \$'000	Net Fair Value \$'000
Financial assets				
Cash and cash equivalents	22,385	22,385	22,879	22,879
Other receivables	3,631	3,631	4,465	4,465
Other financial assets	4,370	4,370	-	-
	30,386	30,386	27,344	27,344
Financial liabilities				

Trade and other payables	1,628	1,628	1,105	1,105
Financial liabilities	3,456	3,456	3,303	3,303
	5,084	5,084	4,408	4,408

Company	2011		2010	
	Carrying Amount \$'000	Net Fair Value \$'000	Carrying Amount \$'000	Net Fair Value \$'000
Financial assets				
Current assets				
Cash and cash equivalents	22,062	22,062	21,595	21,595
Other receivables	-	-	4	4
Non currents assets				
Loans to subsidiaries	41,809	41,809	31,017	31,017
Impairment for non-recovery	(41,454)	(41,454)	-	-
	22,417	22,417	52,616	52,616
Financial liabilities				
Trade and other payables	732	732	320	320
	732	732	320	320

Foreign Exchange Risk

The Group has overseas subsidiaries, in Australia, Singapore, Luxemburg and Indonesia, whose expenses are mainly denominated in US dollars with some expenses in Australian Dollars, Singapore Dollars, Euro and Indonesian Rupiah respectively. The Company's functional currency is US Dollars, but the Company incurs some expenses in British Pounds. Foreign exchange risk is inherent in the Group's activities and is accepted as such. The Group mitigates foreign exchange risk by transferring appropriate amounts to match the budgeted spend in each currency. No formal arrangements 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 considers entering into commercial production, hedging may be considered. It is the Group's policy to ensure that individual Group entities enter into local transactions in their functional currency wherever possible. The Group considers this policy minimises any unnecessary foreign exchange exposure.

In order to monitor the continuing effectiveness of this policy, the Board through their approval of both corporate and capital expenditure budgets, and review of the currency profile of cash balances and management accounts, considers the effectiveness of the policy on an ongoing basis.

The following table discloses the exchange rates of the major currencies utilised by the Group:

	Pounds Sterling	Australian Dollar	Indonesian Rupiah
Foreign currency units to US \$1			

Average for 2010/2011	0.6291	1.0151	8,919
At 30 June 2011	0.6242	0.9436	8,610
Average for 2009/2010	0.6335	1.1365	9,480
At 30 June 2010	0.6635	1.1673	9,091

Currency exposures & Sensitivity analysis

The monetary assets and liabilities of the Group that are not denominated in US dollars and therefore exposed to currency fluctuations are shown below. The amounts shown represent the US dollars equivalent of local currency balances.

	Australian Dollar \$'000	Pound Sterling \$'000	Indonesian Rupiah \$'000	Total \$'000
US Dollar equivalent of exposed net monetary assets and liabilities				
At 30 June 2011	4,979	13,322	(591)	17,711
At 30 June 2010	2,674	508	2,779	5,961

A 10% strengthening of the US dollar against the Australian dollar at 30 June would have reduced profit by \$24,275 (2010: \$88,960) and reduced equity by \$482,452 (2010: \$121,182). This analysis assumed that all other variables, in particular interest rates, remain constant.

A 10% weakening of the US dollar against the above currency at 30 June would have had approximately the equivalent but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Capital

The objective of the Directors is to maximise Shareholder returns and minimise risks by keeping a reasonable balance between debt and equity. To date the Group has minimised risk by being mainly equity financed.

In managing their capital, the Group and Company's primary objective is to ensure their ability to provide a sufficient return for their equity Shareholders, principally through capital growth. In order to achieve and seek to maximise this return objective, the Group and Company will in the future seek to maintain a gearing ratio that balances risks and returns at an acceptable level while also maintaining a sufficient funding base to enable the Group and Company to meet their working capital and strategic investment needs.

In making decisions to adjust their capital structure to achieve these aims, either through new share issues, increases or reductions in debt, or altering a dividend or share buyback policies, the Group considers not only its short term position but also its medium and longer term operational and strategic objectives.

Price Risk

Price risk relates to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices largely due to demand and supply factors for commodities. The Group is currently involved in the exploration for coal and should economic resources be delineated then the Group will be exposed to the particular commodity price risk. There are no hedges in place at reporting date.

NOTE 23: RELATED PARTY TRANSACTIONS

The Group had the following material transactions (excluding Directors' salaries, fees and share options – Refer to note 10 in Director's Report) with related parties during the year ending 30 June 2011.

- a) Mr Paul Mazak was a Director of the Company up to the 21 March 2011. Up until that date, the Group paid Direct Invest Group Limited \$491,632 (2010: \$576,081) for the consultancy services of Mr Paul Mazak. The amount of \$38,513 was owing to Direct Invest Group Limited as at 30 June 2011 (2010: \$40,810). These amounts have been included with Director's remuneration disclosed in note 4.
- b) During the year, the Group paid Borden Holdings Pty Ltd \$304,633 (2010: \$93,979) for the consultancy services of Mr David Quinlivan who is a Director of the Company and took over as Executive Chairman following the resignation of Mr Paul Mazak. The amount of \$55,125 was owing to Borden Holdings Pty Ltd as at 30 June 2011 (2010: Nil). These amounts have been included with Director's remuneration disclosed in note 4.
- c) In May 2011, the Company entered into an extension of a lease agreement with Borden Holdings Pty Ltd, a related party of Mr David Quinlivan who is a Director of the Company. The lease is for the office at Suite 1, 346 Barker Road, Subiaco, Western Australia. The lease is for a period of two years with two further options of two years. The terms of the lease were reviewed and approved by the independent Directors. The amount paid for the year ending 30 June 2011 was \$44,331 (2010: \$58,447).
- d) During the year the Group paid Pala Investments AG ("Pala") \$326,941 (2010: \$228,323) for consultancy services and expenses. The Pala group is the major shareholder of Churchill Mining Plc (26.04%). The terms of the advisory agreement were reviewed and approved by the independent Directors. The amount of \$51,941 was owing to Pala at 30 June 2011 (2010: \$25,000).
- e) As at 30 June 2011 US\$2,326,393 was receivable from and US\$ 1,827,963 was payable to Ms Florita who is the partner of Mr Anang Mudjiantoro. Both Ms Florita and Mr Mudjiantoro are related parties of Churchill by way of their Directorships in Indonesian subsidiary companies. These amounts remain outstanding at 30 June 2011.

As at 30 June 2011 US\$2,326,393 was receivable from and US\$ 1,628,475 was payable to Ms Ani Setiawan who is the partner of Mr Andreas Rinaldi who has acted as an executive and consultant to PT Indonesia Coal Development. Ms Ani Setiawan is a related party of Churchill as she holds the position of Commissioner with some of the Indonesian subsidiary companies.

These amounts remain outstanding at 30 June 2011.

In addition to the above US\$3.46 million is payable to members of the Ridlatama Group. The Group has recognised an impairment of the difference between the receivable and the payable of US\$1.19 million.

- f) During the year the Group paid PT Trisenergy Global Resources \$438,700 (2010: \$580,801), PT Andarus Jaya Mandiri \$244,170 (2010:\$234,731), PT Ridlatama Mining Utama \$276,752 (2010: \$194,646, PT Minitama Indo Persada \$613,434, PT Bahtera Beyond Construction \$350,666 and PT Bahtera Global Resources \$123,087 for consultancy fees and technical assistance with the East Kutai Coal Project. Mr Anang Mujiantoro, a related party of the group, is a Director of the above Companies. There were no amounts outstanding at 30 June 2011.

The Key Management personnel disclosures are included in Note 4 to the financial statements.

NOTE 24: CONTINGENCIES

In April 2008 PT Indonesia Coal Development acquired a 75% interest in two new licenses as an extension to the East Kutai Coal Project. As part of the purchase price, the parent company Churchill Mining Plc is obliged to issue 2 million shares in Churchill Mining Plc to the vendors of the project upon the delineation of a minimum JORC compliant resource of 100Mt of measured coal resource in the newly acquired extension licences.

As at the date of this Report, the Company has not yet reached the 100Mt measured resources in these licenses and the share issue by Churchill has not yet occurred. Should the Company reach the target and assuming a Churchill share price at 30 June 2011 of 40.25p (\$0.61), (30 June 2010: £1.02p (\$1.62) then the value of the share issue by the Parent Company would have been approximately US \$1,361,500 (2010: US\$3,420,000). No amount has been recognised in these financial statements during the period.

NOTE 25: EVENTS AFTER THE REPORTING PERIOD

On 4 July 2011, the Company announced that its Indonesian subsidiary PT Indonesia Coal Development ("ICD") had delivered a notice of dispute to its Indonesian minority partner, the Ridlatama Group, as well as several related individuals, in relation to the East Kutai Coal Project. ICD has also commenced arbitration proceedings in Singapore against other members of the Ridlatama Group who are parties to the investor's agreements, under the rules of the International Chamber of Commerce, for their alleged breaches of the investor's agreements.

On 19 August 2011 the Company was advised that the appeal to the Administrative High Court in Jakarta had been dismissed and the Court agreed wholly with the legal considerations and findings of the Administrative Tribunal in Samarinda. The appeal was launched to overturn the decision by the Administrative Tribunal in Samarinda, East Kalimantan in relation to the revocation of the four mining licenses that comprise the East Kutai Coal Project. The Company moved to lodge a notice of appeal to the Supreme Court of Indonesia on 15 September 2011 and subsequently prepared and filed Memoranda of appeal on the 26 September 2011. Refer to Note 1 for further details.

On 19 August 2011, the Company announced that it granted 5,950,000 share options to directors, consultants and key management. The options are exercisable at a price of 50p per share up until 18 August 2016 and will vest on 1 January 2012. Subsequently 150,000 share options issued to management have lapsed.