



2010

ANNUAL REPORT

Incorporated in England and Wales with Registered Number 5275606

CORPORATE DIRECTORY

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Faroek Basrewan
Jan A Castro

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TPH STACKER/RECLAIMER

BREAKING NEWS:

September 2010

Feasibility Study Completed

NPV \$1.8 billion, 21% IRR, payback 7 years

OPERATIONAL

East Kutai Coal Project ("EKCP") (75%) Indonesia

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

South Woodie Woodie Manganese (20%) Australia

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

Corporate

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

Financial

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





EKCP JORC Resource in tonnes

2.7 billion tonnes

EKCP JORC Probable In-Situ Reserve in tonnes

961 million tonnes

Capital successfully raised

\$24.3 million

CHAIRMAN'S STATEMENT



Dear Shareholder,

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

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

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

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

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

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

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

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





The highlight of the year has undoubtedly been the completion of the East Kutai Coal Project (EKCP) Feasibility Study which confirmed the technical and economic feasibility of the project...

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

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

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

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



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

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

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

David Quinlivan
Chairman | Churchill Mining Plc

REVIEW OF OPERATIONS AND FINANCE



COMPANY HISTORY AND STRATEGY

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

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



EAST KUTAI COAL PROJECT – YEAR IN REVIEW

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

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

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

The development of the EKCP resource is timed to coincide with the increase in coal requirements from rapidly growing Asian markets, in particular India where huge increases in thermal coal demand have been widely publicised. The EKCP Base Case has been recognised as 30 Mtpa – a production rate that is easily sustainable for a minimum

of 25 years of minable life from the known JORC compliant Probable In-Situ reserve of 961 million tonnes, which forms part of the 2.73 billion tonnes JORC resource.

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

a) Upgrade of Resources and Reserves

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

JORC In-Situ Reserve	961 million tonnes
JORC Resource	
Measured	693 million tonnes
Indicated	825 million tonnes
Inferred	1,212 million tonnes
Total JORC Resource	2,730 million tonnes

b) Direct Ownership under the new Indonesian Mining Law

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

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

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

c) Mining Permits

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

d) Design and Engineering of the EKCP

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

e) Capital Raising

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

f) Memorandum of Understanding with PLN subsidiary

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

REVIEW OF OPERATIONS AND FINANCE

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

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

g) **Appointment of Strategic Advisor**

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

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

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

h) **Indonesian Advisory Board**

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

FEASIBILITY STUDY – COMPLETION

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

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



ONGOING EKCP WORK

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

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

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

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

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

PROJECT FINANCING OPTIONS

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

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

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

CHURCHILL'S OTHER ASSETS

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

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

REVIEW OF OPERATIONS AND FINANCE

CORPORATE

Financial Summary

Results of Operations

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

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

Significant expenditure items during the period include:

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

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

Selected Annual Information

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

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

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

Liquidity & Capital

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

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

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

Paul G Mazak
Managing Director | Churchill Mining Plc

COMPETENT PERSON'S STATEMENT

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

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



BOARD OF DIRECTORS



DAVID F QUINLIVAN (AGED 55)
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 development from grass roots exploration through to bankable feasibility reviews and detailed mining programmes. He is currently Chief Executive Officer of Mt Gibson Mining Limited – a mid-tier iron ore producer in Australia.

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



PAUL G MAZAK (AGED 52)
Managing Director

Mr. Mazak is a business development specialist and Managing Director of Hastings and Associates Pty Ltd for the past 21 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 for the coal and gas assets in Indonesia for the Company. In 2007, Mr. Mazak relocated to Jakarta to manage the business and projects of Churchill Mining in Indonesia.



FAROEK BASREWAN (AGED 65)
Non Executive Director

Mr Basrewan specialises in dealing with the various levels of Indonesian central, provincial and local government. A graduate in law from the 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.



JAN A CASTRO (AGED 42)
Non Executive Director

Mr. Castro is the Managing Director of Pala Investments AG, the exclusive advisor to a US\$1.0 billion investment company focused on the mining and natural resources sector. As a long-term partner, Pala leverages its extensive mining and natural resources sector experience to provide strategic advice and innovative financing solutions.

Prior to founding Pala in July 2006, Mr. Castro was Senior Vice President of Investments and Corporate Affairs for Mechel OAO, a NYSE-listed company and one of Russia's largest coal companies, where his primary responsibilities covered mergers and acquisitions, non-core asset disposals and investor and public relations. He was also responsible for Mechel's IPO in 2004.

Mr. Castro received his J.D. and B.A. from Columbia University.

DIRECTORS' REPORT

The Directors are pleased to present their Report and the audited consolidated financial statements of the Company and its subsidiaries for the year ended 30 June 2010.

1. PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the Group during the year were to continue to develop the Indonesian coal assets being the East Kutai Coal Project ("EKCP") and to acquire further projects and investments in the mining sector. The EKCP continues to be Churchill's flagship project and has been the focus of most of the operations during the year.

The information that fulfils the requirements of the business review can be found in the Chairman's Statement and the Operating Review, which are incorporated into this Report. These statements provide an analysis of the development and future of the Company. Principle risks and uncertainties are detailed in point 13 on page 22.

2. RESULTS AND DIVIDENDS

Loss of the Group after taxation amounted to US\$6,676,166 (2009 Loss: US\$14,089,527).

The Directors do not recommend the payment of a dividend (2009: \$nil).

3. FINANCIAL INSTRUMENTS

Details of the use of financial instruments by the Company and its subsidiary undertakings are contained in Note 23 of the financial statements, together with an indication of the risks that the Group is exposed to and the risk management objectives that are in place.

4. EMPLOYMENT PRACTICES

The Group and Company are equal opportunity employers, with recruitment, remuneration and career progression not influenced by race, gender, marital status or disability. The Group and Company promote workforce diversity and have a subsidiary in Indonesia which is staffed by mainly local Indonesian employees.

5. HEALTH, SAFETY AND ENVIRONMENT

The Group and Company are committed to effective Health, Safety and Environment practices, which benefit its employees, contractors and the community within which the Group conducts its operations.

6. DONATIONS

During the current year there were donations for community development made to the value of \$66,419 (2009: nil).

7. KEY PERFORMANCE INDICATORS

The Group's key financial performance indicators are designed to achieve the maximisation of mineral resources and minimisation of operational and administration expenses. The Directors regularly monitor available cash flow to meet administration and project pre-development activity. The key financial performance indicator for a Company in pre-development is to ensure sufficient funding is available to develop its assets to be in a position to maximise value for its Shareholders. During the year the Company placed 16,087,700 new ordinary shares at 100p per share with institutional investors raising US\$24.3 million.

Its key non-financial performance indicators are designed to achieve the optimum deployment of its existing resources to achieve the maximum mineral resource and reserve targets. The targets for the Group were to reach a JORC Resource of over 500 million tonnes of Coal and a JORC Reserve of 100 million tonnes of Coal which it has exceeded. As detailed in the Review of Operations Report, the Company has achieved a global resources figure of 2.7 billion tonnes of which 961 million tonnes has been classified as probable In-Situ reserves.

During the year the Company committed to a Feasibility Review on the EKCP which was announced to the market on 23 September 2010.

At 30 June 2010 the undiluted market capitalisation of the Company was \$98,661,901 compared to the prior year of \$41,464,163.

Further analysis in relation to the key performance indicators for resources and reserve targets are included in the Chairman's Statement and the "Year in Review" in the Review of Operations and Finance.

8. 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%)
• Indonesia Coal Trading Pte Ltd	Singapore	(100%)
• Churchill Mining Pte Ltd	Singapore	(100%)
• Indonesia Coal Investments No1 Pte Ltd	Singapore	(100%)
• Indonesia Coal Investments No2 Pte Ltd	Singapore	(100%)
• PT Techno Coal Utama Prima	Indonesia	(99.01%)
• PT Ridlatama Tambang Mineral	Indonesia	(75%)
• PT Ridlatama Trade Powerindo	Indonesia	(75%)
• PT Ridlatama Steel	Indonesia	(75%)
• PT Ridlatama Power	Indonesia	(75%)

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

9. 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.

10. DIRECTORS

The following have been Directors of the Company since the start of or during the financial year ended 30 June 2010:

David F Quinlivan Paul G Mazak Faroek Basrewan Jan Castro

Directors' Interests in Shares and Options

The following tables show the beneficial interests of the Directors who held office at the end of the year in the ordinary shares of the Company.

Ordinary shares	Shares held at 1 July 2008	Additions/ Disposals	Shares held at 30 June 2009	Additions/ Disposals	Shares held at 30 June 2010
Paul G Mazak	550,000	-	550,000	-	550,000
David F Quinlivan	602,952	-	602,952	201,140	804,092
Faroek Basrewan	-	-	-	-	-
Jan A Castro*	-	-	-	-	-

* Mr Jan Castro is the Managing Director of Pala Investments AG who is the exclusive advisor to Pala Investment Holdings Limited which holds 31,018,302 (2009: 22,706,326) shares in the Company (32.07%) (2009: 29.36%).

DIRECTORS' REPORT

The following table shows the beneficial interest of the Directors who held office at the end of the year in share options.

Share Options 2010	Options held at 1 July 2009	Date of grant	Exercised/ Sold during the year	Balance at 30 June 2010	Option exercise price	Expiry date
David F Quinlivan	100,000	15 April 2005	(100,000)	-	20p (\$0.30)	15 April 2010
	101,140	18 April 2006	(101,140)	-	35p (\$0.53)	18 April 2011
	650,000	23 May 2006	-	650,000	35p (\$0.53)	23 May 2011
	1,200,000	28 March 2007	-	1,200,000	12p (\$0.18)	28 March 2012
	450,000	9 May 2008	-	450,000	75p (\$1.13)	9 May 2013
Paul G Mazak	300,000	15 April 2005	(300,000)	-	20p (\$0.30)	15 April 2010
	140,914	18 April 2006	-	140,914	35p (\$0.53)	18 April 2011
	1,157,100	23 May 2006	-	1,157,100	35p (\$0.53)	23 May 2011
	2,400,000	28 March 2007	(1,200,000)	1,200,000	12p (\$0.18)	28 March 2012
	1,150,000	9 May 2008	-	1,150,000	75p (\$1.13)	9 May 2013
Faroek Basrewan	450,000	9 May 2008	-	450,000	75p (\$1.13)	9 May 2013
Jan A Castro*	-	-	-	-	-	-
Total	8,099,154		(1,701,140)	6,398,014		

* Mr Jan Castro is the Managing Director of Pala Investments AG who is the exclusive advisor to Pala Investment Holdings Limited which holds the following options:

- 140,914 35p options expiring on 18 April 2011
- 359,086 35p options expiring 23 May 2011



Share Options 2009	Options held at 1 July 2008	Date of grant	Options expired/ lapsed during the year	Balance at 30 June 2009	Option exercise price	Expiry date
David F Quinlivan	100,000	15 April 2005	-	100,000	20p (\$0.30)	15 April 2010
	101,140	18 April 2006	-	101,140	35p (\$0.53)	18 April 2011
	650,000	23 May 2006	-	650,000	35p (\$0.53)	23 May 2011
	1,200,000	28 March 2007	-	1,200,000	12p (\$0.18)	28 March 2012
	450,000	9 May 2008	-	450,000	75p (\$1.13)	9 May 2013
Paul G Mazak	300,000	15 April 2005	-	300,000	20p (\$0.30)	15 April 2010
	140,914	18 April 2006	-	140,914	35p (\$0.53)	18 April 2011
	1,157,100	23 May 2006	-	1,157,100	35p (\$0.53)	23 May 2011
	2,400,000	28 March 2007	-	2,400,000	12p (\$0.18)	28 March 2012
	1,150,000	9 May 2008	-	1,150,000	75p (\$1.13)	9 May 2013
Faroek Basrewan	450,000	9 May 2008	-	450,000	75p (\$1.13)	9 May 2013
Total	8,099,154		-	8,099,154		

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



DIRECTORS' REPORT

Directors' Remuneration and Other Interests

The aggregate remuneration of the Directors of the Company was as follows:

	2010 \$000	2009 \$000
Directors' Fees	113	115
Consultancy Fees	753	559
Bonus	92	69
Benefits in kind	22	22
	980	765
Share based payments expensed during year	328	495
	1,308	1,260
Average number of Directors during the year	4	4

The following table shows the Directors who served during the year together with an analysis of their remuneration:

2010	Directors' Fees \$000	Consultancy Fees \$000	Bonus \$000	Benefits in kind \$000	Total \$000
Executive Directors					
Paul G Mazak	25	484	92	22	623
Non Executive Directors					
David F Quinlivan	32	94	-	-	126
Faroek Basrewan	35	175	-	-	210
Jan A Castro	21	-	-	-	21
	113	753	92	22	980

On 5 November 2009 Mr Paul Mazak sold 300,000 20p and 1,200,000 12p share options to Pala Investments Limited. The approximate aggregate gain made on the sale by Mr Mazak was \$2.131 million. The share options were subsequently exercised by Pala Investments Limited into fully paid ordinary shares.

On 31 March 2010 Mr David Quinlivan exercised 100,000 20p and 101,140 35p share options and retains the 201,140 underlying ordinary shares. Using the prevailing share price on the day of exercise the unrealised gain by Mr Quinlivan is approximately \$247,867.



2009	Directors' Fees \$000	Consultancy Fees \$000	Bonus \$000	Benefits in kind \$000	Total \$000
Executive Directors					
Paul G Mazak	24	411	69	22	526
Non Executive Directors					
David F Quinlivan	36	17	-	-	53
Faroek Basrewan	30	42	-	-	72
James Hamilton	18	89	-	-	107
Jan A Castro	7	-	-	-	7
	115	559	69	22	765



DIRECTORS' REPORT

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.

11. 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.

12. SUPPLIER PAYMENT POLICY

The Group and 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 Payables of the Group at 30 June 2010 represent 22 days purchases (2009: 19 days).

13. PRINCIPAL RISKS & UNCERTAINTIES

There are risks associated with the exploration and mining industry. The Board regularly reviews the risks to which the Group is exposed and endeavours 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 technical risks, which even a combination of careful evaluation and knowledge may not eliminate;
- There can be no assurance that the Group's projects will be fully developed in accordance with the current plans. Future development work and financial returns arising may be adversely affected by factors outside the control of the Group;

- 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 endeavours to make what it considers to be prudent assumptions for all relevant commodity project investment decisions; and
- The Group has operations in Indonesia where there may be a number of associated risks over which it will have no control. Potential risks in Indonesia could include economic, social or political instability, terrorism, currency instability, government participation, taxation and exploration licensing and some or all of the exploration and exploitation licences issued in respect of the Group's projects may be subject to conditions which, if not satisfied, may lead to revocation of such licences, or possible change in license conditions.

14. DIRECTORS' INDEMNITY PROVISIONS

All of the current Directors benefited from qualifying third party indemnity insurance at a cost of \$26,821 (2009: \$25,932) in place during the year ended 30 June 2010 and as at the date of approval of the financial statements.

15. POST REPORTING DATE EVENTS

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

On 23 September 2010 the Company announced the 30 million tonnes per annum East Kutai Coal Project Feasibility Study returns pre-tax NPV of US\$1.8 billion.

16. 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.

17. AUDITORS

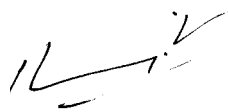
BDO LLP has indicated its willingness to accept appointment as auditor of the Group for the year ending 30 June 2011. A resolution proposing their reappointment is contained in the Notice of Annual General Meeting and will be put to the Shareholders at the Annual General Meeting.

18. 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:

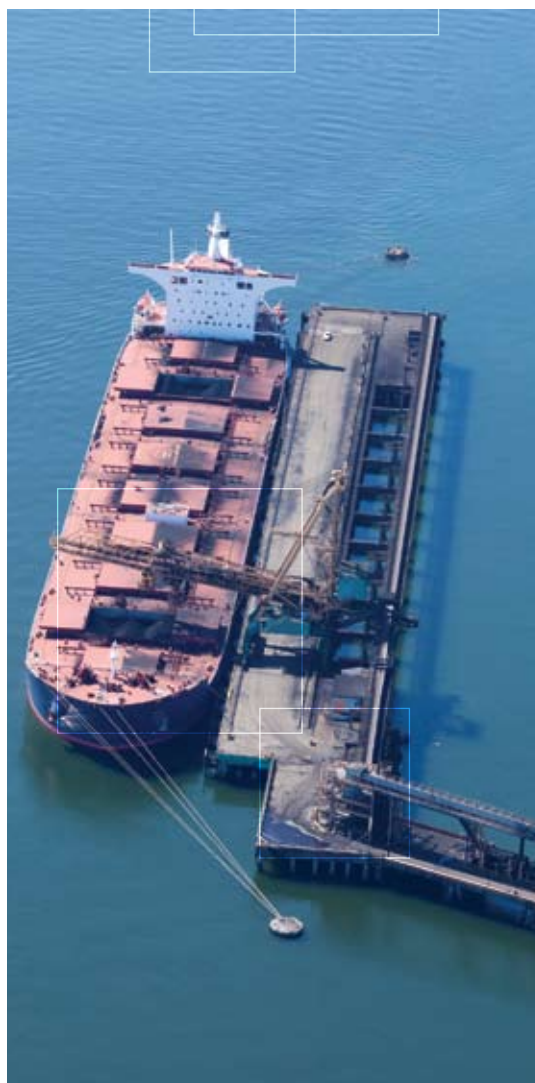
- So far as the Directors are aware, there is no relevant information of which the Company's Auditors are unaware; and
- They have taken all the steps that ought to have been taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

By Order of the Board



Paul G Mazak
Managing Director | Churchill Mining Plc

1 November 2010



CORPORATE GOVERNANCE STATEMENT

For the year ending 30 June 2010



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 Company has adopted a Corporate Governance Manual that details the Corporate Governance principles and practices in place.

The Board comprises the Non Executive Chairman, Managing Director, and two Non Executive Directors. 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. All of the Directors bring judgement to bear on issues affecting the Group and all have full and timely access to information necessary to enable them to discharge their duties.

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. The Company does not make any provision for training of new Directors as they are fully aware of the Company's activities.

Following changes arising under the *Companies Act 2006*, the Board has a process for reporting and managing any conflicts of interests held by Directors. Under the Company's articles of association, the Board has the authority to approve any potential conflicts.

BOARD MEETINGS

During the year ended 30 June 2010, eleven board meetings were held. The Directors who were members of the Board during the year attended all 11 meetings except Faroek Basrewan who attended nine.

A formal schedule of matters specifically reserved for the Board is in place. 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 or actual risk are only undertaken following their full evaluation by the Board. Matters of an operational nature are delegated to the Managing Director.

INTERNAL CONTROL & AUDIT

The Board is responsible for establishing and maintaining the Group's system of internal financial controls. Internal financial control systems have been designed to meet the needs of the Group at its current stage of development.

The Financial Controller and Chief Financial Officer with the support of the Company Secretary conduct an annual review of the internal controls and reports to the audit and risk committee. The Directors have reviewed the effectiveness of the procedures presently in place and consider that they are still appropriate for the nature and scale of the operations of the Group.

Due to the relatively small size of the Group's operations, it is not considered economically viable or necessary to employ Internal Auditors.

AUDIT AND RISK COMMITTEE

Chaired by David Quinlivan, the Committee comprises Mr Quinlivan and Mr Castro. 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.

The Committee 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 two independent Non Executive Directors and is chaired by David Quinlivan. The Committee's aim is to ensure that Executive Directors and key management 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 Director, setting his remuneration (which includes fees related to consulting agreements), 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) facilitates the publication of results and the posting of news regarding the Group and its developments.

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and have elected to prepare the Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that year. The Directors are also required to prepare financial

statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.


The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the *Companies Act 2006*. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

WEBSITE PUBLICATION

The Directors are responsible for ensuring the Annual Report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

INDEPENDENT AUDITOR'S REPORT

To the members of Churchill Mining PLC



We have audited the financial statements of Churchill Mining Plc for the year ended 30 June 2010 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Financial Position, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement of Cash Flows, and the related notes. The financial reporting framework that has been applied in the preparation of both the Group financial statements and the parent Company financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and applied in accordance with the provisions of the *Companies Act 2006*.

This Report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the *Companies Act 2006*. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this Report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent Company's affairs as at 30 June 2010 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Group financial statements have been prepared in accordance with the requirements of the *Companies Act 2006*;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the *Companies Act 2006*.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

we have nothing to report in respect of the following matters where the *Companies Act 2006* requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Anne Sayers

Senior Statutory Auditor

For and on behalf of BDO LLP,
Statutory Auditor

London
United Kingdom

1 November 2010

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2010

	Note	2010 \$'000	2009 \$'000
Revenue		-	-
Cost of Sales		-	-
Gross profit		-	-
Other operating income		-	-
Other administrative expenses		(4,187)	(3,544)
Impairment/expensing of exploration assets	12	(1,565)	(5,715)
Total administrative expenses	3	(5,752)	(9,259)
Loss from operations		(5,752)	(9,259)
Finance income – interest received	2	19	260
Finance income – foreign exchange gains	2	63	-
Total finance income		82	260
Finance expense – interest	3	(3)	(2)
Finance expense – foreign exchange losses	3	(130)	(3,534)
Total finance expense		(133)	(3,536)
Fair value loss on options held in associate		(101)	(624)
Impairment of investment in associate		(346)	(491)
Deemed loss on disposal of associate	8	(52)	(111)
Share of operating loss of associate	8	(374)	(329)
Loss before taxation		(6,676)	(14,090)
Tax expense	5	-	-
Loss for the year		(6,676)	(14,090)
Other comprehensive income:			
Foreign exchange differences on translating foreign operations		322	(919)
Other comprehensive income for the year		322	(919)
Total comprehensive loss for the year		(6,354)	(15,009)
Loss for the year attributable to:			
Owners of the parent		(6,676)	(14,090)
Non-controlling interest		-	-
		(6,676)	(14,090)
Total comprehensive loss for the year attributable to:		(6,676)	(14,090)
Owners of the parent		(6,354)	(15,009)
Non-controlling interest		-	-
		(6,354)	(15,009)
Loss per share attributable to owners of the parent:			
Basic and diluted loss per share (cents)	6	(8.25c)	(20.76c)

STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

Company number 5275606

	Note	Consolidated		Company	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
ASSETS					
Current assets					
Cash and cash equivalents		22,879	10,903	21,595	10,452
Other receivables	10	4,622	172	38	62
Total current assets		27,501	11,075	21,633	10,514
Non-current assets					
Property, plant and equipment	11	238	224	60	77
Other receivables	10	1,230	805	-	-
Intangible assets	12	22,450	15,422	220	220
Other financial assets	13	-	101	-	-
Investment in subsidiaries	14	-	-	39,111	28,082
Investment in associate	8	1,928	2,515	-	-
Total non-current assets		25,846	19,067	39,391	28,379
TOTAL ASSETS		53,347	30,142	61,024	38,893
LIABILITIES					
Current Liabilities					
Trade and other payables	16	1,105	581	320	138
Loans and borrowings	17	3,303	8	-	-
Total current liabilities		4,408	589	320	138
Non-current liabilities					
Provisions	18	42	27	-	-
Total non-current liabilities		42	27	-	-
TOTAL LIABILITIES		4,450	616	320	138
NET ASSETS		48,897	29,526	60,704	38,755
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY					
Share capital	20	1,797	1,507	1,797	1,507
Share premium	20	62,982	39,147	62,982	39,147
Merger reserve	20	6,828	6,828	6,828	6,828
Other reserves	20	2,818	2,000	3,163	2,667
Retained deficit		(26,632)	(19,956)	(14,066)	(11,394)
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		47,793	29,526	60,704	38,755
Non-controlling interest		1,104	-	-	-
TOTAL EQUITY		48,897	29,526	60,704	38,755

The financial statements were approved and authorised for issue by the Board of Directors on 1 November 2010 and were signed on its behalf by:

Paul G Mazak, Director.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2010

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

The accompanying notes form part of these financial statements.

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

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2010

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

NOTE 1: 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 2009 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.

Changes in accounting policies

The IFRS financial information has been drawn up on the basis of accounting standards, interpretations and amendments effective at the beginning of the accounting period. The IASB and IFRIC have issued the following standards and interpretations and amendments to existing standards and interpretations which were effective in the year but not relevant to the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

International Accounting Standards (IAS/IFRS)		Effective date (periods beginning on or after)
IAS 23	Amendment – Borrowing costs	1 Jan 2009
IFRS 2	Amendment – Share-based payment: vesting conditions and cancellations	1 Jan 2009
IAS 27	Amendment – Consolidated and separate financial statements	1 Jul 2009
IFRS 3	Revised – Business combinations	1 Jul 2009

New Standards effective in the year relevant to the Group:

International Accounting Standards (IAS/IFRS)		Effective date (periods beginning on or after)
IFRS 8	Operating Segments	1 Jan 2009
IAS 1	Amendment – Presentation of financial statements: a revised presentation	1 Jan 2009
IFRS 7	Amendment – Improving Disclosures about Financial Instruments Improvements to IFRSs (2009)	1 Jan 2009

The adoption of IFRS 8 and the amendment to IAS 1 and IFRS 7 affected the presentation and disclosure of the financial statements. The amendment to IAS 23 and IFRS 2 did not have any financial effect in the year however the accounting policies of the Group have been updated to reflect the required amendments. The revision to IFRS 3 would affect the presentation and disclosure of future business combinations completed in the year, the accounting policies have been updated to reflect the required change.

Standards, interpretations and amendments to published standards effective in the year but which are not relevant to the Group:

International Accounting Standards (IAS/IFRS)		Effective date (periods beginning on or after)
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	1 Oct 2008
IFRS 1 and IAS 27	Amendments – Cost of an Investment in a subsidiary, jointly controlled entity or associate	1 Jan 2009
IFRS 2	Amendment – Vesting conditions and cancellations	1 Jan 2009
IAS 32 and 1	Amendments – Puttable financial instruments and obligations arising on liquidation	1 Jan 2009
IFRIC 15	Agreements for the Construction of Real Estate	1 Jan 2009
IFRIC9 and IAS 39	Amendments – Embedded derivatives	30 Jun 2009
IAS 39	Amendment – Recognition and measurement: Eligible hedged items	1 Jul 2009
IFRIC 17	Distributions of Non-cash assets to owners	1 Jul 2009
IFRIC 18	Transfers of assets from customers	1 Jul 2009
IFRS 1	First-time adoption of international accounting standards	1 Jul 2009

Standards, interpretations and amendments, which are effective for reporting periods beginning after the date of these financial statements:

International Accounting Standards (IAS/IFRS)	Effective date (periods beginning on or after)
IFRS 1 Additional exemptions for first-time adopters	1 Jan 2010
IFRS 2 Amendment – Group cash-settled share based payment transactions	1 Jan 2010
Improvements to IFRSs (2009) generally	1 Jan 2010
IAS 32 Amendment – Classification of rights issues	1 Feb 2010
IFRIC19* Extinguishing financial liabilities with equity instruments	1 Apr 2010
IFRS 1 Amendment – First-time adopters of IFRS	1 Jul 2010
IAS24 Revised – Related party disclosures	1 Jan 2011
IFRIC 14 Amendment to IFRIC 14 – IAS 19 Limit on a defined benefit asset	1 Jan 2011
Minimum funding requirements and their interaction	
IFRS9* Financial instruments	1 Jan 2013
IFRS 7 Amendments to IFRS 7 – Enhancing disclosures about transfer of financial assets	1 Jul 2011

The above standards, interpretations and amendments will not significantly affect the Group's results or financial position. The adoption of IFRS 9 will eventually replace IAS 39 in its entirety and consequently may have a material effect on the presentation, classification, measurement and disclosures of the Group's financial instruments.

Items marked * had not yet been endorsed by the European Union at the date that these financial statements were approved and authorised for issue by the Board.

Significant Accounting Policies

Revenue

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

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

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 for the year between non-controlling interests and the equity Shareholders of the Company.

As a consolidated Group statement of comprehensive income is published, a statement of comprehensive income for the Parent Company is omitted from the Group financial statements by virtue of Section 408 of the Companies Act 2006.

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.

Jointly controlled assets

Jointly controlled assets are arrangements in which the Group holds an interest on a long term basis which are jointly controlled by the Group and one or more venturers under a contractual arrangement. The Group's exploration, development and production activities are sometimes conducted jointly with other companies in this way. Since these arrangements do not constitute entities in their own right, the consolidated financial statements reflect the relevant proportion of costs, revenues, assets and liabilities applicable to the Group's interests.

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 equity (the "foreign exchange reserve"). 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 becomes 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 classifies its 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. **Fair value through profit or loss:** This category comprises only in-the-money derivatives. They are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of comprehensive income.

- 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 and Company's financial liabilities consist of trade payables, 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).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

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 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 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:

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. Churchill Mining Plc has been confirmed to be an Australian tax resident by the relevant Taxation authorities.

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% 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

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 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 in the statement of comprehensive income, except to the extent that they reverse gains previously recognised in the statement of changes in equity.

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.

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.

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;
- 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
- Share based payments granted to employees and for 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.
- Recoverable Value Added Tax ("VAT") – Indonesia

Generally, Indonesian VAT on exploration and administration costs is not recoverable until the commencement of commercial mining services operations. Subject to the implementation of the new Mining Law in Indonesia and the operating structure of the Group, the Directors anticipate that the VAT receivable of \$1,230,410 (2009: \$804,830) will be recovered. However, if the Group's Indonesian projects do not proceed to production, some or all of the VAT may be not be recoverable. No provision has been made in the Group accounts for any potential non-recovery of VAT.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

NOTE 2: FINANCE INCOME

	Consolidated	
	2010 \$'000	2009 \$'000
Finance income – foreign exchange gains	63	-
Finance income – Bank Interest	19	260
Total finance income	82	260

NOTE 3: LOSS FROM OPERATIONS

	Consolidated	
	2010 \$'000	2009 \$'000

LOSS BEFORE TAX INCLUDES THE FOLLOWING EXPENSE ITEMS:

Administrative expenses

Consulting and professional fees	1,887	996
Depreciation and amortisation	90	60
Employee salaries and benefits	514	543
Occupancy costs	20	38
Operating lease expense	141	72
Travel expenses	362	255
Other administrative costs	677	966
Impairment of exploration costs	1,565	5,715
Equity settled share based payment expense	496	614
	5,752	9,259

Finance expenses

Bank interest	3	2
Foreign exchange losses	121	3,534
Total administrative and finance expenses	5,876	12,795

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

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

NOTE 4: SALARIES

	Note	Consolidated	
		2010 \$'000	2009 \$'000
STAFF COSTS (INCLUDING DIRECTORS' FEES) COMPRISE:			
Employee salaries and benefits		368	397
Superannuation/pension costs		11	9
Directors' fees and benefits		135	137
Share-based payments	22	496	614
		1,010	1,157

	Number	Number
Average number of employees (including Directors)	38	24

	2010 \$'000	2009 \$'000
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DIRECTORS' REMUNERATION AND OTHER KEY MANAGEMENT DISCLOSURES
Directors' short term benefits

Directors' fees and benefits	135	137
Consulting fees	845	628
Sub-Total	980	765

Directors' long term benefits

Share based payments (options)	328	495
Total Director Remuneration	1,308	1,260

Other key management short term benefits

Consulting fees	221	181
Key management salaries	669	357
Sub-Total	890	538

Key management long term benefits

Share based payments (options)	56	69
Total Other Key Management Remuneration	946	607

Total Director and Key Management Remuneration	2,254	1,867
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The amounts set out above include emoluments for the highest paid Director as follows:

Short term benefits	623	526
Total	623	526

The approximate aggregate gain made on the sale of share options by the highest paid Director was \$2.131 million (2009: nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

\$583,180 (2009: \$357,212) of staff costs are capitalised where they are directly related to ongoing capital projects.

Key management consisted of the Company Secretary, Project Director, Technical Director, Chief Financial Officer and the President Director.

The Company provides Directors' & Officers' liability insurance at a cost of \$26,821 (2009: \$25,932). This cost is not included in the table on page 43.

On 5 November 2009 Mr Paul Mazak sold 300,000 20p and 1,200,000 12p share options to Pala Investments Limited. The approximate aggregate gain made on the sale by Mr Mazak was \$2.131 million. The share options were subsequently exercised by Pala Investments Limited into fully paid ordinary shares.

On 31 March 2010 Mr David Quinlivan exercised 100,000 20p and 101,140 35p share options and retains the 201,140 underlying ordinary shares. Using the prevailing share price on the day of exercise the unrealised gain by Mr Quinlivan is approximately \$247,867. Total gains made by Directors on the exercise of share options were \$2.380 million.

NOTE 5: TAXATION ON LOSS FOR THE YEAR

	Consolidated	
	2010 \$'000	2009 \$'000
MAJOR COMPONENTS OF INCOME TAX EXPENSE FOR THE YEARS ENDED 30 JUNE 2010 AND 2009 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 2010 and 2009 is as follows:		
Accounting Loss before income tax from continuing operations	(6,676)	(14,090)
Profit/(Loss) before tax from discontinued operations	-	-
Accounting loss before income tax	(6,676)	(14,090)
At the statutory income tax rate of 30%	(2,003)	(4,227)
Effects of:		
Non-deductible expenses	380	338
Temporary differences and tax losses not brought to account as a deferred tax asset	1,507	3,915
Less:		
Capital raising costs	(26)	(26)
Tax rate differential	142	-
Income tax expense	-	-
Effective income tax rate of 0%	0%	0%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

NOTE 6: LOSS PER SHARE

	Consolidated	
	2010 \$'000	2009 \$'000
LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY	(6,676)	(14,090)
	Number	Number
Weighted average number of shares used in the calculation of basic loss per share	80,918,920	67,860,344
Weighted average number of shares used in the calculation of diluted loss per share	87,918,819	74,114,293
	Cents	Cents
TOTAL LOSS PER SHARE		
Basic loss per share	(8.25c)	(20.76c)
LOSS PER SHARE		
Basic and diluted loss per share	(8.25c)	(20.76c)

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

NOTE 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 \$2,672,483 (2009: Loss \$5,418,979).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

NOTE 8: INVESTMENTS IN ASSOCIATES

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

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

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

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

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

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

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

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

NOTE 9: SEGMENT INFORMATION

The Group has three reportable segments 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 each of these 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 2010	Australia – Corporate office \$'000	Australia – Investment in Associate \$'000	Indonesia – Exploration Coal Bed Methane/ Coal \$'000	Indonesia – Exploration Coal \$'000	Elimination \$'000	Total \$'000
Revenue	19	-	-	-	(19)	-
Finance income	6	1	-	75	-	82
Administration expenses	(2,686)	(8)	-	(1,515)	19	(4,190)
Impairment loss	-	-	(1,565)	-	-	(1,565)
Fair value loss on investment in associate	-	(456)	-	-	-	(456)
Share of operating loss in associate	-	(374)	-	-	-	(374)
Loss on deemed disposal of associate	-	(52)	-	-	-	(52)
Exchange differences	(67)	-	-	(54)	-	(121)
Loss for the year after taxation	(2,728)	(889)	(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	-	25,151	-	48,897

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

During the year the following significant non-cash items were included in the loss for the year:

- Impairment of exploration costs \$1,564,793 (2009: \$5,715,365) – all of which is included in the Indonesia Coal Bed Methane/Coal Exploration segment above; and
- Share options expense of \$496,118 (2009: \$613,606) have been included within Australia – Corporate office and Indonesia – Exploration Coal segments, respectively.

Consolidated 2009	Australia – Corporate office \$'000	Australia – Investment in Associate \$'000	Indonesia – Exploration Coal Bed Methane/ Coal \$'000	Indonesia – Exploration Coal \$'000	Elimination \$'000	Total \$'000
Revenue	17	-	-	-	(17)	-
Finance income	241	6	-	13	-	260
Administration expenses	(2,295)	(4)	-	(1,266)	17	(3,548)
Impairment loss	-	-	(5,715)	-	-	(5,715)
Fair value loss on investment in associate	-	(1,115)	-	-	-	(1,115)
Share of operating loss in associate	-	(328)	-	-	-	(328)
Loss on deemed disposal of associate	-	(110)	-	-	-	(110)
Exchange differences	(3,403)	(4)	-	(127)	-	(3,534)
Loss for the year after taxation	(5,440)	(1,555)	(5,715)	(1,380)	-	(14,090)
Non current assets	296	2,826	1,502	14,443	-	19,067
Other receivables	62	-	-	110	-	172
Cash and cash equivalents	10,452	105	-	346	-	10,903
Segment assets	10,810	2,931	1,502	14,899	-	30,142
Loans and borrowings	-	-	-	8	-	8
Trade and other payables	138	-	-	443	-	581
Provisions	-	-	-	27	-	27
Segment liabilities	138	-	-	478	-	616
Segment net assets	10,672	2,931	1,502	14,421	-	29,526

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

NOTE 10: OTHER RECEIVABLES

	Consolidated		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
CURRENT				
Prepayments and other receivables	4,622	172	38	62
	4,622	172	38	62
NON CURRENT				
VAT receivable	1,230	805	-	-
	1,230	805	-	-

The Directors anticipate that subject to the implementation of the new Mining Law in Indonesia and the operating structure of the Group, the VAT receivable of \$1,230,410 (2009: \$804,830) will be recovered when companies within the Group commence commercial mining operations. However, if the Group's exploration projects do not proceed to production, some or all of the VAT may not be recoverable. No provision has been made in the Group accounts for any potential non-recovery of VAT.

Included in the receivables are amounts owing of \$4,435,209 due from the non-controlling Shareholders of PT Techno Coal Utama Prima (see Note 14).

The Group's exposure to credit and currency risk related to other receivables is disclosed in Note 23.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

NOTE 11: PROPERTY, PLANT AND EQUIPMENT

	Consolidated		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
PLANT AND EQUIPMENT – OWNED				
Cost				
Balance at start of year	274	236	100	76
Reclassified leased vehicles	52	-	-	-
Additions	91	38	-	24
Balance at end of year	417	274	100	100
Accumulated Depreciation				
Balance at start of year	89	40	23	1
Reclassified lease vehicle	16	-	-	-
Depreciation expense for the year	87	55	17	22
Effects of movements in exchange rates	(13)	(6)	-	-
Balance at end of year	179	89	40	23
Net book value at end of the year	238	185	60	77
PLANT AND EQUIPMENT – LEASED ASSETS				
Cost				
Balance at start and end of year	52	52	-	-
Reclassified to owned Plant and Equipment	(52)	-	-	-
Balance at the end of year	-	52	-	-
Accumulated Depreciation				
Balance at start of year	13	8	-	-
Depreciation expense for the year	3	5	-	-
Reclassified to owned Plant and Equipment	(16)	-	-	-
Balance at end of year	-	13	-	-
Net book value at end of year	-	39	-	-
TOTAL				
Cost				
Balance at start of year	326	288	100	76
Additions	91	38	-	24
Balance at end of year	417	326	100	100
Accumulated Depreciation				
Balance at start of year	102	48	23	1
Depreciation expense for the year	90	60	17	22
Effect of movements in exchange rates	(13)	(6)	-	-
Balance at end of year	179	102	40	23
Net book value at end of year	238	224	60	77
Net book value at start of year	224	240	77	75

NOTE 12: INTANGIBLE ASSETS

	Consolidated		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
EXPLORATION AND EVALUATION ASSETS				
Capitalised exploration expenditure:				
Balance at start of year	12,553	4,981	-	-
Additions	8,590	7,572	-	-
Impairment of exploration costs	(1,565)	-	-	-
Balance at end of year	19,578	12,553	-	-
EXPLORATION AND EVALUATION ASSETS				
Cost of acquisition:				
Balance at start of year	2,869	8,579	220	220
Impairment	-	(5,715)	-	-
Effects of movements in exchange rates	3	5	-	-
Balance at end of year	2,872	2,869	220	220
GOODWILL				
Cost:				
Balance at start of year	-	1	-	-
Impairment of Goodwill	-	(1)	-	-
Balance at end of year	-	-	-	-
TOTAL				
Cost:				
Balance at start of year	15,422	13,561	220	220
Additions	8,590	7,577	-	-
Impairment of exploration costs of acquisition	-	(5,715)	-	-
Impairment of exploration and evaluation assets	(1,565)	-	-	-
Impairment of Goodwill	-	(1)	-	-
Effects of movements in exchange rates	3	-	-	-
Balance at end of year	22,450	15,422	220	220

During the year, the Group impaired the remaining balance of the capitalised costs for the Sendawar CBM Project for the amount of US\$1,564,793 due to no further development work or activity being conducted during the year; Management have determined that this project has no potential to contain economic coal deposits and no further work is recommended in the area.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

During the prior year, the Group impaired the original carrying cost for the Sendawar CBM Project for the amount of US\$5,715,365. Following the award of the Joint Evaluation Agreement in respect of CBM, there was no further use for the KP coal exploration licences purchased in 2006 and they were allowed to lapse. The capitalised costs were no longer validly supported as the original capital cost in no way benefits the advancement of the CBM project and therefore these costs were impaired during the year.

This amount reflected the original cost of the initial KP exploration licenses, prior to the granting of the new joint evaluation license by direct appointment in September 2007.

The Group has a 75% interest in the East Kutai Coal Project ("EKCP"). Under the terms of the co-operation and investors agreements for EKCP with its Indonesian partners, the Group is responsible for arranging and co-ordinating all aspects of the project until completion of a Bankable Feasibility Study.

The Group retains a 20% interest in the original South Woodie Woodie Manganese Project in which Spitfire Resources Limited continues to hold an 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.

Exploration and Evaluation Expenditure Consolidated 2010	Assets \$'000	Liabilities \$'000	Income \$'000	Expense \$'000	Operating cash flows \$'000	Investing cash flows \$'000
South Woodie Woodie Project	211	-	-	-	-	-
Sendawar/CBM Project	-	-	-	(1,565)	-	-
East Kutai Project	22,239	649	-	-	-	(8,287)
	22,450	649	-	(1,565)	-	(8,287)

Exploration and Evaluation Expenditure Consolidated 2009	Assets \$'000	Liabilities \$'000	Income \$'000	Expense \$'000	Operating cash flows \$'000	Investing cash flows \$'000
South Woodie Woodie Project	198	-	-	-	-	-
Sendawar/CBM Project	1,502	-	-	(5,715)	-	(150)
East Kutai Project	13,722	420	-	-	-	(7,156)
Goodwill	-	-	-	(1)	-	-
	15,422	420	-	(5,716)	-	(7,306)

\$219,397 worth of exploration and evaluation expenditure has been reclassified from Sendawar/CBM Project to East Kutai Project in the comparative information.

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 recovery of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

NOTE 13: OTHER FINANCIAL ASSETS

	Consolidated		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000

NON-CURRENT INVESTMENTS

Listed options designated at fair value through profit and loss	-	101	-	-
	-	101	-	-

The 30 June 2010 AU\$0.20 share options held by Planet Mining Pty Ltd expired on 30 June 2010.

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 Proprietary 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%
PT Techno Coal Utama Prima*	Indonesia	99.01%
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 Proprietary Ltd.

In June 2010, in accordance with the change in Indonesian Mining Law, the Company formalised its 75% beneficial interest in two of the four main IUP Exploitation Licences covering the EKCP by taking a direct equity interest in the company that holds a 75% interest in each those licences. This was achieved by the Company's 100% subsidiary, PT Indonesia Coal Development ("ICD"), subscribing for 30 billion Indonesian Rupiah (\$3,335,562) of new shares in PT Techno Coal Utama Prima ("TCUP"). ICD now owns 99.01% of the issued share capital of TCUP, which results in a direct equity interest of 74.25% with the remaining 0.75% under contractual control.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

TCUP 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.

Details of the consolidated assets, liabilities and equity of the PT Techno Coal Utama Prima Group immediately prior to the issue of 30 billion Indonesian Rupiah (\$3,335,562) of new shares to ICD were:

	2010 \$'000
Cash assets	3
Receivables from non-controlling Shareholders	4,435
Payables to the non-controlling Shareholders	(3,303)
	1,135
Non-controlling interest	1,070
Equity	65
	1,135

Movements of investments in subsidiaries during the period are:

	Company	
	2010 \$'000	2009 \$'000
LOANS TO SUBSIDIARIES – NON-CURRENT ASSETS		
– Opening Balance	19,988	10,876
– Loans to subsidiaries	11,029	9,112
Total loans to subsidiaries – non-current assets	31,017	19,988
EQUITY INVESTMENT IN SUBSIDIARIES		
– Opening Balance	8,094	8,094
Total equity investment in subsidiaries	8,094	8,094
Total investment in subsidiaries	39,111	28,082

The intercompany loans are unsecured, non interest bearing and repayable on demand.

NOTE 15: DEFERRED TAX

	Consolidated		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES				
Deferred tax assets and liabilities are attributable to the following:				
Exploration expenditure	47	44	-	-
Interest receivable	-	10	-	-
Trade and other payables	(14)	(15)	(14)	(15)
Tax losses	(33)	(39)	(30)	(39)
Net tax (assets) liabilities	-	-	(44)	(54)

UNRECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets have not been recognised in respect of the following:

Tax losses – domestic	3,474	2,811	3,474	2,811
Capital tax losses – domestic	20	-	-	-
Tax losses – foreign	1,640	1,120	-	-
Accrued expenditure	-	17	-	17
Investments	638	-	659	-
Other timing differences	18	10	4	-
Capital raisings costs	92	365	92	365
Potential unrecognised tax benefit at 30%	5,882	4,323	4,229	3,193

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 \$11,899,700 (AU\$13,896,051) (2009: US\$9,980,430 (AU\$11,654,749)) 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 Company 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
2005/2006	2011	41
2006/2007	2012	749
2007/2008	2013	1,644
2008/2009	2014	1,313
2009/2010*	2015	2,822

*Estimate based on the actual loss for 2009/2010.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

NOTE 16: TRADE AND OTHER PAYABLES

	Consolidated		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
CURRENT				
Trade payables	767	507	118	88
Accruals and other payables	338	74	202	50
	1,105	581	320	138

The Group's exposure to credit and currency risk related to trade and other payables is disclosed in Note 23.

NOTE 17: LOANS AND BORROWINGS

	Consolidated		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
CURRENT				
Lease – motor vehicle hire purchase	-	8	-	-
Loans and borrowings	3,303	-	-	-
	3,303	8	-	-

Included in the loans and borrowings are amounts payable of \$3,302,874 due to the non-controlling Shareholders of PT Techno Coal Utama Prima (see note 14).

NOTE 18: PROVISIONS

	Consolidated		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
NON-CURRENT				
Employee benefits	42	27	2	-
	42	27	2	-

The provision relates to the estimated liability for post employment benefits as of 30 June for PT Indonesia Coal Development.

NOTE 19: COMMITMENTS

	Consolidated		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000

OPERATING LEASE COMMITMENTS

The total future aggregate minimum lease payments under non-cancellable operating leases:

Within one year	108	57	47	46
Within two to five years	5	43	-	43
	113	100	47	89

The above amount relates to a property lease for:

- Suite 1, 346 Barker Road, Subiaco which is a non-cancellable lease with a 36 month term expiring on 31 May 2011 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 July 2011 with rent payable monthly in advance.

	Consolidated		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000

FINANCE LEASE COMMITMENTS

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

Within one year	-	9	-	-
	-	9	-	-
Finance charges	-	(1)	-	-
Net obligations	-	8	-	-

ENGINEERING COMMITMENTS

Within one year	-	340	-	-
	-	340	-	-

CONSULTANT COMPENSATION COMMITMENTS

Key management personnel

Commitments under non-cancellable consulting contracts not provided for in the financial statements and payable:

Within one year	677	732	677	732
	677	732	677	732

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

NOTE 20: SHARE CAPITAL, SHARE PREMIUM AND RESERVES

	Company		Company	
	2010 Number	2009 Number	2010 \$'000	2009 \$'000
ALLOTTED, CALLED UP AND FULLY PAID				
At start of year	77,338,514	66,011,800	1,507	1,316
Additions	19,388,840	11,326,714	290	191
At end of year	96,727,354	77,338,514	1,797	1,507

Date	Details	Allotted, called up and fully paid		Share premium \$'000
		Number	\$'000	
01/07/2008	Opening balance 1 July 2008	66,011,800	1,316	30,503
07/07/2008	Conversion of options @ 12p per share	200,000	4	44
07/07/2008	Conversion of options @ 20p per share	200,000	4	76
07/07/2008	Conversion of options @ 35p per share	100,000	2	67
06/08/2008	Conversion of options @ 35p per share	690,914	14	463
24/04/2009	Conversion of options @ 35p per share	135,800	2	67
31/05/2009	Share issue costs	-	-	(16)
01/06/2009	Share issue costs	-	-	(62)
04/06/2009	Placement at 50p per share (cash)	10,000,000	165	8,097
04/06/2009	Share issue costs	-	-	(92)
30/06/2009	Closing balance 30 June 2009	77,338,514	1,507	39,147
01/07/2009	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

Share Premium

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

Other Reserves

Date	Details	Other Reserves			Total other reserves \$'000
		Merger reserve \$'000	Foreign exchange reserve \$'000	Equity settled share options reserve \$'000	
01/07/2008	Opening balance at 1 July 2008	6,828	252	2,053	2,305
30/06/2009	Exchange differences on translation of foreign operations	-	(919)	-	(919)
30/06/2009	Recognition of share based payments	-	-	614	614
30/06/2009	Closing balance at 30 June 2009	6,828	(667)	2,667	2,000
01/07/2009	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

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

NOTE 21: 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
2009					
20p (\$0.33)	15/04/2005	1,000,000	(200,000)	800,000	15/04/2010
35p (\$0.58)	18/04/2006	568,200	(140,914)	427,286	18/04/2011
35p (\$0.58)	10/05/2006	135,800	(135,800)	-	10/05/2009
35p (\$0.58)	23/05/2006	3,864,200	(650,000)	3,214,200	23/05/2011
12p (\$0.20)	28/03/2007	7,000,000	(200,000)	6,800,000	28/03/2012
50p (\$0.83)	17/12/2007	250,000	-	250,000	17/12/2012
60p (\$0.99)	17/12/2007	250,000	-	250,000	17/12/2012
70p (\$1.16)	17/12/2007	250,000	-	250,000	17/12/2012
80p (\$1.32)	17/12/2007	250,000	-	250,000	17/12/2012
75p (\$1.24)	09/05/2008	3,100,000	-	3,100,000	09/05/2013
Total		16,668,200	(1,326,714)	15,341,486	
2010					
20p (\$0.30)	15/04/2005	800,000	(800,000)	-	15/04/2010
35p (\$0.53)	18/04/2006	427,286	(101,140)	326,146	18/04/2011
35p (\$0.53)	23/05/2006	3,214,200	-	3,214,200	23/05/2011
12p (\$0.18)	28/03/2007	6,800,000	(2,400,000)	4,400,000	28/03/2012
50p (\$0.75)	17/12/2007	250,000	-	250,000	17/12/2012
60p (\$0.90)	17/12/2007	250,000	-	250,000	17/12/2012
70p (\$1.05)	17/12/2007	250,000	-	250,000	17/12/2012
80p (\$1.21)	17/12/2007	250,000	-	250,000	17/12/2012
75p (\$1.13)	09/05/2008	3,100,000	-	3,100,000	09/05/2013
Total		15,341,486	(3,301,140)	12,040,346	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

	Weighted average exercise price 2010	Number 2010	Weighted average exercise price 2009	Number 2009
Outstanding at beginning of the year	34p (\$0.56)	15,341,486	34p (\$0.68)	16,668,200
Exercised during the year	15p (\$0.22)	(3,301,140)	29p (\$0.48)	(1,326,714)
Outstanding at end of the year	39p (\$0.59)	12,040,346	34p (\$0.56)	15,341,486
Exercisable at the end of the year	39p (\$0.59)	12,040,346	24p (\$0.39)	12,241,486

The weighted average share price during the year was 99.43p (\$1.57) (2009: 40p (\$0.67)).

Fair Value

The fair value of the share options granted have been valued 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.

Grant Date	17 December 2007	17 December 2007	17 December 2007	17 December 2007	9 May 2008
Share price at date of grant	56p (\$1.13)	56p (\$1.13)	56p (\$1.13)	56p (\$1.13)	66p (\$1.29)
Exercise price	50p (\$1.00)	60p (\$1.21)	70p (\$1.41)	80p (\$1.61)	75p (\$1.47)
Volatility of share price	60%	60%	60%	60%	60%
Option life (average)	2.65 years	2.65 years	2.65 years	2.65 years	2.65 years
Dividend yield	0%	0%	0%	0%	0%
Risk-free investment rate	4.5%	4.5%	4.5%	4.5%	4.5%
Fair value	25.1p (\$0.51)	21.8p (\$0.44)	19.2p (\$0.39)	16.9p (\$0.34)	24.5p (\$0.48)
Number of options	250,000	250,000	250,000	250,000	3,100,000

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

Equity Settled Share Based Payment Expense

Grant Date	Number of Options	Vesting conditions	Expense		Total Expense
			Prior Years \$'000	2009/2010 \$'000	\$'000
9 May 2008	3,100,000	The options vest over 24 months from the date of issue	736	496	1,232
Total			736	496	1,232

DIRECTORS' AND EMPLOYEE EXPENSES

Based on the above fair value, the 2010 employee expense arising from share options issued to Directors, employees and suppliers was \$496,117 (2009: \$613,649). The weighted average remaining contractual life of share options outstanding at the end of the year is 1.8 years.

NOTE 22: NOTES TO THE STATEMENT OF CASH FLOWS

	Consolidated		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000

RECONCILIATION OF (LOSS) AFTER TAX TO CASH FROM OPERATING ACTIVITIES

(Loss) after tax	(6,676)	(14,090)	(2,672)	(5,419)
Share option expense	496	614	472	584
Depreciation expense	90	60	16	22
Impairment expense	1,565	5,715	-	-
Loss on exchange rates	58	3,534	47	3,403
Fair value gain on options held in associate	110	624	-	-
Impairment on investment in associate	346	491	-	-
Deemed loss on disposal of associate	52	111	-	-
Finance income	(19)	(260)	(6)	(250)
Share of associate loss	374	329	-	-
(Increase) / decrease in receivables	(440)	(400)	28	15
Increase / (decrease) in payables and provisions	311	(199)	182	(76)
Cash flow from operating activities	(3,733)	(3,471)	(1,933)	(1,721)

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the year as shown in the Statement of Cash Flows is reconciled to the related items in the statement of financial position as follows:

Cash and cash equivalents	22,879	10,903	21,595	10,452
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NOTE 23: 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, however as the Group enters commercial production this may be considered. No derivatives or hedges were entered into during the period.

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;
- Short term investments;
- Trade and other payables;
- Finance leases; and
- Borrowings.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

Categories of financial assets

	Consolidated		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
CURRENT FINANCIAL ASSETS CLASSIFIED AS LOANS AND RECEIVABLES				
Other receivables	4,465	172	4	-
Cash and cash equivalents	22,879	10,903	21,595	10,452
Total current financial assets	27,344	11,075	21,599	10,452
NON-CURRENT FINANCIAL ASSETS CLASSIFIED AS LOANS AND RECEIVABLES				
	-	-	31,022	19,988
NON-CURRENT FINANCIAL ASSETS CLASSIFIED AS FAIR VALUE THROUGH THE PROFIT AND LOSS				
Listed share options	-	101	-	-
Total non-current financial assets	-	101	-	-
Total financial assets	27,344	11,176	52,621	30,440

The Group was exposed to movements in the fair value of its ASX-listed share options in Spitfire Resources Ltd ("Spitfire") which is dependent on the underlying value of the ordinary shares in Spitfire. The options were measured in accordance with Level 1 in the fair value hierarchy.

Share options in Spitfire expired on 30 June 2010.

Categories of financial liabilities

	Consolidated		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
CURRENT FINANCIAL LIABILITIES MEASURED AT AMORTISED COST				
Trade and other payables	1,105	581	320	138
Loans and borrowings	3,303	8	-	-
Total current financial liabilities	4,408	589	320	138
Total financial liabilities	4,408	589	320	138

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

At the year end, the Group had a cash balance of \$22,879,118 (2009: \$10,903,020) which was made up as follows:

	Consolidated		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Great British Pound	484	1,031	484	1,031
United States Dollar	20,504	9,298	20,263	8,992
Australian Dollar	854	534	848	429
Indonesian Rupiah	1,037	40	-	-
	22,879	10,903	21,595	10,452

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	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Interest from bank deposits	19	260	7	260
Total interest from bank deposits	19	260	7	260

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 2010	Carrying amount \$'000	Contractual cash flows \$'000	6 months or less \$'000	Greater than 6 months \$'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	1,105	3,303

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

Company 2010	Carrying amount \$'000	Contractual cash flows \$'000	6 months or less \$'000	Greater than 6 months \$'000
CURRENT FINANCIAL LIABILITIES				
Trade and other payables	320	320	320	-
	320	320	320	-

Consolidated 2009	Carrying amount \$'000	Contractual cash flows \$'000	6 months or less \$'000	Greater than 6 months \$'000
CURRENT FINANCIAL LIABILITIES				
Trade and other payables	581	581	581	-
Loans and borrowings	8	8	8	-
	589	589	589	-

Company 2009	Carrying amount \$'000	Contractual cash flows \$'000	6 months or less \$'000	Greater than 6 months \$'000
CURRENT FINANCIAL LIABILITIES				
Trade and other payables	138	138	138	-
	138	138	138	-

Credit Risk

The credit risk on liquid funds is limited because at 30 June 2010 the Group holds approximately 89% (2009: 82%) of its cash in US dollars with Aa2 (2009: Aa2) (Moody's) rated institutions. The Group made investments and advances into subsidiary companies during the year, recovery of which is dependent on future income generation of those subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

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

	2010		2009	
	Carrying value \$'000	Maximum exposure \$'000	Carrying value \$'000	Maximum exposure \$'000
Consolidated				
CURRENT ASSETS				
Cash and cash equivalents	22,879	22,879	10,903	10,903
Other receivables	4,465	4,465	172	172
	27,344	27,344	11,075	11,075

	2010		2009	
	Carrying value \$'000	Maximum exposure \$'000	Carrying value \$'000	Maximum exposure \$'000
Company				
CURRENT ASSETS				
Cash and cash equivalents	21,595	21,595	10,452	10,452
Other receivables	4	4	-	-
NON-CURRENT ASSETS				
Loans to subsidiaries	31,022	31,022	19,988	19,988
	52,621	52,621	30,440	30,440

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 majority of the Group funds are currently held in USD which attracts only a minimal interest rate.

The Group and Company is not at present exposed to cash flow interest rate risk on borrowings as it has no debt and fixed rate finance leases. No subsidiary company of the Group is permitted to enter into any borrowing facility or lease agreement without prior consent of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

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 2010 of these assets was as follows:

Interest rate risk

The Group and Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate for each class of financial assets and financial liabilities comprises:

Consolidated 2010	Floating interest rate \$'000	Fixed interest maturing in 1 year or less \$'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	-	-	3,481	3,481
	-	-	4,450	4,450
Weighted average interest rate	-	-		

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

Company 2010	Floating interest rate \$'000	Fixed interest maturing in 1 year or less \$'000	Non-interest bearing loan \$'000	Total \$'000
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FINANCIAL ASSETS

Great British Pound	484	-	-	484
Australian Dollar	47	806	-	853
United States Dollar	-	20,262	31,022	51,284
	531	21,068	31,022	52,621
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

Consolidated 2009	Floating interest rate \$'000	Fixed interest maturing in 1 year or less \$'000	Non-interest bearing \$'000	Total \$'000
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FINANCIAL ASSETS

Great British Pound	89	942	-	1,031
Australian Dollar	78	456	101	635
United States Dollar	-	9,298	172	9,470
Indonesian Rupiah	40	-	-	40
	207	10,696	273	11,176
Weighted average interest rate	1.24%	2.43%		

FINANCIAL LIABILITIES

Great British Pound	-	-	-	-
Australian Dollar	-	-	-	-
United States Dollar	-	8	608	616
	-	8	608	616
Weighted average interest rate	-	10.64%		

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

Company 2009	Floating interest rate \$'000	Fixed interest maturing in 1 year or less \$'000	Non-interest bearing loan \$'000	Total \$'000
FINANCIAL ASSETS				
Great British Pound	89	942	-	1,031
Australian Dollar	70	359	-	429
United States Dollar	-	8,992	19,988	28,980
	159	10,293	19,988	30,440
Weighted average interest rate	1.61%	2.40%		
FINANCIAL LIABILITIES				
Great British Pound	-	-	-	-
Australian Dollar	-	-	-	-
United States Dollar	-	-	138	138
	-	-	138	138

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 2010, 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	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
CHANGE IN PROFIT				
- Increase in interest rate by 1%	2	107	2	104
- Decrease in interest rate by 1%	(2)	(107)	(2)	(104)
CHANGE IN EQUITY				
- Increase in interest rate by 1%	2	107	2	104
- Decrease in interest rate by 1%	(2)	(107)	(2)	(104)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

Net fair value

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

	2010		2009	
	Carrying Amount \$'000	Net Fair Value \$'000	Carrying Amount \$'000	Net Fair Value \$'000
Consolidated				
FINANCIAL ASSETS				
Cash and cash equivalents	22,879	22,879	10,903	10,903
Other receivables	4,622	4,622	172	172
Listed share options	-	-	101	101
	27,501	27,501	11,176	11,176
FINANCIAL LIABILITIES				
Trade and other payables	1,105	1,105	581	581
Financial liabilities	3,303	3,303	8	8
	4,408	4,408	589	589

	2010		2009	
	Carrying Amount \$'000	Net Fair Value \$'000	Carrying Amount \$'000	Net Fair Value \$'000
Company				
FINANCIAL ASSETS				
Current assets				
Cash and cash equivalents	21,595	21,595	10,452	10,452
Other receivables	4	4	-	-
Non current assets				
Loans to subsidiaries	31,022	31,022	19,988	19,988
	52,621	52,621	30,440	30,440
FINANCIAL LIABILITIES				
Trade and other payables	320	320	138	138
	320	320	138	138

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

Foreign Exchange Risk

The Group has overseas subsidiaries, in Australia, Singapore and Indonesia, whose expenses are mainly denominated in US Dollars with some expenses in Australian Dollars, Singapore Dollars and Indonesian Rupiah respectively. In addition, the Parent 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 with any remaining balance held in USD.

Although its geographical spread reduces the Group's operational risk, the Group's net assets arising from such overseas operations are exposed to currency risk resulting in gains and losses on retranslation into US Dollars. 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 2009/2010	0.6335	1.1365	9,480
At 30 June 2010	0.6635	1.1673	9,091
Average for 2008/2009	0.6270	1.3604	10,612
At 30 June 2009	0.6053	1.2426	10,266

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	Pounds Sterling \$'000	Indonesian Rupiah \$'000	Total \$'000
US Dollar equivalent of exposed net monetary assets and liabilities				
At 30 June 2010	2,674	508	2,779	5,961
At 30 June 2009	3,085	1,069	818	4,972

A 10% strengthening of the US Dollar against the Australian Dollar at 30 June would have reduced losses by \$88,960 (2009: \$155,462) and reduced equity by \$121,182 (2009: \$123,179). A 10% strengthening of the US Dollar against the Indonesian Rupiah at June 30 would have reduced losses by \$215,340 and increased equity by \$599,826. This analysis assumed that all other variables, in particular interest rates, remain constant.

A 10% weakening of the US Dollar against the above currencies at 30 June would have had approximately the same 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 24: RELATED PARTY TRANSACTIONS

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

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

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

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

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

NOTE 25: CONTINGENCIES

During 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 two million shares in Churchill Mining Plc to the vendors of the project upon the delineation of a minimum JORC compliant resource of 100 Mt of measured coal resource in the newly acquired extension licences.

As at the date of this Report, the Company has not yet reached the 100 Mt measured resources in this newly acquired extension 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 2010 of £1.02p (\$1.62) (30 June 2009: 53.2p (US\$0.88)) then the value of the share issue by the Parent Company would have been approximately US\$3,420,000 (2009: US\$1,760,000). No amount has been recognised in these financial statements during the period.

NOTE 26: POST REPORTING DATE EVENTS

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

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



Incorporated in England and Wales
with Registered Number 5275606

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