



Churchill Mining

Mar 16th 2012

Churchill Mining to consider international arbitration in Indonesia dispute

Churchill Mining (LON:CHL) today said it may start international arbitration proceedings against the Republic of Indonesia.

It says the company has been subjected to a sustained campaign to expropriate its rights as a legitimate foreign investor in Indonesia. The company believes these actions are in direct breach of both Indonesia's investment laws and Indonesia's obligations under a number of international investment treaties.

This has come after the company's significant investment in coal exploration in the country, it adds.

Churchill explained that it sent a formal letter to the government in November seeking cooperation from senior officials to assist in achieving an amicable and commercial resolution to the investment dispute it is facing.

If an amicable solution cannot be achieved the company will look to international arbitration, it said.

Churchill has a 75 per cent stake in the East Kutai project, which has a huge resource with a JORC compliant estimate of 2.7 billion tonnes of coal and a pre-tax net present value of US\$1.8 billion.

The East Kutai project is a highly strategic asset, ideally located both in relation to core energy consuming markets, and in the context of rising demand for energy resources such as high quality thermal coal, Churchill said.

However, the company is currently worth just £16 million as a result of its legal problems.

Initially Churchill was in a dispute with the regional authorities that govern the East Kalimantan province, the area on the island of Borneo which hosts the East Kutai project.

It is currently awaiting an appeal in the Supreme Court of Indonesia.

The appeal was originally launched to try and overturn the decision by the Administrative Tribunal in Samarinda, East Kalimantan, concerning the revocation of the four mining licenses that comprise the East Kutai coal project.

Churchill acquired the licences in 2007 through an acquisition of a 75 per cent stake in Indonesian group Ridlatama after the previous owner Nusantra failed to extend the licences in 2006 and 2007.

Separately, Churchill is also in dispute with Ridlatama, and parties related to Ridlatama. Legal proceedings are underway against a number of parties in relation to this dispute.

Today, in the group's interim results statement, Churchill said that most development and construction activities at the project have been suspended pending the appeal decision of the Supreme Court.

"We have, however, continued to support the local East Kutai communities through ongoing community development and social programs," the company said.

Price: 13.75p

Market Cap: £16.63M

1 Year Share Price Graph



Share Information

Code: CHL

Listing: AIM

Sector: General Mining - Coal

Website: www.churchillmining.com

Company Synopsis:

Churchill Mining PLC is an AIM listed (CHL) mining company with a significant thermal coal development project located in the East Kutai Regency of Kalimantan, Indonesia, where to date more than 2.73 billion tonnes of coal resource has been defined to JORC standard.

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"Transportation assistance has been provided to local and public service organisations in and around the EKCP site and we have also assisted local communities with infrastructure maintenance where requested.

"The East Kutai population continues to strongly support our endeavours to maintain our licences despite the fact that employment numbers in both our land acquisition teams and base camp have been significantly reduced as a result of the actions of the regional government."

Churchill reported a US\$6.4 million loss for the period, which increased from US\$3 million last year.

Expenses were increased at US\$5.1 million due to a higher spend on public relations, government and media outreach costs, legal, professional and consulting expenses.

Within that, legal and professional fees totalled US\$1.5 million, which reflects the significant costs incurred as a result of the Administrative Tribunal, subsequent appeal to the Supreme Court of Indonesia and the on-going dispute with Ridlatama, Churchill said.

As of December 31 2011, Churchill had US\$22.4 million in cash and it said it presently has US\$14.3 million in the bank.

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