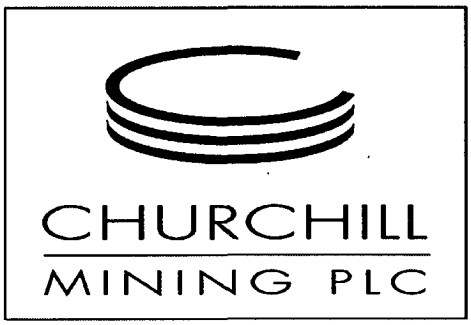


Incorporated in England and Wales with
Registered Number 5275606

# Annual Report

For the year ended
30 June 2014

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**Directors**
David Quinlivan
Nicholas Smith
Gregory Radke
Fara Luwia
Nikita Rossinsky
John Nagulendran

**Company Secretaries**
Stephen Ronaldson
Russell Hardwick

**Registrar**
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United Kingdom

**Bankers**
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**Australian Office**
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Australia

**Nominated Adviser and Broker**
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London EC2A 1NT
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**Solicitors**
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United Kingdom

**Registered Office**
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**Indonesian Subsidiary Office**
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55 Baker Street
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**Public & Investor Relations**
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515 Madison Avenue 18th Floor
New York 10022, USA
United Kingdom

Dear Shareholder,

I present Churchill Mining Plc's ("Churchill" or the "Company") Full Year Report for the 12 months ended 30 June 2014.

During the year the Company continued actively to seek recovery of shareholder value by progressing the international arbitration against the Republic of Indonesia at the International Centre for Settlement of Investment Disputes ("ICSID") in Washington DC (the "Churchill Arbitration"). The arbitration relates to the revocation of the mining licenses that made up the East Kutai Coal Project in East Kalimantan ("EKCP"), Indonesia, in which Churchill and its wholly owned subsidiary Planet Mining Pty Ltd's ("Planet") held a 75% interest.

Churchill and Planet are represented in the ICSID arbitration by the highly regarded international law firm Quinn Emanuel Urquhart & Sullivan ("Quinn Emanuel"). Experienced London- based partner Stephen Jagusch heads the Quinn Emanuel team for Churchill/Planet.

The Republic of Indonesia had previously filed an objection to ICSID's jurisdiction to hear Churchill/Planet's claim for damages.

On February 25, 2014 the ICSID arbitral tribunal ("Tribunal"), comprising Prof. Gabrielle Kaufmann-Kohler (President), Mr. Michael Hwang S.C (Arbitrator) and Prof. Albert Jan van den Berg (Arbitrator), rejected the Republic of Indonesia's challenges to the Tribunal's jurisdiction.

In summary, the jurisdictional challenges by the Republic of Indonesia claimed:-

(i) the Republic of Indonesia had not consented to ICSID arbitration of the dispute with Churchill and Planet under the UK-Indonesia and the Australia-Indonesia Bilateral Investment Treaties,

and

(ii) even if the Tribunal found that the Republic of Indonesia had consented to ICSID arbitration as a general matter, the tribunal would still lack jurisdiction because Churchill's and Planet's investments fell outside the scope of protected investments under the respective Bilateral Investment Treaties.

In its ruling, the Tribunal dismissed the Republic of Indonesia's challenges and found that the Tribunal has jurisdiction over the claims Churchill and Planet have submitted.

In May 2014, Quinn Emanuel, filed a supplemental memorial on quantum and damages after valuation experts FTI Consulting Canada LLC ("FTI") had prepared an independent assessment of Churchill/Planet's damages.

FTI determined the damages to Churchill/Planet of US$1,149.90 million plus pre-award interest of US$165.70 million for a total of US$1,315.60 million.

FTI calculated the fair market value of Churchill/Planet's investment in the EKCP using the industry standard prime methodology Discounted Cash Flow analysis. The analysis was based on a production rate of 50Mtpa and a railway haulage scenario.

## ICSID Document Inspection & Contemporaneous Police Raid on Jakarta Office

In accordance with the ICSID Tribunal's ("Tribunal") Procedural Order No 10, representatives from Churchill and the Republic of Indonesia met in Singapore on 29 August 2014 to inspect a designated bundle of original documents relating to the mining licenses. Whilst this Tribunal-ordered document inspection was in progress in Singapore, police officers from Indonesia raided the Company's Jakarta office and seized a number of documents, computers and back-up drives supposedly as part of a new police investigation into alleged license document forgery.

It is the Company's view that this police raid was strategically timed to harm and prejudice the Company's case currently being heard by the Tribunal. The Company has accordingly made an application for provisional measures pursuant to Article 47 of the ICSID Convention and Rule 39 of the ICSID Arbitration Rules that the Tribunal recommend that Indonesia (i) return forthwith all documents and other items that were seized by the Indonesian police in the raid on 29 August 2014, and (ii) refrain from engaging in any conduct that would aggravate the dispute, alter the status quo or jeopardise the procedural integrity of the ICSID proceedings.

With regard to Indonesia's resurfaced allegations of document forgery, the Company categorically denies that it ever participated in or that it was ever in any way involved in the forgery of any documents. Furthermore, prior to the revocation of the EKCP mining licenses in which the Company held an interest, agencies of Indonesia regularly (i) visited the EKCP site, (ii) sought and received payments in relation to the EKCP properties, and (iii) were provided with exploration and other technical reports relating to the EKCP properties. The Company also notes that previous investigations, carried out by both the Indonesian police and the Independent Stage Agency (BAWASDA), into these allegations of document forgery concerning the Ridlatama EKCP mining licenses concluded there was no case to answer.

### Indonesia's "Application" For Dismissal of Churchill's Claims

On 26 September 2014 the Company received notification from its solicitors that Indonesia had written to the Tribunal on 25 September 2014 and submitted a so-called "Application for the Dismissal of Churchill and Planet's Claims".

This unusual "last minute" application by Indonesia has also requested an order by the Tribunal to modify the procedural timetable to schedule an immediate hearing within the next 30 days or sooner if feasible to resolve the forgery allegations as a discrete issue. The Company sees this application as part of a calculated strategic attempt to derail the arbitration proceedings and notes that Indonesia has had 18 months to consider the Company's case on merits which include Indonesia's theory of alleged license forgery.

Whilst Indonesia's disjointed application raises a number of issues including allegations of forgery, background and actions of the Ministry of Forestry that seemingly contributed to the revocation of the EKCP mining licenses, as well as the economics and feasibility of the EKCP and the damages value that has been claimed by Churchill/Planet, it does not address many of the substantive issues raised in the Company's Memorials and claim for damages.

Accordingly, the Company through its lawyers, Quinn Emanuel, has requested the Tribunal reject any attempt by Indonesia to litigate piecemeal the merits of the case and to direct Indonesia to complete its submissions on the merits by 12 November 2014 as set out in the established procedural schedule.

I can assure you the Board continues to work with diligence and enthusiasm to seek a suitable outcome for shareholders and I thank shareholders, my fellow Directors and staff for their continued support and patience.

David Quinlivan
**Chairman**
15 October 2014

## BUSINESS REVIEW / HISTORY

Churchill Mining Plc ("Churchill" or "the Company") listed on AIM in April 2005. Churchill's growth path accelerated following the discovery of a world-class thermal coal deposit (the East Kutai Coal Project "EKCP") in the East Kutai Regency of Kalimantan, Indonesia, through an intensive and targeted exploration program.

Churchill's investments and operations culminated in the completion of a feasibility study in readiness for funding and the commencement of construction of the necessary infrastructure to support the exploitation of the coal resource. The Group's operations were subsequently halted by a decision by the East Kutai Regent to revoke the mining licences held by Churchill's Indonesian partners, the Ridlatama group of companies ("Ridlatama"). The East Kutai Regent's decision was challenged before the Indonesian courts, resulting initially in a negative ruling from the Samarinda Administrative Tribunal which upheld the East Kutai Regent's decision to revoke the licences. The decision was appealed, first to the Administrative High Court in Jakarta and then to the Supreme Court of Indonesia, but both appeals were unsuccessful.

## FILING OF INTERNATIONAL ARBITRATION CLAIM

In May 2012 Churchill filed a Request for Arbitration at the International Centre for Settlement of Investment Disputes ("ICSID") against the Republic of Indonesia ("ROI") alleging breaches by ROI of obligations under the UK-Indonesia Bilateral Investment Treaty. In addition, Churchill's Australian subsidiary, Planet Mining Pty Ltd ("Planet"), also filed a Request for Arbitration at ICSID against the ROI pursuant to the Australia-Indonesia Bilateral Investment Treaty. The Churchill and Planet arbitrations were subsequently consolidated into a single proceeding.

Churchill and Planet have filed their Memorials setting out their case against ROI supported by witness statements and expert and documentary evidence. Key elements within the Memorials include:-

- The ROI initially supported and encouraged Churchill/Planet to invest in the East Kutai Coal Project;
- Churchill/Planet invested in the ROI in compliance with applicable laws and regulations;
- After Churchill/Planet's discovery of substantial coal deposits, the ROI took a series of unlawful actions that resulted in the destruction of Churchill/Planet's valuable investment;
- The actions of the ROI constitute clear violations of its obligations under the Bilateral Investment Treaties with the United Kingdom and Australia; and
- Churchill/Planet presently quantify their losses and seek damages in the amount of USD 1,315 million (including interest) based on an industry-standard Discounted Cash Flow analysis.

Aside from a direct minority interest in some manganese exploration tenements in Western Australia, Churchill has no business interests or activities other than its and Planet's claims against the ROI, which remain Churchill's principal activity and focus.

Refer to the Chairman's report in relation to the progress of the international arbitration claim during the 2014 Financial Year.

## STRATEGY AND OBJECTIVES

Churchill's key objective is to restore shareholder value following the revocation of the mining licenses that made up the EKCP in East Kalimantan, Indonesia, in which Churchill/Planet held a 75% interest.

## FINANCIAL SUMMARY

### Results of Operations (All amounts in US$)

The Group incurred a loss for the year attributable to equity shareholders of the parent of $2,450,087 compared to a loss of $11,601,978 for the previous year. The basic loss per ordinary share for the year was 1.99c compared with the loss per share of 9.45c for the previous year.

Other administrative expenses totalled $2.71 million (June 2013: $7.1 million).

Significant expenditure items during the period include:

- Legal and professional fees of $1.46 million (June 2013: $4.22 million) reflecting ongoing expenditure for the Company's arbitral claim against the Republic of Indonesia;
- Consulting, directors, staff and professional fees of $0.58 million (June 2013: $0.94 million) which reflects the planned reduction in corporate overheads.

The reduction in the net cash outflow from operating activities during the period reflects the board's efforts to reduce other administration and corporate overheads where possible to preserve the Company's cash position:

| | 30 June 2014<br>$'000<br>Audited | 30 June 2013<br>$'000<br>Audited | 30 June 2012<br>$'000<br>Audited |
|---|---|---|---|
| Net cash flows from operating activities | (2,355) | (7,017) | (8,965) |

The balance of operating expenditure is in line with the Company's expectations and resources allocated to progressing the ICSID arbitration proceedings against the Republic of Indonesia.

### Selected Annual Information

The Group's statement of financial position at 30 June 2014 and comparatives at 30 June 2013 and 30 June 2012 are summarised as follows:

| | **2014**<br>**$'000** | **2013**<br>**$'000** | **2012**<br>**$'000** |
|---|---|---|---|
| Non-current assets | 7 | 295 | 4,099 |
| Current assets | 5,565 | 8,075 | 15,604 |
| **Total assets** | **5,572** | **8,370** | **19,703** |
| Current liabilities | 3,222 | 3,967 | 4,341 |
| Non-current liabilities | 40 | 44 | 73 |
| **Total liabilities** | **3,262** | **4,011** | **4,414** |
| **Net assets** | **2,310** | **4,359** | **15,289** |

### Liquidity & Capital

The Group began the year with US$4.8 million in cash and ended the year with US$3.01 million in cash asset. The Company continues to reduce other administration and corporate overheads where possible to preserve the Company's cash position. As part of this, the Directors have agreed to accept equity securities in lieu of receiving cash payments in respect of Directors' fees.

During the year the Group disposed of its minority interest in ASX-listed Spitfire Resources Limited ("Spitfire") for A$250,000. Apart from a minority direct interest in three of Spitfire's tenements in Western Australia, Churchill now has no business interests or activities other than its and Planet's arbitral claims against the Republic of Indonesia which continue to be Churchill's principal activity and focus for the group.

## PRINCIPAL RISKS AND UNCERTAINTIES

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 in its present position following the revocation of the mining licenses that made up the EKCP and the filing of international arbitration against the Republic of Indonesia.

### Litigation risk

As detailed in the Chairman's statement and Strategic Review, the Company is engaged in legal actions including a significant damages claim in international arbitration against the Republic of Indonesia of which the outcome remains unknown. There can be no assurance that any or all of the various proceedings may be awarded in favour of the Company. The Company has engaged experienced international counsel to assist in mitigating this risk.

### Sovereign risk

The Group has an administration office in Indonesia where there are 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 and taxation.

### Reliance on key management

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 can be no assurance that the Company's current personnel, systems, procedures and controls will be adequate to support the litigation or any future operations or expansion.

### Funding risk

The ability of the group to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions as well as the general performance of the Company and the progress of the International arbitration claim. There can be no assurance that additional capital or other forms of finance may be available if needed, or that, if available the terms of such financing will be favourable to the group.

### Currency risk

The Company is exposed to exchange rate risk in its daily operations and mitigates this risk where possible by holding currency in GBP, USD and AUD based on budgeted expenditure

## ANALYIS USING KEY PERFORMANCE INDICATORS

The International arbitration claim has in effect become Churchill's principal activity and focus. The key performance indicator is to manage the arbitration claim in an efficient and cost effective manner. The Directors regularly monitor available cash to meet on-going administration and legal costs with the aim of a recovery of value for Shareholders.

## APPROVAL OF THE BOARD

This strategic report contains certain forward-looking statements that are subject to the usual risk factors and uncertainties with a company that has a legal claim as its main business. Whilst the Directors believe that any expectation reflected herein to be reasonable in light of the information available up to the time of their approval of this report, the actual outcome may be materially different owing to factors beyond the Group's control. Accordingly no reliance may be placed on any forward-looking statements.

By order of the Board

David Quinlivan
**Chairman**
15 October 2014

**David Quinlivan (aged 59)**
***Non-Executive Chairman***

Mr Quinlivan is a Mining Engineer and Principal of Borden Mining Services. Mr Quinlivan has over 30 years' experience on projects throughout the world. He has significant mining and executive leadership experience with 11 years of service at WMC Resources Ltd, followed by a number of high-profile mining development positions. Since 1989, Mr Quinlivan has served as Chief Executive Officer ("CEO") of Sons of Gwalia Ltd (during the corporate reconstruction of the company and post appointment of administrators), Chief Executive Officer and Chief Operating Officer of Mt. Gibson Mining Iron Ltd. Mr Quinlivan also served as President and CEO of Alacer Gold Corp from August 2012 to August 2013.

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.

**Nicholas Smith (aged 62)**
***Managing Director***

Mr Smith has some 30 years' experience in the international resource/resource development industry, including significant experience in project management of major international litigation and arbitration disputes. Mr Smith also has significant experience in mergers and acquisitions as well as project financing.

Mr Smith holds a Bachelor of Laws from the University of Western Australia and was admitted to practice as a Barrister and Solicitor of the Supreme Court of Western Australia in 1975. His previous experience includes more than 10 years as Group General Counsel for Normandy Mining Limited which, prior to its merger with Newmont Mining Corporation, was Australia's largest gold producer and had interests in a number of international projects enjoying the protection of bilateral investment treaties. Mr Smith has also served as a director of a number of ASX listed companies including Red 5 Limited, Mindax Limited and NiQuest Limited.

**Gregory Radke (aged 49)**
***Non Executive Director***

Mr. Radke is currently General Counsel of IntegraMed Fertility, the largest fertility centre network in the United States. For more than six years through the end of 2013 he was General Counsel of Pala Investments Limited, a multi-strategy investment company dedicated to investing in, and creating value across, the mining sector in both developed and emerging markets.

Prior to joining Pala, Greg was a Vice President and Corporate Counsel at Prudential Financial, Inc., responsible for all aspects of legal and transactional oversight of the pan-Asian and Mexican/Latin American asset management businesses of its Pramerica Real Estate Investors division. He is a member of the New York Bar.

**Nikita Rossinsky (aged 59) – Appointed 1 October 2014**
***Non Executive Director***

Mr. Rossinsky commenced his banking career at Deutsche Bank AG in New York, subsequently holding corporate assignments at Deutsche Bank AG in Essen, Germany and, as Deputy General Manager, at Deutsche Bank AG in Jakarta, Indonesia. Relocating to Singapore in 2000, and until joining Lumen Capital Investors Pte Ltd as a co-founding Director at inception nearly four years ago, he spent the majority of his time developing the private wealth management business for Societe Generale as Managing Director, South East Asia.

A native of New York, Mr. Rossinsky holds a Masters Degree in International Affairs from Columbia University. He has been living in Asia since 1995.

**Rachmat Gobel (aged 52) - Resigned 1 October 2014**
***Non Executive Director***

Mr Gobel is the President Director and majority owner of PT Gobel International ("PT Gobel"). PT Gobel is a well-known and highly respected company with an impressive track record in partnering with international companies in Indonesia. In 2010, PT Gobel celebrated the 50th anniversary of its successful partnership with the Matsushita Corporation (now Panasonic Corporation) and is the local representative of Qatar Telecom in PT Indosat Tbk, one of the largest mobile telecommunications providers in Indonesia.

Mr Gobel serves as the director for numerous corporations within PT Gobel International, as well as Commissioner of PT Indosat, Tbk. and PT SMART, Tbk. He is the Vice Chairman of the Indonesian Chamber of Commerce and Industry, and the Vice Chairman of the Employers' Association of Indonesia.

In addition to his business activities, Mr Gobel is the Vice Chairman of the Indonesian Red Cross and the President of the Indonesian-Japan Friendship Association. Mr Gobel resigned as a Director on 1 October 2014.

**Fara Luwia (aged 46)**
***Non Executive Director***

Ms Luwia is a successful Indonesian businesswoman. As President Director and owner of PT. Lumbung Padi Indonesia, she leads one of the largest modern rice mills in Indonesia in partnership with a large global commodities trader based in Switzerland. Recently, Ms Luwia also signed a joint venture agreement with Satake Corporation Japan, as the biggest machine manufacture for agriculture industries. She is positively impacting the world through her involvement in the production of mankind's three major staple foods rice, wheat and corn.

**John Nagulendran (aged 37)**
***Non Executive Director***

Mr. Nagulendran is currently General Counsel of Pala Investments Limited, a multi-strategy investment company dedicated to investing in, and creating value accross the mining sector in both developed and emerging markets. Pala seeks to assist companies in which it has long-term shareholdings by providing strategic advice and innovative financing solutions.

Prior to joining Pala, Mr. Nagulendran was a practicing lawyer at international law firm Herbert Smith LLP, where he specialized in the energy and natural resources sectors. He has worked in London, Singapore and Jakarta advising major corporates on acquisitions, disposals and equity financing. Prior to joining Herbert Smith, Mr. Nagulendran was at Rajah & Tann LLP, working on commercial and banking litigation matters. He is a qualified solicitor in England & Wales and advocate & solicitor in Singapore.

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 2014.

### *1. PRINCIPAL ACTIVITIES AND BUSINESS REVIEW*

The principal activity of the Group during the year was to continue to actively progress the claim in international arbitration against the Republic of Indonesia for breaches of Indonesia's obligations under the Bilateral Investment Treaty between the United Kingdom and the Republic of Indonesia and the Australia-Indonesia Bilateral Investment Treaty. The arbitration claim has in effect become Churchill's principal activity and focus for the Company.

Further information can be found in the Chairman's Statement and the Strategic Report, which are incorporated into this Report.

### *2. RESULTS AND DIVIDENDS*

Loss of the Group after taxation amounted to US$2,450,087 (2013 Loss: US$11,601,978).
The Directors do not recommend the payment of a dividend (2013: Nil).

### *3. 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 at the date of this report:

- Planet Mining Pty Ltd — Australia (100%)
- PT Indonesia Coal Development — Indonesia (100%)
- PT Techno Coal Utama Prima — Indonesia (100%)
- PT Ridlatama Tambang Mineral — Indonesia (75%)
- PT Ridlatama Trade Powerindo — Indonesia (75%)
- PT Ridlatama Steel — Indonesia (75%)
- PT Ridlatama Power — Indonesia (75%)

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

### *4. 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.

### *5. DIRECTORS*

The following have been Directors of the Company during the financial year ended 30 June 2014:
David Quinlivan

Nicholas Smith

Gregory Radke

Fara Luwia

Rachmat Gobel (Resigned 1 October 2014)

John Nagulendran

Subsequent to the financial year ended 30 June 2014, Mr Nikita Rossinsky was appointed as a Director of the Company on 01 October 2014.

**Directors' Interests in Shares and Options**

The following tables show the beneficial interests of the directors who held office during the financial year in the ordinary shares and options of the company.

| Ordinary shares | Shares held at 1 July 2012 | Additions | Shares held at 30 June 2013 | Additions | Shares held at 30 June 2014 |
|---|---|---|---|---|---|
| David Quinlivan | 2,654,092 | 136,363 | 2,790,455 | 89,969 | 2,880,424 |
| Nicholas Smith | - | - | - | 33,738 | 33,738 |
| Fara Luwia* | 8,705,250 | 102,273 | 8,807,523 | 67,476 | 8,874,999 |
| Rachmat Gobel* | 10,639,750 | 102,273 | 10,742,023 | 67,476 | 10,809,499 |
| Gregory Radke | - | 102,273 | 102,273 | 67,476 | 169,749 |
| John Nagulendran | - | 90,909 | 90,909 | 67,476 | 158,385 |

* Ms Fara Luwia (45%) and Mr Rachmat Gobel (55%) have a beneficial interest in GL Global Investment Limited which holds 19,684,498 (2013: 19,549,546) shares in the Company (15.92%) (2013:15.87%).

| Share Options 2014 | Options held at 1 July 2013 | Date of grant | Net changes during the year | Balance at 30 June 2014 | Option exercise price | Expiry date |
|---|---|---|---|---|---|---|
| David Quinlivan* | 1,000,000 | 19 August 2011 | - | 1,000,000 | 50p | 19 August 2016 |
| | 1,000,000 | 11 March 2013 | - | 1,000,000 | 28p | 21 March 2018 |
| | - | 9 Dec 2013 | 850,000 | 850,000 | 50p | 9 Dec 2018 |
| Nicholas Smith | 1,000,000 | 29 October 2012 | - | 1,000,000 | 50p | 29 October 2017 |
| | 800,000 | 21 March 2013 | - | 800,000 | 28p | 21 March 2018 |
| | - | 9 Dec 2013 | 575,000 | 575,000 | 50p | 9 Dec 2018 |
| Rachmat Gobel | 800,000 | 19 August 2011 | - | 800,000 | 50p | 19 August 2016 |
| Fara Luwia | 800,000 | 19 August 2011 | - | 800,000 | 50p | 19 August 2016 |
| | - | 9 Dec 2013 | 150,000 | 150,000 | 50p | 9 Dec 2018 |
| Gregory Radke | 800,000 | 19 August 2011 | - | 800,000 | 50p | 19 August 2016 |
| | 800,000 | 21 March 2013 | - | 800,000 | 28p | 21 March 2018 |
| | - | 9 Dec 2013 | 575,000 | 575,000 | 50p | 9 Dec 2018 |
| John Nagulendran | 250,000 | 29 October 2012 | - | 250,000 | 50p | 29 October 2017 |
| | 800,000 | 21 March 2013 | - | 800,000 | 28p | 21 March 2018 |
| | - | 9 Dec 2013 | 150,000 | 150,000 | 50p | 9 Dec 2018 |
| **Total** | **8,050,000** | | **2,300,000** | **10,350,000** | | |

| Share Options 2013 | Options held at 1 July 2012 | Date of grant | Net changes during the year | Balance at 30 June 2013 | Option exercise price | Expiry date |
|---|---|---|---|---|---|---|
| David Quinlivan | 450,000 | 9 May 2008 | (450,000) | - | 75p | 9 May 2013 |
| | 1,000,000 | 19 August 2011 | - | 1,000,000 | 50p | 19 August 2016 |
| | - | 21 March 2013 | 1,000,000 | 1,000,000 | 28p | 21 March 2018 |
| Nicholas Smith | - | 29 October 2012 | 1,000,000 | 1,000,000 | 50p | 29 October 2017 |
| | - | 21 March 2013 | 800,000 | 800,000 | 28p | 21 March 2018 |
| Faroek Basrewan | 450,000 | 9 May 2008 | (450,000) | - | 75p | 9 May 2013 |
| | 800,000 | 19 August 2011 | - | 800,000 | 50p | 19 August 2016 |
| Rachmat Gobel | 800,000 | 19 August 2011 | - | 800,000 | 50p | 19 August 2016 |
| Fara Luwia | 800,000 | 19 August 2011 | - | 800,000 | 50p | 19 August 2016 |
| Gregory Radke | 800,000 | 19 August 2011 | - | 800,000 | 50p | 19 August 2016 |
| | - | 21 March 2013 | 800,000 | 800,000 | 28p | 21 March 18 |
| John Nagulendran | - | 29 October 2012 | 250,000 | 250,000 | 50p | 29 October 2017 |
| | - | 21 March 2013 | 800,000 | 800,000 | 28p | 21 March 2018 |
| **Total** | **5,100,000** | | **3,750,000** | **8,850,000** | | |

## Directors' remuneration and other interests

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

| | 2014 $000 | 2013 $000 |
|---|---|---|
| Directors Fees | 186 | 147 |
| Consultancy Fees & Salaries | 18 | 415 |
| | **204** | **562** |
| Share based payments (options) expensed during year | 171 | 51 |
| | **375** | **613** |
| Average number of directors during the year | 6 | 7 |

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

| 2014 | Directors Fees $000 | Salary / Consultancy Fees $000 | Share Based Payments (Options) $000 | Total $000 |
|---|---|---|---|---|
| **Executive directors** | | | | |
| Nicholas Smith | 33 | 18 | 42 | 93 |
| **Non-executive directors** | | | | |
| David Quinlivan | 43 | - | 57 | 100 |
| Greg Radke | 35 | - | 42 | 77 |
| John Nagulendran | 26 | - | 24 | 50 |
| Fara Luwia | 26 | - | 6 | 32 |
| Rachmat Gobel | 23 | - | - | 23 |
| | **186** | **18** | **171** | **375** |

| 2013 | Directors Fees $000 | Salary / Consultancy Fees $000 | Share Based Payments (Options) $000 | Total $000 |
|---|---|---|---|---|
| **Executive directors** | | | | |
| Nicholas Smith | - | 333 | 24 | 357 |
| **Non-executive directors** | | | | |
| David Quinlivan | 30 | 11 | 9 | 50 |
| Faroek Basrewan | 21 | 71 | - | 92 |
| Greg Radke | 24 | - | 7 | 31 |
| John Nagulendran | 24 | - | 11 | 35 |
| Fara Luwia | 24 | - | - | 24 |
| Rachmat Gobel | 24 | - | - | 24 |
| | **147** | **415** | **51** | **613** |

The Directors resolved, subject to shareholder approval, to accept fully paid shares in lieu of the payment of Directors' fees at a price calculated as the volume weighted average mid-market price of the Company's Ordinary Shares as listed on the AIM market of the London Stock Exchange throughout the relevant year as calculated by the Company. A resolution was approved by shareholders at the 2013 annual general meeting and a new resolution will be put to shareholders at the 2014 annual general meeting.

**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.

## *6. 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.

### *7. DIRECTORS' INDEMNITY PROVISIONS*

All of the current Directors benefited from qualifying third party indemnity insurance at a cost of $38,124 (2013: $38,821) in place during the year ended 30 June 2014 and as at the date of approval of the financial statements.

### *8. EVENTS AFTER THE REPORTING PERIOD*

Events after reporting period are disclosed in Note 23.

### *9. GOING CONCERN*

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

### *10. AUDITORS*

BDO LLP has indicated its willingness to accept appointment as auditor of the Group for the year ended 30 June 2015. 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.

### *11. 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:

- 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

**David Quinlivan**
*Chairman*
*Churchill Mining Plc*
15 October 2014

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 UK Corporate Governance 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 currently consists of a Non-Executive Chairman, Managing Director and four 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.

The current structure of the Board ensures that no one individual or group is able to dominate the decision making process. 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 formal provision for training of new Directors but any new Director is briefed and made 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 2014, five board meetings were held. In addition various matters were dealt with by circular resolution signed by all parties. The Directors who were members of the Board during the year attended as follows:

| Board of Directors | Meetings entitled to attend | Attendance |
|---|---|---|
| David Quinlivan | 5 | 5 |
| Nicholas Smith | 5 | 5 |
| Gregory Radke | 5 | 5 |
| Fara Luwia | 5 | 4 |
| Rachmat Gobel | 5 | 1 |
| John Nagulendran | 5 | 3 |

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 any 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 and perceived or actual risk are only undertaken following their full evaluation by the Board. Matters of an operational nature are delegated to the Chairman, Managing Director or Company Secretary.

## Internal Control and 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 current needs of the Group and reduced operations.

The Company Secretary, reviews the internal controls and reports to the audit and risk committee with any identified concerns. 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 Gregory Radke, the Committee comprises Mr Radke and Ms Luwia. 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

With the reduced activities of the group, all matters pertaining to remuneration are dealt with by the full Board, taking independent advice if required. The board is responsible for reviewing the performance of Directors and Executive Management, setting remuneration, considering the grant of options under any share option scheme and, in particular the price per share and the application of performance standards which may apply to any such grant.

## Shareholder Relations

Communications with Shareholders are 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 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 judgments 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;
- 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 in 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.

We have audited the financial statements of Churchill Mining plc for the year ended 30 June 2014 which comprise the consolidated statement of comprehensive income, consolidated and company statement of financial position, consolidated and company statements of changes in equity, consolidated and company statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

**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 2014 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 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; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the strategic and 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.

*Scott Knight (senior statutory auditor)*
*For and on behalf of BDO LLP, statutory auditor*
*London*
*United Kingdom*

Date 15 October 2014

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 2014**

| | Note | 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| Other operating income | | 8 | 4 |
| Impairment of other financial assets | 8 | - | (2,258) |
| Other administrative expenses | | (2,711) | (7,110) |
| Impairment of exploration expenditure | | - | (399) |
| Impairment of land | 11 | - | (1,757) |
| Loss on sale of financial asset | 8 | (46) | - |
| **Total administrative expenses** | 3 | **(2,757)** | **(11,524)** |
| **Loss from operations** | | **(2,749)** | **(11,520)** |
| **Finance income** | 2 | **306** | **79** |
| **Finance expense** | 3 | **(7)** | **(160)** |
| **Loss before taxation** | | **(2,450)** | **(11,601)** |
| Tax expense | 5 | - | - |
| **Loss for the year attributable to equity shareholders of the parent** | | **(2,450)** | **(11,601)** |
| **Other comprehensive (expense)/income:** | | | |
| Transfer of Available for Sale Reserve to Income Statement | | - | 533 |
| Foreign exchange differences on translating foreign operations | | (5) | (49) |
| **Other comprehensive (expense)/income for the year** | | **(5)** | **484** |
| **Total comprehensive loss for the year attributable to equity shareholders of the parent** | | **(2,455)** | **(11,117)** |
| **Loss for the year attributable to:** | | | |
| Owners of the parent | | (2,450) | (11,601) |
| Non-controlling interest | | - | - |
| | | **(2,450)** | **(11,601)** |
| **Total comprehensive loss for the year attributable to:** | | | |
| Owners of the parent | | (2,455) | (11,117) |
| Non-controlling interest | | - | - |
| | | **(2,455)** | **(11,117)** |
| **Loss per share attributable to owners of the parent:** | | | |
| Basic and diluted loss per share (cents) | 6 | (1.99c) | (9.45c) |

*The accompanying notes form part of these financial statements.*

**STATEMENTS OF FINANCIAL POSITION**
**As at 30 June 2014**

| *Company number 5275606* | | Consolidated | | Company | |
|---|---|---|---|---|---|
| | **Note** | **2014 $'000** | **2013 $'000** | **2014 $'000** | **2013 $'000** |
| **ASSETS** | | | | | |
| **Current assets** | | | | | |
| Cash and cash equivalents | | 3,016 | 4,848 | 2,993 | 4,821 |
| Other receivables | 10 | 2,549 | 3,227 | 56 | 202 |
| **Total current assets** | | **5,565** | **8,075** | **3,049** | **5,023** |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 11 | 7 | 21 | 6 | 10 |
| Other financial assets | 8 | - | 274 | - | - |
| Investment in subsidiaries | 12 | - | - | - | 158 |
| **Total non-current assets** | | **7** | **295** | **6** | **168** |
| **TOTAL ASSETS** | | **5,572** | **8,370** | **3,055** | **5,191** |
| **LIABILITIES** | | | | | |
| **Current Liabilities** | | | | | |
| Trade and other payables | 13 | 739 | 974 | 681 | 832 |
| Loans and borrowings | 14 | 2,483 | 2,993 | - | - |
| **Total current liabilities** | | **3,222** | **3,967** | **681** | **832** |
| **Non-current liabilities** | | | | | |
| Provisions | 15 | 40 | 44 | - | - |
| **Total non-current liabilities** | | **40** | **44** | **-** | **-** |
| **TOTAL LIABILITIES** | | **3,262** | **4,011** | **681** | **832** |
| **NET ASSETS** | | **2,310** | **4,359** | **2,374** | **4,359** |
| **CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY** | | | | | |
| Share capital | 17 | 2,237 | 2,230 | 2,237 | 2,230 |
| Share premium | 17 | 77,791 | 77,641 | 77,791 | 77,641 |
| Other reserves | 17 | 2,424 | 2,180 | 2,488 | 2,239 |
| Retained deficit | | (81,246) | (78,796) | (80,142) | (77,751) |
| **TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT** | | **1,206** | **3,255** | **2,374** | **4,359** |
| Non-controlling interest | | 1,104 | 1,104 | - | - |
| **TOTAL EQUITY** | | **2,310** | **4,359** | **2,374** | **4,359** |

*The accompanying notes form part of these financial statements.*

The financial statements were approved and authorised for issue by the Board of Directors on 15 October 2014 and were signed on its behalf by:

David Quinlivan
Director

**STATEMENT OF CHANGES IN EQUITY**
**For the year ended 30 June 2014**

| Consolidated | Share Capital | Share premium reserve | Merger reserve | Retained deficit | Other Reserves: Foreign exchange | Other Reserves: Equity settled share options | Other Reserves: Available for sale | Total Equity attributable to equity holders of Company | Non-controlling Interest | Total Equity |
|---|---|---|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Changes in equity for year to 30 June 2013** | | | | | | | | | | |
| Balance at 1 July 2012 | 2,220 | 77,537 | 6,828 | (75,292) | (10) | 3,435 | (533) | 14,185 | 1,104 | 15,289 |
| Loss for the period | - | - | - | (11,601) | - | - | - | (11,601) | - | (11,601) |
| Other comprehensive (expense)/income | - | - | - | - | (49) | - | 533 | 484 | - | 484 |
| Transfer of Merger Reserve to retained Deficit | - | | (6,828) | 6,828 | | | | | | |
| Expiry of share options | - | - | - | 1,269 | - | (1,269) | - | - | - | - |
| Recognition of share based payments | - | - | - | - | - | 73 | - | 73 | - | 73 |
| Issue of shares | 10 | 104 | - | - | - | - | - | 114 | - | 114 |
| **Balance at 30 June 2013** | **2,230** | **77,641** | **-** | **(78,796)** | **(59)** | **2,239** | **-** | **3,255** | **1,104** | **4,359** |
| **Changes in equity for year to 30 June 2014** | | | | | | | | | | |
| Balance at 1 July 2013 | 2,230 | 77,641 | - | (78,796) | (59) | 2,239 | - | 3,255 | 1,104 | 4,359 |
| Loss for the period | - | - | - | (2,450) | - | - | - | (2,450) | - | (2,450) |
| Other comprehensive expense | - | - | - | - | (5) | - | - | (5) | - | (5) |
| Recognition of share based payments | - | - | - | - | - | 249 | - | 249 | - | 249 |
| Issue of shares | 7 | 150 | - | - | - | - | - | 157 | - | 157 |
| **Balance at 30 June 2014** | **2,237** | **77,791** | **-** | **(81,246)** | **(64)** | **2,488** | **-** | **1,206** | **1,104** | **2,310** |

*The accompanying notes form part of these financial statements.*

**STATEMENT OF CHANGES IN EQUITY**
**For the year ended 30 June 2014**

| Company | Share Capital | Share premium reserve | Merger reserve | Retained deficit | Equity settled share options reserve | Total Equity |
|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Changes in equity for year to 30 June 2013** | | | | | | |
| Balance at start of the year | 2,220 | 77,537 | 6,828 | (76,513) | 3,435 | 13,507 |
| Total comprehensive loss for the year | - | - | - | (9,335) | - | (9,335) |
| Transfer of Merger reserve to retained deficit | | | (6,828) | 6,828 | | |
| Issue of shares | 10 | 104 | - | - | - | 114 |
| Expiry of share options | - | - | - | 1,269 | (1,269) | - |
| Recognition of share based payments | - | - | - | - | 73 | 73 |
| **Balance at 30 June 2013** | **2,230** | **77,641** | **-** | **(77,751)** | **2,239** | **4,359** |
| **Changes in equity for year to 30 June 2014** | | | | | | |
| Balance at start of the year | 2,230 | 77,641 | - | (77,751) | 2,239 | 4,359 |
| Total comprehensive loss for the year | - | - | - | (2,391) | - | (2,391) |
| Transfer of Merger reserve to retained deficit | - | - | - | - | - | - |
| Issue of shares | 7 | 150 | - | - | - | 157 |
| Recognition of share based payments | - | - | - | - | 249 | 249 |
| **Balance at 30 June 2014** | **2,237** | **77,791** | **-** | **(80,142)** | **2,488** | **2,374** |

*The accompanying notes form part of these financial statements.*

**STATEMENT OF CASH FLOWS**
**For the year ended 30 June 2014**

| | Note | Consolidated | | Company | |
|---|---|---|---|---|---|
| | | 2014 | 2013 | 2014 | 2013 |
| | | $'000 | $'000 | $'000 | $'000 |
| Cash flows used in operating activities | 19 | (2,355) | (7,017) | (2,057) | (5,320) |
| **Net cash used in operating activities** | | **(2,355)** | **(7,017)** | **(2,057)** | **(5,320)** |
| **Cash flows used in investing activities** | | | | | |
| Finance income | | 2 | 16 | 2 | 14 |
| Payments for exploration and evaluation assets | | - | (146) | - | (1) |
| Receipts from sale of property, plant and equipment | | 1 | 4 | - | - |
| Receipts from sale of financial assets | | 240 | - | - | - |
| Acquisition of property, plant and equipment | | - | (1) | - | - |
| Advances to subsidiaries | | - | - | (304) | (1,343) |
| Repayment of subsidiary loans | | - | - | 244 | - |
| **Cash flows generated from/(used in) investing activities** | | **243** | **(127)** | **(58)** | **(1,330)** |
| **Cash flows from financing activities** | | | | | |
| Proceeds from issue of share capital | | - | 114 | - | 114 |
| **Cash flows from financing activities** | | **-** | **114** | **-** | **114** |
| Net decrease in cash and cash equivalents | | (2,112) | (7,030) | (2,115) | (6,536) |
| Cash and cash equivalents at beginning of year | | 4,848 | 12,000 | 4,821 | 11,517 |
| Effect of foreign exchange rate differences | | 280 | (122) | 287 | (160) |
| **Cash and cash equivalents at the end of year** | | **3,016** | **4,848** | **2,993** | **4,821** |

*The accompanying notes form part of these financial statements.*

## 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 a going concern basis 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 2013 are reflected in these financial statements.

As at 30 June 2014 the Group has cash funds of $3.0m. The Group is fully funded for the next 12 months. However, based on the Group's current level of operating and legal expenditure, the Director's anticipate that additional funding will be required after that. The Group remains fully committed to its ICSID litigation against the Republic of Indonesia. The Directors have a reasonable expectation that the Group has access to adequate capital resources to continue its operational existence and the pursuit of the ICSID litigation and for this reason, they continue to adopt the going concern basis in preparing these accounts.

### NEW STANDARDS AND INTERPRETATIONS APPLIED

The IASB has issued the following new standards, amendments to published standards and interpretations to existing standards with effective dates on or prior to 1 July 2013 which have been adopted by the Group for the first time this year and which have not had a material effect. The new standards and amendments relevant to the Group have been disclosed below:

| | | Effective period commencing on or after | Impact on Group |
|---|---|---|---|
| IFRS 13 | Fair Value Measurement | 1 January 2013 | No material impact |
| IFRIC 20 | Stripping Costs in the Production Phase of a Surface Mine | 1 January 2013 | No material impact |
| IFRS 7 | Disclosures – Offsetting Financial Assets and Financial Liabilities | 1 January 2013 | No material impact |
| IAS 19 | Amendment – Employee Benefits | 1 January 2013 | No material impact |
| IAS 36 | Recoverable amount disclosures for non-financial assets | 1 March 2013 | No material impact |
| | Annual improvements to IFRSs (2009–2011 Cycle) | 1 January 2013 | No material impact |

*New standards and interpretations not yet effective*

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning after 1 July 2014 or later periods and which the Group has decided not to adopt early or which are yet to be EU endorsed. These are:

| | | Effective period commencing on or after |
|---|---|---|
| IFRS 9* | Financial Instruments | 1 January 2018 |
| IFRS 10 | Consolidated Financial Statements | 1 January 2014 |
| IFRS 11 | Joint Arrangements | 1 January 2014 |
| IFRS 12 | Disclosure of Interests in Other Entities | 1 January 2014 |
| IAS 27 | Amendment – Separate Financial Statements | 1 January 2014 |
| IAS 28 | Amendment – Investments in Associates and Joint Ventures | 1 January 2014 |
| IAS 32* | Offsetting Financial Assets and Financial Liabilities | 1 January 2014 |

* Not yet adopted by the European Union.

None of the above standards are expected to have a material impact on the financial statements of the Group.

## SIGNIFICANT ACCOUNTING POLICIES

### Finance income

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

### Basis of consolidation

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

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

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

### 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 the statement of changes 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 become party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual right to the cash flow expires or when all the risks and rewards of ownership are substantially transferred. Financial liabilities are derecognised when the obligations specified in the contract are either discharged or cancelled.

### Financial assets

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

(i) **Available-for-sale**

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

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of a financial asset classified as available-for-sale, a significant or prolonged decline in the fair value of the financial asset below its cost is considered an indicator that the financial asset is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on financial assets which are equity instruments are not reversed through the income statement.

(ii) **Loans and receivables**

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They incorporate various types of contractual monetary assets, such as advances made to affiliated entities which give rise to other receivables and cash and cash equivalents includes cash in hand and deposits held at call with banks. Other receivables are carried at cost less any provision for impairment. Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty) that the Group will be unable to collect all of the amounts due under the terms of the receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

**Financial liabilities**
The Group's financial liabilities consist of trade payables, 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.

**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 can be 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.

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 decides that it is not technically feasible or economically viable to conduct mining operations in a specific area or to extract the mineral resource being evaluated, then capitalised exploration and evaluation expenditure attributable to the exploration and evaluation of that specific area or mineral resource, as the case may be, capitalised up to the date of making such a decision, is written off and any further exploration and evaluation expenditure incurred in respect thereof is charged to profit or loss as and when incurred. Management reviews the levels of capitalised exploration and evaluation expenditure for each area of interest on a regular basis and where deemed appropriate either continues to carry forward costs or impair expenditure based on management estimates of recoverable values for each area of interest.

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

**Property, plant and equipment**
Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future costs of dismantling and removing items if applicable. The corresponding liability is recognised within provisions. Depreciation is provided on all items of property and equipment to write off the carrying value of items over their expected useful economic lives as follows:

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

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

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

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

**Deferred taxation**
Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs to its tax base, except for differences arising on:

- The initial recognition of goodwill;
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- Investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/ (assets) are settled/ (recovered).

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- The same taxable Group Company; or
- Different Group entities which intend either to settle current tax assets and liabilities on a net basis or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

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

**Impairment of non-financial assets**
Impairment tests on intangible assets and tangible assets with indefinite useful economic lives are undertaken annually on 30 June or when a trigger for impairment is identified. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (i.e. the lowest level group of assets in which the asset belongs for which there are separately identifiable cash flows).

Impairment charges are included within total administration expenses in the statement of comprehensive income, 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.

**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:

- While conducting an impairment review of its assets, the Group exercises judgement in making assumptions by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Changes in these estimates used can result in significant charges to the statement of comprehensive income ; and

- Employee, corporate advisory and consulting services received as well as 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 where more details, including carrying values, are disclosed.

## NOTE 2: FINANCE INCOME

| | Consolidated | |
|---|---|---|
| | 2014 | 2013 |
| | $'000 | $'000 |
| Finance income – foreign exchange gains | 304 | 63 |
| Finance income - Bank interest | 2 | 16 |
| **Total finance income** | **306** | **79** |

## NOTE 3: *LOSS FROM OPERATIONS*

| | Consolidated | |
|---|---|---|
| | 2014 | 2013 |
| | $'000 | $'000 |
| **Loss before tax includes the following expense items:** | | |
| Administrative expenses | | |
| Audit & accounting and other fees | 91 | 178 |
| Consulting & professional fees | 252 | 535 |
| Legal fees | 1,462 | 4,221 |
| VAT costs unrecovered | 6 | 61 |
| Depreciation & amortisation | 13 | 45 |
| Employee salaries and benefits | 336 | 872 |
| Operating lease expense | 60 | 120 |
| Travel expenses | 45 | 114 |
| Public relations consultancy | 58 | 619 |
| Other administrative costs | 139 | 272 |
| Impairment of land | - | 1,757 |
| Impairment of other financial assets | - | 2,258 |
| Impairment of exploration and evaluation expenditure | - | 399 |
| Equity settled share based payment expense | 249 | 73 |
| Loss from sale of financial assets | 46 | - |
| | **2,757** | **11,524** |
| Finance expenses | | |
| Foreign exchange losses | 7 | 160 |
| **Total administrative and finance expenses** | **2,764** | **11,684** |

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

| | Consolidated | |
|---|---|---|
| | 2014 | 2013 |
| | $'000 | $'000 |
| Fees payable to the Company's Auditor for the audit of the Company's annual accounts | 31 | 38 |
| Other services – interim review | 10 | 11 |
| Fees payable for the audit of the subsidiaries | 12 | 22 |
| **Total** | **53** | **71** |

## NOTE 4: SALARIES

| | Note | Consolidated 2014 $'000 | Consolidated 2013 $'000 |
|---|---|---|---|
| **Staff costs (including Directors' fees) comprise:** | | | |
| Employee salaries and benefits | | 144 | 704 |
| Superannuation/pension costs | | 7 | 25 |
| Directors' fees and benefits | | 186 | 147 |
| Share-based payments | 18 | 249 | 73 |
| | | **586** | **949** |
| | | **Number** | |
| Average number of employees (including Directors) | | 11 | 17 |

| **Directors' remuneration and Other Key Management disclosures** | **2014 $'000** | **2013 $'000** |
|---|---|---|
| **Directors' short term benefits** | | |
| Directors' fees and benefits | 186 | 147 |
| Consultancy fees/Salaries | 18 | 415 |
| Sub-Total | **204** | **562** |
| **Directors' long term benefits** | | |
| Share based payments (options) | 171 | 51 |
| **Total Director Remuneration** | **375** | **613** |
| **Other Key management short term benefits** | | |
| Consultancy fees | 209 | 229 |
| Key management salaries | - | 116 |
| Sub-Total | **209** | **345** |
| **Key management long term benefits** | | |
| Share based payments (options) | 39 | 9 |
| **Total Other Key Management Remuneration** | **248** | **354** |
| **Total Director and Key Management Remuneration** | **623** | **967** |
| The amounts set out above include emoluments for the highest paid Director as follows: | | |
| Short term benefits | 51 | 333 |
| **Total** | **51** | **333** |

Key management consists of the Board of Directors and the Company Secretary/Chief Financial Officer.

The Company provides Directors' & Officers' liability insurance at a cost of $38,125 (2013: $38,821). This cost is not included in the above table.

## NOTE 5: TAXATION ON LOSS FOR THE YEAR

| | Consolidated | |
|---|---|---|
| | 2014 | 2013 |
| | $'000 | $'000 |
| Major components of income tax expense for the years ended 30 June 2014 and 2013 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 2014 and 2013 is as follows:

| | | |
|---|---|---|
| **Accounting loss before income tax** | **(2,450)** | **(11,601)** |
| At the statutory income tax rate of 30% | (735) | (3,480) |
| Effects of: | | |
| Non-deductible expenses | 566 | 1,549 |
| Temporary differences and tax losses not brought to account as a deferred tax asset | 158 | 1,775 |
| Less: | | |
| Tax rate differential | 11 | 156 |
| **Income tax expense** | - | - |
| Effective income tax rate of 0% | 0% | 0% |

No amounts of deferred tax assets or liabilities have been charged / (credited) to the consolidated statement of comprehensive income or reserves. The deductible temporary differences and Australian domestic tax losses being $18,405,000 (2013: $18,176,000) 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 it is not probable that future taxable profits will be available against which the Group can utilise the benefits of tax losses. The Group has not offset deferred tax assets across different jurisdictions. Foreign tax losses in relation to the Indonesian subsidiary PT Indonesia Coal Development expire as follows:

| Financial Year | Expire (year) | $'000 |
|---|---|---|
| 2009/2010 | 2015 | 2,798 |
| 2010/2011 | 2016 | 4,351 |
| 2011/2012 | 2017 | 3,680 |
| 2012/2013 | 2018 | 1,086 |
| 2013/2014* | 2019 | 277 |

*Estimate based on the actual loss for 2013/2014

## NOTE 6: LOSS PER SHARE

| | Consolidated | |
|---|---|---|
| | 2014 $'000 | 2013 $'000 |
| **Loss attributable to owners of the parent company** | (2,450) | (11,601) |
| | **Number** | |
| Weighted average number of shares used in the calculation of basic and diluted loss per share | 123,383,315 | 122,822,049 |
| | **Cents** | |
| **Loss per share** | | |
| Basic and diluted loss per share | (1.99c) | (9.45c) |

The effect of all potential ordinary shares arising from the exercise of options going forward is considered to be anti-dilutive. 13,318,493 (2013: 7,205,068) potential ordinary shares have been excluded from the above calculation as they are not dilutive.

## NOTE 7: PARENT COMPANY 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 $2,390,597 (2013: Loss $9,335,223).

## NOTE 8: OTHER FINANCIAL ASSETS

| Name | Country of incorporation | Reporting Date | Proportion of voting rights held at 30 June 2014 | Proportion of voting rights held at 30 June 2013 |
|---|---|---|---|---|
| Spitfire Resources Limited | Australia | 30 June 2014 | 0% | 9.8% |

| | $'000 |
|---|---|
| **2013** | |
| **Balance at 1 July 2012** | 2,006 |
| Impairment of available for sale asset | (2,558) |
| Reversal of available for sale reserve to income statement | 533 |
| *Effect of movement in exchange rates* | (7) |
| **Balance at 30 June 2013** | **274** |
| | |
| **2014** | |
| Balance at 1 July 2013 | 274 |
| Sale of financial asset | (240) |
| Loss on sale of financial asset | (46) |
| Effect of movement in exchange rates | 12 |
| Balance at 30 June 2014 | - |

## NOTE 9: SEGMENT INFORMATION

The Group's reportable segments are set out below and include the Indonesian and Australian corporate offices which are administrative cost centres.

Operating segments are reported in a manner consistent with the reporting provided to the board.

| Consolidated 2014 | Australia – Corporate office<br>$'000 | Indonesia – Administration Office<br>$'000 | Total<br>$'000 |
|---|---|---|---|
| Finance income | 5 | 5 | 10 |
| Administration expenses | (2,479) | (232) | (2,711) |
| Loss on sale of financial assets | (46) | - | (46) |
| Exchange differences | 304 | (7) | 297 |
| **Loss for the year after taxation** | **(2,216)** | **(234)** | **(2,450)** |
| Non current assets | 6 | 1 | 7 |
| Other receivables | 57 | 2,492 | 2,549 |
| Cash and cash equivalents | 2,993 | 23 | 3,016 |
| **Segment assets** | **3,056** | **2,516** | **5,572** |
| Trade and other payables | 681 | 58 | 739 |
| Loans and Borrowings | - | 2,483 | 2,483 |
| Provisions | - | 40 | 40 |
| **Segment liabilities** | **681** | **2,581** | **3,262** |
| **Segment net assets** | **2,375** | **(65)** | **2,310** |

| Consolidated 2013 | Australia – Corporate office $'000 | Indonesia – Administration Office $'000 | Total $'000 |
|---|---|---|---|
| Finance income | 15 | 1 | 16 |
| Administration expenses | (5,846) | (1,264) | (7,110) |
| Impairment of Land | - | (1,757) | (1,757) |
| Impairment of other financial assets | (2,258) | - | (2,258) |
| Impairment of exploration and evaluation assets | (253) | (146) | (399) |
| Exchange differences | (160) | 67 | (93) |
| **Loss for the year after taxation** | **(8,502)** | **(3,099)** | **(11,601)** |
| Non current assets | 284 | 11 | 295 |
| Other receivables | 202 | 3,025 | 3,227 |
| Cash and cash equivalents | 4,825 | 23 | 4,848 |
| **Segment assets** | **5,311** | **3,059** | **8,370** |
| Trade and other payables | 832 | 3,135 | 3,967 |
| Provisions | - | 44 | 44 |
| **Segment liabilities** | **832** | **3,179** | **4,011** |
| **Segment net assets** | **4,479** | **(120)** | **4,359** |

## NOTE 10: OTHER RECEIVABLES

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2014 $'000 | 2013 $'000 | 2014 $'000 | 2013 $'000 |
| **Current** | | | | |
| Related party receivables | 3,342 | 4,029 | - | - |
| Impairment for non-recovery | (859) | (1,036) | - | - |
| Prepayments and other receivables | 66 | 234 | 56 | 202 |
| | **2,549** | **3,227** | **56** | **202** |

The Group's exposure to credit and currency risk related to other receivables is disclosed in Note 20. Contingencies in relation to the recovery of related party receivables are detailed in Note 22.

## NOTE 11: PROPERTY, PLANT AND EQUIPMENT

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | $'000 | $'000 | $'000 | $'000 |
| **Plant & Equipment** | | | | |
| **Cost** | | | | |
| Balance at start of year | 255 | 409 | 111 | 110 |
| Disposals | (12) | (156) | - | - |
| Additions | - | 1 | - | 1 |
| Effects of movements in exchange rates | - | 1 | - | - |
| Balance at end of year | **243** | **255** | **111** | **111** |
| **Accumulated Depreciation** | | | | |
| Balance at start of year | 234 | 324 | 101 | 66 |
| Depreciation expense for the year | 13 | 45 | 4 | 35 |
| Reversal of accumulated depreciation - disposal | (11) | (134) | - | - |
| Effects of movements in exchange rates | - | (1) | - | - |
| Balance at end of year | **236** | **234** | **105** | **101** |
| **Net book value at end of the year** | **7** | **21** | **6** | **10** |
| **Freehold land** | | | | |
| **Cost** | | | | |
| Balance at start and end of year | - | 1,757 | - | - |
| Impairment | - | (1,757) | - | - |
| Balance at the end of year | - | - | - | - |
| **Net book value at end of year** | - | - | - | - |
| **Total** | | | | |
| **Cost** | | | | |
| Balance at start of year | 255 | 2,166 | 111 | 110 |
| Impairment | - | (1,757) | - | - |
| Disposals | (12) | (156) | - | - |
| Additions | | 1 | - | 1 |
| Effects of movements in exchange rates | | 1 | - | - |
| Balance at end of year | **243** | **255** | **111** | **111** |
| **Accumulated Depreciation** | | | | |
| Balance at start of year | 234 | 324 | 101 | 66 |
| Depreciation expense for the year | 13 | 45 | 4 | 35 |
| Reversal of accumulated depreciation - disposal | (11) | (134) | - | - |
| Effect of movements in exchange rates | | (1) | - | - |
| Balance at end of year | **236** | **234** | **105** | **101** |
| **Net book value at end of year** | **7** | **21** | **6** | **10** |
| **Net book value at start of year** | **21** | **1,842** | **10** | **44** |

## NOTE 12: INVESTMENT IN SUBSIDIARIES

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

| Name | Country of Incorporation | Proportion of ownership interest |
|---|---|---|
| Planet Mining Pty Ltd | Australia | 100% |
| PT Indonesia Coal Development | Indonesia | 100% |
| PT Techno Coal Utama Prima* | Indonesia | 100% |
| PT Ridlatama Tambang Mineral* | Indonesia | 75% |
| PT Ridlatama Trade Powerindo* | Indonesia | 75% |
| PT Ridlatama Steel* | Indonesia | 75% |
| PT Ridlatama Power* | Indonesia | 75% |

*Undertaking held indirectly by the Company.

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

Movements of investments in subsidiaries during the period are:

| | Company | |
|---|---|---|
| | 2014 $'000 | 2013 $'000 |
| Loans to subsidiaries – Non-current assets | | |
| - Opening Balance | - | - |
| - Loans to subsidiaries | 60 | 1,343 |
| - Impairment of subsidiary carrying value | (60) | (1,343) |
| **Total loans to subsidiaries – non-current assets** | **-** | **-** |
| Equity investment in subsidiaries | | |
| - Opening Balance | 158 | 2,205 |
| - Impairment of subsidiary carrying value | (158) | (2,047) |
| **Total equity investment in subsidiaries** | **-** | **158** |
| **Total investment in subsidiaries** | **-** | **158** |

The total of subsidiary loans at 30 June 2014 is $49,039,912 (2013: $48,979,805), the recovery of which has been impaired in full. The intercompany loans are unsecured, non-interest bearing and repayable on demand. Following impairment of the underlying assets held within the relevant subsidiaries, Churchill Mining Plc has accordingly reduced the carrying value of investments held at a parent company level.

## NOTE 13: TRADE AND OTHER PAYABLES

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | $'000 | $'000 | $'000 | $'000 |
| **Current** | | | | |
| Trade payables | 67 | 847 | 67 | 721 |
| Accruals and other payables | 672 | 127 | 614 | 111 |
| | **739** | **974** | **681** | **832** |

The Group's exposure to credit and currency risk related to trade and other payables is disclosed in Note 20.

## NOTE 14: LOANS AND BORROWINGS

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | $'000 | $'000 | $'000 | $'000 |
| **Current** | | | | |
| Related party payables | 2,483 | 2,993 | - | - |
| | **2,483** | **2,993** | **-** | **-** |

Included in the loans and borrowings are amounts potentially payable of $2,482,664 due to the non-controlling shareholders of the IUP Companies PT Ridlatama Tambang Mineral, PT Ridlatama Trade Powerindo, PT Ridlatama Steel and PT Ridlatama Power. Contingencies in relation to the payment of related party loans are detailed in Note 22.

## NOTE 15: PROVISIONS

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | $'000 | $'000 | $'000 | $'000 |
| **Non-current** | | | | |
| Employee benefits | 40 | 44 | - | - |
| | **40** | **44** | **-** | **-** |

The provision relates to the estimated liability for post-employment benefits at year end for staff engaged by PT Indonesia Coal Development.

## NOTE 16: COMMITMENTS

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | $'000 | $'000 | $'000 | $'000 |
| **Operating lease commitments** | | | | |
| The total future aggregate minimum lease payments under non-cancellable operating leases: | | | | |
| Within one year | 20 | 18 | 20 | 16 |
| Within two to five years | 18 | - | 18 | - |
| | **38** | **18** | **38** | **16** |

The above amount relates to a property sub-lease for 41 York Street, Subiaco Western Australia with the term expiring on 31 May 2016 with rent payable monthly in advance.

**Consultant and Key Management compensation commitments**

| | | | | |
|---|---|---|---|---|
| Commitments under consulting contracts not provided for in the financial statements and payable: | | | | |
| Within one year | 204 | 249 | 204 | 249 |
| | **204** | **249** | **204** | **249** |

**Other commitments**

In February 2013 the Company entered into an engagement letter with Quinn Emanuel Urquhart & Sullivan ("Quinn Emanuel")"in connection with the ICSID international arbitration proceedings against the Republic of Indonesia. As part of this engagement the Group is committed to pay Quinn Emanuel a success fee of 3% of the value of the first $50 million recovered and 5% of all recovered amounts greater than $50 million.

## NOTE 17: SHARE CAPITAL, SHARE PREMIUM AND RESERVES

| | Company | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | Number | Number | $'000 | $'000 |
| **Allotted, called up and fully paid** | | | | |
| At start of year | 123,168,095 | 122,520,368 | 2,230 | 2,220 |
| Additions | 451,467 | 647,727 | 7 | 10 |
| At end of year | **123,619,562** | **123,168,095** | **2,237** | **2,230** |

| | | Allotted, called up and fully paid | | Share premium |
|---|---|---|---|---|
| Date | Details | Number | $'000 | $'000 |
| **30/6/2012** | **Closing balance at 30 June 2012** | **122,520,368** | **2,220** | **77,537** |
| 11/1/2013 | Issue of shares to directors @ 11p per share | 647,727 | 10 | 104 |
| **30/6/2013** | **Closing balance at 30 June 2013** | **123,168,095** | **2,230** | **77,641** |
| 7/1/2014 | Issue of shares to directors @ 22.23p per share | 451,467 | 7 | 150 |
| | | **123,619,562** | **2,237** | **77,791** |

**Share premium**

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

**Other Reserves**

Other Reserves include

**(i) Merger reserve**

During the 2013 year, the merger reserve which arose previously from the availability of merger relief in connection with the acquisition of PT Indonesia Coal Development by a share for share exchange that represented the difference between the fair value of consideration given for the shares and the nominal value of those instruments, was transferred to retained deficit due to the impairment of the investments in the subsidiary companies.

**(ii) 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.

**(iii) Equity settled share options reserve**

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

**Retained deficit**

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

## NOTE 18: 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 listed. Share options are exercisable for ordinary shares which when exercised rank equally with existing ordinary shares.

| Exercise price | Grant date | Outstanding at start of year | (Exercised)/ Granted during the year | (Lapsed/ Expired) during the year | Outstanding at end of year | Final exercise date |
|---|---|---|---|---|---|---|
| **2013** | | | | | | |
| 60p | 17/12/2007 | 250,000 | - | (250,000) | - | 17/12/2012 |
| 70p | 17/12/2007 | 250,000 | - | (250,000) | - | 17/12/2012 |
| 80p | 17/12/2007 | 250,000 | - | (250,000) | - | 17/12/2012 |
| 75p | 09/05/2008 | 3,100,000 | - | (3,100,000) | - | 09/05/2013 |
| 50p | 19/08/2011 | 5,000,000 | - | (300,000) | 4,700,000 | 19/08/2016 |
| 50p | 29/10/2012 | - | 1,500,000 | - | 1,500,000 | 29/10/2017 |
| 28p | 21/03/2013 | - | 5,400,000 | - | 5,400,000 | 21/03/2018 |
| 48p | 03/05/2013 | - | 50,000 | - | 50,000 | 03/05/2018 |
| **Total** | | **8,850,000** | **6,950,000** | **(4,150,000)** | **11,650,000** | |
| **2014** | | | | | | |
| 50p | 19/08/2011 | 4,700,000 | - | - | 4,700,000 | 19/08/2016 |
| 50p | 29/10/2012 | 1,500,000 | - | - | 1,500,000 | 29/10/2017 |
| 28p | 21/03/2013 | 5,400,000 | - | - | 5,400,000 | 21/03/2018 |
| 48p | 03/05/2013 | 50,000 | - | - | 50,000 | 03/05/2018 |
| 50p | 09/12/2013 | - | 3,000,000 | - | 3,000,000 | 09/12/2018 |
| **Total** | | **11,650,000** | **3,000,000** | **-** | **14,650,000** | |

| | Weighted average exercise price 2014 | Number 2014 | Weighted average exercise price 2013 | Number 2013 |
|---|---|---|---|---|
| Outstanding at beginning of the year | 40p | 11,650,000 | 60p | 8,850,000 |
| Expired during the year | 72p | - | 72p | (4,150,000) |
| Issued during the year | 33p | 3,000,000 | 33p | 6,950,000 |
| **Outstanding at end of the year** | **42p** | **14,650,000** | **40p** | **11,650,000** |
| **Exercisable at the end of the year** | **40p** | **11,650,000** | **40p** | **11,650,000** |

The weighted average share price during the year was 20.31p (2013: 19.89p).

**Fair value**

The fair value of the share options granted has been derived using the Black-Scholes model that takes into account factors such as the option life, the volatility of share price and expected early exercise of share options. Volatility has been based on an estimate of comparable listed companies to Churchill.

| 2014 | |
|---|---|
| **Grant date** | **9/12/2013** |
| **Granted to** | **Key Management Personnel** |
| Number granted | 3,000,000 |
| **Fair value at grant date** | **7.47c** |
| *Assumptions used* | |
| Share price | 34.32c |
| Exercise price | 81.72c |
| Expected volatility | 70% |
| Average Option life | 2.65 |
| Risk free interest rate | 2% |

| 2013 | | | |
|---|---|---|---|
| **Grant date** | **29/10/2012** | **21/3/2013** | **3/5/2013** |
| **Granted to** | **Key Management Personnel** | **Key Management Personnel** | **Key Management Personnel** |
| Number granted | 1,500,000 | 5,400,000 | 50,000 |
| **Fair value at grant date** | **1.80c** | **3.07c** | **11.26c** |
| *Assumptions used* | | | |
| Share price | 18.00c | 15.86c | 40.43c |
| Exercise price | 80.51c | 42.30c | 74.64c |
| Expected volatility | 70% | 70% | 70% |
| Average Option life | 2.65 | 2.65 | 2.65 |
| Risk free interest rate | 2% | 2% | 2% |

**Equity settled share based payment expense**

The share based payment for the year ended 30 June 2014 was US$249,297 (2013: $73,759).

## NOTE 19: NOTES TO THE CASH FLOW STATEMENT

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | $'000 | $'000 | $'000 | $'000 |
| **Reconciliation of (loss) after tax to cash from operating activities** | | | | |
| **(Loss) after tax** | **(2,450)** | **(11,601)** | **(2,391)** | **(9,335)** |
| Share option expense | 249 | 73 | 249 | 73 |
| Shares issue expense | 157 | - | 157 | - |
| Depreciation expense | 13 | 45 | 5 | 35 |
| Impairment expense | - | 399 | 218 | 3,175 |
| Impairment of land | - | 1,757 | - | - |
| Impairment of other financial assets | - | 2,258 | - | - |
| (Gain)/ Loss on exchange rates | (297) | 96 | (287) | 160 |
| Loss on subsidiary loans & investment | 46 | - | - | 216 |
| Net gain on disposal of property, plant and equipment | - | (4) | - | - |
| Finance income | (2) | (16) | (2) | (14) |
| Decrease / (Increase) in receivables | 167 | 237 | 138 | (42) |
| (Decrease) / Increase in payables | (238) | (261) | (144) | 412 |
| **Cash flow from operating activities** | **(2,355)** | **(7,017)** | **(2,057)** | **(5,320)** |

## NOTE 20: 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 exposure of the Group's and Company's activities to the exposure to currency risk or interest risk. No derivatives or hedges were entered into during the year.

**General objectives, policies and processes**
The Board has overall responsibility for the determination of the Group and Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function.

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

- Liquidity risk;
- Credit risk;
- Cashflow interest rate risk;
- Foreign exchange 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;
- Trade and other payables; and
- Loans and borrowings.

***Categories of financial assets***

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | $'000 | $'000 | $'000 | $'000 |
| **Current financial assets classified as loans and receivables** | | | | |
| Other receivables | 2,543 | 3,024 | 51 | 2 |
| Cash and cash equivalents | 3,016 | 4,848 | 2,993 | 4,821 |
| **Total current financial assets** | **5,559** | **7,872** | **3,044** | **4,823** |
| **Non-current financial assets classified as loans and receivables** | | | | |
| *Intergroup receivables* | - | - | 49,040 | 48,980 |
| Impairment for non-recovery | - | - | (49,040) | (48,980) |
| **Non-current financial assets classified as available for sale** | | | | |
| Other financial assets | - | 274 | - | - |
| **Total non-current financial assets** | **-** | **274** | **-** | **-** |
| **Total financial assets** | **5,559** | **8,146** | **3,044** | **4,823** |

***Categories of financial liabilities***

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | $'000 | $'000 | $'000 | $'000 |
| **Current financial liabilities measured at amortised cost** | | | | |
| Trade and other payables | 739 | 974 | 681 | 832 |
| Loans and borrowings | 2,483 | 2,993 | - | - |
| **Total current financial liabilities** | **3,222** | **3,967** | **681** | **832** |
| **Total financial liabilities** | **3,222** | **3,967** | **681** | **832** |

At the year end, the Group had a cash balance of US$3,015,620 (2013: US$4,848,872) which was made up as follows:

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | $'000 | $'000 | $'000 | $'000 |
| Great British Pound | 1,355 | 3,942 | 1,355 | 3,942 |
| United States Dollar | 1,429 | 844 | 1,407 | 831 |
| Australian Dollar | 231 | 52 | 231 | 48 |
| Indonesian Rupiah | 1 | 10 | - | - |
| | **3,016** | **4,848** | **2,993** | **4,821** |

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

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

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | $'000 | $'000 | $'000 | $'000 |
| Interest from bank deposits | 2 | 16 | 2 | 15 |
| ***Total interest from bank deposits*** | **2** | **16** | **2** | **15** |

***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.

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<br>2014 | Carrying amount<br>$'000 | Contractual cash flows<br>$'000 | 6 months or less<br>$'000 | Greater than 6 months<br>$'000 |
|---|---|---|---|---|
| **Current financial liabilities** | | | | |
| Trade and other payables | 739 | 739 | 739 | - |
| Loans and borrowings | 2,483 | 2,483 | - | 2,483 |
| | **3,222** | **3,222** | **739** | **2,483** |

| Company<br>2014 | Carrying amount<br>$'000 | Contractual cash flows<br>$'000 | 6 months or less<br>$'000 | Greater than 6 months<br>$'000 |
|---|---|---|---|---|
| **Current financial liabilities** | | | | |
| Trade and other payables | 681 | 681 | 681 | - |
| | **681** | **681** | **681** | **-** |

| Consolidated<br>2013 | Carrying amount<br>$'000 | Contractual cash flows<br>$'000 | 6 months or less<br>$'000 | Greater than 6 months<br>$'000 |
|---|---|---|---|---|
| **Current financial liabilities** | | | | |
| Trade and other payables | 974 | 974 | 974 | - |
| Loans and borrowings | 2,993 | 2,993 | - | 2,993 |
| | **3,967** | **3,967** | **974** | **2,993** |

| Company<br>2013 | Carrying amount<br>$'000 | Contractual cash flows<br>$'000 | 6 months or less<br>$'000 | Greater than 6 months<br>$'000 |
|---|---|---|---|---|
| **Current financial liabilities** | | | | |
| Trade and other payables | 832 | 832 | 832 | - |
| | **832** | **832** | **832** | **-** |

***CREDIT RISK***

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

As detailed in Note 22, the group is awaiting a decision on the appeal in relation to a dispute with the Ridlatama Group. Should PT ICD and PT TCUP be unsuccessful in all avenues of appeal then the receivables in the Statement of Financial Position before impairment would be reduced by $1.67 million due to these companies no longer being consolidated in the Group accounts. In addition the payables in the Statement of Financial Position would be reduced by $1.24 million.

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

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

| Consolidated | 2014 | | 2013 | |
|---|---|---|---|---|
| | Carrying value $'000 | Maximum exposure $'000 | Carrying value $'000 | Maximum exposure $'000 |
| **Current assets** | | | | |
| Cash and cash equivalents | 3,016 | 3,016 | 4,848 | 4,848 |
| Other receivables | 2,543 | 2,543 | 3,024 | 3,024 |
| | **5,559** | **5,559** | **7,872** | **7,872** |

| Company | 2014 | | 2013 | |
|---|---|---|---|---|
| | Carrying value $'000 | Maximum exposure $'000 | Carrying value $'000 | Maximum exposure $'000 |
| **Current assets** | | | | |
| Cash and cash equivalents | 2,933 | 2,933 | 4,821 | 4,821 |
| **Non – current assets** | | | | |
| Loans to subsidiaries | 49,040 | 49,040 | 48,980 | 48,980 |
| Impairment for non-recovery | (49,040) | (49,040) | (48,980) | (48,980) |
| | **2,933** | **2,933** | **4,821** | **4,821** |

***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 managed in order to ensure that the maximum level of interest is received for the available funds without affecting the working capital flexibility the Group and Company require.

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

***Interest rates on financial assets and liabilities***
The Group and Company's financial assets consist of cash and cash equivalents and other receivables. The interest rate profile at 30 June 2014 of these assets was as follows:

| Consolidated 2014 | Floating interest rate $'000 | Fixed interest maturing in 1 year or less $'000 | Fixed interest maturing over 1 to 5 years $'000 | Non-interest bearing $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Great British Pound | 844 | 510 | - | - | 1,355 |
| Australian Dollar | 46 | 185 | - | - | 231 |
| United States Dollar | - | 1,430 | - | 60 | 1,490 |
| Indonesian Rupiah | 1 | - | - | 2,483 | 2,483 |
| | **891** | **2,125** | **-** | **2,543** | **5,559** |
| Weighted average interest rate | 0% | 0.17% | | | |
| **Financial liabilities** | | | | | |
| Great British Pound | - | - | - | 31 | 31 |
| Australian Dollar | - | - | - | 26 | 26 |
| United States Dollar | - | - | - | 682 | 682 |
| Indonesian Rupiah | - | - | - | 2,483 | 2,483 |
| | **-** | **-** | **-** | **3,222** | **3,222** |

| Company 2014 | Floating interest rate $'000 | Fixed interest maturing in 1 year or less $'000 | Fixed interest maturing over 1 to 5 years $'000 | Non-interest bearing loan $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Great British Pound | 844 | 511 | - | - | 1,355 |
| Australian Dollar | 46 | 185 | - | 51 | 282 |
| United States Dollar | - | 1,407 | - | 48,980 | 50,387 |
| Impairment for non-recovery | - | - | - | (48,980) | (48,980) |
| | **890** | **2,103** | **-** | **51** | **3,044** |
| Weighted average interest rate | 0% | 0.17% | | | |
| **Financial liabilities** | | | | | |
| Great British Pound | - | - | - | 31 | 31 |
| Australian Dollar | - | - | - | 26 | 26 |
| United States Dollar | - | - | - | 624 | 624 |
| | **-** | **-** | **-** | **681** | **681** |

| Consolidated 2013 | Floating interest rate $'000 | Fixed interest maturing in 1 year or less $'000 | Fixed interest maturing over 1 to 5 years $'000 | Non-interest bearing $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Great British Pound | 493 | 3,449 | - | - | 3,942 |
| Australian Dollar | 36 | 15 | - | - | 51 |
| United States Dollar | 89 | 759 | - | 32 | 880 |
| Indonesian Rupiah | 6 | - | - | 2,993 | 2,999 |
| | **624** | **4,223** | **-** | **3,025** | **7,872** |
| Weighted average interest rate | 0% | 0.22% | | | |
| **Financial liabilities** | | | | | |
| Great British Pound | - | - | - | 149 | 149 |
| Australian Dollar | - | - | - | 32 | 32 |
| United States Dollar | - | - | - | 777 | 777 |
| Indonesian Rupiah | - | - | - | 3,009 | 3,009 |
| | **-** | **-** | **-** | **3,967** | **3,967** |

| Company 2013 | Floating interest rate $'000 | Fixed interest maturing in 1 year or less $'000 | Fixed interest maturing over 1 to 5 years $'000 | Non-interest bearing loan $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Great British Pound | 493 | 3,449 | - | - | 3,942 |
| Australian Dollar | 32 | 15 | - | - | 47 |
| United States Dollar | 73 | 759 | - | 48,980 | 49,812 |
| Impairment for non-recovery | - | - | - | (48,980) | (48,980) |
| | **598** | **4,223** | **-** | **-** | **4,821** |
| Weighted average interest rate | 0% | 0.22% | | | |
| **Financial liabilities** | | | | | |
| Great British Pound | - | - | - | 149 | 149 |
| Australian Dollar | - | - | - | 32 | 32 |
| United States Dollar | - | - | - | 651 | 651 |
| | **-** | **-** | **-** | **832** | **832** |

**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 2014, 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 | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | $'000 | $'000 | $'000 | $'000 |
| Change in profit | | | | |
| - Increase in interest rate by 1% | 13 | 72 | 13 | 65 |
| - Decrease in interest rate by 1% | (2) | (16) | (2) | (14) |
| Change in equity | | | | |
| - Increase in interest rate by 1% | 13 | 72 | 13 | 65 |
| - Decrease in interest rate by 1% | (2) | (16) | (2) | (14) |

***FOREIGN EXCHANGE RISK***

The Group has overseas subsidiaries, in Australia and Indonesia, whose expenses are mainly denominated in US dollars with some expenses in Australian Dollars and Indonesian Rupiah. 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. 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. 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 that this policy minimises any unnecessary foreign exchange exposure.

In order to monitor the continuing effectiveness of this policy, the Board, through its 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 on-going 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 2013/2014 | 0.6156 | 1.0895 | 11,374 |
| At 30 June 2014 | 0.5866 | 1.0594 | 11,990 |
| Average for 2012/2013 | 0.6378 | 0.9747 | 9,679 |
| At 30 June 2013 | 0.6572 | 1.0934 | 9,901 |

***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 dollar's equivalent of local currency balances.

| | Australian Dollar $'000 | Pound Sterling $'000 | Indonesian Rupiah $'000 | Total $'000 |
|---|---|---|---|---|
| **US Dollar equivalent of exposed net monetary assets and liabilities** | | | | |
| At 30 June 2014 | 204 | 1,374 | 11 | 1,589 |
| At 30 June 2013 | 302 | 4,208 | 27 | 4,537 |

A 10% strengthening of the US dollar against the Australian dollar at 30 June would have reduced loss by $2,921 (2013: reduced loss by $2,655) and reduced equity by $34,690 (2013: $17,687). This analysis assumed that all other variables, in particular interest rates, remain constant.

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

A 10% strengthening of the US dollar against the Great British Pound at 30 June would have increased loss by $123,184 (2013: $394,180) and decrease equity by $123,184 (2013: $394,180). This analysis assumed that all other variables, in particular interest rates, remain constant

A 10% weakening of the US dollar against the above currency at 30 June would have had approximately the equivalent but opposite effects 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 with the Group 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 though the ICSID damages claim. In order to achieve and maximise this return objective, the Group and Company will, in 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.

## NOTE 21: RELATED PARTY TRANSACTIONS

The Group had the following material transactions (excluding Directors' salaries and fees) with related parties during the year ended 30 June 2014.

a) As at 30 June 2014 US$1,670,983 (2013: US$2,014,301) was receivable from and US$1,312,975 (2012: US$ 1,582,737) was payable to Ms Florita who is the partner of Mr Anang Mudjiantoro. Both Ms Florita and Mr Mudjiantoro are related parties of Churchill by way of their Directorships in Indonesian subsidiary companies. The amount of the receivable has been impaired to equal the amount of the payable US$1,312,975. These amounts remain outstanding at 30 June 2014.

b) As at 30 June 2014 US$1,670,983 (2013: US$2,104,301) was receivable from and US$1,169,688 (2013: US$ 1,410,011) was payable to Ms Ani Setiawan who is the partner of Mr Andreas Rinaldi. Ms Ani Setiawan is a related party of Churchill as she holds the position of Commissioner with some of the Indonesian subsidiary companies. The amount of the receivable has been impaired to equal the amount of the payable US$1,169,688.These amounts remain outstanding at 30 June 2014.

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

## NOTE 22: CONTINGENCIES

On 28th November 2012 the South Jakarta District Court held that the deeds of grant by which members of the Ridlatama Group transferred 75% of the issued share capital in two of the four licence companies that made up the East Kutai Coal Project (PT Ridlatama Tambang Mineral and PT Ridlatama Trade Powerindo) to PT TCUP are null and void on the basis that the requirements for a valid grant under Indonesian laws had not been satisfied. On 6th Dec 2012 PT ICD and PT TCUP filed a notice of appeal with the High Court in respect of the South Jakarta District Court's decision. In May/June 2014 the High Court ruled in favour of Ridlatama. In June/July 2014 PT ICD and PT TCUP filed a memoranda of appeal with the Supreme Court of Indonesia. The decision of the South Jakarta District Court is therefore not final and binding. Should PT ICD and PT TCUP be unsuccessful in all avenues of appeal then the receivables in the Statement of Financial Position before impairment would be reduced by $1.67 million due to these companies no longer being consolidated in the Group accounts. In addition the payables in the Statement of Financial Position would be reduced by $1.24 million. It remains the Group's position that the receivable and payable in the Statement of Financial Position are able to be offset. In the event that the balances cannot be offset the payable owing by the Group would not be settled until members of the Ridlatama group settled the receivable.

The Group is involved in litigation as detailed in the Chairman's Statement and Strategic Report. As at the date of this report the disclosure of any further information about the above matters would be prejudicial to the interests of the Group.

## NOTE 23: EVENTS AFTER THE REPORTING PERIOD

On the 1st October 2014 Mr Rachmat Gobel resigned as a Director and on the same day Mr Nikita Rossinsky was appointed a Director.

There has not been any other matter or circumstance occurring subsequent to the end of the financial year, that has significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.