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ASX RELEASE/ MEDIA RELEASE

Bandanna Receives Pre-feasibility Study for South Galilee Project

Bandanna Energy Limited (ASX: BND) is pleased to advise that it has received the prefeasibility study (PFS) for the South Galilee Coal Project (SGCP) from the project manager, AMCI. The PFS was compiled by mining and construction consultant Aurecon Hatch with contributions from over 20 additional specialist consultants with expertise in specific technical, legal and infrastructure fields.

The PFS was based on the following key parameters:

- Development of a large scale export thermal coal operation;
- Development of a product acceptable in a range of markets;
- Use of Abbot Point as an export terminal;
- Third party access to rail infrastructure to Abbot Point proposed to be built by other Galilee Basin proponents;
- Development of a consortium approach to power and water availability;
- Progressive ramp up of operations to best mitigate infrastructure timing and operation risks as well as to spread capital expenditure over a number of years;
- Construction of a modular coal handling and preparation plant;
- Statutory approvals to be obtained following completion of a definitive feasibility study.

The key conclusions of the PFS were as follow:

- A very large JORC Code compliant coal resource of 1,179 Mt* has been established for the SGCP including only coal from the higher quality D seam. The resource is expected to increase in the medium term.
- A mine plan has been developed supporting an average production rate of 15.2 Mtpa of raw coal yielding 13.6 Mtpa of product coal (peaking at 16.6 Mtpa of product coal) via the establishment of both open cut and longwall operations over a 33 year mine life.
- Coal from the SGCP should not meet resistance in the market as the test work on product quality indicated no major issues with utilisation of the SGCP product.
- Development of the SGCP would be undertaken in 3 stages commencing in 2015 (approximately 5 Mtpa product in each stage) with some potential for an initial 1 Mtpa operation utilising existing supply chain infrastructure to export via Gladstone as early as late 2012.
- The native title and cultural heritage negotiations have commenced and it is anticipated that all necessary agreements will soon be in place.
- Environmental approvals are being advanced via an Environmental Impact Statement (EIS) for the SGCP and it is anticipated that all state and federal approvals will be obtained in due course.
- The SGCP will require third party access to the railway line that is proposed to be built to the Abbot Point coal terminal by one of the other Galilee Basin proponents. All 3 of these

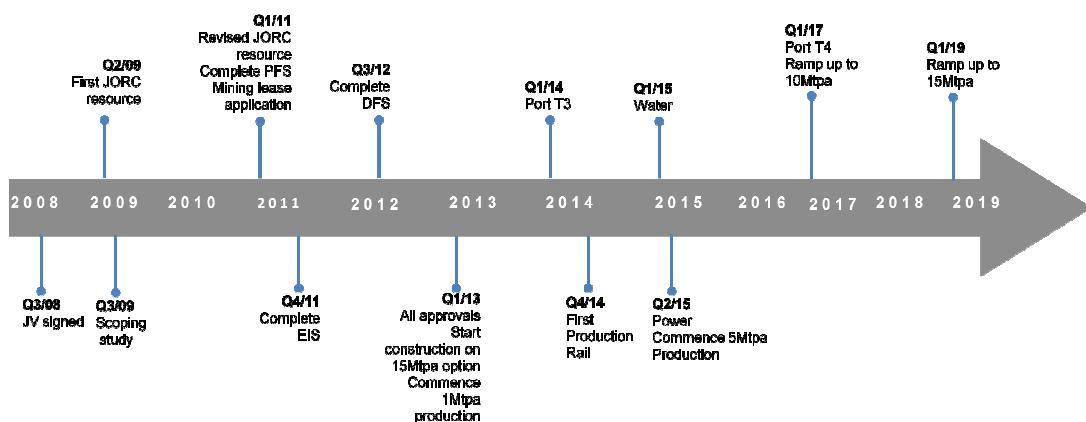
proponents have indicated to AMCI that they will provide such access and discussions to date indicate that a commercially acceptable agreement will be reached with one of those proponents prior to completion of a Definitive Feasibility Study (DFS).

- The SGCP will be required to contribute to the capital cost associated with the construction of the proposed T4 coal export terminal at the port of Abbot Point.

The financial analysis of the project undertaken in the PFS concluded that the project was strongly NPV positive in all scenarios modeled. It is anticipated that a DFS will commence following Joint Venture approvals by mid 2011.

The conservative 3 stage production ramp up highlighted in the PFS will be further examined in the DFS stage to determine whether a more rapid ramp up is achievable. The DFS will also assess the opportunity for incremental production increases at SCGP. AMCI expects the DFS to be completed by Q3 2012.

The project is expected to employ approximately 1280 personnel at peak production. The PFS indicated the following anticipated project timeline to deliver the project.



Managing Director of Bandanna Dr Ray Shaw said “The receipt of this pre-feasibility study confirms our belief that the South Galilee Coal Project is a robust, deliverable project, with the potential for first coal to be delivered as early as late 2012.”

Dr Shaw said “The conservative production schedule, which utilises less than half of the current known resource, and the staged increase in capacity in line with expected infrastructure availability significantly reduces the risk profile of delivering this major development project in a greenfields basin.”

ENDS

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***Statement of Compliance**

The information compiled in this report relating to South Galilee resources is based on information compiled by Lynne Banwell. Lynne Banwell is a member of the Australasian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity she is undertaking to qualify as a Competent Person as defined in the 2004 edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”. Lynne Banwell consents to the inclusion in the report of the matters based on her information in the form and context in which it appears.