

8 July 2011

ASX RELEASE / MEDIA RELEASE

South Galilee Project Update

1. AMCI exercises its right to earn 50% interest

Bandanna Energy Limited (ASX : BND) is pleased to advise that AMCI (Alpha) Pty Ltd has exercised its right to earn a 50% participating interest in the South Galilee Coal Project (SGCP) following the contribution of \$8.188 million cash as project expenditure.

Under the terms of the Farm-In and Joint Venture Agreement ("Farm-In Agreement") between Alpha Coal Pty Ltd (100% subsidiary of Bandanna) and AMCI & AMCIC Stropdas Holding B.V ("AMCI"), AMCI is entitled to earn up to a 50% participating interest in the SGCP from Bandanna by spending \$25 million on exploration and development of the project prior to 5 September 2011. To date AMCI has spent over \$16.8 million in undertaking exploration, Concept and Prefeasibility studies as part of its farm-in commitments. AMCI has now elected, in accordance with the Farm-In Agreement, to make a cash contribution to the Joint Venture of \$8.188 million in order that it can acquire its full 50% stake in the South Galilee Project. The contribution by AMCI to the JV account will be used to fund on-going activities on behalf of the JV participants. AMCI will continue to be manager of the Joint Venture following the vesting of its 50% interest. Bandanna will retain the remaining 50% interest.

Bandanna's Managing Director, Dr Ray Shaw, said "AMCI's decision to vest to its full 50% participating interest in the SGCP demonstrates its confidence in the viability of the project."

Dr Shaw added "Bandanna looks forward to continuing the strong relationship with AMCI in the development of the SGCP."

2. South Galilee JV applies for Mining Lease

The South Galilee JV has made an application for a mining lease (MLA 70453) covering the northern portion of EPC 1049 (Figure 1) in order to progress its development plans for the South Galilee Project. The MLA covers an area where exploration, Concept and Prefeasibility studies to date indicate the presence of some 1.179 billion tonnes of JORC code compliant resource with the potential to support a mine of some 33 years life with an average LOM production of over 15 Mtpa. The MLA lies immediately to the south of the China First Project of Waratah/Resource House.

The MLA application is part of a rigorous approval process involving an Environmental Impact Statement which is currently in progress.

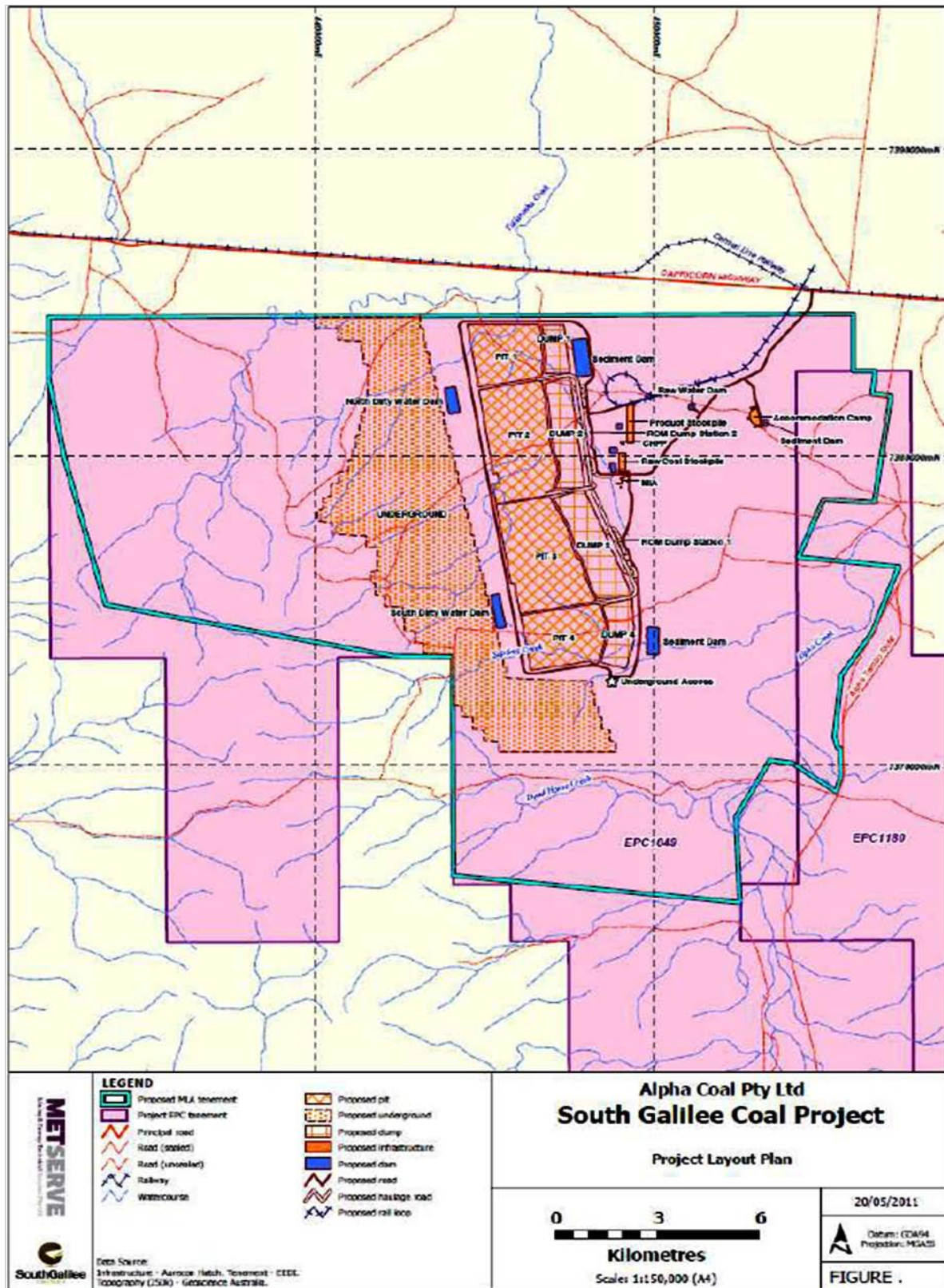


Figure 1

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About South Galilee Coal Project:

- JORC Code compliant coal resource of 1,179 Mt* has been established for the SGCP including only coal from the higher quality D seam;
- South Galilee Project declared a project of State Significance by Queensland Government;
- Large scale export thermal coal operation;
- A mine plan has been developed supporting an average production rate of 15.2 Mtpa of raw coal yielding an average 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;
- Development of the SGCP would be undertaken in 3 stages commencing in 2015 (approximately 5 Mtpa product in each stage);
- Third party access to rail infrastructure to Abbot Point proposed to be built by other Galilee Basin proponents;
- Intention to export through the Abbot Point export terminal via the proposed Terminals 4-7 expansion;
- Foundation Customer for water sourced from SunWater's Connors River Dam and associated pipelines project;
- The financial analysis of the project undertaken in the PFS concluded that the project was strongly NPV positive in all scenarios modelled.

ENDS

Further enquiries:

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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.