



ASX/MEDIA RELEASE

4 August, 2010

BANDANNA STEPS UP ITS DRILLING PROGRAM

Bandanna Energy Limited (ASX:BND) has stepped up its drilling activity with the addition of a sixth drill rig. Three rigs are now currently drilling in Bandanna's Golden Triangle area and three, operated by AMCI, are drilling in the South Galilee Project area.

"Having just come through an extended wet season which severely curtailed our field operations, Bandanna is keen to focus on increasing confidence in its large resource inventory in order to progress our key projects towards production," Managing Director Dr Ray Shaw said.

South Galilee Project

Bandanna is the only ASX-listed company currently in pre-feasibility stage in the Galilee Basin, where India's largest coal importer Adani is reported in today's press as having struck a deal for the purchase of Linc Energy Ltd's Galilee coal assets for a upfront \$500 million in cash plus a royalty, estimated to have a value of \$3 billion over 20 years. Bandanna's South Galilee Project was declared to be one of State Significance by the Queensland Government in May of this year. Whilst the declaration is not an indication of approval or support for the project by the Queensland Government, it will significantly aid the government administrative processes for maturing this project towards production.

Drilling in the South Galilee Project is part of a pre-feasibility study (PFS) which involves some 145 holes and a budget of more than \$8 million. Due to be completed around the end of Q1 2011, this activity is fully funded by AMCI under the terms of a farmin agreement whereby AMCI can earn up to 50% interest in Bandanna's South Galilee Project by spending up to \$25 million. Bandanna will retain the remaining 50%. Already the Joint Venture, operated by AMCI, has completed a Concept Study indicating the project has the potential to support annual production of up to 20 Mtpa of high volatile, thermal coal for export to international markets with a mine life of at least 40 years.

"The PFS drilling program should deliver a substantial increase in the confidence level of the South Galilee resource which currently stands at 922 Mt of JORC compliant Inferred and 60 Mt of JORC compliant indicated resources*," Dr Shaw said.

The South Galilee Project lies next to Waratah Coal/Resourcehouse's China First Project and to the south of Hancock's Kevin's Corner and Alpha projects. The Joint Venture is expected to gain access to new rail and port infrastructure at Abbot Point via the Queensland Government's stated intention that new basin infrastructure have third party access.

Golden Triangle and Dingo West

Three drill rigs are currently working on Bandanna's 100% owned Golden Triangle projects. At Springsure Creek, studies have reached an advanced concept stage for a potential underground longwall mine design. The main target is the Aries 2 seam of the Bandanna Formation in which drilling to date has already identified 304 Mt of JORC compliant Resource*.

The current exploration program is concentrated along the larger Springton Anticline, a north-south trending anticline with a broad (6-8km wide) crest upon which coals occur at depths below approximately 200m. The thickness of the Aries 2 Seam, averages approximately 3m. Exploration drilling suggests the Springton Anticline is structurally benign with lateral coal continuity favouring potential long wall development. Previously the Company announced to the ASX the presence of a large exploration target involving the Aries 2 Seam, ranging between 417 Mt and 600 Mt and a JORC Code compliant Resource totalling 304.7 million tonnes; comprising 270 Mt of Inferred and 34.7 Mt of Indicated*. Current drilling is designed to provide additional coal quality information which, on the data available, suggests coal ash content (<10%), sulphur content (< 0.3%) and a calorific value of approximately 6650 kcal/kg (GAD basis).

At Arcturus, one rig is currently drilling. The current program is designed to increase confidence for a thermal resource which may be suitable for mining by open cut and underground methods. Total JORC Code compliant resources now stands at 154Mt, consisting of 99Mt of Inferred and 54Mt of Indicated Resources*. The current drilling is expected to result in changes to these resource figures.

At Dingo West, Bandanna has recently completed a 2D seismic program designed to confirm the presence of more structurally benign areas of shallow coal which may be suitable for open cut development. It is intended that drilling and "ground-truthing" of the seismic interpretation will be undertaken during the third quarter of 2010. Bandanna holds a 100% interest in this project which is located on the main Blackwater to Gladstone rail corridor. The primary exploration target is the Rangal Coal Measures and in particular the Aries, Castor, Pollux, Orion and Pisces seams. The coal quality data indicates a potential PCI/thermal product and typically the coal has a calorific value of 7,135 - 7,350kcal/kg (GAD basis). Previously the Company had announced a JORC Code-compliant Inferred Resource of 91 Mt* within the tenement.

Infrastructure

As reported on 16th December 2009, Bandanna is a producer member of Wiggins Island Coal Export Terminal (WICET). Bandanna has submitted an expression of interest for a Stage 1 allocation as part of the proposed 25-30 Mt development of coal export port facilities at Gladstone. WICET remains in discussions with Bandanna and a number of coal producers regarding the signing of conditional Take or Pay Contracts (Capacity Commitment Deeds) for the first stage of the WICET Terminal development.

"Any such port allocation for Bandanna would establish a definite timeline which would take the Company from a greenfields explorer through to a producer," Dr Shaw said.

ENDS

Further enquiries:

Dr Ray Shaw (07) 3041 4400

Andrew Crook Mb: 0419 788 431

About Bandanna Energy Limited

Bandanna Energy Limited (ASX:BND) is a coal exploration company listed on the Australian Stock Exchange. With 369.7 million shares on issue the Company has a market capitalisation of ≈ \$250 million, \$20.3 million of cash (as at 30/6/2010) and no debt. Further details may be found on the web site at www.bandannaenergy.com.au

***Statement of Compliance**

The information compiled in this release from Bandanna Energy Limited, including any relating to resources, is based on information compiled by Gordon Saul, who is a member of the Australian Institute of Geoscientists and who is employed by Resolve Geo Pty Ltd. Gordon Saul has sufficient experience which is relevant to the style of mineralisation and types of deposit under consideration and to the activity he 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". Gordon Saul consents to the inclusion in this report of the matters based on his information and in the form and context in which it appears. Resolve Geo Pty Ltd is a shareholder in Bandanna Energy Limited.

With respect to exploration target tonnes, these are conceptual in nature. There is insufficient exploration to define a Mineral Resource across the target area (excluding any existing inferred or indicated resources) and it remains uncertain if further exploration will result in the determination of a Mineral Resource across the whole area.

In the case of the Springsure Creek Project the range of exploration target was determined from bore hole and seismic information within the exploration lease which points to a continuous A2 seam averaging 3.09 metres in thickness, mineable with underground methods, underlying an area of at least 97.8klm² to 140.8klm².

In the case of South Galilee (formerly Alpha) Project the range of exploration target was determined by projecting D1 and D2 seam intersections from the eastern indicated and inferred resource area to the western boundary of EPC 1049. Supported by petroleum holes to the west, a 9966 Ha area has been estimated to contain an average of 5.6m of coal, providing a target tonnage of between 570 and 960 Mt.