

15 December 2010

**Australian Stock Exchange Limited**

Company Electronic Lodgement

**NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR  
BENEFIT OF, U.S. PERSONS**

Dear Sir,

**Re: Institutional Placement successfully completed, raising approximately \$76 million**

Bandanna Energy Limited ("Bandanna" or "Company") is pleased to announce that it has successfully completed the institutional placement ("Placement") announced on 14 December 2010. The Placement, raising approximately \$76 million, was priced at \$1.42 per share, an 11.6% discount to the 5 day VWAP ending 13 December 2010 and will result in the issue of 53,533,323 ordinary shares to participating investors.

Managing Director of Bandanna, Ray Shaw said that: "The strong support shown by a diverse group of new and high-quality institutional investors in this Placement demonstrates the significant level of interest in Bandanna Energy and its portfolio of emerging coal projects."

The proceeds raised from the Placement will be used by Bandanna for:

- Pro-rata funding for the development of essential export infrastructure, including for the financial close of Stage 1 at the Wiggins Island Coal Export Terminal. Bandanna has been allocated 4Mtpa of capacity as a preferred shipper at WICET;
- Funding ongoing exploration and development expenditures at Dingo West, the Golden Triangle projects (comprising Arcturus, Springsure Creek and Arcadia) and the South Galilee Project; and
- General working capital purposes.

Simultaneous with the Placement, an additional 5 million shares were sold to investors on behalf of two founding shareholders, Bruce Wood and Norman Zillman, at the Placement price.

Settlement of the above transactions is expected to occur on 20 December 2010, with new shares under the Placement to be allotted on 21 December 2010. New shares will rank pari passu with existing shares. Quotation of the new shares on ASX is scheduled to commence on 21 December 2010.

The new shares will be issued within Bandanna's existing placement capacity under ASX listing rule 7.1. Accordingly, Bandanna does not propose to seek shareholder approval in relation to the Placement.

Shares in Bandanna are expected to re-commence trading with effect from market open today.

UBS AG, Australia Branch acted as lead manager, bookrunner and underwriter of the Placement. Intersuisse acted as a co-manager of the Placement.

Yours faithfully,  
**Bandanna Energy Limited**

A handwritten signature in black ink, appearing to read 'Ray Shaw', written over a horizontal line.

**Ray Shaw,**  
Managing Director

## **IMPORTANT NOTICE**

Nothing in this document constitutes an offer of securities for sale or an offer to purchase any securities, or an invitation to any person to make such an offer, in any jurisdiction. In particular, this document does not constitute an offer to sell or an offer to purchase securities in the United States or to any person that is, or is acting for the account or benefit of any "U.S. Person" (as defined in Regulation S under the U.S. Securities Act 1933, as amended ("Securities Act")) ("U.S. Person"). The new ordinary shares of Bandanna Energy Limited have not been, and will not be, registered under the Securities Act, or the securities laws of any state of the United States. The new ordinary shares may not be offered or sold, directly or indirectly, within the United States or to, or for the account or benefit of, U.S. Persons, except in compliance with the registration requirements of the Securities Act and any other applicable securities laws or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any other applicable securities laws.

This announcement may contain certain statements and projections provided by or on behalf of Bandanna with respect to anticipated future undertakings. Forward looking words such as, "expect", "should", "could", "may", "predict", "plan", "will", "believe", "forecast", "estimate", "target" and other similar expressions are intended to identify forward-looking statements within the meaning of securities laws of applicable jurisdictions. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. These forward-looking statements reflect various assumptions by or on behalf of Bandanna. Accordingly, these statements are subject to significant business, economic and competitive uncertainties and contingencies associated with exploration and/or mining which may be beyond the control of Bandanna which could cause actual results or trends to differ materially, including but not limited to commodity price fluctuations, exploration results, ore reserve and mineral resource estimation, environmental risks, general operating risks, legislative and regulatory changes, project delay, ability to meet additional funding requirements, factors relating to title to properties, dependence on key personnel, share price volatility, approvals and cost estimates. Consequently, there can be no assurance that such statements and projections will be realised. Neither Bandanna, or any of its affiliates, advisers, consultants, agents or any of their respective officers or employees make any representations as to the accuracy or completeness of any such statement of projections or that any forecasts will be achieved. Such forward-looking statements only speak as to the date of this announcement and Bandanna assumes no obligation to update such information.