

18 February 2011

General Manager,
The Company Announcements Office
Australian Stock Exchange Limited
Electronic Lodgement System

Update on Strategic Review

Dear Sir

We refer to our ASX release dated 1 February 2011 concerning the Strategic Review being undertaken in conjunction with UBS and an article in today's Australian Financial Review.

Bandanna Energy Limited (ASX : BND, "Bandanna") has undertaken a strategic review to consider its future funding requirements to develop its three key Bowen Basin projects. UBS is providing assistance with a transaction process which may involve the partial or total divestment of one or more of its assets, including those of the South Galilee Project (SGP). The SGP is a Joint Venture in which AMCI is earning up to 50% of the SGP from Bandanna through a farmin agreement.

To clarify reference in this morning's Australian Financial Review, Bandanna has no agreement with AMCI regarding the transaction process. However, and although AMCI is not actively seeking to divest its interest in the SGP, if a party involved in the transaction process wishes to submit an expression of interest for 100% of the SGP then both AMCI and Bandanna will jointly evaluate it.

Yours Sincerely
BANDANNA ENERGY LIMITED



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Company Secretary

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