

5 June 2012

Update on Springsure Creek Project

Bandanna Energy Limited (ASX: BND) today provided an update in relation to its Springsure Creek Project.

Bandanna is proposing to submit a replacement mining lease application for the Springsure Creek Project to address technical errors identified in the former mining lease application (MLA 70416), as well as concerns raised by some members of the local community. Because the overall approvals timeline is governed by the assessment process for the Environmental Impact Statement (EIS), the lodgement of the replacement mining lease application will not impact on the timetable for development of the Springsure Creek Project for first production in the second half of 2014.

Bandanna has been in consultation with community members, the Central Highlands Regional Council and the Queensland Government to address a number of concerns that were raised in relation to its former mining lease application (MLA70416). A review by Bandanna revealed opportunities to reduce the size and extent of the mining lease application and revise the layout and design of the proposed mine plan, so as to produce an arrangement which improves beneficial co-existence with farms and homesteads.

Bandanna Managing Director, Michael Gray, advised that as a result of the community consultation and internal review, Bandanna had proposed to Government that it would submit a new mining lease application which gives effect to these opportunities. In the interim, the former mining lease application, MLA70416, has been rejected by the Mining Registrar to overcome any errors and make way for the various improvement opportunities to be addressed, a decision which has the strong support of Bandanna.

The replacement mining lease application will be submitted in coming weeks. The overall approvals timeline is governed by the assessment process for the EIS. The Draft EIS for the project remains on track for release for public review in the September quarter of 2012. The mining lease application process will take place in parallel with the EIS process without affecting the overall timeline. The proposed Springsure Creek mine remains on schedule to export first coal to customers through the new Wiggins Island Coal Export Terminal (WICET) in the second half of 2014. Bandanna holds 14% equity in Stage 1 of WICET, providing the company with 4Mtpa of export capacity.

Bandanna Managing Director Mr Michael Gray said, "Bandanna is looking forward to continued engagement with the local community in relation to the project and we are strongly committed to demonstrating the co-existence of farming and underground mining as well as meeting the standards expected by the new Queensland Government."

ENDS

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