

27 July 2011

ASX RELEASE/ MEDIA RELEASE

**Bandanna Energy doubles Marketable Reserves
at its Springsure Creek Project**

- **Marketable Reserves increased to 102.6 Mt**

Bandanna Energy Limited (Bandanna – ASX code “BND”), through its wholly owned subsidiary Springsure Creek Coal Pty Ltd, is pleased to announce a 109% increase in Marketable Reserve at its Springsure Creek Project in the southern Bowen Basin south of Emerald, Qld.

The JORC compliant Marketable Reserve at EPC 891 (Springsure Creek) has increased from 49.2 Mt to 102.6 Mt as part of a high capacity underground longwall mine concept designed by independent Brisbane based mining consultants Minecraft Pty Ltd. The Marketable Reserve is derived from JORC compliant Probable Reserves of 108 million tonnes and deemed “marketable” by Minecraft following reviews of mining, economic and marketing data.

Minecraft has designed the longwall panels to specifically target the high quality Aries 2 seam which hosts the JORC compliant Reserves and Resources. The Reserves are underpinned by a recently updated total JORC compliant Resource of 374.5 million tonnes comprising Indicated Resources of 129.5 million tonnes and Inferred Resources of 245.0 million tonnes.

Bandanna Energy now has a total of **1,534 billion tonnes** JORC compliant resources and **146.9 million tonnes** of Marketable Reserves in its project portfolio.

Drilling continues at Springsure Creek with two drill rigs programmed to expand resources to the north and west on patterns looking to upgrade new and existing resources to Indicated and Measured status prior to production commencing in FY2014.

The conceptual mine design for the Aries 2 Seam underground is shown in Figure 1.

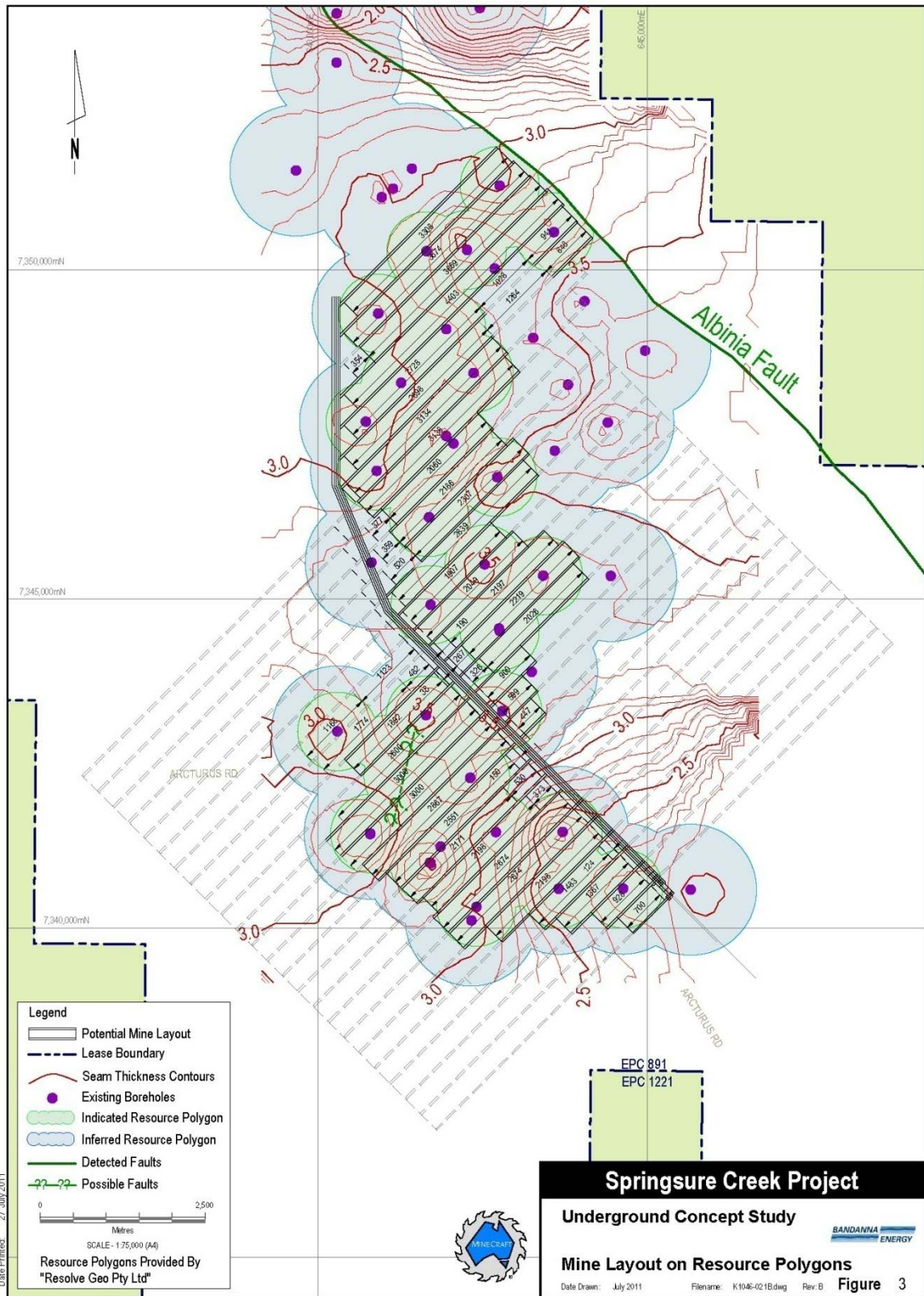


Figure 1 Location of Underground Reserves

Springsure Creek is located within Bandanna’s “Golden Triangle” of projects (see Figure 2).

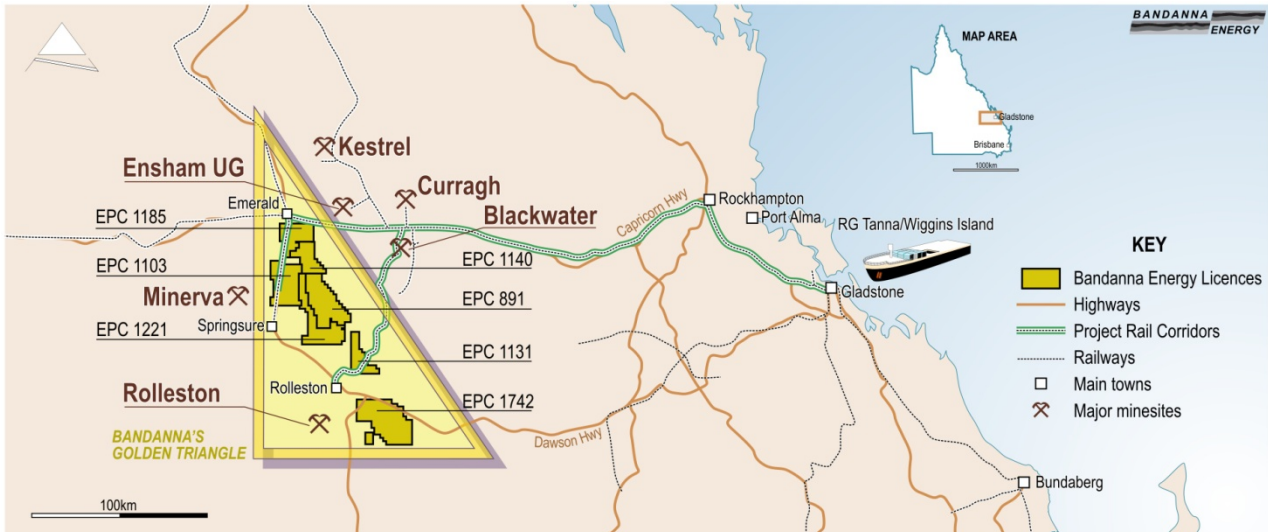


Figure 2 – Bandanna’s “Golden Triangle” of Projects

Bandanna has initially targeted a high quality unwashed product for the East Asia markets. The option to upgrade the product specification (and revenue component) is also under consideration.

Table 1 Premium ROM coal – indicative quality

BANDANNA ENERGY		SPRINGSURE CREEK		
		28-Oct-10		
		AS RECEIVED	AIR DRIED	DRY
Moisture (%):	Total	15.0		
Proximate Analysis (%) :	Inherent Moisture		8.0	
	Ash	10.2	11.0	12.0
	Volatile Matter	26.2	28.4	30.8
	Fixed Carbon	48.6	52.7	57.2
Total Sulphur (%):		0.23	0.25	0.27
Chlorine (%):		0.03	0.03	0.03
Calorific Value :	Gross (kcal/kg)	5830	6310	
	Net (kcal/kg)	5550		

Bandanna Energy has already secured 4 Mtpa of port capacity, at the soon to be constructed Wiggins Island Coal Export Terminal (WICET) Stage 1, subject to signing a Take or Pay Agreement and WICET achieving financial close, which is scheduled for Q3 2011. The Company recently announced that it had increased its nominated annual capacity under the Feasibility Funding Facility Agreement to 8Mtpa and is currently pursuing a Stage 2 allocation for the expansion of Springsure Creek from a single to dual longwall mine.

Dr Ray Shaw, Managing Director of Bandanna Energy, declared “The expansion of Marketable Reserve for the Springsure Creek Project will certainly underpin Bandanna’s bid for increased WICET capacity and provide certainty for the entire project.

Bandanna Energy is now in a definitive feasibility stage which will involve direct dialogue with government, community and other stakeholders and a stringent environmental and social impact assessment.”

The EPC 891 Springsure Creek Reserve Statement by Minecraft can be viewed at the Company website bandannaenergy.com.au

ENDS

Further enquiries:

Dr Ray Shaw: (07) 3041 4400

Statement of Compliance

The Underground Reserves Estimate been prepared by Mr Jeremy Busfield, Principal Mining Engineer of MineCraft Consulting Pty Ltd. Jeremy holds a Bachelor of Mining Engineering degree from the University of Queensland, is a Chartered Professional Member of the Australasian Institute of Mining and Metallurgy (AusIMM) and is a Registered Professional Engineer of Queensland (Mining) (RPEQ 10285). Jeremy has worked in various planning, operational and consulting roles for the underground coal industry for 26 years and as such qualifies as Competent Person under the JORC Code. The relationship between the Estimator and the Project owner is that of independent consultant. Jeremy consents to the inclusion in this report of the matters based on his information and in the form and context in which it appears.

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 his information in the form and context in which it appears.

The information compiled in this report relating to Arturus and Dingo West 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 mineralization 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 “Australian 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.

The information compiled in this report relating to Springsure Creek resources is based on information compiled by David Keilar, who is a member of the Australian Institute of Geoscientists and who is employed by Resolve Geo Pty Ltd. David has sufficient experience which is relevant to the style of mineralization and type 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”. David Keilar consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. Resolve Geo Pty. Ltd. is a shareholder in Bandanna Energy Limited.

Opencut Reserves estimate for Arcturus has been prepared by Mr Ken Hill. Ken Hill is the Managing Director of Xenith Consulting Pty Ltd. He holds a Bachelor in Civil Engineering degree from the University of Queensland and a Post Graduate Diploma in Business Administration from University Queensland. He has over 20 years experience in the open cut coal mining industry and substantial experience in mining operations financial evaluations. Ken Hill is a Member of the Australasian Institute of Mining and Metallurgy and as such qualifies as a Competent Person under the JORC Code. Ken Hill consents to the inclusion in this report of the matters based on his information and in the form and context in which it appears.

The Underground Reserve estimates for Arcturus and Springsure Creek have been prepared by Mr Jeremy Busfield, Principal Mining Engineer of MineCraft Consulting Pty Ltd. Jeremy holds a Bachelor of Mining Engineering degree from the University of Queensland. He is a Chartered Professional Member of the Australasian Institute of Mining and Metallurgy (AusIMM) and a Registered Professional Engineer of Queensland (Mining) (RPEQ 10285). Jeremy Busfield has worked in various planning, operational and consulting roles for the underground coal industry for 26 years and as such qualifies as Competent Person under the JORC Code. The relationship between the Estimator and the Project owner is that of independent consultant. Jeremy Busfield consents to the inclusion in this report of the matters based on his information and in the form and context in which it appears.

The indicative ROM coal specification (Table 1) was supplied by Mr Ross Stainlay and is part of a confidential memorandum on marketing and pricing for Arcturus coals. Ross is Technical Marketing Manager at Salva Resources, holds a B. E (Min.) and is a Member of the Australasian Institute of Mining and Metallurgy.