

17 August 2011

Australian Stock Exchange Limited

Company Electronic Lodgement

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Equity raising to fund export infrastructure development and Definitive Feasibility Studies

Bandanna Energy Limited ("Bandanna" or the "Company") today announces an equity raising by way of an accelerated non-renounceable entitlement offer ("Entitlement Offer") to raise up to approximately \$133 million to assist with developing key projects including securing Stage 1 capacity at Wiggins Island Coal Export Terminal ("WICET") and associated rail allocation.

Under the Entitlement Offer, eligible shareholders will be offered the opportunity to purchase Bandanna shares at \$1.00 each ("Offer Price") on the basis of 5 new ordinary shares for every 16 existing ordinary shares held at 7:00pm (AEST) on Monday, 22 August 2011 ("Record Date").

The Offer Price of \$1.00 per share represents a 12.6% discount to the theoretical ex-rights price and a 16.0% discount to the closing price of Bandanna shares on Tuesday, 16 August 2011. New shares issued under the Entitlement Offer will rank equally with existing ordinary shares.

All Bandanna directors with entitlements are intending to participate in the Entitlement Offer in respect of some or all of their entitlements. In addition, SAMTAN Aures Pty Ltd ("SAMTAN"), a wholly-owned subsidiary of a private South Korean coal producer and major shareholder of Bandanna has indicated its commitment to support the Entitlement Offer and at least maintain its current shareholding of approximately 10%, thus continuing its long-standing support of the development of Bandanna's assets.

The Entitlement Offer will be underwritten to \$100 million by UBS AG, Australia Branch ("UBS"), including the commitment from SAMTAN.

Together with Bandanna's existing cash reserves, proceeds raised from the Entitlement Offer will be used to:

- satisfy financial commitments at financial close for Bandanna's 4Mtpa export capacity through Wiggins Island Coal Export Terminal ("WICET") Stage 1;
- provide cash-backing for bank guarantees in respect of above and below rail commitments; and

- fund the Definitive Feasibility Studies (“DFS”) at Springsure Creek, Dingo West and South Galilee and other project development expenditure.

Indicative Entitlement Offer timetable

Event	Date^{1,2}
Trading halt commences	Wednesday, 17 August 2011
Institutional offer opens	Wednesday, 17 August 2011
Institutional offer closes	Wednesday, 17 August 2011
Trading halt lifted; Bandanna shares recommence trading on ASX	Thursday, 18 August 2011
Record Date	7:00PM, Monday, 22 August 2011
Retail offer opens	Thursday, 25 August 2011
Institutional settlement	Friday, 26 August 2011
Allotment and normal trading of new shares issued under the institutional offer	Monday, 29 August 2011
Retail offer closes	Friday, 9 September 2011
Retail settlement	Friday, 16 September 2011
Retail allotment	Monday, 19 September 2011
Trading of new shares issued under retail offer	Tuesday, 20 September 2011

¹ All dates and times refer to Australian Eastern Standard Time

² Timetable is subject to change without notice, subject to applicable laws

Strategic Review update

Bandanna is currently in discussions with a number of parties regarding a range of potential transactions. These include corporate level transactions and asset level transactions at each of Dingo West, the Golden Triangle and South Galilee. Sales of both entire assets and minority investments in individual assets are being considered.

In addition, Bandanna has received new interest over the last couple of weeks from companies with significant mining operations in Australia and offshore.

However, Bandanna’s discussions with third parties may, or may not, result in a proposal being made or recommended by the Board. The market will be advised of any such transaction and the outcome of the Strategic Review process, as appropriate.

In commenting on the current position Managing Director Dr Ray Shaw said “despite the turmoil in financial markets, the fundamentals for the seaborne thermal coal sector and Bandanna remain extremely strong. The medium term requirements in India and China are very large and the report of new export restrictions on lower calorific coals out of Indonesia enhances Australia’s relative standing as a source for export thermal coal. The shunning of

future nuclear power expansion by countries such as Japan and Germany has created new market growth potential and countries such as Korea also have plans to use significantly more imported coal. Bandanna is well placed in the Korean market thanks to the presence of SAMTAN as a major shareholder with marketing rights into Korea."

Bandanna has a near term requirement to enter into a Take-or-Pay agreement with WICET and provide associated bank guarantees related to port and rail capacity. This Entitlement Offer will provide Bandanna with the ability to cash-back the required bank guarantees.

The Bandanna Board expects that following the completion of the Entitlement Offer and using other funding alternatives which the Company is considering, Bandanna will be able to fund budgeted project expenditure to June 2012. Bandanna will also continue to pursue value maximising transactions at the corporate and/or asset level over coming months, if acceptable terms can be agreed.

Company update

During 2011, Bandanna has reached a number of significant milestones, including:

- increases in reserves at Springsure Creek to 102.6Mt and resources to 374.5Mt;
- resource upgrade at South Galilee (including delineation of a Measured Resource);
- receipt of final Environmental Impact Statement Terms of Reference for Springsure Creek and Arcturus;
- in regard to Strategic Cropping Land, the Queensland Government has proposed a specific legislated transitional framework to apply to the Springsure Creek Project to provide for it to be developed as an underground coal project;
- completion of Feasibility Studies for Springsure Creek, Arcturus and Dingo West;
- completion of the Pre-Feasibility Study for South Galilee; and
- lodgement of Mining Lease Applications for South Galilee and Dingo West.

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Yours faithfully,

Bandanna Energy Limited

Ray Shaw,

Managing Director

Statement of Compliance

The Reserves estimate for Springsure Creek was 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 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.

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Further enquiries:

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