

23 December 2011

ASX RELEASE/ MEDIA RELEASE

Status Update for December 2011

Bandanna Energy Limited (ASX: BND) provides the following update on its activities as at 23rd December 2011.

Key Points

- **Resource Statement Upgrade**

An increase of Indicated Reserves by 76% and total Resources by 31% for Springsure Creek, as announced to the market on 21 December 2011. Total Indicated Resources are now 228Mt, Inferred Resources of 262.5 Mt with total Resources 490.5 Mt following upgrade of the Springton domain where drilling has been focused since July 2011*.

- **Native Title Agreement – South Galilee Project**

As part of the South Galilee Coal Project Joint Venture, Bandanna which it is a 50% participant together with AMCI (50% and manager), received the consent of the Wangan and Jagalingou People (W & J People) for all approvals needed to develop the Project and infrastructure corridor following the signing of two agreements formalising this consent; a Section 31 State Deed consenting to the granting of its mining lease and a Native Title Consent Agreement.

- **Cultural Heritage Management Plan – Springsure Creek & Arcturus**

Bandanna reached an in-principal agreement with the Indigenous Kairi people on the terms for Cultural Heritage Management Plans for the Springsure Creek Coal Project and the Arcturus Project in the Bowen Basin. When an Environmental Impact Assessment (EIS) is required for a mine, a Cultural Heritage Management Plan (CHMP) must also be developed with the area's traditional owners. The Kairi people are the Aboriginal Party for the majority of the Springsure Creek EPC (891), the entire MLA area for the Springsure Creek project, as well as a significant portion of the Arcturus EPC.

- **Appointment of Michael Gray as future Managing Director**

Mr Michael Gray has been appointed to become Bandanna's future Managing Director. A highly experienced mining executive, including his recent position as CEO of Middlemount Coal, Michael will head the Company's management team through the Company's next phase of development. He will replace Dr Shaw as Managing Director during the first quarter of 2012 at which time he will join the board.

- **Appointment of John Pegler as Non-Executive Director**

Mr John Pegler will join the Board of Bandanna, effective 1 January 2011. John is very well known in the international and Australian coal industries. A mining engineer by training, he has worked for 39 years in open-cut and underground resource development, coal mining and processing operations, international and domestic coal marketing, project management and international procurement including, most recently, Chief Executive Officer of Central Queensland open cut coal producer Ensham Resources Pty Ltd. Together with Michael Gray the Board's future composition will now reflect the strong skill base required to ensure a smooth transition to coal producer.

- **Relocation of Office**

Bandanna has now relocated to new premises in order to accommodate additional staff and consultants involved in its increased activities, and in particular those related to its on-going Bankable Feasibility Studies for its Bowen Basin Springsure Creek and Dingo West projects. The Registered and Principal place of business is now **Level 4, 260 Queen Street Brisbane, Queensland 4000**. Other contact details remain unaltered.

- **Financial Position**

With approximately \$125 million in cash, Bandanna remains fully funded to meet all of its obligations to the port and rail, including bank guarantees for \$52 million under the agreement with WICET and \$15.3 million to QRN. Bandanna will make no further capital contributions for the proposed WICET port funding and has adequate funds to complete its BFS studies for Dingo West and Springsure Creek. In addition Bandanna is in discussions with a number of parties concerning farmins in key Bowen Basin projects, the outcome of which are both expected in the short term and to provide project funding solutions for major project capital expenditure.

Commentary

Reflecting on the past month's activities Managing Director Dr Ray Shaw commented that, "Bandanna is now very much on the front foot in transitioning to its next phase of corporate development. Bandanna's suppressed implied EV/tonne metric – compared to those of our peers, seems incongruous with our assets and the significant derisking that has occurred since rail and port solutions were concluded for WICET in October 2011 for our 4 Mtpa allocation.

It should be pertinent to the market that in recent days both Bell's and Paterson's experienced coal industry analysts have each released independent research with buy recommendations and target prices in the \$1.80 - \$1.85 per share range " Dr Shaw said.

ENDS

Further enquiries:

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***Statement of Compliance**

1) The information compiled in this report relating to resources for the Turkey Creek, Moorooloo and Arcturus domains 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.

2) The information in this report relating to exploration results and coal resources for the Springton North and Springton South domains is based on information compiled by Mr Troy Turner who is a member of the Australasian Institute of Mining and Metallurgy and is a full time employee of Xenith Consulting Pty Ltd.

Mr Turner is a qualified geologist and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves."

Mr Turner consents to the inclusion in the report of the matters based on the information, in the form and context in which it appears.