

4 January 2012

ASX RELEASE/ MEDIA RELEASE

Status Update for January 2012

Bandanna Energy Limited (ASX: BND) provides the following update on its activities as at 4th January 2012.

Key Points

- **JORC Resources now exceed 1,620 million tonnes**

Following the upgrade of the resources for the Springton domain within the Springsure Creek tenement (EPC 891) in late December 2011, Bandanna now has a JORC Total Resource inventory of 1,620.5 million tonnes*. As shown on the attached table this includes 1,031.5 million tonnes of Resources identified within its 100% owned Bowen Basin tenements and a net 589 million tonnes, representing its 50% share of total resources identified within tenements of the South Galilee Coal Project. This inventory positions Bandanna as one of the largest thermal coal explorers/developers listed on the ASX. With a 4 Mtpa port allocation in Stage 1 of the Wiggins Island Coal Export Terminal in Gladstone, Bandanna has a clear pathway to significant coal production commencing in 2014.

- **Termination of Strategic Process**

Bandanna has now terminated the formal Strategic Review Process which was undertaken in conjunction with UBS during 2011. Interest by a number of third parties, particularly in Joint Venture participation in key Bowen Basin projects, will continue via discussions outside of that formal, competitive, process. As recently announced (ASX 23rd December 2011) the outcome of these discussions is expected to provide funding solutions for major project capital expenditure.

- **John Pegler becomes a Non-Executive Director**

Mr John Pegler joined the Board of Bandanna on 1 January 2012. 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.

Table of Bandanna's JORC Resource and Reserves, as at 23rd December 2011.

Project	Bandanna % Interest	Measured Resources (Mt)	Indicated Resources (Mt)	Inferred Resources (Mt)	Total Resources (Mt)	Marketable Reserves (Mt)
Dingo West ⁽²⁾	100%	-	-	91.1	91.1	-
Springsure Creek ^(3,4)	100%	-	228.0	233.2	461.2	102.6 ^(5,6)
Arcturus ⁽²⁾	100%	-	102.6	103.7	206.3	44.3 ^(5,6)
Arcadia ⁽²⁾	100%	-	-	272.9	272.9	-
South Galilee ⁽¹⁾	50%	83.3	103.1	403.0	589.0	-
	TOTAL	83.3	433.6	1,103.9	1,620.5	146.9

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***Statement of Compliance**

(1) The information compiled in this table 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.

(2) The information compiled in this table relating to Arcturus, Arcadia 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.

(3) The information compiled in this table relating to Springsure Creek resources, other than those of the Springton domain (that is 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.

(4) The information in this table 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.

(5) Opencut Reserves estimate for Arcturus shown on the Table 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.

(6) The Underground Reserve estimates for Arcturus and Springsure Creek shown on the Table have been prepared by Mr Jeremy Busfield, Principal Mining Engineer of Mine Craft 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.