

31 January 2012

ASX RELEASE/ MEDIA RELEASE**South Galilee Coal Project Joint Venture
Maiden Open-Cut Reserve Statement****Highlights:**

- **Maiden Total Reserve for open-cut; 274.0 Mt, comprising 132.3 Mt Proven Reserve and 141.7 Mt Probable Reserve**
- **Maiden Total Marketable Reserve for open cut 217.7 Mt**
- **Reserve statement based only on “D1” and “D2” Seams**

Bandanna Energy Limited (Bandanna – ASX code “BND”), is pleased to announce that AMCI, the manager for the South Galilee Coal Project (SGCP) Joint Venture and 50% participant, has provided a JORC compliant Coal Reserves Estimate for open cut mineable reserves prepared by Echelon Mining Services. The Reserve Estimate is based on the Coal Resource Statement prepared in February 2011 and data provided in the Pre-Feasibility Study completed in April 2011. The Table below gives a breakdown on the open cut Coal Reserve estimate. Full details of the Reserve Statement and assumptions used for the economically open-cut mineable portion of the coal resource can be found on the Company’s website at www.bandannaenergy.com.au.

Table – Summary of Open-cut Reserve Estimate for the South Galilee Coal Project JV*

	D1 (Mt)	D2 (Mt)	Total (Mt)
Proved	50.4	81.9	132.3
Probable	99.9	41.8	141.7
Total Reserve	150.3	123.7	274.0
Marketable	117.4	100.3	217.7

Note: Bandanna has a 50% interest in the South Galilee Coal Project JV

The Report also notes that economically saleable areas (by open cut methods) extend beyond the applicable JORC Resource areas (of Measured and Indicated) and potential therefore exists to increase the Reserve Estimate by increasing the areas of these Resource categories. Potential also exists for an underground Reserve beyond the current economic limit of the open cut.

Managing Director Dr Ray Shaw said that “this maiden reserve statement is a significant milestone for the JV and the development of the South Galilee Coal Project overall. Whilst a work in progress result, it underlines the very real potential of this project and of the area’s ability to support both future significant open-cut and underground mine development.”

About the South Galilee Coal Project (SGCP)

The SGCP Joint Venture involves EPC 1048, EPC 1049, EPC 1179, and EPC 1180. In July 2011 an ML application (70453) was applied for over the northern portion of EPC 1049 which was the area over which a Resource Statement was completed in February 2011 **. In that Resource Statement the presence of some 1.179 billion tonnes of JORC Code compliant resource was delineated including 206.2 Mt of Indicated and 166.6 Mt of Measured. Subsequent Pre Feasibility studies have identified that the resources have the potential to support an open-cut and underground mine of some 33 years life with an average LOM production of over 15 Mtpa. AMCI is manager and has earned a 50% stake in the SGCP JV following completion of its farmin obligations. Bandanna retains the remaining 50% through its wholly owned subsidiary Alpha Coal Pty Ltd. The SGCP lies to the west of the township of Alpha and south of the China First and GVK’s projects (refer Figure).

Further drilling has been on-going since September 2011 as part of continuing studies. In due course the results of this drilling will enable further review of projects reserves and resources.

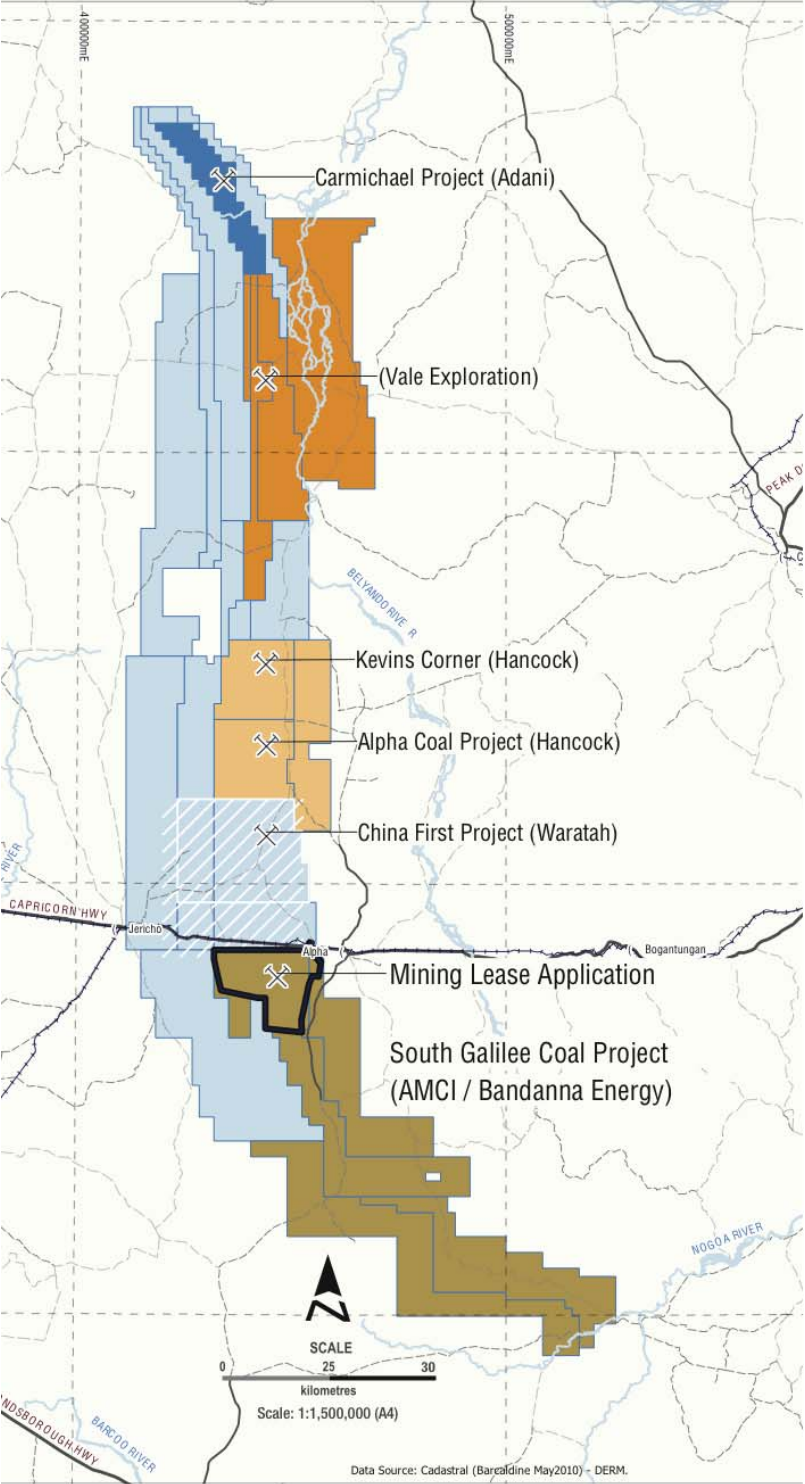
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Figure - South Galilee Coal Project Location Plan



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|-----|----------------------|---|--------------------------|
| — | Highways | ■ | Alpha Coal Pty Ltd |
| — | Principal roads | ■ | Vale Exploration Pty Ltd |
| —+— | Railways | ■ | Adani Mining Pty Ltd |
| ○ | Towns | ■ | Hancock Coal Pty Ltd |
| ⌵ | Major Coal Minesites | ■ | Waratah Coal Pty Ltd |
| | | ■ | China First project area |
| | | ■ | Mining Lease Application |

***Competent Persons Statement/Statement of Compliance**

This Reserves Estimate has been prepared by David Prior. The estimates of Coal Reserves for South Galilee Coal Project within EPC 1049 presented in this Report have been carried out in accordance with the 2004 edition of the Australasian Code for Reporting of Mineral Resources and Ore Reserves (JORC Code).

David Prior is a Principal Mining Consultant at Echelon Mining Services. David has a Bachelor in Mining Engineering from Queensland University. David has over 7 years of experience in the Queensland open cut coal mining industry. David has experience in conducting relevant financial evaluations, including having previously worked on Reserves Statements. David is a Member of the Australasian Institute of Mining and Metallurgy and as such qualifies as a Competent Person under the JORC Code.

The following entities have no material interest or entitlement, direct or indirect, in the securities of AMCI or any associated companies: David Prior; Echelon Mining Services. Fees for the preparation of this report are on a time and materials basis only.

**The information compiled in this Report relating to South Galilee Resources Statement 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.