
2 July 2012

Update on Springsure Creek Project

Bandanna Energy Limited (ASX: BND) today provided an update in relation to its Springsure Creek underground coal project. The Springsure Creek project has an allocation of 4Mtpa capacity through the new Wiggins Island Coal Export Terminal (WICET) and will export first coal to customers via WICET in the second half of 2014.

Bandanna commits cash to advance project development

With continuing progress of the Definitive Feasibility Study for the Springsure Creek project, Bandanna is now committing additional funds towards advancing development of the project.

Bandanna has accepted a senior secured bank guarantee facility with Credit Suisse for \$67.3 million.

The new arrangement with Credit Suisse releases \$50 million cash that Bandanna has previously used to secure guarantees required under the Springsure Creek project's fully contracted port capacity for Stage 1 of the Wiggins Island Coal Terminal and related rail access agreements. Access to these funds provides Bandanna with the capacity to further enhance project feasibility and make progress toward the schedule for production of first coal in the second half of 2014. In particular, Bandanna is seeking to commit to the purchase of additional land for development of the project and provide early commitments to long lead time capital equipment.

Managing Director Michael Gray welcomed Credit Suisse as a financing partner to Bandanna Energy, acknowledging "the significant opportunity that the new bank guarantee facility provides the Company to maintain momentum in its progress towards development of Springsure Creek for first coal in the second half of 2014".

"This facility and the significant progress made on the Definitive Feasibility Study process, ensures that Bandanna is positioned to become Australia's next coal producer" Mr Gray said.

Mining lease application

The update provided by the Company to the ASX on 5 June 2012 outlined the intention of Bandanna to submit a new mining lease application on EPC 891 that would, in addition to addressing the technical errors in the former application, seek to address a number of concerns that were raised in consultations undertaken by Bandanna with community members, the Central Highlands Regional Council and the Queensland Government. Consistent with those intentions, Bandanna is continuing to progress development of the new mining lease application in consultation with key stakeholders.

The approvals timeline for the Springsure Creek underground coal project is governed by the assessment process for the EIS. The Draft EIS for the project is scheduled for release for public review in the September quarter of 2012.

Drilling Update

The most recent Reserve statement for the Springsure Creek Project was released by the Company on 26 April 2012.

As part of the current exploration programme, three drills are currently operating in “Denlo Park”, the property covered by the central northern portion of EPC 891, where underground production is proposed to commence in 2014.

One drill has completed a pattern designed to upgrade Resources in the initial 5 -10 year development plan to JORC compliant Measured Resources. Data from this latest programme is currently being compiled and verified. A second drill is currently drilling geotechnical holes to gain information for the proposed “cut and cover” and underground drift locations for entry into the underground mine.

A third drill has recently completed the first of three large diameter (200mm) cored holes which will provide essential information for coal handling facilities design and advanced product specification. Bandanna is very pleased to announce that all core was delivered to surface with 100% recovery. The core features a complete and solid Aries 2 Seam of 3.35m thickness with no structural indications other than the occasional bedding plane. This core will deliver approximately 150kg for the advance testing process.

Additionally, sections of seam roof and floor have been sampled to provide rock strength characteristics for support of mining equipment and estimation of possible mining dilution. The Company is very encouraged by the competency of both floor and roof materials being a solid sandstone and siltstone/ mudstone respectively, ideal for high capacity longwall mining.

ENDS

Investor enquiries:
Matthew Scott:
07 3041 4400

Media enquiries:
Andrew Crook
Mb: 0419 788 431