

20 October 2009

ASX RELEASE/ MEDIA RELEASE

General Manager,
The Company Announcements Office
Australian Stock Exchange Limited
Electronic Lodgement System

Dear Sir,

NOTICE OF ANNUAL GENERAL MEETING

Please find attached a copy of the Notice of Annual General Meeting and Explanatory Memorandum which has been sent to shareholders. Shareholders and investors are cordially invited to attend the Annual General Meeting which will be held at Grant Thornton, Ground Floor, 102 Adelaide Street, Brisbane on Thursday 19 November 2009 commencing at 10.00am (Brisbane time).

Yours faithfully,

BANDANNA ENERGY LIMITED



Matthew Scott

Company Secretary



Bandanna Energy Limited
ACN 009 356 665

Notice of Annual General Meeting and Explanatory Memorandum 2009

Date of Meeting: Thursday, 19 November 2009

Time of Meeting: 10.00am (Brisbane time)

Place of Meeting: Grant Thornton
Ground Floor
102 Adelaide Street
Brisbane QLD 4000

BANDANNA 
 **ENERGY**

Notice of Annual General Meeting

Notice is given that the Annual General Meeting of Shareholders of **Bandanna Energy Limited ACN 009 356 665 (Company)** will be held at the offices of Grant Thornton, Ground Floor, 102 Adelaide Street, Brisbane Qld 4000, on Thursday, 19 November 2009 at 10.00am (Brisbane time).

AGENDA

Ordinary business

1. Financial Reports

To receive and consider the Company's Annual Financial Report, the Directors' Report and Auditors' Report for the year ended 30 June 2009.

2. Resolution 1 - Remuneration Report

To consider and, if thought fit, pass the following Advisory Resolution:

"That the Remuneration Report for the year ended 30 June 2009 (as set out in the Directors' Report) be adopted."

The vote on this Resolution 1 is advisory only and does not bind the Directors of the Company.

3. Resolution 2 - Re-election of David Graham as a Director

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

"That David Graham, who retires by rotation in accordance with Article 59.1 of the Company's Constitution and, being eligible, offers himself for re election, be re-elected as a Director."

Special Business

4. Resolution 3 - Approval for issue of Shares to SAMTAN Aures Pty Limited

To consider and, if thought fit, pass the following Ordinary Resolution, with or without amendment:

"That in accordance with Listing Rule 7.1 of the Listing Rules, and for all other purposes, the Company be authorised to issue thirty seven million five hundred and thirty two thousand and sixteen (37,532,016) Shares to SAMTAN Aures Pty Limited (SAMTAN Shares) on the terms set out in the Explanatory Memorandum."

VOTING EXCLUSION STATEMENT

The Company will disregard any votes cast on this Resolution by:

- a. SAMTAN Aures Pty Limited; and
- b. any associate of SAMTAN Aures Pty Limited.

However, the Company need not disregard a vote if:

- a. it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- b. it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

Notice of Annual General Meeting

(continued)

5. Resolution 4 - Appointment of auditor

To consider and, if thought fit, pass the following resolution without amendment as an Ordinary Resolution:

“That the Australian Securities & Investments Commission having consented to the resignation of the current auditor, Grant Thornton South Australia Partnership on 5 October 2009, Grant Thornton Audit Pty Ltd, having been duly nominated in accordance with Section 328B(1) of the Corporations Act 2001, be appointed as auditor of the Company.”

General business

To consider any other business as may be lawfully put forward in accordance with the Constitution of the Company.

Explanatory Memorandum

An Explanatory Memorandum in respect of the resolutions detailed above is enclosed with this Notice of Annual General Meeting.

Annual Report

Shareholders are reminded that the Company's Annual Report is available on its website, www.bandannaenergy.com.au under 'Investor Relations'.

By order of the Board

Mr Matthew Scott
Company Secretary
19 October 2009

Explanatory Memorandum

1. Introduction

This Explanatory Memorandum is provided to Shareholders of **Bandanna Energy Limited ACN 009 356 665 (Company)** to explain the resolutions to be put to Shareholders at the Annual General Meeting to be held at the offices of Grant Thornton, Ground Floor, 102 Adelaide Street, Brisbane Qld 4000 on Thursday, 19 November 2009 commencing at 10.00am (Brisbane time).

The Directors recommend that Shareholders read the accompanying Notice of Meeting and this Explanatory Memorandum in full before making any decision in relation to the resolutions.

Terms used in this Explanatory Memorandum are defined in Section 8.

2. Consider the Company's Annual Report

The Company's Annual Financial Report, the Directors' Report and Auditors' Report, for the financial year ended 30 June 2009 were released to ASX Limited on 24 September 2009. The Company's Annual Report is placed before the Shareholders for discussion. No voting is required for this item.

3. Resolution 1 – Remuneration Report

The Board has submitted its Remuneration Report to Shareholders for consideration and adoption by way of a non-binding Advisory Resolution.

The Remuneration Report is set out in the Directors' Report section of the Annual Report.

The Report:

- explains the Board's policy for determining the nature and amount of remuneration of executive Directors and senior executives of the Company;
- explains the relationship between the Board's remuneration policy and the Company's performance;
- sets out remuneration details for each Director and the most highly remunerated senior executives of the Company; and
- details and explains any performance conditions applicable to the remuneration of executive Directors and senior executives of the Company.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the meeting.

The Board unanimously recommends that Shareholders vote in favour of adopting the Remuneration Report. A vote on this Resolution is advisory only and does not bind the Directors of the Company.

4. Resolution 2 - election of David Graham as a Director

David Graham retires in accordance with the Company's Constitution and, being eligible, offers himself for re-election as a Non-Executive Director.

Mr Graham was appointed on 3 October 2008.

Mr Graham has an extensive history in the financial sector specialising in capital market transactions having worked with organisations such as Ord Minnet, Bankers Trust Australia, Bankers Trust International and CitiNational Limited. Mr Graham is Executive Chairman of DDH Graham Limited, an advisory and funds management company he founded in 1981. He has extensive public company experience including having served on the boards of Santos Limited, Crusader Limited and Mincom Limited and is currently a non-executive director of Bank of Queensland Limited.

His qualifications include Bachelor of Economics (Hons) and Bachelor of Commerce from the University of Queensland and a Master of Business Administration from Leigh University Penn. USA.

The Directors (with Mr Graham abstaining) recommend that you vote in favour of this Ordinary Resolution.

5. Resolution 3 - Approval for issue of Shares to SAMTAN Aures Pty Limited

Introduction

The Company is seeking Shareholder approval under Listing Rule 7.1 to the issue of the SAMTAN Shares to SAMTAN Aures Pty Limited pursuant to a Share Subscription Agreement dated 23 September 2009 between the Company, SAMTAN Aures Pty Limited, and its parent company, SAMTAN Co., Ltd.

Regulatory requirements

Listing Rule 7.1

Listing Rule 7.1 prohibits a listed company, except in certain cases, from issuing new shares equivalent in number to more than 15% of its capital in any 12 month period without the prior approval of its shareholders (15% Rule). In the event that the Share Subscription Agreement proceeds to completion, the Company will be required to issue the SAMTAN Shares to SAMTAN Aures Pty Limited. The issue of the SAMTAN Shares will reduce the Company's capacity to make further issues under the 15% Rule. Accordingly, the Directors are seeking Shareholder approval to the issue of SAMTAN Shares in accordance with Listing Rule 7.1. The effect of the Shareholders approving the issue of the SAMTAN Shares will be that the issue will not be counted as part of the 15% Rule, and the Company will therefore retain a greater proportion of the 15% Rule for any subsequent requirements that may arise.

As Shareholder approval is sought for the purposes of the 15% Rule and the issue of the SAMTAN Shares will not result in the Company exceeding the 15% Rule, the issue of SAMTAN Shares will proceed even if Resolution 3 is not passed at the Meeting.

In accordance with Listing Rule 7.3, the Company advises as follows:

- The maximum number of SAMTAN Shares to be issued to SAMTAN Aures Pty Limited is thirty seven million five hundred and thirty two thousand and sixteen (37,532,016) fully paid Shares.
- The SAMTAN Shares are intended to be allotted and issued on completion of the Share Subscription Agreement, but in any event will be issued within 3 months of the date of the Meeting.
- The issue price of the SAMTAN Shares is A\$0.60 per Share (meaning a total amount of A\$22,519,209.60).
- The SAMTAN Shares will rank equally with all Shares on issue.
- The funds raised by the issue of the SAMTAN Shares will be used by the Company to fund ongoing programs of exploration, future development appraisal and future infrastructure requirements of the Company's portfolio of thermal coal projects in the Bowen Basin and to provide working capital to the Company.

Explanatory Memorandum

(continued)

There is a possibility that the Share Subscription Agreement may proceed to completion before the date of the Meeting in which case the Company will be required to issue the SAMTAN Shares before the Meeting. If this eventuates, the approval sought under Resolution 3 will be taken to be approval from Shareholders to the issue of the SAMTAN Shares under Listing Rule 7.4 (as opposed to Listing Rule 7.1) and the Company will rely on the information provided under Listing Rule 7.3 set out above for the purposes of satisfying the requirements of Listing Rule 7.5.

The Directors recommend that you vote in favour of this Ordinary Resolution.

6. Resolution 4 - Appointment of auditor

The Company's current auditors, Grant Thornton South Australia Partnership, have moved from being a state based federation to a single national firm. Following this structural change the Board wishes to retain Grant Thornton as the Company's auditors and recommends the appointment of the national firm, Grant Thornton Audit Pty Ltd.

The current audit firm, Grant Thornton South Australia Partnership, has applied to the Australian Securities and Investment Commission (ASIC) for consent to resign effective from the date of the Meeting. ASIC has notified Grant Thornton South Australia Partnership that it consents to the resignation. The resignation will take effect from the date of the Meeting.

Subject to Shareholder approval, the appointment of Grant Thornton Audit Pty Ltd will be effective for the 2009/10 financial year (and future years).

In accordance with subsection 328B(1) of the Corporations Act, notice in writing nominating Grant Thornton Audit Pty Ltd as auditor of the Company has been given to the Company by a Shareholder. A copy of the notice is attached to this Explanatory Memorandum.

The Directors recommend that you vote in favour of this Ordinary Resolution.

7. Voting Entitlements

For the purposes of determining voting entitlements at the Meeting, Shares will be taken to be held by the persons who are registered as holding the Shares at 7:00pm Tuesday, 17 November 2009. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

8. Interpretation

Board means the board of Directors of the Company.

Corporations Act means the Corporations Act 2001 (Cth).

Company means Bandanna Energy Limited ACN 009 356 665.

Directors means the directors of the Company.

Listing Rule means the Listing Rules of ASX Limited.

Meeting means this meeting.

Shareholder means a holder of ordinary shares in the Company.

Shares means ordinary fully paid shares in the issued capital of the Company.

Any inquiries in relation to the Resolutions or the Explanatory Memorandum should be directed to Mr Matthew Scott (Company Secretary):

Level 12, 410 Queen Street, Brisbane QLD 4000

07 3041 4400

Notice of Nomination of Auditor

BANDANNA ENERGY LIMITED

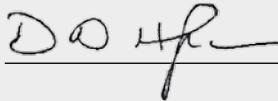
ABN 34 009356 665

Appointment of auditors

Following the resignation of Grant Thornton South Australian Partnership subject to ASIC consent, I wish to nominate Grant Thornton Audit Pty Ltd as auditor of Bandanna Energy Limited at the forthcoming annual general meeting.

I request that a copy of this nomination is sent to all persons entitled to receive notice of the AGM and Grant Thornton Audit Pty Ltd.

Signed:



A handwritten signature in black ink, appearing to read "Douglas", is written over a horizontal line.

Date: 24/09/09



Bandanna Energy Limited
ACN 009 356 665



BANDANNA 
 **ENERGY**