

28 October 2009

ASX RELEASE/ MEDIA RELEASE

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

Dear Sir,

Korean \$22.5 equity investment and marketing agreement finalised

Queensland coal developer, Bandanna Energy Limited (ASX:BND) today gained a leading Korean energy group as 10 per cent shareholder and received \$22.5 million to expedite development of its 100%-owned coal assets.

Bandanna and SAMTAN Co. Ltd completed an agreement that gives SAMTAN 10 per cent of Bandanna, through a \$22.5 million share placement at 60c a share, together with rights to market Bandanna's coal in Korea and right to negotiate purchase of 20 per cent of Bandanna's coal at market prices. Senior Managing Director of SAMTAN's energy and resources development division, Park Soon IL, joins the Bandanna board.

A rapidly expanding Korean-based energy group, SAMTAN last year exported 22 million tonnes of coal from its Indonesian KIDECO mine and has now extended its business to Mongolia and Australia. The company has a 16-year coal production and marketing history, now exporting to more than 20 countries.

Mr Park today stated the Korean company was keen to extend its energy interests in Australia and was impressed with the quality of Bandanna's Bowen Basin thermal coal assets.

Proceeds of the Bandanna placement will go toward continuing exploration, future development and appraisal and future infrastructure requirements of Bandanna's high-quality portfolio of thermal coal projects.

The projects include Arcadia (EPCs 892 and 1204), Arcturus (EPC 1221), Dingo West (EPC 881) and Springsure Creek (EPC 891), in the Bowen Basin 'Golden Triangle'.

Bandanna Managing Director, Raymond Shaw, said coal exploration drilling was continuing. Already, this has lifted Bandanna's resource inventory to 1,145 million tonnes of inferred and 102 million tonnes of indicated resources.

Bandanna has completed a concept study for Dingo West as a potential open-cut and has started concept studies for Arcturus (potential open-cut) and Alpha (potential underground longwall mine; excluded from SAMTAN off-take agreement). All are close to existing infrastructure.

“Dingo West represents a potential shorter timeframe development, and possible dual development of Springsure Creek and Arcturus has the capacity to transform Bandanna into a major coal producer. Our close relationship with SAMTAN enables us to expedite progress in adding value to these assets,” Dr Shaw commented.

As well as its Bowen Basin assets, Bandanna is also the only ASX listed company with assets of export coal potential in the Galilee Basin, an exciting new globally significant thermal coal province.

Yours faithfully,

BANDANNA ENERGY LIMITED



Dr Ray Shaw
Managing Director