

BANDANNA ENERGY BANDANNA ENERGY LIMITED

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ASX RELEASE

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

Dear Sir,

Exploration Program for First Quarter 2009

Bandanna Energy Limited (Bandanna – ASX Code BND) is pleased to release details of the exploration programs to be undertaken during the first quarter of 2009.

Coal Tenements

Springsure Creek, EPC 891 (100% Bandanna)

The Company intends to focus on increasing its existing resource inventory in Springsure Creek where it will drill up to 11 x 4" core and 37 x HQ3 boreholes along the crestal portions of the Springton Anticline as part of an infill drilling program. Previous drilling results have indicated the presence of a low ash, low sulphur, potential raw thermal, underground coal product. Drilling will commence this week and up to three rigs will be used to complete this program which will continue through until June 2009.

Arcadia, EPC 892 (100% Bandanna)

Drilling of 6 x 4" core holes will commence in early January 2009 using two rigs. The program is designed to obtain coal quality data on the southern portion of the Purbrook Anticline. Drilling in the latter part of 2008 had already indicated that this existing resource has semi coking coal potential (refer ASX Release dated 15 December 2008). Two drill rigs will be used to undertake this work during January 2009.

Arcturus, EPC 1221 (100% Bandanna)

Drilling of 4 x 4" core holes will commence in early January 2009 using 1 rig. The program is designed to investigate a shallow, potential open-cut, thermal coal in a portion of the tenement. Subject to initial results a second phase of drilling involving a further two core holes and 10-12 chip holes will be undertaken.

Fernlee, EPC 1103 (100% Bandanna)

Drilling of 4 x 4" open holes will be undertaken during February 2009 to investigate shallow coal occurrences in an area of the tenement with the potential for open cut thermal coal.

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Fernlee North, EPC 1185 (100% Bandanna)

Drilling of 3 x 4" open holes will be undertaken during March 2009 to investigate shallow coal occurrences with the potential for open cut thermal coal.

Dingo West, EPC 881 (100% Bandanna, subject to Macarthur Coal earning 70% through farmin)

Operated by Macarthur Coal, a drilling program involving three rigs is on-going as part of its existing farmin obligations. Macarthur is fully funding all farmin activities.

Alpha Project, EPCs 1048,1049, EPCAs 1179 and 1180 (100% Bandanna, subject to AMCI earning up to 50% through farmin)

Operated by AMCI, a drilling program involving two/three rigs is on-going. The program is designed to establish a resource along the eastern flank of the Galilee Basin involving the B, D1 and D2 seams. AMCI is fully funding all farmin activities.

Oil and Gas Tenements

ATP 539

The Company will participate in the drilling of the Planet Downs Prospect, a sub-culmination on the Curalle Anticline which is a prominent regional structural high and interpreted hydrocarbon migration focal point located on the western flank of the Cooper Basin in far southwest Queensland. The Prospect is located approximately 12 km south of the Curalle-1 well. A drilling location has been selected on the basis of seismic data recently acquired as part of the 2D Sungai Seismic Survey. Drilling is expected to commence later this month and will involve a test of the oil potential of a number of Jurassic aged reservoir targets.

The Company is contributing 50% of the costs of the well as part of its original farmin agreement to earn a 50% interest in the permit.

Yours faithfully,

BANDANNA ENERGY LIMITED



Dr Ray Shaw

Managing Director

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