

15 May 2009

ASX RELEASE

General Manager,

The Company Announcements Office

Australian Stock Exchange Limited

Electronic Lodgement System

Dear Sir,

Re : Award of New Coal Exploration Permit – EPC 1189

Bandanna Energy Limited (Bandanna – ASX Code BND) is pleased to announce that its application EPCA 1189, through its wholly owned subsidiary Carnarvon Coal Pty Ltd, has now been approved by the Queensland Government authorities. The new permit, EPC 1189, is located in the southern Bowen Basin and is contiguous with EPC 1195 awarded to Bandanna in February 2009.

EPC 1189 covers an area of 230 km² and lies approximately 75 km to the north of the township of Injune. The Charleville – Brisbane railway is located approximately 145 km from the EPC.

The permits, EPC 1189 and EPC 1195, are located in the southern Bowen Basin approximately mid-way between Blackwater and Roma. The area encompassed by these tenements has received very little attention from coal exploration companies in the past, although there is considerable geological and geophysical control available from exploration by petroleum companies. Review of historical data indicates that areas within EPC1189 that have the potential to contain Bandanna Formation coals in excess of 3.0 metres thick, and several areas, over which seismic data exists, indicate that the coal seams within the Bandanna Formation may lie at depths of less than 60 metres in some areas of the tenement, depths compatible for open-cut mining projects.

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Bandanna is planning to undertake a reconnaissance drilling exploration program in the permits during Q3 of 2009.

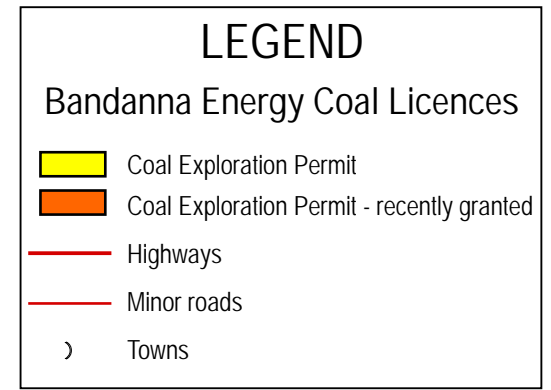
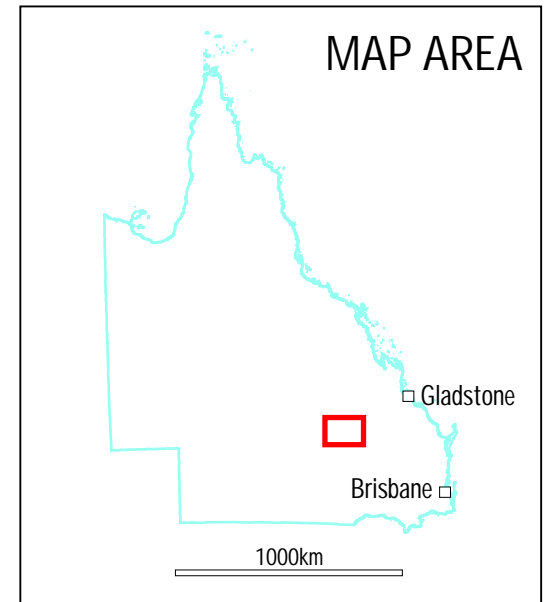
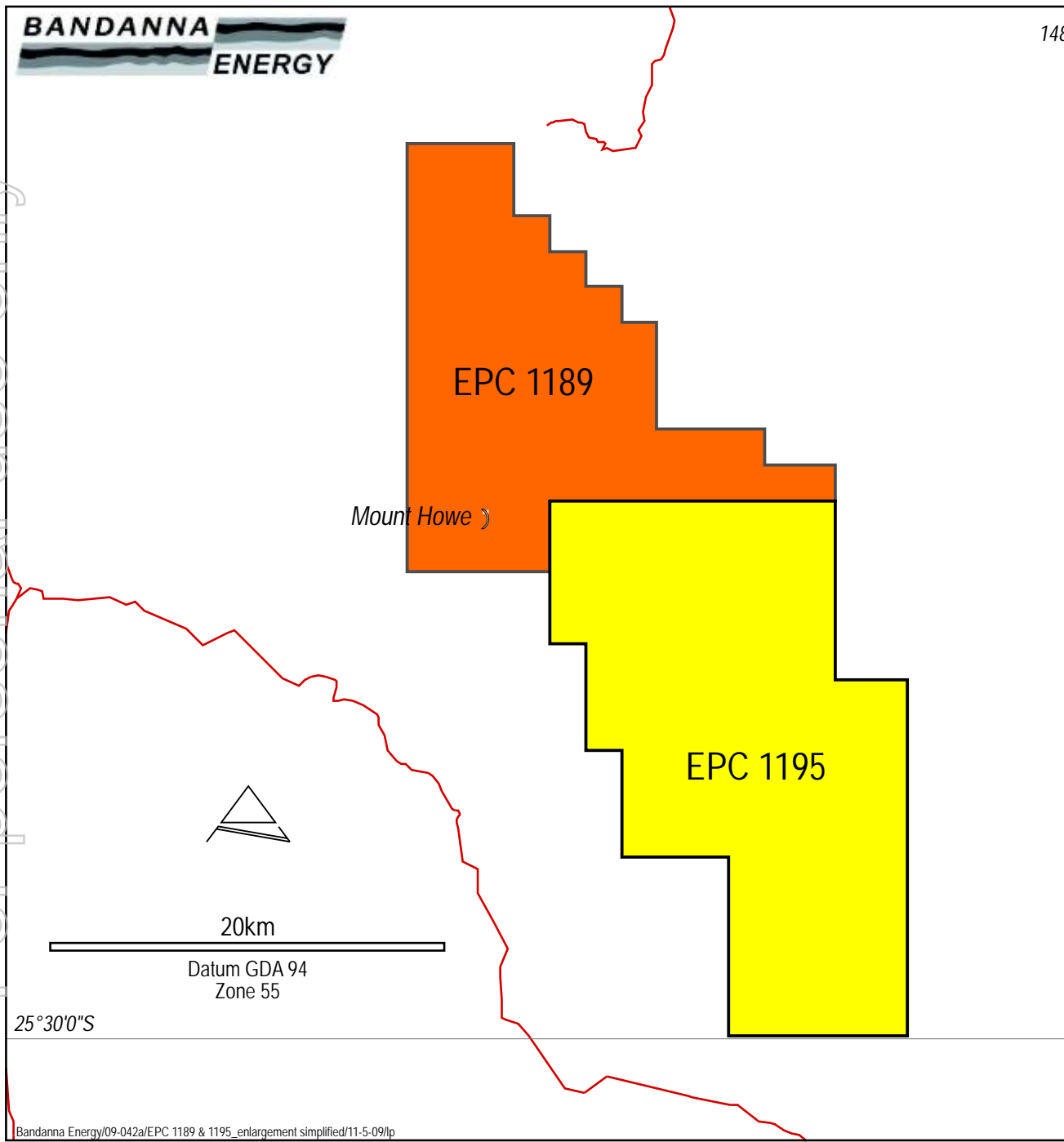
Yours faithfully,

A handwritten signature in black ink, appearing to read 'R. Shaw', written over a horizontal line.

Dr Ray Shaw

Managing Director

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BANDANNA ENERGY
CARNARVON COAL TENEMENTS
MAY 2009

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