

24th September 2009

ASX RELEASE/ MEDIA RELEASE

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

Dear Sir,

**SAMTAN to invest \$22.5 million in Bandanna
via a placement of 37.6 million shares**

SAMTAN Aures Pty Ltd and Bandanna Energy Limited (ASX : BND “Bandanna or “the Company”) are pleased to announce that they have signed an agreement, subject to certain conditions, which will provide for the following :

- **\$22.5 million placement to be made to Korean energy company SAMTAN;**
- **Placement at \$0.60 per share;**
- **SAMTAN to hold 10.0% of Bandanna (fully diluted basis) following the placement;**
- **Funds to be used for on-going programs of exploration, future development appraisal and infra-structure requirements;**
- **SAMTAN to market Bandanna’s coal in Korea and have the right to negotiate the purchase of 20% of Bandanna’s coal from its Bowen Basin Projects at market prices;**
- **Senior Managing Director of SAMTAN, Park Soon IL to join the Bandanna Board;**

- **Subject to conditions precedent – SAMTAN’s Parent Board approval and Korean Government approval.**

Details

Bandanna has entered into a share subscription agreement (“Subscription Agreement”) with the Korean based SAMTAN Aures Pty Ltd, a wholly owned subsidiary of SAMTAN Co., Ltd (“SAMTAN”) to issue 37,532,016 fully paid ordinary shares to SAMTAN, [equating to 10.0% of Bandanna’s fully diluted shares on issue post placement] at an issue price of A\$0.60 per share, raising A\$22.5 million. The transaction is conditional on Board approval of the SAMTAN’s parent company and the Korean Government’s Ministry of Knowledge Economy approval by 18 December 2009. The placement price of A\$0.60 per share represents an 18%

For personal use only

premium on the last close and a 22% premium on the 30 day VWAP (\$0.49) of BND shares. The Placement will not be subject to shareholder approval.

Proceeds of the placement will be used to fund on-going programs of exploration, future development appraisal and future infra-structure requirements of Bandanna's high quality portfolio of thermal coal projects in the Bowen Basin, including the Arcadia (EPC s 892 and 1204), Arcturus (EPC 1221), Dingo West (EPC 881), and Springsure Creek (EPC 891) projects.

As part of the transaction, SAMTAN may nominate a representative to the Company's Board. The initial SAMTAN nominee will be Park Soon IL, a Senior Managing Director of SAMTAN's Energy & Resources Development Division.

The transaction also provides for SAMTAN to have exclusive marketing representation for Bandanna's coal produced from its coal projects (excluding the Alpha Project) into Korea at market prices.

In addition, Bandanna has granted SAMTAN the right to negotiate for the purchase 20% of Bandanna's share of coal production from its operations.

In commenting on the transaction Bandanna's Chairman, Jeremy Barlow, said:

"Bandanna looks forward to welcoming SAMTAN, a significant and well regarded international energy company, to its register and Mr Park to the Board. This strategic investment in Bandanna is an important step forward for the Company and is a strong vote of confidence in the quality of our assets and corporate strategy. Bandanna has a range of exciting projects that it is pursuing and the investment by SAMTAN allows Bandanna to focus on these projects and continue to add value to its assets."

Bandanna was advised by Macquarie Capital Advisers on this transaction.

About SAMTAN Company

SAMTAN Co. Ltd., one of the leading energy-specialized companies in Korea, is devoted to the energy business, the driving engine of economic development since the Companies incorporation in 1962. In the early 1980s, SAMTAN expanded its coal business into Indonesia through the localised establishment of PT. KIDECO JAYA AGUNG in Paser, East Kalimantan with 100% Korean capital and technology. KIDECO commenced commercial operations in 1993, and by 2008 its annual coal production had surpassed 22 million tonnes exporting to more than 20 countries, including Korea, Taiwan, India, Hong Kong, Malaysia, Thailand, New Zealand, U.K and Spain.

For personal use only

SAMTAN has been strengthening its position in the world energy industry, including an expansion of its business into other countries, including Mongolia and Australia, on the basis of the solid foundation of its operating experiences gained from the Paser mine, Indonesia.

About Bandanna Energy

Bandanna Energy is an ASX-listed coal and energy company that owns a large coal exploration acreage holding in the southern Bowen Basin as well as the significant Alpha coal project in the Galilee Basin, Queensland. Bandanna also has mineral leases and oil and gas leases in the Cooper Basin in South Australia.

Yours faithfully,

BANDANNA ENERGY LIMITED



Dr Ray Shaw

Managing Director