



ASX release

70% increase in Coal Reserves at Bandanna Energy's Springsure Creek Project to 281Mt

Brisbane, 18 May 2015: Bandanna Energy Limited (ASX: BND) is pleased to announce a 70% increase in Probable Reserves for the Springsure Creek Coal Project as a result of additional drilling undertaken during 2014. The latest reserve report shows an overall increase in Probable Reserves from 174Mt to 296Mt, and an increase in Probable Marketable reserves from 165Mt to 281Mt. Consistent with Bandanna Energy's most recent Resource statements for the Project, the latest report has been undertaken under the new assessment process of the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code).

The company has previously commissioned four reserve reports under the JORC Code, completed in 2010, 2011, 2012 and 2014. The total coal reserves estimated under the latest and historical reports are set out below.

Springsure Creek Project - Historical Reserve Growth

JORC Report	JORC Code	Probable Reserves	Probable Marketable Reserves
October 2010	2004	52Mt	49Mt
July 2011	2004	108Mt	102Mt
April 2012	2004	162Mt	154Mt
Jan 2014	2012	174Mt	165Mt
May 2015	2012	296Mt	281Mt

The 2012 JORC Code criteria for estimating the reserves are included in Table 1 of the May 2015 reserves report, reproduced in the Appendix to this announcement.

The significant increase in Reserves provides further confirmation of the potential for development of a world scale thermal coal mine. With increased confidence as to the size of the Springsure Creek Project Reserves, its high coal quality, relatively low capital intensity, competitive operating cost structure, proximity to existing rail lines and port infrastructure, and both State and Commonwealth EIS approvals, Springsure Creek is well positioned to become Australia's next major thermal coal development.¹

Resource and Reserve Summary

Project	Resources (Mt)				Probable Marketable Reserves
	Measured	Indicated	Inferred	Total	
Springsure Creek	138Mt	440Mt	190Mt	768Mt	281Mt



Voluntary Administration Process Update

As previously announced, Macquarie Capital (Australia) Ltd (Macquarie) has been engaged to commence a process focused on the Company, or its business, continuing as a going concern and/or maximising the outcome for all stakeholders. This process may include the restructuring or realisation of all or part of the Company and its subsidiaries.

Macquarie is currently seeking expressions of interest from potential parties. Formal invitations into the transaction process will commence in June 2015. Enquiries in relation to this process should be directed to the following:

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Compliance Statement

The information in the report that relates to Exploration Results is based on information compiled by Mr Jeremy Busfield. Mr Busfield is a Competent Person employed by Minecraft Consulting Pty Ltd as Principal Consultant and Managing Director. Jeremy Busfield holds a Bachelor of Mining Engineering degree from the University of Queensland, is a Chartered Professional Member of the Australasian Institute of Mining and Metallurgy (AusIMM) and is a Registered Professional Engineer of Queensland (Mining) (RPEQ 10285). Jeremy has worked in various planning, operational and consulting roles for the underground coal industry for 26 years and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code)'. The relationship between the Competent Person and the project owner is that of independent consultant. Remuneration for the preparation of the report is on a time and materials basis only. Mr Busfield consents to the inclusion in the report and this announcement of the matters based on his information in the form and context in which it appears.

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Section 4 Estimation and Reporting of Ore Reserves

Criteria	JORC Code Explanation	Commentary
Mineral Resource Estimate for Conversion to Ore Reserves	<ul style="list-style-type: none"> Description of the Mineral Resource estimate used as a basis for the conversion to an Ore Reserve Clear statement as to whether the Mineral Resources are reported additional to, or inclusive of, the Ore Reserves 	<ul style="list-style-type: none"> The resources used as a basis for the coal reserve estimation have been provided by Xenith Consulting Pty Ltd and have been completed to a JORC 2012 edition standard. The resource report is reported separately The JORC coal reserves stated in this report are inclusive of the JORC coal resources
Site Visits	<ul style="list-style-type: none"> Comment on any site visits undertaken by the Competent Person and the outcome of those visits If no site visits have been undertaken indicate why this is the case 	<ul style="list-style-type: none"> A site visit has been undertaken by Mr Jeremy Busfield in 2012 to assess the suitability and location of the surface infrastructure and drift portal area
Study Status	<ul style="list-style-type: none"> The type and level of study undertaken to enable Mineral Resources to be converted to Ore Reserves The Code requires that a study to at least Pre-Feasibility Study level has been undertaken to convert Mineral Resources to Ore Reserves. Such studies will have been carried out and will have determined a mine plan that is technically achievable and economically viable, and that material Modifying Factors have been considered 	<ul style="list-style-type: none"> Bandanna Energy completed a feasibility study for the Springsure Creek project in December 2012 The feasibility study is considered as between a Class 3 and Class 4 estimate in accordance with estimating guidelines of the Australian Cost Engineers Society Further engineering studies have been conducted by the project team supported by selected consultants and contractors particularly in the areas of mine access, mine planning, surface infrastructure, equipment selection and approvals
Cut-off Parameters	<ul style="list-style-type: none"> The basis of the cut-off grade(s) or quality parameters applied 	<ul style="list-style-type: none"> No cut-off parameters have been applied to the resource based on coal quality since coal quality parameters are relatively consistent across the resource The predominant factors that have been used to limit the mine plan layout are major faulting, seam thickness and tenement boundary The initial mining areas are designed to lie within the boundary of the SCC owned Den Lo Park property



Criteria	JORC Code Explanation	Commentary	
Mining Factors or Assumptions	<ul style="list-style-type: none"> The method and assumptions used as reported in the Pre-feasibility or Feasibility Study to convert the Mineral Resource to an Ore Reserve (i.e. either by application of appropriate factors by optimisation or by preliminary or detailed design) The choice, nature and appropriateness of the selected mining method(s) and other mining parameters including associated design issues such as pre-strip, access, etc The assumptions made regarding geotechnical parameters (e.g. pit slopes, stope sizes, etc), grade control and pre-production drilling The major assumptions made and Mineral Resource model used for pit and stope optimisation (if appropriate) The mining dilution factors used The mining recovery factors used Any minimum mining widths used The manner in which Inferred Mineral Resources are utilised in mining studies and the sensitivity of the outcome to their inclusion The infrastructure requirements of the selected mining methods 	<ul style="list-style-type: none"> The mining method proposed for Springsure Creek is conventional retreat, full seam longwall extraction with two heading gate roads coming off a set of main headings. Utilising this method of extraction will maximise the overall recovery of the resource and therefore maximise the available ROM tonnes Longwall mining is the most common method of underground coal extraction due to its high productivity, high resource recovery, low cost and safety aspects It has been assumed that the seam will be extracted from the floor to within 100mm from the roof, thus working to a coal roof in order to both improve roof conditions and to minimise dilution. An allowance for dilution is included equivalent to an average thickness of 50mm of stone is included. Mining losses are expected to be 3% of the seam. This is to account for coal that is left behind from the mining processes Geotechnical factors including pillar design, joint orientation and likely roof support methods have been incorporated into the mine design and economic assumptions A mining recovery factor of 100% is applied. That is, it is assumed that all of the estimated reserves will be recovered or that any losses in the estimated reserves will be offset by future additions of reserves Inferred Resources have not been included in the calculation of the reserves as the bulk of the resource has been categorised as Indicated or Measured status 	
		Reserve Calculation Assumptions	
		Parameter	Value
		Inherent Moisture Content	8.9%
		ROM Moisture Content	15.5%
		Product Moisture Content	15.5%
		Coal Density	1.36t/m ³
		Stone Density	2.30t/m ³
		Stone Dilution	50mm
		ROM Density	1.39t/m ³
		Development Roadway Width	6.6m
		Development Roadway Height	Seam height (min 2.7m)
		Installation Roadway Dimensions	9m x 2.7m
		Longwall Panel Width	352m (centres)
		Product Yield	95%



Criteria	JORC Code Explanation	Commentary
Metallurgical Factors or Assumptions	<ul style="list-style-type: none"> The metallurgical process proposed and the appropriateness of that process to the style of mineralisation Whether the metallurgical process is well-tested technology or novel in nature The nature, amount and representativeness of metallurgical test work undertaken, the nature of the metallurgical domaining applied and the corresponding metallurgical recovery factors applied Any assumptions or allowances made for deleterious elements The existence of any bulk sample or pilot scale test work and the degree to which such samples are considered representative of the orebody as a whole For minerals that are defined by a specification, has the ore reserve estimation been based on the appropriate mineralogy to meet the specifications? 	<ul style="list-style-type: none"> The coal exhibits low insitu ash (10.7%) and hence is proposed to be exported with only minor beneficiation which will consist of screening and crushing. The target product ash is 13% A product yield of 95% is assumed to allow for the screening process Metallurgical test work has been conducted on approximately 160 bore core samples A possible deleterious element is the slightly low ash fusion temperature which may impact by limiting the ratio of SCC coal that can be fed into some power stations. This is allowed for by assuming the coal will be marketed widely as opposed to only a few customers A bulk sample has not been taken
Environmental	<ul style="list-style-type: none"> The status of studies of potential environmental impacts of the mining and processing operation. Details of waste rock characterisation and the consideration of potential sites, status of design options considered and, where applicable, the status of approvals for process residue storage and waste dumps should be reported 	<ul style="list-style-type: none"> An Environmental Impact Statement was submitted to the Qld State Government for assessment and approval in November 2012 and formally approved on 7 November 2013. Currently three objections to the MLA and draft EA objections have been referred to the Qld land court for determination. The Government will then prepare final EA terms and then grant approval. The granting of the Mining Lease is scheduled for Quarter 1, 2016 A MNES (Matters of National Environmental Significance EIS was submitted to the Federal Government in September 2013 as part of the normal process. Commonwealth approval of the EIS was received on 6 June 2014 Minimal waste rock will be produced by the operation since there is no coal processing on site. Waste rock from the access drifts, shafts and any ROM screened material will be stored on site as bunding
Infrastructure	<ul style="list-style-type: none"> The existence of appropriate infrastructure: availability of land for plant development, power, water, transportation (particularly for bulk commodities), labour, accommodation; or the ease with which the infrastructure can be provided, or accessed 	<ul style="list-style-type: none"> The site is well serviced by public roads including the nearby Gregory Highway, Capricorn Highway and the Dawson Highway. These highways provide transport links to the cities of Gladstone and Rockhampton and the regional centres of Emerald and Springsure Arrangements are in place with Ergon Energy to secure electrical power to the site via a dedicated 132kV power line from the Blackwater to Rolleston feeder line Arrangements are in place to secure a raw water supply of 1,000ML/yr from Nogoa river via a dedicated pipeline An accommodation camp may be constructed for the permanent mine workers at a nominated site 40km from the mine. Additional accommodation on a commercial basis will also be available in the nearby towns of Springsure and Emerald Coal will be transported off site via trucks to a new rail loop to be constructed at Triumph Creek. The rail loop will connect to the existing Blackwater to Gladstone rail system. An agreement has been reached for the use of Triumph Creek with the current tenement holder (Acacia Coal). The mine lease approval process for the haul road and rail loop is underway and expected by Quarter 2, 2016 The site is within reasonable proximity to the regional centre of Emerald which can supply services such as airport, transport, accommodation, entertainment, medical and community



Criteria	JORC Code Explanation	Commentary
Costs	<ul style="list-style-type: none"> The derivation of, or assumptions made, regarding projected capital costs in the study The methodology used to estimate operating costs Allowances made for the content of deleterious elements The derivation of assumptions made of metal or commodity price(s), for the principal minerals and co- products The source of exchange rates used in the study Derivation of transportation charges The basis for forecasting or source of treatment and refining charges, penalties for failure to meet specification, etc The allowances made for royalties payable, both Government and private 	<ul style="list-style-type: none"> Capital costs for the project have been derived during the feasibility study process. Price sourcing ranged from budget pricing, factored estimates and allowances. The class of estimate is between Class 3 and Class 4, and the calculated estimate accuracy is 21%. Updated price estimates for the mine access construction based on detailed discussions with the preferred drift contractor have been included The operating cost estimate for mine operating costs to pit top have been estimated by factored estimates, benchmarking against other mines and allowances A possible deleterious element is the slightly low ash fusion temperature which may impact by limiting the ratio of SCC coal that can be fed into some power stations. This is allowed for by assuming the coal will be marketed widely as opposed to only a few customers Commodity pricing is based on an independent forecast by Wood Mackenzie, dated February 2015 Exchange rates are based on an independent forecast by Wood Mackenzie dated February 2015 The surface coal handling and haulage costs have been estimated based upon submissions from two contract operators The rail costs are based on the contracted agreement with the proposed rail operator The port costs are based on the contracted port agreement for the WICET expansion at Gladstone Treatment and refining charges or penalties are not applicable to coal Royalties are paid using the following royalty brackets as set by the Qld Government <ul style="list-style-type: none"> 7% paid on the first AUD100/t 12.5% for the incremental price between AUD100/t and AUD150/t 15% for prices above AUD150/t Owner royalties are AUD0.50/t
Revenue Factors	<ul style="list-style-type: none"> The derivation of, or assumptions made regarding revenue factors including head grade, metal or commodity price(s) exchange rates, transportation and treatment charges, penalties, net smelter returns, etc The derivation of assumptions made of metal or commodity price(s), for the principal metals, minerals and co-products 	<ul style="list-style-type: none"> A long term AUD:USD exchange rate of 0.78 has been adopted based on a Wood Mackenzie independent forecast The market coal price is based on an independent Wood Mackenzie forecast for High Ash Newcastle thermal coal (5,500kcal/kg gar). The price forecast is for the NEWC HA5500 price to increase from USD58/t in 2016 to USD78/t in 2025 and up to USD100/t by 2032



Criteria	JORC Code Explanation	Commentary
Market Assessment	<ul style="list-style-type: none"> The demand, supply and stock situation for the particular commodity, consumption trends and factors likely to affect supply and demand into the future A customer and competitor analysis along with the identification of likely market windows for the product Price and volume forecasts and the basis for these forecasts For industrial minerals the customer specification, testing and acceptance requirements prior to a supply contract 	<ul style="list-style-type: none"> An independent marketing report was undertaken by Wood Mackenzie which discusses the current market which is considered in oversupply due to various reasons including many suppliers being locked into take or pay contracts. The oversupply situation is predicted to ease once the take or pay contracts are expired or renegotiated in a few years time and that the supply / demand situation will ease around 2019. The industrial expansion in Asia is predicted to continue to require the expansion of coal fired power plants predominantly in South East Asia. The concern around the safety of nuclear power plants and the rising costs of gas will open new avenues for coal demand particularly in Japan and Korea. China is predicted as the major contributor to increased demand up to approximately 2025. Demand from countries including Vietnam, Thailand, Malaysia, Philippines and India is expected to treble by 2040. Overall global demand for thermal coal is predicted to grow to 12Bt in 2035 from the current levels of 7Bt The coal specifications and quality is similar to the Rolleston product (Glencore) in many of its characteristics and will therefore compete in similar markets
Economic	<ul style="list-style-type: none"> The inputs to the economic analysis to produce the net present value (NPV) in the study, the source and confidence of these economic inputs including estimated inflation, discount rate, etc. NPV ranges and sensitivity to variations in the significant assumptions and inputs 	<ul style="list-style-type: none"> The key inputs to the economic evaluation include Production forecasts up to 8Mtpa from one longwall Project direct capital cost of approximately \$860M Project Indirect capital cost of approximately \$240M FOB average operating costs of \$67/t Sale pricing and forex as per above Company tax rate of 30% The NPV is most sensitive to sale price, then volume, operating costs and capital costs The estimated NPV is approximately \$170M at 10% discount rate (11.3% IRR) Sensitivity to sales price, sales volume, start up delay and capital costs were evaluated Sensitivity analysis indicates a potential range in IRR from 8% to 13% with sale price ($\pm 10\%$) having the most influence
Social	<ul style="list-style-type: none"> The status of agreements with key stakeholders and matters leading to social license to operate 	<ul style="list-style-type: none"> A Cultural Heritage Management Plan (CHMP) in relation to the Springsure Creek project has been signed with the Karingbal people. The Karingbal people have traditional lands covering portions of the Springsure Creek EPC Springsure Creek Coal has purchased a portion of the surface land (Den Lo Park) which covers the proposed mine infrastructure area, mine access location and initial mining domain A Social Impact Management Plan as per the requirements of the EIS TOR has been completed and submitted



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Other	<ul style="list-style-type: none"> To the extent relevant, the impact of the following on the project and/or on the estimation and classification of the Ore Reserves Any identified material naturally occurring risks The status of material legal agreements and marketing arrangements The status of governmental agreements and approvals critical to the viability of the project, such as mineral tenement status, and government and statutory approvals. There must be reasonable grounds to expect that all necessary Government approvals will be received within the timeframes anticipated in the Pre-Feasibility or Feasibility study. Highlight and discuss the materiality of any unresolved matter that is dependent on a third party on which extraction of the reserve is contingent 	<ul style="list-style-type: none"> Unidentified geological structures will likely pose the largest risk to the final mine plan design and may impact upon reserves, mine production levels and mine operating costs Difficult geological conditions encountered in the mine development stage may delay mine production and increase early mine operating costs No marketing agreements have been reached however discussions have been held with numerous major customers in Korea and China. Due to the forecast increased demand for thermal coal, this is not considered inappropriate at this stage of the project The EIS for both the Commonwealth and State Governments have been approved as part of the Mining Lease Approval Process This project is the first underground coal project located within Strategic Cropping Land to seek approval. Some local opposition to the project has been received and currently there are three remaining objectors to the grant of the Environmental Authority and the mining lease. There is a risk of delays with respect to the landcourt determination and the company is continuing negotiations with the affected parties
Classification	<ul style="list-style-type: none"> The basis for the classification of the Ore Reserves into varying confidence categories Whether the result appropriately reflects the Competent Person's view of the deposit The proportion of Probable Ore Reserves that have been derived from Measured Mineral Resources (if any) 	<ul style="list-style-type: none"> All three levels of geological confidence exist within the Springsure Creek Project, including Measured, Indicated and Inferred. Measured and Indicated Resources, under the JORC code, may be converted to become Proven and Probable Reserves respectively It is the opinion of the Competent Person that since the classification of Proven Reserves indicate the highest confidence that the reserves will be extracted, then use of this classification will be pending further advancement of the project including statutory and financial approvals, and possibly partial development of the initial part of the mine The proportion of Probable Reserves derived from Measured Resources are 88Mt from a total Probable Reserve of 297Mt
Audits or Reviews	<ul style="list-style-type: none"> The results of any audits or reviews of Ore Reserve estimates 	<ul style="list-style-type: none"> There has been no external audit of the Ore Reserve Estimates. An internal review has been conducted as part of the QA procedures of the Competent Person The Project Feasibility Study was subjected to a third party independent review in early 2013



Criteria	JORC Code Explanation	Commentary
Discussion of Relative Accuracy/ Confidence	<ul style="list-style-type: none"> Where appropriate a statement of the relative accuracy and confidence level in the Ore Reserve estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the reserve within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors which could affect the relative accuracy and confidence of the estimate The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used Accuracy and confidence discussions should extend to specific discussions of any applied Modifying Factors that may have a material impact on Ore Reserve viability, or for which there are remaining areas of uncertainty at the current study stage It is recognised that this may not be possible or appropriate in all circumstances. These statements of relative accuracy and confidence of the estimate should be compared with production data, where available 	<ul style="list-style-type: none"> In preparing the reserve statement, recognition is taken of the current stage of mine planning, mine approvals and current position of the project in the project development timeline. Consequently all reserves are reported as Probable Reserves Based on experience with other mines, it is noted that some adjustments to the mine plan would be expected as the project advances into operations phase which could result in loss of reserves, including <ul style="list-style-type: none"> Undetected faults posing future mining constraints Re-orientation of panels to mitigate geotechnical risk Refinement of geological model causing adjustment to seam cut-off boundaries

