

BANDANNA ENERGY BANDANNA ENERGY LIMITED

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ASX RELEASE

General Manager,
The Company Announcements Office
Australian Stock Exchange Limited
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Dear Sir,

CHAIRMAN'S ADDRESS

Please see below a copy of the Chairman's address which was provided to shareholders this morning during the Annual General Meeting.

Yours faithfully

BANDANNA ENERGY LIMITED



Richard Hill

Company Secretary

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CHAIRMAN'S ADDRESS TO ANNUAL GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders and Guests,

This is the first AGM of Bandanna Energy Limited since the successful merger of Bandanna Coal Pty Ltd with Enterprise Energy Limited, and the associated capital raising. In a public forum this is the first opportunity that I have had to thank all the shareholders who participated in the capital raising including some of the existing shareholders in Enterprise, those introduced by ABN AMRO Morgans and a large number of old friends and colleagues. I thank you all. Gratitude is also expressed to the various advisors who assisted with the transaction. The list of individual advisors would be too long but I sincerely thank those involved from ABN AMRO Morgans (underwriter and advisor), Minter Ellison and Hopgood Gamin (legal), Grant Thornton (auditor), PriceWaterhouseCoopers (accounting and taxation), DFK Richard Hill (accounting), DMR Corporate and Anderson & Schwab (independent experts). I also thank the officers of ASIC and ASX for always reviewing our documents promptly. And last but not least I thank the staff of both Bandanna and Enterprise for their support of the merger.

Almost simultaneously with the capital raising was the beginning of the financial crises which has continued globally and probably presents the most difficult financial situation since the 1930s. There is really no one in business today who has experienced conditions like this. Bandanna Energy has fared no worse than its peers and in fact may be doing a bit better than some. We cannot know what lies ahead in terms of credit markets, equity markets and coal markets, not to mention economic growth. I am not going to make rash forecasts of what might lie in store for the energy industry in general, or for Bandanna Energy in particular, but rather will comment on the board's strategy in these uncertain times and hope to give you confidence to support the company going forward.

The company has the following attributes:

1. An excellent suite of exploration tenements for coal in Queensland and this state is without question the best international address in which to hold coal interests. Ray Shaw will outline these in more detail later and speak of the work being done but for the moment suffice to say that we have a valuable land position and have established significant resources.
2. The company also holds interests in petroleum exploration in Queensland and South Australia, exploration tenements for oil shale exploration and mineral exploration (with bentonite the target) in Queensland.
3. There is over \$10 million in the bank and the company has no debt.
4. The company holds 100% of all tenements while in two of them major companies are earning interests by funding work programmes. Thus for the short to medium term we have taken the risk out of those two projects, one of which we hope will lead to early production and revenue for Bandanna.
5. Being in Queensland, we are close to Asia and well positioned to join the ranks of the excellent companies that produce coal here for either export or domestic use. Competitively priced energy is essential to prosperity in any country and the major consumers of Asia will not walk away from coal.
6. Our board and management team is small but highly experienced and very focussed on delivering results for the shareholders.

Currently, what are the key risks for the company?

The first has to be the state of the world economy and uncertainty about the length of any recession or depression, the impact on economic growth and energy demand, and the extent and duration of coal price reductions.

The second risk, which in my view is just as serious as the first, is the anti-coal attitude being taken by some governments and a vocal section of the community as a result of their acceptance of the new Climate Change Ideology.

Some comments on the risks:

There is no doubt that the world is in uncharted waters as far as markets are concerned. There is no way that anyone can predict when recovery will occur but at least our company has enough resources to keep moving ahead with our exploration programme and get projects ready for development at the earliest opportunity. Mines in Queensland are well positioned to supply the Asian customers, and even in times of reduced economic activity electricity generation must continue to be reliable. It is expected that any recession-induced demand reduction for coal will be more severe for coking coal than for thermal coal and the bulk of Bandanna's tenements contain thermal coal.

Concerning Climate Change policy, the company will obviously comply with whatever regulations the State and Federal Governments impose. However, before imposing further taxes via an Emissions Trading System, or creating more costs in the monitoring of carbon footprints, or indeed implementing any constraints that could seriously damage growth in the coal industry, I am hopeful that governments will rethink their positions.

Contrary to the "conventional wisdom", the science which the IPCC and others claim to be settled, is not. There are many leading scientists and much evidence that does not support the views and dire predictions of the "believers".

Current Australian Government policies are predicated upon modelling projections made over very long timeframes. Such projections can hardly be considered meaningful while policy-makers' economic predictions in other contexts remain profoundly inaccurate, even over much shorter timeframes.

Even if one accepts that there is a need to act to control carbon emissions, owing to our scale we will have no demonstrable impact on global carbon emissions if Australia acts without similar action being taken by major emitters such as China and India.

In addition, Governments that are choosing to implement schemes to control carbon emissions, while also claiming that the costs will not be significant for consumers, are factoring into their thinking unreasonable expectations about the rate of technological change.

Various industry bodies like the Resources Council and Business Council, and the CEOs of numerous corporations, seem to have "found religion" and are encouraging the implementation of climate change policies designed to find favour with governments and shareholders. This may be in the interests of certain enterprises in the financial services sector, which are now looking for new markets for people with skills developing complex financial products. But their track record of late has not been good and it is not in the

interests of ordinary Australian citizens or of key Australian export industries to have the finance sector given another playground.

The strategy for Bandanna.

Whilst our initial intention had been to raise \$40 million in order to mount a major programme of exploration and development, because of the limited capital raising it was necessary to quickly make a strategic review. We are now implementing the following strategy.

1. We start with the basic assumption that the potential customers for our coal, located in a range of countries in Asia, will not walk away from coal as an important fuel for base load power generation and as the only source of coke for use in the blast furnace. These consumers know that continued prosperity is dependent on competitive and reliable energy supplies. Coal is an essential and reliable fuel.
2. We will closely monitor the two joint ventures where expenditure is being made by our partners, AMCI and Macarthur Coal. At least in the short term we are carried on the Dingo West project and at Alpha in the Galilee Basin.
3. Highest exploration priority will be given to Springsure Creek where we are getting very favourable results and believe we can add value quickly.
4. Up to three holes are planned on Wanella (previously called Spring Creek) at our risk before considering farming out an interest in this potential hard coking coal property.
5. We will offer some major industry players the opportunity to take an interest in the Arcadia tenement where the company has already delineated large inferred resources.
6. We will continue to explore all other tenements and satisfy the expenditure commitments on them but will be willing to farm out interests if larger companies are prepared to support significant exploration programmes.
7. Concerning our petroleum interests, we are reviewing alternative farm out possibilities.
8. Before making a decision on our oil shale interests we need to get a better understanding of the Queensland Government's policy for oil shale.
9. The quality of the bentonite in our leases is being tested and once determined will influence the way we add value to those tenements.

In closing I once again thank the shareholders for their support. I assure you that the board and management are determined to work very hard over the next twelve months so that we deliver success and make the second AGM a time for celebration.

Jeremy Barlow,
Chairman