

14 November 2013

The Manager  
Company Announcements Office  
Australian Securities Exchange  
20 Bridge Street  
Sydney NSW 2000

**Bandanna Energy Limited (ASX:BND)**  
**Annual General Meeting – Managing Director's Presentation**

Please find attached a copy of the Managing Director's presentation to the Company's Annual General Meeting being held today.

Yours faithfully

A handwritten signature in black ink, appearing to read "Tess Lye".

Tess Lye  
*Company Secretary*



***Uniquely  
positioned to be  
Australia's next  
coal producer***

**2013 AGM  
Managing Director's presentation**

1. FY13 – a year of great progress
2. Springsure Creek – Australia's most advanced thermal coal development project
3. The market opportunity
4. The year ahead and beyond

# We have had a very busy 12 months

***FY13 saw Bandanna Energy move closer to becoming Australia's next coal producer***

- **Increased** Resource confidence
- **Advanced** Project approvals
- **Initiated** Agricultural plan
- **Enhanced** Infrastructure security
- **Developed** Close community engagement
- **Initiated** Customer relationships
- **Strengthened** Balance sheet



# We have had a very busy 12 months

## *Increased Resource confidence for Springsure Creek Project*

- Significant JORC compliant Resource upgrade – including maiden Measured Resource subsequently increased 35% to 74Mt
- Project Resource updated from 2004 JORC Code to more stringent 2012 JORC Code
- Completion of Definitive Feasibility Study (DFS) and capital and operating cost estimates – currently being revised given further potential savings through lower costs and productivity enhancements



## SPRINGSURE CREEK COAL MINE PROJECT

ENVIRONMENTAL IMPACT STATEMENT  
FEBRUARY 2013

### EXECUTIVE SUMMARY

[www.springsurecreekproject.com.au](http://www.springsurecreekproject.com.au)

SPRINGSURE  
CREEK

## *Advanced approvals*

- Springsure Creek EIS approved by State Government 7 November 2013
- Accommodation Village approved by local Government 12 June 2013
- MLAs 70501 and 70502 for infrastructure corridor and train loadout facility lodged May 2013
- EM Plans for corridor and road submitted to State Government for approval Sep 2013
- EIS for mine and corridor submitted to Commonwealth Government Sep 2013
- Some land acquisition and compensation agreements executed... others in negotiation
- Cultural Heritage agreements finalised for Springsure Creek

# We have had a very busy 12 months

## *Initiated Agricultural Plan*

- Established framework to ensure co-existence between farming and mining at Springsure Creek Project
- Established Springsure Creek Agricultural Coexistence Research Committee
- Redesigned mine layout to maximize coexistence
- Took landowners and Research Committee to the USA to examine worlds' best practice coexistence of longwall mining and cropping
- Approval for overall funding commitment of \$3.6m over 5 years into coexistence research (including up to \$1m in FY14)





# We have had a very busy 12 months

## *Enhanced infrastructure security*

- Finalisation of agreements with Acacia Coal Limited for development and operation of train loadout infrastructure
- Identification of optimum infrastructure corridor route from minesite to rail loadout
- Secured long term water supply of 1,000Mlpa from McKenzie-Nagoa System



- Restructured Pacific National haulage agreement to align port, rail access and rail haulage contract start dates and avoid any overhang of take-or-pay charges
- Advanced progress of construction on Wiggins Island Stage 1 and rail system upgrades



# Wiggins Island – taking shape





# Wiggins Island – taking shape

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# We have had a very busy 12 months

## Community engagement

- Re-establishment of positive relationships with landowners
- Extensive community consultation program as part of EIS
- Ongoing consultation with affected landowners, local community, the Central Highlands Regional Council and State Government
- Local Industry participation plan – more than 370 registrations of interest from suppliers, contractors or potential employees
- Preparation of Draft Social Impact Management Plan
- Development of accommodation strategy for project - includes mix of both residential and non-residential workforces

### SURFACE LAND MANAGEMENT

**OVERVIEW**

Springsure Creek Coal will implement effective surface land management practices to maintain the value of the land into the future. This includes commitments to develop strategy that will see agricultural business and longwall underground mining co-exist.

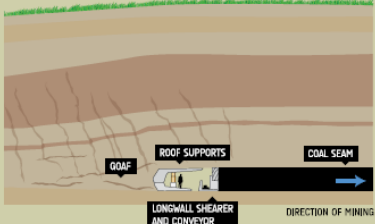
Our conditions for approval from the government will require us to maintain or even enhance surface land productivity.

We have created the Springsure Creek Agricultural Project, a unique initiative to make sure underground mining and agriculture co-exists successfully by continuing farming on the surface during the operation of an underground coal mine.

**ONGOING SURFACE LAND MANAGEMENT TO PROTECT AGRICULTURE**

Springsure Creek Coal is responsible for managing any impact associated with its activities. We will have a Subsidence Management Plan, developed in consultation with a range of stakeholders including landholders, the Agricultural Co-existence Research Committee, and relevant government departments. This plan will be tailored to individual longwall panels and will consider changes in the way the land is managed to provide for ongoing surface operations, as well as monitoring and any remediation.

Subsidence is the term used to describe land that settles or sinks to a level lower than its original level. Longwall underground mining (as described in the Longwall Mining factsheet) results in subsidence where the coal is removed and an empty space, or void, is left behind. As the coal is mined, the ground above is allowed to collapse and settle into the void to fill it. This area is called the goaf. The removal of the coal results in the surface settling with a gradual shallow depression on the surface.



**OUR COMMITMENT**

We are committed to meeting or exceeding any conditions in an environmental authority for this Project. Conditions will require us to develop and implement a Subsidence Management Plan. This will be undertaken in consultation with affected landholders and government agencies. It will include comprehensive monitoring and management to ensure future food production is maintained or increased.

[www.springsurecreekproject.com.au](http://www.springsurecreekproject.com.au)

**SPRINGSURE CREEK**



# We have had a very busy 12 months

## *Project funding and customer development*

- Targeted customer engagement with leading electricity generators in Japan, Korea, Taiwan, China and Thailand
- Execution of MoUs with leading generators in relation to project investment and long term offtake
- Execution of non-binding Heads of Agreement with Korea Midland Power Co (KOMIPO) in relation to project investment
- JV investment most likely linked to project approvals and mining lease grant

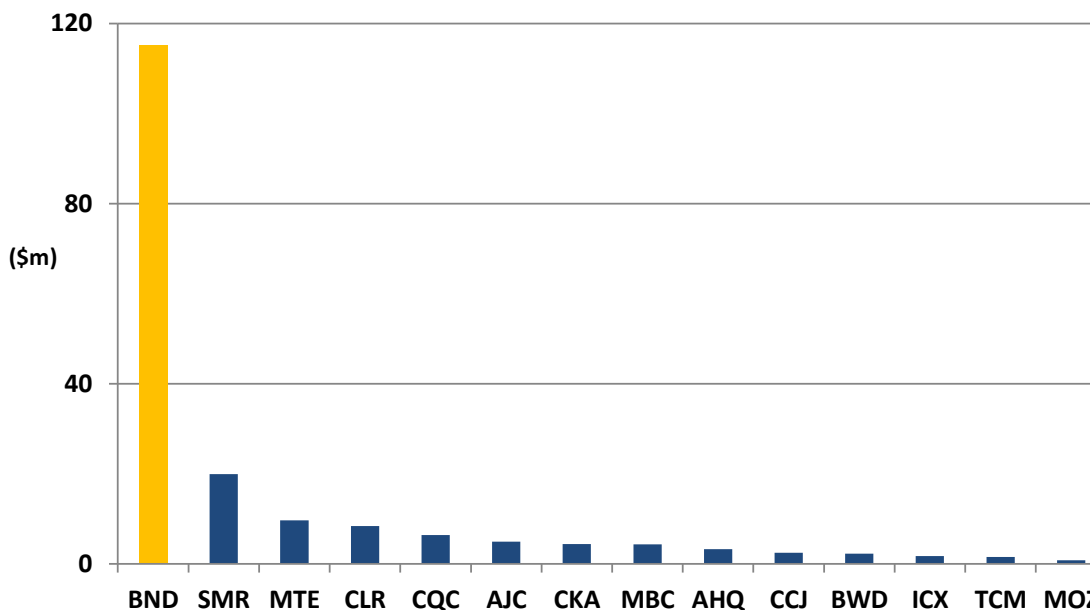


# Bandanna Energy is well funded

## Strengthened balance sheet

- Credit Suisse \$67.3m senior secured credit facility released \$50m
- Sold WICET preference equity (WIPS) for \$47m July 2013

Cash balances of junior coal companies<sup>1</sup>



- Bandanna Energy funded to meet operating expenses and proceed through project assessment and approvals phase
- Bandanna cash balance >60% of total cash held by junior coal sector

1. Net cash balances are as at 30 September 2013, sourced from company quarterly releases

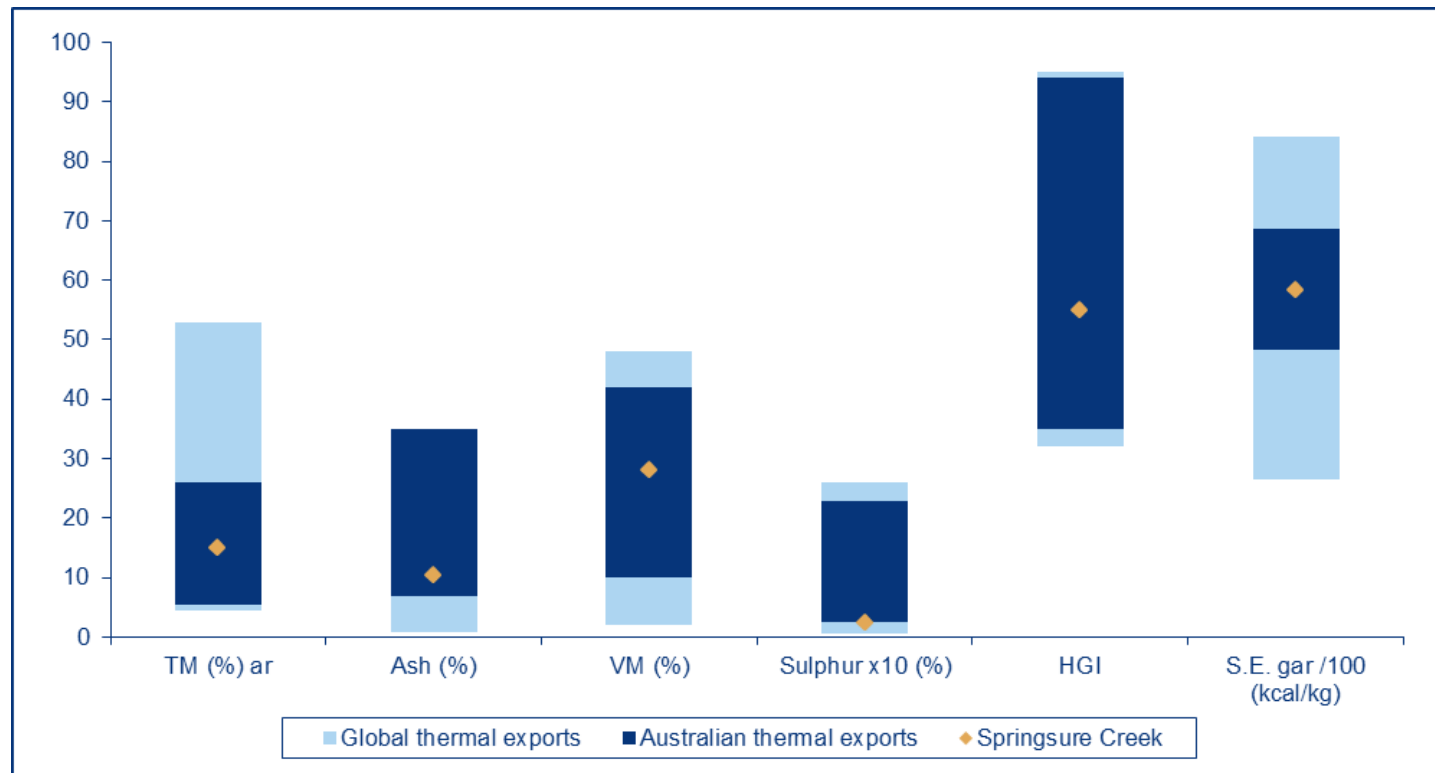
## ***Springsure Creek – Australia's most advanced thermal coal development project***

- Substantial high quality coal resource (>40yr mine life at 11Mtpa) in region with well understood geology and coal quality
- Recently confirmed 35% increase in Measured Resource under 2012 JORC Code
- Low ash coal does not require processing... provides for reduced capital cost and operating cost saving
- Competitive operational costs (\$65.61/tonne FOB ex royalties) compared with existing global cost curve
- Currently reviewing costs and productivities, aiming to further increase competitiveness and outpace improvements at brownfield operations
- Close to existing coal rail network
- Approvals process well advanced... EIS approved on 7 November 2013
- Secure contracted access to port and rail infrastructure... construction well advanced



# Attractive coal quality

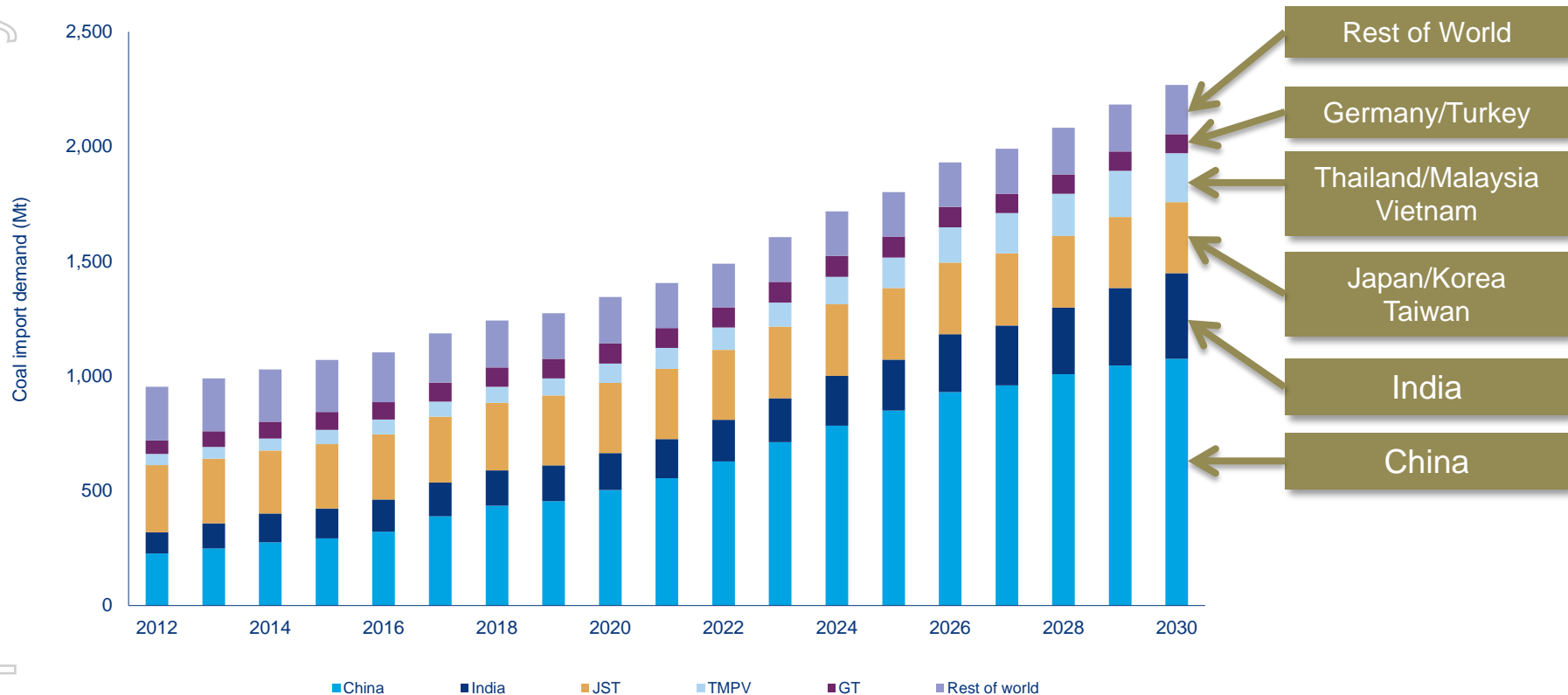
- Springsure Creek coal product quality is well recognised in North Asian markets
  - low Ash
  - ultra-low Sulphur
  - other characteristics typical of Australian export thermal



- JV partner discussions progressing
  - a number of selected interested parties currently undertaking due diligence
  - signed non binding Heads of Agreement with Korea Midland Power Co (KOMIPO) in relation to potential equity investment in project and long term coal off-take
- Continuing discussions with other interested parties including:
  - Asian based electricity generation companies
  - international investment houses
  - overseas mining companies
- Possible structure → one or a small number of electricity generators take a minority stake in return for an off take agreement for a percentage of coal produced

# Global energy demand

Total thermal coal import demand - 2012-2030(Mt)



Source: Wood Mackenzie Coal Market Service

By 2030

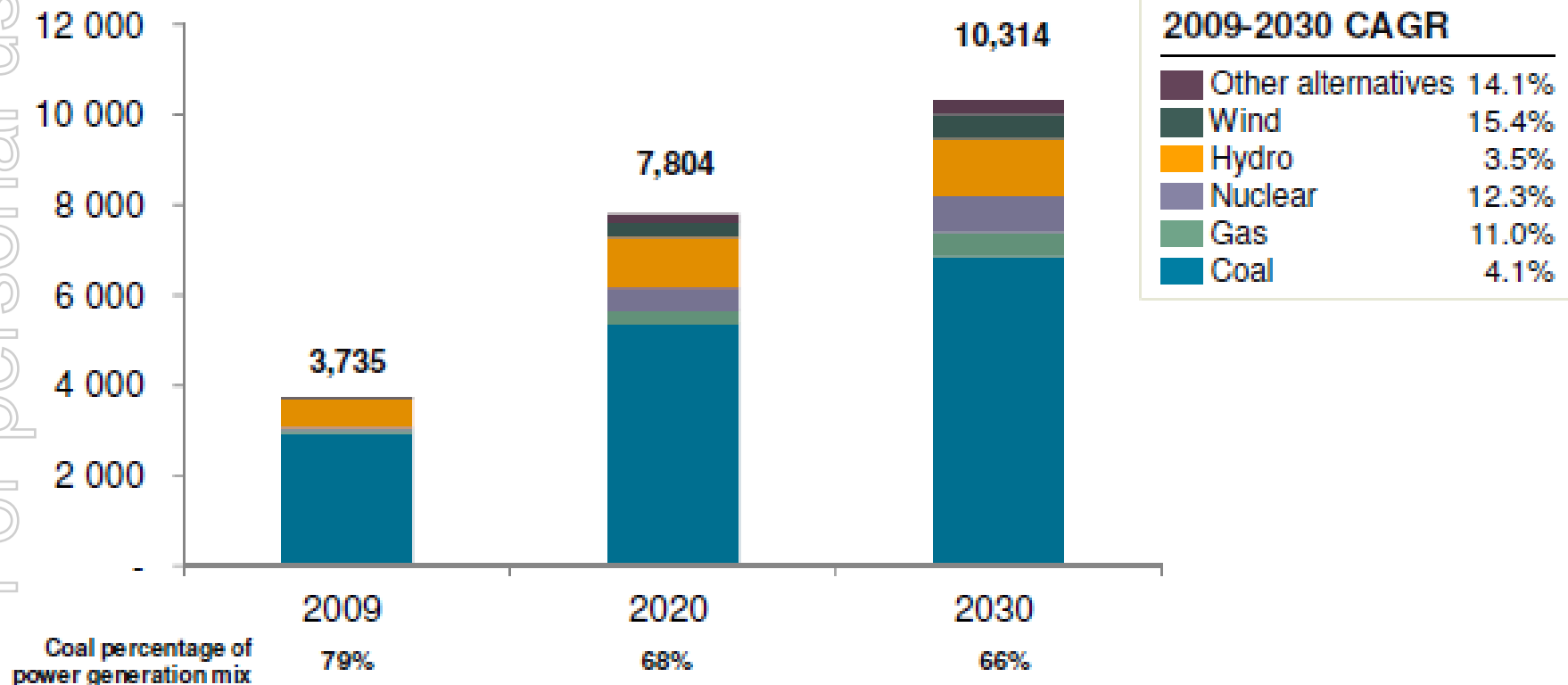
- > Demand for thermal imports will be 2.5 times that of 2012
- > 9 in every 10 tonnes of demand will be in Asia



# Attractive LT fundamentals – China growth

*Coal expected to remain main energy source for China for foreseeable future*

China's forecast power generation mix (TWh)



Source: Rio Tinto, IEA

# Attractive LT fundamentals – Korea growth

- Korean electricity generation under substantial demand pressure
  - Korea is 8th biggest power consumer, BUT
  - only has 14th largest generating capacity

Fuel Source	Installed Generating Capacity	Delivered Power Generation	Effective Utilisation
Coal	31%	39%	126%
LNG	25%	25%	100%
Nuclear	30%	30%	100%
Oil	6%	4%	67%
Pumped Storage	3%	1%	33%
Renewables	5%	1%	20%

Source: Korea South-East Power Co Ltd. August 2013

- Korean Government has committed to double coal fired generation capacity between 2012 and 2021
  - additional 23.3GW of coal fired generation
  - additional 56Mtpa thermal coal imports required
  - generators seeking equity investment to fix offtake for >50% of new demand

# Global challenges for new supply

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## South Africa



- Infrastructure constraints
- Continuing depletion of Witbank resources means increased infrastructure costs for new production

## Canada



- Infrastructure limitations
- High production and transport costs
- Foreign exchange challenges

## USA



- Infrastructure limitations
- Coal quality
- Geographic constraints for export to Pacific basin

## Mozambique



- Infrastructure challenges
- Coal quality issues
- Sovereign risk issues

## Indonesia



- Declining coal quality
- Increased Government taxation
- Domestic energy security concerns

## Mongolia



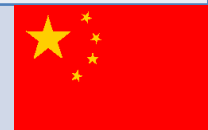
- Infrastructure challenges
- Sovereign risk issues
- Limited access to non-Chinese export market

## Colombia




- Coal quality issues
- Infrastructure challenges for Pacific exports

## China



- Rapidly increasing costs:
  - increasing depth, infrastructure distances and increasing wage levels
- Declining coal quality



	Australia
<b>Challenges</b>	<ul style="list-style-type: none"><li>• Increased taxation?</li><li>• Regulatory uncertainty</li><li>• Infrastructure constraints and delays in development of new infrastructure</li><li>• High construction and development costs</li><li>• Exchange rate challenges</li></ul>
<b>Advantages</b>	<ul style="list-style-type: none"><li>• Significant resources of high quality, high energy coal compared with alternative supplier markets</li><li>• Geographic advantage for access to North Asia, South-east Asia and South Asian markets</li><li>• Existing operating coal basins close to existing infrastructure and close to established ports</li></ul>

## *Focused on MT to LT coal price outlook given project timings*

- Long term forecasts show significant increase in demand for thermal coal in north, south-east and south Asia from 2015 to 2030
- Uncertainty about growth and cost of new supply means forecast prices to increase from 2016 and beyond

*“...decisions to postpone supply projects now, based on current low spot prices, will have ramifications for pricing dynamics in the future”*

Wood Mackenzie Nov 2012

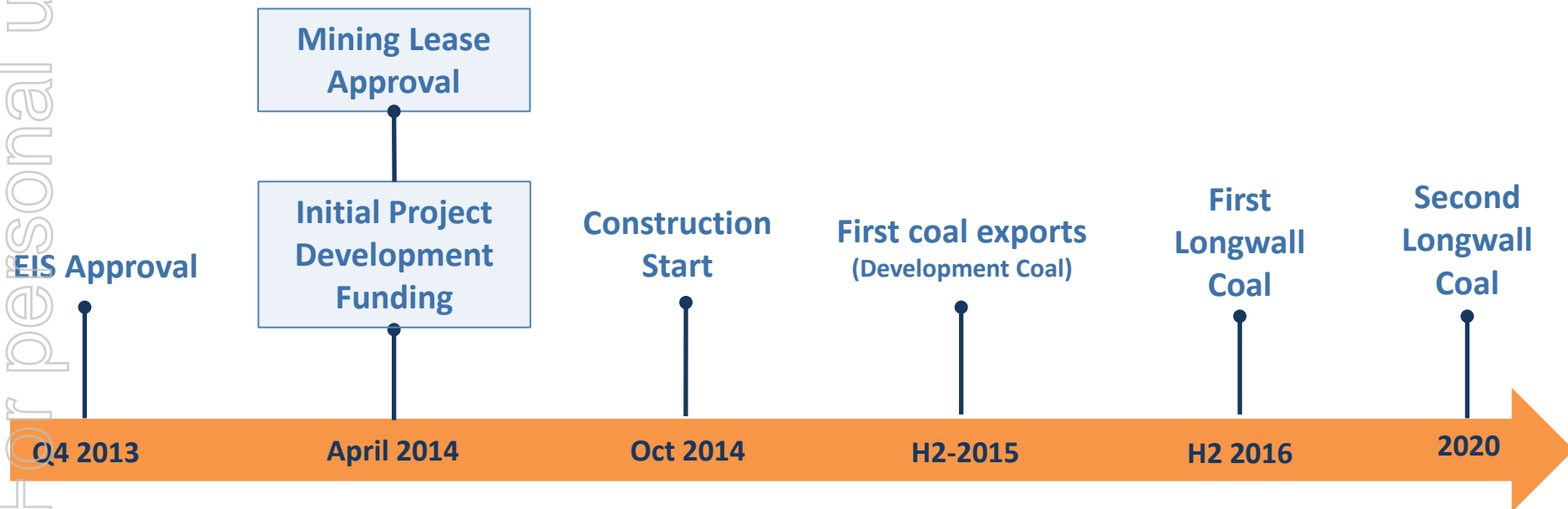
*“Longer-term, the delay and postponement of numerous projects (mining and infrastructure) could result in a supply shortage in 18-24 months, and a corresponding price surge.”*

The Salva Report Nov 2013

- Springsure Creek’s competitive cost structure ensures it will be very well positioned compared with both existing and new production

## *Priority objectives for FY14*

- Grant of MLA 70846 for Springsure Creek mine site (target Apr 2014)
- Securing initial project development funding (target Apr 2014)



## *Dingo West*

- EIS underway, further exploration ongoing to define optimal pit location
- Landowner negotiations commenced
- Rail loop design and infrastructure study commenced
- Consideration of bringing farm-in partner to assist progress of development for first production early 2016

## *South Galilee*

- Longer term thermal coal prospect given location and size
- EIS nearing completion and approval
- Timing of development subject to confirmation of planned Galilee Basin coal rail options and commitment to future Abbot Point expansion
- Queensland Government strategy to assist initial development may accelerate timetable



## *Bandanna Energy is uniquely positioned to become Australia's next coal producer*

- Attractive long term fundamentals underpin Springsure Creek Project
- Springsure Creek Project is a very attractive coal asset
- FY13 was a very busy year that achieved a number of key milestones
- Following new credit facility and sale of WIPS, Bandanna Energy has a strong balance sheet
- Two key objectives for FY14:
  - grant of MLA 70846 for Springsure Creek mine project
  - securing initial project development funding
- Subject to final timing of approvals, port construction and funding, Bandanna Energy is on track to deliver first coal production in H2-2015

# Competent Person Statement

Current information in relation to Springsure Creek Resources referred to in this presentation is extracted from the original market announcement dated 8 August 2013 that attaches Table 1 and is available to view at [www.bandannaenergy.com.au](http://www.bandannaenergy.com.au). The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

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