

31 July 2009

ASX RELEASE

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

Dear Sir,

Appendix 5B

Attached is the Appendix 5B and Activities Report relating to the Quarter ended 30 June 2009 ("Reporting Period").

Yours faithfully,

BANDANNA ENERGY LIMITED



Dr Ray Shaw
Managing Director

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

BANDANNA ENERGY LIMITED

ABN

34 009 356 665

Quarter ended ("current quarter")

30 June 2009

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	4	12
1.2 Payments for (a) exploration and evaluation	(1,399)	(5,222)
(b) development	-	-
(c) production	-	-
(d) administration	(622)	(3,763)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	46	388
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	(3,861)
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(1,971)	(12,446)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects	-	-
(b)equity investments	-	-
(c) other fixed assets	(124)	(167)
1.9 Proceeds from sale of: (a)prospects	4,500	5,500
(b)equity investments		
(c)other fixed assets		
1.10 Loans to other entities	-	(3)
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)		
Cash acquired through business combination	-	65
Costs directly attributable to the acquisition of Bandanna Coal Pty Ltd	-	(203)
Dingo West Farmin settlement	1,524	1,524
Net investing cash flows	5,900	6,716
1.13 Total operating and investing cash flows (carried forward)	3,929	(5,730)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	3,929	(5,730)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	-	10,000
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	(7,127)
1.19	Other (provide details if material)	-	-
	Net financing cash flows	-	2,873
	Net increase (decrease) in cash held	3,929	(2,857)
1.20	Cash at beginning of quarter/year to date	2,187	8,973
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	6,116	6,116

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	179
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Payments to Directors (per 1.23) in accordance with employment contracts \$178k.
Payments to Director related entities (per 1.23) \$1k.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	540
4.2	Development	-
Total		540

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
5.1	Cash on hand and at bank	6,116	2,187
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)		6,116	2,187

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	Nil		
6.2	Interests in mining tenements acquired or increased	EPC1189	-	100%

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference ⁺ securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 ⁺ Ordinary securities	332,180,143	30,305,137		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs Note:				
7.5 ⁺ Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i> Executive Options Executive Options Executive Options Exercisable once the Company's share price has increased to at least \$1.20 during the exercise period	300,000 300,000 1,200,000		<i>Exercise price</i> 150 cents 200 cents 80 cents	<i>Expiry date</i> 24/07/2009 24/07/2010 23/12/2010

+ See chapter 19 for defined terms.


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Mining exploration entity quarterly report

	Executive Options Exercisable once the Company's share price has increased to at least \$1.60 during the exercise period	1,270,000		80 cents	23/12/2010
	Executive Options Exercisable once the Company's share price has increased to at least \$1.20 during the exercise period	675,000		80 cents	3/11/2011
	Executive Options Exercisable once the Company's share price has increased to at least \$1.60 during the exercise period	703,000		80 cents	3/11/2011
	Executive Options Exercisable once the Company's share price has increased to at least \$1.20 during the exercise period	715,000		80 cents	8/12/2011
	Executive Options Exercisable once the Company's share price has increased to at least \$1.60 during the exercise period	746,000		80 cents	8/12/2011
7.8	Issued during quarter Executive Options				
		Nil			
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does ~~does not~~* (*delete one*) give a true and fair view of the matters disclosed.

Sign here:  Date: ...30 July 2009.....
(Director/Company secretary)

Print name: ...Dr Raymond D Shaw.....

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities.**
The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.

QUARTERLY ACTIVITIES REPORT

THREE MONTHS to 30 June 2009

The following activities have been conducted by, or on behalf of, the Company and its wholly-owned subsidiaries ("Bandanna") during the three months 1 April to 30 June 2009 ("Reporting Period").

1. EXPLORATION ACTIVITIES

During the Reporting Period the Company operated a number of coal activities as well as oil and gas exploration activities.

1.1 Coal Exploration

Arcturus – EPC 1221

During the Reporting Period Springsure Creek Coal Pty Ltd (a wholly owned subsidiary of Bandanna Energy Limited) continued coal exploration within Arcturus where the main target is the Pollux seam. The tenement is located approximately 19km from the Blackwater-Rolleston rail line. Geological modelling and a JORC Code-compliant resource estimate were released 1 June 2009. Previously 74 historic holes had been completed within EPC 1221. During the Reporting Period a further 12 core holes, 12 open holes and 11 LOX holes totalling 2,474 metres of drilling were drilled by Springsure Creek Coal Pty Ltd. Bandanna holds a 100% interest in this project and is the operator.

On 28 May, Bandanna released an update to the JORC Code-compliant Resources, which included 99Mt of Inferred Resource and 54Mt of Indicated Resource. The total Resource increased from 138Mt to 154Mt[^].

The current program is designed to increase confidence for a shallow thermal resource suitable for mining by open cut methods.

Fernlee North – EPC 1185

During the Reporting Period Fernlee Coal Pty Ltd (a wholly owned subsidiary of Bandanna Energy Limited) started its coal exploration effort concentrated within the Fernlee North tenement. Five open holes totalling 673 metres of drilling were drilled by Fernlee Coal Pty Ltd. Bandanna hold a 100% interest in this project and is the operator.

The current program is designed to identify potential target areas for a shallow open cut thermal resource.

Alpha Project – EPCs 1048, 1049, 1179 and 1180

During the reporting period, two 4” core holes were drilled for a total of 245 metres to provide samples for washability test work which is currently underway. The second phase of drilling for coal quality on EPC 1049 was completed in January 2009. Geological modelling and a JORC Code-compliant resource estimate were undertaken with results released on 1 June 2009. The key targets are the D1 and D2 Seams.

The exploration program is being funded and managed by AMCI in accordance with the Joint Venture Agreement. Under the terms of the agreement, AMCI can earn up to a 50% interest in the Alpha Project from Alpha Coal Pty Ltd (a wholly owned subsidiary of Bandanna) by expending up to \$25 million.

On 1 June, an update to the JORC Code-compliant Resource Statement was released. The maiden Resource Statement totalled 982Mt, including 60Mt of Indicated Resource*. On 17th June, an exploration target range of 570Mt to 960Mt (average 830Mt) was announced for EPC1049. This is in addition to the above Resources. That target was based only on the D1 and D2 seams and their daughter seams#. If AMCI earn a 50% share of the Alpha Project, the Resource directly attributable to Bandanna would be the remaining 50% of the above tonnages.

EPC1049 is located immediately to the south of a tenement held by Waratah Coal, which has been the subject of recent announcements including an MOU with China Metallurgical Group Corporation.

Dingo West EPC 881

During the Reporting Period, 8 chip holes were drilled, totalling approximately 2,123 metres. This program was fully funded and operated by Custom Mining Dingo Pty Ltd (which is jointly owned by Macarthur Coal Limited and the Hong Kong based Noble Group) as part of its farmin commitments.

On 8 May 2009, Bandanna announced that it had reached agreement with Custom Mining Dingo Pty Ltd (CMD) for its withdrawal from the Joint Venture and Farm In Agreement relating to the Dingo West Project in EPC881. As a result, Bandanna (though its wholly-owned subsidiary Dingo West Coal Pty Ltd) retained a 100% interest in this project. In addition to retaining the 100% ownership, Bandanna took assignment of the 2 Mtpa Wiggins Island Coal Terminal Feasibility Funding Agreement previously negotiated on behalf of the joint venture. Bandanna received \$1.524 million from CMD as part of the withdrawal from the Joint Venture.

Bandanna holds a 100% interest in this project and is now the operator.

Current exploration activity is aimed at improving knowledge of coal quality within potential open cut pit areas, with three 4” washability core holes planned in the near future.

Arcadia EPC 892 and 1204

No field work was completed in the Arcadia tenements; however one set of Preliminary Analytical coal quality results was announced to the market on 6 April 2009. These tenements are held by Arcadia Coal Pty Ltd, which is a wholly-owned subsidiary of Bandanna.

Coal Resource Summary

Table 1 below shows the current coal Resources directly attributable to Bandanna, as reported up to and including the end of the Reporting Period. The figures for Alpha Project assume that AMCI earn a 50% share of the project.

<u>Project</u>	<u>BND Share %</u>	<u>Inferred Resource (Mt)</u>	<u>Indicated Resource (Mt)</u>	<u>Total Resource (Mt)</u>
Dingo West^	100%	91		91
Alpha*	50%	461	30	491
Springsure Creek^	100%	221	18	239
Arcturus^	100%	99	54	154
Arcadia^	100%	273		273
Total		1145	102	1247

Table 1 – Bandanna Coal Resource Summary

1.2 Conventional Oil and Gas Exploration

ATP – 539P, QLD (Enterprise earning 50%)

Following the plugging and abandonment of the Planet Downs-1 well on 7th March 2009 no further field work was undertaken during the Reporting Period. The well log results are being reviewed as part of a reassessment of the Curalle Anticline's prospectivity prior to developing a forward exploration program for the permit.

PEL – 100, SA

During the Reporting Period, production from the Cleansweep-1 well continued at a low production rate. The Joint Venture has made a decision to suspend production and apply for a Retention Licence.

Other Areas

No other field work was conducted during the Reporting Period.

2. FUTURE ACTIVITIES

The Company intends to focus its coal exploration activities on the Arcturus, Dingo West and Springsure Creek project areas. Drilling will also be undertaken in the Company's 100% held Fernlee (EPC 1103), Fernlee North (EPC 1185), Gemini (EPC 1131) and Denison (EPC 1140) tenements.

3. CORPORATE ACTIVITIES

Bandanna received \$4.5 million on 30 April 2009 from the previous sale of a coal tenement. This receipt offset the \$3.861 million tax payment made earlier in the year on behalf of Bandanna Coal Pty Ltd for the year ended 30 June 2008.

There were no other corporate activities during the Reporting Period.

Yours faithfully

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

Dr Raymond D Shaw
Managing Director

Statements of Compliance with JORC Code

^ The information compiled in this report and the Covering Letter from Bandanna Energy Limited, including any relating to resources, is based on information compiled by Gordon Saul, who is a member of the Australian Institute of Geoscientists and who is employed by Resolve Geo Pty Ltd. Gordon Saul has sufficient experience which is relevant to the style of mineralization and types of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the "Australian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves". Gordon Saul consents to the inclusion in this report of the matters based on his information and in the form and context in which it appears. Resolve Geo Pty Ltd is a shareholder in Bandanna Energy Limited.

* The information compiled in this report relating to resources is based on information compiled by Lynne Banwell and Gordon Saul. Gordon Saul is a member of the Australian Institute of Geoscientists and who is employed by Resolve Geo Pty Ltd. Gordon has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Gordon Saul

consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information compiled in this report and the accompanying cover letter relating to exploration targets is based on information compiled by Gordon Saul. Gordon Saul is a member of the Australian Institute of Geoscientists and who is employed by Resolve Geo Pty Ltd. Gordon has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Gordon Saul consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

With respect to exploration target tonnages, these are conceptual in nature. There is insufficient exploration to define a Mineral Resource across the target area (excluding any existing inferred or indicated resources) and it remains uncertain if further exploration will result in the determination of a Mineral Resource across the whole area. In the case of the Alpha Project, the range of the northern exploration target follows a review of recently drilled holes, company and government reports, and relates to daughter seams of the D1 and D2 Seams. The target estimation relates to coal seams with an average raw coal density of 1.48g/cc in an area potentially mineable using underground methods and comprising 99.69 km².