

30 October 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 September 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 September 2009

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	3	3
1.2 Payments for (a) exploration and evaluation	(1,138)	(1,138)
(b) development	-	-
(c) production	-	-
(d) administration	(783)	(783)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	28	28
1.5 Interest and other costs of finance paid	(22)	(22)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(1,912)	(1,912)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects	-	-
(b)equity investments	-	-
(c) other fixed assets	(43)	(43)
1.9 Proceeds from sale of: (a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	(43)	(43)
1.13 Total operating and investing cash flows (carried forward)	(1,955)	(1,955)

+ See chapter 19 for defined terms.

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1.13	Total operating and investing cash flows (brought forward)	(1,955)	(1,955)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)		
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(1,955)	(1,955)
1.20	Cash at beginning of quarter/year to date	6,116	6,116
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	4,161	4,161

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	174
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 \$174k.

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	1,450
4.2	Development	-
Total		1,450

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	3,031	6,116
5.2	Deposits at call	1,130	-
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)		4,161	6,116

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	Nil		

+ See chapter 19 for defined terms.

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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	90,176,940		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs Note: # the increase represents 59,871,803 ordinary shares released from Escrow on 26 September 2009.		59,871,803 [#]		
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 Exercisable once the Company's share price has increased to at least \$1.20 during the exercise period	300,000 1,200,000		<i>Exercise price</i> 200 cents 80 cents	<i>Expiry date</i> 24/07/2010 23/12/2010

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	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	745,000		80 cents	8/12/2011
7.8	Issued during quarter Executive Options	Nil			
7.9	Exercised during quarter				
7.10	Expired during quarter Executive Options	300,000		150 cents	24/07/2009
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:


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(Director/Company secretary)

Date: 30 October 2009....

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 September 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 July to 30 September 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. During the Reporting Period, 6 core holes and 8 open holes, totalling approximately 1,484 metres and including approximately 149 metres of cored holes, were drilled by Springsure Creek Coal Pty Ltd. Bandanna holds a 100% interest in this project and is the Operator.

The current drilling program is of an exploratory nature designed to delineate a potentially shallow thermal resource which may be suitable for future mining by open cut methods.

Bandanna announced on 7 August 2009 that it had engaged an independent consulting group to undertake a Concept Study for the development of its Arcturus Project as a potential open cut thermal mine. The Concept Study is expected to take 3 to 4 months to complete and will be a precursor to any future feasibility studies.

Alpha Project – EPCs 1048, 1049, 1179 and 1180

During the Reporting Period, EPC1048 had a Partial Relinquishment for 46 sub blocks submitted. Relief from partial relinquishment in EPC1049 was also submitted during the Reporting Period.

Dingo West EPC 881

During the Reporting Period, 3 chip holes and 3 core holes were drilled, totalling approximately 808 metres, including 75 metres of cored hole.

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

The tenement is subject to on-going exploration designed at providing details of coal continuity and quality.

Arcadia EPC 892 and 1204

No physical work was conducted within the Reporting Period, however 33 Sub Blocks were partially relinquished within EPC892. In addition to this an application was made for the merger of EPC892 & EPC1204 into a single tenement - EPCA 1742. Both EPC 892 and 1204 are held by Arcadia Coal Pty Ltd, which is a wholly-owned subsidiary of Bandanna.

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 was suspended. The Joint Venture is currently looking at options for the Cleansweep field which includes a possible Retention Licence Application.

PEL – 106 – Udacha Block

During the Reporting Period, the Operator Beach Petroleum Limited made application on behalf of the Joint Venture for two Retention Licences comprising the Udacha Block, across respective portions of PELs 106 and 91. There was no field work conducted.

Other Areas

No other field work was conducted during the Reporting Period.

2. FUTURE ACTIVITIES

The Company intends to focus its coal exploration operational 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. AMCI will continue to operate activities within the Alpha Project area.

3. CORPORATE ACTIVITIES

Bandanna advised the market that 59,871,803 shares were released from escrow on 26 September 2009, increasing the ordinary shares on issue from 30,305,137 to 90,176,940.

Bandanna announced on 24 September 2009 that it had 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. All conditions precedent to the transaction have been satisfied and the transaction was completed on 27 October 2009.

There were no other corporate activities during the Reporting Period.

Yours faithfully

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

Dr Raymond D Shaw
Managing Director