QUARTERLY ACTIVITIES REPORT

For the Period Ended 31 December 2015

Bannerman Resources Limited (ASX:BMN | TSX:BAN | NSX:BMN) achieved numerous milestones during the December quarter and thereby significantly enhanced its early mover advantage in a rising uranium price environment.

HIGHLIGHTS

- **Optimisation Study significantly reduced the Etango operating and capital costs and increased the first 5 full production years profile.**
- **Eliminated the A$12 million convertible note debt.**
- **Raised A$4 million new funding.**
- **Achieved 100% Etango project ownership through acquiring 20% vendor interest.**
- **Results from Phase 2 of the Heap Leach Demonstration Plant Program further highlights the robustness of the Etango DFS and Optimisation Study.**

On 11 November 2015 Bannerman announced it had completed an Optimisation Study ("OS") on the geological modelling and mine planning aspects of the Etango Definitive Feasibility Study ("DFS"). Key outcomes of the OS (at a life-of-mine price of US$75/lb U_3O_8):

- **Project net present value (NPV8%) of US$419M** (previously US$69M).
- **Post-tax internal rate of return ("IRR") of 15%** (previously 9%).
- Average annual production of 7.2Mlbs U_3O_8 over an initial 15.7 year open pit mine life;
  - **9.2Mlbs U_3O_8 per annum over the first five full production years** (previously 7.9Mlbs).
- Average life-of-mine cash operating costs of US$38/lb U_3O_8 (reduced 17%);
  - **US$33/lb U_3O_8 over the first five full production years** (reduced 20%).
- Pre-production capital of US$793M including mining fleet (reduced 9%).
- **Rapid payback from first production (4.4 years)** and initial mine life to payback ratio of 3.6 times.
- Total operating cash flow of US$3.7B before capital and tax, and free cash flow of US$1.6B after capital and tax. From production commencement, average annual operating cash flow of US$236M and free cash flow of US$150M. **Peak annual free cash flow of US$392M.**
- Potential upside from heap leach demonstration plant results and other identified opportunities still to be incorporated via additional optimisation work.

On 31 December 2015, the Company announced that it completed significant transactions with the Company's major shareholders, Resource Capital Fund IV L.P. and Resource Capital Fund VI L.P. ("**RCF IV"** and **"RCF VI"** respectively and "**RCF**" collectively), and with Mr Clive Jones, a director and shareholder of the Company, that deliver significant project ownership and balance sheet restructure.

The completed transactions entailed:

- **Acquisition of the minority interest (20%) in the Etango Project** from the current owners (represented by Mr Clive Jones) for payment of approximately 123.4 million new Bannerman shares

and A$1 million in cash;

- **Extinguishment of the A$12 million convertible notes** through:
  - conversion of A$8 million of the convertible notes held by RCF into Bannerman shares at the given conversion price of A$0.075 per share;
  - sale of a 1.5% royalty over the Etango Project to RCF for A$6 million, comprising A$2 million in cash and extinguishment of the residual convertible notes held by RCF (comprising A$4 million); and
- **A$3 million capital raising** through an equity placement of approximately 63.3 million new Bannerman shares to RCF VI at A$0.0474 per share.

Bannerman's Chief Executive Officer, Len Jubber, said:

"In the December quarter Bannerman made significant progress in advancing the bankability of the Etango project and creating a corporate structure to facilitate financing the project.

The culmination of an extensive review of the geology and mining aspects of the project in significantly lower operating and capital costs, together with increased production in the early years has resulted in materially repositioning the Etango project in the global cost curve of projects targeting development in a near term rising uranium price.

Further, the creation of a debt free well-funded company, owning 100% of a globally significant project capable of development in a near term rising uranium price creates a strong platform from which to engage with parties interested in participating in the development of the Etango project."



Len Jubber
Chief Executive Officer
28 January 2016

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About Bannerman *- Bannerman Resources Limited is an ASX, TSX and NSX listed exploration and development company with uranium interests in Namibia, a southern African country which is a premier uranium mining jurisdiction. Bannerman's principal asset is its 100%-owned Etango Project situated near Rio Tinto's Rössing uranium mine, Paladin's Langer Heinrich uranium mine and CGNPC's Husab uranium mine currently under construction. A definitive feasibility study and an optimisation study has confirmed the technical, environmental and financial (at consensus long term uranium prices) viability of a large open pit and heap leach operation at one of the world's largest undeveloped uranium deposits. In 2016, Bannerman is continuing a large scale heap leach demonstration program to provide further assurance to financing parties, generate process information for the detailed engineering design phase and build and enhance internal capability. More information is available on Bannerman's website at www.bannermanresources.com.*

ETANGO PROJECT (Bannerman 100%)

DFS (completed in 2012)

Bannerman completed the DFS and Environmental and Social Impact Assessment ("**ESIA**") on the Etango project in 2012. The respective studies, as announced to the market on 10 April 2012, confirmed the technical, economic and environmental viability of the project at historical term uranium prices.

DFS Optimisation Study ("OS") (completed in 2015)

The OS focused on the geology and mine planning aspects of the DFS and updated the Capital and Operating cost estimates to 2015 financial terms. The study was announced to the market on the 11 November 2015 and strongly enhanced the financial viability of the Etango project. The key outcomes of the study are compared with the DFS in the table below:

Item	Units	DFS Optimisation Study	Definitive Feasibility Study	% Change
Base Case Uranium Price	US$/lb U_3O_8	**75**	75	-
Mine Life	Years	**15.7**	15.0	4%
Total Mined Ore	Mt	**303**	280	8%
Life-of-mine stripping ratio	Waste : Ore	**2.78 : 1**	3.34 : 1	-17%
Annual Processing Throughput	Mt of ore	**20**	20	-
Processed grade	ppm U_3O_8	**195**	194	-
Processed grade (First 5 years of full production)	ppm U_3O_8	**241**	207	+16%
Processing recovery	%	**86.9**	86.9	-
Ave. Annual Production for first 5 full production years	Mlbs U_3O_8 pa	**9.18**	7.92	+16%
Average Annual Production (U_3O_8)	Mlbs U_3O_8 pa	**7.20**	6.90	+4%
Life-of-mine Production (U_3O_8)	Mlbs U_3O_8	**113**	104	+9%
Pre-production Capital Expenditure	US$ million	**793**	870	-9%
Sustaining Capital Expenditure	US$ million	**282**	381	-26%
Average Cash Operating Cost for first 5 years	US$/lb U_3O_8	**33**	41	-20%
Average Cash Operating Cost for life-of-mine	US$/lb U_3O_8	**38**	46	-17%
Net Present value (8%)	US$ million	**419**	69	+511%
Internal Rate of Return (at Base Case price)	%pa, post-tax	**15%**	9%	+66%
Net cash flow breakeven uranium price	US$/lb U_3O_8	**52**	61	-15%
Payback (from first production)	Years	**4.4**	6.0	-27%

Mineral Resource Estimates

The Mineral Resource Estimate was updated to include a 3,419m of additional drilling not incorporated in the DFS models.

Uranium mineralization has been defined inside grade envelopes by categorical indicator kriging using a lower cut-off grade of 50 ppm U_3O_8 and lithological constraints.

In addition, the update considered the relevant operational aspects associated with open pit uranium mining, most notably the established practice of radiometric haul truck scanning as a means of discriminating between ore and waste material at the haul truck payload level. Uniform Conditioning (UC) was employed to model the selectivity associated with this mining method.

The updated Mineral Resource (which includes Ore Reserves) formed the basis of the optimization study and is tabulated below:

Mineral Resource Nov 2015		Measured			Indicated			Inferred		
Deposit	**Cut Off Grade** (U_3O_8 ppm)	**Tonnes** (Mt)	**Grade** (U_3O_8 ppm)	**In-situ U_3O_8** (Mlbs)	**Tonnes** (Mt)	**Grade** (U_3O_8 ppm)	**In-situ U_3O_8** (Mlbs)	**Tonnes** (Mt)	**Grade** (U_3O_8 ppm)	**In-situ U_3O_8** (Mlbs)
Etango[1]	55	33.7	194	14.4	362	188	150.2	144.5	196	62.5
Ondjamba[2]	100							85.1	166	31.3
Hyena[3]	100							33.6	166	12.3
Total		**33.7**	**194**	**14.4**	**362**	**188**	**150.2**	**263.2**	**182**	**106.1**

Note 1: Refer to the Competent Persons Statement at the end of this document for further information on the Etango Mineral Resource Estimate. The Etango estimate has been reported in accordance with JORC 2012. The figures may not add due to rounding.

Note 2 & 3: Refer to the Competent Persons Statement at the end of this document for further information on the Ondjamba and Hyena Mineral Resource Estimates. The Ondjamba and Hyena estimates remain unchanged from the previous declaration and therefore have been reported in accordance with JORC 2004. The figures may not add due to rounding.

Ore Reserve Estimates

As part of the OS, Bannerman updated the Ore Reserve Estimate which incorporated the following changes from the DFS:

- Updating the Mineral Resource model (as detailed above),
- Updating the operating cost estimates,
- Updating the capital cost estimates, and
- Updated mining studies including revised open pit designs (including geotechnical review) and mine schedules.

The updated Ore Reserve Estimate is tabulated below.

Ore Reserve Nov 2015		Proved			Probable			Total		
Deposit	**Cut Off Grade** (U_3O_8 ppm)	**Tonnes** (Mt)	**Grade** (U_3O_8 ppm)	**In-situ U_3O_8** (Mlbs)	**Tonnes** (Mt)	**Grade** (U_3O_8 ppm)	**In-situ U_3O_8** (Mlbs)	**Tonnes** (Mt)	**Grade** (U_3O_8 ppm)	**In-situ U_3O_8** (Mlbs)
Etango	55	32.3	196	14	271	194	116.1	303.3	195	130.1

Regulatory Approvals

Bannerman received Environmental Clearance in July 2012 for its plans to establish the Etango Project as a 20Mtpa heap leach operation as described in the DFS. The Environmental Clearance was valid for 3 years and expired in July 2015 upon which renewal of the Environmental Clearance was requested. The updated Environmental Clearance was granted on 11 November 2015, valid for 3 years.

Heap Leach Demonstration Plant Program

The 18 – 24 month heap leach demonstration plant program, which commenced in April 2015, is a key component of the project's detailed engineering and financing phases. It is specifically aimed at demonstrating the design and projected performance reflected in the DFS, further enhancing the project knowledge and pursuing value engineering.



On 23 November 2015, Bannerman reported on the objectives and various phases of the Heap Leach Demonstration Plant Program, and the key observations, results and preliminary conclusions from Phase 2:

1. **Demonstrating the design and projected performance reflected in the DFS**
    - Fast and high average leach extraction of 93% for the two cribs (compared to the DFS projection for a scaled up heap of 86.9%) and 91% for the four columns within 20 days. Average sulphuric acid consumption was 15kg/tonne (compared to the DFS projection of 17.6kg/tonne).
    - Visual observations during the unloading of the cribs again confirmed uniform percolation through the material and integrity of the agglomerate.
    - Testing continues to confirm the simple chemistry and efficient leaching nature of the granite host rock and uranium mineralisation.

2. **Further enhancing project knowledge**
    - Improved the safe handling of the sulphuric acid by way of further reducing manual handling.
    - Platform scales installed under all of the pregnant liquor solution tanks to further enhance the metallurgical accounting and hence process control ability.
    - The metallurgical database continues to grow dramatically with the further testing of 60 tonnes of ore in the two cribs and 0.8 tonnes of material in the 4 column tests. The total sample tested in Phase 1 and Phase 2 now amounts to approximately 182 tonnes.

3. **Pursuing value engineering**
    - Rapid and uniform percolation, coupled with rapid and high leach extraction at a larger scale point towards the potential to further optimise the heap leach configuration.
    - Surprisingly no noticeable reduction in leach extraction performance was observed between the larger scale cribs and the smaller columns. This poses the question as to the appropriate scale up factors to be used in the detailed engineering of the heap leach operation. Further work is required to address this matter.

Phase 3 which aims to simulate the full scale heap operation by way of closed circuit operation of three cribs was commenced in September and completed during December 2015; the results are currently being reviewed.

URANIUM MARKET

In December 195 nations reached agreement on a new climate change policy at the United Nations Climate Change Conference held in Paris. This agreement heralds a renewed global focus on reducing greenhouse gas emissions and a move away from fossil fuels. Nuclear energy remains the only credible alternate base load energy source to satisfy the need secure and clean energy.

The nuclear power development program in China proceeded largely to plan in 2015, with 8 new reactors commissioned during past year. China had 30 reactors in operation by end 2015 with another 24 units under construction, 40 on order or planned and 136 proposed. China is planning to double its current nuclear capacity by 2020 and yet again thereafter by 2030.

In Japan, Sendai reactors #1 & 2 are now fully operational whilst refuelling has begun at Kansai's Takahama #3 & #4 reactors. A further 5 reactors were approved by the Nuclear Regulation Authority for restart and applications have been submitted for another 25.

India's six reactor deal with Russia was recently expanded to 12 reactors. India now has 21 operable reactors, six under construction, 24 on order or planned and 36 proposed.

Globally, according to the World Nuclear Association, there are currently 439 operable nuclear reactors and 66 under construction, 158 on order or planned and 330 proposed.

CORPORATE

Project Financing

The results from Phase 1 and 2 of the demonstration plant program strongly support the heap leach assumptions and projections incorporated in the DFS, and are expected, therefore, to enhance the bankability of the project. The program scheduled for the coming quarters will focus on similarly demonstrating the solvent extraction component of the flow sheet as well as on value engineering opportunities identified to date.

On 31 December 2015, the Company completed the transaction to eliminate the A$12 million debt, acquire 100% ownership of the Etango Project and a capital raising, to enhance the ability to attract further cornerstone investors and development partners.

Cash Position and Operating Expenditure

Bannerman's cash reserves as at 31 December 2015 totalled A$4.16 million (30 September 2015: A$1.0 million). Net operating cash outflow during the quarter totalled A$0.864 million. The transactions, referred to on page 1, resulted in net A$4 million of new funding.

Issued Securities

At the date of this report, Bannerman has 701,934,188 ordinary shares on issue.

During the quarter, Bannerman issued 385,766,645 ordinary shares to eliminate the two convertible notes and acquire the remaining 20% interest in the Etango project as described on page 1.

At 31 December 2015, Bannerman had on issue 42,497,924 performance and share rights and 16,014,400 unlisted share options. The share rights and share options are subject to various performance targets and continuous employment periods.

Annual and Extraordinary General Meetings

The Annual General Meeting and an Extraordinary General Meeting were respectively held on 11 November 2015 and 29 December 2015, with all resolutions carried on the show of hands.

Schedule of Mining Tenements

The Bannerman Group currently holds Exclusive Prospecting Licence 3345 ("EPL3345") in Namibia. An application to renew EPL3345, which expired on 26 April 2015, was lodged on 26 January 2015 and is expected to be approved in due course.

The delayed renewal is not deemed to be an issue as Regulation 71 (3) (a) from the Minerals (Prospecting and Mining) Act (Act 33 of 1992), which states *"an exclusive prospecting license shall not expire during a period during which an application for the renewal of such license is being considered, until such application is refused or the application is withdrawn or has lapsed, whichever occurs first……"*, still applies.

Except for the acquisition of the remaining 20% interest in Bannerman Mining Resources (Namibia) (Pty) Ltd (as referred to on page 1), there were no interests in other mining tenements or any beneficial interests in farm-in or farm-out agreements which were acquired or disposed of during the quarter.

TECHNICAL DISCLOSURES

Certain disclosures in this report, including management's assessment of Bannerman's plans and projects, constitute forward looking statements that are subject to numerous risks, uncertainties and other factors relating to Bannerman's operation as a mineral development company that may cause future results to differ materially from those expressed or implied in such forward-looking statements. Full descriptions of these risks can be found in Bannerman's various statutory reports, including its Annual Information Form available on the SEDAR website, sedar.com. Readers are cautioned not to place undue reliance on forward-looking statements. Bannerman expressly

disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

Mineral Resources include Ore Reserves (Mineral Reserves)

Mineral Resources which are not Ore Reserves (Mineral Reserves) do not have demonstrated economic viability.

The information in this report relating to the Mineral Resources of the Etango Project is based on information by Mr Ian Glacken. Mr Glacken is a Fellow of The Australasian Institute of Mining and Metallurgy. Mr Glacken is a full-time employee of Optiro Pty Ltd. Mr Glacken has sufficient experience relevant to the style of mineralisation and types of deposits under consideration and to the activity which is 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", and a Qualified Person as defined by Canadian National Instrument 43-101. Mr Glacken 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 in this report relating to the Ore Reserves of the Etango Project is based on information by Mr Leon Fouché. Mr Fouché is a Fellow of The Australasian Institute of Mining and Metallurgy. Mr Fouché is a full-time employee of the Company. Mr Fouché has sufficient experience relevant to the style of mineralisation and types of deposits under consideration and to the activity which is 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", and a Qualified Person as defined by Canadian National Instrument 43-101. Mr Fouché 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 in this report pertaining to Mineral Resources and Ore Reserves for the Etango deposit is extracted from the report entitled "Etango Uranium Project Optimisation Study November 2015" and is available to view on www.bannermanresources.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, in the case of estimates of Mineral Resources or Ore Reserves, which 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.

All material assumptions detailed in this report and underpinning the production target and forecast financial information in the DFS Optimisation Study (as previously announced on 11 November 2015 in compliance with Listing Rule 5.16 and 5.17) continue to apply and have not materially changed.