

During the September 2012 quarter, Bannerman Resources Limited (ASX: BMN, TSX: BAN, NSX: BMN) ("**Bannerman**" or the "**Company**") identified and assessed several new business development opportunities, continued to progress the permitting of the Etango Project and advanced discussions with potential development partners. The Company also continued to focus on tight cash management.

### **HIGHLIGHTS**

- **Evaluating business development opportunities that have the potential to add to the Company's project asset base.**
- **Environmental approval received for the Etango Project from the Namibian Ministry of Environment and Tourism, a key milestone to obtaining a mining licence for the Etango Project.**
- **Lodged the Etango Definitive Feasibility Study ("DFS") with the Ministry of Mines and Energy in support of the existing Mining Licence application.**
- **David Smith announced his retirement as Non-Executive Chairman, to be replaced by current Non-Executive Director Ronnie Beevor. The change will take effect from the completion of the Annual General Meeting on 21 November 2012.**
- **Completion of the DFS and review in overhead costs has resulted in significant reduction in monthly expenditure.**
- **Cash of A\$7.4 million as at 30 September 2012.**

During the quarter, Bannerman achieved another milestone in gaining environmental approval for the Etango Project from the Namibian Ministry of Environment and Tourism. Shortly thereafter the DFS was submitted to the Ministry of Mines and Energy in support of the existing mining licence application.

Importantly, completion of the DFS coupled with the environmental approval provides prospective development partners with the requisite quality of information to consider investing in the project. Our Etango Project development strategy remains based on our firm belief that uranium prices will increase in the medium to long term.

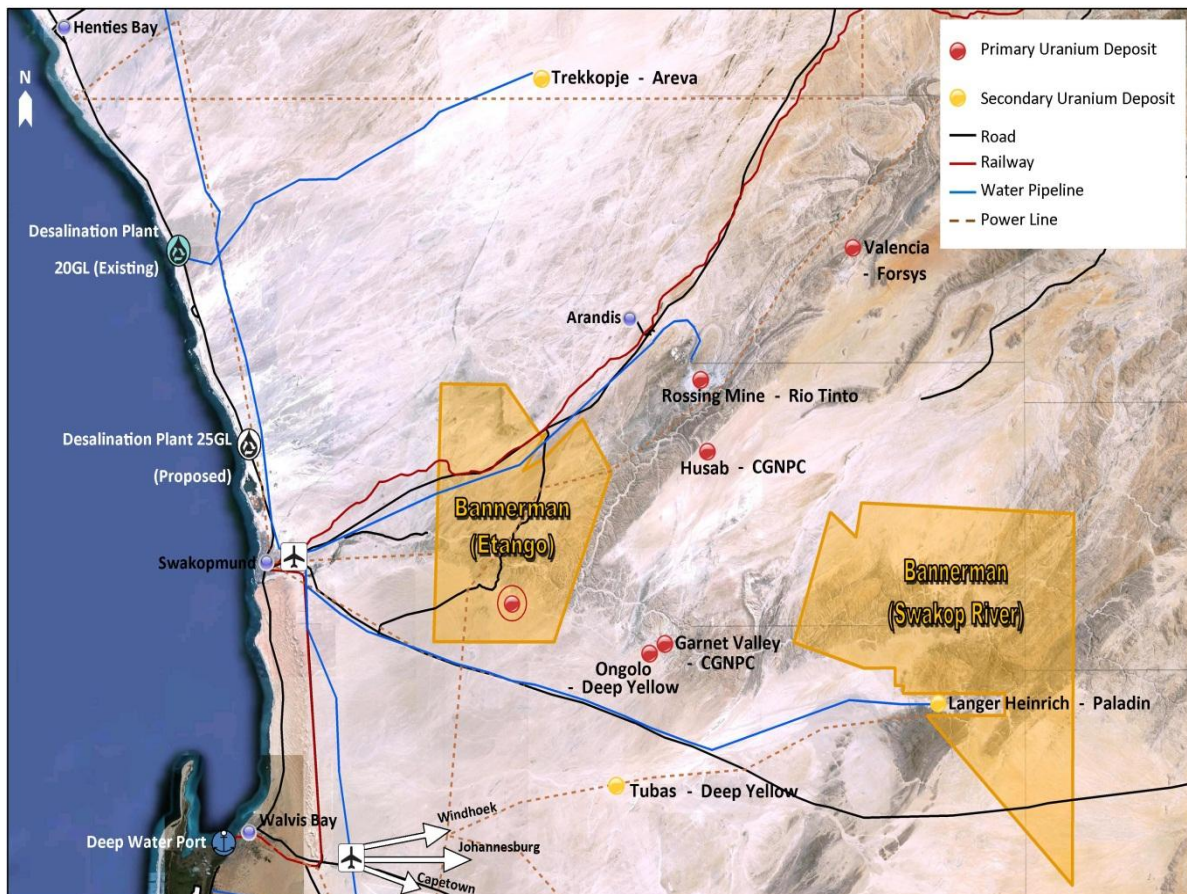
Bannerman is also actively evaluating new business opportunities. The initial focus is in Namibia given the existing regional exploration and technical evaluation expertise, infrastructure and relationships developed over the past six years, and are not constrained to uranium.

Len Jubber  
Chief Executive Officer  
31 October 2012

## Etango Project (Bannerman 80%)

### Background

The Etango Project is one of the world's largest undeveloped uranium deposits, located in the Erongo uranium mining region of Namibia which hosts the Rössing and Langer-Heinrich mines and the Husab project which was recently acquired by Chinese state-owned nuclear power entity China Guangdong Nuclear Power Company ("CGNPC"). Etango is 73km by road from one of the region's busiest deep-water ports through which uranium has been exported for over 35 years. Road, rail, electricity and water networks are all located nearby.



### Definitive Feasibility Study

Key outcomes from the DFS, as announced to the market on 10 April 2012, are as follows:

- Declaration of Proved and Probable Ore Reserves totalling 279.6 million tonnes at an average grade of 194ppm  $U_3O_8$  for 119.3 Mlbs of contained  $U_3O_8$ , in accordance with Australian JORC and Canadian NI 43-101 reporting standards. Please refer to Table 1 below;
- Production of 7-9 Mlbs  $U_3O_8$  per year for the first five years and 6-8 Mlbs  $U_3O_8$  per year thereafter, which would rank Etango as a global top 10 uranium only mine;
- Cash operating costs of US\$41/lb  $U_3O_8$  in the first five years and an average of US\$46/lb  $U_3O_8$  over the life of mine;
- Cash operating margin of 24% at current long term contract prices (US\$60/lb  $U_3O_8$ ) and 39% at an assumed base case long term price of US\$75/lb  $U_3O_8$ ;
- At a uranium price of US\$75/lb  $U_3O_8$ , the Etango Project generates operating cashflow of US\$2.7 billion before capital and tax, and free cashflow of US\$923 million after capital and tax;
- Pre-production capital cost of US\$870 million; and

- Minimum open pit mine life of 16 years, with further extensions possible through the inclusion of measured and indicated resources below the designed pit, and the conversion of existing inferred resources.

Table 1: Ore Reserve Estimate

| Ore Reserve | Proved         |                                                 |                                                      | Probable       |                                                 |                                                      | Total          |                                                 |                                                      |
|-------------|----------------|-------------------------------------------------|------------------------------------------------------|----------------|-------------------------------------------------|------------------------------------------------------|----------------|-------------------------------------------------|------------------------------------------------------|
| Deposit     | Tonnes<br>(Mt) | Grade<br>(U <sub>3</sub> O <sub>8</sub><br>ppm) | Contained<br>U <sub>3</sub> O <sub>8</sub><br>(Mlbs) | Tonnes<br>(Mt) | Grade<br>(U <sub>3</sub> O <sub>8</sub><br>ppm) | Contained<br>U <sub>3</sub> O <sub>8</sub><br>(Mlbs) | Tonnes<br>(Mt) | Grade<br>(U <sub>3</sub> O <sub>8</sub><br>ppm) | Contained<br>U <sub>3</sub> O <sub>8</sub><br>(Mlbs) |
| Etango      | 64.2           | 194                                             | 27.4                                                 | 215.3          | 193                                             | 91.8                                                 | 279.6          | 194                                             | 119.3                                                |

### Project Licencing

During the quarter, the Namibian Ministry of Environment and Tourism awarded Bannerman with formal environmental approval for development of the Etango Project. Receipt of the environmental approval followed lodgment of the Environmental and Social Impact Assessment (“ESIA”) and associated Environmental Management Plan (“EMP”) in the June 2012 quarter, as well as the public consultation process conducted in the March 2012 quarter. The environmental approval for the Project complements the environmental approval received last year for the Etango Project’s off-site infrastructure.

The environmental approval is a necessary step in obtaining a Mining Licence for the Etango Project. Bannerman has now also lodged the DFS with the Namibian Ministry of Mines and Energy, in support of the existing Etango Mining Licence application.

### Project Optimisation

The project team together with a group of independent technical experts reviewed the DFS with a view to identifying areas where the project economics could in due course be enhanced.

Mining equipment, pre-strip and infrastructure costs constitute approximately 40% of the total capital cost, and mining activities account for approximately 50% of the forecast operating costs. Accordingly these will be the primary areas of focus under the project optimisation initiatives, which include:

- Identifying synergies that can be exploited in infrastructure development;
- Investigating a “total mining solution concept” with mining equipment suppliers to maximise the benefits of a seamless arrangement;
- Conducting conditional simulation studies on the geological database to evaluate the potential upside in ore tonnages not currently included in the resource model. Any increase in ore tonnages could potentially reduce the total material movement and equipment requirements; and
- Assessing the potential beneficial impact of the radiometric scanners on the mill head grade.

High level assessments of the respective opportunities will be conducted to gain an understanding of the potential benefits prior to committing resources to more detailed and costly studies.

## Uranium Market

Uranium spot and long term contract prices have traded lower during 2012, reflecting the comments and actions of certain governments regarding the suspension or slow-down of their nuclear power build programs, as well as the availability of surplus Japanese inventories. However, there are a number of reasons why Bannerman and many market participants believe that uranium prices will strengthen significantly in the medium to long term.

- **Orderly re-start of Japanese reactors** – In June, Japan officially approved the re-start of two reactors at the Ohi nuclear power station, being the first two commercial reactors to return to service since the Fukushima incident, and on 1 October the Japan Electric Power Development Corporation (JEPDC) announced the restart of the construction project on the Ohma nuclear power plant.
  - Whilst Japan has signalled its intention of phasing out nuclear power by 2040, in September the Japanese Government announced the 'Innovative Energy and Environment Strategy' and the creation of the 'Nuclear Regulation Authority' which provides a tangible framework for the orderly re-start of Japanese reactors.
- **China's commitment to nuclear power** – The Chinese government recently announced two major actions with respect to its nuclear energy program.
  - The approval of a new safety plan and mid-to-long-term development plan. This has effectively removed the moratorium on new nuclear reactor construction and approvals imposed following the Fukushima incident. An associated energy white paper has confirmed a target of 40GWe of nuclear power capacity by 2015. China currently has 15 nuclear reactors that provide approximately 12.5GWe of generating capacity;
  - State-owned nuclear entities China National Nuclear Power (CNNC), the country's largest nuclear reactor developer, and China Guangdong Nuclear Power Holding Co (CGNPC), owners of the Husab uranium mine in Namibia, were given approval to raise funding via the offshore investor base. CNNC will list on the Hong Kong Stock Exchange to raise over US\$20 billion to fund its construction programs and CGNPC raised debt in the bond market with a Rmb1.5bn (\$239.78m) deal in October.
- **New nuclear programs** – Several nations are looking to establish new nuclear programs in an effort to diversify their energy mix and mitigate CO<sub>2</sub> emissions.
  - The United Arab Emirates ('UAE') is targeting a build by KEPCO to deliver 5.6GWe by 2020. The US\$40 billion project was approved in July, and in August the UAE signed a US\$3 billion contract covering 15 years of fuel supply;
  - Previously the Kingdom of Saudi Arabia has announced plans to build 16 nuclear reactors over the next 20 years at an estimated cost of US\$7 billion per plant;
  - In June, Turkey stated at the World Economic Forum in Istanbul that they plan to build 23 nuclear power units by 2023.
- **Decreasing secondary uranium supplies** – The world's current annual uranium production is significantly less than annual demand from nuclear power utilities, with the shortfall presently satisfied through the sale of uranium from inventories and secondary sources. A key secondary source has been the 1993 "Megatons to Megawatts" program between Russia and the USA. This program is due to end in 2013 and is unlikely to be renewed. We expect that this will significantly decrease uranium supply.
- **Deferrals in new mine development** – As a result of the complexity and long lead time of bringing new uranium mines into operation, new production sources are unlikely to come on stream at the costs and to the extent currently anticipated by market participants. Existing uranium producers are also experiencing production and economic challenges. The development of new mines and the expansion of existing operations will, in Bannerman's view, require higher uranium prices to incentivise development and expansion commitments.

## New Business

Bannerman is actively evaluating new business opportunities. The initial focus is in Namibia given the existing regional exploration and technical evaluation expertise, infrastructure and relationships developed over the past six years. The new business opportunities being evaluated are not constrained to uranium and an announcement regarding progress in this regard will be made as and when appropriate.

## Corporate

### Cash Position and Operating Expenditure

The Company's cash reserves as at 30 September 2012 totalled **A\$7.4 million** (30 June 2012: A\$9.6 million), ensuring Bannerman is adequately funded to progress the Etango Project as discussed above, and pursue business development opportunities.

With the DFS complete, management is focussed on reducing the Company's monthly expenditure. Efforts for the quarter centred on re-structuring the employee and consultant team, reviewing third party mandates and fee structures, and reducing travel, accommodation and administration costs.

To this end, the quarterly cash expenditure of A\$2.2 million represents a reduction of 37.5% on the previous quarter.

### Bannerman Board Changes

Ronnie Beevor will assume the role of Chairman following the retirement of current Non-Executive Chairman, David Smith at the conclusion of the Annual General Meeting to be held on 21 November 2012. With his extensive investment banking experience, Ronnie is well suited to lead the Board in its assessment of new business development opportunities and project financing options during this next phase in Bannerman's growth.

Namibian in-country General Manager Werner Ewald has been appointed to the board of the Company's operating subsidiary, Bannerman Mining Resources (Namibia) (Pty) Ltd. Prior to joining Bannerman in June 2010, Werner spent 20 years with Rio Tinto's Rössing uranium mine.

Werner joins fellow Namibian director Monica Kalondo, and Australian based directors Clive Jones and Len Jubber on the board.

### Issued Securities

At the date of this report, the Company has 303,682,923 shares on issue.

The Company has issued a convertible note facility to Resource Capital Fund IV L.P. ("RCF") with a face value of A\$8 million, expiring 31 March 2014, a conversion price of A\$0.28125 and paying a coupon rate of 8% per annum.

At 30 September 2012, Bannerman had on issue 5,724,947 performance rights issued under the shareholder-approved Employee Incentive Plan ("EIP") and Non-Executive Director Share Incentive Plan, and 11,479,950 unlisted options. The EIP performance rights are subject to various performance targets and continuous employment periods. The options, some of which also have related performance targets and continuous employment periods, have a weighted average exercise price of A\$0.88 per share.

### Epangelo Discussions

As previously disclosed on 9 August 2012 ("*Update Regarding Epangelo Discussions*"), Bannerman and Epangelo were unable to reach a mutually acceptable agreement to their discussions with respect to a potential investment by Epangelo into the operating subsidiary that holds the Etango Project.

### Annual General Meeting

The Company's Annual General Meeting will be held at The Duxton Hotel, 1 St Georges Terrace, Perth, Western Australia on 21 November 2012, commencing at 10:30 am (Perth time). Information on the business to be conducted at the meeting can be found on the Company's website, [www.bannermanresources.com.au](http://www.bannermanresources.com.au), or by contacting the Company Secretary on +61 8 9381 1436.

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**About Bannerman** - Bannerman Resources Limited is an 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 80%-owned Etango Project situated southwest of Rio Tinto's Rössing uranium mine and to the west of Paladin Energy's Langer-Heinrich mine. Etango is one of the world's largest undeveloped uranium deposits. Bannerman is focused on the development of a large open pit uranium operation at Etango. More information is available on Bannerman's website at [www.bannermanresources.com](http://www.bannermanresources.com).

## 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](http://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 which are not Ore Reserves do not have demonstrated economic viability.

Bannerman Resources Limited ("Bannerman") manages its drilling and assaying activities in accordance with industry standard quality assurance/quality control (QA/QC) procedures. Samples are collected by Bannerman personnel and prepared in accordance with specified procedures at the relevant assay laboratories. Drill samples were analysed for uranium by the Bureau Veritas Laboratory in Swakopmund, Namibia. Bureau Veritas is an International Laboratory Group with operations in 140 countries, including Ultratrace and Amdel in Australia. Assay QA/QC involves the use of assay standards (sourced from African Mineral Standards (AMIS) in Johannesburg, made from Bannerman pulp rejects and cross-checked through umpire laboratories for which the round robin reports are available), field duplicates, blanks and barren quartz flushes. A third party "umpire" laboratory (Genalysis in Perth) is used to cross-check and validate approximately 5% of the assay results in accordance with standard procedures. Sample coarse rejects are retained and approximately 5% of samples are re-submitted for further assay verification. All sample pulps, half-core and rock-chip samples are retained at Bannerman's Goanikontes Warehouse Facility (GWS) on site.

The information in this report that relates to the exploration results of the projects owned by Bannerman is based on information compiled by Mr Martinus Prinsloo, Exploration Superintendent of Bannerman. Mr Prinsloo is a Member and a Chartered Professional of the Australasian Institute of Mining and Metallurgy, a Recognised Professional Organisation by the Australasian Joint Ore Reserves Committee, who 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 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" and as a Qualified Person for purposes of National Instrument 43-101 of the Canadian Securities Administrators. Mr Prinsloo 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 compiled or reviewed by Mr Harry Warries, a full time employee of Coffey Mining Pty Ltd. Mr Warries is a Fellow of The Australasian Institute of Mining and Metallurgy and 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 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves", and is an independent consultant to Bannerman and a Qualified Person as defined by Canadian National Instrument 43-101. Mr Warries consents, and provides corporate consent for Coffey Mining Pty Ltd, to the inclusion in this report of the matters based on his information in the form and context in which it appears.