

During the June 2013 quarter, Bannerman Resources Limited (ASX:BMN, TSX:BAN, NSX:BMN) maintained its focus on cash preservation and activities that will enable fast tracking a commitment to the development of the Etango Project in a rising uranium price environment.

## HIGHLIGHTS

- **Completion of the technical design of a pilot plant for the Etango Project.**
- **Project optimisation studies highlights the potential for improved mill orefeed grades**
- **Financing models are being assessed to enable fast tracking project development in a rising uranium price environment**
- **Ongoing reductions in overhead expenditure.**
- **A\$3.8 million cash as at 30 June 2013.**
- **Significant uranium industry events during and post the end of the quarter included:**
  - **Further industry consolidation including the friendly merger announced by Mega Uranium and Rockgate Capital;**
  - **CGNPC commencing construction of the Husab project in Namibia; and**
  - **A number of Japanese utilities applying to restart their reactors; and**

Three key industry themes continued to prevail during the quarter:

Firstly, rationalisation within the uranium mining industry continues with the proposed friendly merger between Mega Uranium and Rockgate Capital. This further reduces the opportunities to invest in potential medium term production.

Secondly, the development of the Husab project, at a time when most if not all other uranium companies have delayed or deferred their projects highlights the commitment that China has to the expansion of their nuclear energy program.

Thirdly, the continuing decline in the uranium spot price whilst the term price remains stable, is driven by the short term over supply stemming largely from the non-operating reactors in Japan. There are clear signs that both these countries will over the course of the next year commence restarting their dormant reactors.

The decline in the spot uranium price to approximately half that immediately prior to the Fukushima incident has already resulted in multiple mine project deferrals and delays and is now a significant cause for concern for most uranium producers. This in turn is expected by Bannerman to lead to uranium supply shortages in the coming years.

The vast majority of uranium projects are currently at a relative early stage of feasibility study and therefore require significant further activities and associated expenditure to complete and confirm their feasibility. By contrast the technical and environmental feasibility plus the development pathway and timetable for the Etango project has been confirmed by way of the DFS completed in 2012.

**As a consequence, the advanced Etango Project is one of the very few globally significant uranium projects that can realistically be brought into production in the medium term.**

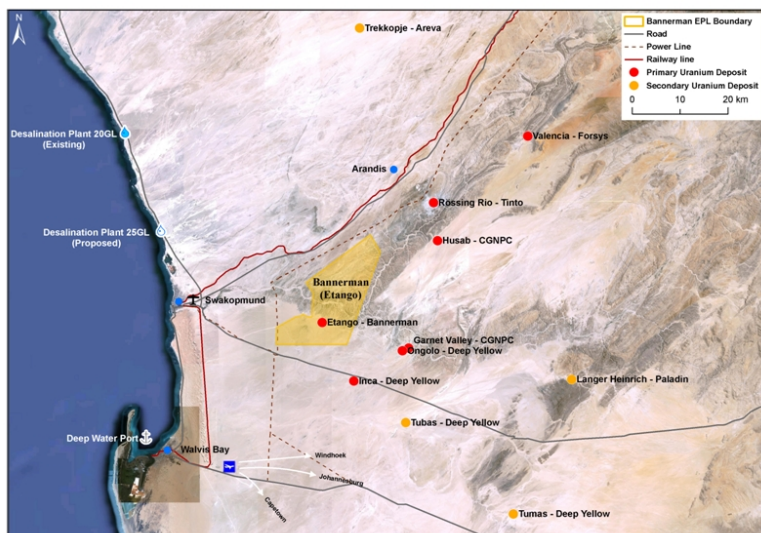
Bannerman shareholders are therefore very well placed to capitalise on the widely anticipated recovery in the uranium market.

Len Jubber  
Chief Executive Officer  
30 July 2013

## 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 enterprise, China Guangdong Nuclear Power Company (CGNPC). Etango is 73km by road from Walvis Bay, one of southern Africa'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.



| Etango Ore Reserve Estimate (100ppm cutoff) | Tonnes (Mt) | Grade (ppm) | Cont. U <sub>3</sub> O <sub>8</sub> (Mlb) |
|---------------------------------------------|-------------|-------------|-------------------------------------------|
| Proved                                      | 64.2        | 194         | 27.5                                      |
| Probable                                    | 215.3       | 193         | 91.8                                      |
| Total                                       | 279.6       | 194         | 119.3                                     |

### Definitive Feasibility Study

Key outcomes from the Definitive Feasibility Study ("DFS"), as announced to the market in 2012, are as follows:

- JORC and NI 43-101 compliant Ore Reserves totalling 279.6 million tonnes at an average grade of 194ppm U<sub>3</sub>O<sub>8</sub> for 119.3 Mlbs of contained U<sub>3</sub>O<sub>8</sub>;
- Production of 7-9 Mlbs U<sub>3</sub>O<sub>8</sub> per year for the first five years and 6-8 Mlbs U<sub>3</sub>O<sub>8</sub> per year thereafter, which would rank Etango as a global top 10 uranium only mine;
- Cash operating costs of US\$41/lb U<sub>3</sub>O<sub>8</sub> in the first 5 years and US\$46/lb U<sub>3</sub>O<sub>8</sub> over the life of mine;
- At a uranium price of US\$75/lb U<sub>3</sub>O<sub>8</sub>, 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 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.

### Project Licencing

During the past quarter the Company received a two year renewal of Exclusive Prospecting License (EPL) 3345, which hosts the Etango Project.

The Ministry of Environment and Tourism granted formal environmental approval for development of the Etango Project to Bannerman in the September 2012 quarter. Bannerman also lodged the DFS with the Ministry of Mines and Energy in the same quarter, in support of the existing Etango Mining Licence application.

### Strategy

Whilst Bannerman continues to reduce its corporate overheads and align its project activities with the objective of minimising its working capital requirements in the current adverse uranium and equities markets, it is focussing on two key areas of opportunity arising from having completed the DFS.

### Project Optimisation

The internal review of the project development model (as depicted in the DFS) focussed primarily on the geological and resource models. The approach to the resource model which was completed in October 2010 was based on the 12 meter bench mining configuration adopted in the PFS. However in the DFS the bench mining configuration was changed to 4 meters to improve the ore mining selectivity. Hence the

internal review is reinterpreting the ore and waste boundaries with the view of deciding whether more selective ore modelling will better represent the mining configuration adopted in the DFS. A potential outcome of the greater selectivity may be a higher ore feed grade to the processing plant. This work is ongoing.

In addition, a work plan is being compiled to target reductions in the mining equipment fleet and mining operating cost by way of further evaluating the mining schedule. The mining related components collectively constitute approximately 40% of the estimated total capital cost whilst the mining activities account for approximately 50% of the estimated operating cost.

### **Project Financing**

Bannerman continues to engage with interested parties to investigate a financing model that will enable fast tracking a commitment to the project development in a rising uranium price environment.

The Company has completed the detailed technical design of a pilot plant facility which will serve to both demonstrate the process flow sheet to potential financiers as well as generate the data to enable the detailed design phase of the future development, which will follow a Board commitment to develop the project. The Environmental and Social Impact Study on the pilot plant has commenced.

A decision to proceed with the program remains subject to receipt of the requisite environmental clearance from the Ministry of Environment and Tourism, and an improvement in the uranium price outlook.

## **Corporate**

### **Cash Position and Operating Expenditure**

The Company's cash reserves as at 30 June 2013 totalled **A\$3.8m** (31 March 2013: A\$4.76m).

Net operating cash outflow during the quarter totalled A\$0.95m, which represents a reduction of 14.7% on the previous quarter. Net operating cash outflow in 2012/13 totalled A\$5.8m compared to A\$15.2m in 2011/12. The significant reduction in annual expenditure reflects the substantial savings from having completed the Etango DFS.

In recognition of the current adverse uranium and capital markets and the resultant low share price, no salary increases were implemented as part of the 2013 annual remuneration review. Further, the Chief Executive Officer has voluntarily implemented a 13.5% reduction in his personal remuneration with effect from 1 July 2013.

### **Organisational Changes**

On 28 June 2013, Mr Geoff Stanley resigned from the Board following 5 years of service as a non-executive director, including 2 years as Chairman. The reduction in the number of non-executive directors on the Board from 6 to 4 since November 2013 also highlights the Company's commitment to conserving cash in the current environment.

Following cessation of exploration activities in March 2012 and environmental rehabilitation of all disturbed areas during the past quarter, the geology team was downsized. The residual in-house geological capability coupled with Coffey International Ltd who have completed the JORC and 43-101 compliant resource models, provides the requisite capability and continuity of knowledge to ensure progressing the project development in due course.

Administrative services are being rationalised and as a result the Windhoek office will be closed in August. The Company will continue to operate from its downsized office in Swakopmund.

### **Issued Securities**

At the date of this report, the Company has 309,393,760 ordinary shares on issue.

The Company has a convertible note facility on issue 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 (interest payable in Bannerman shares or cash in certain circumstances).

At 30 June 2013, Bannerman had on issue 9,291,264 performance share rights issued under the shareholder approved Employee Incentive Plan ("**EIP**") and Non-Executive Director Share Incentive Plan, and 7,131,950 unlisted share options. The EIP performance share rights are subject to various performance targets and continuous employment periods.

Subsequent to the quarter end, the Board has approved the issuing of 2.25 million performance share rights with varying performance criteria as a retention plan for key management personnel. The issuing of the shares rights will be accompanied by the cancellation of 750,000 share options.

## Uranium Market

The Ux spot price decreased from US\$43.50/lb U<sub>3</sub>O<sub>8</sub> at 31 March 2013 to US\$34.50/lb at 29 July 2013. The Ux term price rose by US\$1/lb to US\$57/lb on low volumes.

### Supply - 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 HEU agreement, or "Megatons to Megawatts" program between Russia and the USA. This program is scheduled to expire at the end of 2013 and is unlikely to be renewed.

### Demand

Globally, there are currently 434 nuclear reactors operable and 69 under construction.

In China, the construction of 28 reactors continues with numerous construction progress reports released during the quarter.

In late May the United Arab Emirates announced construction commencing at the Barakah-2 reactor, close on the heels of the Barakah-1 reactor which commenced construction in July 2012.

Only two of Japan's 50 reactors are currently online and in early July four utilities applied for approval to restart a further 10 reactors. This followed shortly after the Nuclear Regulation Authority of Japan promulgated new safety reassessment standards. It is anticipated that the requisite inspections and approvals could be obtained in early 2014.

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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 CGNPC's Husab Project 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 that 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 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.