For personal use only

BANNERMAN RESOURCES

QUARTERLY ACTIVITIES REPORT

For the Period Ended 31 December 2014

During the December 2014 quarter, Bannerman Resources Limited (ASX:BMN, TSX:BAN, NSX:BMN) maintained its focus on activities that will enable fast tracking a commitment to the development of the Etango project in a rising uranium price environment.

HIGHLIGHTS

- **Construction of the heap leach demonstration plant well advanced by end of quarter.**
- **Increased trading activity resulted in the uranium spot price reaching a high of US$44/lb U_3O_8 before dropping back to US$35.50 U_3O_8 and the term price increased to US$50/lb U_3O_8.**
- **Bannerman's cash balance as at 31 December 2014 was A$2.8 million.**

On 22 September 2014 Bannerman announced award of the major contracts to construct and operate the Etango heap leach demonstration plant. Activities at the site commenced in early October and construction is on schedule for completion during the March quarter 2015.

Progress as at the date of this report includes completion of the:

- primary and secondary crushing of the 3,000 tonne ore sample with tertiary crushing scheduled for completion by early February,
- civil construction of the 6 metre high concrete cribs and the reagent mixing area,
- two evaporation ponds, and
- rehabilitation of the areas where the ore and waste rock samples were sourced from.

Operation of the plant for at least 12 months will enable demonstration of the heap leach design at a larger scale, as well as provide input data for detailed engineering of the processing plant. First results are expected in the June quarter, 2015.

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

"Bannerman's commitment to the Etango heap leach demonstration plant program, with the support of our major shareholder RCF via the investment from its Fund VI, will enhance our early mover advantage and ability to fast-track the development of the Etango project in a rising uranium price environment."

"The growing awareness of the looming supply deficit is evident in the approximate four-fold increase in the term contract market year on year coupled with the increased spot and term prices in the past quarter."

Bannerman's advancing Etango Project remains one of the very few globally significant uranium projects that can realistically be brought into production in the medium term.

Len Jubber
Chief Executive Officer
28 January 2015

For personal use only

ETANGO PROJECT (Bannerman 80%)

Background

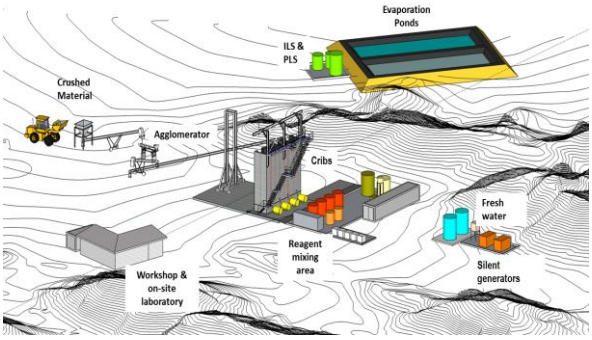
Bannerman completed a Definitive Feasibility Study ("DFS") and Environmental and Social Impact Assessment ("ESIA") on the Etango project in 2012. The respective studies confirmed technical, economic and environmental viability of the project at historical term uranium prices. In 2012 Bannerman also received environmental approval for the Etango Project.

The progression to a heap leach demonstration program (announced on 8 April 2014), as an integral step of the project's detailed engineering and financing phases, is specifically aimed at:

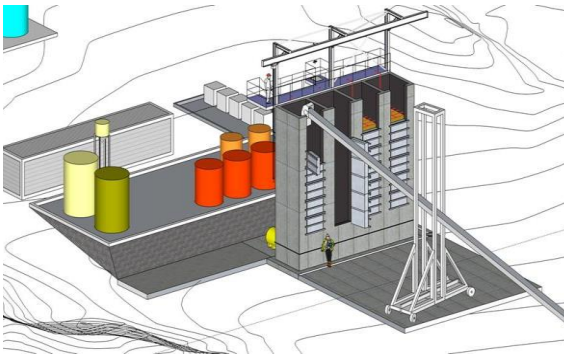
- demonstrating the design and projected performance reflected in the DFS;
- maintaining and building project knowledge,
- conducting meaningful in-country activities, and
- pursuing value engineering.

On 22 September 2014 Bannerman announced award of the major contracts to construct and operate the Etango heap leach demonstration plant.

Plant Design & Layout



Four 40t Capacity Heap Leach Cribs

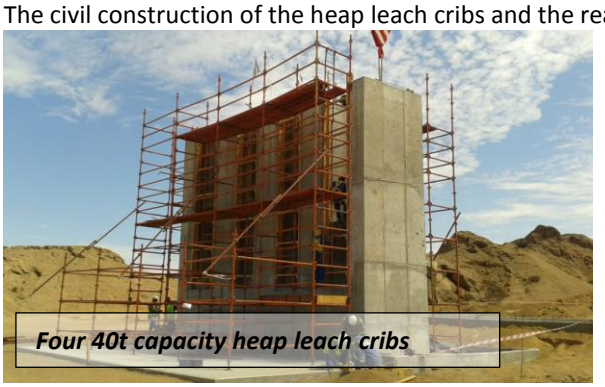


Activities at the site commenced in early October and construction is on schedule for completion during the March quarter 2015. Waste and ore material was blasted within the Onkelo region of the deposit and crushed in a three stage crushing process including high pressure grinding rolls to deliver a product specification similar to the orefeed characteristics assumed in the DFS. A key feature of the deposit is that over 90% of the uranium mineralisation is hosted in granite known locally as "alaskite".

Blasted Alaskite Ore

Crushed Alaskite Ore

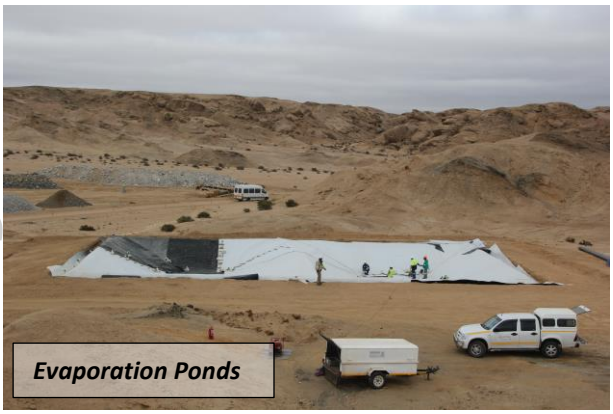
The civil construction of the heap leach cribs and the reagent mixing area was completed in mid January.



Four 40t capacity heap leach cribs

Cribs and reagent mixing area

The construction of the double lined evaporation ponds has been completed. The solution and leached material will be transported to the Rössing mine for disposal in their existing tailings impoundment.



Project Optimisation

Project optimisation work continued to focus on the review of mine planning aspects of the DFS, including taking into consideration the potential to increase the ore feed grade. This work will continue in the March quarter. A decision on updating the mineral resource and ore reserve models will be deferred until after completion of this work.

CORPORATE

Cash Position and Operating Expenditure

Bannerman's cash reserves as at 31 December 2014 totalled **A$2.8 million** (30 September 2014: A$4.7m). Net operating cash outflow during the quarter totalled A$1.9 million.

The capital expenditure on the demonstration plant has been adversely affected by the weakening of the Australian dollar against the Namibian dollar likely resulting in an approximately 10% increase in the estimate of A$1.4 million.

Project Financing

The continued support of RCF as a strategic cornerstone investor in Bannerman, through the investment by Resource Capital Fund IV L.P. ("**RCFIV**") and the recent investment by Resource Capital Fund VI L.P. ("**RCFVI**") is a beneficial and positive progression of its investment in Bannerman. RCFVI is expected to still be in the relatively early stages of its life cycle when the financing of the future development of the Etango project is required.

The opportunity to progress the heap leach demonstration plant program, stemming from prior completion of the DFS, is a potential competitive advantage with respect to favourably positioning the Etango Project for fast track development in a rising uranium price environment.

Issued Securities

At the date of this report, Bannerman has 338,718,258 ordinary shares on issue.

During the quarter, Bannerman issued 3,456,751 shares to RCF in settlement of the September quarter RCFIV and RCFVI convertible note interest charges, 1,538,806 shares to employees on vesting of their performance rights under the Employee Incentive Plan ("**EIP**") and 520,800 shares to a Non-Executive Director on vesting of their share rights in accordance with the Non-Executive Director Share Incentive Plan ("**NEDSIP**").

At 31 December 2014, Bannerman had on issue 19,683,998 performance and share rights and 9,963,600 unlisted share options. During the quarter, Bannerman issued 8,732,475 performance rights in accordance with the EIP and 423,700 share rights 3,664,400 unlisted share options in accordance with the NEDSIP. The performance and share rights and options are subject to various performance targets and continuous employment periods.

Subsequent to the quarter end, Bannerman issued 3,456,751 ordinary shares to RCF in settlement of the respective RCFIV and RCFVI convertible note interest charges for the December quarter.

Schedule of Mining Tenements

The Bannerman Group currently holds EPL 3345 in Namibia. No interests in mining tenements or any beneficial interests in farm-in or farm-out agreements were acquired or disposed of during the quarter.

Contingencies

On 17 December 2008, the Company entered into a settlement agreement with Savanna Marble CC ("Savanna") relating to Savanna's legal challenge to the Company's rights to the Etango Project Exclusive Prospecting Licence.

For personal use only

Under the terms of the Savanna settlement agreement, the final tranche payment of A$500,000 and 4.0 million ordinary shares is due to Savanna upon receipt of the Etango Project mining licence. The mining licence application was lodged in December 2009. As at 31 December 2014, the probability and timing of the grant of the mining licence is uncertain. Given that the licence has not been granted, no shares were issued to Savanna during the quarter ended 31 December 2014 and therefore 4.0 million shares remain to be issued.

URANIUM MARKET

The uranium market continues to be characterized by limited longer term transactions and volatility. The spot price rose to a high of US$44 per lb U_3O_8 in mid-November from the eight year low of US$28.75 per lb U_3O_8 in July 2014. The price receded to US$35.50 per lb U_3O_8 at the end of the quarter before increasing to US$36.60 per lb U_3O_8 by mid-January 2015.

It is noteworthy that the volume of term sales in 2014 increased almost fourfold to approximately 80 Mlbs compared to 2013 and also the Tradetech long term uranium price increased 10% in the quarter to US$50 per lb U_3O_8.

The much anticipated restart of reactors in Japan took another important step forward during the quarter when the Nuclear Regulatory Authority ("NRA") granted preliminary approval of the upgraded design and safety features of the Takahama Reactors 3 & 4.

It is expected that the restarts of Sendai Reactors 1 and 2 will commence in early 2015 and, together with the successful preliminary approvals of the Takahama Reactors 3 & 4, will set a precedent for the other 16 applications already in the approvals pipeline.

Globally, there are currently 437 nuclear reactors operable and 70 under construction. In China, 22 reactors are currently in operation and construction of 27 reactors continues with numerous construction progress reports released during the quarter.

For further information please contact:

Len Jubber
Chief Executive Officer
Perth, Western Australia
Tel: +61 (8) 9381 1436

Robert Dalton
Financial Controller & Company Secretary
Perth, Western Australia
Tel: +61 (8) 9381 1436

Spyros Karellas
Investor Relations
Toronto, Ontario, Canada
Tel: +1 416 800 8921
spyros@pinnaclecapitalmarkets.ca

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 80%-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 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 2015, Bannerman is conducting 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.*

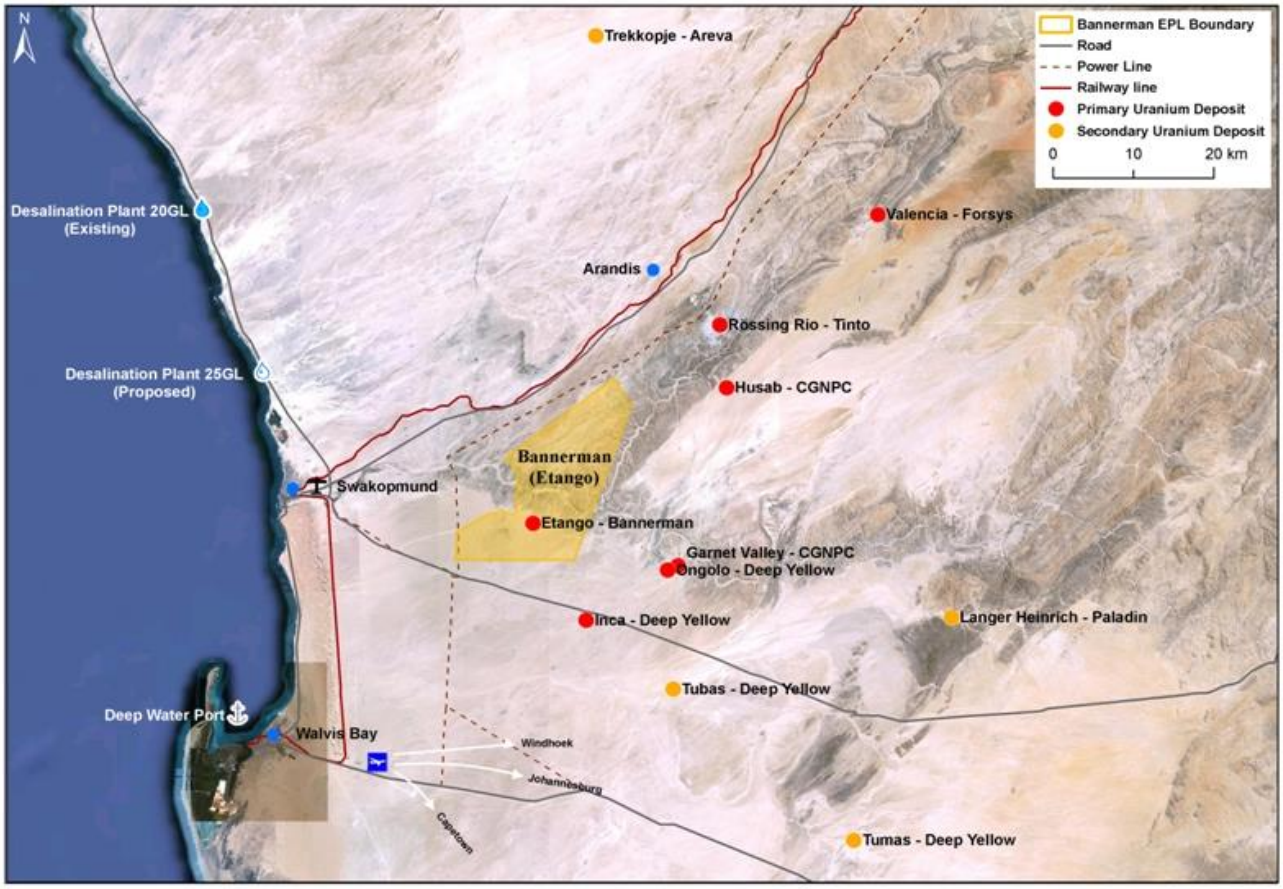
For personal use only

For personal use only

APPENDIX

ETANGO PROJECT (Bannerman 80%)

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 is currently under construction by the Chinese state owned enterprise, China General 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.



Definitive Feasibility Study

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

- 2004 JORC Code and NI 43-101 compliant Ore Reserves (at 100ppm cut-off) totalling 279.6 million tonnes at an average grade of 194ppm U_3O_8 for 119.3 Mlbs of contained U_3O_8;
- 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, based on an average processing throughput of 20 Mt per annum and an average recovery rate of 86.9%, 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 5 years and US$46/lb U_3O_8 over the life of mine;
- 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, based on 104Mlbs U_3O_8 life of mine production;
- 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.

All material assumptions detailed in this report and underpinning the production target and forecast financial information in the DFS (as previously announced on 10 April 2012 and reported on 30 January 2014 in compliance with Listing Rule 5.16 and 5.17) continue to apply and have not materially changed.

Mining Licence

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.

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 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 2012 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.

The information in this report that relates to Mineral Resources or Ore Reserves was prepared and first disclosed under the 2004 JORC Code. It has not been updated since to comply with the 2012 JORC Code on the basis that the information has not materially changed since it was last reported. All material assumptions and technical parameters underpinning the estimates of mineral resources continue to apply and have not materially changed.

All material assumptions detailed in this report and underpinning the production target and forecast financial information in the DFS (as previously announced on 10 April 2012 and reported on 30 January 2014 in compliance with Listing Rule 5.16 and 5.17) continue to apply and have not materially changed.

For personal use only