QUARTERLY ACTIVITIES REPORT

For the Quarter Ended 31 December 2013

During the December 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

- **Shareholders approved the agreement reached with major shareholder Resource Capital Fund IV LP ("RCF") to extend the maturity of the existing A$8 million convertible note from 31 March 2014 to 30 September 2016.**
- **Environmental permitting of the pilot plant program has been reinitiated.**
- **Consensus amongst specialist uranium industry analysts regarding looming supply shortfall and that a uranium price of at least US$70/lb required to incentivise new supply.**
- **Cash outflow for the quarter was A$517,000.**
- **The cash balance was A$2.6 million as at 31 December 2013.**

The extension of the RCF convertible note by 2 ½ years on favourable terms and the decision to advance the pilot plant program in 2014 are two key steps in positioning Bannerman for what is becoming viewed as the year of uranium.

The uranium supply side looks increasingly vulnerable with two Rio Tinto affiliates experiencing major processing disruptions due to plant failures, maintenance shutdowns at Areva mines in Niger being extended beyond their planned duration and Kazatomprom announcing the deferment of further production expansions until the uranium price recovers. By contrast, routine reports on the ongoing progress of 71 new nuclear reactors currently under construction signal the impending near to medium term growth in demand.

There is growing awareness, including consensus amongst specialist uranium industry investment analysts, that a looming supply shortfall will require a uranium price of at least US$70/lb to incentivize new supply. However, as highlighted in previous Bannerman quarterly activity reports, a key contributor to the impending supply deficit is the number of years it will take to bring new significant projects into production due to the lengthy technical, permitting and construction timeframes involved.

In that context, it is noteworthy that the Etango Project Definitive Feasibility Study ("**DFS**") and Environmental and Social Impact Assessment ("**ESIA**") completed in 2012 confirmed the project economics and pathway to development.

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

Importantly we continue to focus on conserving cash in the current adverse capital markets, whilst positioning Bannerman to fast track the development of the Etango Project as the uranium price strengthens.

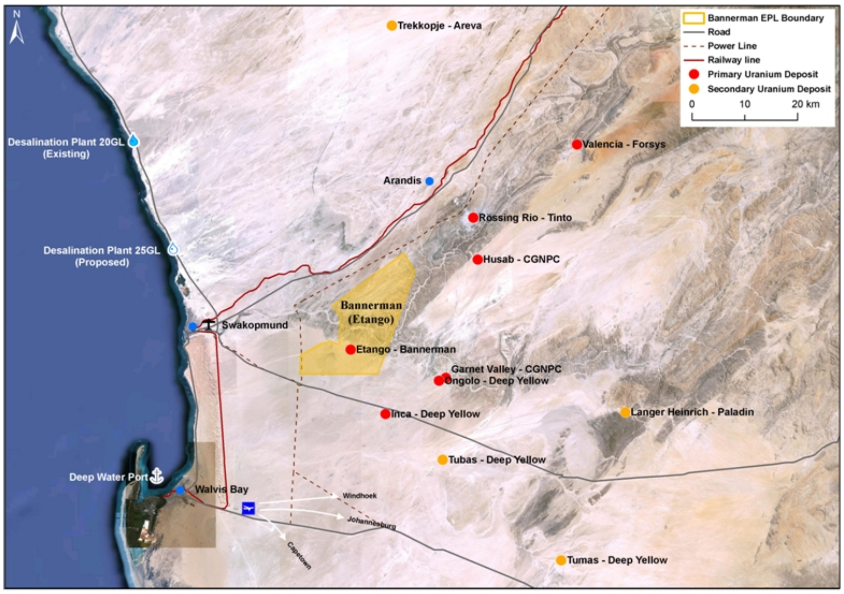
Bannerman shareholders are well placed to capitalise on the widely anticipated recovery in the uranium market.

Len Jubber
Chief Executive Officer
29 January 2014

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 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.



Etango Ore Reserve Estimate (100ppm cutoff)	Tonnes (Mt)	Grade (ppm)	Cont. U_3O_8 (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 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_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, 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;
- 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

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

Sustainability

Bannerman has over the past 12 months been successful in aligning its overhead cost base with the hiatus in the development of the Etango Project. The significantly reduced monthly overhead expenditure and the extension of the convertible note maturity date to September 2016, coupled with the existing cash in hand have positioned Bannerman well to preserve shareholder value in the current adverse capital market environment.

Project Development

Bannerman continues to investigate a financing model that will enable fast tracking a commitment to the project development in a rising uranium price environment. The financing of projects typically requires the completion of a pilot testing program to confirm the scale up of the laboratory level testing completed in a DFS.

The opportunity to progress the pilot plant program, stemming from prior completion of the DFS, is a potential competitive advantage with respect to favourably positioning the Etango project. The pilot plant 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.

To that end Bannerman has reinitiated the process to gain the requisite environmental clearance for the pilot plant program. It is anticipated that an application will be lodged with the Ministry of Environment and Tourism ("**MET**") during February 2014.

Project Optimisation

The internal review of the geological and resource models is near complete. Work to date has highlighted the potential to increase the ore feed grade to the processing plant. The project optimisation work will in the March quarter progress on to a review of the mine planning aspects of the DFS, including taking into consideration the potential to increase the ore feed grade. A decision on updating the mineral resource and ore reserve models will be deferred to post completion of this work.

CORPORATE

Cash Position and Operating Expenditure

Bannerman's cash reserves as at 31 December 2013 totalled **A$2.6m** (30 September 2013: A$3.1m). Net operating cash outflow during the quarter totalled A$0.517m.

Issued Securities

At the date of this report, Bannerman has 322,885,298 ordinary shares on issue.

During the quarter Bannerman issued 7.1 million shares as follows: 3,226,301 shares to RCF in settlement of the September quarter convertible note interest charge, 2,539,683 shares to RCF in settlement of the convertible note extension fee and 1,310,904 shares to employees and directors on vesting of their share rights under the Employee Incentive Plan ("**EIP**") and Non-executive Director Incentive Plan ("**NEDSIP**").

During the quarter Bannerman also issued 7.8 million share rights and 4,504,000 share options with varying performance criteria pursuant to the terms of the EIP and the NEDSIP. At 30 December 2013, Bannerman had on issue 16,142,055 performance share rights and 8,701,700 unlisted share options. The performance share rights and options are subject to various performance targets and continuous employment periods.

Subsequent to the quarter end, Bannerman issued 3,226,301 shares to RCF in settlement of the December quarter convertible note interest charge.

Convertible Note

Bannerman 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).

On 6 September 2013, Bannerman announced that it had reached agreement with RCF for the extension of the convertible note from its maturity date of 31 March 2014 to 30 September 2016. The key terms of the new note are:

- a conversion price of A$ 0.095 per share which equates to a 50% premium to the prior 20 day VWAP (subject to adjustment for certain transactions that have a dilution impact on the conversion price), and
- an unchanged coupon interest rate of 8% per annum with interest payable quarterly through the issue of new Bannerman shares at a price equal to the 5-day VWAP of Bannerman's shares prior to the date of issue or cash in certain circumstances.

The amendments to the convertible note were approved by Bannerman shareholders at the Annual General Meeting held on the 22 November 2013. The amended terms of the convertible note will come into effect on 31 March 2014.

Schedule of Mining Tenements

The schedule of mining tenements held by the Group at the end of the quarter is as follows:

Mining Tenement	Location
EPL 3345	Namibia, Africa

No interests in mining tenements were acquired or disposed of during the quarter.

URANIUM MARKET

The uranium market continues to be characterized by limited longer term transactions and hence the Ux term price remained flat at US$50/lb U_3O_8 whilst the Ux spot price ranged between US$34.50/lb U_3O_8 and US$36.25/lb U_3O_8 during the December quarter.

Globally, there are currently 438 nuclear reactors operable and 71 under construction. This equates to nine more reactors under construction than in the period immediately prior to the Fukushima accident in March 2011.

In China, 21 reactors are currently in operation and the construction of 28 reactors continues with numerous construction progress reports released during the quarter.

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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 currently under construction 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.*

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 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.