

### **Bannerman Resources Limited**



**Etango Heap Leach Demonstration Plant** 



**Proposed Etango Dynamic Heap Leach Approach** 

### Notice of Extraordinary General Meeting

2.00pm (AWST), Tuesday, 29 December 2015

Unit 1, 2 Centro Avenue, Subiaco, Western Australia

The Proposed Transactions are 'not fair but reasonable'

The Extraordinary General Meeting of Bannerman Resources Limited (**Bannerman** or the **Company**) will be held at Unit 1, 2 Centro Avenue, Subiaco, Western Australia at 2.00pm, 29 December 2015.

#### Dear Shareholder

On behalf of the Directors of Bannerman, I am writing to invite you to attend the extraordinary general meeting (**EGM**) of Bannerman shareholders to be held at Unit 1, 2 Centro Avenue, Subiaco on 29 December 2015.

Bannerman has consistently focussed on maintaining the Etango Project's early mover advantage in a rising uranium price environment. To that end the Company committed to the heap leach demonstration plant program and the optimisation work in the past two years.

The outcomes of both these initiatives have confirmed the robustness of the definitive feasibility study and repositioned the Etango Project, demonstrating project economics that are competitive at consensus incentive long term uranium prices.

The Board has also recognised for some time the importance of consolidating the ownership structure of the Etango Project and removing the Company's current debt burden.

#### **The Proposed Transactions**

On 10 November 2015, Bannerman entered into binding documentation which would, if implemented, result in the Company receiving additional net cash of \$4 million, reducing its liabilities by \$10.28 million and increasing its interest in the Etango Project to 100%.

These Proposed Transactions are subject to, amongst other things, shareholder approval at the EGM for the purposes of the ASX Listing Rules and the Corporations

Act. Further details of the Proposed Transactions are set out below.

#### **RCF Transaction**

- The conversion of \$8 million outstanding under the existing convertible note facilities with RCF IV and RCF VI into shares in Bannerman.
- The grant of a 0.75% royalty in respect of the Etango Project to each of RCF IV and RCF VI in return for cash consideration of \$2 million and the reduction of the remaining \$4 million outstanding under the RCF Convertible Notes.
- The subscription by RCF VI for shares in Bannerman, to raise a total of \$3 million.

#### Share Acquisition

 The acquisition of the remaining 20% interest in the Etango Project that the Company does not already own from Mr Clive Jones for share consideration comprising approximately 17.4% of the Company's expanded issued share capital and \$1 million in cash.

Full details on the advantages and disadvantages of the Proposed Transactions are set out in **section 3** of the Explanatory Notes.

Bannerman has engaged an independent expert, BDO Corporate Finance (WA) Pty Ltd (BDO), to consider the Proposed Transactions and to prepare the Independent Expert's Report to assist shareholders in understanding the merits of the Proposed Transactions. The Independent Expert's Report is enclosed (at Annexure A), together with the Notice of Meeting and Explanatory Notes, a Proxy Form and a reply paid envelope for lodging your Proxy Form.

BDO has concluded that the Proposed Transactions are **not fair but reasonable** to Bannerman shareholders (other than Mr Clive Jones and RCF). BDO has concluded that the advantages of the Proposed Transactions to Bannerman shareholders (other than Mr Clive Jones and RCF) are greater than the disadvantages.

The Company's directors (other than Messrs Jones and Burvill who are interested in the Proposed Transactions and have abstained from making a recommendation) believe that the Proposed Transactions are in the best interest of Shareholders and, therefore, recommend that you vote in favour of the Proposed Transactions.

The reasons for making this recommendation are set out further in **section 2.7** of the Explanatory Notes.

#### Issue of securities to Mr Jubber

The Company also seeks the approval of Shareholders for the issue of performance rights to Mr Len Jubber under the Company's employee incentive plan. This resolution is unrelated to the Proposed Transactions.

#### Voting

Items 1 and 2 must be approved if the Proposed Transactions are to proceed.

I therefore encourage you to carefully read the attached Notice of Meeting, Explanatory Notes and the Independent Expert's Report, and either attend the EGM in person or lodge your vote using the enclosed proxy form

If you have any questions, please contact the Company Secretary of Bannerman, your stockbroker or other professional adviser.

#### Yours sincerely

**Ronnie Beevor** 

Chairman

**Items of Business** Type of resolution **BUSINESS** Ordinary Resolution That for the purposes of Listing Rule 10.1, item 7 of section 611 of the Corporations Act and all other purposes, the 1. APPROVAL OF RCF proposed transactions with RCF IV and RCF VI be approved on the terms set out in the Explanatory Notes, including: **TRANSACTION** (a) the entry into the RCF Transaction by Bannerman, and its subsidiaries. BMN UK and Bannerman Namibia: (b) the Company issuing the Shares to RCF in connection with the RCF Transaction, including the issue of Shares to RCF on conversion of the principal outstanding under the RCF Convertible Notes, in satisfaction of accrued interest under the RCF Convertible Notes and under the proposed Placement; (c) the Company granting the Royalty in respect of the Etango Project, and entering into the proposed security arrangements: and (d) RCF and its associates increasing their voting power in the Company to a maximum of 39.7%. 2. APPROVAL OF SHARE That for the purposes of Listing Rules 10.1 and 10.11, and Chapter 2E of the Corporations Act, the proposed transactions **Ordinary Resolution** with Mr Clive Jones be approved on the terms set out in the Explanatory Notes. **ACQUISTION** 3. ISSUE OF SECURITIES To approve the issue of performance rights to a maximum value of \$400,000 to Mr Jubber under the Employee Incentive Ordinary Resolution Plan on the terms described in the Explanatory Notes. **TO MR JUBBER** 

#### Voting exclusions and prohibitions

#### Item 1

In accordance with the ASX Listing Rules the Company will disregard any votes cast on Item 1 by or on behalf of (including by proxy) a party to the transaction and any of their associates. However, the Company need not disregard a vote if it is cast by:

- a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- the Chair of the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Further, in accordance with the Corporations Act, no vote may be cast in favour of Item 1 by RCF or any of its associates.

#### Item 2

In accordance with the ASX Listing Rules the Company will disregard any votes cast on Item 2 by or on behalf of (including by proxy) a party to the transaction, a person who is to receive securities in relation to Bannerman, a person who might obtain a benefit if Item 2 is passed (except a benefit solely in the capacity as a holder of ordinary securities), and any of their associates. However, the Company need not disregard a vote if it is cast by:

- a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- the Chair of the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Further, in accordance with the Corporations Act, a vote on Item 2 must not be cast (in any capacity) by or on behalf of Mr Clive Jones or any of his associates. However, this does not prevent the casting of a vote if it is:

- cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on Item 2; and
- not cast on behalf of Mr Clive Jones or any of his associates.

#### Item 3

In accordance with the ASX Listing Rules, the Company will disregard any votes cast on Item 3 by or on behalf of (including by proxy) Mr Jubber and any of his associates.

However, the Company need not disregard a vote if the vote is cast as proxy for a person who is entitled to vote:

- · in accordance with the directions on the Proxy Form; or
- by the Chair of the meeting in accordance with a direction on the Proxy Form to vote as the proxy decides.

In accordance with the Corporations Act, a vote on Item 3 must not be cast as a proxy for a person who is entitled to vote, by a member of the Key Management Personnel and any of their Closely Related Parties, unless:

- the Proxy Form specifies how the proxy is to vote on Item 3; or
- the vote is cast by the Chair in accordance with the express authorisation on the Proxy Form.

Terms used in this Notice and the Explanatory Notes are defined in the glossary on page 17.

#### **VOTING**

#### **Notice Record Date**

Shareholders recorded on the Company's register of members at 5.00pm on 24 November 2015 (AWST) will be entitled to receive this notice for the EGM.

#### **Voting Record Date**

Shareholders recorded on the Company's register of members at 2.00pm on 27 December 2015 (AWST) will be entitled to vote on Items at the EGM.

#### **Becoming a Shareholder**

Shareholders who become registered Shareholders by acquiring Shares between the Notice Record Date and the Voting Record Date, and wish to vote at the EGM by proxy should call 1300 850 505 and request an additional Proxy Form.

Shareholders who become beneficial shareholders of Shares by acquiring Shares between the Notice Record Date and the Voting Record Date and who wish to vote at the EGM by proxy should contact their broker or intermediary for instructions on how to do so.

#### **How to Vote**

Shareholders can vote in one of two ways:

- by attending the EGM and voting; or
- by appointing a proxy to attend and vote on their behalf.

The voting exclusions for each Item are set out in the Explanatory Notes to this Notice.

Shareholders are asked to arrive at the venue 30 minutes prior to the time designated for the EGM.

#### **PROXY FORMS**

#### **Proxy Form**

Enclosed with this Notice is a personalised Proxy Form. The Proxy Form allows Shareholders who are not attending the EGM to either lodge their vote directly, or appoint a proxy to vote on their behalf.

If you hold Shares in more than one capacity, please be sure to complete the Proxy Form that is relevant to each holding.

#### **Appointing proxies**

Shareholders who are entitled to attend and vote at the Meeting, may appoint a proxy to act generally at the EGM on their behalf, and to vote.

Complete the attached Proxy Form to appoint your proxy. A proxy or nominee need not be a Shareholder of the Company.

A Shareholder entitled to attend and vote can appoint up to two proxies, and should specify the proportion or number of votes each proxy or nominee is appointed to exercise.

If no proportion or number is specified, each proxy or nominee may exercise half of the Shareholder's votes. If you wish to appoint two proxies or two nominees, please call 1300 850 505 and request an additional Proxy Form.

Any directed proxies that are not voted on a poll at the EGM will automatically default to the Chair of the meeting, who is required to vote those proxies as directed.

A corporate Shareholder or proxy must appoint a person as its corporate representative.

#### Appointing the Chair as your proxy

You may appoint the Chair as your proxy. If you direct the Chair how to vote on an Item, your vote will be cast in accordance with your direction.

The Chair intends to vote all valid undirected proxies received in favour of each Item, subject to the voting prohibitions and exclusions set out in this Notice.

#### Power of attorney and corporate representatives

If the Proxy Form is signed by an attorney, the power of attorney or a certified copy of it must be sent with the Proxy Form.

A body corporate appointed as a proxy must also lodge a *Certificate of Appointment of a Corporate Representative*. A form of the certificate may be obtained from Computershare or online at <a href="www.investorcentre.com/">www.investorcentre.com/</a> under the help tab, "Printable Forms".

#### LODGING PROXY FORMS

#### **Deadline**

Proxy Forms must be received by 2.00pm on Sunday, 27 December 2015 (AWST).

#### **How to lodge Proxy Forms**

You can lodge your Proxy Forms:

**Electronically**: by visiting <a href="www.investorvote.com.au">www.investorvote.com.au</a> and entering your holder number and postcode for your shareholding, which are shown on your Proxy Form.

**Mail**: to Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, Victoria 3001.

**Facsimile**: to Computershare Investor Services Pty Limited on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia).

Further details on how to lodge your Proxy Form can be found on the Proxy Form.

#### **ENQUIRIES**

#### **About this Notice**

Shareholders are invited to contact the Company Secretary by telephone at +61 8 9381 1436 or by email at <a href="mailto:admin@bannermanresources.com.au">admin@bannermanresources.com.au</a> if they have any queries in respect of the matters set out in these documents.

#### **About the Proxy Form**

If you have any questions about the relevant Proxy Form, you may also contact the Company's share registry, Computershare Investor Services Pty Limited, at 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia).

#### By order of the Board of Directors

**Robert Dalton** 

**Company Secretary** 

24 November 2015

Content	age
tems 1 and 2 - Approval of the Proposed Transactions	6
1. Background	6
2. The Proposed Transactions	6
3. Considerations relevant to your vote	7
4. What if the Proposed Transactions are not approved?	9
5. Impact on capital structure and level of control	9
5. Listing Rule requirements	10
7. Corporations Act requirements	12
tem 3 – Issue of Securities to Mr Jubber	14

### ITEMS 1 AND 2 – APPROVAL OF THE PROPOSED TRANSACTIONS

#### 1. BACKGROUND

#### 1.1 Etango Project

The Company's primary asset and undertaking is its interest in the Etango Project located in Namibia (**Etango Project**), one of the world's largest undeveloped uranium projects.

The Etango Project is owned by Bannerman Mining Resources (Namibia) (Pty) Ltd (**Bannerman Namibia**). The Company owns 80% of Bannerman Namibia, via its wholly owned subsidiary Bannerman Resources Nominees (UK) Pty Ltd (**BMN UK**), with Mr Clive Jones holding the remaining 20% interest in Bannerman Namibia (**Sale Interest**).

Further information on the Company's Etango Project is set out in the Company's 2015 annual report, released to ASX on 6 October 2015.

#### 1.2 Resource Capital Funds

Resource Capital Funds is a group of commonly managed private equity funds, established in 1998 with a mining sector specific investment mandate spanning all hard mineral commodities and geographic regions.

Resource Capital Fund IV L.P (**RCF IV**) is the current holder of a convertible note under which the Company owes \$8

million, with a maturity date of 30 September 2016 (First RCF Convertible Note).

Resource Capital Fund VI L.P (**RCF VI**) is the holder of an additional convertible note under which the Company owes \$4 million, also with a maturity date of 30 September 2016 (**Second RCF Convertible Note**).

RCF IV and RCF VI are cornerstone shareholders of the Company and, as at 11 November 2015 (being the last practicable date prior to finalisation of this Notice), held aggregate Voting Power of 22.9% in Bannerman.

#### 2. THE PROPOSED TRANSACTIONS

On 10 November 2015, Bannerman entered into binding documentation in respect of proposed transactions which would, if implemented, result in the Company receiving additional net cash of approximately \$4 million, reducing its liabilities by approximately \$10.28 million (based on the June 2015 audited accounts) and increasing its interest in the Etango Project to 100%.

#### 2.1 RCF Transaction - Item 1

On 11 November 2015, the Company announced that subject to the satisfaction of certain conditions precedent, including obtaining Shareholder approval and the renewal of the Company's Exclusive Prospecting Licence in respect of the Etango Project (**EPL 3345**), it would complete the following transactions with RCF IV and RCF VI (together the **RCF Transaction**):

- The conversion into Shares of \$5 million of the principal outstanding under the First RCF Convertible Note, and \$3 million of the principal outstanding under the Second RCF Convertible Note, at a conversion price of \$0.075 per Share.
- The grant of a 0.75% gross revenue royalty by BMN UK, in respect of the Etango Project, to each of RCF IV and RCF VI (Royalties) in return for:
  - reduction in the remaining \$3 million outstanding under the First Convertible Note:
  - reduction in the remaining \$1 million outstanding under the Second RCF Convertible Note; and
  - cash consideration of \$2 million payable by RCF VI.

- The subscription by RCF VI for 63,291,139 Shares (**Placement Shares**) at an issue price of \$0.0474 per Share, to raise a total of \$3 million (**Placement**).
- The Company has agreed to grant in favour of each of RCF IV and RCF VI the following new security to secure obligations in respect of the Royalties:
  - a fixed and floating charge over all of the assets of BMN UK:
  - a pledge over the shares held by BMN UK in Bannerman Namibia; and
  - a security interest over the beneficial interest in the shares in Bannerman Namibia held by the Company.
- Each of RCF IV and RCF VI will have the right, but not the obligation, to appoint a nominee to the board of Bannerman (subject to it continuing to hold at least 5% of the issued Shares in Bannerman).

The material terms of the RCF Transaction were released to ASX on 11 November 2015. Further details regarding the RCF Transaction are set out in **Schedule 2**.

Under Item 1, Shareholders are being asked to approve the RCF Transaction.

#### 2.2 Share Acquisition – Item 2

The Company has entered into binding documents with Mr Clive Jones (a director of the Company) subject to the satisfaction of certain conditions precedent (including Shareholder approval) to acquire the Sale Interest (**Share Acquisition**) in consideration for:

- 123,424,534 Shares (Consideration Shares); and
- \$1,000,000 in cash (Cash Consideration).

The Consideration Shares will represent approximately 17.4% of the Company's expanded share capital post-completion of the Proposed Transactions.

Under the Share Acquisition, the Consideration Shares will be issued to Mr Clive Jones (or his nominees).

Under Item 2, Shareholders are being asked to approve the Share Acquisition.

#### 2.3 Items are inter-conditional

The completion of the RCF Transaction and the Share Acquisition (together, the **Proposed Transactions**) are inter-

conditional. This means that if either of Items 1 or 2 are not approved by Shareholders at the EGM, neither of the Proposed Transactions will proceed.

However, even if Items 1 or 2 are approved by Shareholders at the EGM, this does not necessarily mean that the Proposed Transactions will be implemented.

As at 11 November 2015 (being the last practicable date prior to finalisation of this Notice), the Proposed Transactions also remained conditional upon:

- EPL 3345 being renewed by the Ministry of Mines and Energy in Namibia, on terms and conditions mutually satisfactory to Bannerman, RCF IV and RCF VI; and
- the issue to RCF IV and RCF VI of such legal opinions in respect of transaction documents as RCF IV and RCF VI may reasonably require.

The Company will announce to ASX if and when these conditions are subsequently waived or satisfied.

Completion of the Proposed Transactions is expected to occur within 5 business days of the satisfaction or waiver of the last condition precedent.

#### 2.4 Termination rights

There are certain termination rights which exist, which may result in the Proposed Transactions not proceeding, including:

- the parties may terminate the RCF Transaction or Share Acquisition, as applicable (if not in breach of the relevant agreement) by written notice if completion has not occurred by 10 March 2016; and
- RCF IV and RCF VI may terminate the RCF Transaction if a material adverse change occurs in relation to Bannerman at any time prior to completion (excluding changes arising from general industry or economic conditions).

If the Proposed Transactions are not completed by 10 August 2016, the relevant agreements will automatically terminate (and therefore the Proposed Transactions will not proceed).

#### 2.5 Alternatives to the Proposed Transactions

In the context of the Company's financial position and the commercial objectives which the Proposed Transactions seek to achieve, the Non-Conflicted Directors consider that the only feasible alternatives to pursuing the Proposed Transactions are to:

- to not undertake such transactions, and do nothing; or
- attempt to negotiate separate arrangements with RCF and Mr Clive Jones to achieve a similar effect.

The impact of doing nothing and not proceeding with the Proposed Transactions is set out in **section 4**.

The Non-Conflicted Directors consider that the Company does not have sufficient cash funds at this stage to continue separate negotiations with each of RCF and Mr Clive Jones if the Proposed Transactions are not approved.

Further, the Company considers that given the complementary objectives achieved under the Proposed Transactions, the Company would not be in a position to achieve better terms under separate negotiations than pursuing the Proposed Transactions together.

#### 2.6 Independent Expert's Report

To assist you in deciding how to vote on Items 1 and 2 the Board engaged BDO Corporate Finance (WA) Pty Ltd (**BDO**) to prepare the Independent Expert's Report to provide an opinion on whether or not the Proposed Transactions are 'fair and reasonable' to the Shareholders who are not associated with BCF or Mr Clive Jones.

The Independent Expert's Report prepared by BDO concludes that the Proposed Transactions are not fair but reasonable to Shareholders not associated with RCF or Mr Clive Jones.

More specifically, the Independent Expert concluded that the Proposed Transactions are not fair because the value of a Share on a minority basis following completion of the Proposed Transactions will be lower than the value of a Share on a controlling basis prior to the Proposed Transactions.

However, the Independent Expert concluded that the Proposed Transactions are reasonable because it considered the advantages of the Proposed Transactions to Shareholders (other than those associated with RCF and Mr Clive Jones) are greater than the disadvantages.

Shareholders may request a hard copy of the Independent Expert's Report from the Company at no cost by contacting the Company by telephone on +61 8 9381 1436. A complete copy of the Independent Expert's Report is provided in **Annexure A** to the Notice of Meeting and is also available on the Company's website, <a href="www.bannermanresources.com.au">www.bannermanresources.com.au</a>.

BDO have consented to the use of their Independent Expert's Report, and the opinion which it contains, in the form and context used in the Notice of Meeting and Explanatory Notes.

#### 2.7 Board recommendations

After carefully considering all aspects of the Proposed Transactions (including the respective advantages and disadvantages set out in **section 3**), the Independent Expert's Report and the alternatives available (as set out in **section 2.5**), each of the Non-Conflicted Directors consider the Proposed Transactions are in the best interests of Shareholders.

Accordingly, the Board (other than Mr Clive Jones and Mr Ian Burvill) recommends that Shareholders vote **in favour** of Items 1 and 2. The Chair intends to vote undirected proxies in favour of Items 1 and 2.

In order to manage any potential or perceived conflict of interest, Mr Ian Burvill (whose employer is RCF Management) and Mr Clive Jones (who is a counter-party to the Share Acquisition) have abstained from making a recommendation and did not participate in the Board's consideration or vote in relation to the Proposed Transactions.

### 3. CONSIDERATIONS RELEVANT TO YOUR VOTE

#### 3.1 Reasons to vote in favour of the Proposed Transactions

#### (a) Stronger balance sheet

Following the Proposed Transactions, the Company will receive approximately \$4 million in net cash and its liabilities will be reduced by approximately \$10.28 million as a consequence of the settlement of all amounts outstanding under the First RCF Convertible Note and the Second RCF Convertible Note (together, RCF Convertible Notes).

The Company's cash balance is approximately \$500,000 as at 11 November 2015, being the last practicable date prior to finalisation of these Explanatory Notes.

Following completion of the Proposed Transactions, Bannerman's net asset position will improve by approximately \$14.28 million. The additional cash will be used to help fund the operation of the Company's demonstration plant, value engineering work and general working capital purposes.

#### (b) Conversion and Placement at a premium

RCF IV and RCF VI will convert a portion of their respective RCF Convertible Notes at a conversion price of \$0.075 per Share. This represents a 90.8% premium to the 5 trading day VWAP of Shares as at 11 November 2015 (being the last practicable date prior to finalisation of this Notice).

In addition, RCF VI will subscribe for 63,291,139 Placement Shares at an issue price of \$0.0474 per Share. This represents a 20.6% premium to the 5 trading day VWAP of Shares as at 11 November 2015 (being the last practicable date prior to finalisation of this Notice).

The Board considers that this is a significant show of confidence by RCF in the potential benefits and enhancement of value available to Shareholders if the Proposed Transactions proceed.

#### (c) Increased exposure to the Etango Project

Under the current contractual arrangements between the Company and Mr Clive Jones:

- Mr Clive Jones' 20% interest in Bannerman Namibia is sole funded by Bannerman to the completion of a bankable feasibility study, after which Mr Clive Jones may elect not to contribute to his 20% share of postbankable feasibility study expenditure (resulting in a dilution of his interest); and
- if Mr Clive Jones' interest is diluted to less than 5%, it will automatically convert into a 2% net smelter royalty on future production from the Etango Project.

If the Proposed Transactions are approved by Shareholders and subsequently implemented, the Company will acquire the remaining 20% interest, and Mr Clive Jones will no longer have any rights to either the remaining 20% interest in Bannerman Namibia or to convert his interest into a net smelter royalty.

In addition, the Proposed Transactions will increase both the Company's direct exposure to the Etango Project and its proportion of any future production and cash flow from the Etango Project.

#### (d) Greater control over the Etango Project

If the Proposed Transactions proceed, Mr Clive Jones' contractual entitlements summarised above will be terminated and Bannerman will have greater control in relation to the

corporate activities and operations of Bannerman Namibia, including the removal of:

- restrictions on the issue of additional shares in Bannerman Namibia;
- pre-emptive rights regarding the disposition of an interest in Bannerman Namibia; and
- restrictions on the right to encumber shares in Bannerman Namibia without the prior written consent of Mr Clive Jones.

This would provide Bannerman with greater control and flexibility than it would otherwise have had were Mr Clive Jones to continue as a minority shareholder in Bannerman Namibia.

Further, owning 100% of the Etango Project is expected to strengthen Bannerman's position when negotiating with third parties seeking to provide any required project development finance in the future.

#### (e) Simplification of corporate structure

The Board considers that the existence of the RCF Convertible Notes and the minority interest of Mr Clive Jones in Bannerman Namibia may also constitute a potential impediment to:

- attracting further cornerstone investors; and
- raising additional equity or debt in the future to fund the development of the Etango Project.

If shareholders approve Items 1 and 2, and the Proposed Transactions are subsequently implemented, the Company will have a simplified corporate structure under which:

- there will be no outstanding convertible notes; and
- the Etango Project will be wholly owned by Bannerman.

#### (f) Alignment of interests with strategic investor

The conversion of the RCF Convertible Notes into Shares will further align the interest of RCF to that of Shareholders, incentivising RCF to work with the Company to maximise Shareholder value.

Bannerman considers that the continued involvement of RCF as a strategic investor in Bannerman is important to building a project finance model for the Etango Project.

#### (g) Proposed Transactions are reasonable

The Independent Expert has concluded that the Proposed Transactions are **not fair but reasonable** to Shareholders (other than RCF and Mr Clive Jones).

More specifically, the Independent Expert concluded that the Proposed Transactions are not fair because the value of a Share on a minority basis following completion of the Proposed Transactions will be lower that the value of a Share on a controlling basis prior to the Proposed Transactions.

However, the Independent Expert still concluded that the Proposed Transactions are reasonable because it considered the advantages of the Proposed Transactions to Shareholders (other than RCF and Mr Clive Jones) are greater than the disadvantages.

#### 3.2 Reasons why you may choose to vote against the Proposed Transactions

#### (a) Dilution of existing interests of Shareholders

If the Proposed Transactions are approved and implemented in accordance with their terms:

- RCF VI will be issued 63,291,139 Shares pursuant to the Placement:
- RCF IV will be issued 66,666,667 Shares on conversion of the outstanding amounts under the First RCF Convertible Note:
- RCF VI will be issued 40,000,000 Shares on conversion of the outstanding amounts under the Second RCF Convertible Note: and
- Mr Clive Jones or his nominees will be issued 123,424,534 Shares, representing approximately 17.4% of the Company's projected issued Share capital after implementation of the Proposed Transactions.

In aggregate, this will result in the issue of an additional 293,382,340 Shares, representing approximately 74.1% of the Company's current issued share capital.

This would result in:

- Shareholders being diluted by approximately 32.4%; and
- RCF increasing its undiluted Voting Power in the Company from 22.9% to approximately 39.7%,

based on the Company's projected undiluted issued capital after implementation of the Proposed Transactions.

Further details of the potential change to the Company's capital structure as a result of the Proposed Transactions, and the relevant underlying assumptions, are set out in Table 1 below.

#### (b) No premium for control by RCF

Following completion of the Proposed Transactions, RCF's Voting Power in Bannerman will likely increase from 22.9% to approximately 39.7% (based on the Company's projected undiluted issued capital after implementation of the Proposed Transactions).

As a result, and as set out in ASIC Regulatory Guide 111, the RCF Transaction is a control transaction. This means that the Independent Expert is required to assess the value of a Share prior to the Proposed Transactions on a controlling basis and the value of a Share following the Proposed Transactions incorporating a minority discount.

Whilst the Independent Expert recognised that the advantages of the Proposed Transactions outweigh the disadvantages, the Independent Expert concluded that Shareholders are not sufficiently compensated for the loss of control as a result of the Proposed Transactions – in other words the Independent Expert is of the view that RCF is not paying a sufficient premium for this control.

#### (c) Potential impact on Share price

As noted above, under the Proposed Transactions, RCF will increase its Voting Power in the Company.

RCF's increased shareholding may dissuade potential acquirers of the Company from making a takeover offer in the future. This may adversely affect the Company's share price and reduce the opportunity for Shareholders to receive a takeover premium in the future.

However, as at the date of this Explanatory Note, the Company is not engaged in any discussions in relation to any potential takeover proposal.

Further, the Company will have a lower free float (on a proportional basis), which may reduce liquidity and adversely affect the market value of Shares.

### 4. WHAT IF THE PROPOSED TRANSACTIONS ARE NOT APPROVED?

If either of Items 1 or 2 are not approved by Shareholders, the Proposed Transactions will not proceed.

#### (a) RCF Convertible Notes will need to be repaid

If the Proposed Transactions do not proceed, the Company will still have aggregate principal outstanding of \$12 million under the RCF Convertible Notes, repayable on 30 September 2016. Interest will continue to be payable by the Company on the RCF Convertible Notes at a rate of 8.0% per annum.

In broad terms, interest payments must in respect of the First RCF Convertible Note, and may in respect of the Second RCF Convertible Note, be satisfied by the issue of Shares.

Further details of the RCF Convertible Notes are set out in the Company's notice of extraordinary general meeting released to ASX on 16 May 2014.

#### (b) Bannerman will require alternative sources of finance

Given that the Company does not expect to derive any significant cash flows from operations in the near future, it would need to seek additional finance in the short term to meet its working capital requirements and to repay amounts owing under the RCF Convertible Notes on or before their maturity.

Alternative sources of finance may include a potentially dilutive capital raising or seeking third party finance. There is no guarantee that the Company would be able to raise sufficient funds through either process.

#### (c) RCF may still increase its Voting Power

If the Proposed Transactions are not implemented, pursuant to the Shareholder approval given on 19 June 2014, RCF will still be able to increase its collective Voting Power in the Company up to a maximum of 43.0% by conversion of the RCF Convertible Notes, the related Share issues thereunder and the exercise of existing options held by RCF Management.

#### (d) Bannerman will continue to fund the Etango Project

If the Proposed Transactions are not implemented, Bannerman will retain its 80% interest in Bannerman Namibia and Mr Clive Jones will continue to hold the remaining 20% and remain as a minority shareholder in Bannerman Namibia, free-carried on expenditure until completion of a bankable feasibility study and with an automatic conversion of that interest into a 2% net smelter royalty if he is diluted below a 5% interest.

This may complicate any proposed financing associated with the development of the Etango Project.

### 5. IMPACT ON CAPITAL STRUCTURE AND LEVEL OF CONTROL

#### 5.1 Impact on control of Company

Together, RCF IV and RCF VI held a relevant interest in 90,500,875 Shares and Voting Power in the Company of approximately 22.9%, comprising:

- 64,018,724 Shares held by RCF IV, representing 16.2%;
   and
- 26,482,151 Shares held by RCF VI, representing 6.7%, of the issued share capital of Bannerman as at 11 November 2015, being the last practicable date prior to finalisation of this Notice.

Whilst RCF Management currently holds no Shares, it does hold 2,725,900 options to be issued a Share (**RCF Options**).

Following completion of the Proposed Transactions, the Company expects that RCF's undiluted shareholding will increase to a maximum of approximately 39.7%.

Mr Clive Jones held a relevant interest in 15,495,401 Shares and had a Voting Power of approximately 3.9% as at 11 November 2015, being the last practicable date prior to finalisation of this Notice.

Following completion of the Proposed Transactions, Mr Clive Jones' undiluted shareholding may increase to approximately 19.6% (if the Consideration Shares are issued to him rather than any nominees).

Table 1: Impact on control of Company

	RCF	Clive Jones	Other	Total	
Prior to completion of the Proposed Transactions					
Shares	90,500,875	15,495,401	289,770,310	395,766,586	
Options	2,725,900	2,725,900	4,511,800	9,963,600	
Performance / Share Rights	-	-	20,075,211	20,075,211	
Savanna Contingent Liability	-	-	4,000,000	4,000,000	
Shares on conversion of Convertible Notes	126,315,790	-	-	126,315,790	
Undiluted %	22.9%	3.9%	73.2%	100%	
Diluted %	39.5%	3.3%	57.2%	100%	
After completion	on of the Propo	sed Transaction	ns		
Shares	281,631,261	138,919,935	289,770,310	710,321,506	
Options	2,725,900	2,725,900	4.544.000		
		2,7 20,000	4,511,800	9,963,600	
Performance / Share Rights	-	-	20,075,211	9,963,600	
	-	-			
Share Rights Savanna Contingent		-	20,075,211	20,075,211	
Share Rights Savanna Contingent Liability Convertible	- - - 39.7%	19.6%	20,075,211	20,075,211	
Share Rights Savanna Contingent Liability Convertible Notes	- - 39.7% 38.2%	-	20,075,211	20,075,211 4,000,000	

#### **Assumptions**

- It is assumed that Bannerman does not issue any additional Shares between 11 November 2015, being the last practicable date prior to finalisation of this Notice and completion of the Proposed Transactions.
- Shares held by RCF refer to those Shares in which RCF has a relevant interest known to the Company as at 11 November 2015, being the last practicable date prior to finalisation of this Notice.
- 3. The calculation of the diluted percentage holding assumes that all convertible securities will convert into Shares.
- The maximum number of Interest Shares issuable to RCF in satisfaction of accrued interest under the RCF Convertible Notes will be 21,172,580 (see below).

5. The Share numbers and percentages in relation to Mr Clive Jones include all Shares issued to his nominees.

#### 5.2 Issue of Interest Shares to RCF

Shareholders are being asked to approve the Proposed Transactions on the basis of the maximum Voting Power of RCF increasing to 39.7%.

Whilst not forming part of the Proposed Transactions, in accordance with the RCF Convertible Notes, each of RCF IV and RCF VI will be issued Shares in satisfaction of accrued interest between the date of these Explanatory Notes and completion under the Proposed Transactions (which impacts on this maximum Voting Power).

The following Interest Shares have been factored into the number of Shares held by RCF after completion of the Proposed Transactions in Table 1. This assumes an issue price of \$0.02 with interest accruing until 10 March 2016 (being the current long-stop date for the Proposed Transactions).

**Table 2: Interest Shares** 

Period	Interest (A\$)	Share Price	Interest Shares
RCF IV			
Dec-15	\$161,315.07	\$0.02	8,065,754
Mar-16	\$120,986.00	\$0.02	6,049,300
RCF VI			
Dec-15	\$80,657.52	\$0.02	4,032,876
Mar-16	\$60,493.00	\$0.02	3,024,650
Total	\$423,451.59	\$0.02	21,172,580

#### 5.3 Capital structure as a result of Proposed Transactions

If Items 1 and 2 are approved by Shareholders, and the Proposed Transactions are subsequently implemented, the Company's capital structure will change as follows.

Table 3: Impact on capital structure

Security	Pre-completion	Post- completion	Change
Shares	395,766,586	710,321,506	314,554,920
Options	9,963,600	9,963,600	Nil
Performance Rights	19,651,511	19,651,511	Nil
Share Rights	423,700	423,700	Nil
Convertible Notes	2 (convertible into 126,315,790 Shares)	Nil	(2)

#### 5.4 Impact on the Company's financial position

The pro forma financial information set out in **Schedule 1** has been provided for illustrative purposes and is intended to provide Shareholders with an indication of the Company's financial position should the Proposed Transactions be implemented.

Following completion of the Proposed Transactions, Bannerman expects its cash balance to increase by approximately \$4 million, with a reduction in liabilities of approximately \$10.28 million.

Overall, under the Proposed Transaction, the net asset position of the Company will improve by approximately \$14.28 million (before transactions costs).

#### 6. LISTING RULE REQUIREMENTS

#### 6.1 Why is approval required?

#### (a) Listing Rule 10.1

ASX Listing Rule 10.1 provides that if an entity or any of its subsidiaries acquires or disposes of a 'substantial asset' to a 'substantial holder' or 'related party' of the entity, it must be approved by the entity's shareholders unless an exception to ASX Listing Rule 10.1 applies.

For the purposes of ASX Listing Rule 10.1:

- a 'substantial asset' is an asset valued at more than 5% of the equity interests as set out in the latest accounts given to ASX (currently being a threshold of approximately \$2.65 million for Bannerman) and
- a 'substantial holder' is a person who, together with that person's associates, have a relevant interest in at least 10% of the total votes attached to the shares of the entity.

#### RCF Transaction

The RCF Transaction requires the approval of Shareholders under Item 1 for the purposes of ASX Listing Rule 10.1 because Bannerman does not believe an exception to Listing Rule 10.1 applies and:

 the grant of each Royalty and associated security to RCF IV and RCF VI will constitute a 'disposal' of the Etango Project and other assets pursuant to the ASX Listing Rules;

- the Etango Project will be considered a 'substantial asset' as it is the Company's primary asset and valued in excess of 5% of the Company's equity interests; and
- RCF has a relevant interest in the votes attached to the shares of Bannerman of 22.9% so is deemed to be a 'substantial holder'.

#### Share Acquisition

The Share Acquisition also requires the approval of Shareholders under Item 2 for the purposes of Listing Rule 10.1, because:

- the purchase of the Sale Interest will constitute an 'acquisition' pursuant to the ASX Listing Rules;
- the Sale Interest will be considered a 'substantial asset' as it is valued in excess of 5% of the Company's equity interests: and
- given that Mr Clive Jones is a Director of Bannerman, he will be considered a 'related party'.

To meet the disclosure requirements under Listing Rule 10.10, the Company engaged BDO to prepare the Independent Expert's Report. In addition, a voting exclusion statement is included on page 3 of the Notice.

The Independent Expert's Report appears as **Annexure A** to these Explanatory Notes and opines that both the RCF Transaction and the Share Acquisition are **not fair but reasonable** to the Shareholders who are not associated with RCF or Mr Clive Jones.

#### (b) Listing Rule 10.11

Listing Rule 10.11 requires the Company to obtain Shareholder approval to issue, or agree to issue, securities to:

- a 'related party'; or
- a person whose relationship with the entity is, in ASX's opinion, such that approval should be obtained,

unless an exception in Listing Rule 10.12 applies.

Under the Share Acquisition, the Company proposes to issue Shares to Mr Clive Jones who is a director (and therefore a 'related party'), or his nominees.

Accordingly, the Company is also asking Shareholders to approve the issue of Shares to Mr Clive Jones (or his nominees) under Item 2 for the purposes of Listing Rule 10.11.

Further information regarding the Proposed Transactions is set out below for the purposes of satisfying the disclosure requirements under Listing Rule 10.13.

#### (c) No additional approval under Listing Rule 7.1

Subject to certain exceptions, ASX Listing Rule 7.1 provides that a company may not issue more than 15% of its issued capital in any 12 month period without shareholder approval (15% Capacity).

This restriction does not apply in certain circumstances, including in relation to an issue of securities approved for the purposes of Listing Rule 10.11 and section 611, item 7 of the Corporations Act.

If Shareholders approve Items 1 and 2, and the Proposed Transactions subsequently proceed, then separate approval will not be required under ASX Listing Rule 7.1 given that approval is already being obtained under ASX Listing Rule 10.11 and section 611, item 7 of the Corporations Act respectively.

Accordingly, the issue of Shares under the Proposed Transactions will not count towards the Company's 15% Capacity.

#### 6.2 Information requirements

The issues of Shares under the Share Acquisition will be on the following key terms.

#### (a) Issue Date

All Consideration Shares will be issued:

- within 5 business days of completion of the Proposed Transactions; and
- in any event no later than nine months after the date of this EGM.

Bannerman has been granted a waiver from Listing Rule 10.13.3, to allow it to issue the Shares later than one month after the date of the EGM. This waiver has been granted on the following conditions:

- The Consideration Shares are issued within 5 business days of completion of the Share Acquisition and RCF Transaction, and in any event no later than 9 months from the date of the meeting
- For any annual reporting period during which any of the Consideration Shares have been issued or any of them

- remain to be issued, the Company's annual report sets out in detail the basis on which the Consideration Shares may be issued.
- In any half year or quarterly report for a period during which any of the Consideration Shares have been issued or remain to be issued, the Company must include a summary statement of the number of Consideration Shares issued during the reporting period, and the number of Consideration Shares remains to be issued.
- This notice sets out the conditions which must be satisfied prior to the issue of Consideration Shares.
- The Company releases the terms of the waiver to the market no later than the time this notice is released.

The trading of the Company's ordinary shares principally occurs on the ASX, so Bannerman intends to apply to the TSX for an exemption in accordance with Section 602.1 of the TSX Company Manual in regards to the matters herein.

#### (b) Terms of securities

The Shares are to be issued on the same terms and conditions as the Company's existing ordinary shares and will rank equally in all respects with all other ordinary shares on issue.

#### (c) Issue price of the Shares

In respect of the issue of Shares to Mr Clive Jones (or his nominees) under the Share Acquisition, as the Shares are not being issued for any cash consideration, the issue price cannot be identified.

However, the Company has applied a notional issue price of \$0.0474, being the issue price under the concurrent Placement to RCF VI.

#### (d) Use of funds

No funds will be raised through the issue of Shares to Mr Clive Jones (or his nominees) under the Share Acquisition.

#### 6.3 Restrictions in relation to the Consideration Shares

The acquisition of the Sale Interest by Bannerman will constitute the acquisition of a 'classified asset' for the purposes of Listing Rule 10.7. The term 'classified asset' includes an interest in an entity, the substantial proportion of whose assets is an interest in a mining exploration area. Relevantly, the main interest held by Bannerman Namibia is the interest in the Etango Project.

ASX considers that vendors of a 'classified asset', such as an interest in the Etango Project, from persons in a position of influence should not ordinarily receive a benefit until the value of the asset has become apparent and is reflected in the market price of the Company's securities. In such circumstances, the relevant consideration must be 'restricted securities' (ie securities issued subject to the restrictions set out in Appendix 9B).

The Company has applied for, and been granted, an ASX waiver from ASX Listing Rules 9.1.3 and 10.7 to allow it to pay the Cash Consideration to Mr Clive Jones and issue unrestricted shares to Mr Clive Jones (or his nominees).

#### 7. CORPORATIONS ACT REQUIREMENTS

#### 7.1 Why is approval required?

#### (a) Item 7 of section 611 of the Corporations Act

In general terms, section 606(1) of the Corporations Act requires that a person must not acquire a relevant interest in issued voting securities in a listed company if the transaction results in that person's or someone else's Voting Power increasing:

- from 20% or below to more than 20%; or
- from a starting point that is above 20% to below 90%.

RCF's Voting Power in the Company may increase from over 20% pursuant to the issue of Shares under the conversion of the RCF Convertible Notes, the Placement and the issue of interest shares under the RCF Convertible Notes in accordance with the RCF Transaction.

However, item 7 of section 611 of the Corporations Act provides an exception to the prohibition in section 606(1) of the Corporations Act. The exception provides that a person may acquire a relevant interest in a company's voting shares that would otherwise be breach section 606(1) of the Corporations Act if shareholders of the company approve the transaction.

The Company has previously received shareholder approval for RCF to increase its interest to 43.0% of the Shares in the Company. However, the terms of the RCF Transaction fall outside of the shareholder approval already obtained by the Company.

Accordingly, the Company is seeking the approval of Shareholders under Item 1 to ensure that the Company may issue Shares to RCF in accordance with the Proposed Transactions, irrespective of whether this would increase RCF's Voting Power in the Company above the 20% threshold.

#### (b) Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act requires shareholder approval where a public company such as Bannerman seeks to give a "financial benefit" to a "related party" (unless an exception applies).

For the purposes of Chapter 2E of the Corporations Act, Mr Clive Jones is considered to be a related party and the consideration being provided to him in connection with the Share Acquisition will constitute a financial benefit.

Whilst the Board considers that the Share Acquisition has been concluded on arm's length terms (and therefore may fall within an exemption under section 210 of the Corporations Act), in accordance with ASIC guidance and good corporate governance, it is opting to seek approval from Shareholders pursuant to Item 2 for the purposes of Chapter 2E of the Corporations Act.

#### 7.2 Information relating to RCF Transaction

RCF has prepared and is responsible for the intentions and other information in relation to RCF in this section. The Company and its directors, officers and advisors do not assume any responsibility for the accuracy or completeness of that information.

#### (a) About RCF

Resource Capital Funds is a group of commonly managed private equity funds, established in 1998 with a mining sector specific investment mandate spanning all hard mineral commodities and geographic regions. The funds' committed capital is sourced primarily from US-based institutional investors. The sixth fund, RCF VI, with committed capital of \$2.04 billion, is now being invested.

RCF has experience in building management teams specifically suited to develop and / or operate assets and has the resources and networks to draw upon top talent from around the world. In addition to providing financing, RCF has the in-house technical and financial expertise to actively guide a company's management team through the process of raising capital in the public equity and project financing markets.

Further information about RCF can be found in its website, www.resourcecapitalfunds.com.

For the purposes of the Corporations Act, each of RCF IV, RCF VI and RCF Management (each an **RCF Entity**) are associates of one another in relation to the Company. RCF has confirmed that the RCF Entities do not have any other associates in relation to the Company. Accordingly, each RCF Entity will have the same Voting Power and no other person will increase their Voting Power as a result of the RCF Transaction.

#### (b) RCF's intentions regarding Bannerman

If the Proposed Transactions are approved by Shareholders and subsequently implemented, RCF have confirmed that they have no current intention to:

- acquire any further Shares in the Company, other than potentially on the exercise of the RCF Options;
- make any change to the business of the Company;
- inject any further capital into the Company;
- make changes to the Company's existing employees;
- transfer any of the Company's assets between the Company and the RCF Entities or their associates;
- redeploy any of the Company's fixed assets;
- change the Company's financial or dividend distribution policies; or
- appoint an additional director to the Board, meaning that Mr Burvill will remain as RCF's sole representative on the Board.

However, RCF will continue to monitor the financial position of the Company and reserve the right to inject further capital into the Company should it be required.

The statements set out above are statements of RCF's current intention only and may vary as new information becomes available or circumstances change.

RCF confirms that it is not aware of any additional information (other than as set out in these Explanatory Notes, the Independent Expert's Report, or previously disclosed to Shareholders) that would be relevant to Shareholders in deciding how to vote on Item 1.

RCF have provided the Company with the above information to assist it in meeting its obligations under ASIC Regulatory Guide 74. The Company takes no responsibility for any

omission from, or any error or false or misleading statement in this section.

#### (c) Voting Power of RCF and their associates

As set out in Table 1 above, RCF held Voting Power in the Company of 22.9% as at 11 November 2015 (being the last practicable date prior to finalisation of the Notice).

If the Proposed Transactions are approved by Shareholders and subsequently implemented, RCF will be issued:

- 169,957,806 Shares under the Proposed Transactions; and
- a maximum of 21,172,580 Shares in satisfaction of accrued interest under the RCF Convertible Notes.

which will increase its Voting Power to approximately 39.7% (assuming no options are exercised and no Performance Rights vest).

Table 4: Shares to be issued to RCF

Description	Shares
Shares held by RCF IV as at 11 November 2015	64,018,724
Shares held by RCF VI as at 11 November 2015	26,482,151
Shares held by RCF as at 11 November 2015	90,500,875
Maximum Interest Shares issuable to RCF IV	14,115,054
Maximum Interest Shares issuable to RCF VI	7,057,526
Maximum Interest Shares issuable to RCF	21,172,580
Conversion Shares issued to RCF IV	66,666,667
Conversion Shares issued to RCF VI	40,000,000
Placement Shares issued to RCF VI	63,291,139
Shares issuable to RCF under the Proposed Transactions	169,957,806
Total Shares held by RCF after the Proposed Transactions	281,631,261

#### **Assumptions**

- 1. No RCF Options are exercised by RCF Management.
- The maximum number of Interest Shares that may be issued to RCF is 21,172,580. This is based on \$0.02 per share, accruing interest under the RCF Convertible Notes until 10 March 2016 (being the long-stop date for the transaction as described in section 2.4).

In this respect the maximum increase in Voting Power of RCF and their associates as a result of the Proposed Transactions and the issue of Interest Shares is 16.8%.

This maximum percentage is based on several assumptions such that the actual level of Voting Power that may be obtained by RCF and their associates may be lower depending upon the prevailing circumstances.

The number of Shares to be issued to RCF IV and RCF VI under the Proposed Transactions is fixed at 169,957,806. However, the actual number of Interest Shares issued will depend upon the prevailing VWAP as at the interest payment date and the time elapsed before completion.

#### (d) Nominee Directors

RCF currently intends that Mr Burvill will remain their sole representative on the Board. However, if the Proposed Transactions are implemented, RCF IV and RCF VI will each have the right, but not the obligation, to appoint a nominee to the board of Bannerman.

If either of RCF IV or RCF VI holds less than 5% of the issued Shares in Bannerman for more than 30 consecutive trading days, it must procure that its nominee director resigns from the board of Bannerman.

Mr Burvill is a Senior Vice President of RCF and has over 25 years mining industry experience, starting as a mechanical engineer in the design and construction of mineral process plants.

In representing RCF, Mr Burvill has acted as a non-executive director of a number of mining companies including Pan Australian Resources NL, Highlands Pacific Limited and Murchison Metals Ltd. Mr Burvill has also worked as an Associate Director of Rothschild Australia Limited, providing project finance for mining projects.

Mr Burvill has an indirect economic interest in each or RCF IV and RCF VI. Other than as described above, Mr Burvill has no current associations with RCF, the Company or any of their associates and does not have any further interest in the Proposed Transactions or any other relevant agreement.

#### (e) Other relevant agreements conditional on approval

As far as the Non-Conflicted Directors are aware, other than the following agreements, and proposed agreement, to implement the Proposed Transactions:

- Conversion and Subscription Agreement, to implement the RCF Transaction;
- Royalty Deeds in respect of the Royalties:
- UK Security Agreements over the assets of BMN UK;
- Australian Specific Security Agreements in respect of the beneficial interest of the Company in the shares of Bannerman Namibia;
- Pledge and Cession in Security over the shares held by BMN UK in Bannerman Namibia:
- Inter-creditor Deed as between RCF IV and RCF VI; and
- Deed of Covenant by Bannerman Namibia in respect of the Etango Project,

there are no other contracts or proposed contracts between RCF (or any of their associates) and the Company that are conditional on, or directly or indirectly dependent on, Shareholder approval under Items 1 or 2.

#### 7.3 Information relating to Share Acquisition

#### (a) Who are the related parties?

For the purposes of Chapter 2E of the Corporations Act, Mr Clive Jones is considered to be a related party of the Company as he is currently a Director.

In addition to being a Director and holding legal title to the Sale Interest, Mr Clive Jones (and his associates) hold the following interests in the Company as at 11 November 2015:

- 15,495,401 Shares held by Widerange Corporation Pty Ltd;
- 2,725,900 non-executive director options held by Mr Clive Jones for the Alyse Investment Trust.

As set out in the 2015 Annual Report, Mr Clive Jones received total remuneration from Bannerman for the year ended 30 June 2015 of \$75,089, in his capacity as a non-executive director. His director's fees in respect of the Company will remain the same in the current financial year.

Other than as set out above, and elsewhere in these Explanatory Notes, Mr Clive Jones does not have any other existing arrangements with Bannerman.

#### (b) Nature of the financial benefits

The consideration being provided to Mr Clive Jones in connection with the Share Acquisition could constitute a financial benefit. In summary, Mr Clive Jones (or his

nominees) would be provided with the following cash and securities in exchange for Bannerman acquiring the Sale Interest:

- 123,424,534 Shares; and
- \$1.000.000 in cash.

In addition, the acquisition of the Sale Interest by the Company provides Mr Clive Jones with the opportunity to monetise the minority interest in Bannerman Namibia, which may otherwise have been difficult in the short-term given it is subject to pre-emptive rights and is not publicly tradeable.

As a separate assessment to the Proposed Transactions as a whole, BDO has considered whether the Share Acquisition component is fair (assuming that the RCF Transaction has been approved by Shareholders).

On the basis of the preferred valuation under the Independent Expert's Report of the Company's 80% interest in the Etango Project, the Sale Interest is valued at approximately \$9.42 million. This is compared to the preferred valuation of the financial benefit provided to Mr Clive Jones, being \$7.90 million.

BDO considers that the range of values of the financial benefit provided to Mr Clive Jones is lower than the value of the Sale Interest. Accordingly, BDO considers that the Share Acquisition, on a stand-alone basis, is fair to Shareholders of Bannerman.

In this respect, the Company does not consider that it has paid consideration to Mr Clive Jones in excess of that which would have been payable if the parties were dealing at arm's length.

However, in respect of enabling Mr Clive Jones to sell the Sale Interest, the Company does not consider that it can adequately value this opportunity.

#### (c) Dilutionary impact of Consideration Shares

The issue of the 123,424,534 Consideration Shares will constitute approximately 17.4% of the undiluted issued share capital if the Proposed Transactions are implemented. As a result, if all Consideration Shares are issued to Mr Clive Jones (as opposed to any nominees), he will increase his Voting Power in the Company to approximately 19.6%.

If Items 1 and 2 are approved and the Proposed Transactions are subsequently implemented, Shareholders (other than RCF and Mr Clive Jones) will be diluted from 73.2% to 40.7%.

The Consideration Shares constitute approximately 42.1% of the aggregate Shares to be issued in connection with the RCF Transaction and Share Acquisition.

#### (d) Other material information

As part of the acquisition of the Sale Interest, the Company has agreed to pay certain legal costs of Mr Clive Jones (to the extent of approximately \$30,000). The Company will also pay any stamp and transfer duty on the Share Acquisition, which the Company estimates will be approximately \$14,000.

The Non-Conflicted Directors do not consider that, from an economic and commercial point of view, there are any further costs or detriments, including opportunity costs or taxation consequences, for the Company or benefits forgone by providing the Cash Consideration and Consideration Shares to Mr Clive Jones on the proposed terms, except as otherwise disclosed in these Explanatory Notes.

#### 7.4 Other information

#### (a) Interests of Directors

Other than Mr Burvill (whose employer is RCF Management) and Mr Clive Jones (who is the counterparty to the Share Acquisition, which is conditional upon the RCF Transaction occurring), no Director has any interest in the Proposed Transactions (excluding any benefit in their capacity as holders of Shares and Options).

Each Non-Conflicted Director (being Messrs Len Jubber, David Tucker and Ronnie Beevor) intends to vote any Shares held or controlled by him in favour of Items 1 and 2 to approve the Proposed Transactions.

#### (b) No other material information

Neither the Company nor the Directors are aware of any additional information other than as set out in these Explanatory Notes, the Independent Expert's Report, or previously disclosed to Shareholders that would be relevant to Shareholders in deciding how to vote on Items 1 and 2.

#### ITEM 3 – ISSUE OF SECURITIES TO MR JUBBER

The Company originally proposed that Shareholders consider this Item 3 at its annual general meeting, held on 11 November 2015.

As announced on 11 November 2015, the Board considered that it was prudent to delay the vote on this Item 3 to ensure that the 20-Day VWAP period (used to calculate the number of Performance Rights to be issued) commenced after the

release of the material information regarding the Proposed Transactions. This Item 3 is otherwise unrelated to the Proposed Transactions.

#### **Background**

The Company seeks Shareholder approval, for the purposes of Listing Rule 10.14, to issue Performance Rights under the Company's Employee Incentive Plan to Mr Jubber, the Chief Executive Officer and Managing Director of the Company.

Under the EIP, the Board has discretion to grant Performance Rights to any employee it declares to be an eligible executive, upon the terms set out in the EIP (and upon such terms and conditions as the Board determines).

Subject to Shareholder approval, the Board has decided to invite Mr Jubber to apply for Performance Rights under the EIP, to a value of \$400,000 (**CEO Incentive Entitlement**), with the performance hurdles and other terms set out below.

#### Reasons for the grant

The EIP is aimed at driving long term performance for Shareholders through a culture of employee share ownership and retention of executives, employees and staff.

The proposed grant of Performance Rights to Mr Jubber seeks to further align his interests with those of Shareholders by linking Mr Jubber's rewards to long term performance for Shareholders by imposing performance-related conditions, as well as a requirement that Mr Jubber continue to be employed by the Company for a defined period of time.

#### Formulae for determining Performance Rights

If the Performance Rights are granted to Mr Jubber, the number of Performance Rights would be determined by dividing the CEO Incentive Entitlement by the VWAP of the Company's Shares traded on the ASX during the 20 trading days (20 Day VWAP) prior to the EGM.

Set out below is an indicative number of Performance Rights that would be granted at various 20 Day VWAP levels, based upon the CEO Incentive Entitlement.

**Table 5: List of Performance Rights** 

20 Day VWAP	Indicative Number of Performance Rights
A\$0.02	20,000,000
A\$0.04	10,000,000
A\$0.06	6,666,667

### **EXPLANATORY NOTES**

Whilst the indicative numbers of Performance Rights set out above may be different to the actual number of Performance Rights granted (depending upon the prevailing 20 Day VWAP prior to the EGM), the amount of the CEO Incentive Entitlement will remain unchanged.

If Mr Jubber is granted the maximum indicative number of Performance Rights set out in Table 5 above, and all of them vest, it may have a diluting effect of up to approximately 5.1% on the Company's current issued and outstanding Shares.

formulae set out above.

#### **Details required by ASX Listing Rule 10.15**

#### Key terms of the grants

Rela	tionship
with	Director

The Performance Rights will be granted to Mr Jubber or his nominee.

### Total securities to be issued

Subject to the relevant Shareholder approvals being obtained, the maximum number of Performance Rights will be determined in accordance with the

The indicative maximum is 12,158,055, based on the 20 trading day VWAP of Shares up to 11 November 2015, being A\$0.0329.

ASX has granted the Company a waiver of Listing Rule 10.15.2 to permit these Explanatory Notes to not state the maximum number of Performance Rights that may be acquired by Mr Jubber.

However, the number of Performance Rights proposed to be granted to Mr Jubber will be announced by the Company to ASX prior to the EGM, as well as to Shareholders at the EGM.

#### **Price**

The Performance Rights will be granted at no cost to Mr Jubber and no amount is payable on vesting of the Performance Rights.

Persons entitled to participate in the EIP Mr Jubber is the only Director of the Company (or associate of any Director) entitled to participate in the EIP.

Loan scheme	No loans will be made by the Company in relation to the grant of the Performance Rights.
Issue date	If Shareholder approval is obtained, it is anticipated that the Performance Rights will be granted shortly after the Meeting and in any event, no later than 12 months after the date of the Meeting.

Further details of the EIP are set out in Schedule 3.

#### **Previous grants**

As at 11 November 2015, being the last practicable date prior to the date of finalising this Notice, the following grants are the only issues that have been made to Mr Jubber under the EIP, since the EIP was last approved on 22 November 2013.

Full details of Mr Jubber's holding of Shares, Performance Rights and Options are set out in the Remuneration Report of the 2015 Annual Report.

Number of Performance Rights	Grant date	Vesting date	Acquisition price
3,749,985 <sup>1</sup>	11 Dec 2013	22 Nov 2016	Nil
5,084,775	18 Dec 2014	15 Nov 2017	Nil

<sup>&</sup>lt;sup>1</sup> 416,665 (10%) were forfeited on 18 December 2014

#### **Performance hurdles**

The Performance Rights are proposed to be entirely at risk and will be subject to the following vesting conditions.

#### **Total Shareholder return performance**

50% of the Performance Rights (**TSR Tranche**) are subject to a relative total Shareholder return (**TSR**) hurdle, based on the Company's relative total Shareholder return performance tested at the end of three years.

The Company's TSR ranking within a defined peer group of uranium exploration and development companies at the end of the three years will determine the proportion of the TSR Tranche that vests (if any) on the following basis.

Relative TSR performance outcome	Percentage of award that will vest		
Below or at 25th percentile	0%		
Between the 25 <sup>th</sup> and 75 <sup>th</sup>	Scale applicable whereby every 1		

Relative TSR performance outcome	Percentage of award that will vest
percentile	percentile above the 25 <sup>th</sup> percentile equates to 2% vesting
At or above the 75 <sup>th</sup> percentile	100%

The Board may change the members of the peer group from time to time to ensure it is reflective of the Company's peers.

Any of the TSR tranche of the Performance Rights that do not vest will be cancelled at the end of three years.

#### **Operational performance**

The remaining 50% of the Performance Rights (**Operational Tranche**) are subject to an operating and personal performance based test at 12 months (**Operational Test**).

The Operational Test will be based on stated criteria to be set with reference to the Company's internal operating plans and other key performance indicators as determined by the Board.

The criteria will be based on the approved operating plan for the 12 month period and will also include reference to Mr Jubber's performance regarding specific areas such as health, safety, environment and community, strategy definition and implementation, capital management and the Company's culture and values.

Any of the Operating Tranche of Performance Rights that is not earned in accordance with the Operational Test will be cancelled at the 12 month testing point.

The earned component of the Operational Tranche will vest only if Mr Jubber continues to be continuously employed for a period of two years after the 12 month testing point.

#### Other information

**Hedging:** Mr Jubber is prohibited from hedging the share price exposure in respect of Performance Rights during the performance period.

If Shareholder approval is obtained, details of the grant of Performance Rights will be provided in the Remuneration Report for the year ending 30 June 2016.

Listing Rule 7.1: If this Item 3 is approved, further approval pursuant to ASX Listing Rule 7.1 will not be required in order to issue the Performance Rights to Mr Jubber.

Accordingly, the issue of Performance Rights to Mr Jubber will not be included in the Company's 15% Capacity.

#### What if Shareholders do not approve the grant?

If Shareholders do not approve the issue of Performance Rights to Mr Jubber, the Board will propose an alternative remuneration structure for Mr Jubber. This may be an alternative equity proposal and/or an amount in cash.

#### **Chapter 2E of the Corporations Act**

Chapter 2E of the Corporations Act requires shareholder approval where a public company seeks to give a "financial benefit" to a "related party" (unless an exception applies). For the purposes of Chapter 2E of the Corporations Act Mr Jubber is considered to be a related party and the Performance Rights will constitute a financial benefit.

An exception to the requirement to obtain shareholder approval in accordance with Chapter 2E applies where the financial benefit constitutes part of the related party's "reasonable remuneration".

The Board (other than Mr Jubber), considers that the grant of Performance Rights to Mr Jubber and any issue of Shares upon the exercise of the Performance Rights, constitutes part of the reasonable remuneration of Mr Jubber.

In reaching this conclusion, the Board has had regard to a variety of factors including market practice and the remuneration offered to persons in comparable positions at comparable companies.

#### **Board recommendation**

The Board (other than Mr Jubber) recommend that Shareholders vote **in favour** of Item 3. The Chair intends to vote undirected proxies in favour of Item 3.

# Bannerman Resources Limited GLOSSARY

thereunder.

15% Capacity	The restriction on the Company to issue securities up to 15% of its issued Share capital in any 12 month	Chair	The chair of the Extraordinary General Meeting.	First RCF Convertible Note	The \$8,000,000 convertible note facility provided to the Company by RCF IV, as amended.
	period without obtaining Shareholder	Closely Related Parties	A closely related party, meaning a spouse or child of the member; a	Group	Bannerman and its subsidiaries.
	approval.	i ditios	child of the member's spouse, a	-	
20 Day VWAP	The VWAP of the Company's Shares traded on the ASX during the relevant 20 trading days period.		dependent of the member or the member's spouse; anyone else who is one of the member's family and	IER	The Independent Expert's Report annexed to this Notice as <b>Annexure A</b> .
400	• • •		may be expected to influence the	Interest Shares	Shares issued to RCF IV and RCF VI
A\$ or \$	Australian dollars.		member or be influenced by the		in satisfaction of accrued interest
Annual Report	The financial report, Directors' report		member in the member's dealings		under the RCF Convertible Notes.
	and auditors report for the Company for the year ended 30 June 2015.		with the Company; or a company the member controls.	Item	Each resolution set out in the Notice of Meeting.
ASX	ASX Limited (ABN 98 008 624 691), or as the context requires, the financial market operated by it.	Consideration Shares	The 123,424,534 Shares that form part of the consideration to be issued to Mr Clive Jones (or his nominees)	Key Management Personnel	Key management personnel, which has the same meaning as in the Australian accounting standards.
<b>ASX Listing Rules</b>	The listing rules of the ASX.		under the Share Acquisition.		Broadly, this includes those persons
AWST	Australian Western Standard Time.	Constitution	The Company's constitution.		with the authority for planning,
Bannerman or	Bannerman Resources Limited (ABN	<b>Corporations Act</b>	Corporations Act 2001 (Cth).		directing and controlling the activities of the Company (whether directly or
Company	34 113 017 128).	Director	A director of the Company.		indirectly), and includes any
Bannerman Group	Bannerman, BMN UK and	EGM or	The Extraordinary General Meeting of		Directors.
	Bannerman Namibia.	Extraordinary	Shareholders of the Company to be	Non-Conflicted	Mr Len Jubber, Mr David Tucker and
Bannerman	Bannerman Mining Resources	General Meeting	held at Unit 1, 2 Centro Avenue,	Directors	Mr Ronnie Beevor.
Namibia	(Namibia) (Proprietary) Limited.		Subiaco, Western Australia on 29, December 2015 at 2.00pm (AWST),	Notice or Notice	The notice of Meeting and the
<b>BDO</b> or	BDO Corporate Finance (WA) Pty		or any adjournment thereof.	of Meeting	Explanatory Notes.
Independent Export	Ltd.	Employee	The Bannerman Resources Limited	Notice Record	5.00pm on 24 November 2015
Expert	5 5	Incentive Plan or	Employee Incentive Plan as amended	Date	(AWST).
BMN UK	Bannerman Resources Nominees (UK) Limited.	EIP	from time to time.	Operational Test	The operating and personal
Board	The board of Directors of the Company.	granted by the Ministry of Mines a	Exclusive Prospecting Licence 3345 granted by the Ministry of Mines and Energy in Namibia, in respect of the		performance test undertaken to determine whether the Operational Tranche will be earned.
Cash	The \$1,000,000 in cash that forms		Etango Project.	Operational	The remaining 50% of the
Consideration	part of the consideration to be paid to	Equity Securities	Has the meaning given to that term	Tranche	Performance Rights which potentially
	Mr Clive Jones under the Share	Equity Securities	under the ASX Listing Rules.		follow the TSR Tranche.
	Acquisition.	Etango Project	The uranium project of the Company	Ordinary	A resolution that must be passed by
CEO Incentive	The value of Performance Rights to	Etango Floject	located in Namibia.	Resolution	at least 50% of the votes cast by
Entitlement	which Mr Jubber is entitled on an	Explanatory Notes	The Explanatory Notes attached to		shareholders being in favour of the resolution.
	annual basis in accordance with the EIP and the Board's current policy	Explanatory Notes	the Notice of Meeting.		เ

Performance **RCF Options** Sale Interest An entitlement to one Share, subject The 2.725.900 options to be issued a The 20% shareholding in Bannerman Namibia held by Mr Clive Jones. Riaht to vesting and satisfaction of any Share, held by RCF Management. performance conditions, granted in **RCF Transaction** The proposed transactions between Shareholder Any person holding a Share in the accordance with the EIP. the Bannerman Group, RCF IV and Company's share register. **Placement** The placement of 63,291,139 Shares RCF VI being the subject of Item 1. **TSR** Total Shareholder Return, being the to RCF VI at an issue price of RCF VI Resource Capital Fund VI L.P. total before tax investment return A\$0.0474 per Share, raising a total of achieved by the holder of a Share Royalty The 0.75% gross royalty granted to \$3 million. over a defined period based on Share each of RCF IV and RCF VI under the **Placement Shares** The 63.291.139 Shares issued to price movement over that period and RCF Transaction (together, the RCF VI under the Placement. the reinvestment of dividends, if any. Royalties). **TSR Tranche** Proposed The RCF Transaction and Share The initial 50% of the Performance The number of Shares which the Savanna **Transactions** Acquisition. Rights, to potentially be followed by Contingent Company has agreed to issue to the Operational Tranche. **Proxy Form** The proxy form included with this Liability Savanna Marble CC upon the grant of Notice. the Etango Project mining licence **Voting Power** Has the meaning given to that term pursuant to the Savanna Settlement under the Corporations Act. **RCF or Resource** RCF IV, RCF VI and RCF Agreement dated 17 December 2008. **Capital Funds** 2.00pm on Sunday, 27 December Management. Voting Record Second RCF The \$4,000,000 convertible note Date 2015 (AWST). **RCF Convertible** The First RCF Convertible Note **Convertible Note** facility provided by RCF VI. and/or the Second RCF Convertible **VWAP** Volume Weighted Average Price Notes Note (as applicable). Share A fully paid ordinary share in the capital of the Company. **RCF IV** Resource Capital Fund IV L.P. **Share Acquisition** The proposed acquisition of the Sale **RCF Management** Resource Capital Funds Management Interest from Mr Clive Jones by Ptv Ltd. Bannerman, being the subject of Item 2.

## Bannerman Resources Limited SCHEDULE 1 – PRO FORMA FINANCIAL INFORMATION

The pro forma consolidated statement of financial position set out below is based on the Company's statement of financial position as at 30 September 2015 and assumes completion of the Proposed Transactions occurred on that date.

The Company's interim financial report for the quarter ended 30 September 2015 has not been reviewed nor audited.

The pro forma consolidated statement of financial position is presented in accordance with the Australian Accounting Standards.

The pro forma financial information has been presented in an abbreviated form and does not contain all the disclosure required by the Australian Accounting Standards.

The following pro forma adjustments have been made to the consolidated statement of financial position as at 30 September 2015 in order to present the pro forma consolidated statement of financial position:

- a) Payment of cash consideration of \$1 million for the Share Acquisition.
- b) Issue of 123,424,534 Shares, valued at an assumed market price of A\$0.03.

- c) Acquisition of the minority interest in Bannerman Namibia by aggregating the total payments set out in paragraphs a) and b) above.
- d) The issue of 106,666,667 Shares, for the conversion of \$8 million principal outstanding of the RCF Convertible Notes. These shares have been assumed to be issued at a market price of A\$0.03 per Share.
- e) Net cash consideration of \$2 million and the reduction of the remaining \$4 million principal outstanding under the RCF Convertible Notes in return for the grant of a 1.5% gross revenue royalty. It has been determined that the value of the royalty is zero at inception for accounting purposes.
- f) Subscription for 63,291,139 Shares at an issue price of A\$0.0474 per Share, raising a total of \$3 million.

The value of the Shares to be recorded in the accounts of the Company will ultimately be calculated by reference to the closing price of Shares on the date of completion of the Proposed Transactions and therefore will differ from the market price referred to in paragraph b) and d).

### **SCHEDULE 1 – PROFORMA FINANCIAL STATEMENT**

	30 June 2015 \$'000 (audited)	30 September 2015 \$'000 (unaudited)	Proposed Transactions	Post Transaction \$'000 (unaudited)
CURRENT ASSETS				
Cash and cash equivalents	2,291	1,014	4,000	5,014
Other receivables Other	166 82	221 51	-	221 51
TOTAL CURRENT ASSETS	2,539	1,855	<u> </u>	5,286
TOTAL CORNENT ASSETS	2,339	1,655	-	5,280
NON CURRENT ASSETS				
Other receivables	15	15	-	15
Property, plant and equipment	872	822	-	822
Exploration and evaluation expenditure	61,262	59,593	-	59,593
TOTAL NON CURRENT ASSETS	62,149	60,430	-	60,430
TOTAL ASSETS	64,688	61,716	4,000	65,716
CURRENT LIABILITIES				
Trade and other payables	693	697	-	697
Interest bearing liabilities	<del>-</del>	10,591	(10,591)	_
Provisions	198	206	-	206
TOTAL CURRENT LIABILITIES	891	11,494	-	903
NON CURRENT LIABILITIES	10,281			
Provisions	399	391	-	391
TOTAL NON CURRENT LIABILITIES	10,680	391	-	391
TOTAL LIABILITIES	11,571	11,885	(10,591)	1,294
NET ASSETS	53,117	49,831	14,591	64,422
EQUITY	•			
Contributed equity	119,468	119,707	9,903	129,610
Reserves	35,590	33,430	(5,770)	27,660
Accumulated losses	(100,914)	(102,239)	9,391	(92,848)
TOTAL PARENT ENTITY INTEREST	54,144	50,898	13,524	64,422
Non-controlling interest	(1,027)	(1,067)	1,067	-
TOTAL EQUITY	53,117	49,831	14,591	64,422
	·			

# Bannerman Resources Limited SCHEDULE 2 - KEY TERMS OF RCF TRANSACTION

Key term	Description of term
Conversion of the remainder of the	\$5 million of the principal outstanding on the First RCF Convertible Note, and \$3 million principal outstanding on the Second RCF Convertible Note, is to be converted by RCF IV and RCF VI respectively into Shares at a conversion price of A\$0.075 per Share. This will result in the aggregate issue of 106,666,667 Shares to RCF.
Notes	Following repayment of the balance of the First RCF Convertible Note and the Second RCF Convertible Note through the issue of the Royalties and the conversion, the relevant First RCF Convertible Note and Second RCF Convertible Note agreements terminate and all associated security is to be released.
Subscription	RCF VI will subscribe for \$3 million of Shares at an issue price of A\$0.0474 per Share, equating to approximately 63,291,139 Shares.
Grant of Royalties	BMN UK will grant a 0.75% gross revenue royalty in respect of the Etango Project to each of RCF IV and RCF VI (being a total royalty of 1.5%) on the terms set out below for total consideration of \$6 million comprising:
	• \$2 million in cash to be paid by RCF VI to Bannerman;
	• the notional payment of \$3 million by RCF IV to the Bannerman (to be applied towards repayment of the principal outstanding under the First RCF Convertible Note); and
	• the notional payment of \$1 million by RCF VI to the Bannerman (to be applied towards repayment of the principal outstanding under the Second RCF Convertible Note).
Royalty type	Each royalty is calculated based on the gross proceeds actually received (or deemed to be received) by Bannerman Namibia from the sale of any mineral or metallic product extracted or recovered from the Royalty Area ( <b>Product</b> ) but excluding any hedging arrangements.
	BMN UK will be entitled to reduce gross revenue for certain costs such as:
	• reasonable transportation, sales and marketing, and insurance costs in selling and transporting the Product sold or disposed of from the mine gate of the Royalty Area to the customer;
	• value added tax and/or goods and services tax or other indirect taxes collected for the relevant taxing authority and actually paid to the relevant taxing authority in respect of Product;
	• the effective tax rate on funds to be distributed up from Bannerman Namibia to BMN UK to pay the Royalties (which may comprise both corporate income tax in Namibia and the UK, and also withholding tax in Namibia), however only half of such costs will be allowable to the extent that this effective tax rate is above 42.5%.
	BMN UK will be able to off-set amounts otherwise payable under the Royalties against additional costs incurred due to the Royalties being payable at the BMN UK level rather than by Bannerman Namibia, up to an annual limit of US\$50,000 (adjusted annually based on the average consumer price index in the UK and Namibia).
Royalty calculation	No Royalty will be payable on any net gains or proceeds received from Bannerman Namibia or any related entities of Bannerman Namibia from hedging arrangements (including gains and proceeds from foreign exchange contracts and other derivative and commodity trading activities such as future trading or commodity options, price protection and price hedging).
	Where Bannerman Namibia sells, assigns or otherwise disposes of Product derived from the Royalty Area to any person on terms that are not arm's length terms, Bannerman Namibia will be deemed to have received revenue at the relevant market price in the relevant period for the purpose of the royalty calculation.
Royalty Area	In general terms, Royalties will be payable in relation to the area within EPL 3345 and any successor, renewal, modification or substitute of EPL 3345 and (other than in respect of certain exclusions) any other tenement which is contiguous to EPL 3345 and acquired by Bannerman Namibia or any of its related entities for the purposes of forming part of the Etango Project from time to time.

# Bannerman Resources Limited SCHEDULE 2 - KEY TERMS OF RCF TRANSACTION

Key term	Description of term
Right of first refusal	If the Royalty Holder wishes to transfer the whole or any of its rights under the Royalty ( <b>Royalty Interest</b> ), it must first invite BMN UK and its related bodies corporate ( <b>Offeror</b> ) to make an offer to buy the whole of the Royalty Interest ( <b>Offer</b> ). The Offer must be for cash consideration and otherwise on the terms and conditions set out by the Offeror. The Offer may be conditional on funding. The Royalty Holder may accept or decline the Offer. If the Royalty Holder does not accept the Offer within 30 days of receipt of the Offer, the Royalty Holder may at any time within 180 days after that time has elapsed, sell the Royalty Interest to another person on terms not less favourable to the Royalty Holder than that set out under the Offer.
Transfer	The Royalty is freely transferable subject to the Royalty Holder undertaking to comply with the right of first refusal obligations and subject to the transferee not being a prohibited person (against whom certain sanctions have been imposed).
Payment terms	Payments to be calculated and paid by BMN UK in immediately available funds to the Royalty Holder within 60 days of the end of each quarter in US\$ . In respect of amounts not denominated in US\$, amounts payable by Bannerman Namibia will be determined by converting the foreign currency received by Bannerman Namibia into US\$ at the relevant exchange rate existing when those proceeds were actually received.
Royalty security	Bannerman has agreed to grant the following new security in favour of RCF IV and RCF VI to secure obligations in respect of Royalties:
	a fixed and floating charge over all of the assets of BMN UK;
	a pledge over the shares held by BMN UK in Bannerman Namibia; and
	a security interest over the beneficial interest in the shares in Bannerman Namibia held by the Company.
	The Royalty Holder must be notified of an intention to put in place Project Development Funding and Senior Security arrangements. RCF IV and RCF VI agree to subordinate its rights under the Security provided the terms of subordination are reasonable and comply with certain specified requirements.
Withholding	If BMN UK is legally required to deduct any tax, duty, levy, impost, deduction, charge or withholding from a payment under the Royalty, BMN UK will pay an additional amount so that the Royalty Holder receives an amount equal to the payment which would have been due without that deduction. If the Royalty Holder is not RCF (or its related entities) this withholding gross-up will be capped at an additional 20% of the underlying Royalty.
Other covenants	Other covenants customary for a royalty deed including information rights to verify the payment calculations, a right to require an independent audit, reasonable access and a covenant not to dispose of any rights in relation to the Royalty Area unless subject to the Royalty. If the Company enters into a transaction under which it ceases to be the ultimate holding company of BMN UK or Bannerman Namibia (where that transaction is within the control of the Company), then the Company must ensure that the new ultimate holding company agrees to be bound by the Company's obligations under the royalty deed in addition to the Company.
Operations	The Royalty Holder will not be entitled to compel or require Bannerman Namibia to commence or continue exploration or production operations within the Royalty Area, and any exploration or production operations carried out by Bannerman Namibia may be carried out at the absolute discretion of Bannerman Namibia. However, if Bannerman Namibia seeks to relinquish or surrender tenements within the Royalty Area, to the extent permitted by law it must give RCF the right to acquire those tenements.
Nominee directors	Each of RCF IV and RCF VI will have the right, but not the obligation, to appoint a nominee to the board of Bannerman. If either of RCF IV or RCF VI holds less than 5% of the issued Shares in Bannerman for more than 30 consecutive trading days, it will procure that its nominee director will resign from the board of Bannerman.

## Bannerman Resources Limited SCHEDULE 2 - KEY TERMS OF RCF TRANSACTION

#### Key term

#### **Description of term**

#### **Anti-dilution right**

ASX has not granted the Company a waiver of Listing Rule 6.18. Accordingly, RCF IV and RCF VI are not presently entitled to exercise the anti-dilution right (details of which are set out below).

However, if a waiver of Listing Rule 6.18 is subsequently granted to the Company, for so long as RCF IV and RCF VI hold voting power in aggregate of not less than 10% of Bannerman at the relevant time, they will each have the right, but not the obligation, to participate in any new issue of Equity Securities by Bannerman on the same terms as other participants in the relevant issue of Equity Securities, up to such additional number of Equity Securities as would be sufficient to enable them individually to maintain their percentage shareholding in Bannerman (prior to the relevant equity issue). Any such anti-dilution right would not extend to:

- issues of Shares through pro-rata share issues, Shares issued on the exercise of any Equity Securities convertible into Shares that are in existence upon agreement of the transaction, dividend reinvestment plans, share purchase plans, asset acquisition or pursuant to a takeover or scheme of arrangement; or
- issues of any Shares, options, performance rights or other Equity Securities under an employee incentive scheme.

### Debt participation right

Subject to obtaining any necessary approvals, Bannerman will use its best endeavours to enable RCF IV and RCF VI to participate in any debt fundraising by the Bannerman group (including any security to be granted) in proportion to RCF IV and RCF VI's aggregate percentage shareholding in Bannerman (immediately prior to the debt fund raising being considered).

### **Bannerman Resources Limited**

### SCHEDULE 3 – KEY TERMS OF THE EMPLOYEE INCENTIVE PLAN

Key term	Description of term	Key term	Description of term	Key term	Description of term
Eligible employees	Full and part time employees of any Bannerman Group company (wherever they reside), but excluding non-executive Directors, contractors and casual employees, will be eligible to be granted incentives. However, there may be some further regulatory	Vesting in other circumstances	The Board may permit a participant to exercise incentives or have such incentives vested, in other limited situations, such as where a resolution is passed approving the disposal of Bannerman's main undertaking or on a winding up of Bannerman.	Vesting on change of control	Incentives that remain subject to a vesting condition immediately vest and are received or become exercisable by the participant in the event that a takeover bid is made for Bannerman, or another corporate transaction is pursued (such as a scheme of arrangement,
Entitlement for performance	requirements for executive Directors or employees residing outside Australia.  Subject to the terms of the EIP, vesting and the satisfaction of any performance conditions,	Expiry date	date  The Board may set out in an invitation to participate in the EIP the date and times when any incentives lapse. The expiry date will be no later than 10 years after the date of grant.		selective capital return etc) which results in the bidder acquiring voting power to more than 50% of Bannerman.  The Board also has a general discretion to
rights	each performance right entitles the holder to receive one Share in Bannerman.	Exercise into acquirer shares	Subject to the ASX Listing Rules, the EIP provides flexibility for Bannerman to agree with		allow incentives to immediately vest if the Board determines, acting in good faith and
Exercise price for performance rights	There is no consideration payable upon the grant or exercise of a performance right.		any successful acquirer of Bannerman to an arrangement whereby incentives will become exercisable or vest into shares of the		consistent with its fiduciary duties, that a person has obtained voting power which is sufficient to control the composition of the Board of Bannerman.
Entitlement for options	Subject to the terms of the EIP, vesting and the satisfaction of any performance conditions,	successful acquirer or its parent in lieu of Shares.			Incentives will lapse on their expiry date.
·	each option entitles the holder to acquire (whether by purchase or subscription) and be allotted one Share in Bannerman on the exercise of the option.		Any such exercise or vesting will be on substantially the same terms and subject to substantially the same conditions as the holder may exercise or vest incentives to acquire	Transferability	Incentives are only transferable upon a takeover bid where the incentives are transferred to the bidder, upon a scheme of arrangement where the Incentives are
Exercise price for options	The exercise price of an option will be determined by the Board in its absolute discretion.		Shares, but with appropriate adjustments to the number and kind of Shares subject to the incentives, as well as to any exercise price.		transferred to the acquirer, by force of law upon death of the incentive holder or upon bankruptcy of the incentive holder, or otherwise with the consent of the Board.
Vesting conditions	The Board has the discretion at the time of the grant of an incentive under the EIP to determine what (if any) vesting conditions need to be satisfied before the incentives become capable of exercise.	Board discretion	Under the terms of the EIP, the Board has absolute discretion to determine the exercise price, the expiry date and vesting conditions of any grants made under the EIP, without the requirement for further Shareholder approval.	Right to participate in dividends	Incentives will not entitle the holder to any dividends (or Shares or rights in lieu of dividends) declared or issued by the Company.  The Incentives will not be listed.

### SCHEDULE 3 – KEY TERMS OF THE EMPLOYEE INCENTIVE PLAN

Key term	Description of term	Incentives on cessation of employment			
Adjustment for rights Issues	The exercise price of incentives (if applicable) will be adjusted in the manner provided by the	Cause	Incentives which have not vested	Incentives which have vested	
conducting a rights issue prior to the lapse of ill h the relevant Incentive.		Termination for ill health or death	Immediately lapse unless Board determines	May be exercised (in the case of ill health) by the participant, or (in the	
Other rights to participate in bonus issues, reorganisations	If the Company completes a bonus issue during the term of an Incentive, the number of Shares the holder is then entitled to will be increased by the number of Shares which the holder		otherwise	case of death) by the participant's personal representative, until the incentive lapses	
and new issues etc	would have been issued in respect of incentives if they were exercised (in the case of options) or are vested and are received (in the case of performance rights) immediately prior to the record date for the bonus issue.  In the event of any reorganisation (including	Termination for cause (e.g. fraud, dishonesty, material breach of obligations)	Immediately lapse unless Board determines otherwise	Immediately lapse unless Board determines otherwise	
	of the issued capital of the Company, the  number of Incentives to which the holder is	Termination by consent (e.g. resignation)	Immediately lapse unless Board determines otherwise	Are able to be exercised during the period 30 days after cessation of employment or a longer period allowed by the Board	
	Subject to the terms of the EIP and as otherwise set out above, during the currency of the incentives and prior to their exercise (in the case of options) or vesting and receipt (in the case of performance rights), the holder is not entitled to participate in any new issue of securities of the Company as a result of their holding the incentives.	Redundancy, constructive dismissal, other termination by Company not dealt with above	Incentives automatically vest and are able to be exercised during the period 30 days after cessation of employment or a longer period allowed by Board	Are able to be exercised during the period 30 days after cessation of employment or a longer period allowed by the Board	

### **Bannerman Resources Limited**

### ANNEXURE A – INDEPENDENT EXPERT'S REPORT







#### Financial Services Guide

#### 11 November 2015

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 ('we' or 'us' or 'ours' as appropriate) has been engaged by Bannerman Resources Limited ('Bannerman') to provide an independent expert's report on the proposal to acquire the remaining 20% of its subsidiary Bannerman Mining Resources (Namibia) Pty Ltd ('Bannerman Namibia') from Mr Clive Jones and to settle in full the outstanding convertible notes held by Resource Capital Fund IV ('RCF IV') and Resource Capital Fund VI ('RCF VI'). You will be provided with a copy of our report as a retail client because you are a shareholder of Bannerman.

#### **Financial Services Guide**

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ('FSG'). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide under our Australian Financial Services Licence, Licence No. 316158;
- Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- Any relevant associations or relationships we have; and
- Our internal and external complaints handling procedures and how you may access them.

#### Information about us

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We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

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We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice.

### **BDO**

#### Financial Services Guide

Page 2

#### Fees, commissions and other benefits that we may receive

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately \$25,500 (excluding GST).

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

#### Other Assignments

In October 2013 we were engaged to provide an independent expert's report on the proposal to extend the secured convertible note facility with Resource Capital Fund IV LP. Our fees for this work amounted to approximately \$42,000.

In May 2014 we were engaged to provide an independent expert's report on the proposals for Bannerman to issue shares to Resource Capital Fund VI LP and Resource Capital Fund IV LP upon the conversion of the convertible note facilities, for Bannerman to issue shares on the exercise of options issued to RCF Management Pty Ltd and for Bannerman to grant security to RCF Fund VI in the form of a mortgage over the assets comprising Bannerman's Etango Project. Our fees for this work amounted to approximately \$24,000.

#### Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from Bannerman for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

#### Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

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As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45** days after receiving the written complaint, we will advise the complainant in writing of our determination.

#### Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ('FOS'). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter. Our FOS Membership Number is 12561. Further details about FOS are available at the FOS website <a href="www.fos.org.au">www.fos.org.au</a> or by contacting them directly via the details set out below.

Financial Ombudsman Service GPO Box 3 Melbourne VIC 3001 Toll free: 1300 78 08 08

Toll free: 1300 /8 08 08 Facsimile: (03) 9613 6399

Email: info@fos.org.au

#### Contact details

You may contact us using the details set out on page 1 of the accompanying report.



### **TABLE OF CONTENTS**

1.	Introduction	1
2.	Summary and Opinion	1
3.	Scope of the Report	6
4.	Outline of the Transactions	9
5.	Profile of Bannerman Resources Limited	12
6.	Profile of Resource Capital Fund	19
7.	Economic analysis	20
8.	Industry analysis - Uranium	21
9.	Valuation approach adopted	23
10.	Valuation of Bannerman prior to the Transactions	25
11.	Valuation of Bannerman following the Transactions	34
12.	Are the Transactions fair?	38
13.	Are the Transactions reasonable?	40
14.	Conclusion	45
15.	Sources of information	46
16.	Independence	46
17.	Qualifications	46
18.	Disclaimers and consents	47

Appendix 1 - Glossary and copyright notice

Appendix 2 - Valuation Methodologies

Appendix 3 - Independent Valuation Report prepared by Optiro Pty Ltd

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38 Station Street Subiaco, WA 6008 PO Box 700 West Perth WA 6872 Australia

11 November 2015

The Directors, Bannerman Resources Limited Unit 1, 2 Centro Avenue SUBIACO WA 6008

**Dear Directors** 

#### INDEPENDENT EXPERT'S REPORT

#### Introduction 1.

On 11 November 2015, Bannerman Resources Limited ('Bannerman' or 'the Company') announced that, subject to certain conditions including shareholder approval, it had entered into the following transactions:

- Bannerman is to acquire the remaining 20% of its subsidiary company Bannerman Mining Resources (Namibia) Pty Ltd ('Bannerman Namibia') from Mr Clive Jones ('Jones'), a non-executive director of Bannerman, for consideration of cash and shares, ('Share Acquisition'); and
- Bannerman is to settle in full the outstanding convertible notes held by Resource Capital Fund IV ('RCF IV') and Resource Capital Fund ('RCF VI') (together, 'RCF'). The settlement involves a combination of conversion of convertible notes into Bannerman shares ('Conversion') and the establishment of a royalty stream arrangement ('Royalty'). Bannerman also intends to complete a share placement with RCF VI to raise \$3.0 million ('Placement'). (Collectively 'the RCF Transaction').

For the purpose of our Report, the Share Acquisition and the RCF Transaction are collectively referred to as 'the Transactions'.

### **Summary and Opinion**

#### 2.1 Purpose of the report

The directors of Bannerman have requested that BDO Corporate Finance (WA) Pty Ltd ('BDO') prepare an independent expert's report ('our Report') to express an opinion as to whether or not the Share Acquisition and the RCF Transaction are fair and reasonable to the non-associated shareholders of Bannerman ('Shareholders').

Our Report is prepared pursuant to the following sections of the Corporations Act 2001 (Cth) ('the Act') and the Australian Securities Exchange ('ASX') Listing Rules, and is to be included in the Notice of Meeting of Bannerman in order to assist Shareholders in their decision whether to approve the:



- Share Acquisition ASX Listing Rule 10.1 as a result of Bannerman acquiring a substantial asset (being the remaining 20% of Bannerman Namibia) from a related party (being Jones who is a non-executive director of Bannerman); and
- RCF Transaction section 611 (item 7) of the Act as a result of RCF increasing its voting power in the Company from the current 22.9% to a maximum of 39.7% and ASX Listing Rule 10.1 as a result of Bannerman disposing of a substantial asset (being the grant of a 0.75% gross revenue royalty to each of RCF IV and RCF VI and the grant of associated security) to a substantial holder (being RCF whom currently holds a relevant interest of 22.9% of Bannerman's issued share capital).

While our Report is required specifically to provide an opinion on both the Share Acquisition and RCF Transaction, the Transactions are inter-conditional. Therefore we are required to assess the effect of the Transactions collectively in our overall analysis. This is considered through our pre-transaction and post-transaction analyses detailed in the following sections of our Report.

RG 111.54 suggests that, where the related party transaction is one component of a broader transaction, the expert should bear in mind whether the report provides shareholders with sufficient information to decide whether to approve giving a financial benefit to the related party as well as the broader transaction. As the Share Acquisition is a related party transaction, we have also provided an opinion on the fairness of the Share Acquisition on a standalone basis.

#### 2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ('ASIC') Regulatory Guide 74 'Acquisitions Approved by Members' ('RG 74'), Regulatory Guide 111 'Content of Expert's Reports' ('RG 111') and Regulatory Guide 112 'Independence of Experts' ('RG 112').

In arriving at our opinion, we have assessed the terms of the Transactions collectively as outlined in the body of this report. We have considered how the value of a Bannerman share prior to the Transactions on a control basis compares to the value of a Bannerman share following the Transactions on a minority basis.

We have also considered:

- the likelihood of a superior alternative offer being available to Bannerman;
- other factors which we consider to be relevant to the Shareholders in their assessment of the Transactions; and
- the position of Shareholders should the Transactions not proceed.

#### 2.3 Opinion

We have considered the terms of the Transactions as outlined in the body of this report and have concluded that, the Transactions are not fair but reasonable to Shareholders.

In our opinion, the Transactions are not fair because the value of a Bannerman share prior to the Transactions on a control basis is more than the value of a Bannerman share following the Transactions on a minority basis. However, we consider the Transactions to be reasonable because the advantages of the Transactions to Shareholders are greater than the disadvantages.

In particular, the Share Acquisition provides Bannerman with 100% control of the Etango Project and implementation of the RCF Transaction results in a net improvement in Bannerman's net asset position of \$14.28 million.



#### 2.4 Fairness

#### 2.4.1. The Transactions

In section 12 we determined how the value of a Bannerman share prior to the Transactions on a control basis compares to the value of a Bannerman share following the Transactions on a minority basis, as detailed below.

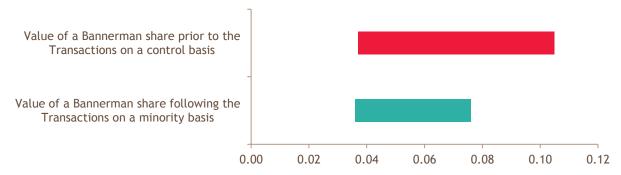
Table 1: Fairness assessment of the Transactions

	Ref	Low	Preferred	High
	Kei	\$	\$	\$
Value of a Bannerman share prior to the Transactions on a control basis	10.3	0.037	0.071	0.105
Value of a Bannerman share following the Transactions on a minority basis	11.1	0.036	0.056	0.076

Source: BDO analysis

The table above shows that the low value of a Bannerman share following the Transactions on a minority basis is close to the low value of a Bannerman share prior to the Transactions on a control basis. However, the preferred and high values following the Transactions on a minority basis are lower than the preferred and high values prior to the Transactions on a control basis.

The above valuation ranges are graphically presented below:



Source: BDO analysis

The above pricing indicates that, in the absence of any other relevant information, over a range of values, on a like for like comparison, the Transactions are not fair to the Shareholders.

#### 2.4.2. The Share Acquisition

As determined in section 12.2 of our Report, the low, preferred and high values of the financial benefit provided to Jones by Bannerman is lower than the low, preferred and high values of 20% of the Etango Project.



Table 2: Fairness assessment of the Share Acquisition

	Ref	Low	Preferred	High
		\$	\$	\$
Value of 20% of Etango Project	12.2	6.06	9.42	12.74
Total value of financial benefit provided to Jones	12.2	5.50	7.90	10.43

Source: BDO analysis

Therefore, over a range of values the financial benefit provided to Jones is lower than the value of the asset being acquired and hence we consider the Share Acquisition to be fair to the Shareholders of Bannerman.

#### 2.5 Reasonableness

We have considered the analysis in section 14 of this report, in terms of both:

- advantages and disadvantages of the Share Acquisition and the RCF Transaction; and
- other considerations, including the position of Shareholders if the Transactions do not proceed and the consequences of not approving the Transactions.

In our opinion, the position of Shareholders if the Transactions are approved is more advantageous than the position if the Transactions are not approved.

Accordingly, in the absence of any other relevant information and/or a superior proposal we believe that the Share Acquisition and the RCF Transaction are reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

Table 3: Summary of advantages and disadvantages considered in reasonableness assessment

	immary of advantages and disadvantages con ES AND DISADVANTAGES	Jidel ed III I	eusonupieness assessinent
Section	Advantages	Section	Disadvantages
13.1.1	Minority interest values prior to and following the Transactions are similar	13.2.1	The Transactions are not fair
13.1.2	Following the implementation of the Transactions, Bannerman will be more attractive to prospective investors as it will have 100% control of the Etango Project and will no longer have a \$10.28 million liability	13.2.2	Whilst it appears that the Transactions are dilutive for Shareholders, the Share Acquisition better aligns Jones' interest with all other Shareholders. Instead of participating in a 20% interest in the Etango Project as a separate entity to Bannerman, the equity of Jones is 'transferred' into a proportional shareholder interest in the Company
13.1.3	Bannerman will obtain 100% ownership of the Etango Project including:  • 100% ownership of the resource base and consequently increase the return on investment to Shareholders; and  • 100% ownership of future discoveries made within EPL 3345	13.2.3	Royalty obligations may place cash flow risks on the Etango Project. As the royalty is payable on gross revenues from the Etango Project, Bannerman has an obligation to make these royalty payments even if its operations are not profitable



ADVANTAG	ES AND DISADVANTAGES		
Section	Advantages	Section	Disadvantages
13.1.4	Provides Bannerman with full control over all decisions relating to the Etango Project which will reduce management costs and help to avoid unnecessary delays to the Project		
13.1.5	Removes the uncertainty of a new joint venture party if Jones' 20% interest is potentially sold to a third party		
13.1.6	Removes the complexities in negotiating and securing off-take agreements, which may otherwise result in delays to the Etango Project and impact on project returns		
13.1.7	Strengthens the Company's relationship with its cornerstone investor which may assist Bannerman in obtaining future funding for the development of the Etango Project		
13.1.8	Strengthens the Company's balance sheet with a \$14.28 million net improvement in Bannerman's net asset position		
13.1.9	No changes to current operating arrangements		
13.1.10	Lack and cost of alternative sources of funding		
13.1.11	The aggregate principal outstanding of \$12 million on the RCF Convertible Notes will not need to be repaid		

Other key matters we have considered include:

Table 4: Summary of other key matters considered in reasonableness assessment

Section	Description
13.3.1	Alternative proposals
13.3.2	The Transactions are unlikely to deter a takeover offer being received in the future
13.3.3	No further transactions between Bannerman, Jones and RCF



#### 3. Scope of the Report

#### 3.1 Purpose of the Report

#### **ASX Listing Rule 10.1**

ASX Listing Rule 10.1 requires that a listed entity must obtain shareholders' approval before it acquires or disposes of a substantial asset, when the consideration is to be paid for the asset or the value of the asset being disposed constitutes more than 5% of the equity interest of that entity at the date of the last audited accounts.

ASX Listing Rule 10.1 applies where the vendor or acquirer of the relevant assets is a related party or a substantial holder of the listed entity. Jones is a related party as he is a non-executive director of Bannerman. RCF currently holds a relevant 22.9% interest in the shares of Bannerman such that RCF is a substantial holder.

The acquisition of the remaining 20% of Bannerman Namibia will require Shareholders' approval under ASX Listing Rule 10.1 as a result of Bannerman acquiring a substantial asset from a related party (being Jones who is a non-executive director of Bannerman).

Additionally, the Royalty and the grant of the associated security will require Shareholders' approval under ASX Listing Rule 10.1 as a result of Bannerman potentially disposing of a substantial asset (being the grant of a 0.75% gross revenue royalty to each of RCF IV and RCF VI and the grant of the associated security) to a substantial shareholder (being RCF who currently hold a relevant interest of 22.9% of Bannerman's issued share capital). The regulatory requirements under the ASX Listing Rule 10.1 are described in more detail in the paragraphs to follow.

ASX Listing Rule 10.10.2 requires the Notice of Meeting for shareholders' approval to be accompanied by a report by an independent expert expressing their opinion as to whether the transaction is fair and reasonable to the shareholders whose votes are not to be disregarded in respect of the transaction (non-associated shareholders).

#### Section 611 of the Act

Section 606 of the Act expressly prohibits the acquisition of further shares by a party who already holds (with associates) more than 20% of the issued shares of a public company, unless a full takeover offer is made to all shareholders.

Section 611 (item 7) of the Corporations Act permits such an acquisition if the shareholders of that entity have agreed to the issue of such shares. This agreement must be by resolution passed at a general meeting at which no votes are cast in favour of the resolution by any party who is associated with the party acquiring the shares, or by the party acquiring the shares.

The Company has previously received Shareholders' approval for RCF IV and RCF VI to hold a maximum of 43% interest in the shares of Bannerman. Under the RCF Transaction RCF will increase its shareholding in Bannerman to 39.7%. However, the terms of the RCF Transaction fall outside of the shareholder approval already obtained from Bannerman shareholders. Accordingly, the Company is seeking the approval of Shareholders to the RCF Transaction under section 611 (item 7) of the Corporations Act.

Regulatory Guide 74 issued by ASIC deals with 'Acquisitions by Members'. It states that the obligation to supply shareholders with all information that is material can be satisfied by the non-associated directors



of Bannerman, by commissioning an independent expert's report. The directors of Bannerman have commissioned this independent expert's report to satisfy this obligation. Regulatory guidance

Neither the ASX Listing Rules nor the Corporations Act defines the meaning of 'fair and reasonable'. In determining whether the Transactions are fair and reasonable, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

#### **Share Acquisition**

RG 111 suggests that, where an expert assesses whether a related party transaction is 'fair and reasonable' for the purpose of ASX Listing Rule 10.1, this should not be applied as a composite test - that is, there should be a separate assessment of whether the transaction is 'fair' and 'reasonable', as in a control transaction. An expert should not assess whether the transaction is 'fair and reasonable' based simply on a consideration of the advantages and disadvantages of the proposal.

We do not consider the Share Acquisition to be a control transaction.

#### **RCF** Transaction

RG 111 suggests that where the transaction is a control transaction, the expert should focus on the substance of the control transaction rather than the legal mechanism to affect it. RG 111 suggests that where a transaction is a control transaction, it should be analysed on a basis consistent with a takeover bid.

In our opinion, the RCF Transaction is a control transaction as defined by RG 111 and we have therefore assessed the RCF Transaction as a control transaction to consider whether, in our opinion, the RCF Transaction is fair and reasonable to Shareholders.

Although the Royalty requires approval under ASX Listing Rule 10.1, RG 111.63 states that an expert need only conduct one analysis of whether the transaction is 'fair and reasonable' even if the report has been prepared for a reason other than the transaction being a related party transaction (for example, for item 7 of section 611 approval is also required). Therefore, we have included our consideration of the Royalty as part of our consideration of the RCF Transaction.

#### 3.2 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is greater than the value of the securities subject of the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.

When considering the value of the securities subject of the offer in a control transaction the expert should consider this value inclusive of a control premium. Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

RG 111.31 stipulates that in a control transaction a comparison should be made between the value of the target entity's securities prior to the transaction on a controlling basis and the value of the target entity's securities following the transaction allowing for a minority discount. This comparison reflects the fact that the acquirer is obtaining or increasing control of the target entity and the security holders in the target entity will no longer hold a controlling interest. As such, we have valued a share in Bannerman prior to the



Transactions on a controlling basis and compared this to the value of a share in Bannerman following the Transactions on a minority basis.

Completion of the Share Acquisition is conditional on, and is to occur contemporaneously with the RCF Transaction. As such, we have assessed the terms of the Transactions collectively as outlined in the body of this report.

Having regard to the above, BDO has completed this comparison in two parts:

- A comparison between value of a Bannerman share prior to the Transactions on a control basis and the value of Bannerman share following the Transactions on a minority basis (fairness - see Section 12 'Are the Transactions Fair?'); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the resolution, after reference to the value derived above (reasonableness see Section 13 'Are the Transactions Reasonable?').

#### Valuation assignment

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('APES 225').

A Valuation Engagement is defined by APES 225 as follows:

'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.'

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.



# 4. Outline of the Transactions

# 4.1 The Share Acquisition

Jones is the registered holder of 20% of the issued share capital of Bannerman Namibia, the company that holds the Etango uranium project in Namibia ('the Etango Project'). The remaining 80% of the issued share capital of Bannerman Namibia is owned by Bannerman Resources Nominees (UK) Limited ('Bannerman UK'). Bannerman holds all of the shares in Bannerman UK.

On 11 November 2015, Bannerman announced that it had entered into an agreement with Jones, under which Bannerman is to acquire the remaining 20% of its subsidiary company Bannerman Namibia from Jones. If the Share Acquisition is completed, Bannerman (through Bannerman UK) will acquire 100% of Bannerman Namibia.

The consideration payable by Bannerman for the Share Acquisition is as follows:

- issue of 123,424,534 fully paid ordinary shares in Bannerman ('Share Consideration') to Jones (or his nominees), at completion; and
- \$1,000,000 cash consideration ('Cash Consideration') payable by Bannerman to Jones (or his nominees) on completion in immediately available funds; and

Completion of the Share Acquisition is conditional on, and is to occur contemporaneously with the RCF Transaction described below.

#### 4.2 The RCF Transaction

RCF IV is the current holder of a convertible note under which the Company owes A\$8.0 million with a maturity date of 30 September 2016 ('First RCF Convertible Note'). RCF VI is the current holder of an additional convertible note under which the Company owes A\$4.0 million, also with an anticipated maturity date of 30 September 2016 ('Second RCF Convertible Note').

On 11 November 2015, Bannerman announced that it had also entered into an inter-conditional funding transaction with RCF IV and RCF VI to obtain additional funding and repay/convert the existing convertible notes in respect of Bannerman.

The RCF Transaction comprises three elements:

#### Conversion

\$5,000,000 of the principal outstanding on the First RCF Convertible Note and \$3,000,000 of the principal outstanding on the Second RCF Convertible Note is to be converted by RCF IV and RCF VI respectively into fully paid ordinary Bannerman shares at a conversion price of \$0.075 per share. As a result, Bannerman will issue approximately 106.67 million fully paid ordinary Bannerman shares to RCF.

#### Royalty

Bannerman UK will grant a 0.75% gross revenue royalty over the production from Bannerman Namibia's Etango Project to each of RCF IV and RCF VI for a total consideration of \$6,000,000 comprising:

 the notional payment of \$3.0 million by RCF IV to Bannerman (which Bannerman will direct RCF IV to apply towards a repayment of the principal outstanding under the First RCF Convertible Note);



- the notional payment of \$1.0 million by RCF VI to Bannerman (which Bannerman will direct RCF VI
  to apply towards a repayment of the principal outstanding under the Second Convertible Note);
   and
- the payment of \$2.0 million in cash by RCF VI to Bannerman.

Key terms of the Royalty to be granted to each of RCF IV and VI are summarised below:

- Royalty type a 0.75% gross revenue royalty granted to each of RCF IV and RCF VI, applied to gross
  proceeds received or deemed to be received by Bannerman Namibia (or its related entities) or
  applied to the benefit of Bannerman Namibia from the sale or other disposal to another person of
  Products (as defined below), including the proceeds received from an insurer in the case of loss of
  or damage to, the Products (net of excess paid in respect of that loss) but excluding certain
  hedging agreements;
- Products any mineral or metallic product in whatever form extracted or recovered from the Royalty Area (as defined below) which is capable of being sold or otherwise disposed of pursuant to the terms of the relevant mining tenements; and
- Royalty Area area within the boundaries of Exclusive Prospecting License 3345 ('EPL 3345') and
  any successor, renewal, modification or substitute and any other mining tenement which is
  contiguous to EPL and acquired by Bannerman Namibia or any of its related bodies corporate for
  the purpose of forming part of the Etango Project. It however excludes certain specified
  exploration tenements.

Other terms of the Royalty are set out in the Notice of Meeting.

#### **Placement**

RCF VI will subscribe for \$3,000,000 of fully paid ordinary Bannerman shares at an issue price of \$0.0474 per share, resulting in the issue of 63,291,139 fully paid ordinary Bannerman shares ('Placement Shares').

Other terms and conditions of the RCF Transaction are set out in the Notice of Meeting.

# 4.3 Impact of the Transactions on the Capital Structure of Bannerman

Table 6 shows the maximum number of shares that may be issued to Jones following the approval of the Share Acquisition and the maximum number of shares that may be issued to RCF IV and RCF VI following the approval of the RCF Transaction.

As at the date of this Report, Jones holds 3.9% of the issued shares in Bannerman. We also note, that Jones currently holds a total of 2,725,900 options in Bannerman, comprising:

- 683,000 options with an exercise price of \$0.12 and an expiry date of 21 November 2015
- 1,126,000 options with an exercise price of \$0.072 and an expiry date of 22 November 2016; and
- 916,100 options with an exercise price of \$0.089 and an expiry date of 15 November 2017.

None of the options held by Jones are currently in the money and therefore are not likely to be exercised at present.

If the Share Acquisition is approved, Jones will reach a maximum shareholding of 19.6% (from 3.9% previously held) relative to other Shareholders in Bannerman. Refer to Table 6 below for further details.



As at the date of this Report, RCF IV holds 16.2% of the issued shares in Bannerman and RCF VI holds 6.7% of the issued shares in Bannerman.

RCF Management Pty Ltd ('RCF Management') currently holds a total of 2,725,900 options in Bannerman, comprising:

- 683,800 options with an exercise price of \$0.12 and an expiry date of 21 November 2015;
- 1,126,000 options with an exercise price of \$0.072 and an expiry date of 22 November 2016; and
- 916,100 options with an exercise price of \$0.089 and an expiry date of 15 November 2017.

None of the options held by RCF Management are currently in the money and therefore are not likely to be exercised at present.

Whilst not forming part of the Transactions, in accordance with the RCF Convertible Notes, RCF IV and RCF VI will be issued shares in satisfaction of accrued interest between the date of the Notice of Meeting and completion of the Transactions. Management has advised, RCF IV is entitled to approximately a total of 14,115,054 interest shares and RCF VI is entitled to approximately a total of 7,057,526 interest shares, as shown below:

Table 5: Calculation of interest shares

		Interest payable	Share Price*	Interest Shares
	Qtr/Period	A\$	A\$	#
RCF IV				
Dec-15		161,315	0.02	8,065,754
Mar-16		120,986	0.02	6,049,300
RCF VI				
Dec-15		80,658	0.02	4,032,876
Mar-16		60,493	0.02	3,024,650
TOTAL		423,452	0.02	21,172,580

<sup>\*</sup>the share price is determined based on the estimated five-day volume weighted average price ('VWAP') up to and including the last day of the quarter, in accordance with both the RCF IV and RCF VI Convertible Note Facility Agreements.

Therefore, following the completion of the RCF Transaction, RCF IV and RCF VI together will reach a maximum of 39.7% (from 22.9% previously held) interest in Bannerman. Refer to Table 6 below for further details.



Table 6: Bannerman capital structure post transaction

	RCF	Clive Jones	Other	
	(IV and VI)	& nominees	Shareholders	Total
Number of shares on issue prior to the Transactions				
Issued shares at the date of our Report	90,500,875	15,495,401	289,770,310	395,766,586
% holding	22.9%	3.9%	73.2%	100.0%
Number of shares on issue following the Transactions				
Shares on issue as at the date of our Report	90,500,875	15,495,401	289,770,310	395,766,586
Shares to be issued to RCF as 'interest shares'	21,172,580	-	-	21,172,580
Share Acquisition				
Clive Jones		123,424,534		123,424,534
RCF Transaction				
Conversion	106,666,667			106,666,667
Placement Shares	63,291,139			63,291,139
Number of shares after the approval of the Transactions	281,631,261	138,919,935	289,770,310	710,321,506
% holdings after the approval of the Transactions	39.7%	19.6%	40.7%	100.0%

Under the Share Acquisition, the Share Consideration will be issued to Jones and his nominees. As at the date of this Report, Jones has not nominated any other party to be issued the Share Consideration.

# Profile of Bannerman Resources Limited

# 5.1 History

Bannerman is an Australian exploration and development company focused on uranium. The Company listed on the ASX in April 2005, on the Toronto Stock Exchange in November 2007 and the Namibian Stock Exchange in July 2008. Bannerman is currently focused on developing its 80% owned flagship project, the Etango Project, which is located in Namibia.

Currently, the Board of Directors comprises the following people:

- Ronald Beevor Non-Executive Chairman;
- Leonard Jubber CEO and Managing Director;
- Ian Burvill Non-Executive Director (RCF Representative);
- Clive Jones Non-Executive Director; and
- David Tucker Non-Executive Director.

# Etango Project (80% Bannerman)

The Etango Project is a uranium focused project located 38 km east of Swakopmund, Namibia, and is one of the world's largest undeveloped uranium projects. The Etango Project is located 73km by road from Walvis Bay. Bannerman currently has an 80% interest in the project through its subsidiary Bannerman Namibia. The remaining 20% is owned by Jones who is a non-executive director of Bannerman and Bannerman Namibia.



Bannerman completed a Definitive Feasibility Study ('DFS') and Environmental and Social Impact Assessment ('ESIA') on the Etango Project in 2012. The Ministry of Environment and Tourism ('MET') also granted formal environmental approval for development of the Etango Project to the Company in the September 2012 quarter.

The JORC compliant maiden Ore Reserve estimate for the Etango Project as at April 2012, of 279.6Mt at 194ppm for 119.3 Mlbs of uranium is drawn only from the existing Measured and Indicated Mineral Resources. The Ore Reserve estimate represents an 80% conversion rate from Measured and Indicated Mineral Resources.

On 22 September 2014, Bannerman announced the award of major contracts to construct and operate the Etange Heap Leach Demonstration Plant ('Demonstration Plant'). Construction commenced in October 2014, with completion of the construction of the Demonstration Plant on 24 March 2015. The demonstration plant program commenced in April 2015.

The Etango Project forms part of EPL 3345 which was granted to Bannerman Namibia on 27 April 2006 to explore for nuclear fuels, including uranium. The EPL expired on 26 April 2015. An application to renew the EPL was lodged on 26 January 2015 and is yet to be granted.

Bannerman released an optimisation study on the Etango Project on 11 November 2015. The study focuses on the resource modelling and the mine planning aspects of the Etango Project. The outcome of the optimisation study does not have a material impact on the value of the Etango Project.

For further information on the Company's Etango Project, refer to Appendix Three.

#### **Capital Raising History**

On 23 December 2011, the Company completed a Share Placement which saw it issue approximately 36.5 million shares at an issue price of \$0.225 per share to raise approximately \$8.2 million. Of this \$8.2 million raised, \$2 million was subscribed for by RCF IV. This had the effect of reducing the outstanding \$10 million convertible note facility to \$8 million. This was approved by Shareholders on 13 March 2012 with the issue of shares to RCF IV and the reduction in the face value of the convertible note considered to be non-cash transactions.

In February 2012, the Company completed a follow-on placement of 8 million shares to raise a further \$1.8 million, and a Share Purchase Plan comprising the issue of approximately 17.78 million shares to raise a further \$4 million. Both additional capital raisings were completed at an issue price of \$0.225 per share.

On 8 April 2014, Bannerman announced that RCF VI had agreed to provide a \$4 million convertible note facility to support the construction and operation of a pilot plant at the Etango Project. On 1 July 2014, the Company drew down the \$4 million convertible note funds provided by RCF VI.

On 23 April 2015, the Company completed a Share Purchase Plan and subsequent shortfall placements which saw it issue approximately 38.5 million shares at an issue price of \$0.052 per share to raise \$2 million. The funds raised were used to operate the Demonstration Program and for other general working capital purposes.



# 5.2 Historical Balance Sheet

Table 7: Historical Consolidated Statements of Financial Position of Bannerman

	Audited as at	Audited as at	Audited as at
Statement of Financial Position	30-Jun-15	30-Jun-14	30-Jun-13
	\$'000	\$'000	\$'000
CURRENT ASSETS			
Cash and cash equivalents	2,291	5,112	3,816
Other receivables	166	55	134
Other	82	37	47
TOTAL CURRENT ASSETS	2,539	5,204	3,997
NON-CURRENT ASSETS			
Other receivables	15	15	27
Property, plant and equipment	872	880	950
Exploration and evaluation expenditure	61,262	54,899	59,713
TOTAL NON-CURRENT ASSETS	62,149	55,794	60,690
TOTAL ASSETS	64,688	60,998	64,687
CURRENT LIABILITIES			
Trade and other payables	693	527	401
Interest bearing liabilities	-	-	7,415
Provisions	198	172	186
TOTAL CURRENT LIABILITIES	891	699	8,002
NON-CURRENT LIABILITIES			
Interest bearing liabilities	10,281	9,213	-
Provisions	399	-	-
TOTAL NON-CURRENT LIABILITIES	10,680	9,213	-
TOTAL LIABILITIES	11,571	9,912	8,002
NET ASSETS	53,117	51,086	56,685
Contributed equity	119,468	116,730	115,810
Reserves	35,590	32,080	36,156
Accumulated losses	(100,914)	(96,777)	(94,454)
Non-controlling interest	(1,027)	(947)	(827)
TOTAL EQUITY	53,117	51,086	56,685

Source: Audited financial statements for the financial years ended 30 June 2015 and 30 June 2014 and 30 June 2013.

For the year ended 30 June 2015, the audit report in the financial statements included an emphasis of matter regarding the Company's ability to continue operating as a going concern. The Directors acknowledge that the Company's cash flow forecast reflects that additional working capital will need to be raised within the coming financial year to enable the Company to continue its planned business activities and expenditure levels. The Directors are satisfied that there are reasonable grounds to believe that, having regard to the Company's position and its available financing options, the Company will be able to raise additional capital to enable it to meet its obligations as and when they fall due.



Also highlighted in the audit report, the Company has an asset representing exploration and evaluation expenditure relating to the Etango Project of \$61.26 million as at 30 June 2015. The carry forward of this asset is dependent upon, amongst other matters, the continued right to tenure over the Etango Project via EPL 3345. The existing EPL 3345 expired on 26 April 2015. An application to renew EPL 3345 was lodged on 26 January 2015 and the right to tenure continues whilst the renewal application is considered.

# **Commentary on Historical Balance Sheet**

- Bannerman's primary asset is its capitalised exploration and evaluation expense which totalled \$61.26 million as at 30 June 2015. The increase in capitalised exploration and evaluation expenses is primarily due to \$3.07 million in foreign currency translation movements and \$3.29 million in exploration and evaluation expenditure incurred at the Etango Project, during the financial year ended 30 June 2015.
- The breakdown of exploration and evaluation expenditure incurred at the Etango Project over the three year period, is shown below:

Table 8: Breakdown of Exploration and Evaluation Expenditure

Table 6: Breakdown of Exploration and Evaluation Expenditure				
	Audited as at	Audited as at	Audited as at	
Exploration and evaluation expenditure	30-Jun-15	30-Jun-14	30-Jun-13	
	\$'000	\$'000	\$'000	
Drilling consumables	4	-	-	
Assays and freight	-	1	17	
Geophysics & downhole surveys	-	-	4	
Salaries and wages	675	454	1,101	
Consultants and contractors	181	68	307	
Demonstration plant construction costs	1,631	-	-	
Demonstration plant change in rehabilitation provision	399	-	-	
Demonstration plant operational costs	317	-	-	
Travel and accommodation	15	12	42	
Other	67	95	153	
TOTAL EXPLORATION AND EVALUATION EXPENDITURE	3,289	630	1,624	

- Current interest bearing liabilities as at 30 June 2013 comprised an \$8 million secured convertible note with a maturity date of 31 March 2012. On 6 September 2013, Bannerman reached an agreement with RCF IV, extending the maturity date to 30 September 2016. As a result, the secured convertible note was reclassified as a non-current liability.
- In April 2014, the Company reached an agreement with RCF VI on a new \$4 million convertible note facility with a maturity date of 30 September 2016.
- Non-current interest bearing liabilities as at 30 June 2015 is comprised of the above two
  convertible notes.
- Current provisions relate to annual leave. Non-current provisions comprise primarily of rehabilitation provisions representing the present value of future costs relating to the Demonstration Plant.



- Bannerman's contributed equity has increased from \$115.81 million to \$119.47 million over the three year period. This increase is due to the:
  - issue of approximately 3.81 million shares upon the vesting of performance rights;
  - issue of approximately 12.95 million shares to RCF IV and RCF VI in satisfaction of the interest payments in relation to the two convertible notes;
  - completion of a Share Purchase Plan resulting in the issue of approximately 7.84 million shares; and
  - issue of approximately 30.62 million shares upon the completion of shortfall placements subsequent to the Share Purchase Plan.

# 5.3 Historical Statement of Comprehensive Income

Table 9: Historical Consolidated of Comprehensive Income of Bannerman

	Audited for the	Audited for the	Audited for the
Statement of Comprehensive Income	year ended	year ended	year ended
statement of comprehensive income	30-Jun-15	30-Jun-14	30-Jun-13
	\$'000	\$'000	\$'000
Revenue			
Other revenue	75	67	190
Other income	14	49	2
Expenses			
Employee benefits	(1,556)	(439)	(2,103)
Borrowing costs	(2,104)	(1,705)	(1,371)
Compliance and regulatory expenses	(236)	(319)	(276)
Depreciation	(88)	(119)	(203)
Exploration expenditure written off	-	-	(77)
Other expenses	(846)	(1,196)	(2,210)
Loss from continuing operations before income tax	(4,741)	(3,662)	(6,048)
Income tax benefit	500	1,241	360
Loss from continuing operations after income tax	(4,241)	(2,421)	(5,688)
Foreign currency translation differences	2,999	(5,543)	(3,078)
Revaluation of land and buildings	-	111	-
Total comprehensive loss for the year	(1,242)	(7,853)	(8,766)

Source: Audited financial statements for the financial years ended 30 June 2015 and 30 June 2014 and 30 June 2013.

# **Commentary on Historical Statement of Comprehensive Income**

- Other revenue relates to interest revenue. Other income comprises profit on disposal of plant and equipment.
- Over the three year period, borrowing costs have increased to \$2.10 million for the financial year ended 30 June 2015. This increase primarily relates to the increase in non-current interest bearing liabilities.



- \$0.77 million of exploration expenditure was written off in the financial year ended 30 June 2013 which related to exploration expenditure incurred at the Etango Project.
- The breakdown for other expenses is shown below:

Table 10: Breakdown of Other Expenses

	Audited as at	Audited as at	Audited as at
Other expenses	30-Jun-15	30-Jun-14	30-Jun-13
	\$'000	\$'000	\$'000
Corporate and overheads	288	234	388
Consulting - fees	114	488	798
Consulting - share-based payment expense	-	-	9
Legal	76	157	168
Travel	116	97	247
Employer related taxes	74	-	86
Recruitment	26	-	125
Occupancy	102	167	311
Insurance	50	53	78
TOTAL OTHER EXPENSES	846	1,196	2,210

# 5.4 Capital Structure

The share structure of Bannerman as at 11 November 2015 is outlined below:

Table 11: Share structure of Bannerman

	Number
Total ordinary shares on issue	395,766,586
Top 20 shareholders	238,971,361
Top 20 shareholders - % of shares on issue	60.38%
Source: Bannerman Management	

The range of shares held in Bannerman as at 11 November 2015 is as follows:

Table 12: Range of shares held in Bannerman

Range of Shares Held	Number of Ordinary Shareholders	Number of Ordinary Shares	Percentage of Issued Shares (%)
1 - 1,000	724	365,620	0.09%
1,001 - 5,000	1,142	3,415,213	0.86%
5,001 - 10,000	580	4,685,010	1.18%
10,001 - 100,000	1,273	45,919,195	11.60%
100,001 - and over	335	341,381,548	86.26%
TOTAL	4,076	395,766,586	100.00%

Source: Bannerman Management



The ordinary shares held by the most significant shareholders as at 11 November 2015 are detailed below:

Table 13: Substantial shareholders of Bannerman

Name	Number of Ordinary Shares Held	Percentage of Issued Shares (%)
Resource Capital Funds IV L.P. and Resource Capital Funds VI L.P.	90,500,875	22.87%
Global X	16,773,185	4.24%
Clive Bruce Jones	15,495,401	3.92%
Regent Pacific Group Ltd	10,854,568	2.74%
Subtotal	133,624,029	33.76%
Others	262,142,557	66.24%
Total ordinary shares on Issue	395,766,586	100.00%

Source: Bannerman Management

Bannerman has the following unlisted options on issue:

Table 14: Options on issue

Options on Issue	RCF Management	Clive Jones	Others	Total
\$0.12 options expiring 21 November 2015	683,800	683,800	427,600	1,795,200
\$0.072 options expiring 22 November 2016	1,126,000	1,126,000	2,252,000	4,504,000
\$0.089 options expiring 15 November 2017	916,100	916,100	1,832,200	3,664,400
TOTAL	2,725,900	2,725,900	4,511,800	9,963,600

If all these options are exercised it would raise \$865,844 in cash. However, none of the options are currently in the money and therefore are not likely to be exercised at present.

Bannerman has the following performance rights and share rights on issue.

Table 15: Performance rights and share rights on issue

Performance Shares	Number
Performance rights vesting 11 November 2015	170,000
Performance rights vesting 15 November 2015	262,644
Performance rights vesting 21 November 2015	3,502,674
Performance rights vesting 22 November 2015	759,519
Performance rights vesting 15 November 2016	2,132,015
Performance rights vesting 22 November 2016	5,095,630
Performance rights vesting 15 November 2017	7,729,029
Share rights vesting 15 November 2015	423,700
TOTAL	20,075,211

The Company currently has an \$8.0 million convertible note with RCF IV and a \$4.0 million convertible note with RCF VI.



Table 16: Convertible notes

Convertible Notes	Exercise Price	Number of shares	Face Value
RCF Fund IV L.P.	\$0.095	84,210,526	\$8,000,000
RCF Fund VI L.P.	\$0.095	42,105,263	\$4,000,000
TOTAL	\$0.095	126,315,789	\$12,000,000

# 6. Profile of Resource Capital Fund

Resource Capital Funds is a group of commonly managed private equity funds established in 1998 with a mining sector specific investment mandate spanning all hard mineral commodities and geographic regions.

The Funds' committed capital is sourced primarily from US-based institutional investors. The sixth fund, Resource Capital Fund VI LP, with committed capital of \$2.04 billion, is now being invested. Further information about Resource Capital Funds is available at <a href="https://www.resourcecapitalfunds.com">www.resourcecapitalfunds.com</a>.

RCF has experience in building management teams specifically suited to develop and/or operate assets and has the resources and networks to draw upon to source top talent from around the world. In addition to providing financing, RCF has the in-house technical and financial expertise to actively guide a mining company's management team through the process of raising capital in the public equity and project financing markets. RCF's management team consists of individuals with extensive commercial and technical experience in the mining industry.

As at the date of our Report, RCF, through its funds RCF IV and RCF VI is the largest shareholder in Bannerman with an ownership interest of 22.9%.



# 7. Economic analysis

#### **Global Overview**

The global economy is expanding at a reasonable pace, but some key commodity prices are much lower than a year ago. Growth in global trade slowed down over the first half of 2015, as has growth of global industrial production. Weakness in Chinese demand contributed to a further decline in commodity prices in recent months.

In China, economic activity in the resource-intensive sectors has continued to moderate in the first half of 2015. In response to the slowdown in economic activity, the Chinese government has adjusted various policies in order to provide support. The Japanese economy has recovered since late 2014, while economic activity in the rest of the Asian-Pacific region has slowed to below its ten year average.

The Federal Reserve is expected to start increasing its policy rate. However, with some other major central banks continuing to ease their policy, global financial conditions have remained very accommodative.

The major developments in the global financial markets over the recent months have been an escalation of concerns that Greece may exit the euro zone, an unwinding of Chinese share prices, a depreciation of exchange rates of commodity-exporting nations and a correction of bond yields. Despite the various fluctuations in the markets, long term borrowing rates remain remarkably low for most sovereign and creditworthy private borrowers.

#### **Commodities**

Global commodity prices declined in the second quarter of 2015 due to abundant supply and weak demand, in particular for industrial commodities. Global commodity production is being scaled in order to re-balance the demand and supply of commodities.

Uranium prices remain low, but forecasts continue to forecast a positive change in prices. Despite the disaster at the Fukushima nuclear facility which crippled the industry, one nuclear reactor in Japan has restarted in September 2015 with another scheduled to restart in October 2015.

All major commodity prices are forecast to continue to decline, primarily due to abundant supply and weak demand.

#### Namibia

Namibia has sustained consistent economic growth, moderate inflation, limited public debt, and positive export earnings. The Namibian economy is closely linked to South Africa's economy through trade, investment, and common monetary policies. The Namibian dollar is also pegged to the South African rand, with many economic trends (including inflation) closely following those in South Africa. However, despite the years of fiscal surpluses and careful macroeconomic policies, by 2012 the Namibian economy slowed to just 4% in response to the global economic crisis.

Agriculture is the largest form of employment in Namibia, accounting for approximately 27% of jobs in 2013. The agricultural industry has recently suffered from severe flooding, followed by a period of annual drought and threat of foot and mouth disease to cattle.

The Namibian economy is also highly dependent on the extraction and processing of minerals for exportation. While mining makes up around 8% of GDP, it provides for over 50% of foreign exchange earnings. Namibia's uranium mining sector has slowly gained momentum and looks to take over as the



country's main exporting commodity. The Namibian economy is vulnerable to volatility in the uranium price. As of 2014, Namibia is the world's fifth largest uranium producer and Africa's second largest uranium exporter.

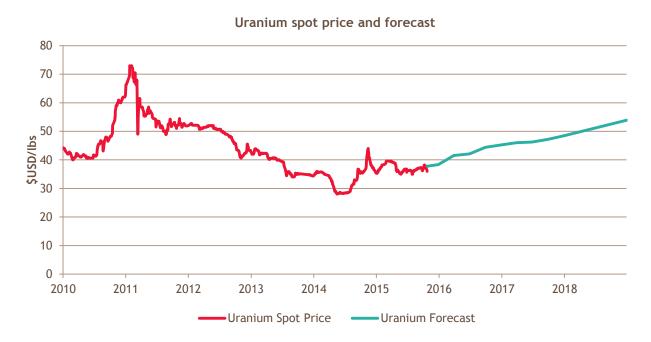
Source: www.worldbank.org World Bank Group and www.rba.gov.au Statement on Monetary Policy October 2015.

# 8. Industry analysis - Uranium

Uranium is extracted as uranium ore. As economic uranium deposits are relatively scarce, mining is concentrated in a few countries worldwide. The most common method of extraction is open pit mining due to the volume intense nature of extraction. This is attributable to uranium ore mostly occurring at relatively low concentrations. The state of the world's uranium market is almost wholly dependent on the global fortunes of the nuclear power generation industry. The Fukushima nuclear disaster, which occurred in March 2011, cast an ominous shadow over the industry and rekindled divisive opinions over the use of uranium as an energy source.

#### **Prices**

The uranium spot price as at 11 November 2015 was US\$35.38/lb  $U_3O_8$ . Following a peak of US\$73.0/lb  $U_3O_8$  on 28 January 2011, uranium prices have since declined from 2012 through to 2014 reaching a low of US\$28.0/lb  $U_3O_8$  on 20 May 2014. More recently, uranium prices from January 2015 through to October 2015 have averaged US\$36.92/lb  $U_3O_8$ , ranging from a low of US\$35.0/lb  $U_3O_8$  on 27 May 2015 to a high of US\$39.63/lb  $U_3O_8$  on 5 March 2015. The following graph shows historical and forecast  $U_3O_8$  weekly spot prices since January 2010:



Source: Bloomberg (historical prices), Consensus Economics (Forecast)

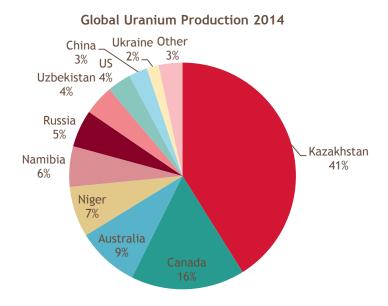
Up until the Fukushima nuclear power plant crisis, uranium prices were beginning to gain momentum after a steady decline from project delays caused by the global financial crisis and issues with over supply from production in Kazakhstan. The beginning of January 2011 had shown a significant spike in uranium prices as a result of expansion in Asia. Chinese demand is expected to keep uranium supply in a deficit and place



upward pressure on prices in the long term. The long term price projections show a recovery to around US\$78.58/lb.

#### **Uranium Production**

Africa has considerable mineral deposits, including uranium and, as it has become more developed will potentially become a leading producer of uranium. The leading producing countries of uranium in Africa are Namibia and Niger. Both Namibia and Niger began commercial uranium mining in the 1970s and have strong government support for expanding uranium mining operations. Collectively the mines in these countries account for approximately 13% of global uranium production in 2014. The chart below shows the world uranium production figures for 2014.



Source: World-

nuclear.org (updated at July 2015)

Kazakhstan, Australia and Canada accounted for more than 66% of the world's uranium production in 2014.

# **Global Outlook**

The Japanese nuclear power plant crisis at Fukushima in March 2011 has tarnished the general view of nuclear energy and as such prices have been slow to recover from a seven year low. Despite on-going environmental concerns, with China, South Korea and India announcing expansion plans and Japan recently commencing restarting its reactors, future growth in the uranium industry is likely to be heavily reliant on Asia.

Nuclear power offers a viable long term source of energy over fossil fuels which are becoming scarcer. Although Kazakhstan, Canada and Australia have historically been the key producers of uranium, Africa has shown enormous potential as being the next uranium superpower with many international uranium miners such as Rio Tinto, Areva, ARMZ, CGNPC and Paladin establishing operations there.

The catalyst for a price recovery was the closure of the Megatons to Megawatts programme in December 2013. The Megatons to Megawatts program commenced in Russia in 1993 and has since been responsible



for approximately 11% of the world's uranium supply. With this program ceasing, the supply of uranium has decreased, leading to an increase in the price of uranium and spurring growth in the industry. Additional growth may arise as emerging economies look towards uranium as an alternative source of energy. The rise in gas prices is increasing the demand for alternative energy sources such as nuclear power, further increasing the demand for uranium.

Globally, there are currently 436 nuclear reactors in operation and 67 under construction, with 60 of those scheduled to commence operations by 2017. In China, 33 reactors are currently in operation and the construction of 26 reactors continues. Japan is also planning to fast track the restart of some of its nuclear reactors, which bodes well for the medium term uranium price outlook. Japan has 1 operating reactor, 42 operable reactors in operation, and 2 reactors currently under construction.

# Valuation approach adopted

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings ('FME')
- Discounted cash flow ('DCF')
- Quoted market price basis ('QMP')
- Net asset value ('NAV')
- Market based assessment such as a Resource Multiple

A summary of each of these methodologies is outlined in Appendix 2.

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information.

#### 9.1 Valuation of Bannerman Shares Pre-Transactions

In our assessment of the value of Bannerman shares prior to the Transactions, we have chosen to employ the following methodologies:

- NAV on a going concern basis as our primary valuation methodology; and
- QMP as our secondary approach as this represents the value that a Shareholder can receive for a share if sold on market.

We have chosen these methodologies for the following reasons:

- Bannerman's primary asset, the Etango Project does not currently generate any income nor are there
  any historical profits that could be used to represent future earnings, so the FME approach is not
  appropriate;
- Bannerman currently has no foreseeable future net cash inflows, so the application of the DCF valuation approach is not appropriate;
- Consequently, we have adopted the NAV approach as our primary valuation method. Bannerman's primary asset, the Etango Project, is not a producing asset and no revenue or cash flows are currently generated by this asset;



 QMP has been adopted as our secondary method. The QMP basis is a relevant methodology to consider because Bannerman's shares are listed on the ASX. This means there is a regulated and observable market where Bannerman's shares can be traded. However, in order for the QMP methodology to be considered appropriate, the Company's shares should be liquid and the market should be fully informed of the Company's activities.

#### Independent specialist valuation

In valuing Bannerman's Etango Project as part of our NAV valuation, we have relied on the independent specialist valuation performed by Optiro Pty Ltd ('Optiro') in accordance with the Code of Technical Assessment of Mineral and Petroleum Assets and Securities for Independent Expert Reports ('the Valmin Code') and the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ('JORC Code').

We are satisfied with the valuation methodologies adopted by Optiro which we believe are in accordance with industry practice and compliant with the requirements of the Valmin Code. A copy of Optiro's valuation report is attached in Appendix 3.

#### 9.2 Valuation of Bannerman Shares Post-Transactions

In our assessment of the value of a Bannerman share following the Transactions, we have chosen to employ the NAV (sum-of-parts) as our primary valuation methodology, having consideration to the:

- value of Bannerman's 100% interest in the Etango Project (having reliance on Optiro's specialist valuation opinion);
- effect of the Share Acquisition and RCF Transaction on the cash balance of Bannerman;
- effect of the Share Acquisition on the liabilities of Bannerman; and
- effect of the Share Acquisition and RCF Transaction on the number of issued capital of Bannerman.



# 10. Valuation of Bannerman prior to the Transactions

# 10.1 Net Asset Valuation of Bannerman

The value of Bannerman's assets on a going concern basis is reflected in our valuation below:

Table 17: Net Asset Valuation of Bannerman prior to the Transactions

·	30-Jun-15	Low value	Preferred value	High value
Notes	\$'000	\$'000	\$'000	\$'000
1	2,291	1,014	1,014	1,014
	166	166	166	166
	82	82	82	82
_	2,539	1,423	1,423	1,423
	15	15	15	15
	872	872	872	872
2	61,262	24,240	37,680	50,960
_	62,149	25,127	38,567	51,847
_	64,688	26,550	39,990	53,270
_				
	693	693	693	693
_	198	198	198	198
	891	891	891	891
	10,281	10,281	10,281	10,281
	399	399	399	399
_	10,680	10,680	10,680	10,680
_	11,571	11,571	11,571	11,571
		14,818	28,258	41,538
3		395,766,586	395,766,586	395,766,586
		0.037	0.071	0.105
	Notes  1  2  -	30-Jun-15 Notes \$'000  1 2,291	Notes         \$'000         \$'000           1         2,291         1,014           166         166         166           82         82           2,539         1,423           15         15           872         872           2         61,262         24,240           62,149         25,127           64,688         26,550           693         693           198         198           891         891           10,281         10,281           399         399           10,680         10,680           11,571         11,571           14,818         395,766,586	Notes         \$'000         Low value \$'000         Preferred value \$'000           1         2,291         1,014         1,014           166         166         166         166           82         82         82           2,539         1,423         1,423           15         15         15           872         872         872           2         61,262         24,240         37,680           62,149         25,127         38,567           64,688         26,550         39,990           693         693         693           198         198         198           891         891         891           10,281         10,281         10,281           399         399         399           10,680         10,680         10,680           11,571         11,571         11,571           14,818         28,258           3         395,766,586         395,766,586

Source: BDO analysis

We have been advised by management that there were no material changes in the consolidated statement of financial position since 30 June 2015, other than those outlined below. We have assumed that the fair market value of the assets and liabilities as at 30 June 2015 are equal to the carrying value as set out in the above consolidated statement of financial position.

The table above indicates the net asset value of a Bannerman share prior to the Transactions is between \$0.037 and \$0.105 with a preferred value of \$0.071. The following adjustments were made to the net assets of Bannerman as at 30 June 2015 in arriving at our valuation.



#### Note 1: Cash and cash equivalents

Cash and cash equivalents decreased from \$2.29 million as at 30 June 2015 to \$1.01 million as at 30 September 2015. The decrease in cash was primarily a result of cash expenditure on general working capital and operating costs of the Demonstration Plant at the Etango Project.

#### Note 2: Valuation of Bannerman's Etango Project

We have instructed Optiro to provide an independent market valuation of the Etango Project. Optiro has derived a preferred valuation for the exploration potential of the mineralisation from the Geoscientific rating method and has used the Comparable Transactions method to value the Mineral Resource. The Comparable Transaction method involves calculating a value per common attribute in a comparable transaction and applying that value to the subject asset. A common attribute could be the amount of resource or the size of a tenement. We consider the methodology used by Optiro to be appropriate given the current market for uranium and the uranium price.

The range of values for Bannerman's 80% Etango Project as calculated by Optiro is set out below:

Table 18: Independent valuation of Bannerman's 80% interest in the Etango Project

Bannerman Resources Ltd	Low value	Preferred value	High value
Mineral Asset Valuation - Etango Project	\$m	\$m	\$m
Etango Mineral Resources	29.7	46.3	62.8
Etango Exploration Potential	0.6	0.8	0.9
Value of 100% of the Etango Project	30.3	47.1	63.7
Bannerman's ownership percentage	80%	80%	80%
Value of 80% of the Etango Project	24.24	37.68	50.96

Source: Independent valuation report by Optiro

The table above indicates a range of values for the Company's 80% interest in the Etango Project of between \$24.24 million and \$50.96 million, with a preferred value of \$37.68 million.

### Note 3: Number of shares

As at the date of our Report, Bannerman has 395,766,586 fully paid ordinary shares in issue.

# 10.2 Quoted Market Prices for Bannerman securities prior to the Transactions

To provide a comparison to the valuation of Bannerman in Section 10.1, we have also assessed the quoted market price for a Bannerman share.

The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

RG 111.11 suggests that when considering the value of a company's shares for the purposes of approval under Item 7 of s611 the expert should consider a premium for control. An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain 100% control of another company.



These advantages include the following:

- control over decision making and strategic direction;
- access to underlying cash flows;
- · control over dividend policies; and
- access to potential tax losses.

Whilst Jones and the relevant RCF entities will not be obtaining 100% of Bannerman, RG 111 states that the expert should calculate the value of a target's shares as if 100% control were being obtained. RG 111.13 states that the expert can then consider an acquirer's practical level of control when considering reasonableness. Reasonableness has been considered in Section 13.

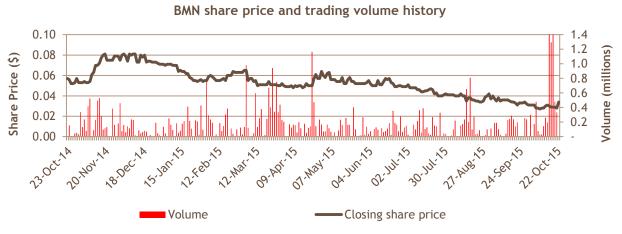
Therefore, our calculation of the quoted market price of a Bannerman share including a premium for control has been prepared in two parts. The first part is to calculate the quoted market price on a minority interest basis. The second part is to add a premium for control to the minority interest value to arrive at a quoted market price value that includes a premium for control.

# Minority interest value

Our analysis of the quoted market price of a Bannerman share is based on the pricing prior to the announcement of the Transactions. This is because the value of a Bannerman share after the announcement may include the effects of any change in value as a result of the Transactions. However, we have considered the value of a Bannerman share following the announcement when we have considered Reasonableness in Section 13.

From 23 October 2015 to 27 October 2015, the ordinary shares of the Company were placed into a trading halt by the ASX pending the announcement of the Transactions. The Company made an announcement regarding the Transactions, on 28 October 2015 when it came out of trading halt. Therefore, we have analysed the share price movement of the Company for the twelve months to 22 October 2015, prior to the Company's shares being placed into a trading halt.

The following chart provides a summary of the share price movement over the 12 months to 22 October 2015 which was the last trading day prior to the announcement.



Source: Bloomberg



The daily price of Bannerman's shares over one year to 22 October 2015 has ranged from a low of \$0.027 on 8 October 2015 to a high of \$0.082 on 11 December 2014. The share price of Bannerman has displayed a downwards trend since its high on 11 December 2014. The highest single day of trading was on 16 October 2015 where 1,777,000 shares were traded.

During this period a number of announcements were made to the market. The key announcements are set out below:

Table 19: ASX Announcements of Bannerman

						ŀ		
Date	Announcement	Closing Share Price Following Announcement \$ (movement)		following Three Da nouncement Announcement		e Day ounce	Share Price Days After Incement Vement)	
29/07/2015	June 2015 Quarterly Cashflow Report	0.041	_	2.50%		0.041	<b>→</b>	0.00%
29/07/2015	June 2015 Quarterly Activities Report	0.041	•	2.50%		0.041	•	0.00%
15/07/2015	Heap Leach Demonstration Plant Strongly Supports Etango DFS	0.045	•	2.27%		0.047	•	4.44%
08/05/2015	Unaudited Quarterly Financials and MD&A - March 2015	0.056	•	0.00%		0.054	•	3.57%
29/04/2015	March 2015 Quarterly Cashflow Report	0.064	•	12.28%		0.062	•	3.13%
29/04/2015	March 2015 Quarterly Activities Report	0.064	•	12.28%		0.062	•	3.13%
05/03/2015	Bannerman Initiates Share Purchase Plan	0.055	•	15.38%		0.054	•	1.82%
25/02/2015	Construction Update - Etango Heap Leach Demonstration Plant	0.063	•	0.00%		0.063	•	0.00%
28/01/2015	December 2014 Quarterly Cashflow Report	0.055	•	1.85%		0.055	•	0.00%
28/01/2015	December 2014 Quarterly Activities Report	0.055	•	1.85%		0.055	•	0.00%
26/11/2014	Construction Update - Etango Heap Leach Demonstration Plant	0.079	•	5.33%		0.075	•	5.06%
30/10/2014	September 2014 Quarterly Cashflow Report	0.053	•	7.02%		0.054	•	1.89%
30/10/2014	September 2014 Quarterly Activities Report	0.053	•	7.02%		0.054	•	1.89%

Source: Bloomberg, ASX Announcements and BDO Analysis

On 30 October 2014, the Company released its September 2014 Quarterly Activities and Cashflow Report which reiterated prior announcements including the award of major contracts to construct and operate the Demonstration Plant and a cash balance of \$4.7 million. Although no new material information was released in the quarterly reports, Bannerman's shares closed 7.02% lower on the date of the announcement to \$0.053. However, in the subsequent three trading days Bannerman's share price increased by 1.89% to \$0.054.

On 26 November 2014, Bannerman provided a construction update for the Demonstration Plant. On the date of the announcement, the Company's share price increased by 5.33% to close at \$0.079. Over the three consecutive days after the announcement, the Company's shares fell by 5.06% to close at \$0.075. No price sensitive announcements were made by Bannerman over the three trading days following the date of the announcement.



On 5 March 2015, Bannerman announced that it had initiated a Share Purchase Plan providing eligible shareholders with the opportunity to subscribe for new Bannerman shares to raise up to \$2.0 million. On 20 April 2015 the Company announced that it had successfully raised \$1.75 million. The Company's shares closed 15.38% lower on the date of the announcement to \$0.055. Over the three subsequent trading days following the announcement, the Company's share price fell by 1.82% to \$0.054.

On 29 April 2015, the Company released its March 2014 Quarterly Activities and Cashflow Report which reiterated prior announcements including results supporting the assumptions and projections underlying the DFS and a cash balance of \$2.3 million. On the date of the announcement, the Company's share price increased significantly by 12.3% to close at \$0.064. Over the subsequent three trading days, the Company's share price fell by 3.1% to close at \$0.062. No new announcements were made by Bannerman over the three trading days following the date of the announcement.

On 8 May 2015, Bannerman released the financial statements and management's discussion and analysis for the period ended 31 March 2015. The Company' shares remained unchanged on the date of the announcement. However, over the subsequent three trading days the Company's share price closed 3.57% lower at \$0.054. No new announcements were made by Bannerman over the three trading days following the date of the announcement.

On 15 July 2015, the Company announced the positive results from Phase 1 of the Demonstration Plant Program which commenced in April 2015. On the date of the announcement, the Company's share price increased by 2.3% to \$0.045. Over the three consecutive days after the announcement, the Company's shares increased by a further 4.4% to close at \$0.047.

To provide further analysis of the market prices for a Bannerman share, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 22 October 2015.

Table 20: VWAP analysis of Bannerman shares traded on ASX

Transactions were announced.

Share Price per unit	22-Oct-15	10 Days	30 Days	60 Days	90 Days
Closing price	\$0.034				
VWAP		\$0.029	\$0.030	\$0.032	\$0.036
Source: Bloomberg, BDO analysis					

The above weighted average prices are prior to the date of the announcement of the Transactions, to avoid the influence of any increase in price of Bannerman's shares that has occurred since the



An analysis of the volume of trading in Bannerman shares for the twelve months to 22 October 2015 is set out below:

Table 21: Share price and volume analysis of Bannerman shares traded on the ASX

Trading days	Share price	Share price	Cumulative volume	As a % of
	low	high	traded	Issued capital
1 Day	\$0.028	\$0.034	332,572	0.09%
10 Days	\$0.028	\$0.034	6,025,066	1.55%
30 Days	\$0.027	\$0.038	8,923,057	2.30%
60 Days	\$0.027	\$0.042	12,816,991	3.31%
90 Days	\$0.027	\$0.062	17,006,039	4.39%
180 Days	\$0.027	\$0.068	32,811,590	8.46%
1 Year	\$0.027	\$0.082	44,347,805	11.44%

Source: Bloomberg, BDO analysis

This table indicates that Bannerman's shares display a low level of liquidity, with 11.44% of the Company's current issued capital being traded in a twelve month period. For the quoted market price methodology to be reliable there needs to be a 'deep' market in the shares. RG 111.69 indicates that a 'deep' market should reflect a liquid and active market. We consider the following characteristics to be representative of a deep market:

- regular trading in a company's securities;
- approximately 1% of a company's securities are traded on a weekly basis;
- the spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- there are no significant but unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'deep', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

In the case of Bannerman, we do not consider there to be a deep market for the Company's shares as a result of only 11.4% of the Company's current issued capital being traded over the twelve month period prior to the announcement of the Transactions.

Our assessment is that a range of values for Bannerman's shares based on market pricing, after disregarding post announcement pricing, is between \$0.029 per share and \$0.036 per share. We have based this analysis on the share price low and high over the 30 days prior to announcement as set out in Table 20.

#### **Control Premium**

RG 111.25 suggests that when considering the value of a company's shares for the purposes of approval under item 7 of section 611 the expert should consider a premium for control. An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain 100% control of another company.



These advantages include the following:

- control over decision making and strategic direction;
- access to underlying cash flows;
- · control over dividend policies; and
- access to potential tax losses.

Whilst the relevant RCF entities will not be obtaining 100% of Bannerman, RG 111 states that the expert should calculate the value of the target's shares as if 100% control were being obtained. RG 111.27 states that the expert can then consider an acquirer's practical level of control when considering reasonableness. This has been included in section 13 of our Report.

We have reviewed the control premiums paid by acquirers of mining companies listed on the ASX since 2008. We have summarised our findings below:

Table 22: Control premium analysis 2008 onwards

Year	Number of Transactions	Average Deal Value (AU\$m)	Average Control Premium (%)
2015	4	670.56	54.59
2014	13	135.34	43.81
2013	15	54.16	64.64
2012	19	131.07	49.97
2011	18	653.45	48.88
2010	24	508.80	46.75
2009	25	112.87	49.28
2008	8	591.43	38.87
	Median	363.38	49.08
	Mean	394.33	49.60

Source: Bloomberg and BDO Analysis

The mean and median figures above are calculated based on the average deal value and control premium for each respective year. To ensure our data is not skewed we have also calculated the mean and medium of the entire data set comprising control transactions from 2008 onwards, as set out below.

Table 23: Mean and medium control premium from 2008 onwards

Entire Data Set Metrics	Average Deal Value (AU\$m)	Average Control Premium (%)
Median	44.74	39.89
Mean	370.29	49.62

Source: Bloomberg and BDO Analysis

In arriving at an appropriate control premium to apply we note that observed control premiums can vary due to the:

- nature and magnitude of non-operating assets;
- nature and magnitude of discretionary expenses;
- perceived quality of existing management;
- nature and magnitude of business opportunities not currently being exploited;
- ability to integrate the acquiree into the acquirer's business;



- level of pre-announcement speculation of the transaction; and
- level of liquidity in the trade of the acquiree's securities.

Table 22 indicates the long term average control premiums paid by acquires of all mining companies on the ASX is approximately 49.62%, with five control transactions paying a premium above 80% in 2013.

In assessing the sample of transactions which were included in Table 22, we have noted transactions within the list which appear to be extreme outliers. These outliers include 13 transactions where the announced control premium was in excess of 100%. In a sample where there are extreme outliers, the median often represents a superior measure of central tendency compared to the mean.

In determining the appropriate control premium appropriate for Bannerman, we reviewed control transactions of a similar nature and size. We considered this to be an appropriate approach, noting that the average control premium is influenced by factors such as whether the consideration is cash or scrip and the deal size. This was prominently observed during 2013 where the average deal size was \$54.16 million and the average control premium was 64.64%.

As mentioned in section 5.2 of our Report, there is uncertainty regarding whether the Company will continue as a going concern subject to the Company successfully raising additional working capital and the approval of the renewal of application EPL 3345 for the right to tenure over the Etango Project.

In the case of Bannerman, based on our research and considerations set out above, we believe that an appropriate control premium to apply to our valuation of Bannerman's shares is between 20% and 30%

# Quoted market price including control premium

Applying a control premium to Bannerman's quoted market share price results in the following quoted market price value including a premium for control:

Table 24: Quoted market price of Bannerman share (including premium for control)

	Low	Midpoint	High
	\$	\$	\$
Quoted market price value	0.029	0.033	0.036
Control premium	20%	25%	30%
Quoted market price valuation including a premiums for control	0.035	0.041	0.047

Source: BDO analysis

Therefore, our valuation of a Bannerman share based on the quoted market price method and including a premium for control is between \$0.035 and \$0.047, with a midpoint value of \$0.041.



# 10.3 Assessment of Bannerman value prior to the Transactions

The results of the valuations performed are summarised in the table below:

Table 25: Valuation Summary - Value of a Bannerman share prior to the Transactions

Bannerman Resources Ltd	Low	Midpoint	High
Valuation Summary	\$	\$	\$
NAV methodology (section 10.1)	0.037	0.071	0.105
QMP methodology (section 10.2) Source: BDO analysis	0.035	0.041	0.047

We note the values overlap but the values obtained under the NAV methodology are higher than the values obtained under the QMP methodology. The difference between the valuation obtained under the NAV and QMP approaches can be explained by the following:

- Our NAV methodology includes an independent market valuation of Bannerman's Etango Project
  performed by Optiro. Optiro has relied on a combination of valuation methods which reflect the
  potential value of the Etango Project. This explains the wide range of values under the NAV
  methodology;
- The QMP valuation is influenced by the current low uranium spot price and therefore does not
  fully reflect the potential value of the Etango Project. Section 8 of our Report highlights the
  change in the uranium price since 2010; and
- Under RG111.69 (d), the QMP methodology is considered appropriate when a liquid and active market exists for the securities. From our analysis of the QMP of a Bannerman share we note that 11.50% of the Company's current issued capital has been traded in the twelve months up until the date of the announcement of the Transactions, which represents a low level if liquidity over the twelve month period. We also note that over the twelve month period Bannerman shares have traded between a low of \$0.034 and a high of \$0.082.

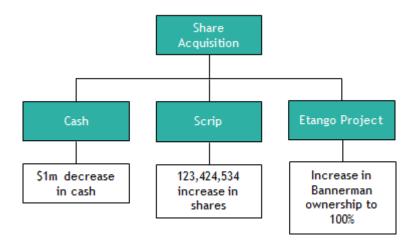
Based on the above points and the lack of a 'deep' market for the trading of Bannerman shares, we consider the net asset value/QMP to be the most appropriate methodology and consider the value of a Bannerman share prior to the Transactions to be between \$0.037 and \$0.105 with a preferred value of \$0.071.

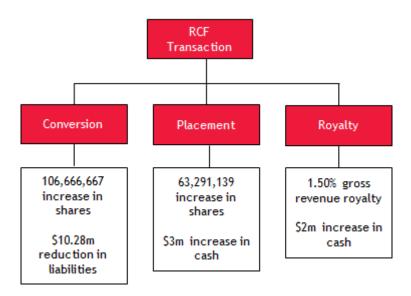


# 11. Valuation of Bannerman following the Transactions

# 11.1 Net Asset Valuation of Bannerman

As discussed in section 9.2, we have relied on the NAV methodology in determining the value of a Bannerman share following the approval of the Transactions. The effects of the Share Acquisition and the RCF Transaction are detailed below.







Our valuation of Bannerman following the Transactions is summarised below.

Table 26: Net Asset Valuation of Bannerman following the Transactions

		30-Jun-15	Low value	Preferred value	High value
	Notes	\$'000	\$'000	\$'000	\$'000
CURRENT ASSETS					
Cash and cash equivalents	1	2,291	5,014	5,014	5,014
Other receivables		166	166	166	166
Other	_	82	82	82	82
TOTAL CURRENT ASSETS		2,539	5,262	5,262	5,262
NON-CURRENT ASSETS					
Other receivables		15	15	15	15
Property, plant and equipment		872	872	872	872
Exploration and evaluation expenditure	2	61,262	28,785	44,745	60,515
TOTAL NON-CURRENT ASSETS		62,149	29,672	45,632	61,402
TOTAL ASSETS	_	64,688	34,934	50,894	66,664
CURRENT LIABILITIES	_				
Trade and other payables		693	693	693	693
Provisions		198	198	198	198
TOTAL CURRENT LIABILITIES	_	891	891	891	891
NON-CURRENT LIABILITIES					
Interest bearing liabilities	3	10,281	-	-	-
Provisions		399	399	399	399
TOTAL NON-CURRENT LIABILITIES	_	10,680	401	401	402
TOTAL LIABILITIES	<del>_</del>	11,571	1,290	1,290	1,290
VALUE			33,644	49,604	65,374
Shares on issue (number)			710,321,506	710,321,506	710,321,506
Value per share (\$) - controlling basis			0.047	0.070	0.092
Minority Discount			23%	20%	17%
Value per share (\$) - minority basis			0.036	0.056	0.076
Source: BDO analysis					

Source: BDO analysis

The table above indicates the net asset value of a Bannerman share following to the Transactions and on a minority basis is between \$0.036 and \$0.076 with a preferred value of \$0.056.

The following adjustments were made to the net assets of Bannerman as at 30 June 2015 in arriving at our valuation of the Company following the Transactions.

# Note 1: Cash and cash equivalents

As described in the diagrams above, the following adjustments have been made to the cash and cash equivalents balance as at 30 June 2015:



Table 27: Adjustments to the cash and cash equivalents balance as at 30 June 2015

Cash and cash equialents	\$'000s
Cash and cash equivalents balance as at 30 June 2015	2,291
Less: Cash expenditure on working capital and demonstration plant costs at the Etango Project	(1,277)
Less: Share Acquisition	(1,000)
Add: RCF Transaction	
Subscription of Shares	3,000
Royalty	2,000
Adjusted cash and cash equivalents balance	5,175

#### Note 2: Valuation Bannerman's Etango Project

As stated in section 10.1 of our Report, we have instructed Optiro to provide an independent market valuation of the Etango Project.

Optiro has accounted for the 0.75% gross revenue royalty over the production from the Etango Project to be granted to each of RCF IV and RCF VI as a reduction in the value of the Etango Project. Accordingly, Optiro considers the value of the Royalty to be in the order of 5% of the total project value.

The range of values for Bannerman's 100% interest in Etango Project with a royalty in place as calculated by Optiro is set out below:

Table 28: Independent valuation of Bannerman's 100% interest in the Etango Project

Bannerman Resources Ltd		Low value	Preferred value	High value
Mineral Asset Valuation - Etango Project	Interest	\$m	\$m	\$m
Value of Etango Mineral Resources	100%	29.70	46.30	62.80
Value of Etango Exploration Potential	100%	0.60	0.80	0.90
Value of 0.75% Royalty to each of RCF IV and RCF VI		(1.52)	(2.36)	(3.19)
Value of Etango Project	100%	28.79	44.75	60.52

Source: Independent valuation report by Optiro

The table above indicates a range of values for the Company's 100% interest in the Etango Project of between \$28.79 million and \$60.52 million, with a preferred value of \$44.75 million.

# Note 3: Interest bearing liabilities

RCF IV is the current holder of the First RCF Convertible Note and RCF VI is the current holder of the Second RCF Convertible Note.

Under the terms of the Conversion of Notes, \$5.0 million of the principal outstanding on the First RCF Convertible Note and \$3.0 million of the principal outstanding on the Second RCF Convertible Note is to be converted by RCF IV and RCF VI respectively into fully paid ordinary Bannerman shares.

Under the terms of the Royalty, Bannerman UK is to grant a 0.75% gross revenue royalty over the production from Bannerman Namibia's Etango Project to each of RCF IV and RCF VI, for a total consideration of \$6.0 million.

 the notional payment of \$3.0 million by RCF IV to Bannerman (which Bannerman will direct RCF IV to apply towards a repayment of the principal outstanding under the First RCF Convertible Note);



- the notional payment of \$1.0 million by RCF VI to Bannerman (which Bannerman will direct RCF VI
  to apply towards a repayment of the principal outstanding under the Second Convertible Note);
   and
- the payment of \$2.0 million in cash by RCF VI to Bannerman.

As a result, we have removed the interest bearing liability balance of \$10.28 million as it relates to the First RCF Convertible Note and the Second RCF Convertible Notes, which will cease to exist following the Transactions.

#### 11.2 Number of Shares

As analysed in section 4.3 our Report, the number of shares on issue following the Transactions is 710,321,506.

Table 29: Adjustments to the number of Bannerman shares on issue following the Transactions

Number of Shares	Number
Number of shares as at the date of our Report	395,766,586
Shares to be issued to RCF as 'interest shares' for December 2015 quarter	12,098,630
Shares to be issued to RCF as 'interest shares' for March 2016 quarter	9,073,950
Share Acquisition	123,424,534
RCF Transaction	
Conversion	106,666,667
Placement	63,291,139
Total number of Bannerman shares following the Transactions	710,321,506

Refer to section 4.3 for further details regarding the 'interest shares' payable to RCF IV and RCF VI for the December 2015 and March 2016 quarters.

# 11.3 Minority discount

The net asset value of a Bannerman share following the Transactions is reflective of a controlling interest. This suggests that the acquirer obtains an interest in the company which allows them to have an individual influence in the operations and value of that company. Therefore, if the Transactions are approved, Shareholders may become minority interest shareholders in Bannerman as Jones and RCF may hold a controlling interest, meaning their individual holding will not be considered significant enough to have an individual influence in the operations and value of the Company.

Therefore, we have adjusted our valuation of a Bannerman share following the Transactions, to reflect a minority interest holding. A minority interest discount is the inverse of a premium of control and is calculated using the formula 1 - (1/1+control premium). As discussed in section 10.2 of our Report, we consider the appropriate control premium for Bannerman to be in the range of 20% to 30%, giving rise to a minority interest discount in the range of 17% to 23%.



# 12. Are the Transactions fair?

# 12.1 The Transactions

The value of a Bannerman share prior to the Transactions on a control basis compares to the value of a Bannerman share following the Transactions on a minority interest basis, as detailed below.

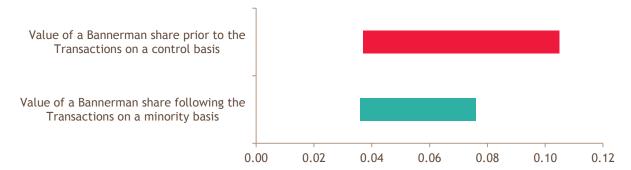
Table 30: Fairness assessment of the Transactions

	Ref	Low \$	Preferred \$	High \$
Value of a Bannerman share prior to the Transactions on a control basis	10.3	0.037	0.071	0.105
Value of a Bannerman share following the Transactions on a minority basis	11.1	0.036	0.056	0.076

Source: BDO Analysis

The table above shows that the low value of a Bannerman share following the Transactions on a minority basis is close to the low value of a Bannerman share prior to the Transactions on a control basis. However, the preferred and high values following the Transactions on a minority basis are lower than the preferred and high values prior to the Transactions on a control basis.

The above valuation ranges are graphically presented below:



Source: BDO Analysis

The above pricing indicates that, in the absence of any other relevant information, over a range of values, on a like for like comparison, the Transactions are not fair to the Shareholders.



# 12.2 The Share Acquisition

RG 111.54 suggests that, where the related party is one component of a broader transaction, the expert should bear in mind whether the report provides shareholders with sufficient information to decide whether to approve giving a financial benefit to the related party as well as the broader transaction.

As the Share Acquisition is a related party transaction, we have assessed the fairness of the Share Acquisition on a standalone basis. A related party transaction is "fair" if the value of the financial benefit to be provided by the entity to the related party is equal to or less than the value of the consideration being provided to the entity.

Due to the inter-conditionality of the Share Acquisition and the RCF Transaction, we have assessed the fairness of the Share Acquisition assuming the RCF Transaction has been approved by Shareholders.

The value of the 20% of the Etango Project is shown below:

Table 31: Independent valuation of Bannerman's 20% interest in the Etango Project

Bannerman Resources Ltd	Low value	Preferred value	High value
Mineral Asset Valuation - Etango Project	\$m	\$m	\$m
Etango Mineral Resources	29.7	46.3	62.8
Etango Exploration Potential	0.6	0.8	0.9
Value of 100% of the Etango Project	30.3	47.1	63.7
Share Acquisition percentage	20%	20%	20%
Value of 20% of the Etango Project	6.06	9.42	12.74

Source: Independent valuation report by Optiro

The value of the financial benefit provided to Jones as consideration for 20% of the Etango Project is shown below:

Table 32: Value of financial benefit provided to Jones

	Ref	Low value	Preferred value	High value
Cash consideration (\$)	4.1	1.0	1.0	1.0
Share consideration				
Number of shares to be issued to Jones	4.1	123.42	123.42	123.42
Value per share of Bannerman (on a minority basis) (\$)	11.1	0.036	0.056	0.076
Value of Share Consideration (\$)	·-	4.50	6.90	9.43
Total value of financial benefit provided to Jones		5.50	7.90	10.43

Source: BDO analysis

As seen in the above two tables, the low, preferred and high values of the financial benefit provided to Jones by Bannerman is lower than the low, preferred and high values of 20% of the Etango Project.

Therefore, over a range of values the financial benefit provided to Jones is lower than the value of the asset being acquired and hence we consider the Share Acquisition to be fair to the Shareholders of Bannerman.



# 13. Are the Transactions reasonable?

# 13.1 Advantages of approving the Transactions

We set out the key advantages of approving the Transactions is expected to bring to Shareholders:

#### The Transactions

#### 13.1.1. Minority interest values prior to and following the Transactions is similar

As the RCF Transaction is considered to be a control transaction, RG 111.31 stipulates that in a control transaction a comparison should be made between the value of the target entity's securities prior to the transaction on a controlling basis and the value of the target entity's securities following the transaction allowing for a minority discount. It is relevant for Shareholders to appreciate that as Shareholders they hold a minority interest in Bannerman prior to the Transactions and they will retain a minority interest following the Transactions.

Due to the inter-conditionality of the Share Acquisition and RCF Transaction, we have provided a comparison of the value of a Bannerman share prior to the Transactions and following the Transactions on a minority interest basis. Our value of a Bannerman share prior to the Transactions on a minority basis has been calculated by applying our minority interest discount to our value of a Bannerman share prior to the Transactions, as shown below:

Table 33: Value of a Bannerman share prior to the Transactions on a minority basis

	Low	Low Preferred value	
	\$	\$	\$
Value of Bannerman share prior to the Transactions on a control basis	0.037	0.071	0.105
Discount for Minority Interest	23%	20%	17%
Value of a Bannerman share prior to the Transactions on a minority basis	0.029	0.057	0.087

Source: BDO Analysis

Therefore, the table below provides a comparison between the value of a Bannerman share prior to the Transactions and following the Transactions on a minority interest basis.

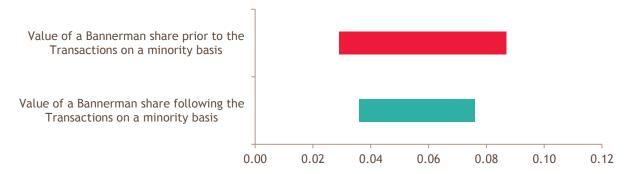
Table 34: Value of a Bannerman share prior to and following the Transactions on a minority basis

	Low	Preferred	High
	\$	\$	\$
Value of a Bannerman share prior to the Transactions on a Minority basis	0.029	0.057	0.088
Value of a Bannerman share following the Transactions on a minority basis	0.036	0.056	0.076

Source: BDO Analysis

The above valuation ranges are graphically present below:





Source: BDO Analysis

Table 34 and the graph above indicate that the range of values of a Bannerman share prior to the Transactions on a minority basis is similar to the range on a minority interest value following the Transactions. So were we able under RG 111 to assess the fairness on this basis, our opinion would have been that the Transactions are fair.

# 13.1.2. Following the implementation of the Transactions, Bannerman will be more attractive to prospective investors

Following the implementation of the Transactions, Bannerman will have 100% control of the Etango Project and will no longer have a \$10.28 million liability.

#### **Share Acquisition**

#### 13.1.3. Bannerman will obtain 100% ownership of the Etango Project

Upon completion, the Share Acquisition will lift Bannerman's ownership of the Etango Project from 80% to 100%. Accordingly, the Company will obtain 100% control of all processing plant and infrastructure and 100% of the benefits from future cash flows.

Under the share sale agreement between Jones, Bannerman and Bannerman Namibia, Bannerman is solely responsible for funding 100% of all project costs up until a Bankable Feasibility Study ('BFS') is completed, despite owning only 80% of the Etango Project.

If the Share Acquisition is approved, the Company's funding obligation will be better aligned with its ownership interest. Whilst these costs are deemed to be sunk costs regardless of whether Bannerman owns 80% or 100% of the Etango Project, the total return on investment to Bannerman will be higher if Bannerman becomes entitled to 100% of future proceeds from the Etango Project.

The Share Acquisition, which will result in Bannerman being entitled to 100% of the future proceeds from the Etango Project, is expected to increase the Company's future return on investment on the Etango Project and hence future returns for Shareholders.

Further, owning 100% of the Etango Project will strengthen Bannerman's position when negotiating with third parties seeking to provide any required project development finance in the future.

#### 13.1.4. Provides Bannerman with full control over all decisions relating to the Etango Project

The share sale agreement entered into between Bannerman, Jones and Bannerman Namibia provides Bannerman with full controlling over all matters decided by the Board prior to the completion of the BFS (given that it has the obligation to fund 100% of costs associated with the exploration and development of



the Etango Project). However, following the completion of the BFS, Bannerman's control falls to 80% and Jones becomes entitled to vote on matters concerning the future activities at the Etango Project.

If the Share Acquisition is approved, Bannerman will own 100% of the Etango Project and will obtain full control over all project decisions and ensure that there are no unnecessary delays to the Project.

# 13.1.5. Removes the uncertainty of a new joint venture party if Jones' 20% interest is potentially sold to a third party.

Under the joint venture agreement, Jones can elect to sell his percentage interest in the joint venture to either Bannerman or another party. Bannerman has the first right of refusal to purchase Jones' percentage interest that is up for sale. If Bannerman decides not to accept the offer, Jones can then sell the interest to a third party.

Should Bannerman decide not to, or is unable to do so under whatever circumstances to purchase Jones' interest in the joint venture at the point of its decision to sell out, Bannerman may be subject to participating in the joint venture with a party not of its choice. Bannerman will have no control in electing the party to whom Jones may sell his joint venture interest to. This may put Bannerman in an undesirable position and/or may result in delays to the Etango Project.

#### 13.1.6. Removes complexities in securing off-take agreements for the Etango Project

We consider that the Share Acquisition will place Bannerman in a more advantageous position with respect to securing off-take agreements for the Etango Project. Acquiring 100% ownership of the Etango Project, will remove complexities otherwise faced by Bannerman when it progresses to negotiate terms of any off-take agreements, which may otherwise be less straight forward under a joint venture arrangement. Inability to obtain agreements in decisions can significantly delay the Etango Project and may impact on the returns of the Etango Project.

#### **RCF Transaction**

#### 13.1.7. Strengthens the Company's relationship with its cornerstone investor

RCF is a private equity firm that invests in a diverse range of commodities. The primary goal of private equity firms is to generate a return on its investment. Since private equity firms receive shares in the companies they invest in, their return is generated by an increase in the value of those companies.

As at the date of this report, RCF through RCF IV and RCF VI holds 22.9% of the issued capital of Bannerman. If Shareholders approve the RCF Transaction, RCF will increase its shareholding interest to 39.7%. As such, the incentive for RCF to see Bannerman succeed will be even greater as any increase in the Company's share price will generate larger scale returns for RCF and in turn generate returns for Shareholders.

Also, having the support of a cornerstone investor such as RCF may assist Bannerman in obtaining further funding as it continues with the development of the Etango Project.

#### 13.1.8. Strengthens the Company's balance sheet

If the RCF Transaction is approved, Bannerman's cash balance will increase by \$4.0 million and its liabilities will decrease by \$10.28 million, resulting in a net improvement in Bannerman's net asset position of \$14.28 million.



## 13.1.9. No changes to current operating arrangements

We are not aware of any operational changes that RCF wishes to introduce if the Transactions are approved and there has been no indication from RCF that they intend to change Bannerman's business as conducted by the current management.

# 13.1.10. Lack and cost of alternative sources of funding

In the event the Transactions do not proceed and given that the Company does not expect to derive any significant cash flows from the Etango Project in the near future, the Company would need to source additional finance to meet its working capital requirements and to repay the amounts owing under the First RCF Convertible Note and the Second RCF Convertible Note as they mature.

Alternative sources of finance may include a potentially dilutive capital raising or seeking third party finance. There is no guarantee that the Company would be able to raise the necessary funds through either of these methods or if it is possible there is no guarantee on the pricing of this and the consequent impact on Shareholders.

Further, any dilution associated with a capital raising to pay off the outstanding balances on the First RCF Convertible Note and the Second RCF Convertible Note will dilute the interest held by Shareholders to less than 40.7% which reflects the interest held by Shareholders following the Transaction.

# 13.1.11. RCF Convertible Notes will not need to be repaid

In the event the RCF Transaction does not proceed, the First RCF Convertible Note and the Second RCF Convertible Note will not be converted into fully paid ordinary shares and the Company will still have aggregate principal outstanding of \$12.0 million, repayable on 30 September 2016. Interest will also continue to be payable by the Company on the First RCF Convertible Note and the Second RCF Convertible Notes at a rate of 8.0% per annum.

On 19 June 2014 Shareholders approved the issue of shares to RCF IV and RCF VI, up to a maximum percentage of 43.0% through the issue of shares under the First RCF Convertible Note and the Second RCF Convertible Note. If the RCF Transaction is not approved, as per Shareholder approval, RCF would be able to increase its shareholding in Bannerman to a maximum of 43.0%. Under the terms of the Transaction, RCF will be increasing its shareholding in the Company to a maximum of 39.7%.

# 13.2 Disadvantages of approving the Transactions

# 13.2.1. The Transactions are not fair

As set out in section 12, the Transactions are not fair. RG 111 states that a transaction is reasonable if it is fair. In this case it is not fair.

#### 13.2.2. Dilution of existing Shareholders' interest

Under the terms of the Share Acquisition, Bannerman will issue 123,424,534 fully paid ordinary shares to Jones (or his nominees). Whilst it appears that the Share Acquisition is dilutive to Shareholders, the Share Acquisition in effect, better aligns Jones' (or his nominees) interest with all other Shareholders. Instead of participating in a 20% interest in the Etango Project as a separate entity to Bannerman, the equity of Jones (or his nominees) is 'transferred' into a proportional shareholding interest in the Company. As noted in the 'Advantages' section of our Report, this re-alignment allows more efficient operations and



management decisions to be carried out for the Etango Project but at the same time, allows Jones (or his nominees) to participate in the returns of the Etango Project almost as if it was a 20% joint venture party in the Etango Project.

Under the terms of the RCF Transaction, Bannerman will issue approximately a total of 169.96 million fully paid ordinary shares to RCF IV and RCF VI.

If the Transactions are approved, Shareholders interest in the Company will be diluted from 73.2% as at the date of this report to 40.7%. The capacity of Shareholders to influence the operations of the Company ill therefore be reduced.

#### 13.2.3. Royalty obligations may place cash flow risks on the Etango Project

Under the terms of the Royalty, Bannerman will receive a fixed \$2.0 million upfront payment and \$4.0 million in kind by way of reduction of the principal outstanding under the RCF IV and RCF VI Convertible Notes. However, the Royalty provides RCF with the opportunity to participate in limited (by area as defined) upside on the royalty payments that it receives.

The Royalty imposes an ongoing cash cost to the Company, paying out 0.75% of gross revenue generated from the Etango Project to each of RCF IV and RCF VI.

As the royalty is payable on gross revenues of the Etango Project, Bannerman has an obligation to make these royalty payments even if its operations are not profitable. However, the cash payment obligations are aligned with the net cash received by the Company from the Etango Project. This may however place a cash flow strain on the Company, particularly in the event that the net inflows from the Etango Project are lower than the royalties payable.

#### 13.3 Other consideration

# 13.3.1. Alternative Proposal

We are unaware of any alternative proposal that might offer the Shareholders of Bannerman a premium over the value ascribed to, resulting from the Transactions.

#### 13.3.2. The Transactions are unlikely to deter a takeover offer being received in the future

RCF IV and RCF VI are financial investors rather than an investor who is interested in obtaining offtake or access to synergies. The primary goal of RCF IV and RCF VI is to generate a return on their investments which we consider to be consistent with a Shareholders' primary goal. Therefore, although it is likely that any offer to acquire the Company would require RCF IV and RCF VI's acceptance, we do not consider that an increase in their investment, as a result of approving the Transactions, will deter a takeover offer being made or accepted by the Company if an acceptable offer is made.

# 13.3.3. No further transactions are planned between Bannerman, Jones and RCF

Management has advised, there are no further transactions planned between Bannerman, Jones and RCF.

# 13.4 Are the Transactions reasonable?

In determining whether the Transactions are reasonable, we have considered the factors discussed above.



In our opinion, the position of Shareholders if the Transactions are approved is more advantageous than the position if the Transactions are not approved. Accordingly, we believe that the Transactions are reasonable for Shareholders.

In particular, the Share Acquisition provides Bannerman with 100% control of the Etango Project and implementation of the RCF Transaction results in a net improvement in Bannerman's net asset position of \$14.28 million.

# 14. Conclusion

We have considered the terms of the Transactions as outlined in the body of this report and have concluded that, the Transactions are not fair but reasonable to the Shareholders of Bannerman. We consider the Transactions to be reasonable because the advantages to Shareholders are greater than the disadvantages.



# 15. Sources of information

This report has been based on the following information:

- Notice of Meeting on or about the date of this report;
- Audited financial statements of Bannerman for the years ended 30 June 2015, 30 June 2014 and 30 June 2013
- Independent Valuation Report of Bannerman's mineral assets dated 11 November 2015 performed by Optiro;
- Share registry information;
- Information in the public domain; and
- Discussions with Directors and Management of Bannerman.

# 16. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of approximately \$25,500 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by Bannerman in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by the Bannerman, including the non provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to Bannerman, Jones, RCF and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of Bannerman, Jones, RCF and their respective associates.

A draft of this report was provided to Bannerman and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

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# 17. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of



independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Member of the Institute of Chartered Accountants in Australia. He has over twenty five years experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 250 public company independent expert's reports under the Corporations Act or ASX Listing Rules and is a CA BV Specialist. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Chairman of BDO in Western Australia, Corporate Finance Practice Group Leader of BDO in Western Australia and the Natural Resources Leader for BDO in Australia.

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans 18 years in the Audit and Assurance and Corporate Finance areas. Adam has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

# 18. Disclaimers and consents

This report has been prepared at the request of Bannerman for inclusion in the Notice of Meeting and Explanatory Memorandum which will be sent to all Bannerman Shareholders. Bannerman engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report on the proposal for Bannerman to acquire the remaining 20% of its subsidiary Bannerman Namibia from Jones and to settle in full the outstanding convertible notes held RCF IV and RCF VI. You will be provided with a copy of our report as a retail client because you are a shareholder of Bannerman

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Notice of Meeting and Explanatory Memorandum. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Notice of Meeting and Explanatory Memorandum other than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to Jones and RCF. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Transactions, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of Bannerman, or any other party.

BDO Corporate Finance (WA) Pty Ltd has also considered and relied upon independent valuations for mineral assets held by Bannerman.



The valuer engaged for the mineral asset valuation, Optiro Pty LTd, possess the appropriate qualifications and experience in the industry to make such assessments. The approaches adopted and assumptions made in arriving at their valuation is appropriate for this report. We have received consent from the valuer for the use of their valuation report in the preparation of this report and to append a copy of their report to this report.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd has no obligation to update this report for events occurring subsequent to the date of this report.

Yours faithfully

**BDO CORPORATE FINANCE (WA) PTY LTD** 

**Sherif Andrawes** 

Director

**Adam Myers** 

Director



# Appendix 1 - Glossary of Terms

Reference	Definition
The Act	The Corporations Act 2001 Cth
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BDO	BDO Corporate Finance (WA) Pty Ltd
Bannerman	Bannerman Resources Limited
Bannerman Namibia	Bannerman Mining Resources (Namibia) Pty Ltd
Bannerman UK	Bannerman Resources Nominees (UK) Limited
BFS	Bankable Feasibility Study
The Company	Bannerman Resources Limited
Cash Consideration	\$1.0 million cash consideration payable by Bannerman to Jones on completion of the Share Acquisition in immediately available funds
Conversion	\$5.0 million of the principal outstanding on RCF IV Convertible Note and \$3.0 million of the principal outstanding on RCF VI is to be converted by RCF IV and RCF VI respectively into fully paid ordinary Bannerman shares at a conversion price of \$0.075 per share
Corporations Act	The Corporations Act 2001 Cth
DCF	Discounted Future Cash Flows
DSF	Discount Feasibility Study
Demonstration Plant	Etango Heap Leach Demonstration Plant
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EPL 3345	Exclusive Prospecting Licence 3345
ESIA	Environmental and Social Impact Assessment



Reference	Definition
First RCF Convertible Note	RCF IV is the current holder of a convertible note under which the company owes A\$8.0 million with a maturity date of 30 September 2016
FME	Future Maintainable Earnings
JORC Code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
Jones	Clive Jones
MET	Ministry of Environment and Tourism
NAV	Net Asset Value
Optiro	Optiro Pty Ltd
Placement	RCF VI will subscribe for \$3.0 million of fully paid ordinary Bannerman shares at an issue price of \$0.0474 per share
Placement Shares	Bannerman will issue 63,291,139 fully paid ordinary Bannerman shares to RCF VI under the terms of the RCG Transaction
QMP	Quoted market price
RBA	Reserve Bank of Australia
RCF IV	Resource Capital Fund IV
RCF VI	Resource Capital Fund VI
RCF Management	RCF Management Pty Ltd
RCF	RCF IV and RCF VI
RCF Transaction	Conversion of Notes, Royalty and Share Subscription
Regulations	Corporations Act Regulations 2001 (Cth)
Royalty	0.75% gross revenue royalty over the production from Etango Project to each of RCF IV and RCF VI
Our Report	This Independent Expert's Report prepared by BDO
RG 74	Acquisitions approved by Members (December 2011)
RG 111	Content of expert reports (March 2011)
RG 112	Independence of experts (March 2011)



Reference	Definition
Second RCF Convertible Note	RCF VI is the current holder of a convertible note under which the Company owes A\$4.0 million with a maturity date of 30 September 2016
Section 611	Section 611 of the Corporations Act
Shareholders	Shareholders of Bannerman not associated with Bannerman
Share Acquisition	Bannerman is to acquire the remaining 20% of its subsidiary company Bannerman Namibia from Jones for consideration of cash and shares
Share Consideration	Issue of 123,424,534 fully paid ordinary shares in Bannerman to Jones or his nominee at completion of the Acquisition Transaction
The Transaction	The Share Acquisition and the RCF Transaction, collectively.
Valmin Code	The Code of Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports
Valuation Engagement	An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.
VWAP	Volume Weighted Average Price

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BDO Corporate Finance (WA) Pty Ltd
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Australia



# Appendix 2 - Valuation Methodologies

Methodologies commonly used for valuing assets and businesses are as follows:

## 1 Net asset value ('NAV')

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

## 2 Quoted Market Price Basis ('QMP')

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a 'deep' market in that security.

# 3 Capitalisation of future maintainable earnings ('FME')

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.



The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ('EBIT') or earnings before interest, tax, depreciation and amortisation ('EBITDA'). The capitalisation rate or 'earnings multiple' is adjusted to reflect which base is being used for FME.

# 4 Discounted future cash flows ('DCF')

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

# 5 Market Based Assessment

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.

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# Appendix 3 - Independent Valuation Report



# Bannerman Resources Limited Valuation of the Etango Project



# J\_1901

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Principal Reviewer:

Ian Glacken MSc, FAusIMM(CP), CEng

November 2015



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#### **Important Information**

This Report is provided in accordance with the proposal by Optiro Pty Ltd ("Optiro") to Bannerman Resources Limited and the terms of Optiro's Consulting Services Agreement ("the Agreement"). Optiro has consented to the use and publication of this Report by Bannerman Resources Limited for the purposes set out in Optiro's proposal and in accordance with the Agreement. Bannerman Resources Limited may reproduce copies of this entire Report only for those purposes but may not and must not allow any other person to publish, copy or reproduce this Report in whole or in part without Optiro's prior written consent.

Optiro has used its reasonable endeavours to verify the accuracy and completeness of information provided to it by Bannerman Resources Limited which it has relied in compiling the Report. We have no reason to believe that any of the information or explanations so supplied are false or that material information has been withheld. It is not the role of Optiro acting as an independent valuer to perform any due diligence procedures on behalf of the Company. The Directors of the Bannerman Resources Limited are responsible for conducting appropriate due diligence in relation to mineral projects. Optiro provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of Optiro is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete. The terms of engagement are such that Optiro has no obligation to update this report for events occurring subsequent to the date of this report.



# **TABLE OF CONTENTS**

1.	EXECUTIVE SUMMARY	5
2.	INTRODUCTION AND TERMS OF REFERENCE	6
2.1.	TERMS OF REFERENCE AND PURPOSE OF REPORT	6
2.2.	RESPONSIBILITY FOR THE REPORT AND DATA SOURCES	7
2.3.	LIMITATIONS AND EXCLUSIONS	8
3.	ETANGO PROJECT	o
3.1.	NAMIBIA 8	o
3.1.1	-	11
3.1.1	LOCATION AND ACCESS	
3.3.	TENURE, OWNERSHIP AND AGREEMENTS	
3.3.1	•	
3.4.	GEOLOGY AND MINERALISATION	
3.4.1		
3.4.2		
3.4.2 3.5.	EXPLORATION	
3.6.	MINERAL RESOURCES	_
3.7.	ORE RESERVES (MINERAL RESERVES)	
3.7. 3.8.	PROJECT STUDIES	
3.8.1		_
3.8.2		
3.8.3		
3.8.4		
3.8.5		
3.8.6		
3.9.	RECENT WORK	
3.10.	. EXPLORATION POTENTIAL	25
4.	URANIUM MARKET AND PRICING	26
5.	VALUATION CONSIDERATIONS	28
6.	VALUATION APPROACH AND METHODOLOGY	29
6.1.	GEOSCIENTIFIC RATING METHOD	29
6.2.	COMPARABLE TRANSACTION METHOD	31
6.3.	JOINT VENTURE TERMS METHOD	32
6.4.	APPRAISED VALUE METHOD	32
7.	VALUATION	22
7.1.	COMPARABLE TRANSACTIONS AND JOINT VENTURE TERMS	
7.1. 7.1.1		
7.1.1		
7.1.2 <b>7.2.</b>		
ı.Z.	VALUATION SUMMARY	



	ARATIONS BY OPTIRO	
	EPENDENCE	
8.2. QU <i>I</i>	ALIFICATIONS	38
9. REFE	RENCES	38
10. GLC	DSSARY OF ABBREVIATIONS AND TECHNICAL TERMS	39
TABLES		
Table 1.1	Etango project Mineral Resources reported above a 100 ppm U <sub>3</sub> O <sub>8</sub> cut-off	5
Table 1.2	Valuation summary (100% equity basis)	5
Table 3.1	Etango project tenement schedule	14
Table 3.2	Etango Project Mineral Resources reported above a 100 ppm U <sub>3</sub> O <sub>8</sub> cut-off	22
Table 3.3	Etango project Ore Reserves (Mineral Reserves) reported above a 100 ppm U <sub>3</sub> O <sub>8</sub> cut-off	22
Table 6.1	Geoscientific rating criteria (modified by Optiro)	31
Table 7.1	Enterprise value per resource pound of U <sub>3</sub> O <sub>8</sub>	34
Table 7.2	Valuation of the Etango Mineral Resources	35
Table 7.3	Etango - Geoscientific rating criteria applied to uranium mineralisation potential	36
Table 7.4	Valuation summary of the uranium Mineral Resources and exploration potential within	
	the Etango project based on 100% equity	37
FIGURE	S	
Figure 3.1	Political map of Namibia (source: Department of Foreign Affairs and Trade)	10
Figure 3.2	Etango project exploration permit and adjacent uranium deposits (source: Bannerman)	13
Figure 3.3	Regional geology of uranium deposits of the Southern Central Zone (source:	
	Bannerman)	
Figure 3.4	Local geology around Palmenhorst Dome (source: Bannerman)	
Figure 3.5	Stylised cross section through Anomaly A mineralisation (source: Bannerman)	
Figure 3.6	Drill hole locations at the Etango project (source: Bannerman)	
Figure 3.7	Etango project exploration targets (source: Bannerman)	26
Figure 4.1	Spot $U_3O_8$ price (US\$/Ib) and consensus forecasts vs futures prices (source: Consensus	
	Economics)	
Figure 4.2	Snot and long term U <sub>2</sub> O <sub>2</sub> price (US\$/lh) (source: cameco com)	78



# 1. EXECUTIVE SUMMARY

At the request of BDO Corporate Finance (WA) Pty Ltd (BDO), on behalf of Bannerman Resources Limited (Bannerman or the Company), Optiro Pty Ltd (Optiro) has prepared an independent opinion on the market value of the Etango Project. Optiro understands that this report will be used as a public document to support an Independent Expert Report to be prepared by BDO for inclusion with a Notice of Meeting.

This report has been prepared in accordance with the requirements of the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (the VALMIN Code, 2005). A site inspection of the Etango project and surrounds in support of the valuation was carried out by Optiro between 2 and 4 September, 2015.

Bannerman currently holds an 80% interest in the Etango project (Bannerman, 2015) which comprises a large undeveloped uranium deposit located within a 243 km<sup>2</sup> exclusive prospecting licence. The project is located within the Erongo region of Namibia which also hosts the operating Rössing and Langer Heinrich uranium mines and the Husab uranium project, which is currently being developed. Current total reported Mineral Resources at the Etango project are summarised in Table 1.1; these have been reported in accordance with the JORC Code (2004).

Table 1.1 Etango project Mineral Resources reported above a 100 ppm U<sub>3</sub>O<sub>8</sub> cut-off (source: Bannerman)

Measured			Indicated			Inferred		
Tonnes (Mt)	Grade U₃O <sub>8</sub> (ppm)	Contained U <sub>3</sub> O <sub>8</sub> (Mlb)	Tonnes (Mt)	Grade U₃O <sub>8</sub> (ppm)	Contained U <sub>3</sub> O <sub>8</sub> (Mlb)	Tonnes (Mt)	Grade U <sub>3</sub> O <sub>8</sub> (ppm)	Contained U <sub>3</sub> O <sub>8</sub> (Mlb)
62.7	205	28.3	273.5	200	120.4	164.6	176	63.9

Optiro has determined the fair market value of the Etango projects at an effective valuation date of 9 September 2015. Optiro has selected the value derived from the Geoscientific rating method as the preferred valuation for the exploration potential of the mineralisation within these properties and has used comparable transactions to value the Mineral Resource. Optiro's opinion of the fair market value of the Etango Mineral Resource and exploration potential, on a 100% basis, is that it lies within a range between A\$30.3 M and A\$63.7 M, with a preferred value of A\$47.1 M (Table 1.2). The values assigned to these mineral assets are in Australian dollars (A\$) and were prepared at the effective valuation date.

Table 1.2 Valuation summary (100% equity basis)

Mineral asset	Value (A\$M)					
Willier at asset	Low	High	Preferred			
Etango Mineral Resources	29.7	62.8	46.3			
Etango Exploration Potential	0.6	0.9	0.8			
Total	30.3	63.7	47.1			

Furthermore, Optiro understands that Bannerman will grant RCF Management LLC's Funds IV and VI a 0.75% gross revenue royalty (1.5% in total) over the production from the Etango Project. Optiro considers that royalty agreements such as this are common within the mining industry. Considering



the likely timeframe to production and cashflow from the Etango project and the associated project risk, Optiro considers the value of the royalty to be immaterial to the project in accordance with Definition 16 of the Valmin Code. Accordingly, Optiro considers the value of the royalty to be in the order of 5% of the total project value.

On 11 November 2015 and subsequent to the valuation date of this report, Bannerman announced the results of an optimisation study. The optimisation study was completed on the geological modelling and mine planning aspects of the previously completed Etango Definitive Feasibility Study. Optiro has reviewed the results of the study and considers that outcome does not materially affect the value of the Etango project. Whilst the outcome of the study is positive, Optiro notes that the study was completed at an assumed uranium price of US\$75/ lb. The assumed uranium price is considerably above the current market price which is currently insufficient for project development. Optiro also notes that whilst the contained  $U_3O_8$  within the 2015 Mineral Resources has increased this is largely driven by material classified as Inferred; however, there is a significant reduction in Measured material along with slight reduction in resource grade. In Optiro's opinion, the increase in the size of the defined Mineral Resource will not materially affect the market value of the Etango project as it already has a large resource tonnage. Accordingly, Optiro has not updated its valuation report as its 9 September 2015 valuation remains valid.

The opinions expressed and conclusions drawn with respect to this valuation of the uranium mineral assets are appropriate at the valuation date of 9 September 2015. The valuation is only valid for this date and may change with time in response to variations in economic, market, legal or political conditions, in addition to future exploration results.

# 2. INTRODUCTION AND TERMS OF REFERENCE

# 2.1. TERMS OF REFERENCE AND PURPOSE OF REPORT

At the request of BDO Corporate Finance (WA) Pty Ltd (BDO) on behalf of Bannerman Resources Limited (Bannerman or the Company), Optiro Pty Ltd (Optiro) has prepared an independent opinion on the market value of Bannerman's Etango Project. BDO has been engaged by Bannerman to prepare an Independent Expert's Report for inclusion with a Notice of Meeting to address the following:

- Bannerman's acquisition (through its wholly-owned subsidiary, Bannerman Resources Nominees (UK) Limited (Bannerman UK)) of the remaining 20% of its subsidiary company Bannerman Mining Resources (Namibia) Pty Ltd (Bannerman Namibia) which Bannerman UK does not already own for consideration of Bannerman shares and cash. Bannerman Namibia is the 100% owner of the Etango uranium project in Namibia. The remaining 20% interest in Bannerman Namibia is being acquired from Clive Jones, a non-executive director of Bannerman.
- Settlement of all amounts owing by Bannerman under convertible notes held by RCF Management LLC's ('RCF') Funds IV and VI. The settlement is to involve a combination of conversion of certain amounts outstanding under the convertible notes into shares in



Bannerman and the offsetting of the remainder owing by Bannerman under the convertibles notes against the consideration payable by RCF Funds IV and VI for the grant of royalties.

 Raising cash funds through the establishment of a royalty stream arrangement described above and a share placement to RCF Fund VI.

In terms of the royalty streams, Optiro understands that Bannerman will grant RCF a 0.75% gross revenue royalty over the production from the Etango Project to both RCF Fund IV and RCF Fund VI.

Optiro understands that this valuation report will be appended to BDO's Independent Expert's Report and as such it will be a public document. Accordingly, this report has been prepared in accordance with the requirements of the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (the VALMIN Code, 2005), the Australasian Code for Reporting Of Exploration Results, Mineral Resources and Ore Reserves (2004) (the JORC Code) and the Australian Securities and Investment Commission (ASIC) Regulatory Guides 111 and 112.

# 2.2. RESPONSIBILITY FOR THE REPORT AND DATA SOURCES

This report was prepared by Mr Jason Froud (Principal) and was reviewed by Mr Ian Glacken (Principal) of Optiro. The report has been prepared in accordance with the requirements of the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (the VALMIN Code, 2005). The author and reviewer of this report are a Member and a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM) respectively, and as such are obliged to prepare mineral asset valuations in accordance with the Australian reporting guidelines as set out in the VALMIN Code. All values have been compiled in Australian dollar (A\$) terms.

In developing its technical assumptions for valuation, Optiro has relied upon information provided by Bannerman and its consultants, as well as information obtained from other public sources. In particular, Optiro has relied upon the AMEC and Coffey, 2012 report. Optiro confirmed and verified the content of these reports and is satisfied that the reports are sound and that there are reasonable grounds for the contents and conclusions drawn in the reports unless otherwise stated. The material on which this report is based includes internal and open-file project documentation, technical reports, the project's drillhole databases and resource models.

Optiro has reviewed all relevant technical and corporate information made available by the management of Bannerman and BDO, which was accepted in good faith as being true, accurate and complete, having made due enquiry of Bannerman and BDO. Optiro has sourced publically available information on recent transactions involving uranium properties and has had discussions with Mr Len Jubber (Chief Executive Officer), Mr Robert Dalton (Financial Controller and Company Secretary), and Mr Leon Fouché (Study Manager) of Bannerman.

Optiro visited the Etango project between 2 September 2015 and 4 September 2015 as part of this review. Mr Ian Glacken (Principal Consultant) inspected the deposit area, project access and reviewed exploration and project data and development work completed on the project in order to allow an informed appraisal to be made of the project.



# 2.3. LIMITATIONS AND EXCLUSIONS

This report is based mainly on information provided by Bannerman, either directly from discussions and data provided, or from reports and correspondence with other organisations whose work is the property of Bannerman.

This report is based on information made available to Optiro up to the valuation date. Bannerman has not advised Optiro of any material change, or event likely to cause material change, to the technical assessment of the mineral assets contained within the Etango project. This report specifically excludes any aspects relating to legal issues, commercial and financing matters, land titles and agreements, excepting such aspects as may directly influence the technical assessment of the asset.

The conclusions expressed in this report are appropriate as at 9 September 2015. The valuation is only appropriate for this date and may change in time and response to variations to economic, market, legal or political factors, in addition to ongoing exploration results.

All values are in Australian dollars unless otherwise indicated.

# 3. ETANGO PROJECT

# 3.1. NAMIBIA

The Republic of Namibia (Namibia) is located in southwest Africa between Angola and South Africa along the South Atlantic Ocean coast (Figure 3.1). The country is mostly arid or semi-arid, comprising a high inland plateau bordered by the Namib Desert along the coast and by the Kalahari Desert to the east. Total land area is approximately 825,000 km². The estimated July 2015 population was 2.2 million, giving it the second-lowest population density of any sovereign country after Mongolia.

Namibia ranked 88<sup>th</sup> among the 189 countries covered in the World Bank's Doing Business 2015 index. The World Nuclear Association believes that Namibia's uranium mines are capable of providing at least 10% of global supply from its proven 5% of global recoverable resources and believes that authorities remain committed to expanding the sector. Uranium mining is one of the most important sectors in Namibia from a foreign investment and export revenue perspective.

The population comprises approximately 87.5% indigenous people, 6% people of European descent and 6.5% of mixed origin. About 50% of the population belong to the Ovambo tribe and 9% to the Kavangos tribe. Other ethnic groups include the Herero (7%), Damara (7%), Nama (5%), Caprivian (4%), Bushmen (3%), Baster (2%) and Tswana (0.5%) (CIA World Factbook).

The official language is English, with Afrikaans commonly used by much of the population. German is spoken by approximately one-third of the population, along with various indigenous languages including Oshivambo, Herero and Nama. UNESCO (2007) estimates the youth literacy rate (15 to 24 years) at 87.1% and the adult literacy rate at 76.5%.

In 1884, Namibia became a German colony (German South West Africa) until South Africa occupied the German colony during World War I and administered it as a mandate until after World War II,



when it annexed the territory. In 1966, the Marxist South West Africa People's Organisation (SWAPO) guerrilla group launched a war of independence for the area that became Namibia. It was not until 1988 that South Africa agreed to end its administration in accordance with a UN peace plan for the entire region. Namibia has been governed by SWAPO since the country won independence in 1990, although the party has dropped much of its Marxist ideology. Prime Minister Hage Geingob was elected president in November 2014 in a landslide victory, replacing Hifikepunye Pohamba, who stepped down after serving two terms in accordance with the constitution. SWAPO retained its parliamentary super majority in the November 2014 elections and established a system of gender parity in parliamentary positions.

Namibia is a member state of the United Nations, the Southern African Development Community, the African Union and the Commonwealth of Nations.

The capital and largest city of Windhoek has a population of approximately 320,000 and is the political, economic, social, and cultural centre of the country. The largest harbour is located at Walvis Bay on the central west coast. The economy is heavily dependent on the extraction and processing of minerals for export. In 2014, mining accounted for approximately 13% of GDP, with significant operating mines at Rössing (uranium), Langer Heinrich (uranium), Skorpion (zinc), and Navachab (gold), while a significant quantity of diamonds are produced from on- and offshore diamond fields. Tourism contributes approximately 17% to the GDP and Namibia also has important fishing and cattle industries, and a traditional subsistence agricultural sector.



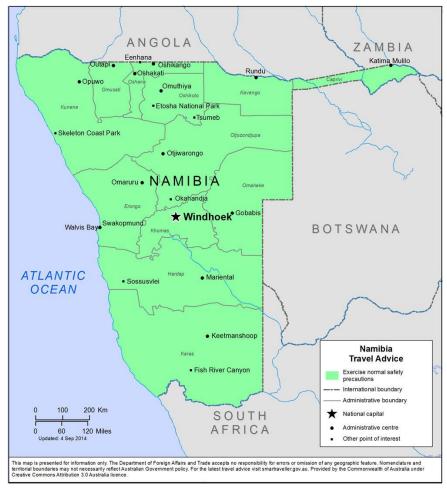


Figure 3.1 Political map of Namibia (source: Department of Foreign Affairs and Trade)

Namibia is serviced by a high quality network of sealed highways connecting Windhoek with the coast and port at Walvis Bay, along with national highways to Botswana, Zambia, Angola and South Africa. Unsealed but well maintained roads provide general regional access throughout Namibia. Namibia's roads are typically regarded as among the best in Africa, with a high standard of construction and maintenance.

The town of Swakopmund, with a population of approximately 50,000 people, has excellent services and infrastructure. The port city of Walvis Bay is located 30 km south of Swakopmund along sealed highway C14. Locally trained technical and non-technical personnel are available from Windhoek and Swakopmund. Bannerman has an office in Swakopmund, and a field office and storage complex on site at Etango which it uses as a base for the Etango project. A metallurgical pilot plant is also situated onsite at Etango.

Power is available via an extensive regional electricity grid, with the majority of power originating in South Africa. A railway line extends from the port of Walvis Bay to Tsumeb, where a copper smelter is currently in operation. Mobile phone communication is well established near most population centres.

Water is sourced by industry and communities from underground aquifers and recently from a desalination plant constructed on the coast to the north of Swakopmund. The Government water



authority, NamWater, provides assistance in the development of water resources for existing and potential new users.

#### 3.1.1. MINERAL TENURE

All mining related activities in Namibia are regulated by the Minerals (Prospecting and Mining) Act 33 of 1992. The Act was promulgated soon after independence in order to repeal old legislation inherited from the colonial regime. All mineral rights are vested in the State under Part II of the Act, viz: 'Subject to any right conferred under any provision of this Act, any right in relation to the reconnaissance or prospecting for, and the mining and sale or disposal of, and the exercise of control over, any mineral or group of minerals vests, notwithstanding any right of ownership of any person in relation to any land in, on or under which any such mineral or group of minerals is found, in the State.'

Several types of mining and prospecting licences exist, each of which is outlined briefly below:

- Non-exclusive prospecting licences: These licences permit for prospecting non-exclusively in any open ground as long as the area is not restricted by other mineral rights. Prospectors must provide the Mining Commissioner with the details of all samples removed from the non-exclusive prospecting licence area. Non-exclusive prospecting licences are valid for 12 months.
- **Reconnaissance licences**: Reconnaissance licences allow regional remote sensing techniques. These licences are valid for six months (renewable under special circumstances) and can be made exclusive in some instances. A geological evaluation and work plan needs to be submitted to the Mining Commissioner.
- Exclusive prospecting licence (EPL): An individual EPL can cover areas not exceeding 1,000 km<sup>2</sup> and is valid for three years, with two renewals of two years each allowed. It is possible that two or more exclusive prospecting licences may be granted for more than one mineral in the same area. A geological evaluation and work plan are prerequisites prior to issuing of the exclusive prospecting licence.
  - The size of the EPL should be reduced after the initial licence period and again after the first renewal period, each time by 25%. There may be scope, if the Minister sees reason, to waive the reduction of the size of the EPL after the initial three year period of the licence.
  - Furthermore, an exclusive prospecting licence shall not be renewed on more than two occasions unless the Minister deems it desirable in the interests of the development of the mineral resources of Namibia.
- Mineral deposit retention licences (MDRL): These allow successful explorers to retain the
  rights to mineral deposits which are deemed economically unviable in the short term.
  Mineral deposit retention licences are valid for up to five years. These licences can be
  renewed, subject to work and expenditure obligations.
- Mining licences (ML): Mining licences can be awarded to Namibian citizens and companies registered in Namibia. They are valid for the life of the mine or an initial 25 years, renewable up to 15 years at a time. Applicants must have the financial and technical resources to mine effectively and safely. Prior to licences being issued, all applicants are required to complete an environmental contract with the Department of Environment and Tourism. Environmental impact assessments must be facilitated with respect to air pollution, dust



generation, water supply, drainage/waste water disposal, land disturbance and protection of flora and fauna.

Granting of licences is determined by the Minister of Mines and Energy on the recommendation of an advisory committee. Granting is based on the ability and intention of the applicant to complete exploration as outlined in the licence application and the validity of the proposed program to determine resources. Each licence must outline commodities of interest and the licence granted only pertains to those commodities. Grant determination generally takes at least 6 months from the time of application.

An environmental contract must be completed with the Ministry of Environment and Tourism by applicants for EPLs, MDRLs and MLs. Environmental impact assessments (where relevant) must be made with respect to land disturbance, protection of flora and fauna, water supply, drainage and waste water disposal, air pollution and dust generation.

During April 2011, a Namibian Cabinet decision declared uranium, gold, copper, coal, diamonds and rare earth metals to be strategic minerals. The state-owned Epangelo Mining Company (Pty) Ltd (Epangelo) would be granted the right to own all new licences issued for the purpose of exploration and for the mining of strategic minerals. Importantly, the changes would not be applied retrospectively in that the renewal of existing exploration and mining licences would still be allowed, conditional on whether a degree of development and progress has taken place.

On 27 May 2014, the Namibian newspaper reported that the government was still in the process of drafting legislation for the mining of strategic minerals, with two committees in place to deal with the matter.

# 3.2. LOCATION AND ACCESS

The Etango project is located within Namibia, southwest Africa, approximately 40 km east of the regional town of Swakopmund and the Atlantic coast (Figure 3.2). The project comprises a single granted exploration permit covering 243 km<sup>2</sup>.

The project area is approximately 50 km northeast of the deep water port at Walvis Bay. A well maintained sealed highway (C14) connects Swakopmund to Walvis Bay and the further sealed highway (B2) connects Swakopmund to Windhoek, the capital and largest city in Namibia. Access to the Etango project is via the B2, then the partially sealed C28 road and the well maintained, unsealed D1991 road which continues to the Namib-Naukluft National Park.



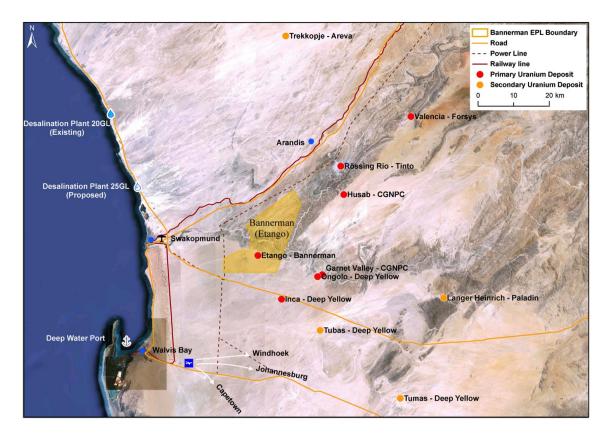


Figure 3.2 Etango project exploration permit and adjacent uranium deposits (source: Bannerman)

The project area is located in the western region of the Namib Desert at an altitude of approximately 150 m above sea level. The bulk of the project area lies on the Namib Peneplain where there is poor soil development over eluvial, colluvial and alluvial material, and bedrock. Due to the very low rainfall, these soils have gypsum crusts over large areas and vegetation is sparse, often consisting of lichen, low bushes or shrubs.

The southern part of the area of the main Etango mineralisation is largely flat, with occasional low undulating hills with sparse outcropping bedrock. Remnant shallow drainage channels are present in the area. The northern part of the deposit, around the Swakop River, is characterised by deep gully erosion and full exposure of outcrops of the underlying rock sequences. There is good access to the areas of the desert plains and the southern Etango deposit, whilst access to river valleys and the gulleys area can be difficult.

# 3.3. TENURE, OWNERSHIP AND AGREEMENTS

The Etango project comprises a single EPL (EPL 3345) covering 243.26 km<sup>2</sup> (Table 3.1). The licence was first granted for three years on 27 April 2006 for nuclear fuels and subsequently renewed for two year periods in 2009, 2011 and 2013, with a 50% reduction in 2013 to the current area. The licence is 100% owned by Bannerman Namibia, which in turn is 80% owned by Bannerman.



Table 3.1 Etango project tenement schedule

Licence number	Licence holder	Area (km²)	Grant date	Expiry date	Ownership
EPL 3345	Bannerman Namibia	243.26	27/4/2006	26/4/2015	100%

Optiro understands that EPL 3345 expired on 26 April 2015, and that an application for renewal was lodged with the Namibian Ministry of Mines and Energy in January 2015 with no size reduction. Bannerman expects the licence to be renewed in due course. Under Regulation 71 (3) (a) of the Minerals (Prospecting and Mining) Act 33 of 1992, 'an exclusive prospecting licence shall not expire during a period during which an application for the renewal of such licence is being considered, until such application is refused or the application is withdrawn or has lapsed, whichever occurs first or, if such application is granted, until such time as the exclusive prospecting licence is renewed in consequence of such application'.

Furthermore, Optiro notes that in December 2009, Bannerman Namibia lodged an application for a mining licence over part of the Etango project area. As at the date of this report the likelihood and timing of any grant of the mining licence remains uncertain.

On 17 December 2008, Bannerman announced that Bannerman Namibia had entered into an agreement to settle litigation previously brought by a competing claimant, Savanna Marble CC (Savanna) and associated parties. Under the terms of the settlement agreement, Savanna agreed to discontinue its review application in the High Court of Namibia by which Savanna had sought a declaration that the grant by the Minister of Mines and Energy of Namibia of EPL 3345, on which the Etango Project is situated, was void. The settlement involved payments and the issue of shares to Savanna which removed this risk to Bannerman's title over the Etango Project. Optiro notes than the final payment to Savannah of A\$0.5 M and 4 M ordinary shares in Bannerman is due upon receipt of the Etango mining licence.

Optiro is not qualified to provide legal opinion on the status of the Etango project licence but has reviewed Bannerman Namibia's licence permit and the Chamber of Mines of Namibia's licence records and found them to be in good order. Accordingly, Optiro is satisfied that Bannerman Namibia has good and valid title to the described EPL required to explore and undertake project development studies on the project in the manner proposed. Bannerman has met or exceeded licence conditions and expenditure and Optiro considers it likely that the licence will be renewed. Any future commercial exploitation of the Etango mineralisation will require the grant of a mining licence.

Consolidated expenditure by Bannerman on the Etango licence to 30 June 2015 totals A\$61.3 M. A further N\$15.2 M (approximately A\$1.6 M) has been allocated to future prospecting in the EPL renewal application.

## 3.3.1. AGREEMENTS AND ROYALTIES

There are privately owned farms within the area of EPL 3345 but there are no other landholders over the main area of mineralisation identified by Bannerman. Accordingly, no land access agreements are required.



In accordance with the terms of the Share Sale Agreement dated May 2005 governing the relationship between Bannerman, Bannerman Namibia and Clive Jones, the 20% shareholder of Bannerman Namibia, Bannerman is required to sole fund Bannerman Namibia until completion of a bankable feasibility study. The term 'bankable feasibility study' does not have a prescribed meaning for the purposes of JORC (2012). Upon cessation of the sole funding period, the 20% shareholder may elect to contribute to Bannerman Namibia's costs or otherwise dilute in accordance with a preset formula. Should the 20% shareholder's holding in Bannerman Namibia fall below 5%, the shareholding immediately reduces to nil and converts into a 2% royalty on the net smelter return (NSR) of total production from the project. Upon completion of the purchase of Clive Jones' 20% interest these arrangements will fall away.

In terms of State royalties, according to Regulation 114 (1) (c) of the Minerals (Prospecting and Mining) Act 33 of 1992 a royalty rate not exceeding 5% may be determined by the Minister from time to time. The mining royalty for nuclear fuels is currently stipulated at 3%.

# 3.4. GEOLOGY AND MINERALISATION

#### 3.4.1. REGIONAL GEOLOGY

Primary uranium mineralisation is related to uraniferous leucogranites, locally referred to as alaskites. These are often sheet-like and may occur both as cross-cutting dykes and as bedding and/or foliation-parallel sills, which may amalgamate to form larger composite granite plutons or granite stockworks made up of closely-spaced dykes and sills. Alaskite intrusions can be in the form of thin (cm wide) stringers or thick bodies up to 200 m in width.

The alaskite bodies have intruded into the metasedimentary rocks of the Nosib and Swakop Groups of the Neoproterozoic (pre-550 Ma) to early Palaeozoic (c500 Ma) Damara Supergroup. The metasediments and alaskite intrusions flank the Palmenhorst Dome which is cored by Mesoproterozoic (1.7 to 2.0 Ga) gneisses, intrusive rocks and meta-sedimentary rocks of the Abbabis Metamorphic Complex.

During the Damara Orogenic event, the metasedimentary cover was subjected to multiple phases of deformation resulting in overturning of the succession and development of a prominent gneissic texture and lineation which is generally sub-concordant with original bedding. This gneissic texture was further deformed, with formation of elongate basement-cored domes. Uraniferous alaskite sills and bodies that wrap around the Palmenhorst Dome are confined to dilatational sites in high-strain zones, with the alaskite sills generally striking from north- northwest to north-northeast and dipping to the west.

Limited faulting is recognised on a deposit scale. The high-strain zone is bounded in the west by a 35 to 45° northwest dipping fault zone. The fault zone is post-alaskite intrusion but pre Karoo age and is cut by Karoo age dolerite dykes. Narrow, sub-vertical faults are also common. These faults display both north-down and south-down displacement. Maximum displacements observed in the field are only in the order of 2 m. Fault strike extents typically do not exceed 100 m.

On a regional scale, the Etango deposit lies within the Southern Central Zone of the northeast trending branch of the Damaran orogenic belt. Domal structures are relatively widespread within



the Southern Central Zone, where the Rössing, Palmenhorst and Ida Domes host notable uranium-enriched alaskites (Figure 3.3).

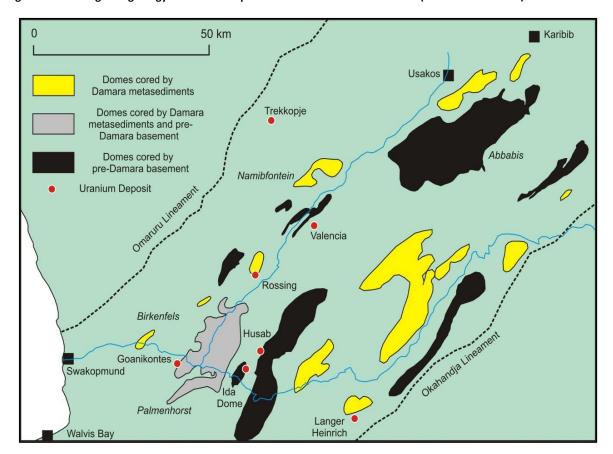


Figure 3.3 Regional geology of uranium deposits of the Southern Central Zone (source: Bannerman)

# 3.4.2. LOCAL GEOLOGY

Uranium mineralisation within the Etango project (Anomaly A, Oshiveli and Onkelo deposits) occurs within a stacked sequence of leucogranite (alaskite) dykes of varying thickness that have intruded into the host Damara Sequence of metasedimentary rocks. This style of primary uranium mineralisation is commonly referred to as 'Rössing type' mineralisation. Other nearby examples of this style of mineralisation include the Rössing uranium mine itself, the Valencia deposit and the Husab (formerly Rössing South) deposit which is under development.

Uranium mineralisation at Etango has been defined at the Anomaly A, Oshiveli and Onkelo prospects where it wraps around the western edge of the Palmenhorst Dome (Figure 3.4). The uranium mineralisation occurs almost exclusively in alaskite although minor uranium mineralisation can be found in metasedimentary rocks close to the alaskite contacts, due to interfingering of relatively thin alaskite stringers within the metasedimentary rocks.

The sheeted alaskite bodies have been classified into six types (A to F) (Nex et al. 2001). Under this classification, types D and E host the bulk of the known uranium mineralisation. The Type D alaskites have a generally irregular and anastomosing geometry (Figure 3.5), are white to grey in colour, are equigranular and contain smoky quartz, with accessory topaz. Type E alaskites are distinguished by a reddish colouration and the presence of ubiquitous oxidation haloes (or alteration rings) which are



irregular sub-circular features with a red rim and a grey core. Smoky quartz is common and the reddened parts of the oxidation haloes may contain more biotite and iron-titanium oxides than the rest of the alaskite.

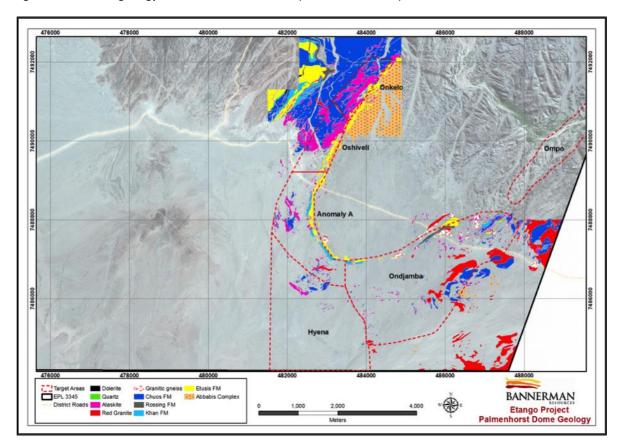


Figure 3.4 Local geology around Palmenhorst Dome (source: Bannerman)

Petrological, mineralogical and metallurgical studies have failed to find any significant difference between the two types of alaskite hosting uranium mineralisation, with the exception of their colour. Geological mapping shows that the type D and E alaskites cross-cut, grade into each other and are of insufficient size to be separated into mining or processing units.

The dominant primary uranium mineral at Etango is uraninite  $(UO_2)$ , with minor primary uranothorite  $((Th,U)SiO_4)$  and minor uranium in solid solution in thorite  $(ThO_2)$ . Uraninite is commonly associated with chloritised biotite in the alaskites and with ilmenite and magnetite within foliated alaskites.

The primary uranium mineralisation occurs as microscopic disseminations throughout the alaskite, at crystal interfaces and as inclusions within other minerals. Secondary uranium minerals such as coffinite  $(U(SiO_4)(OH)_4)$  and beta-uranophane  $(Ca(UO_2)_2(SiO_3OH)_2.5H_2O)$  occur as replacements of the primary minerals or as coatings along fractures. QEMSCAN analysis indicates that about 81% of the uranium present is in primary uraninite, while 13% is in secondary coffinite and 5% is in secondary beta-uranophane. The remaining 1% of the uranium occurs in various minor phases including brannerite, betafite and thorite. Trace amounts of uranium are also present in solid solution in monazite, xenotime and zircon and the primary refractory mineral betafite  $(Ca,U)_2(Ti,Nb,Ta)_2O_6(OH)$  is also present.



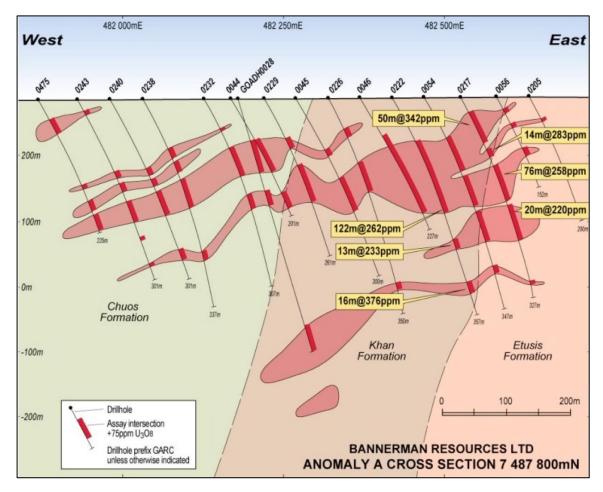


Figure 3.5 Stylised cross section through Anomaly A mineralisation (source: Bannerman)

Within the Etango deposit the thorium to uranium ratio averages about 0.25 and this decreases at higher uranium grades (>400 ppm  $U_3O_8$ ) to be between 0.05 and 0.25. Nucleides of the uranium decay series have been found to be in equilibrium or near-equilibrium.

Uraninite is not always observed in mineralised samples under the microscope as it is thought to be present as a low-grade background scatter of largish (up to 350  $\mu$ m) individual crystals. Uranothorite is seen more often, probably because it is generally finer-grained and more dispersed and more easily observed.

The secondary uranium-bearing minerals coffinite and beta-uranophane often occur in the same sample. Coffinite is more common and on occasions is seen to rim uraninite as an alteration product. The highest grade samples almost always contain coffinite while beta-uranophane appears to be more evenly distributed within low to high grade samples. Both secondary minerals occur together throughout the depth range (up to 487 m) of the drilled mineralisation. There is some suggestion that coffinite is more common at shallow depths and beta-uranophane at greater depths.

There is no evidence for any identifiable discrete enrichment or depletion zones in any uraniferous (or other) minerals in any areas of the Etango deposit. Equally, there is no perceived zonation of uranium mineralogy with depth, grade, location, bulk rock chemistry, mineralogy or any other



feature. Uranium grades decline systematically to the west down plunge along the leucogranite bodies.

The Etango deposit comprises a very large number of analyses in the 100 to 175 ppm  $U_3O_8$  range with a small number of much higher grade analyses which bring the average up to the mean deposit grade of around 200 ppm. This is reflected in the deposit mineralogy with a large volume of leucogranite containing a very small amount of uraninite and uranothorite, being enriched by a small quantity of leucogranite bearing encrustations of secondary coffinite and betauranophane minerals. That is, a large low-grade background of primary uranium minerals overprinted, partially replaced and upgraded by a more patchy and erratic, secondary mineralising event represented by locally abundant uranium silicate minerals, coffinite and beta-uranophane.

# 3.5. EXPLORATION

Uranium minerals were first discovered in the Central Zone of the Damara Orogen in the early 1900s but there was no significant exploration in the area until the 1950s. During the 1960s, exploration was undertaken in the regional area including a regional airborne radiometric survey and subsequent detailed spectrometer-magnetometer survey conducted by the South West African Geological Survey in the 1970s.

A broad uranium anomaly along the western flank of the Palmenhorst Dome was identified in 1974 by an airborne radiometric survey. The anomaly was followed up by a programme of 134 percussion drill holes in 1975. From 1976 to 1978, a further 224 percussion drill holes, mostly short and vertical, were drilled on a reconnaissance grid at 200 to 400 m north by 75 to 100 m east spacing along the western Palmenhorst Dome position and closer spaced drilling near the Anomaly A area. Drilling totalled 13,383 m with depths ranging from 50 to 100m. An additional nine diamond drill holes were completed for a total of 2,100m. A further 6,800 m of trenching was completed to obtain exposure of the lithologies under cover at Anomaly A.

From 1982 to 1986, regional mapping and 22 percussion drill holes for 1,017 m was completed, along with surface scintillometer surveys.

Bannerman commenced work on the Etango project from 2006, undertaking a process of capturing and digitising the historical drill hole, geological mapping and ground geophysical data that was obtained from the Namibian Geological Survey and the Geological Survey of South Africa. Airborne radiometric and geophysical data was acquired along with high resolution Quickbird satellite imagery, allowing alaskite granites to be readily identified.

Following its review work, Bannerman commenced an extensive drilling programme completing a total of 1,240 reverse circulation (RC), 141 diamond and 21 rotary air blast (RAB) drill holes for a total of over 303,500 m in and around the Etango project (Figure 3.7). This drilling provided the geotechnical, hydrological, structural, lithological and uranium grade data over the Anomaly A, Oshiveli, Onkelo, Ondjamba and Hyena Prospects, and sterilisation drilling over a proposed treatment plant site. Further RC drilling has also been completed at exploration prospects to the southwest of Etango, along the Rössingberg-Gohare line of prospects and at Ombepo and Cheetah in the licence area.



The RC drill holes range from 23 m to 480 m in depth and the diamond drill holes range from 101 m to 528 m in depth. The RC and diamond drilling has been conducted on a nominal 50 m by 50 m to 50 m by 100 m drill spacing, with the bulk of the 50 m by 50 m drilling being completed in the area of the potentially open pit minable mineralisation. A small area of 25 m x 50 m spaced drilling was also completed in the centre of the project area. Drilling along strike and down-dip of the main mineralisation has targeted extensions to the mineralised zones and has been drilled on a nominal spacing of 100 m by 50 m.

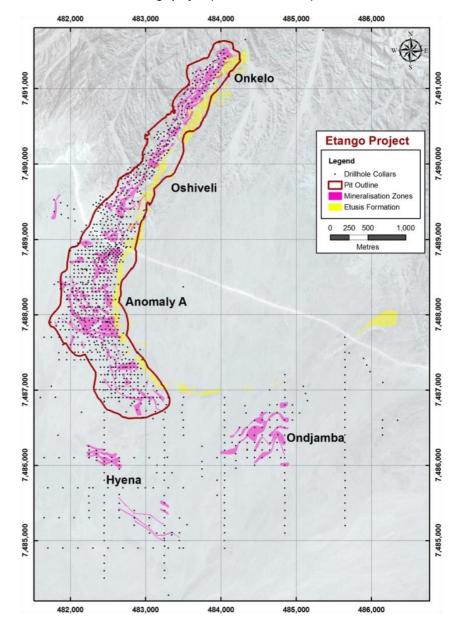


Figure 3.6 Drill hole locations at the Etango project (source: Bannerman)

# 3.6. MINERAL RESOURCES

In August 2010, Coffey Mining Pty Ltd (Coffey Mining) completed a resource estimate for the Etango Project (comprising the Anomaly A, Oshiveli and Onkelo prospects). Resource estimates had previously been completed in 2008, 2009, and March 2010.



The drillhole database used for the October 2010 Mineral Resource estimate comprised 913 RC and 145 diamond drill holes for 246,950 m. Only holes drilled by Bannerman were used in the estimate. A total of 58,065 chemical (93%) and radiometric (7%) assays were used in the estimate.

A density value of 2.64 t/m³ was used for the mineralised zones, based on 8,883 density determinations by water immersion and calliper methods.

All primary RC and diamond core samples were sent to SGS Johannesburg for crushing, pulverisation and chemical analysis. Samples were analysed by pressed disc XRF for  $U_3O_8$ , niobium, thorium and by borate fusion with XRF for calcium and K analysis.

Estimation domains were defined in three dimensions above a 75 ppm  $U_3O_8$  cut-off and grades was estimated into the block model by ordinary kriging (OK) for  $U_3O_8$  using Surpac mining software. Sample neighbourhood testing was conducted to determine an appropriate search strategy for the OK estimation. Neighbourhood testing included investigations into the minimum and maximum number of samples used for estimation, negative kriging weights, the slope of regression and the resulting kriging variance.

The resource estimate for the Etango Project was categorised in accordance with the CIM guidelines associated with the Canadian National Instrument 43-101 and the 2004 JORC Code. A Measured category was assigned to blocks estimated in pass one or two of the estimate for mineralised zones with a strong geological understanding, consistent mineralisation shape and grade tenor, good ordinary kriging estimation quality (as defined by a high slope of regression) and a nominal 25 m by 50 m drillhole coverage. An Indicated category was assigned to blocks estimated in pass one or two of the estimate for mineralised zones with a strong geological understanding, consistent mineralisation shape and grade tenor and a nominal 50 m by 50 m to 50 m by 100 m drillhole coverage. The Inferred category was applied to all mineralisation zones which were not classified as Indicated or Measured.

The Mineral Resources for the Etango Project, including the Ondjamba and Hyena prospects, reported above a 100 ppm  $U_3O_8$  cut-off are summarised in Table 3.2. Optiro considers that the resource estimates and the methodologies are appropriate and confirms that the reporting and classification of the Mineral Resource estimate is in accordance with JORC Code (2004) guidelines.

The information in this report relating to the Mineral Resources of the Etango Project is based on a resource estimate first compiled and reported in 2010 and then reported in a National Instrument 43-101 technical report in April 2012 with Mr Brian Wolfe acting as the Qualified Person. Mr Wolfe is a Member of the Australian Institute of Geoscientists and was employed by Coffey Mining as an independent consultant to the Company at the time of the studies and release of results. Mr Wolfe has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which is being undertaken to qualify as a Competent Person as defined in the 2004 Edition of the JORC Code and as a Qualified Person as defined by Canadian National Instrument 43-101.

The information in this report that relates to Mineral Resources 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.

Table 3.2 Etango Project Mineral Resources reported above a 100 ppm U<sub>3</sub>O<sub>8</sub> cut-off (source: Bannerman)

	Measured			Indicated			Inferred		
Deposit	Tonnes (Mt)	Grade U₃O <sub>8</sub> (ppm)	Contained U <sub>3</sub> O <sub>8</sub> (Mlb)	Tonnes (Mt)	Grade U₃O <sub>8</sub> (ppm)	Contained U <sub>3</sub> O <sub>8</sub> (Mlb)	Tonnes (Mt)	Grade U₃O <sub>8</sub> (ppm)	Contained U <sub>3</sub> O <sub>8</sub> (Mlb)
Etango	62.7	205	28.3	273.5	200	120.4	45.7	202	20.3
Ondjamba							85.1	166	31.3
Hyena							33.6	166	12.3
Total	62.7	205	28.3	273.5	200	120.4	164.6	176	63.9

<sup>\*</sup> totals may not reconcile due to rounding errors

# 3.7. ORE RESERVES (MINERAL RESERVES)

The Etango Ore Reserve (Mineral Reserve) estimate was determined and reported in accordance with Canadian National Instrument 43-101, 'Standards of Disclosure for Mineral Projects' of June 2011 (the Instrument) and the associated guidelines adopted by the CIM Council in November 2010. The Ore Reserve was based on a cut-off of 70 ppm  $U_3O_8$  and was determined as of 10 April 2012. All stated Ore Reserves are included within the Mineral Resources as shown in Table 3.2. A summary of the Ore Reserve for the Etango project is provided in Table 3.3.

Table 3.3 Etango project Ore Reserves (Mineral Reserves) reported above a 100 ppm U<sub>3</sub>O<sub>8</sub> cut-off (source: Bannerman)

Classification	Tonnes (Mt)	Grade U₃O <sub>8</sub> (ppm)	Contained U₃O <sub>8</sub> (Mlb)
Proven	64.2	194	27.5
Probable	215.3	193	91.6
Total	279.5	194	119.5

<sup>\*</sup> totals may not reconcile due to rounding errors

Optiro notes that a number of factors may materially affect the Ore Reserve (Mineral Reserve) estimates. These factors include, but are not limited to, environmental, permitting, legal, title tax, socio-economical, marketing and political, economic or other factors. For the Etango Project, economic and market parameters have a large effect on the project's economic viability and there has been considerable change in these parameters since the Ore Reserve estimate was completed in 2012.

Furthermore, the Etango Ore Reserves were prepared and first disclosed under the 2004 JORC Code. The Ore Reserves have not been updated to the 2012 JORC Code guidelines but Optiro understands that this is currently in progress. Accordingly, when considering the valuation of the Etango project, Optiro is cognisant of the previous work that has been carried out but has elected not to value the project on a discounted cashflow basis.

The information in this presentation relating to the Ore Reserves (Mineral Reserves) of the Etango Project is based upon information compiled or reviewed by Mr Harry Warries, a former 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 JORC and is an independent consultant to Bannerman and a Qualified Person as defined by Canadian National Instrument 43-101.

# 3.8. PROJECT STUDIES

Bannerman commenced work on a Definitive Feasibility Study (DFS) in April 2011 following positive results from a Scoping Study completed in September 2007 and a Preliminary Feasibility Study (PFS) which was finalised in late 2009. The results of the DFS were released on 24 May 2012 in accordance with Canadian National Instrument 43-101. In addition to the Ore/Mineral Reserves in Section 3.7, the outcomes which are summarised below are taken from Bannerman's NI 43-101 technical report.

Optiro considers that the outcomes and technical assumptions from the DFS remain current and appropriate, with the exception of capital and operating cost estimates. Bannerman is currently undertaking project optimisation work to update the DFS, Mineral Resource and Ore Reserve estimates, but this work is not complete and thus has not been included in this valuation.

#### 3.8.1. MINING METHODS

The mining method preferred for the Etango open pit is a high tonnage (100 Mtpa), low cost, traditional open pit truck and backhoe operation employing 550 t diesel hydraulic excavators, offroad 220 t haul trucks and 203 mm down the hole (DTH) hammer diesel drills. The pit is designed to be mined in a series of narrow cutbacks to deliver 20 Mtpa of ore to a heap leach operation and lower the amount of waste movement required during the early years of the project.

# 3.8.2. METALLURGICAL TESTWORK

Bannerman completed a series of bench-scale metallurgical testwork programmes from 2008 with emphasis on the optimisation of comminution, leaching, solvent extraction (SX) and other flowsheet parameters.

Significant conclusions that have shaped the proposed development of the project are:

- Pre-concentration of ore through such processes as scrubbing and screening, flotation, heavy media separation or gravity beneficiation of fines is not practical or cost effective and is therefore not included in the preferred process design.
- Both agitated leaching and heap leaching have been laboratory tested in acidic environments. Heap leaching is the preferred method for extracting uranium from the ore on a cost-benefit basis.
- Optimal economics for the heap leach were achieved from ore crushed to -8 mm ( $P_{80}$  of 5.3 mm) using high pressure grinding rolls (HPGR) as the final stage of crushing. Column tests indicate that for a heap height of 5m a recovery of 86.9% can be achieved over a period of 30 days with an acid consumption of 17.6 kg/t  $H_2SO_4$ .

SX testwork was conducted using 5% volume for volume (v/v) Alamine and 2.5% v/v isodecanol, operating at 20°C and 35°C. From this work it was determined that:



- extractions approaching 100% can be achieved
- temperature does not appear to increase extraction efficiency
- extraction is unaffected by the presence of additional salts other than chloride
- the pregnant leach solution spiked with chloride showed a decrease in extraction, indicating that control of chloride levels is required in operations
- ammonium sulphate stripping and ammonia precipitation of uranium is recommended and has been used for engineering design.

#### 3.8.3. PROCESSING

The process flowsheet comprises a crushing circuit, reusable heap leach pad for sulphuric acid leaching of ore and uranium SX and recovery circuit to produce U<sub>3</sub>O<sub>8</sub> yellowcake.

Within the flowsheet, ore is delivered to a gyratory primary crusher, followed by secondary cone crushing and tertiary crushing by HPGR to produce the target  $P_{80}$  product size of 5.3 mm. Crushed ore is transferred via fine ore bins to two agglomerating drums. Water, sulphuric acid and binder agent are added and the agglomerated ore is transferred to the heap leach stacking system.

The stacking system comprises an overland conveyor and a fixed stacking conveyor with tripper to transfer ore to a stacking bridge supported on a crawler undercarriage. The maximum stacking height is 5 m.

The reclaim system is of similar design, fed by a bucket wheel excavator. The leached residue (Ripios) is transferred by overland conveyors to the Ripios stacking system. A tripper conveyor allows Ripios to be transferred to a shiftable conveyor and the Ripios pad boom stacker that places the depleted material onto the unlined Ripios pad.

Pregnant leach solution is pumped to a single train SX circuit and ammonium diuranate precipitated and thickened. The ammonium diuranate is calcined to produce  $U_3O_8$  yellowcake which is measured into 200 l steel drums and periodically loaded into 20 foot sea containers for transport to customers

# 3.8.4. INFRASTRUCTURE

The total project installed power requirement is nearly 50 MW. The Namibian power utility, NamPower has confirmed its ability to provide power to the Etango Project and has previously offered a 30 MVA supply for the Project.

Total required operating water consumption is estimated to be 4.72 Mm3/a, of which 70% is to meet process requirements. Supply is to be provided by NamWater using water pumped from the desalination plant north of Swakopmund to a reservoir on site.

# 3.8.5. CAPITAL AND OPERATING COSTS

Operating and capital costs were estimated in 2011 and are not considered current.

# 3.8.6. ENVIRONMENTAL APPROVALS

The Namibian Ministry of Environment and Tourism issued environmental clearances in April 2010 and August 2011 for the Etango Project and the associated external infrastructure as proposed in the



2009 PFS. The independent Environment and Social Impact Assessment (ESIA) was subsequently updated based on the DFS design. The assessment concluded that the environmental and social impacts can be readily managed using industry-standard practices and procedures.

In July 2012 the Namibian Ministry of Environment and Tourism issued Bannerman with formal environmental approval for development of the Etango project. Receipt of the environmental approval followed lodgement of the ESIA and associated Environmental Management statement. The public consultation process involved Bannerman making available a comprehensive report and associated specialist studies as well as presentations to key stakeholders and local communities in Namibia. Feedback from the public meetings was incorporated in the final ESIA and EMP documentation.

#### 3.9. RECENT WORK

In June 2015, Bannerman announced the successful commissioning of the Etango heap leach demonstration plant and the completion of phase 1 of the demonstration plant programme. The key outcomes from the leach demonstration included:

- fast, high and uniform leach extraction on a 121.6 t sample averaging 94% total leach extraction within 20 days (compared to 93% extraction for column leaching)
- low sulphuric acid consumption averaging less than 16 kg/t (compared with DFS projection of 18 kg/t)
- geotechnical stability observed during unloading confirmed uniform percolation through the material and the integrity of the agglomerate.

Optiro considers that these initial outcomes from the demonstration plant confirm the 2012 DFS technical assumptions and improve the project knowledge.

#### 3.10. EXPLORATION POTENTIAL

Other areas within EPL 3345 in the vicinity of the Etango Project are considered to have the potential to host additional uranium mineralisation. This is particularly the case in the southern portions of the licence where there is soil and colluvium cover and where Bannerman has continued its exploration activities. The western flank of the Palmenhorst Dome, which incorporates the Anomaly A, Oshiveli and Onkelo deposits, constitutes a prospective strike length of over 20 km (Figure 3.7).



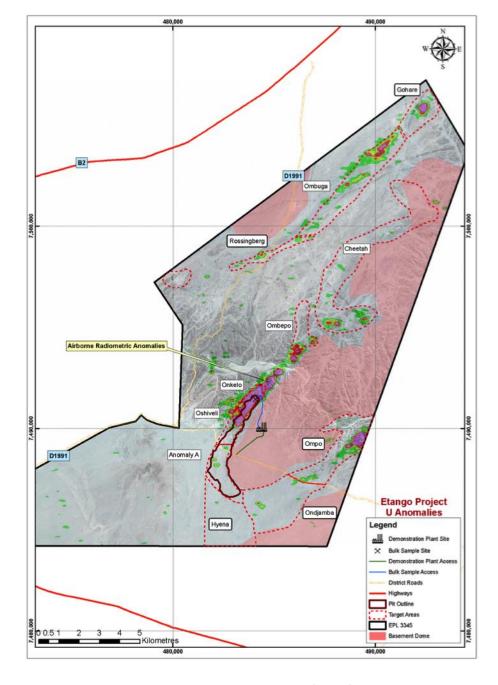


Figure 3.7 Etango project exploration targets (source: Bannerman)

# 4. URANIUM MARKET AND PRICING

Uranium is a very heavy metal which can be used as an abundant source of concentrated energy. It occurs in most rocks in concentrations of 2 to 4 ppm and is as common in the Earth's crust as tin, tungsten and molybdenum. Its melting point is 1132°C.

From the 1940s to the 1970s, virtually all of the uranium that was mined was used in the production of nuclear weapons. Currently the main use of uranium is the generation of electricity by nuclear power reactors and over 16% of the world's electricity is generated from uranium in this way. Other minor uses include medical and use in ceramic glazes and glass-making, light fittings, photographic chemicals, gyroscopic compasses and for military purposes.



According to the OECD Nuclear Energy Agency and the International Atomic Energy Agency, Namibia hosts approximately 6% of the world's known recoverable uranium resources and produced approximately 8% of the world's uranium supply in 2012 (behind Kazakhstan - 36%, Canada - 15%, Australia - 12% and Niger - 8%). After a global downturn following the Fukushima accident (after the 11 March 2011 earthquake and tsunami) nuclear power generation is again growing. In August 2015, electricity was produced by 436 nuclear reactors with a total output of 380,000 megawatts operating in 31 countries. There are 67 more reactors are under construction globally, another 166 planned and 322 proposed (World Nuclear Association).

Four years and five months after the Fukushima accident Japan returned to nuclear energy production on 11 August 2015. Whilst the restart of Japan's nuclear industry is considered important for nuclear fuel market sentiment, China's planned future demand for nuclear fuel is critical. China currently has 26 nuclear reactors in operation, 25 currently under construction, 43 planned and a further 136 proposed along with exporting nuclear technology to a number of other countries.

The  $U_3O_8$  spot price has held relatively steady over 2015 remaining above US\$35/lb (Figure 4.1) after retreating subsequent to the Fukushima accident. According to various market sources, long term prices have reportedly maintained a 25% to 50% premium over the spot price for the last several years (Figure 4.2). Forecasts for the  $U_3O_8$  spot price are almost exclusively optimistic, with a mean price up to US\$53.50/lb in December 2017 (Figure 4.1).

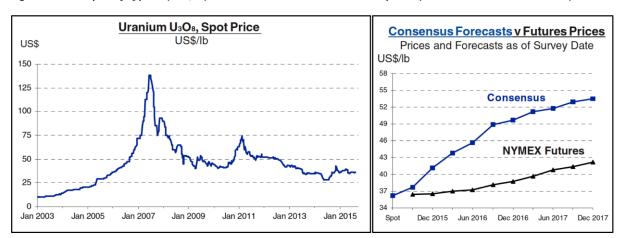


Figure 4.1 Spot U<sub>3</sub>O<sub>8</sub> price (US\$/lb) and consensus forecasts vs futures prices (source: Consensus Economics)

Optiro notes that the current uranium market is challenging for all but the lowest cost miners and presents a significant barrier to new production entering the market. Many producers have reduced production, mothballed projects and deferred exploration programmes along with general cost cutting measures. These measures are anticipated to lead to a future supply and demand imbalance and the general forecast of improving future uranium prices.



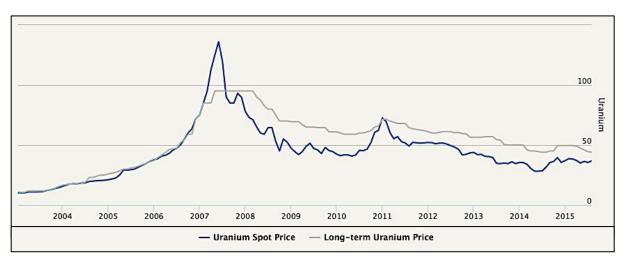


Figure 4.2 Spot and long term U<sub>3</sub>O<sub>8</sub> price (US\$/lb) (source: cameco.com)

Optiro is not qualified to provide economic advice or forecasts, but rather has reviewed current uranium prices and third party forecasts in order to gauge the current market sentiment and has taken this into consideration in its valuations, only using comparable transactions that have occurred in the last three years.

#### 5. VALUATION CONSIDERATIONS

There are a number of recognised methods used in valuing mineral assets. The most appropriate application of these various methods depends on several factors, including the level of maturity of the mineral asset, and the extent and reliability of information available in relation to the asset. The VALMIN Code classifies mineral assets according to the maturity of the asset:

- **Exploration areas** properties where mineralisation may or may not have been identified, but where a Mineral Resource has not been declared.
- Advanced exploration areas properties where considerable exploration has been undertaken and specific targets have been identified that warrant further detailed evaluation, usually by drill testing, trenching or some form of detailed geological sampling. A Mineral Resource may or may not have been estimated, but sufficient work will have been undertaken on at least one prospect to provide both a good understanding of the type of mineralisation present and encouragement that further work will elevate one or more prospects to the resource category.
- Pre-development projects properties where Mineral Resources have been identified and their extent estimated, but where a decision to proceed with development has not been made. This includes projects at an early assessment stage, on care and maintenance or where a decision has been made not to proceed with immediate development.
- **Development projects** properties for which a decision has been made to proceed with development, but which are not commissioned or are not operating at design levels.
- **Operating mines** mineral properties that have been fully commissioned and are in production.



The VALMIN Code defines value as the fair market value of a mineral asset. The fair market value is the amount of money (or the cash equivalent of some other consideration) for which the mineral asset should change hands on the valuation date in an open and unrestricted market between a willing buyer and a willing seller in an "arm's length" transaction, with each party acting knowledgeably, prudently and without compulsion. In times of high commodity prices and/or buoyant share market conditions, the fair market value ascribed to mineral assets may be higher than their technical value. The fair market value of the mineral asset comprises:

- The underlying or technical value, which is an assessment of a mineral asset's future economic benefit under a set of assumptions, excluding any premium or discount for market, strategic or other considerations.
- The market component, which is a premium or discount relating to market, strategic or other considerations.

In assessing the value of the Etango uranium mineral assets, Optiro has considered both the technical value and the fair market value of the assets.

#### 6. VALUATION APPROACH AND METHODOLOGY

In determining the appropriate valuation method(s) to be used for the Etango project, Optiro has taken into consideration the classification of these assets according to the categories defined in the VALMIN Code and the different methodologies that are generally accepted as industry practice for each classification. Generally there are three broad methods of valuation that are used for valuing mineral assets: these are the market approach, cost approach and income approach. The market and cost approaches are used for the grass-roots through to advanced exploration stages and the income approach is used for advanced projects with defined reserves to operating mines.

In relation to the uranium Mineral Resources within the Etango project, the project is considered to be at pre-development stage. Whilst there are Ore Reserves and capital and operating cost estimates in place along with production estimates, Optiro notes that these were completed in 2012 and have not been updated to allow a DCF-style valuation to determine fair market value. Furthermore, the current spot uranium price does not support development of the Etango project or a DCF-style valuation as it would produce a negative NPV. As such, the valuation approaches that Optiro has elected to use are defined as inferential methods and rely on comparative or subjective inputs, such as the "rule of thumb" or appraised value method. Such methods value the property in dollars per unit area or dollars per resource tonne.

The methodologies considered by Optiro to determine a value for the uranium Mineral Resources and the exploration potential are summarised below.

# 6.1. GEOSCIENTIFIC RATING METHOD

The most well-known method of the Geoscientific ratings type is the modified Kilburn Geological Engineering/Geoscientific method which was developed by a Canadian geologist who wished to introduce a more systematic and objective way of valuing exploration properties. The Kilburn and similar rating approaches are acknowledged as industry-standard valuation tools. This method is Optiro's preferred valuation tool for early stage exploration projects.



The Kilburn method uses a Geoscientific rating which has as its fundamental value a base acquisition cost (BAC) of the tenement. The BAC is the average cost to acquire a unit of exploration tenement (generally a graticular block, square kilometre or hectare) and maintain it for one year, including statutory fees and minimum expenditure commitments.

In determining the BAC for exploration licences in Namibia, Optiro considered the application fees and the exploration expenditure commitments made by Bannerman over the Etango licences. Based on Optiro's assessment, the application and retention costs in Namibia are not appropriate for the Geoscientific rating multipliers set out below. As such, Optiro considers it appropriate to apply the same BAC as determined for Western Australia (A\$343/km²).

Four technical factors are then applied sequentially to the BAC of each tenement, each of which can enhance, downgrade or have no impact on the value of the property and which allow a value per tenement to be determined. The four technical factors are:

- Off-property factor relates to physical indications of favourable evidence for mineralisation, such as workings and mining on the nearby properties, which may or may not be owned by the company being valued. Such indications are mineralised outcrops, old workings through to world-class mines.
- **On-property factor** this is similar to the off property factor but relates to favourable indications on the property itself, such as mines with significant production.
- Anomaly factor the anomaly factor relates to the degree of exploration which has been
  carried out and the level and/or number of the targets which have been generated as a
  consequence of that exploration. Properties which have been subject to extensive
  exploration without the generation of sufficient or quality anomalies are marked down
  under the Kilburn approach.
- Geological factor this refers to the amount and exposure of favourable lithology and/or structure (if this is related to the mineralisation being valued) on the property. Thus properties which have a high coverage of favourable lithology and through-going structures will score most highly.

The ratings applied by Optiro are listed in Table 6.1.

This methodology is used to determine the technical value, and a fifth factor, reflecting the current state of the market, is applied to determine the market value. This market value determined from the Geoscientific rating method has been verified by consideration of the current market for uranium properties.



Table 6.1 Geoscientific rating criteria (modified by Optiro)

Rating	Off-property factor	On-property factor	Anomaly factor	Geological factor		
0.1				Generally unfavourable geological setting		
0.5			Extensive previous exploration with poor results	Poor geological setting		
0.9			Poor results to date	Generally favourable geological setting, under cover		
1.0	No known mineralisation in district	No known mineralisation within tenement	No targets defined	Generally favourable		
1.5	Mineralisation identified Mineralisation identi		Target identified, initial	geological setting		
2.0	Resource targets	Exploration targets	indications positive	Favourable geological		
2.5	identified	identified	Significant intersections	setting		
3.0	Along strike or adjacent	Mine or abundant	- not correlated on section	Mineralised zones		
3.5	to known mineralisation	I workings with significant		exposed in prospective host rocks		
4.0	Along strike from a major mine(s)	Major mine with	grade intersections that can be correlated			
5.0	Along strike from world class mine	significant historical production				

#### 6.2. COMPARABLE TRANSACTION METHOD

The comparable market value approach is a market based approach and is an adaptation of the common real estate approach to valuation. For the purposes of mineral asset valuation, a valuer compiles and analyses transactions, converted to a 100% equity basis, of projects of similar nature, time and circumstance, with a view to establishing a range of values that the market is likely to pay for a project. The comparable market approach:

- is intuitive, easily understood and readily applied
- implies a market premium/discount for the prevailing sovereign risk
- captures market sentiment for specific commodities or locations
- accounts for intangible aspects of a transaction (i.e. intellectual property).

The transactions deemed to be analogous to the mineral asset being valued are used to determine a unit price (e.g. \$/km² or \$/tonne metal, etc.) for the asset being valued; however, there is an intricate value dynamic between the quantity (size) and quality (grade or prospectivity) that may result in the exclusion of a large number of comparable transactions, which in turn may undermine the accuracy of this method.

The comparable market value approach is widely used throughout the minerals industry; however, the valuer must take into account that this approach is essentially retrospective and cannot take into account anticipated or recent commodity or other market price movements.



### 6.3. JOINT VENTURE TERMS METHOD

The joint venture terms method is a variation of the comparable market value method. This technique involves transactions where only partial ownership of a project is acquired. The joint venture terms method provides the valuer with a larger acquisitions dataset than the comparable market value method, and consequently these approaches are often used simultaneously in mineral asset valuations.

It is recognised that the market will attribute a sliding-scale premium in accordance with the level of ownership acquired (i.e. a joint venture agreement for a 51% interest in a project may attract a market value significantly above that for an identical project in which a 49% interest is acquired). The valuer therefore needs to account for any potential associated with ownership premiums.

#### 6.4. APPRAISED VALUE METHOD

The cost approach or Appraised Value method is founded on the assumption that the intrinsic value of the exploration tenement is based on the exploration expenditure, and that a highly prospective tenement will generally encourage a higher level of exploration expenditure.

This valuation methodology relies upon the premise that a project is at least worth what the owner has previously spent and/or committed to spending in the future. It considers historical and/or planned future expenditure on the mineral asset and includes the amount of expenditure that has been meaningfully used in the past to define a target or resource and the future costs in advancing the exploration.

The value of the property may be determined from the sum of past effective exploration expenditure (usually limited to the past three years) plus any committed exploration expenditure in the current year and the application of a prospectivity enhancement multiplier (PEM). The PEM is determined by the level of sophistication of the exploration for which positive exploration results have been obtained, and usually ranges from 0.5 to 3.0.

The principal shortcomings of this method are that there is no consistent base from which to derive the valuation and there is no systematic approach taken in determining the PEM. Optiro places less reliance on values determined this method than those determined from the Geoscientific Ratings and comparable transaction methods.

#### 7. VALUATION

Optiro's approach has been to use the following valuation methodologies for the Mineral Resources and exploration potential for uranium mineralisation within the Etango exploration permit:

- the Geoscientific rating method
- comparable transactions
- joint venture terms
- appraised value method.



#### 7.1. COMPARABLE TRANSACTIONS AND JOINT VENTURE TERMS

Optiro reviewed recent global transactions involving uranium projects with and without defined Mineral Resources (Appendix A and B). In order to obtain a dataset that is relevant under the current time and circumstance, Optiro has selected transactions that occurred after the Fukushima accident in March 2011, which has been a period of relative uranium price stability (see Section 4 above).

#### 7.1.1. MINERAL RESOURCES

Limited transactions involving uranium projects with defined Mineral Resources were identified. Of the transactions identified (Appendix A) there are a variety of locations, development stage, grades and deposit types.

In particular, Optiro has considered the following transactions in its valuation:

- The Namibplass transaction (24/10/11, A\$0.60/lb U<sub>3</sub>O<sub>8</sub>) is of similar deposit type and grade to the Etango deposit, but importantly transacted at a time of higher U<sub>3</sub>O<sub>8</sub> price (US\$51.60/lb) and likely incorporates a control premium with Forsys Metals Corp. (Forsys Metals) acquiring the remaining 30% of the project it did not own. As such, Optiro considers that this transaction traded at a premium to what would be expected for the Etango project.
- The Ryst Kuil transaction (11/12/12, A\$0.32/lb U<sub>3</sub>O<sub>8</sub>) comprised uranium mineralisation hosted within sandstone channels of the Karoo Basin. The project was complementary to Peninsula Energy Limited's existing project in the area. The Ryst Kuil transaction included Inferred Mineral Resources only but at higher grade (1,000 ppm) to that defined at the Etango project. Considering the grade of the Ryst Kuil mineralisation, Optiro considers that this transaction has traded at a premium to what would be expected for the Etango project.
- The Chirundu transaction (30/9/13, A\$0.23/lb U<sub>3</sub>O<sub>8</sub>) comprised Measured, Indicated and Inferred Mineral Resources at a slightly higher grade to the Etango Mineral Resource within an unconformity-hosted deposit. The project has been subjected to a feasibility study based on an operation utilising open pit mining and sulphuric acid heap leaching of the uranium mineralisation. A mining licence for the project was granted for an initial period of 25 years in October 2009. Optiro notes however that the buyer terminated the transaction but it remains indicative of the potential value of the Etango Mineral Resource.
- The Kuriskova and Novoveska Huta (31/7/14, A\$0.14/lb U<sub>3</sub>O<sub>8</sub>) comprised a predominantly Inferred Mineral Resource with lesser Indicated and Measured material located in the Slovak Republic. The Mineral Resources are a higher grade (2,100 ppm) than at Etango but require underground mining along with alkaline leach processing. Considering the potential mining and processing methods, Optiro considers the project to only be generally comparable to Etango.

The remaining transactions are not considered directly comparable either due to development stage, processing, strategic or synergistic reasons, location or uranium grade.

To verify the unit price of the comparable transaction identified, Optiro reviewed the enterprise value per  $U_3O_8$  resource pound of selected companies with comparable uranium Mineral Resources considered to be their primary value driver (Table 7.1). The enterprise value is based upon the



foreign exchange rates and share price as at 8 September 2015 and the most recently reported financial and share registry information.

The Enterprise Values per pound of  $U_3O_8$  display a large range of values, but the most comparable companies are considered to be Forsys Metals and Deep Yellow Limited (Deep Yellow). These companies are trading at an EV per pound of  $U_3O_8$  of A\$0.15 and A\$0.16 respectively.

Table 7.1 Enterprise value per resource pound of U<sub>3</sub>O<sub>8</sub>

Company	Exchange	EV (local currency)	EV/U <sub>3</sub> O <sub>8</sub> pound (A\$)
A-Cap Resources Limited	ASX	\$7.3	\$0.02
Anatolia Energy Limited	ASX	\$18.7	\$1.41
Azarga Uranium Corp.	TSE	\$25.5	\$0.87
Berkeley Energy Limited	ASX	\$57.8	\$0.66
Black Range Minerals Limited	ASX	\$6.6	\$0.07
Cauldron Energy Ltd	ASX	\$41.5	\$1.93
Deep Yellow Limited	ASX	\$15.2	\$0.16
European Uranium Resources Ltd	TSX	\$0.7	\$0.01
Forsys Metals Corp.	TSE	\$17.8	\$0.15
Forte Energy NL	LON	£1.3	\$0.06
GoviEx Uranium Inc	CNSX	\$31.5	\$0.25
Laramide Resources Ltd	ASX/TSX	\$30.1	\$0.48
Manhattan Corporation Limited	ASX	\$2.3	\$0.14
Marenica Energy Limited	ASX	\$3.7	\$0.09
Mega Uranium Ltd	TSE	\$20.3	\$1.28
Peninsula Energy Limited	ASX	\$131.4	\$1.18
Plateau Uranium Inc.	TSE	\$11.5	\$0.10
Strateco Resources Inc.	TSE	\$11.5	\$0.44
Toro Energy Limited	ASX	\$99.0	\$1.29
Uranium Resources Inc.	NASDAQ	\$20.9	\$0.25
Uranium Resources plc	LON	£4.0	\$4.35
UraniumSA Limited	ASX	\$3.4	\$0.07
Vimy Minerals Limited	ASX	\$67.8	\$0.93

Forsys Metals' principal asset is the Norasa project which is an alaskite-hosted uranium deposit proximal and directly comparable to the Etango project. The Norasa project includes the Valencia and Namibplaas deposits, with defined Measured, Indicated and Inferred Mineral Resources at essentially the same grade as Etango. The Norasa project includes a granted mining licence but Optiro considers the Etango project to be further advanced and de-risked with Bannerman's ongoing



heap leach demonstration plant programme. Accordingly, Optiro considers the Enterprise Value per pound of U<sub>3</sub>O<sub>8</sub> for Forsys Metals to define a low range value for the Etango project.

Deep Yellow holds a number of projects in both Namibia and Australia. Its principal project is the Omahola project, comprising alaskite-hosted uranium mineralisation directly comparable to the Etango project. The Omahola project is at an earlier stage of development than the Etango project and therefore Optiro considers that the Enterprise Value per pound of  $U_3O_8$  for Deep Yellow defines a low range value for the Etango project.

Optiro notes that Marenica Energy Limited's (Marenica) principal project (Marenica project) is also proximal and comparable to the Etango project but of considerably lower grade (~100 ppm).

In valuing the Etango project, Optiro has noted that the Etango project has a large resource base and increasing the size of the defined Mineral Resource would likely not materially increase the market value of the project.

Based on the above discussion, Optiro considers that the Etango Mineral Resource would likely attract a low value defined by the Enterprise Value per pound of  $U_3O_8$  for Deep Yellow and Forsys Metals (A\$0.16 and A\$0.15 respectively). Optiro considers that the upper value would be defined by the Ryst Kuil transaction at A\$0.32/lb  $U_3O_8$ .

Bannerman's Ondjamba and Hyena uranium prospect are less advanced and lower grade than the Etango deposit and would likely trade at a discount to the main Etango mineralisation. Optiro considers, however, that these deposits would trade at a premium to the Marenica project (A\$0.09/lb  $U_3O_8$ ).

Optiro considers therefore that the main Etango project Mineral Resource would likely attract a value in the range of A\$0.15 to A\$0.32 per resource pound of  $U_3O_8$  and that the Ondjamba and Hyena uranium deposits would likely attract a value in the range of A\$0.10 to A\$0.20 per resource pound of  $U_3O_8$ . The implied current market value of the total Etango Mineral Resources therefore lies within the range A\$29.7 M to A\$62.8 M, with a preferred value of A\$46.3 M.

Table 7.2 Valuation of the Etango Mineral Resources

Mineral Asset	Low	High	Preferred	
\$/Ib U <sub>3</sub> O <sub>8</sub>				
Etango Mineral Resource	\$0.15	\$0.32	\$0.235	
Ondjamba Mineral Resource	\$0.10	\$0.20	\$0.15	
Hyena Mineral Resource	\$0.10	\$0.20	\$0.15	
Value A\$ M				
Etango Mineral Resource	\$25.4	\$54.1	\$39.7	
Ondjamba Mineral Resource	\$3.1	\$6.3	\$4.7	
Hyena Mineral Resource	\$1.2	\$2.5	\$1.8	
Total	\$29.7	\$62.8	\$46.3	



#### **EXPLORATION POTENTIAL**

In terms of valuing the exploration potential in addition to the defined Mineral Resource, Optiro identified four transactions that are considered to be of use in assessing the current market value attributed to uranium mineralisation potential similar to that at the Etango project. Optiro excluded properties with Mineral Resources. The transactions selected by Optiro are listed in Appendix B.

Optiro considers the Huab transaction (14 May 2012, A\$2,000/km²) to be the most comparable but lacks defined uranium mineralisation as seen at Etango and is rather considered a conceptual uranium project. Optiro considers that the exploration potential at Etango would trade for a greater value than the Huab project.

Optiro has used the identified exploration transactions as a benchmark for its Geoscientific valuation below.

#### 7.1.2. GEOSCIENCIFIC RATING METHODS

Optiro determined Geoscientific ratings for each licence in reference to the off-property, onproperty, anomaly and geology factors for potential uranium mineralisation. The ratings for the Etango licence are listed in Table 7.3. Optiro assigned the ratings based on:

- a contiguous, ~250 km² licence package prospective for alaskite uranium mineralisation
- geological work completed to date, including extensive drilling and testwork
- good potential for additional near surface uranium mineralisation
  - Optiro, however, considers that Bannerman already has more than a sufficient quantity of Mineral Resources and that the incremental exploration value associated with finding additional alaskite mineralisation is limited
- the project being located approximately 70 km from the Walvis Bay port
- the EPL is currently under renewal and considered likely to be renewed.

Table 7.3 Etango - Geoscientific rating criteria applied to uranium mineralisation potential

Tenement	Off property factor		On property factor		Anomaly factor		Geology factor	
	Low	High	Low	High	Low	High	Low	High
EPL 3345	2	1.5	2.5	2.5	1.5	2	1	1.5

Fair market value is the technical value (as determined by the Geoscientific ratings) plus a premium or discount to account for market, strategic considerations and special purposes. Optiro has examined the past and forecast uranium price as well as the location and geology of Bannerman's EPL. Considering the current difficult market conditions within the uranium and generally within the minerals sector along with the generally positive outlook for the uranium price, Optiro has elected not to apply a premium or discount to the technical value determined by the Geoscientific ratings method.

Based on the Geoscientific ratings of the uranium mineralisation prospectivity within the Etango EPL, the mineral assets are expected to have a market value that lies in the range A\$0.6 M to A\$0.9 M, with a preferred value of A\$0.8 M. Optiro's analysis of comparable transactions suggests that uranium exploration projects similar to the Etango project would likely attract market values greater than A\$2,000/km². Based on the Geoscientific ratings of the uranium mineralisation potential of the



Etango exploration licences an average value of A\$3,100/km² has been determined. This compares favourably with the Huab transaction discussed above.

#### 7.2. VALUATION SUMMARY

Optiro has applied a number of recognised valuation methods to derive a value estimate for the mineral assets relating to the Etango project.

Optiro's opinion of the fair market value of the uranium Mineral Resources and exploration potential, using the methodologies described above, is summarised in Table 7.4. The values presented are based on 100% ownership of the project and do not take into account equity positions. Optiro has selected the values derived from the Geoscientific rating method as the preferred valuation for the exploration potential. This reflects the results obtained from the recent exploration and the geological potential in the as yet unexplored areas. Mineral Resource valuations are based upon a combination of comparable transactions and enterprise value ratios of comparable uranium resource companies.

Table 7.4 Valuation summary of the uranium Mineral Resources and exploration potential within the Etango project based on 100% equity

Mineral asset	Value (A\$M)					
Willier at asset	Low	High	Preferred			
Etango Mineral Resources	29.7	62.8	46.3			
Etango Exploration Potential	0.6	0.9	0.8			
Total	30.3	63.7	47.1			

Optiro has determined the fair market value of the Etango project at an effective valuation date of 9 September 2015. As mentioned above, Optiro has selected the value derived from the Geoscientific ratings method as the preferred valuation for the exploration potential of the mineralisation within these properties and has used comparable transactions to determine the Mineral Resource valuation. Optiro's opinion of the fair market value of the Etango Mineral Resources and exploration potential, on a 100% basis is that it lies within the range A\$30.3 M to A\$63.7 M, with a preferred value of A\$47.1 M (Table 7.4). The values assigned to these mineral assets are in Australian dollars (A\$) and were prepared at the effective valuation date.

Furthermore, Optiro understands that Bannerman will grant RCF Management LLC's Funds IV and VI a 0.75% gross revenue royalty (1.5% in total) over the production from the Etango Project. Optiro considers that royalty agreements such as this are common within the mining industry. Considering the likely timeframe to production and cashflow from the Etango project and the associated project risk, Optiro considers the value of the royalty to be immaterial to the project in accordance with Definition 16 of the Valmin Code. Accordingly, Optiro considers the value of the royalty to be in the order of 5% of the total project value.



## 8. DECLARATIONS BY OPTIRO

#### 8.1. INDEPENDENCE

Optiro is an independent consulting and advisory organisation which provides a range of services related to the minerals industry including, in this case, independent geological services, but also resource evaluation, corporate advisory, mining engineering, mine design, scheduling, audit, due diligence and risk assessment assistance. The principal office of Optiro is at 16 Ord Street, West Perth, Western Australia, and Optiro's staff work on a variety of projects in a range of commodities worldwide.

This report has been prepared independently and in accordance with the VALMIN and JORC Codes. The authors do not hold any interest in Bannerman Resources Limited, its associated parties, or in any of the mineral properties which are the subject of this report. Fees for the preparation of this report are charged at Optiro's standard rates, whilst expenses are reimbursed at cost. Payment of fees and expenses is in no way contingent upon the conclusions drawn in this report. Optiro will charge Bannerman fees of approximately \$29,000 for the preparation of this report.

#### 8.2. QUALIFICATIONS

The principal personnel responsible for the preparation and review of this report are Mr Jason Froud (Principal) and Mr Ian Glacken (Principal) of Optiro.

Mr Jason Froud [BSc (Hons), Grad Dip (Fin Mkts), MAusIMM] is a geologist with over 18 years' experience in mining geology, exploration, resource definition, mining feasibility studies, reconciliation, consulting and corporate roles in gold, iron ore, base metal and uranium deposits principally in Australia and Africa. Jason has previously acted as a Competent Person and Independent Expert across a range of commodities with expertise in mineral exploration, grade control, financial analysis, reconciliation and quality assurance and quality control.

Mr Ian Glacken [BSc (Hons) Geology, MSc (Geology), MSc (Geostatistics), DIC, MIMMM, CEng, FAusIMM(CP)] is a geologist and geostatistician with over 32 years extensive experience in the mining industry worldwide. He has been consulting in resource estimation and contributing to independent experts' reports since 1998, and has skills which include resource evaluation, project due diligence, auditing, training, reconciliation and geostatistical studies. Ian is able to act as a Competent Person for uranium deposits, along with many other commodities. Ian is a Director of Optiro in Perth and is involved in participation, management and review of a large number of technical audits and valuations.

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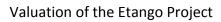
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# 10. GLOSSARY OF ABBREVIATIONS AND TECHNICAL TERMS

Term	Explanation				
Abbreviations	A\$ – Australian dollars, BAC - Base Acquisition Cost, DCF - Discounted cashflow, DSO - direct shipping ore, °C -				
	degrees Celsius, EPL - Exclusive Prospecting Licence, EL - Exploration Licence, EIA - Environmental Impact				
	Assessment, EV - Enterprise Value, g/t –grams per tonne, ha – hectare, km – kilometre, km² – square kilometre,				
	m – metre, m <sup>3</sup> – cubic metres, MA – million years, mm – millimetre, M – million, MOU - Memorandum of				
	understanding, Mt – million tonnes, Mtpa – million tonnes per annum, NPV - Net Present Value, PEA - Preliminary				
	Economic Assessment, % - percentage, RC - Reverse Circulation drilling, SG - specific gravity, t – metric tonnes,				
	US\$ – United States dollars.				
Chemical elements	Al <sub>2</sub> O <sub>3</sub> - aluminium Oxide, CaO - calcium oxide, Fe <sub>2</sub> O <sub>3</sub> - iron oxide, MgO - magnesium oxide, MnO - manganese				
	oxide, Na <sub>2</sub> O - sodium oxide, SiO <sub>2</sub> - silica oxide, TiO <sub>2</sub> - titanium oxide, U <sub>3</sub> O <sub>8</sub> - triuranium octoxide, UF <sub>6</sub> - uranium				
	hexafluoride.				
aircore drilling	A drilling method used in soft or unconsolidated ground. Drill cuttings are returned to surface using compressed				
an core urning	air within an inner tube of the hollow drill rods reducing sample contamination .				
alaskite	A granitic rock composed mainly of quartz and alkali feldspar. A synonym of leucogranite.				
basalt	A fine grained igneous rock consisting mostly of plagioclase feldspar and pyroxene.				
basement/bedrock	In general terms older, typically crystalline rocks which are often covered by younger rocks.				
block model	A model comprised of rectangular blocks, each with attributes such as grades, rock types, codes that represents a				
block model	given mineral deposit.				
breccia	A detrital sedimentary rock composed of poorly sorted fragments which are all angular to sub-angular in shape,				
DIECCIA	and have a particle size of greater than 2 mm.				
bulk density	A property of particulate materials. It is the mass of many particles of the material divided by the volume they				



Term	Explanation
	occupy. The volume includes the space between particles as well as the space inside the pores of individual
	particles.
colluvial	Referring to material deposited at the base of hill slopes through gravity or water movement.
composite	A sample comprised of a number of smaller samples.
concentrate	End product of the flotation process.
core	See diamond drilling.
cut-off grade	The grade that differentiates between mineralised material that is economic to mine and material that is not.
declustering	A mathematical technique for reducing bias in drillhole data.
diamond drilling	Drilling method which produces a cylindrical core of rock by drilling with a diamond tipped bit.
dolerite	Basaltic rocks which are comparatively coarse grained.
domain	A homogenous zone within a mineral deposit consisting of a single grade population, orientation of mineralisation and geological texture.
drillhole data	Data collected from the drilling, sampling and assaying of drill holes.
eluvial	Material derived from in-situ weathering with limited transportation.
Cidvidi	A mining and or processing study into the economic development of a project for which the inputs have an
feasibility study	accuracy of 5% to 10%.
gneiss	A high grade metamorphic rock that display distinct and alternating mineral foliation.
granite	A felsic intrusive rock with a granular texture.
hangingwall	The overlying side of a fault, orebody or mine workings.
igneous	Rock is formed through the cooling and solidification of magma or lava.
-	'An 'Indicated Mineral Resource' is that part of a Mineral Resource for which tonnage, densities, shape, physical
	characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on
Indicated Mineral	exploration, sampling and testing information gathered through appropriate techniques from locations such as
Resource	outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to
	confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.' (JORC
	2004)
	'An 'Inferred Mineral Resource' is that part of a Mineral Resource for which tonnage, grade and mineral content
Inferred Mineral	can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not
Resource	verified geological and/or grade continuity. It is based on information gathered through appropriate techniques
nesource	from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain
	quality and reliability.'(JORC 2004)
	The JORC Code provides minimum standards for public reporting to ensure that investors and their advisers have
JORC Code	all the information they would reasonably require for forming a reliable opinion on the results and estimates
	being reported. The current version is dated 2004.
kriging	In geostatistics, a method of estimating a value(s) at a given point by computing a weighted average of the
	known values in the neighbourhood of the point.
leucogranite	Granitic rocks with almost no dark coloured minerals.
limestone	A rock composed mainly of calcium carbonate or magnesium carbonate or combinations thereof.
lithology	The study and description of rocks, including their mineral composition and texture.
	'A 'Measured Mineral Resource' is that part of a Mineral Resource for which tonnage, densities, shape, physical
Measured Mineral	characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques
Resource	from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough
	to confirm geological and grade continuity.' JORC 2004.
metallurgy	Study of the physical properties of metals as affected by composition, mechanical working and heat treatment.
metanargy	'A 'Mineral Resource' is a concentration or occurrence of material of intrinsic economic interest in or on the
	Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic
	extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are
Mineral Resource	known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-
	divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.' (JORC
	2012)
mineralisation	The process by which a mineral or minerals are introduced into a rock, resulting in a valuable deposit.
	The percentage of ore material that can be recovered once ore loss is taken into account due to the sampling or
Mining	mining resolution.
ı	





Term	Explanation
nodules	A mineral mass that has a different composition or is more weathering resistant than its surrounding rock.
	'An 'Ore Reserve' is the economically mineable part of a Measured and/or Indicated Mineral Resource. It
	includes diluting materials and allowances for losses, which may occur when the material is mined. Appropriate
	assessments and studies have been carried out, and include consideration of and modification by realistically
Ore Reserve	assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors.
	These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore
	Reserves are sub-divided in order of increasing confidence into Probable Ore Reserves and Proved Ore Reserves.'
	(JORC, 2012)
ore zone	Zone of mineralised material.
orogeny/orogenic	Relating to tectonic forces resulting in large scale deformation of portions of the earth's crust.
Palaeozoic	The earliest of the three geologic eras of the Phanerozic Eon spanning 542 to 251 million years ago.
peneplain	A gently undulating plain produced by fluvial erosion.
Probable Ore	'A 'Probable Ore Reserve' is the economically mineable part of an Indicated, and in some circumstances, a
Reserve	Measured Mineral Resource. The confidence in the Modifying Factors applying to a Probable Ore Reserve
	is lower than that applying to a Proved Ore Reserve.' (JORC 21012)
Proved Ore Reserve	'A 'Proved Ore Reserve' is the economically mineable part of a Measured Mineral Resource. A Proved Ore
	Reserve implies a high degree of confidence in the Modifying Factors.' (JORC 2012)
reverse circulation drilling (RC)	Drilling method that uses compressed air and a hammer bit to produce rock chips.
search pass	A process used in grade estimation to find samples from a given point.
sedimentary	Rock forming process where material is derived from pre-existing rocks by weathering and erosion.
sediments	Loose, unconsolidated deposit of debris that accumulates on the Earth's surface.
siltstone	A detrital sedimentary rock composed of clay minerals similar to mudstone but with mostly silt-grade material
siitstone	(1/16 to 1/256) mm.
slurry	Liquid containing suspended solids.
stockpile	Heap of mined ore waiting to be milled.
tenement	A generic term for an exploration or mining licence or lease.
unconformity	A structural break in the geological profile representing unrecorded time.
VALMIN Code	The Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets for Independent Expert
VALIVIIIN COUR	Reports (2005), sponsored by the AusIMM, the ASX, the AIG and MICA among others.
volcanic	An igneous rock of volcanic origin.



# Appendix A Uranium Mineral Resource Transactions

Project	Date	Buyer	Seller	Interest	Consideration (100% basis) A\$	Implied value (A\$/lb)
Husab	25/11/11	Epangelo Mining Co Pty Ltd	China-Africa Dev. Fund; China General Nuclear Power	10%	\$2,029,380,594	\$3.96
Husab	14/02/12	Taurus Mineral Ltd	Extract Resources Ltd	90%	\$2,412,388,889	\$4.70
Langer Heinrich mine	18/01/14	China National Nuclear Corporation	Paladin Energy Ltd	25%	\$865,554,353	\$5.24
Namibplaas	24/10/11	Forsys Metals Corp	Etherlin Management Corp.	30%	\$24,775,911	\$0.60
Chirundu	30/09/13	Karoo Exploration Corp	African Energy Resources Ltd	100%	\$2,601,785	\$0.23
Ryst Kuil	11/12/12	Peninsula Energy Ltd	Areva NC	74%	\$6,424,559	\$0.32
Kuriskova and Novoveska Huta	31/07/14	Forte Energy NL	European Uranium Resources	50%	\$7,843,701	\$0.14
Yeelirrie	26/08/12	Cameco Corp	BHP Billiton Group	100%	\$413,143,736	\$2.86
Carley Bore	1/06/15	Paladin Energy Limited	Energia Minerals Limited	100%	\$21,850,000	\$1.40



# Appendix B Uranium Exploration Transactions

Project	Date	Buyer	Seller	Consideration (100% basis)	Area (km²)	Implied value (A\$/km²)
Huab	14/05/12	Golden Deeps Ltd	Glendale Asset Pty Ltd	\$3,662,500	2,000	\$1,831
Pinewood	21/11/14	Metal Tiger plc	Kibo Mining Public Limited Company	\$2,536,211	9,033	\$281
Songea	9/08/12	Karoo Exploration Corp	Tanzania Minerals Corp	\$940,755	954	\$986
Spinifex	29/10/12	Resource Star Ltd	Thundelarra Exploration Ltd	\$100,000	119	\$840



Bannerman Resources Limited ABN 34 113 017 128

→ 000001 000 BMN MR SAM SAMPLE FLAT 123 123 SAMPLE STREET THE SAMPLE HILL SAMPLE ESTATE SAMPLEVILLE VIC 3030

# Lodge your vote:



www.investorvote.com.au



#### By Mail:

Computershare Investor Services Pty Limited GPO Box 242 Melbourne Victoria 3001 Australia

Alternatively you can fax your form to (within Australia) 1800 783 447 (outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only (custodians) www.intermediaryonline.com

#### For all enquiries call:

(within Australia) 1300 850 505 (outside Australia) +61 3 9415 4000

#### **Proxy Form** XX



#### Vote online

- •Go to www.investorvote.com.au or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

# Your access information that you will need to vote:

Control Number: 999999

SRN/HIN: 19999999999 PIN: 99999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.



# 🌣 For your vote to be effective it must be received by 2:00pm (WST) Sunday, 27 December 2015

#### How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

#### **Appointment of Proxy**

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

#### Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

#### Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

GO ONLINE TO VOTE, or turn over to complete the form MR SAM SAMPLE FLAT 123 123 SAMPLE STREET THE SAMPLE HILL SAMPLE ESTATE SAMPLEVILLE VIC 3030

l	Change of address. If incorrect,
J	mark this box and make the
	correction in the space to the left.
	Securityholders sponsored by a
	broker (reference number
	commences with 'X') should advise
	your broker of any changes



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<b>Proxy Form</b>	1			Please mar	k X	to indicate	your d	irection
• •	_	/ote on Yoเ						XX
I/We being a member/s	of Bannerma	an Resources	Limited hereb	y appoint				
the Chairman of the Meeting	OR				y y	PLEASE NOTE: Lou have selected deeting. Do not ins	the Chairn	nan of the
or failing the individual or be to act generally at the Mee to the extent permitted by I 2 Centro Avenue, Subiaco that Meeting.	ting on my/our b aw, as the proxy	pehalf and to vote y sees fit) at the E	in accordance w extraordinary Ger	ith the following direction	ons (or if rman Re	no directions has sources Limited	ave been	given, and
Chairman authorised to a Meeting as my/our proxy (on Resolution 3 (except wh with the remuneration of a	or the Chairman here I/we have ir	becomes my/our ndicated a differer	proxy by default nt voting intentior	), I/we expressly authorn below) even though R	ise the C	Chairman to exe	ercise my	our proxy
Important Note: If the Chavoting on Resolution 3 by r	narking the appr	ropriate box in ste	p 2 below.					
Items of Bu	usiness 2			Abstain box for an item, yould and your votes will not be			required r	maiority
						€ot	Against	Abstain
Resolution 1 Approval of I	RCF Transaction	1						
Resolution 2 Approval of	Share Acquisition	า						
Resolution 3 Issue of Sec	urities to Mr Jubb	ber						

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

Individual or Securityholder 1	Securityholder 2		Securityholder	Securityholder 3		
Sole Director and Sole Company Secretary	Director	Director		Director/Company Secretary		
Contact		Contact Daytime			1	,
Name		Telephone		Date	•	•





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