ANNUAL REPORT 2006

BANNERMAN
RESOURCES LIMITED

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CORPORATE DIRECTORY

CHAIRMAN

Alastair Clayton

MANAGING DIRECTOR

Peter Batten

NON-EXECUTIVE DIRECTOR

Stephen Brockhurst

COMPANY SECRETARY

Stephen Brockhurst

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Level 2, 22 Oxford Close
Leederville WA 6008

Telephone: (08) 9381 1436

Facsimile: (08) 9381 1068

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NEDLANDS WA 6009

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STOCK EXCHANGE LISTING

Australian Stock Exchange

(Home Exchange: Perth, Western Australia)

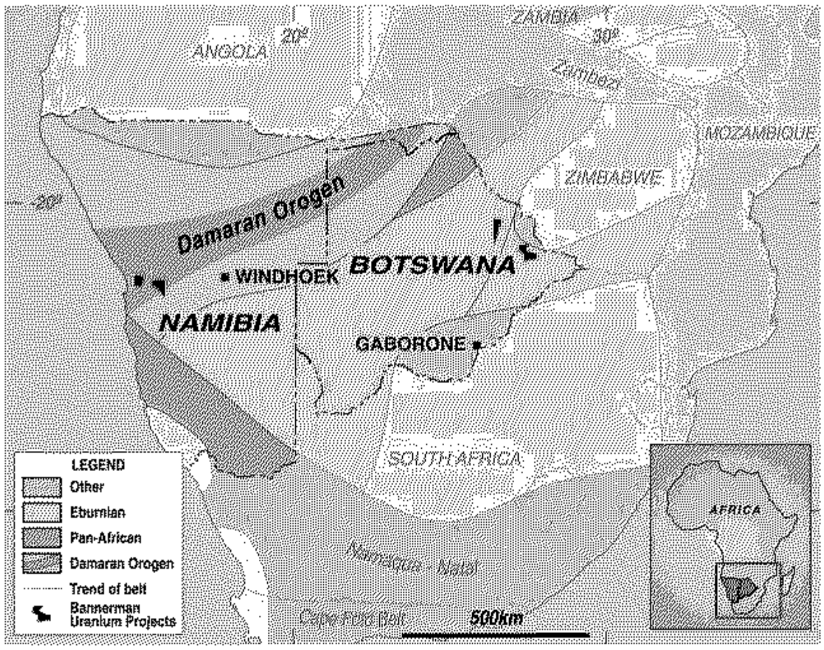
Code: BMN, BMNO

BANKERS

National Australia Bank

50 St Georges Terrace
PERTH WA 6000

REVIEW OF OPERATIONS



Bannerman Resources Limited (Bannerman) has had a first full year of operation. The company began the year having just listed (April 2005) and commencing life as a public company in nickel exploration, drilling the Pinnacles Nickel Project in the Eastern Goldfields of Western Australia.

Following the successful purchase of 80% of Turgi Investments (Pty) Ltd, a company with Exclusive Prospecting Licence Applications for uranium in Namibia and the granting of three Prospecting Licences (131/2005 to 133/2005) for uranium, base metals, gold, precious metals and PGM in Botswana, the company changed focus to become an explorer for uranium in Africa.

HIGHLIGHTS

KEY TENEMENTS GRANTED IN NAMIBIA

EPL 3345 Welwitschia and EPL 3346 Swakop River granted by the Ministry of Mines and Energy Namibia in May.

ENVIRONMENTAL CLEARANCES OBTAINED

The Ministry of Environment and Tourism issued Environmental Clearances for EPL3345 and EPL3346 in August, allowing ground exploration to commence.

HISTORIC DATA ACQUIRED

Data for over 230 historic drillholes recovered covering the Goanikontes prospect. Significant mineralisation reported, eg:

23m @ 541ppm, 44m @ 436ppm, 50m @ 457ppm U3O8

EXPLORATION COMMENCED

- Logging of historic diamond core from Goanikontes completed.
- Drilling rig sourced. AC and Diamond drilling programme planned to commence in September.

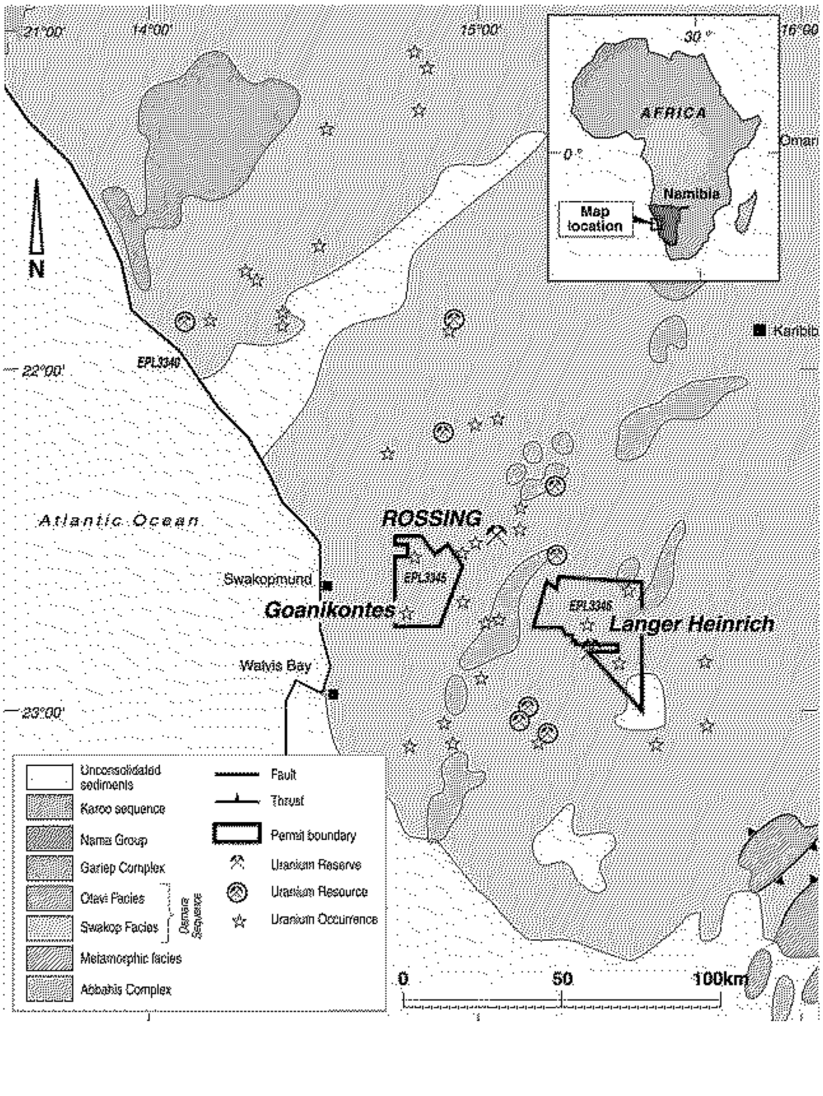
AERIAL SURVEYS TO BE COMPLETED IN BOTSWANA

NAMIBIAN URANIUM PROJECTS (BMN 80%)

BMN announced on May 25 that the Company had received the completed licence documents for Exclusive Prospecting Licences (EPL) 3345 and 3346 from the Ministry of Mines and Energy in Namibia. The licences are issued in the name of Turgi Investments (Pty) Ltd, a company 80% owned by Bannerman.

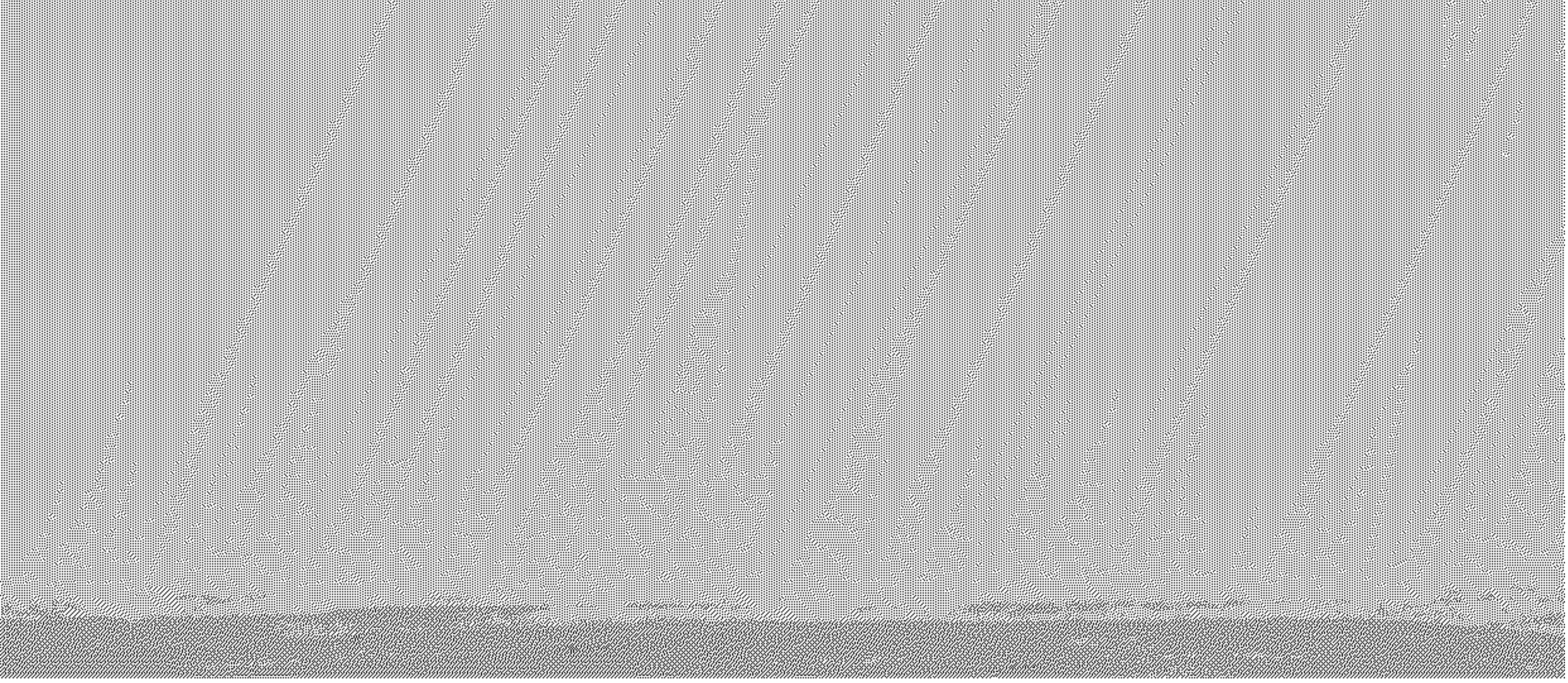
The Company has established offices in the nearby township of Swakopmund. Additionally the Company has employed local geologists, a supervising geological consultant, an environmental consultant, administration manager and several field and office staff.

The Company considers Namibia to be one of the best countries in the world to explore and mine uranium given the incredibly prospective geology (as confirmed by Rössing and Langer Heinrich mines), the political stability, requisite infrastructure and a strong mining culture.



The licences lie within the central Swakopmund district of Namibia which hosts the world's largest open cut uranium mine at Rössing (majority owned by Rio Tinto) and Paladin Resources Limited's (ASX:PDN) Langer Heinrich uranium project.

The licences both contain known occurrences of uranium in geological environments and styles of mineralisation similar to both the Rössing and the Langer Heinrich deposits.



NAMIBIA REGIONAL GEOLOGY & PERMITS

EPL3345 – WELWITSCHIA

This tenement contains 12 known uranium anomalies, known as the Rossingberg anomalies, and has been subject to nominal uranium exploration in the previous 20 years. It contains alaskite hosted mineralisation similar to the world class Rössing open cut uranium mine located 20 kilometres to the north east. The Rössing mine, majority owned by Rio Tinto, has been producing continuously for thirty years commencing in 1976 with an initial reserve of 374 Mt at a grade between 300 and 500 ppm U3O8.

The project contains exceptional exploration potential including more than 30 kilometres of untested Goanikontes domal contact.

Goanikontes Anomaly A has continuous mineralisation over a large area of a tenor similar to Rössing (300-500ppm U3O8) and the Valencia deposit (34Mt @ 220-ppm U3O8) held by TSE listed Forsys Metals. Mineralisation remains open at depth, between zones and along and across strike.

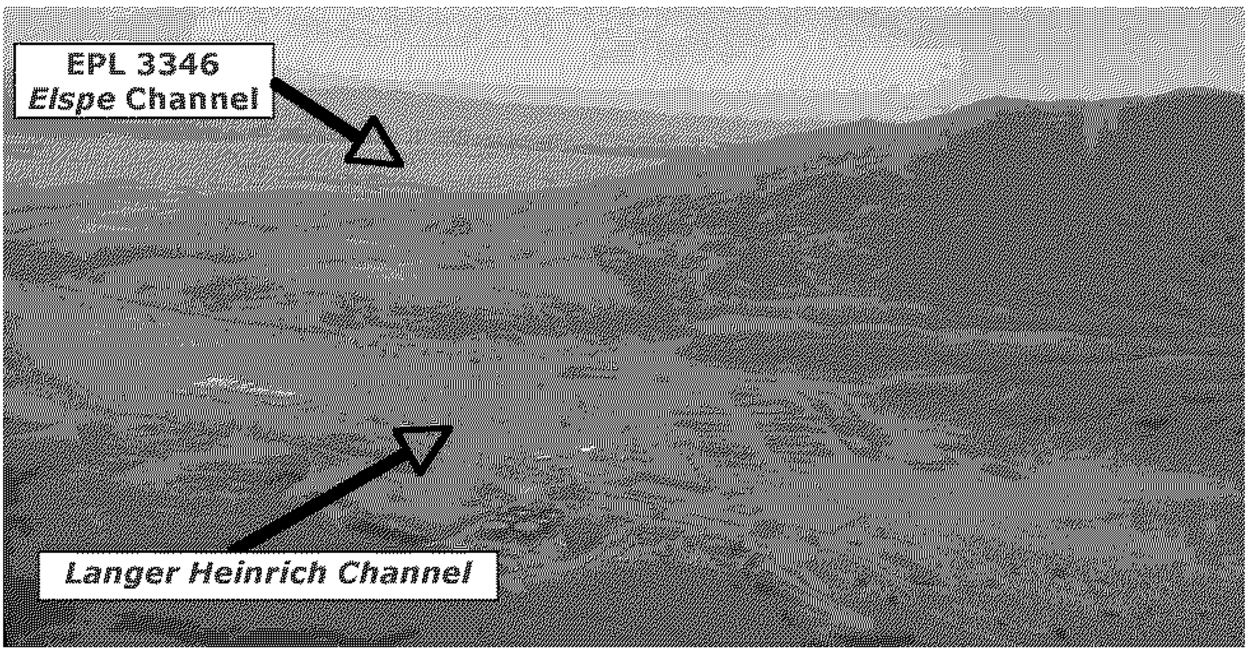
EPL3346 – SWAKOP RIVER

The Swakop River licence surrounds Paladin Resources Ltd's Langer Heinrich Uranium mine. The project area contains an extensive palaeochannel target with uranium documented in calcretised sediments at Elspe. Field reconnaissance in the area has confirmed the presence of these sediments which are similar in tenor to those hosting uranium mineralisation in the adjacent Langer Heinrich palaeo-channel. This represents a well defined, immediate exploration target.

EPL3347 – ONANIS

The Onanis licence was situated to the east of EPL3346 and abutted this licence.

From the data and reporting obtained from the previous exploration it is the opinion of the company that no sizable economic deposit could have been left out.



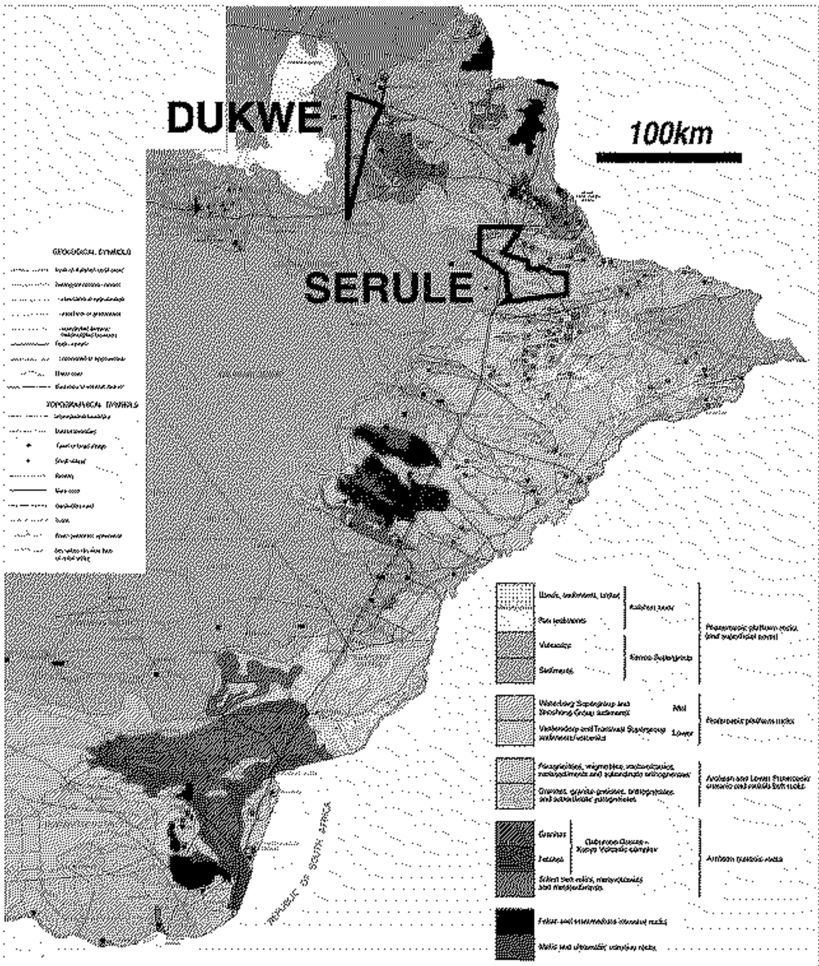
BOTSWANAN URANIUM PROJECTS (BMN 100%)

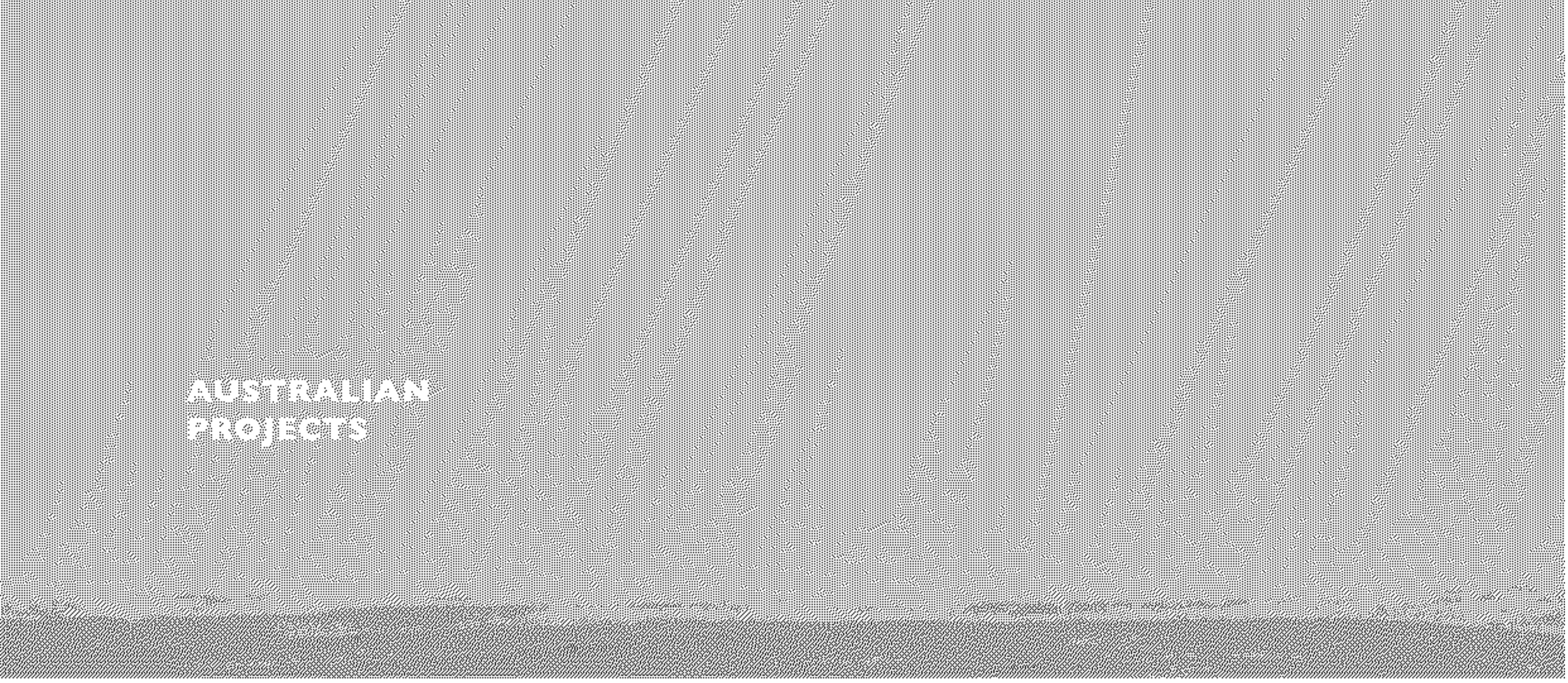
The Ministry of Minerals, Energy and Water Resources in Botswana notified Bannerman in September 2005 that applications for three Prospecting Licences (131/2005 to 133/2005) for uranium, base metals, gold, precious metals and PGM had been granted for a period of three years.

PL No	Area (km^2)	Project Name
131/2005	633.2	Serule North
132/2005	801.5	Dukwe
133/2005	873.9	Serule South

Uranium Mineralisation in Botswana

Known uranium mineralisation in Botswana is a result of exploration work completed in the 1970s. The work was not comprehensive and did not cover all of Botswana. Numerous anomalies were identified. The most significant discovery was the Mokobaesi No. 1 Deposit. The No.1 Deposit comprises secondary uranium mineralisation in calcretised sediments similar to that occurring at Langer Heinrich in Namibia. The majority of anomalies were discovered from airborne radiometric surveys which will not detect low grade buried deposits.





AUSTRALIAN PROJECTS

WHITE RING URANIUM PROJECT (BMN 100%)

In July BMN made application for an exploration licence (E08/1559) in the Ashburton Mineral Field of Western Australia.

The Company is reviewing previous exploration results while awaiting the grant of the application.

PINNACLES NICKEL PROJECT

Bannerman commenced the year with a drill programme to test the source of several EM anomalies at depth. The results were inconclusive and the Company has decided to withdraw from the Farmin Agreement relating to the Pinnacles Nickel Project to concentrate on uranium exploration in Africa.

For additional information please refer to review of operations in Directors' Report.

DIRECTORS' REPORT

The directors of Bannerman Resources Limited submit herewith the financial report of the company and its controlled entities for the financial year ended 30 June 2006. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

1. DIRECTORS

The names and particulars of the directors of the company during or since the end of the financial year are:

Alastair Clayton	Non-Executive Chairman (appointed 26 May 2006)
Ian Finch	Non-Executive Chairman (resigned 26 May 2006)
Peter Batten	Managing Director (appointed 13 February 2006)
Stephen Brockhurst	Non-Executive Director
Shane Sadleir	Non-Executive Director (resigned 13 February 2006)
Mike Young	Non-Executive Director (resigned 13 February 2006)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Alastair Clayton Non-Executive Chairman

Qualifications BSc.Geol (Hons) Grad Dip Fin Econ (SIA)

Experience

Mr Clayton is a qualified geologist with a post graduate diploma in Finance and Economics from the Securities Institute of Australia. Alastair has over 10 years experience in the mining and resources sector and has worked in Australia, Africa, Asia and Europe in both a technical and corporate capacity.

Now residing in the UK, Alastair is the principal of Synthesis Capital Resources, a London Resources Advisory business. Alastair is an executive director of South China Resources PLC, an AIM listed company with base metals projects in China. Alastair brings a wealth of financial and corporate expertise to the Company with particular access to European markets.

Interest in Shares nil

Interest in Options nil

Peter Batten Managing Director

Qualifications BAppSc (Geol), QMCC, MAusIMM, MGSA

Experience

Mr Batten has been involved in mineral exploration for over 20 years since graduating from Curtin University of Western Australia in 1983. He has worked in the exploration and mining industry for a wide range of commodities including gold, nickel, and industrial minerals. Much of Peter's time has been spent as a principal consulting geologist working in Australia and overseas. He started Exploration and Mining Consultants (EMC) in 1995 which at its peak had offices in Kalgoorlie, Perth, Melbourne and Indonesia. After EMC Peter worked as a private consultant and project manager and successfully listed Berkeley Resources Ltd on the ASX.

Peter worked as Managing Director of Berkeley before resigning to manage projects in China and to complete overseas consulting work. Peter has a proven management ability and a comprehensive knowledge of the mining industry.

Interest in Shares	1,850,000	Fully Paid Ordinary Shares
Interest in Options	1,000,000	35 cent options exercisable on or before 12/8/07
	350,000	30 cent options exercisable on or before 9/2/09

Stephen Brockhurst	Non-Executive Director
Qualifications	BComm

Experience

Mr Brockhurst is an Accountant with 6 years corporate and company secretarial experience. He has been involved in the listing of over 10 junior gold and mineral exploration companies on the ASX in the past 5 years with capital raisings exceeding $40 million. He has experience in capital raisings, ASX compliance and regulatory requirements.

Interest in Shares	150,003	Fully Paid Ordinary Shares
Interest in Options	nil	

COMPANY SECRETARY

The following person held the position of company secretary at the end of the financial year:

Stephen Brockhurst

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2. PRINCIPAL ACTIVITIES

The principal activity of the Consolidated Entity during the financial year was mineral exploration.

There were no significant changes in the nature of the Consolidated Entity's principal activities during the financial year.

3. OPERATING RESULTS

The loss of the Consolidated Entity after providing for income tax amounted to $2,037,975 (period to 30 June 2005:$66,074).

4. REVIEW OF OPERATIONS

Bannerman Resources Limited (Bannerman) has had a first full year of operation. The company began the year having just listed (April 2005) and commencing life as a public company in nickel exploration, drilling the Pinnacles Nickel Project in the Eastern Goldfields of Western Australia.

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HIGHLIGHTS

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- **ENVIRONMENTAL CLEARANCES OBTAINED**

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- **HISTORIC DATA ACQUIRED**

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- **EXPLORATION COMMENCED**
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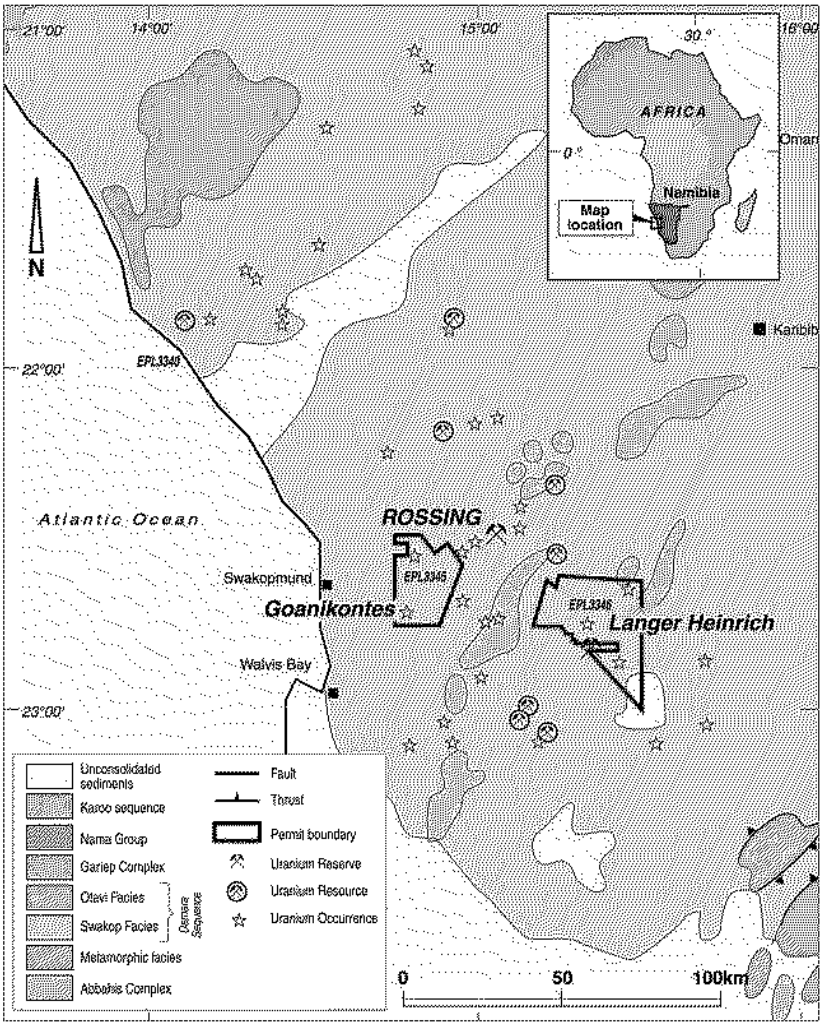

Namibia Regional Geology and Permits

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The licences both contain known occurrences of uranium in geological environments and styles of mineralisation similar to both the Rössing and the Langer Heinrich deposits.

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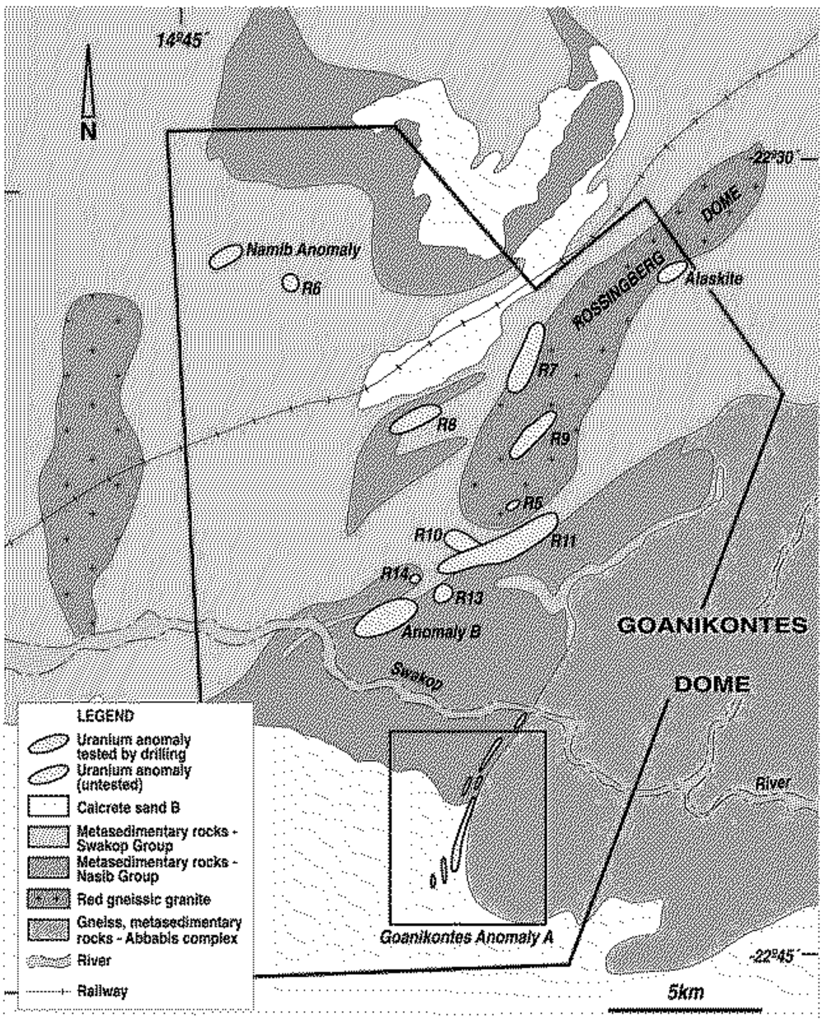

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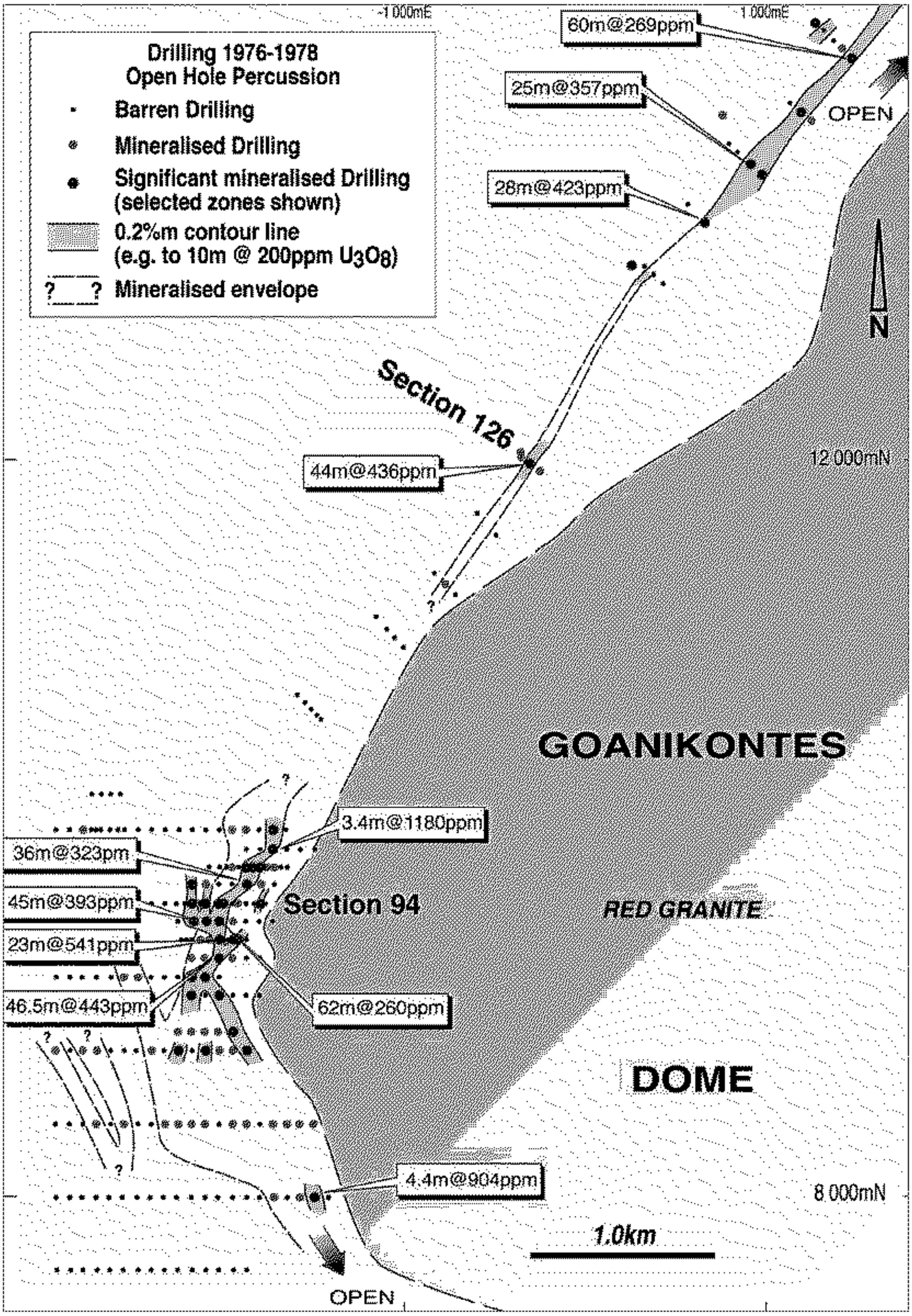


The Company has completed re-logging of historic drillcore and is awaiting the opportunity to reassay the core. The company has ordered a downhole gamma ray spectrometer and will be re-probing open holes remnants of the historic drilling.

Goanikontes Anomaly A was drilled in three phases in the 1970s and 1980s. Drilling information has been recovered from old reports, plans and sections and incorporated into a digital drill database.

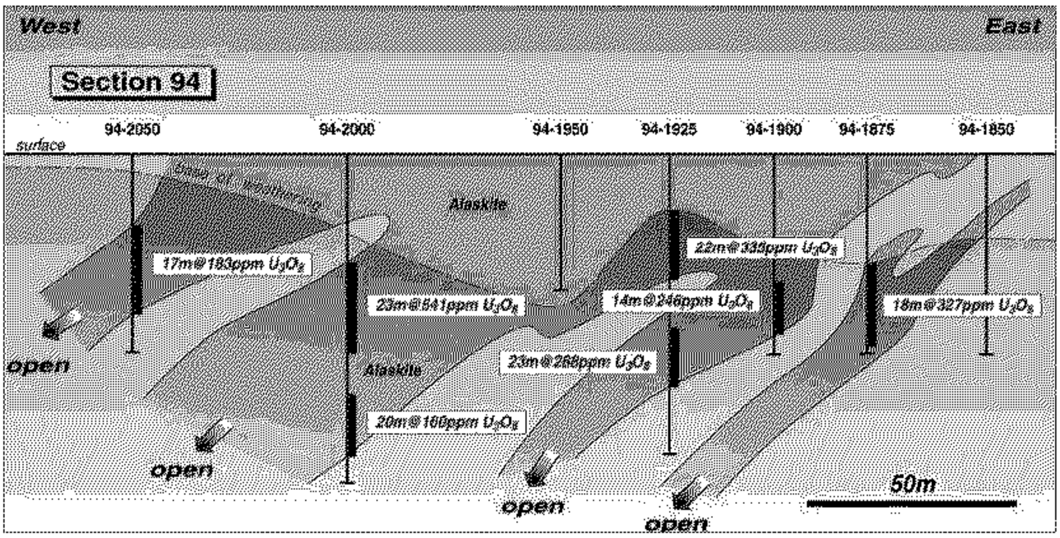
Better historic drilling results include:

23m @ 541 ppm U3O8	23m @ 397 ppm U3O8
50m @ 457 ppm U3O8	45m @ 393 ppm U3O8
46m @ 443 ppm U3O8	60m @ 269 ppm U3O8
44m @ 436 ppm U3O8	62m @ 260 ppm U3O8

The core from nine historic diamond drill holes (GOA1 to GOA9) was logged by Bannerman employees with permission from the Geological Survey of Namibia (GSN), the owner of the core.

The core is incomplete with missing boxes but the information being obtained from relogging the holes is of great benefit in further understanding the project. Drill holes GOA8 and GOA9 do not appear to have been sampled previously. It has been noted that the GOA 9 core contains sections of Alaskite with black smoky quartz. Black smoky quartz in Alaskites is a field indication of high grade (~5000 ppm U3O8) uranium mineralisation.

Bannerman has requested permission from the GSN to resample the core to help complete the drilling database.



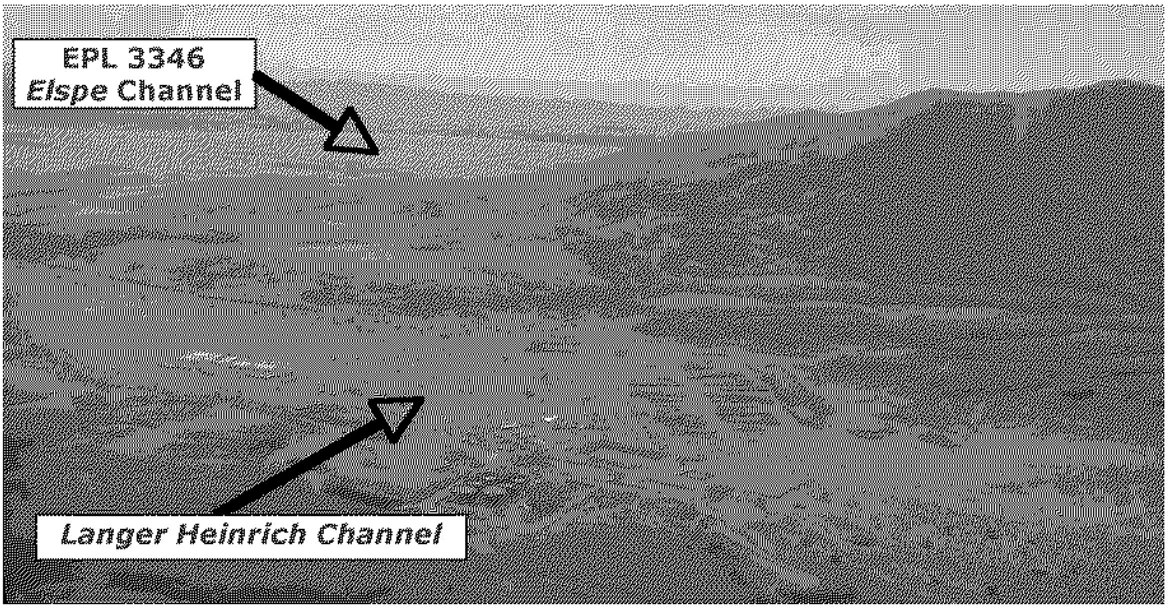
Historic drilling information relating to a further three of the ten Rossingberg anomalies that were known to be drilled and other drilling completed on the southeastern side of the Goanikontes Dome is yet to be sourced.

EPL3346 – SWAKOP RIVER

The Swakop River licence surrounds Paladin Resources Ltd's Langer Heinrich Uranium mine. The project area contains an extensive palaeochannel target with uranium documented in calcretised sediments at Elspe. Field reconnaissance in the area has confirmed the presence of these sediments which are similar in tenor to those hosting uranium mineralisation in the adjacent Langer Heinrich palaeo-channel. This represents a well defined, immediate exploration target.

Historic drilling at Swakop has been very limited with available information being incomplete. Historic holes along the south-western border of the licence, where the Elspe channel abuts the Langer Heinrich channel, are known to exist from historic plans however this information has only recently been obtained with permission from Paladin (ASX:PDN).

Due to the licences being located in the Namib Naukluft Park, as is Langer Heinrich, the company was required to complete Environmental Management Plans as a prelude to commencing ground disturbing exploration. A Local Environmental Consultancy group completed this work in July with the clearances being successfully obtained in August.



EPL3347 – ONANIS

The Onanis licence was situated to the east of EPL3346 and abutted this licence.

The Exclusive Prospecting License was granted to the company in November 2005 for exploration for nuclear fuels. Turgi undertook comprehensive desk-top investigations and a reconnaissance field visit in order to assess the anomalous results obtained with former exploration endeavours and to evaluate the mineral potential of the prospect.

From the data and reporting obtained from the previous exploration it is the opinion of the company that no sizable economic deposit could have been left out.

NAMIBIAN OPERATIONS

The Company has established offices in the nearby township of Swakopmund. Additionally the Company has employed local geologists, a supervising geological consultant, an environmental consultant, administration manager and several field and office staff.

The Company considers Namibia to be one of the best countries in the world to explore and mine uranium given the incredibly prospective geology (as confirmed by Rössing and Langer Heinrich mines), the political stability, requisite infrastructure and a strong mining culture.

Namibia is one of Africa's more recently independent nations gaining its sovereignty in 1990 from South Africa. The country is politically stable with no civil unrest and excellent infrastructure with an established and diverse mining industry. The country is a former German colony governed by Dutch Roman law. Active mining within Namibia has been ongoing for several decades with major mines including Tsumeb (base metals), Rössing (uranium) and Skorpion (zinc); there is also significant offshore diamond production. The Namibian government actively encourages the growth of the mining industry which is one of the key contributors to the country's economy.

BOTSWANAN URANIUM PROJECTS (BMN 100%)

The Ministry of Minerals, Energy and Water Resources in Botswana notified Bannerman in September 2005 that applications for three Prospecting Licences (131/2005 to 133/2005) for uranium, base metals, gold, precious metals and PGM had been granted for a period of three years.

PL No	**Area (km2)**	**Project Name**
131/2005	633.2	Serule North
132/2005	801.5	Dukwe
133/2005	873.9	Serule South

Uranium Mineralisation in Botswana

Known uranium mineralisation in Botswana is a result of exploration work completed in the 1970s. The work was not comprehensive and did not cover all of Botswana. Numerous anomalies were identified. The most significant discovery was the Mokobaesi No. 1 Deposit. The No.1 Deposit comprises secondary uranium mineralisation in calcretised sediments similar to that occurring at Langer Heinrich in Namibia. The majority of anomalies were discovered from airborne radiometric surveys which will not detect low grade buried deposits.

Serule Project

The Serule South Prospecting Licence (133/2005) is located immediately north of the Mokobaesi No.1 uranium deposit. Mineralisation is expected to mirror that of the Mokobaesi deposit which consists of encrustations of secondary yellow uranium ochre in calcrete and in the underlying Ecca siltstones.

Within the boundaries of the licence is the Basement North Cluster, identified from airborne radiometric surveys by Falconbridge Explorations Botswana (Pty) Ltd ("Falconbridge") in 1977. The anomaly comprises four zones with strike lengths from 2 to 4 kilometres and widths up to 1 kilometre. Bannerman's licence area covers an additional 10 kilometres from the edge of the known anomaly.

The peak uranium channel count from the survey for the Basement Cluster exceeds 200 cps over a background of 100 cps. This is similar to the anomalies that occur on the periphery of the Mokobaesi Deposit 21 km to the south.

The Serule North Prospecting Licence (131/2005) covers the area to the north west of the Mokobaesi Uranium Deposit. The licence area includes the Poleiti Cluster identified from airborne radiometric survey by Falconbridge in 1977 and the potential strike extensions of this trend of mineralisation.

The Poleiti Cluster comprises extensive contours of weaker anomalous readings that may be the lower edge of a mineralised zone that lies to the north of the Falconbridge licence. The Poleiti Cluster trends parallel to the Basement Cluster and is consistent in shape, trend and tenor with the southern outlines of the Basement and Mokobaesi Clusters. The Serule North PL also extends to the northwest of the Poleiti Cluster to cover possible repeats of the Basement-Poleiti anomalies.

The peak uranium channel count from the survey for the Poleiti Cluster exceeds 190 cps over a background of 120 cps. This is similar to the outer contours of the other anomalies identified in the 1977 work including the Mokobaesi Deposit itself.

Dukwe Project

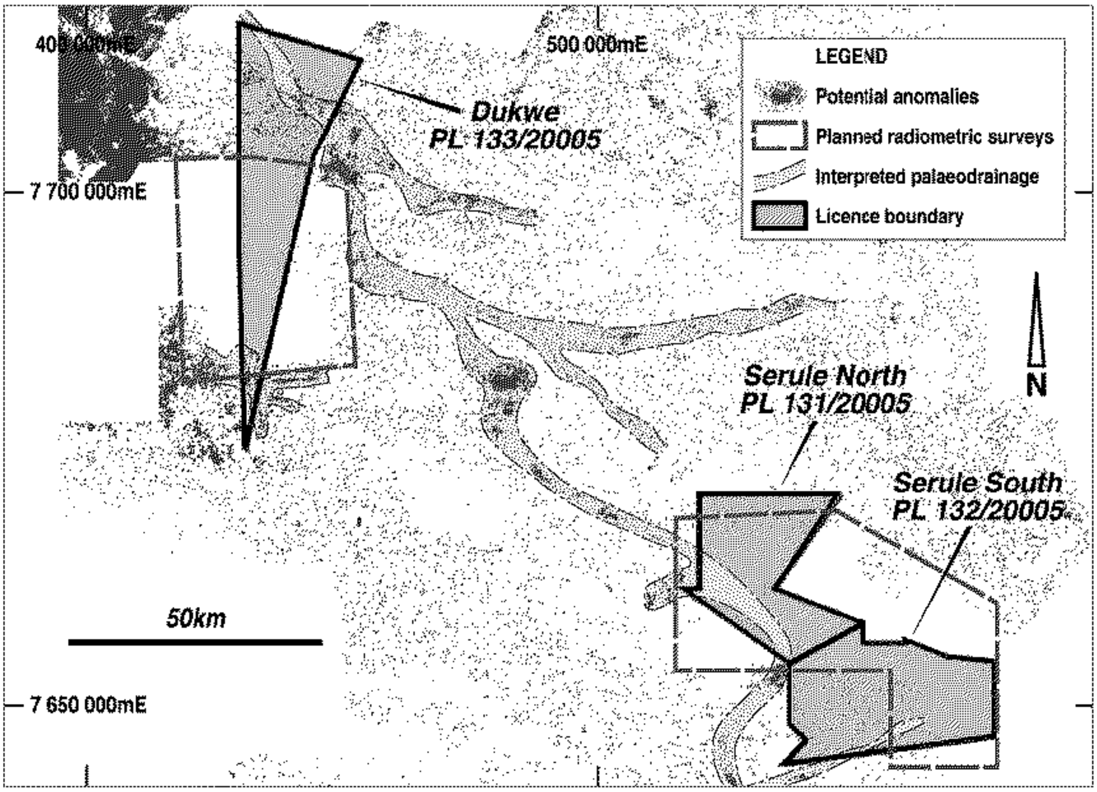
The Dukwe Prospecting Licence (132/2005) is located to the east of the eastern edge of the Sua Pan (or lake) and west of the township of Dukwe. Mineralisation in the Dukwe area consists of calcrete uranium mineralisation in palaeochannels and carnotite in ferruginous mudstones of the Ecca Formation.

The Area 7 anomaly, which is completely covered by the Bannerman licence, displayed the largest area of high total count levels of the 11 anomalies identified by Falconbridge in the area. The maximum U channel ratio (uranium channel peak to background ratio) and the U resultant (number of U channel counts less the number of Th channel counts) were lower than other anomalies at Dukwe. These lower counts could be due to the 9 metre thickness of Mea Arkose on the surface at this point masking the mineralisation. Anomalies within Mea Arkose in general were not followed up by Falconbridge.

The most extensive near surface uranium concentration highlighted by the 1977 work was in the Area 1 anomaly, to the west of the southern tip of the Bannerman licence area. This mineralisation was initially associated with the underlying Tlapana Mudstone. The carnotite mineralisation noted at this location prior to 1977 is associated with gypsum within the mudstone. The trend of the radiometric anomaly is northeast passing into the Bannerman licence area. The high U resultant (>55) and the style (Y shaped) and depth of mineralisation observed at Area 1 anomaly are similar to the Simonware Uranium Occurrence (Area 10) to the northeast of the Bannerman licence area.

The compilation and analysis of all existing geophysical data and historical reports for the Serule and Dukwe projects was completed during the year. The work highlighted several anomalous trends which have been interpreted to represent palaeodrainage from uraniferous source rocks in the northwest.

Large areas of the Company's projects have no radiometric data over it. Consequently radiometric surveys have been planned to complete the geophysical data packages for the Botswana projects. Fugro Airborne have been awarded the contract to conduct these aerial surveys which commenced in August.



AUSTRALIAN PROJECTS

WHITE RING URANIUM PROJECT (BMN 100%)

In July BMN made application for an exploration licence (E08/1559) in the Ashburton Mineral Field of Western Australia.

Previous explorers have reported significant levels of uranium mineralization (up to 1,840ppm) in joints, veins and gossans hosted by pegmatite and leucocratic granite within the White Ring and North White Ring areas. The mineralization appears to occur in association with other metals of economic interest (up to 10.7% Cu and 95ppm Ag).

The Company is reviewing previous exploration results while awaiting the grant of the application.

PINNACLES NICKEL PROJECT

Bannerman commenced the year with a drill programme to test the source of several EM anomalies at depth. The results were inconclusive and the Company has decided to withdraw from the Farmin Agreement relating to the Pinnacles Nickel Project to concentrate on uranium exploration in Africa.

The Pinnacles project covers an approximate 15km north-south strike length sequence of komatiitic rocks. The sequence comprises ultramafic and mafic volcanics and felsic to mafic sedimentary rocks to the east. The target komatiite flows are located at the base of the sequence.

Previously moving loop and fixed loop Electromagnetic surveys have highlighted significant bedrock conductors consistent with the response of massive nickel sulphide accumulation. Modelling of the conductors enabled the strategic positioning of six RC holes drilled in June 2005 for a total of 803m.

A review of the results has indicated that there is still scope for the discovery of nickel sulphide mineralisation in the area. Targets include further untested EM anomalies and nickel anomalism intersected in BMRC003.

The company has undertaken an RC drilling programme aimed at testing the more prominent conductors in the southern part of the Pinnacles Project. No zones of massive sulphide or high grade nickel mineralisation were intersected in this phase of work.

It is recommended that a petrological examination of the retained RC chips be made.

Logging of these chips by an experienced person should be carried out and, with the sample information and assay data, be entered into an electronic data base. This new information should be viewed in relation to previous drilling and geophysical work, to determine more precisely whether the conductors have been intersected or not. If there is doubt about this issue, geophysical logging of the drill holes should be considered to establish the more precise location of the conductors.

Surface EM and drilling should also be carried out over prospective zones further north, which could be followed by RC/diamond drilling over any targets so defined.

5. FINANCIAL POSITION

On 11 May 2006 the Company issued 1,333,333 fully paid shares at $0.75 each to raise $1 million.

As at 30 June 2006 the Consolidated Entity has $2.48 million cash on hand.

The Directors believe that the Consolidated Entity currently has sufficient capital to effectively explore its current landholdings.

6. BUSINESS STRATEGIES AND PROSPECTS FOR THE FORTHCOMING YEAR

The Consolidated Entity remains committed to adding to shareholder wealth and whilst the current focus is on base metals, nickel and platinum group elements, all wealth generating opportunities will be examined.

As exploration progresses the Consolidated Entity may decide to add projects to or divest projects from its current portfolio.

7. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The following significant changes in the state of affairs of the Consolidated Entity occurred during the financial period:

On the 9 February 2006 the Company issued 1,750,000 shares as consideration for the interest in Turgi Investments Pty Ltd as per the terms outlined in the Notice of General Meeting 30 November 2005 and as approved by shareholders at the meeting so held.

On 13 February 2006 Mr Peter Batten was appointed as Manager Director of Bannerman Resources.

On 13 February 2006 the Company accepted the resignation of Non-Executive Directors Michael Young and Shane Sadleir.

On 11 May 2006 the Company completed a Placement of 1,333,333 Shares at $0.75 to raise $1,000,000.

On 25 May 2005 the Consolidated Entity was granted Exclusive Prospecting Licences by the Ministry of Mines (Namibia) being EPL3345 Welwitschia and EPL3346 Swakop River.

On 26 May 2006 Mr Alastair Clayton was appointed as Non-Executive Chairman of Bannerman Resources. The resignation of Mr Ian Finch was also accepted.

On 26 May 2006 the Company issued a further 1,750,000 shares as consideration for the interest in Turgi Investments Pty Ltd as per the terms outlined in the Notice of General Meeting 30 November 2005.

8. SUBSEQUENT EVENTS

On 17 July 2006 the Company announced its intention to seek shareholder approval, at a meeting to be held 18 August 2006, to subdivide its issued capital on the basis that every one (1) fully paid ordinary share be subdivided into three (3) fully paid ordinary shares and that options on issue be adjusted in accordance with the Listing Rules.

In July 2006 Peninsula Minerals Limited was notified of the Company's intentions to withdraw from the farmin agreement covering the Pinnacles nickel project.

On 18 August 2006 at a General Meeting, shareholder approved the (3) three for (1) share split of the Company's share capital and the issue of 2,500,000 Options exercisable at $1.20 on or before 18 August 2008 to Mr Alastair Clayton or his nominees.

No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

9. FUTURE DEVELOPMENTS

The Consolidated Entity will continue its mineral exploration activity at and around its exploration projects with the object of identifying commercial resources.

10. ENVIRONMENTAL ISSUES

The Consolidated Entity is aware of its environmental obligations with regards to its exploration activities and ensures that it complies with all regulations when carrying out any exploration work.

11. DIVIDENDS PAID OR RECOMMENDED

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

12. REMUNERATION REPORT

This report details the nature and amount of remuneration for each director of Bannerman Resources Limited.

Remuneration Policy

The remuneration policy of Bannerman Resources Limited has been designed to align director objectives with shareholder and business objectives by providing a fixed remuneration component which is assessed on an annual basis in line with market rates. The board of Bannerman Resources Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best directors to run and manage the company, as well as create goal congruence between directors and shareholders.

The board's policy for determining the nature and amount of remuneration for board members is as follows:

The remuneration policy, setting the terms and conditions for the executive directors and other senior staff members, was developed by the managing director and approved by the board after seeking professional advice from independent external consultants.

In determining competitive remuneration rates, the Board seeks independent advice on local and international trends among comparative companies and industry generally. It examines terms and conditions for employee incentive schemes, benefit plans and share plans. Independent advice is obtained to confirm that executive remuneration is in line with market practice and is reasonable in the context of Australian executive reward practices.

All executives receive a base salary (which is based on factors such as length of service and experience), superannuation and fringe benefits.

The Company is an exploration entity, and therefore speculative in terms of performance. Consistent with attracting and retaining talented executives, directors and senior executives are paid market rates associated with individuals in similar positions, within the same industry. The Board however were issued shares and options as part of the terms of the Initial Public Offer and until recently were issued with shares and options to attract additional Board members. Board members have largely retained these securities which assist in aligning their objectives with overall shareholder value.

Options have been issued to Board members to provide a mechanism to participate in the future development of the Company and an incentive for their future involvement with and commitment to the Company.

Options and performance incentives may also be issued in the event that the entity moves from an exploration entity to a producing entity, and key performance indicators such as profits and growth can then be used as measurements for assessing Board performance.

The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9% and do not receive any other retirement benefits.

All remuneration paid to directors is valued at the cost to the company and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Black-Scholes methodology.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The managing director in consultation with independent advisors determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in the employee option plan.

Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and executives. This has been achieved by the issue of shares and options to the majority of the directors and executives to encourage the alignment of personal and shareholder interest.

Details of Remuneration for Year Ended 30 June 2006

The remuneration for each director of the Consolidated Entity during the year was as follows:

	SHORT-TERM BENEFITS			POST EMPLOYMENT		SHARE-BASED PAYMENT		TOTAL
	Salary, Fees & Superannuation	Other	Non-Monetary	Super-annuation	Retirement Benefits	Equity	Options (iii)	$
Directors								
Alastair Clayton - Chairman								
2006	-	-	-	-	-	-	-	-
2005	-	-	-	-	-	-	-	-
Ian Finch - Chairman								
2006	66,000	-	-	5,940	-	-	75,000	146,940
2005	6,000	-	-	540	-	-	-	6,540
Peter Batten - Managing Director								
2006	49,235	-	-	4,431	-	1,110,000	423,200	1,586,866
2005	-	-	-	-	-	-	-	-
Stephen Brockhurst - Non Executive Director								
2006	15,000	29,195(i)	-	1,350	-	-	-	45,545
2005	2,500	-	-	225	-	-	-	2,725
Michael Young - Non Executive Director								
2006	10,000	-	-	900	-	-	-	10,900
2005	2,500	-	-	225	-	-	-	2,725
Shane Sadleir - Non Executive Director								
2006	40,367 (ii)	-	-	-	-	-	-	40,367
2005	6,666	-	-	-	-	-	-	6,666
Total Remuneration Directors								
2006	180,602	29,195	-	12,621	-	1,110,000	498,200	1,830,618
2005	17,666	-	-	990	-	-	-	18,656

(i) Mining Corporate Pty Ltd was paid $29,195 for the period to 30 June 2006 for corporate consulting, compliance and company secretarial services. Mr Brockhurst is a director of Mining Corporate Pty Ltd.

(ii) Remuneration was paid to Mineral Product Holdings Pty Ltd, a company controlled by Shane Sadleir.

(iii) The fair value of the Options is calculated at the date of grant using a Black-Scholes model.

The following factors and assumptions were used in determining the fair value of options issued to Directors on grant date:

Grant Date	Expiry Date	Fair Value Per Option	Exercise Date	Price of Shares on Grant Date	Estimated Volatility	Risk Free Interest Rate	Dividend Yield
30/11/2005	25/7/2008	0.15	25/7/2008	0.275	50%	5.4	-
28/4/2006	12/8/2007	0.42	12/8/2007	0.74	50%	5.5	-

Estimated volatility approximates historic volatility. Each option entitles the holder to purchase one ordinary share in the Company.

Options issued as part of remuneration for the year ended 30 June 2006

Options are issued to directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to the majority of directors and executives of Bannerman Resources Limited and its subsidiaries to increase goal congruence between executives, directors and shareholders.

	Granted No	Options Granted as Part of Remuneration $	Total Remuneration Represented by Options	Options Exercised	Options Lapsed	Total
Alastair Clayton		-	-	-	-	-
Ian Finch (i)	500,000	75,000	-	-	-	500,000
Peter Batten (ii)	1,000,000	423,200		-	-	1,000,000
Stephen Brockhurst	-	-	-	-	-	-
Michael Young	-	-		-	-	-
Shane Sadleir	-	-		-	-	-
	1,500,000	498,200	-	-	-	1,500,000

During the financial period and up to the date of this report the Company issued a total of:

(i) 500,000 options exercisable at 32 cents on or before 25 July 2008 to Mr Finch.

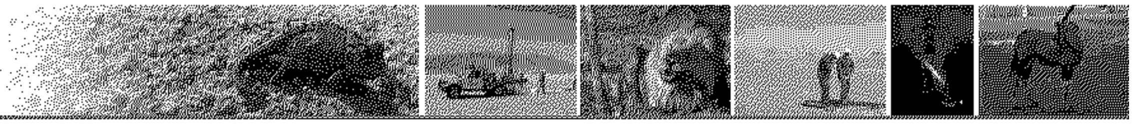
(ii) 1,000,000 options exercisable at 35 cents on or before 12 August 2007 to Mr Batten..

On 18 August 2006 shareholders approved a share split, consequently all securities detailed above are shown on a pre-organisation basis.

Employment Contracts of Directors and Senior Executives

The employment conditions of the managing director, Peter Batten is formalised in a contract of employment. Other than the managing director, all executives are permanent employees of Bannerman Resources Limited.

The employment may be terminated by the Company or Mr Batten by giving the other 4 weeks notice in writing. Alternatively, the employment may be terminated by the Company providing compensation instead of the period of notice required. Termination payments due are four weeks lieu of notice if the termination period is not worked out. Termination payments are not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the company can terminate employment at any time. Any options issued as remuneration not exercised before or on the date of termination will lapse.



13. MEETINGS OF DIRECTORS

	Board of Directors	
Directors	**Held**	**Attended**
Alastair Clayton	1	1
Ian Finch	7	7
Peter Batten	4	4
Stephen Brockhurst	8	7
Michael Young	4	3
Shane Sadleir	4	4

14. INDEMNIFYING OFFICERS OR AUDITOR

In accordance with the constitution, except as may be prohibited by the Corporations Act 2001 every Officer, auditor or agent of the Company shall be indemnified out of the property of the Company against any liability incurred by him in his capacity as Officer, auditor or agent of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal.

15. OPTIONS

At the date of this report, the unissued ordinary shares of the Company under option are as follows:

Expiry Date	Exercise Price	Number of Shares
31 May 2007	20 cents	15,580,003
25 July 2008	32 cents	500,000
12 August 2007	35 cents	1,000,000
9 February 2009	30 cents	3,500,000

During the year ended 30 June 2006 there have been 220,000 issues of ordinary shares as a result of the exercise of the 20 cent options expiring 31 May 2007 .

16. PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the period.

17. AUDITORS INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 22 of the financial report.

18. NON AUDIT SERVICES

The board of directors is satisfied that the provision of non-audit services performed during the year by the Company's auditors is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

No other fees were paid or payable to the auditors for non-audit services performed during the year ended 30 June 2006.

Signed in accordance with a resolution of the Board of Directors.

STEPHEN BROCKHURST

Director
Perth, 25 September 2006

Partners
Phillip Rix FCA
Jon Carcich CA
Ranko Matic CA

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AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF BANNERMAN RESOURCES LIMITED

To The Board of Directors

AUDITOR'S INDEPENDENCE DECLARATION

UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

This declaration is made in connection with our audit of the financial report of Bannerman Resources Limited and controlled entities for the financial year ended 30 June 2006 and in accordance with the provisions of the Corporations Act 2001.

We declare that, to the best of our knowledge and belief, there have been:

- No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit;
- No contraventions of the Code of Professional Conduct of the Institute of Chartered Accountants in Australia in relation to the audit.

Yours faithfully

Rix Levy Fowler

RIX LEVY FOWLER

Chartered Business Advisors
Perth, 25 September 2006

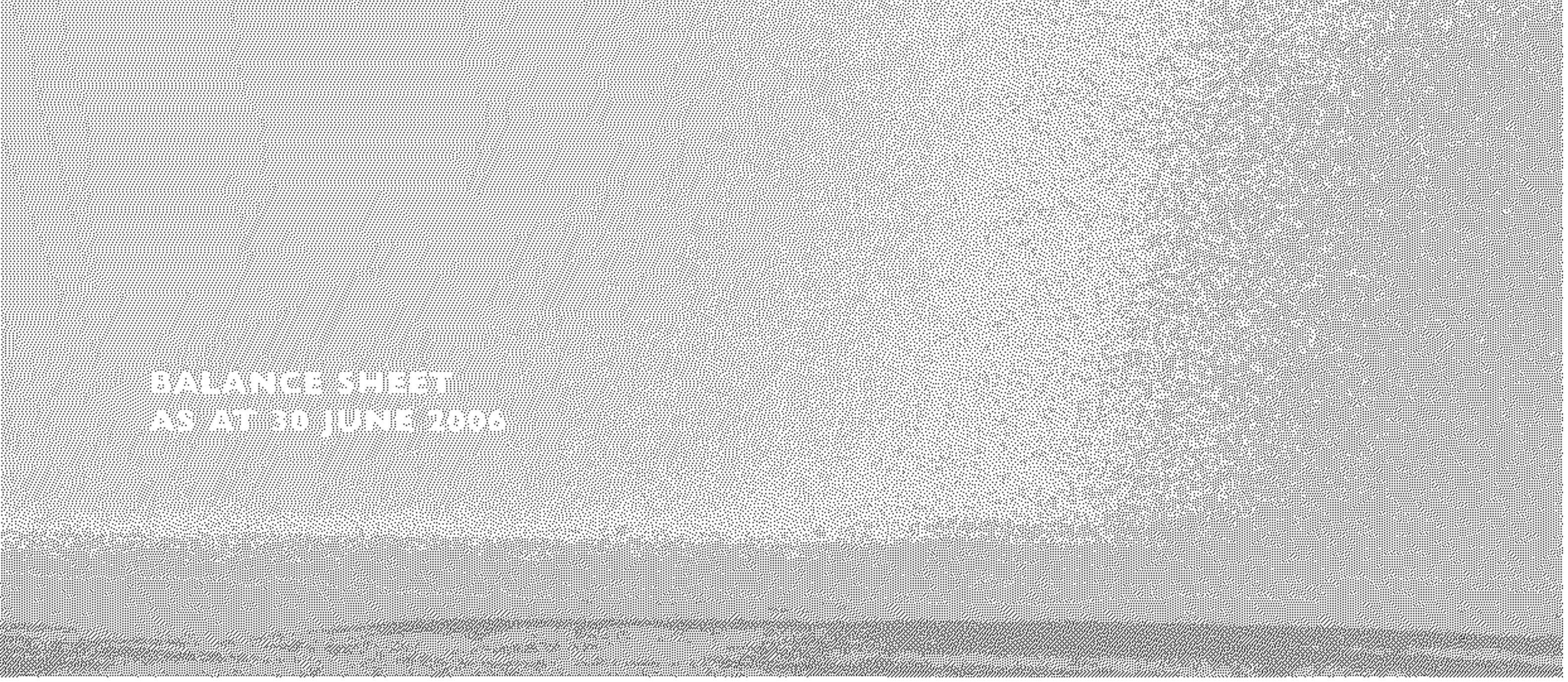
RANKO MATIC

Partner

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

	Note	Consolidated	Company	
		2006	2006	18 February 2005 to 30 June 2005
		$	$	$
Revenue	2	103,734	103,734	23,422
Administrative expense		(102,532)	(100,597)	(11,415)
Employee benefits expense		(18,424)	(18,424)	(3,390)
Borrowing costs expense		(871)	(850)	(901)
Consultancy expenses		(75,245)	(75,245)	(12,945)
Compliance and regulatory expenses		(34,183)	(34,183)	(38,879)
Occupancy expenses		(18,137)	(18,137)	(498)
Directors fees		(72,125)	(72,125)	(11,000)
Directors shares & options expense		(1,608,200)	(1,608,200)	-
Insurance expenses		(10,901)	(10,901)	(280)
Depreciation expense		(259)	(259)	(10,188)
Exploration expenditure written off		(200,832)	(200,832)	-
Loss before income tax expense	3	(2,037,975)	(2,036,019)	(66,074)
Income tax expense		-	-	-
Loss attributable to members		**(2,037,975)**	**(2,036,019)**	**(66,074)**
Basic loss per share (cents per share)	18	(11.96)	(11.94)	(0.67)
Diluted loss per share (cents per share)	18	(5.98)	(5.97)	(0.56)

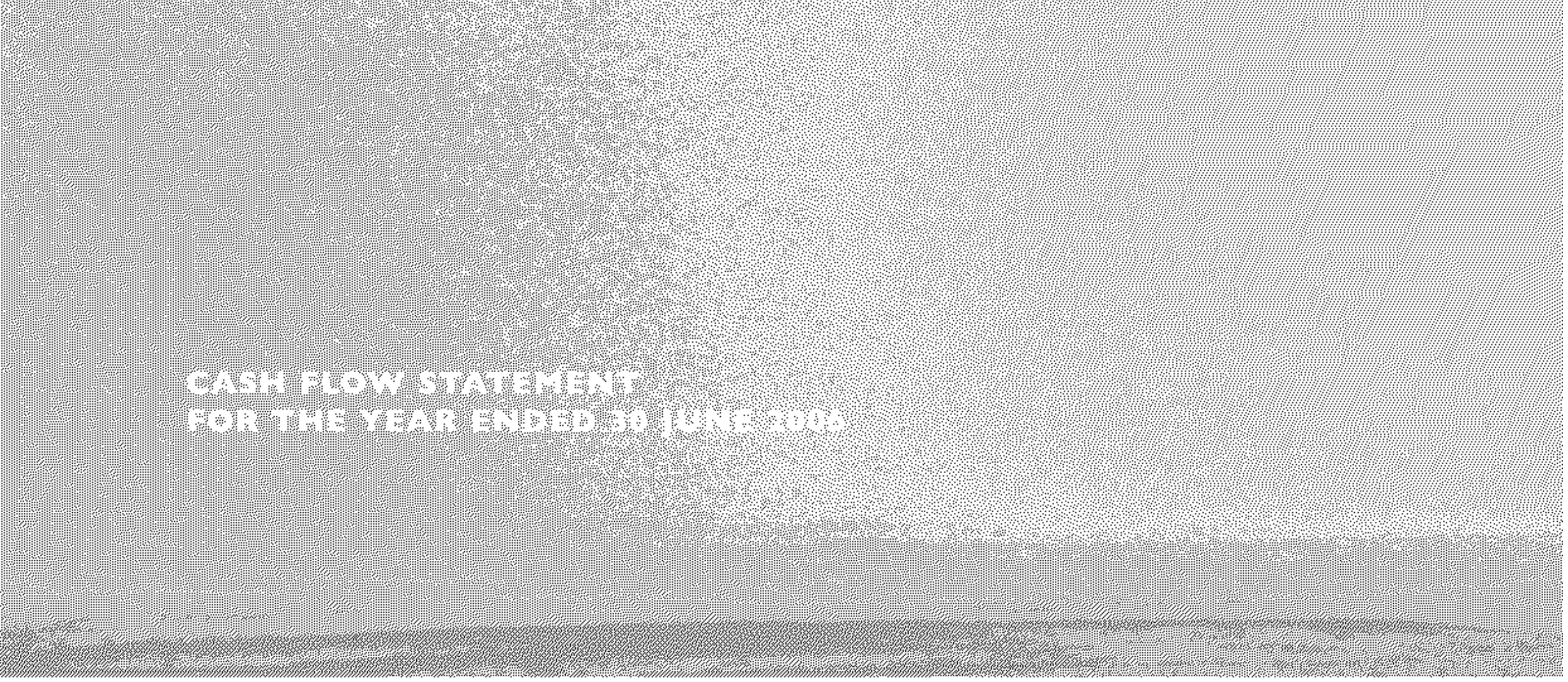
The accompanying notes form part of these financial statements.



BALANCE SHEET
AS AT 30 JUNE 2006

	Note	Consolidated 2006 $	Company 2006 $	Company 18 February 2005 to 30 June 2005 $
CURRENT ASSETS				
Cash and cash equivalents	7	2,478,650	2,478,650	2,123,945
Trade and other receivables	8	16,566	16,566	42,025
TOTAL CURRENT ASSETS		**2,495,216**	**2,495,216**	**2,165,970**
NON CURRENT ASSETS				
Trade and other receivables	8	-	47,380	-
Intangible assets	10	3,992,625	-	-
Financial assets	11	74,165	4,063,691	65,000
Plant and equipment	12	2,343	2,343	-
Exploration and evaluation expenditure	9	293,268	250,943	180,610
TOTAL NON CURRENT ASSETS		**4,362,401**	**4,364,357**	**245,610**
TOTAL ASSETS		**6,857,617**	**6,859,573**	**2,411,580**
CURRENT LIABILITIES				
Trade and other payables	13	58,691	58,691	156,974
Short term provisions	14	2,470	2,470	-
TOTAL CURRENT LIABILITIES		**61,161**	**61,161**	**156,974**
TOTAL LIABILITIES		**61,161**	**61,161**	**156,974**
NET ASSETS		**6,796,456**	**6,798,412**	**2,254,606**
EQUITY				
Issued capital	15	6,780,930	6,780,930	2,320,680
Option reserve	16	2,119,575	2,119,575	-
Accumulated losses		(2,104,049)	(2,102,093)	(66,074)
TOTAL PARENT ENTITY INTEREST		**6,796,456**	**6,798,412**	**2,254,606**
Outside equity interest – share capital	27	4	-	-
Outside equity interest – accumulated losses	27	(4)	-	-
TOTAL EQUITY		**6,796,456**	**6,798,412**	**2,254,606**

The accompanying notes form part of these financial statements.



CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

	Note	Consolidated 2006 $	Company 2006 $	Company 18 February 2005 to 30 June 2005 $
Cash Flows from Operating Activities				
- Payments to suppliers and employees		(327,179)	(325,223)	(81,200)
- Interest received		110,027	110,027	24,672
- Other revenue		-	-	-
- Payments for exploration and evaluation		(394,016)	(351,691)	(44,707)
Net cash used in operating activities	*19*	*(611,168)*	*(566,887)*	*(101,235)*
Cash Flows From Investing Activities				
- Loan to subsidiary		-	(47,381)	-
- Purchase of exploration assets		-	-	(500)
- Purchase of plant & equipment		(2,602)	(2,602)	-
- Purchase of equity investments		(10,525)	(7,425)	(65,000)
Net cash used in investing activities		*(13,127)*	*(57,408)*	*(65,500)*
Cash Flows from Financing Activities				
Proceeds from issue of shares and options		1,044,000	1,044,000	2,411,153
Payment for costs of issue of shares and options		(65,000)	(65,000)	(120,473)
Net cash provided by financing activities		*979,000*	*979,000*	*2,290,680*
Net increase in cash held		354,705	354,705	2,123,945
Cash and cash equivalents at beginning of financial year		2,123,945	2,123,945	-
Cash and cash equivalents at end of financial year	7	2,478,650	2,478,650	2,123,945

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2006

	Issued Capital $	Accumulated Losses $	Option Reserve $	Total $
Balance at 1 July 2004	**-**	**-**	**-**	**-**
Profit / (loss) attributable to members	-	(66,074)	-	(66,074)
Shares issued during the year	2,283,153	-	-	2,283,153
Issue of options	158,000	-	-	158,000
Transaction costs	(120,473)	-	-	(120,473)
Balance at 30 June 2005	**2,320,680**	**(66,074)**	**-**	**2,254,606**
Balance at 1 July 2005	**2,320,680**	**(66,074)**	**-**	**2,254,606**
Shares issued during the year	4,460,250	-	-	4,460,250
Directors options	-	-	2,119,575	2,119,575
Profit / (loss) attributable to members	-	(2,037,975)	-	(2,037,975)
Balance at 30 June 2006	**6,780,930**	**(2,104,049)**	**2,119,575**	**6,796,456**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the consolidated entity of Bannerman Resources Limited and controlled entities, and Bannerman Resources Limited as an individual parent entity. Bannerman Resources Limited is a listed public company, incorporated and domiciled in Australia.

The financial report of Bannerman Resources Limited and controlled entities, and Bannerman Resources Limited as an individual parent entity comply with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS').

This is the first financial report prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly except for the adoption of AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement. The Company has adopted the exemption under AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards from having to apply AASB 132 and AASB 139 to the comparative period. The transition from previous GAAP to AIFRS has not effected the consolidated entity's financial performance, position and cashflows at the date of transition or at the latest date of reporting in the consolidated entity's most recent financial report under previous GAAP.

The financial report has also been prepared on a historical cost basis, except for derivative financial instruments and available for-sale financial assets that have been measured at fair value.

(a) Principles of Consolidation

A controlled entity is any entity Bannerman Resources Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 26 to the financial statements. All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the consolidated entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

(b) Income Tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither that accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity are not in the income statement.

(c) Exploration and evaluation expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

(i) such costs are expected to be recouped through successful development and exploitation or from sale of the area; or

(ii) exploration and evaluation activities in the area have not, at balance date, reached a stage which permit a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations in, or relating to, the area are continuing.

Accumulated costs in respect of areas of interest which are abandoned are written off in full against profit in the year in which the decision to abandon the area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

(d) Plant and Equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets' employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets is depreciated on a diminishing value basis over their useful lives to the Company commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	**Depreciation Rate**	
	2006	**2005**
Plant and equipment	40.0%	-
Office Furniture & Equipment	18.0%	-

(e) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the Company are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a diminishing value basis over their estimated useful lives where it is likely that the Company will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(f) Earnings Per Share

Basic earnings per share ("EPS") is calculated by dividing the net profit attributable to members for the reporting period, after excluding any costs of servicing equity, by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue.

(g) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

(h) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(i) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(j) Recoverable amounts of Non-Current assets valued on cost basis

At each reporting date the Company assesses whether there is any indication whether there is any indication that an asset may be impaired. Where an indication of impairment exists, the Company makes a formal estimate of recoverable amount. Where carrying amount of an asset exceeds it's recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or Companys assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(k) Joint Venture Entities

A joint venture entity is an entity in which Bannerman holds a long-term interest and which is jointly controlled by Bannerman and one or more other venturers. Decisions regarding the financial and operating policies essential to the activities, economic performance and financial position of that venture require the consent of each of the venturers that together jointly control the entity.

Joint Venture Operations

Bannerman has certain contractual arrangements with other participants to engage in joint activities where all significant matters of operating and financial policy are determined by the participants such that the operation itself has no significant independence to pursue its own commercial strategy. These contractual arrangements do not create a joint venture entity due to the fact that the policies are those of the participants, not a separate entity carrying on a trade or a business of its own.

The financial statements of Bannerman include its share of the assets, liabilities and cash flows in such joint venture operations, measured in accordance with the terms of each arrangement, which is usually pro-rata to Bannerman's interest in the joint venture operations.

(l) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments, which are classified as held for trading and available-for-sake, are measured at fair value. Gains or losses on investments held for trading are recognised in the income statement.

Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date.

(m) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outlay of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(n) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the Company to employee superannuation funds and are charged as expenses when incurred.

(o) Intangibles

Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(p) Share-based payment transactions

The Company provides benefits to employees (including directors) of the Company in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

There is currently an Employee Share Option Plan (ESOP), which provides benefits to directors and senior executives.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 4.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of shares of Bannerman Resources Limited ('market conditions').

The Company has applied the requirements of AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' in respect of equity-settled awards and has applied AASB 2 'Share-Based Payments' only to equity instruments granted after 7 November 2002 that had not vested on or before 1 January 2005.

	Consolidated	Company	
	2006	2006	18 February 2005 to 30 June 2005
	$	$	$
2. REVENUE			
Operating activities			
interest received	103,734	103,734	23,422
Total Revenue	103,734	103,734	23,422
3. LOSS FOR THE YEAR			
Other expenses			
- Borrowing costs	871	850	901
Minimum lease payments			
- Operating lease	18,137	18,137	498

4. KEY MANAGEMENT PERSONNEL COMPENSATION

(a) Name and positions held of consolidated entity and company key management personnel in office at any time during the financial year are:

Alastair Clayton	Non-Executive Chairman (appointed 26 May 2006)
Ian Finch	Non-Executive Chairman (resigned 26 May 2006)
Peter Batten	Managing Director (appointed 13 February 2006)
Stephen Brockhurst	Non-Executive Director
Michael Young	Non-Executive Director (resigned 13 February 2006)
Shane Sadleir	Managing Director (resigned 13 February 2006)

Details of the nature and amount of emoluments of each director are as follows:

	SHORT-TERM BENEFITS			POST EMPLOYMENT		SHARE-BASED PAYMENT		TOTAL
	Salary, Fees & Superannuation	Other	Non-Monetary	Super-annuation	Retirement Benefits	Equity	Options	$
Directors								
Alastair Clayton - Chairman								
2006	-	-	-	-	-	-	-	-
2005	-	-	-	-	-	-	-	-
Ian Finch – Chairman								
2006	66,000	-	-	5,940	-	-	75,000	146,940
2005	6,000	-	-	540	-	-	-	6,540
Peter Batten - Managing Director								
2006	49,235	-	-	4,431	-	1,110,000	423,200	1,586,866
2005	-	-	-	-	-	-	-	-
Stephen Brockhurst – Non Executive Director								
2006	15,000	29,195(i)	-	1,350	-	-	-	45,545
2005	2,500	-	-	225	-	-	-	2,725
Michael Young – Non Executive Director								
2006	10,000	-	-	900	-	-	-	10,900
2005	2,500	-	-	225	-	-	-	2,725
Shane Sadlier – Non Executive Director								
2006	40,367 (ii)	-	-	-	-	-	-	40,367
2005	6,666	-	-	-	-	-	-	6,666
Total Remuneration Directors								
2006	180,602	29,195	-	12,621	-	1,110,000	498,200	1,830,618
2005	17,666	-	-	990	-	-	-	18,656

(i) Mining Corporate Pty Ltd was paid $29,195 for the period to 30 June 2006 for corporate consulting, compliance and company secretarial matters. Mr Brockhurst is a director of Mining Corporate Pty Ltd.

(ii) Remuneration was paid to Mineral Product Holdings Pty Ltd, a company controlled by Shane Sadleir.

(b) Directors Options

Options Granted As Remuneration

	Granted Number	Grant Date	Value per Option at Grant Date $	First Exercise Price	Exercise Date	Last Exercise Date
Ian Finch	500,000	30/11/2005	0.15	0.32	25/7/2008	25/7/2008
Peter Batten	1,000,000	28/4/2006	0.42	0.35	12/8/2007	12/8/2007
	1,500,000					

The fair value of the options is calculated at the date of grant using a Black – Scholes model and allocated to the current reporting period.

The following factors and assumptions were used in determining the fair value of options issued to Directors on grant date:

Grant Date	Expiry Date	Fair Value Per Option	Exercise Date	Price of Shares on Grant Date	Estimated Volatility	Risk Free Interest Rate	Dividend Yield
30/11/2005	25/7/2008	0.15	25/7/2008	0.275	50	5.4	-
28/4/2006	12/8/2007	0.42	12/8/2007	0.74	50	5.5	-

Estimated volatility approximates historic volatility. Each option entitles the holder to purchase one ordinary share in the Company.

(c) Number of Shares held by Directors and Executives

	Balance 01.07.05	Granted as Remuneration	Received on Exercise	Net Change - Other	Balance 30.06.06
Alastair Clayton	-	-	-	-	-
Ian Finch	-	-	-	-	-
Peter Batten	-	1,500,000		350,000	1,850,000
Stephen Brockhurst	50,001	-	-	-	50,001
Michael Young	100,001	-	-	-	100,001
Shane Sadlier	100,001	-	-	-	100,001
	250,003	1,500,000	-	350,000	2,100,003

(d) Number of 9 February 2009 Options exercisable at 30 cents, held by Directors and Executives

	Options at the beginning of the period	Issued	Exercised	Lapsed	Balance 30.06.06
Peter Batten	-	350,000	-	-	350,000

The company's policy for determining the nature and amount of emoluments of board members and senior executives of the company is as follows:

The remuneration structure for executive officers, including executive directors, is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the company. The contracts for service between the company and specified directors and executives are on a continuing basis the terms of which are not expected to change in the immediate future. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the company can terminate employment at any time. Any options issued as remuneration not exercised before or on the date of termination will lapse.

On 18 August 2006 shareholders approved a share split, consequently all securities detailed above are shown on a pre-organisation basis.

	Consolidated	Company	
	2006	**2006**	**18 February 2005 to 30 June 2005**
	$	**$**	**$**
5. AUDITORS' REMUNERATION			
Remuneration of the auditor of the parent entity for:			
- Auditing or reviewing the financial report	9,500	9,500	4,000
- Other services	-	-	3,500
	9,500	9,500	7,500

	Consolidated	Company	
	2006	2006	18 February 2005 to 30 June 2005
	$	$	$
6. INCOME TAX EXPENSE			
The components of the tax expense comprise:			
Current tax	-	-	-
Deferred tax	-	-	-
	-	-	-
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:			
Prima facie tax (benefit) on loss from ordinary activities before income tax at 30% (2005: 30%)	(611,399)	(610,806)	(19,822)
Add: Tax effect of:			
Other non-allowable items	483,415	483,415	-
Tax benefit of revenue losses not recognised	127,984	127,391	19,822
Less: Tax effect of:			
Tax benefit of equity raising costs not recognised	-	-	-
Income tax attributable to entity	-	-	-
The following deferred tax balances at 30% (2005: 30%) have not been recognised			
Deferred Tax Assets:			
Carry forward revenue losses	72,199	72,199	16,993
Provisions and accruals	3,692	3,692	17,355
Other	311	311	414
	76,202	76,202	34,762

The tax benefits of the above Deferred Tax Assets will only be obtained if:

(a) the company derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;

(b) the company continues to comply with the conditions for deductibility imposed by law; and

(c) no changes in income tax legislation adversely affect the company in utilising the benefits.

	2006	2006	2005
	$	$	$
Deferred Tax Liabilities:			
Exploration expenditure	75,283	75,283	32,363
Other	919	919	2,399
	76,202	76,202	34,762

The above Deferred Tax Liabilities have not been recognised as they have given rise to the carry forward revenue losses for which the Deferred Tax Asset has not been recognised.

	Consolidated	Company	
	2006	2006	18 February 2005 to 30 June 2005
	$	$	$
7. CASH AND CASH EQUIVALENTS			
Cash at bank	289,213	289,213	183,192
Short-term deposits	2,189,437	2,189,437	1,940,753
	2,478,650	2,478,650	2,123,945

The effective interest rate on short-term bank deposits was 5.87%; these deposits have an average maturity of 30 days

8. TRADE AND OTHER RECEIVABLES

Current			
Other receivables	14,566	14,566	36,334
Prepayments	2,000	2,000	5,691
	16,566	16,566	42,025
Non-Current			
Amounts receivable from:			
- Wholly-owned subsidiaries	-	47,380	-

9. EXPLORATION AND EVALUATION EXPENDITURE

Non-Current			
Exploration expenditure capitalised			
- exploration and evaluation phase	293,268	250,943	180,610

The value of the Company's interest in exploration expenditure is dependent upon:

- the continuance of the Company's rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

The Company's exploration properties may be subjected to claim(s) under native title, or contain sacred sites, or sites of significance to Aboriginal people. As a result, exploration properties or areas within the tenements may be subject to exploration restrictions, mining restrictions and/or claims for compensation. At this time, it is not possible to quantify whether such claims exist, or the quantum of such claims.

		Consolidated	Company	
		2006	2006	18 February 2005 to 30 June 2005
		$	$	$
10.	INTANGIBLE ASSETS			
	Goodwill	3,992,625	-	-
11.	OTHER FINANCIAL ASSETS			
	Available-for-sale financial assets			
	Listed investments - at fair value			
	- Shares in listed corporations	74,165	71,066	65,000
	Unlisted investments – at cost			
	- shares in controlled entities	-	3,992,625	-
		74,165	4,063,691	65,000

Available-for-sale financial assets consist of investments in ordinary shares or listed options of various entities. There are no fixed returns or fixed maturity date attached to these investments.

12.	PROPERTY, PLANT AND EQUIPMENT			
	Plant and equipment			
	At cost	2,602	2,602	-
	Accumulated depreciation	(259)	(259)	-
	Total plant and equipment	2,343	2,343	-
13.	TRADE AND OTHER PAYABLES			
	Current			
	Trade payables	42,703	42,703	96,029
	Other payables and accruals	15,988	15,988	60,945
		58,691	58,691	156,974

Trade payables are non interest bearing and are normally settled on 28 day terms. Other payables are non interest bearing and have an average term of 60 days.

The net of GST payable and GST receivable is remitted to the appropriate tax body on a quarterly basis.

14.	PROVISIONS			
	Current			
	Employee benefits	2,470	2,470	-

15. ISSUED CAPITAL

	Consolidated	Company		Consolidated	Company	
	2006	2006	18 February 2005 to 30 June 2005	2006	2006	18 February 2005 to 30 June 2005
	No	No	No	$	$	$
ISSUED AND FULLY PAID UP CAPITAL						
Ordinary Shares						
Opening balance	15,800,003	15,800,003	-	2,320,680	2,320,680	-
Issue – Incorporation	-	-	3	-	-	3
Issue	-	-	3,150,000	-	-	3,150
Issue	-	-	2,000,000	-	-	150,000
Issue – IPO	-	-	10,500,000	-	-	2,100,000
Issue	-	-	150,000	-	-	30,000
Issue – to acquire mining tenements	1,750,000	1,750,000	-	481,250	481,250	-
Conversion of options exercisable at $0.20	10,000	10,000	-	2,000	2,000	-
Issue - Directors	700,000	700,000	-	518,000	518,000	-
Conversion of options exercisable at $0.20	50,000	50,000	-	10,000	10,000	-
Issue - Placement	1,333,333	1,333,333	-	1,000,000	1,000,000	-
Conversion of options exercisable at $0.20	10,000	10,000	-	2,000	2,000	-
Issue – Directors	800,000	800,000	-	592,000	592,000	-
Issue – to acquire mining tenements	1,750,000	1,750,000	-	1,890,000	1,890,000	-
Conversion of options exercisable at $0.20	150,000	150,000	-	30,000	30,000	-
Capital raising costs				(65,000)	(65,000)	(120,473)
Closing balance	**22,353,336**	**22,353,336**	**15,800,003**	**6,780,930**	**6,780,930**	**2,320,680**

	2006	**2005**
	$	**$**
Options		
Movement in options on issue		
At the beginning of the reporting period	158,000	-
Exercise of options	(2,200)	158,000
At reporting date	155,800	158,000

Terms of Ordinary Shares

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held and in proportion to the amount paid up on the shares held.

At shareholders meetings each ordinary share is entitled to one vote in proportion to the paid up amount of the share when a poll is called, otherwise each shareholder has one vote on a show of hands.

	Consolidated 2006 $	Company 2006 $	Company 18 February 2005 to 30 June 2005 $
16. OPTION RESERVE			
Reserves at the beginning of the reporting period	-	-	-
500,000 Incentive Options issued to Directors (i)	75,000	75,000	-
1,000,000 Incentive Options issued to Directors (ii)	423,200	423,200	
3,500,000 options issued for the acquisition of Turgi Investment Pty Ltd	1,621,375	1,621,375	-
	2,119,575	2,119,575	-

Option Reserve

The option reserve records items recognised as expenses on valuation of director and employee share options.

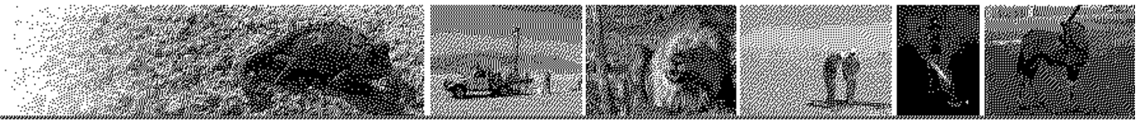
(i) On 21 December 2005 a total of 500,000 Options exercisable at $0.32 on or before 25 July 2008 were issued to Ian Finch as approved by shareholder at the Annual General Meeting held 30 November 2005.

(ii) On 11 May 2006 a total of 1,000,000 Options exercisable at $0.35 on or before 12 July 2007 were issued to Peter Batten as approved by shareholder at the General Meeting held 28 April 2006.

17. FINANCIAL INSTRUMENTS

The Consolidated Entity's principal financial instruments comprise cash and short term deposits. The main purpose of the financial instruments is to earn the maximum amount of interest at a low risk to the company. The Consolidated Entity also has other financial instruments such as trade debtors and creditors which arise directly from its operations. For the year under review, it has been the Consolidated Entity's policy not to trade in financial instruments.

The main risks arising from the Consolidated Entity's financial instruments are interest rate risk and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below:



(a) Interest Rate Risk

The Consolidated Entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate for each class of financial assets and financial liabilities comprises:

2006	Floating Interest Rate $	Fixed Interest maturing in 1 year or less $	Fixed Interest maturing over 1 to 5 years $	Non-interest bearing $	2006 Total $
Financial assets					
Cash	289,213	2,189,437	-	-	2,478,650
Receivables	-	-	-	14,566	14,566
Investments	-	-	-	74,165	74,165
	289,213	2,189,437	-	88,731	2,567,381
Weighted average interest rate	3.20%	5.45%	-		
Financial Liabilities					
Payables	-	-	-	58,691	58,691
	-	-	-	58,691	58,691
Weighted average interest rate	-	-	-		

2005	Floating Interest Rate $	Fixed Interest maturing in 1 year or less $	Fixed Interest maturing over 1 to 5 years $	Non-interest bearing $	2005 Total $
Financial assets					
Cash	183,192	1,940,753	-	-	2,123,945
Receivables	-	-	-	36,334	36,334
Investments	-	-	-	65,000	65,000
	183,192	1,940,753	-	101,334	2,225,279
Weighted average Interest rate	2.50%	5.37%	-		
Financial Liabilities					
Payables	-	-	-	156,974	156,974
	-	-	-	156,974	156,974
Weighted average interest rate	-	-	-		

(b) Net Fair Values

The carrying value and net fair values of financial assets and liabilities at balance date are:

	2006		2005	
	Carrying Amount $	Net Fair Value $	Carrying Amount $	Net Fair Value $
On-balance sheet financial instruments				
Financial assets				
Cash and deposits	2,478,650	2,478,650	2,123,945	2,123,945
Receivables	14,566	14,566	36,334	36,334
Investments	74,165	74,165	65,000	65,000
	2,567,381	2,567,381	2,225,279	2,225,279
Financial liabilities				
Payables	58,691	58,691	156,974	156,974
	58,691	58,691	156,974	156,974

(c) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Consolidated Entity. The Consolidated Entity has adopted the policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Consolidated Entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Consolidated Entity maximum exposure to credit risk.

		2006 $	2005 $
18.	EARNINGS PER SHARE		
(a)	Earnings / (Loss) used in the calculation of basic and dilutive EPS	(2,037,975)	(66,074)
		Number of Shares	**Number of Shares**
(b)	Weighted average number of ordinary shares outstanding during the period used in the calculation of basic earnings per share:	17,046,725	9,814,018
(c)	Weighted average number of ordinary shares outstanding during the period used in the calculation of diluted earnings per share:	34,104,859	11,848,867

	Consolidated 2006 $	Company 2006 $	18 February 2005 to 30 June 2005 $

19. CASH FLOW INFORMATION

(i) Reconciliation from the net loss after tax to the net cash flow from operations

	Consolidated 2006 $	Company 2006 $	Company 18 February 2005 to 30 June 2005 $
- (Loss) from ordinary activities after income tax			
	(2,037,975)	(2,036,019)	(66,074)
Non-cash flows in operating loss			
- Depreciation	259	259	-
- Shares and Options issued to directors as remuneration	1,608,200	1,608,200	-
Changes in assets and liabilities			
- Increase in receivables and prepayments	21,749	21,769	(42,025)
- Increase in exploration and evaluation expenditure	(394,016)	(351,710)	(150,110)
- Increase in trade and other creditors and accruals	188,145	188,144	156,974
- Movement in provisions	2,470	2,470	-
Net cash inflows (outflows) from Operating Activities	**(611,168)**	**(566,887)**	**(101,235)**

20. COMMITMENTS

In order to maintain current rights of tenure to mining tenements, the Company has the following discretionary exploration expenditure requirements up until expiry of leases. These obligations, which are subject to renegotiation upon expiry of the leases, are not provided for in the financial statements and are payable:

	2006 $	2005 $
Not longer than one year	220,247	62,000
Longer than one year, but not longer than five years	550,619	-
Longer than five years	559,079	248,000
	1,329,945	310,000

If the Company decides to relinquish certain leases and/or does not meet these obligations, assets recognised in the balance sheet may require review to determine the appropriateness of carrying values. The sale, transfer or farm-out of exploration rights to third parties will reduce or extinguish these obligations.

21. SEGMENT INFORMATION

The Economic Entity operates predominantly in two geographical segments, being Australia and Africa, and in one business segment, mineral mining and exploration and substantially all of the entity's resources are deployed for this purpose.

2006

Primary Reporting - Geographical Segments	Australia $	Africa $	Consolidated $
Revenues from ordinary activities	103,734	-	103,734
Segment results (loss)	(2,037,995)	-	(2,037,995)
Segment assets	5,236,242	-	571,912
Segment liabilities	(61,161)	-	(61,161)
Acquisitions of plant and equipment, exploration and evaluation, and other non-current segment assets.	258,673	34,595	293,268

2005

The Company operated predominantly in one geographical segment, being Western Australia, and in one industry, minerals mining and exploration.

22. EVENTS SUBSEQUENT TO REPORTING DATE

On 18 August 2006 the company issued 2,500,000 Directors Options to Mr Alastair Clayton exercise at $1.20 on or before 18 August 2008 as approved by shareholders at the General Meeting held on 18 August 2008. At the same meeting shareholders also approved a (3) three for (1) one share split.

In July 2006 Peninsula Minerals Limited was been notified of the Company's intentions to withdraw from the Farm-in Agreement covering the Pinnacles nickel project.

Other than detailed above, no matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

23. RELATED PARTY INFORMATION

Transactions between related parties are on commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated.

Transactions with related entities:

Remuneration (excluding the reimbursement of costs) received or receivable by the directors of the Company and aggregate amounts paid to superannuation plans in connection with the retirement of directors are disclosed in Note 4 to the accounts.

These transactions were made on commercial terms and conditions and at market rates.

24. CONTINGENT LIABILITIES

There are no contingent liabilities outstanding at the end of the year.

25. CONTROLLED ENTITIES

Parent Entity	Consolidated Entity Interest
Bannerman Resources Limited	2006
Controlled Entities	
Elfort Nominees Pty Ltd	100%
Turgi Investments (Pty) Ltd	80%

26. OUTSIDE EQUITY INTERESTS

	Economic Entity 2006 $
Outside equity interest comprises:	
Share capital	4
Accumulated losses	(4)
Outside Equity Interests	-

DIRECTORS' DECLARATION

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and

(c) the directors have been given the declarations required by s.295A of the Corporations Act 2001

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors

STEPHEN BROCKHURST

Managing Director
Perth, 25 September 2006

Partners
Phillip Rix FCA
Jon Carcich CA
Ranko Matic CA

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF BANNERMAN RESOURCES LIMITED

SCOPE

The financial report and directors' responsibility

The financial report comprises the income statement, balance sheet, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Bannerman Resources Limited (the company) and Bannerman Resources Limited (the consolidated entity) for the year ended 30 June 2006. The consolidated entity comprises both the company and the entities it controlled during the period.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

INDEPENDENCE

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditor's independence declaration set out in this financial report has not changed as at the date of providing our audit opinion.

AUDIT OPINION

In our opinion, the financial report of Bannerman Resources Limited is in accordance with:

(a) the Corporations Act 2001, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2006 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

Rix Levy Fowler

RIX LEVY FOWLER

Chartered Business Advisors
Perth, 25 September 2006

RANKO MATIC

Partner

ADDITIONAL SHAREHOLDER INFORMATION

SHAREHOLDING

The distribution of members and their holdings of equity securities in the company as at 21 September 2006 was as follows:

	Class of Equity Securities	
Number Held as at 21 September 2006	**Fully Paid Ordinary Shares**	**Options expiring 31 May 2007**
1-1,000	3	2
1,001 - 5,000	56	37
5,001 - 10,000	81	70
10,001 - 100,000	443	150
100,001 and over	104	29
Totals	687	288

Holders of less than a marketable parcel: fully paid shares 3

SUBSTANTIAL SHAREHOLDERS

The names of the substantial shareholders listed in the Company's register as at 21 September 2006

Shareholder	Number
Widerange Corporation Pty Ltd	4,725,000
Peter Batten	4,500,000
ANZ Nominees Limited	4,388,754
Jezza Nominees Pty Ltd	4,350,000

RESTRICTED SECURITIES

The Company has issued the following restricted securities:

Class of Equity Security	Number	Date Ceasing To Be Restricted Securities
Fully Paid Ordinary	9,450,009	26 April 2007

VOTING RIGHTS

Ordinary Shares

In accordance with the Company's Constitution, on a show of hands every member present in person or by proxy or attorney or duly authorised representative has one vote. On a poll every member present in person or by proxy or attorney or duly authorised representative has one vote for every fully paid ordinary share held.

TWENTY LARGEST SHAREHOLDERS

The names of the twenty largest ordinary fully paid shareholders and 31 May 2007, 6.67 cent option holders are as follows:

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital	Name	Number of 31 May 2007 Options Held	% Held of Class of Equities
Widerange Corporation Pty Ltd	4,725,000	6.748	Commerce Pty Ltd	3,189,684	7.260
ANZ Nominees Limited	4,535,295	6.477	Jezza Nominees Limited	3,060,000	6.965
Petter Batten	4,500,000	6.427	Widerange Corporation Pty Ltd	1,500,000	3.414
Jezza Nominees Pty Ltd	4,350,000	6.213	Cleland Projects Pty Ltd	1,500,000	3.414
Commerce Pty Ltd	2,793,231	3.989	Geraldton Agriculture Services	1,350,000	3.073
Kingsreef Pty Ltd	2,416,500	3.451	APSIA Pty Ltd	1,020,000	2.322
Widerange Corporation Pty Ltd	2,400,000	3.428	GW International Pty Ltd	990,000	2.253
Cleland Projects Pty Ltd	1,650,000	2.357	Mrs Alison Mary King	905,400	2.061
Annett Joy Batten	1,050,000	1.500	Mr Donald George Maloney	900,000	2.049
CK Locke & Partners Pty Ltd	1,042,200	1.489	R L King & T E King	883,590	2.011
Western Endeavours Pty Ltd	900,000	1.285	PYLARA Pty Ltd	848,100	1.930
HSBC Custody Nominees (Aust) Ltd	810,000	1.157	ANZ Nominees Limited	722,778	1.645
M I L Bassett & S E Basset	780,000	1.114	Mr Jean-Claude Desille	705,000	1.605
Dacin Nominees Pty Ltd	750,000	1.071	WCS Properties Pty Ltd	600,000	1.366
Guy D'Arrigo	675,000	0.964	Kingsreef Pty Ltd	597,000	1.359
Melshare Nominees Pty Ltd	651,438	0.930	M Knox Holdings Pty Ltd	570,000	1.297
APSIA Pty Ltd	629,577	0.899	Mr Paul gillett	555,000	1.263
Peninsula Minerals Ltd	450,000	0.643	Commerce Pty Ltd	512,454	1.166
JWP Pty Ltd	450,000	0.643	Maincoast Pty Ltd	488,562	1.112
Melsim Pty Ltd	450,000	0.643	Darcin Nominees Pty Ltd	450,000	1.02
Total	**36,008,241**	**51.428**		**21,347,568**	**48.590**

CORPORATE GOVERNANCE

The Company is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve the Company has turned to the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations. The Company is pleased to advise that the Company's practices are largely consistent with those ASX guidelines. As consistency with the guidelines has been a gradual process, where the Company did not have certain policies or committees recommended by the ASX Corporate Governance Council (the Council) in place during the reporting period, we have identified such policies or committees.

Where the Company's corporate governance practices do not correlate with the practices recommended by the Council, the Company is working towards compliance however it does not consider that all the practices are appropriate for the Company due to the size and scale of Company operations.

To illustrate where the Company has addressed each of the Council's recommendations, the following table cross-references each recommendation with sections of this report. The table does not provide the full text of each recommendation but rather the topic covered. Details of all of the recommendations can be found on the ASX Corporate Governance Council's website at **http://www.asx.com.au/supervision/governance/index.htm**.

RECOMMENDATION	SECTION
Recommendation 1.1 Functions of the Board and Management	1.1
Recommendation 2.1 Independent Directors	1.2
Recommendation 2.2 Independent Chairman	1.2
Recommendation 2.3 Role of the Chairman and CEO	1.2
Recommendation 2.4 Establishment of Nomination Committee	2.3
Recommendation 2.5 Reporting on Principle 2	1.2, 1.4.6, 2.3.2 and the Directors' Report
Recommendation 3.1 Directors' and Key Executives' Code of Conduct	1.1
Recommendation 3.2 Company Security Trading Policy	1.4.9
Recommendation 3.3 Reporting on Principle 3	1.1 and 1.4.9
Recommendation 4.1 Attestations by CEO and CFO	1.4.11
Recommendation 4.2 Establishment of Audit Committee	2.1
Recommendation 4.3 Structure of Audit Committee	2.1.2
Recommendation 4.4 Audit Committee Charter	2.1
Recommendation 4.5 Reporting on Principle 4	2.1
Recommendation 5.1 Policy for Compliance with Continuous Disclosure	1.4.4
Recommendation 5.2 Reporting on Principle 5	1.4.4
Recommendation 6.1 Communications Strategy	1.4.8
Recommendation 6.2 Attendance of Auditor at General Meetings	1.4.8
Recommendation 7.1 Policies on Risk Oversight and Management	2.1.3
Recommendation 7.2 Attestations by CEO and CFO	1.4.11
Recommendation 7.3 Reporting on Principle 7	2.1.3
Recommendation 8.1 Evaluation of Board, Directors and Key Executives	1.4.10
Recommendation 9.1 Remuneration Policies	2.2.4
Recommendation 9.2 Establishment of Remuneration Committee	2.2
Recommendation 9.3 Executive and Non-Executive Director Remuneration	2.2.4.1 and 2.2.4.2
Recommendation 9.4 Equity-Based Executive Remuneration	2.2.4.1
Recommendation 9.5 Reporting on Principle 9	2.2.2 and 2.2.4
Recommendation 10.1 Company Code of Conduct	3

1. BOARD OF DIRECTORS

1.1 Role of the Board

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board has the final responsibility for the successful operations of the Company.

To assist the Board carry our its functions, it has developed a Code of Conduct to guide the Directors, the Chairman and other key executives in the performance of their roles.

1.2 Composition of the Board

To add value to the Company the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties given its current size and scale of operations. The names of the Directors and their qualifications and experience are stated in the Directors' Report along with the term of office held by each of the Directors. Directors are appointed based on the specific skills required by the Company and on their decision-making and judgment skills.

The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. Mr A Clayton and Mr S Brockhurst are Non-Executive Director, however are not independent directors as they do not meet the following criteria for independence adopted by the Company.

An Independent Director is a Non-Executive Director and:

- is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- within the last three years has not been employed in an executive capacity by the Company or another group member, or been a Director after ceasing to hold any such employment;
- within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another group member. Or an employee materially associated with the service provided;
- is not a material supplier or customer of the Company or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has no material contractual relationship with the Company or other group member other than as a Director of the Company;
- has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Mr A Clayton and Mr S Brockhurst are Non-Executive Director of the Company and do not meet the Company's criteria for independence. However, their experience and knowledge of the Company makes their contribution to the Board such that it is appropriate for them to remain on the Board.

Mr P Batten is an Executive Director of the Company and does not meet the Company's criteria for independence. However, his experience and knowledge of the Company makes his contribution to the Board such that it is appropriate for him to remain on the Board.

1.3 Responsibilities of the Board

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following.

- Leadership of the Organisation: overseeing the Company and establishing codes that reflect the values of the Company and guide the conduct of the Board.
- Strategy Formulation: to set and review the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company.
- Overseeing Planning Activities: the development of the Company's strategic plan.
- Shareholder Liaison: ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company.
- Monitoring, Compliance and Risk Management: the development of the Company's risk management, compliance, control and accountability systems and monitoring and directing the financial and operational performance of the Company.
- Company Finances: approving expenses and approving and monitoring acquisitions, divestitures and financial and other reporting.
- Ensuring the Health, Safety and Well-Being of Employees: in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to ensure the well-being of all employees.
- Delegation of Authority: delegating appropriate powers to the CEO to ensure the effective day-to-day management of the Company and establishing and determining the powers and functions of the Committees of the Board.

Full details of the Board's role and responsibilities are contained in the Board Charter, a copy of which is available for inspection at the Company's registered office.

1.4 Board Policies

1.4.1 Conflicts of Interest

Directors must:

- disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the Company; and
- if requested by the Board, within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot or is unwilling to remove a conflict of interest then the Director must, as per the Corporations Act, absent himself or herself from the room when discussion and/or voting occurs on matters about which the conflict relates.

1.4.2 Commitments

Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the Company.

1.4.3 Confidentiality

In accordance with legal requirements and agreed ethical standards, Directors and key executives of the Company have agreed to keep confidential, information received in the course of the exercise of their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

1.4.4 Continuous Disclosure

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the ASX Listing Rules the Company immediately notifies the ASX of information:

- concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
- that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

1.4.5 Education and Induction

It is the policy of the Company that new Directors undergo an induction process in which they are given a full briefing on the Company. Where possible this includes meetings with key executives, tours of the premises, an induction package and presentations. Information conveyed to new Directors include:

- details of the roles and responsibilities of a Director;
- formal policies on Director appointment as well as conduct and contribution expectations;
- access to a copy of the Board Charter;
- guidelines on how the Board processes function;
- details of past, recent and likely future developments relating to the Board;
- background information on and contact information for key people in the organisation;
- an analysis of the Company;
- a synopsis of the current strategic direction of the Company; and
- a copy of the Constitution of the Company.

In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development. Specifically, Directors are provided with the resources and training to address skills gaps where they are identified.

1.4.6 Independent Professional Advice

The Board collectively and each Director has the right to seek independent professional advice at the Company's expense, up to specified limits, to assist them to carry out their responsibilities.

1.4.7 Related Party Transactions

Related party transactions include any financial transaction between a Director and the Company. Unless there is an exemption under the Corporations Act from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction.

1.4.8 Shareholder Communication

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

- communicating effectively with shareholders through releases to the market via ASX, information mailed to shareholders and the general meetings of the Company;
- giving shareholders ready access to balanced and understandable information about the Company and corporate proposals;
- making it easy for shareholders to participate in general meetings of the Company; and
- requesting the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company.

1.4.9 Trading in Company Shares

Due to the size of the Company, the Board does not consider it appropriate to implement a Share Trading Policy. Rather, it reminds directors, officers and employees of the prohibition in the Corporations Act 2001 concerning trading in the Company's securities when in possession of "inside information".

1.4.10 Performance Review/Evaluation

It is the policy of the Board to conduct evaluation of its performance. The evaluation process was introduced via the Board Charter adopted on 2 September 2005 and will be implemented for the financial period ended 30 June 2006. The objective of this evaluation will be to provide best practice corporate governance to the Company.

1.4.11 Attestations by CEO and CFO

It is the Board's policy, that the CEO and the CFO make the attestations recommended by the ASX Corporate Governance Council as to the Company's financial condition prior to the Board signing the Annual Report. However, as at the date of this report the Company does not have a designated CEO or CFO. Due to the size and scale of operations of the Company these roles are performed by the Board as a whole.

2. BOARD COMMITTEES

2.1 Audit Committee

Due to the size and scale of operations of the Company the full Board undertakes the role of the Audit Committee. Below is a summary of the role and responsibilities of an Audit Committee.

2.1.1 Role

The Audit Committee is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external auditors.

As the whole Board only consists of three (3) members, the Company does not have an audit committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues and an audit committee cannot be justified based on a cost-benefit analysis. However, in accordance with the ASX Listing Rules, the Company is moving towards establishing an audit committee consisting primarily of Independent Directors.

In the absence of an audit committee, the Board sets aside time to deal with issues and responsibilities usually delegated to the audit committee to ensure the integrity of the financial statements of the Company and the independence of the external auditor.

2.1.2 Responsibilities

The Audit Committee or as at the date of this report the full Board of the Company reviews the audited annual and half-yearly financial statements and any reports which accompany published financial statements and recommends their approval to the members.

The Audit Committee or as at the date of this report the full Board of the Company each year reviews the appointment of the external auditor, their independence, the audit fee, and any questions of resignation or dismissal.

The Audit Committee or as at the date of this report the full Board of the Company is also responsible for establishing policies on risk oversight and management.

2.1.3 Risk Management Policies

The Board's Charter clearly establishes that it is responsible for ensuring there is a good sound system for overseeing and managing risk. Due to the size and scale of operations, risk management issues are considered by the Board as a whole. On 25 September 2006 Mr P Batten (Managing Director) and Mr S Brockhurst (Company Secretary) provided the Board with written assurance that the financial statements are founded on a sound system of risk management and internal compliance. Their statement assured the Board that the risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

2.2 Remuneration Committee

2.2.1 Role

The role of a Remuneration Committee is to assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies for employees.

As the whole Board only consists of three (3) members, the Company does not have a remuneration committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues.

2.2.2 Responsibilities

The responsibilities of a Remuneration Committee, or the full Board include setting policies for senior officers' remuneration, setting the terms and conditions of employment for the Chief Executive Officer, reviewing and making recommendations to the Board on the Company's incentive schemes and superannuation arrangements, reviewing the remuneration of both Executive and Non-Executive Directors and making recommendations on any proposed changes and undertaking reviews of the Chief Executive Officer's performance, including, setting with the Chief Executive Officer goals and reviewing progress in achieving those goals.

2.2.3 Remuneration Policy

Directors' Remuneration was approved by resolution of the Board on 21 February 2005.

2.2.3.1 Senior Executive Remuneration Policy

The Company is committed to remunerating its senior executives in a manner that is market-competitive and consistent with best practice as well as supporting the interests of shareholders. Consequently, under the Senior Executive Remuneration Policy the remuneration of senior executive may be comprised of the following:

- fixed salary that is determined from a review of the market and reflects core performance requirements and expectations;
- a performance bonus designed to reward actual achievement by the individual of performance objectives and for materially improved Company performance;
- participation in any share/option scheme with thresholds approved by shareholders;
- statutory superannuation.

By remunerating senior executives through performance and long-term incentive plans in addition to their fixed remuneration the Company aims to align the interests of senior executives with those of shareholders and increase Company performance. During the year there were no Non-Director Executives.

The value of shares and options were they to be granted to senior executives would be calculated using the Black and Scholes method.

The objective behind using this remuneration structure is to drive improved Company performance and thereby increase shareholder value as well as aligning the interests of executives and shareholders.

The Board may use its discretion with respect to the payment of bonuses, stock options and other incentive payments.

2.2.3.2 Non-Executive Director Remuneration Policy

Non-Executive Directors are to be paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors. Non-Executive Directors do not receive performance based bonuses and do not participate in equity schemes of the Company.

Non-Executive Directors are entitled to but not necessarily paid statutory superannuation.

2.2.4 Current Director Remuneration

Full details regarding the remuneration of Directors, is included in the Directors' Report.

2.3 Nomination Committee

2.3.1 Role

The role of a Nomination Committee is to help achieve a structured Board that adds value to the Company by ensuring an appropriate mix of skills are present in Directors on the Board at all times.

As the whole Board only consists of three (3) members, the Company does not have a nomination committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues.

2.3.2 Responsibilities

The responsibilities of a Nomination Committee would include devising criteria for Board membership, regularly reviewing the need for various skills and experience on the Board and identifying specific individuals for nomination as Directors for review by the Board. The Nomination Committee would also oversee management succession plans including the CEO and his/her direct reports and evaluate the Board's performance and make recommendations for the appointment and removal of Directors. Currently the Board as a whole performs this role.

2.3.3 Criteria for selection of Directors

Directors are appointed based on the specific governance skills required by the Company. Given the size of the Company and the business that it operates, the Company aims at all times to have at least one Director with experience appropriate to the Company's target market. In addition, Directors should have the relevant blend of personal experience in accounting and financial management and Director-level business experience.

3. COMPANY CODE OF CONDUCT

The Board has decided against the implementation of a code of conduct as it does not believe that it is in the best interests of its employees or other stakeholders to have what purports to be an exhaustive code of conduct. The Board feels that such a code may be too prescriptive and not allow the employees the discretion they need to best serve the Company's stakeholders.

SCHEDULE OF MINERAL TENEMENTS AS AT 31 AUGUST 2006

Project	Tenement	Interest held by Bannerman Resources Limited
Peninsula	E28/1592	100%
Peterson Well	E29/0590	100%
Botswana – Serule North	P 131/2005	100%
Botswana – Serule South	P 131/2005	100%
Botswana – Dukwe	P 131/2005	100%
Namibia – Goanikontes	EPL 3345	80%
Namibia – Swakop River	EPL 3346	80%

P Prospecting Licence
E Exploration Licence
M Mining Licence

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