

**TO: COMPANY ANNOUNCEMENTS OFFICE
ASX LIMITED**

DATE: 16 SEPTEMBER 2013

COMPANY UPDATE
PL 110/94, PL 111/94 & PL 54/98, BCL JOINT VENTURE & RIGHTS ISSUE

On 15th September 2013 the Directors of Botswana Metals Limited ("the Company") decided as follows:

- The current Retention Licence applications over the areas covered by PL 110/94, PL 111/94 and PL 54/98 ("the PLs") will be withdrawn;
- The Company will apply to the Department of Mines in Botswana ("DOM") on or before 30th September 2013 (three months before the PLs expire) for the extension of the PLs in accordance with the *Mines and Minerals Act 1999* of Botswana ("the Act").
- The Company will advise BCL Investments Limited ("BCL") of the above and formally request that BCL agree to amend the Farm-in Joint Venture Agreement ("the Agreement") so that the condition precedent requiring the grant of the Retention Licences is deleted and is replaced with a condition that the PLs are extended;
- As foreshadowed in the Company's announcement to the ASX on 23rd July 2013 titled "Update on Funding Options", the Company's short term funding needs will be met by a cash draw down facility provided by Trayburn Pty Ltd ("Trayburn") (a company controlled by Mr Pat Volpe, a director and substantial shareholder of the Company). The facility will provide bridging finance to cover the period between now and the completion of the Renounceable Rights Issue. Trayburn will provide up to \$50,000 on an unsecured basis, free of any interest or costs. The funds drawn will only be used for day to day working capital purposes as and when required. All funds drawn will be repaid from the proceeds of the Rights Issue.
- The Company will shortly lodge a Replacement Prospectus for the Renounceable Rights Issue with ASIC and the ASX.

Funding & Operations

The Renounceable Rights Issue announced on 3rd September 2013, if fully subscribed, will raise sufficient funds to meet the operating and administrative costs of the Company for at least two quarters and also provide working capital.

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In the event that BCL does not agree to vary the Agreement as described above, or the DOM decides not to extend the PLs, then the Company will need to review its business and exploration strategy and raise additional capital to sustain its operations beyond two quarters.

Retention Licence Applications

As announced to the ASX on 6th August 2013 the DOM advised the Company by letter dated 5th August 2013 that the three Retention Licence applications were inadequate as the feasibility study report was incomplete and not to the satisfaction of the DOM in accordance with section 27(1) of the Act. In particular the adequate delineation of mineral resources and reserves for a development of a reasonable mining project.

The Company has been given 90 days from 5th August 2013 to remedy the deficiencies and show cause why the Retention Licence applications should not be rejected.

On 26th August 2013 the Company wrote to the DOM asking for specific details of the further information required by the DOM.

It should be noted that an email received on 11th April 2013 from the DOM advised that the DOM had recommended to the Ministry of Mines that the three Retention Licences be granted. This was reconfirmed in an email from the DOM received on 31st May 2013.

On 11th September 2013 the Company received a letter dated 9th September 2013 from the DOM in response to the Company's letter dated 26th August 2013. The letter from the DOM again refers to the inadequacies in the Retention Licence Applications and states:

"The shortfalls in your applications are as pointed out in the Minister's letter of 5th August, 2013, Ref. no. GSC 6/48/32 I(48). Kindly refer to Form III in the First Schedule of Mines and Mineral Act of 1999 for details of what is required in an application for a retention licence. A typical example of a complete feasibility study required under Form III should be based on sound and complete engineering and test work with high levels of accuracy, which should include prospecting work completed with minable reserves delineated, detailed test work completed and used to develop all mining and processing and parameters for pit slope or underground design, hydrology studies, geotechnical studies, flow sheet development, equipment selection and sizing, consumables, power consumption, material balance, general arrangement drawings, development and production schedules, capital and operating cost estimates which should be derived from take-offs and vendor quotes and an environmental impact assessment study with an environmental management programme approved by the Department of Environmental Affairs.

I draw your attention to Section 17 of MMA that, should you wish to apply for extensions of the prospecting licences, such applications must be submitted on or before the 30th September 2013."

Application for extension of PLs

In light of the most recent correspondence from the DOM and having regard to:

- the Company's financial and operating position;

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- the final date of 5th November 2013 by which the Retention Licence Applications must be made satisfactory to the DOM;
- the uncertainty in determining what the DOM actually requires from the Company to grant the Retention Licences (particularly as earlier correspondence indicated that the DOM had recommended to the Ministry of Mines that the three Retention Licences be granted); and
- the extension granted by the DOM under its own discretion so that the PLs now expire on 31st December 2013,

the Directors decided that the best course of action with a view to protecting the rights of the Company in respect of the areas covered by the PLs, and thereby maximising the value of the assets for the benefit of shareholders, is for the Company to apply for an extension of the PLs and withdraw the applications for the Retention Licences.

In accordance with section 17 of the Act, the application to extend the PLs must be lodged with the DOM on or before 30th September 2013. The Company will seek an extension of two years to allow the Company to continue to develop and explore the relevant areas. The additional time will give the Company the opportunity to accumulate the necessary information to apply for Retention Licences or Mining Licences in the future, should the circumstances warrant it.

It must be emphasised that the extension of the PLs is entirely at the discretion of the DOM and the extension may not be granted or may be granted for a period less than two years.

The Company will prepare applications for extension of the PLs and lodge the same with the DOM by no later than 30th September 2013 as required by the Act. Unless an extension is granted the PLs will expire on 31st December 2013.

It is unlikely that the Company will be advised of the decision by the DOM regarding the extension of the PLs until after the PLs expire on 31st December 2013. The Company is unable to predict when the DOM will make a formal decision on the application for an extension. In the case of previous applications by the Company, it has taken up to 18 months before a formal decision is made by the DOM and notified to the Company.

However, given the recent events concerning the PLs and the Retention Licence applications and the resultant uncertainty for shareholders and significant adverse impact on the ability of the Company to plan its operations and raise funds, the Company will endeavour to see that the application process is expedited and a decision is made promptly.

BCL Agreement

The Company will advise BCL of its decision to withdraw the Retention Licence applications and the decision to apply for extension of the PLs. The Company will formally request that BCL agree to amend the Agreement so that the condition precedent requiring the grant of the Retention Licences is deleted and is replaced with a condition that the PLs are extended.

The formal request to BCL follows a preliminary enquiry to BCL on 9th September 2013 as to whether BCL would accept the extended PLs in lieu of Retention Licences. To date, no reply has been received from BCL to that preliminary enquiry.

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BCL is a wholly owned subsidiary of BCL Limited. BCL Limited is a mining and smelting company owned by the Botswana Government (94%) and Norilsk Nickel (6%). If the Agreement is amended and the new condition precedent is satisfied then under the terms of the Agreement and following an initial US\$4 million drilling program (funded by BCL) to earn 40% of the Retention Licences, BCL has the option to continue to fund the projects to the completion of a Bankable Feasibility Study ("BFS") and to earn up to a 70% interest. BML will retain a 30% interest after the BFS is completed, at which time the management of the projects will be transferred to BCL.

Following the completion of the BFS, BCL will have the off-take rights at commercial prices, to any ore mined. It is planned to truck ore to the BCL smelter operations for processing, 55km to the southwest at Selebi Phikwe.

Renounceable Rights Issue Prospectus

On 3rd September 2013 the Company lodged a Prospectus for a 3 for 2 Renounceable Rights Issue at 0.2 cents (\$0.002) per New Share, plus 1 New Option at nil cost for each New Share subscribed, to raise up to \$564,471.

The Rights Issue, if fully subscribed, will raise sufficient funds to pay the operating and administrative costs of the Company for at least two quarters and provide working capital.

The Company will shortly lodge a Replacement Prospectus for the Renounceable Rights Issue with ASIC and the ASX.

Short Term Funding

As foreshadowed in the Company's announcement to the ASX on 23rd July 2013 titled "Update on Funding Options", the Directors have resolved that the Company's short term funding needs will be met by a cash draw down facility provided by Trayburn (a company controlled by Mr Pat Volpe, a director and substantial shareholder of the Company). The facility will provide bridging finance to cover the period between now and the completion of the Renounceable Rights Issue. Trayburn will provide up to \$50,000 on an unsecured basis, free of any interest or costs. The funds drawn will only be used for day to day working capital purposes as and when required. All funds drawn will be repaid from the proceeds of the Rights Issue.

Pat Volpe
Chairman

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