BOTSWANA Metals Limited

ASX:BML

ASX ANNOUNCEMENT

31 OCTOBER 2017

QUARTERLY REPORT – 30 SEPTEMBER 2017

ABN:
96 122 995 073

Issued Capital:
1,824,315,814 ordinary shares

Directors:
Mr Patrick Volpe (Chairman)
Mr Steve Groves (Director/Geologist)
Mr Josh Letcher (Non-executive)
Mr Ed Bulseco (Non-executive)

Registered Office:
Suite 506, Level 5
1 Princess Street, Kew
Victoria, Australia, 3101

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About Botswana Metals

Botswana Metals is exploring for nickel, copper, cobalt, tantalum and lithium within its ~1,500 square kilometre exploration portfolio. These "new world" metals are becoming increasingly important as the world switches to cleaner sources of energy.

The company announced a maiden JORC Inferred Resource of 2.38Mt on 28th April 2015 from drilling within a small 185 square kilometre section of its exploration portfolio in which it had entered a joint venture with BCL. At the time cobalt was not included in the resource calculation.

Historical drilling outside of the joint venture ground has intercepted further nickel as well as significant intercepts of copper and cobalt.

A soil sampling program detected traces of lithium and tantalum which warrant further exploration.

Large tracts of BML's exploration portfolio remain unexplored.

Highlights:

- **Copper and Silver:**
- **Airstrip Copper and Dibete discoveries.**
    - BML refocused on two copper and silver discoveries made in 2011 at Airstrip Copper and Dibete (PL 110/94 in JV with BCL).
    - A 22-hole RC drilling program was completed at these projects.
    - All holes completed as at the date of this report.
    - Independent laboratory results expected in the December 2017 quarter.
    - Visual inspection of drill chips confirms malachite, chalcocite and bornite mineralisation.
- **Lithium, Tantalum + Tin:**
    - Highly anomalous soil levels of Lithium (Li), Tantalum (Ta), and Tin (Sa) exist across the Maibele North – Takane area and are being followed up with further exploration and analysis.
- **Nickel and Copper:**
    - Reviews of SQUID EM conductor at Hole 94 which previously intercepted 6.82m of massive and semi-massive sulphides at 0.75% Ni, 0.25% Cu + PGEs and Cobalt (ASX release 13/01/2015) at **Maibele North** are ongoing
    - This drill intercept and the SQUID EM Conductor were not followed up by the joint venture and remain a high priority target.
- **Cash:**
    - Cash at the end of the quarter was $259,000.
    - An Appendix 5B report is attached.
- **Corporate Activity:**
    - The Company raised $362,000 (before costs) by the placement of 362,000,000 fully paid ordinary shares at an issue price of 0.1 cent ($0.001) per share under the available placement capacity pursuant to ASX Listing Rules 7.1 and 7.1A. The shares were placed to professional, sophisticated and other exempt investors by Xcel Capital Pty Ltd.
    - Mr Joshua Letcher and Mr Edwin Bulseco were appointed as Non-executive Directors of the Company.
    - Mr Matthew Hudson resigned as a Non-executive Director.
    - The Company announced its intention to undertake several capital related initiatives including a Share Purchase Plan, further Placement, Debt to Equity Conversion, Share Consolidation and an Unmarketable Parcel Share Sale Facility (ASX Announcement released 8 September 2017).

- **Tenure:**
    - The Ministry of Minerals Resources, Green Technology and Energy Security in Botswana has suspended (put on hold) the renewal date of the three Prospecting Licences (PL 110/94, PL 111/94 and PL 54/098) that are subject to the Farm-in Joint Venture Agreement between BCL Investments (Pty) Ltd and African Metals (Pty) Ltd ("AML"), a 100% subsidiary of Botswana Metals Limited ("BML").
    - The decision secures the Prospecting Licences in AML's name pending the outcome of the Liquidation of the BCL Group.
- **Future:**
    - BML will continue to look at other value accretive initiatives to monetise its assets and assess new potential assets which are value accretive to shareholders.

The Board of Botswana Metals ('BML' or 'the Company') is pleased to outline the below activities for the quarter ended 30 September 2017 ('Quarter').

EXPLORATION ACTIVITIES TO THE DATE OF THIS REPORT:

Copper and Silver

During the Quarter, the Company commenced a 1500m Reverse Circulation (RC) drill program targeting high-grade copper and silver mineralisation at the Dibete and Airstrip Copper projects in North-eastern Botswana (*ASX Announcement 14 August 2017*). As of the date of this report, the drill program has been completed with a total of 1,525m drilled across the two projects (*see ASX announcement 26 September 2017*).

Every hole in the program has intersected identifiable copper mineralisation, with many of the holes at Dibete showing significant widths of visible supergene copper mineralisation at shallow depths and a number of chalcocite and bornite intersections in deeper positions.

The four holes at Airstrip all intersected primary copper mineralisation including bornite and chalcopyrite and have revealed the deepest copper mineralisation at the project to date at approximately 145m vertically below surface.

All holes have been sampled and the samples are currently being sent to an independent laboratory with results to be announced once completed.

<u>HIGHLIGHTS</u>

Dibete 6100N Zone

- **DBRC123: 17m of strong malachite-azurite from 15m**
- **DBRC124: 23m of strong malachite-azurite from 24m**
- **DBRC126: 5m of strong malachite mineralisation from 22m**
- **DBRC128: 6m of strong malachite mineralisation from 24m**
- **DBRC129: 12m of strong malachite-azurite-chalcocite from 37m**
- **DBRC130: 13m of strong malachite-azurite-chalcocite from 41m**
- **DBRC127 – 12m of malachite from 19m**
- **DBRC131 – 4m of malachite (fr. 31m) and 3m of chalcocite (fr. 38m)**
- **DBRC132 – 11m malachite and azurite from 25m**
- **DBRC133 – 10m malachite – azurite – chalcocite from 10m**
- **DBRC134 – 8m malachite and azurite from 8m**
- **DBRC140 – 4m malachite from 2m**

Dibete 6400N Zone

- **DBRC135 – 10m of malachite and chalcocite from 25m**
- **DBRC136 – 2m of malachite and chalcocite from 47m**
- **DBRC137 – 18m of malachite-azurite-chalcocite-bornite-chalcopyrite from 32m**
- **DBRC138 – 13m of malachite-azurite-chalcocite-bornite from 22m**

Airstrip

- **ACRC133: 1m of malachite from 80m (target zone)**
- **ACRC134: 1m of bornite-chalcopyrite from 126m and 1m of bornite from 167m (deepest intersection of Cu at the project)**
- **ACRC135: 8m of bornite and chalcopyrite from 90m**
- **ACRC136: 2m of chalcopyrite from 105m and 2m of chalcopyrite from 111m**

Exploration Drill Program Summary

The program was designed to test new mineralisation models at both the Dibete and Airstrip Copper – Silver projects with a total of 18 holes for 1,026m completed at Dibete (Figure 2) and 4 holes for 499m completed at Airstrip (Figure 3). Two separate zones of mineralisation, 6100N and 6400N, were tested at Dibete and three separate lodes at Airstrip.

Thirteen holes were completed at **Dibete 6100N**, with all but one (DBRC125) returning significant widths of copper mineralisation. The program successfully infilled gaps in the new mineralisation model as well as discovering the strike extension of mineralisation to the north-west which remains untested by drilling.

Five holes were completed at **Dibete 6400N** into a new mineralisation model based on a number of wide-spaced drill intercepts from historic drilling by BML in 2011. The new holes all intersected mineralisation where expected and confirmed the new mineralisation model. Trending in a NW-SE direction, the new model remains untested along strike and at depth.

The four holes completed at Airstrip were designed to test depth extensions to a number of steeply plunging shoots previously intersected in historic drilling by BML. All holes intersected primary copper mineralisation at depths predicted by the new shoot models and confirm the depth potential of the project.

BML is highly encouraged by the persistence of primary copper mineralisation at depth and notes similarities in the geological setting, mineralisation and geometry of the Dibete and Airstrip deposits to the historically-mined Messina Cu deposits in South Africa, where over 40Mt of ore (historical estimate) was extracted from large copper orebodies at depth with only narrow veins and shoots extending to the surface.

All samples from the drill program are currently being sent to an independent laboratory in South Africa for analysis.

The Board will keep the market informed of the progress of assay results as they come to hand.

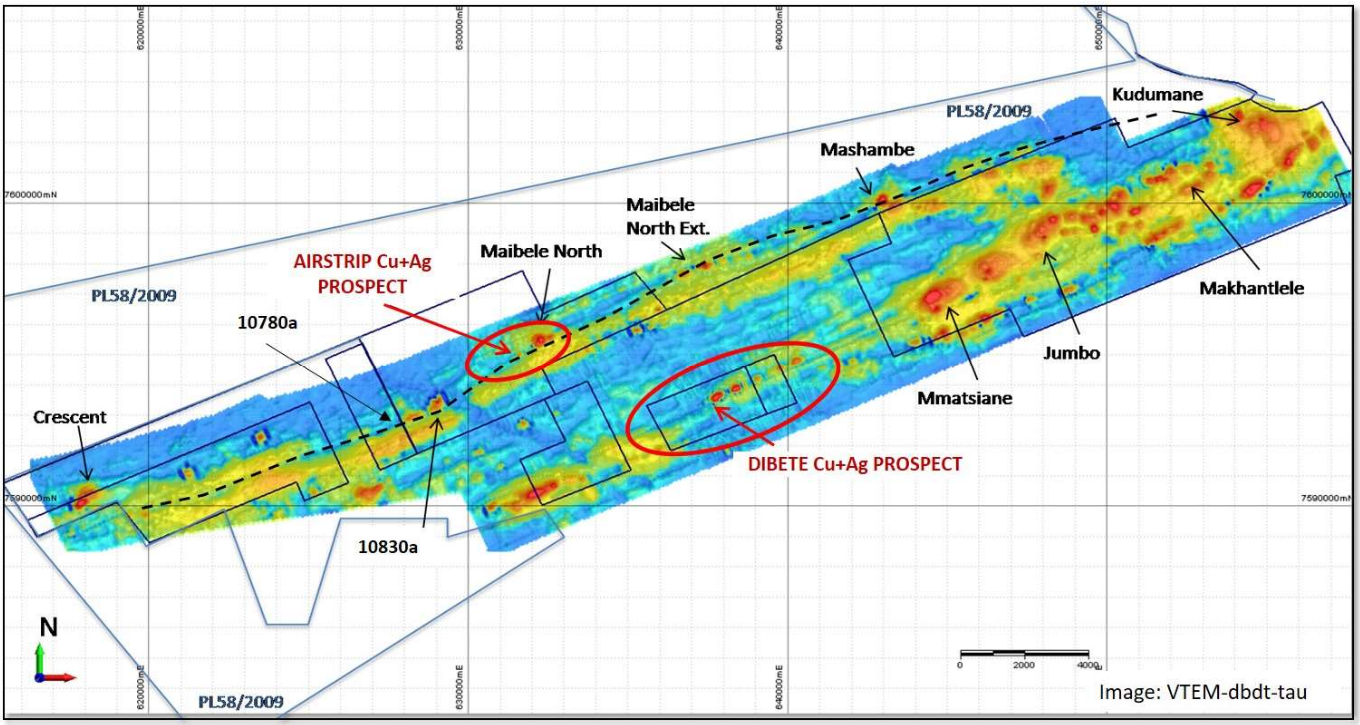

Figure 1: Location of the Airstrip and Dibete Prospects (highlighted in red) within BML's Magogaphate exploration portfolio in North-eastern Botswana, 18 holes were completed at Dibete and 4 holes at Airstrip.

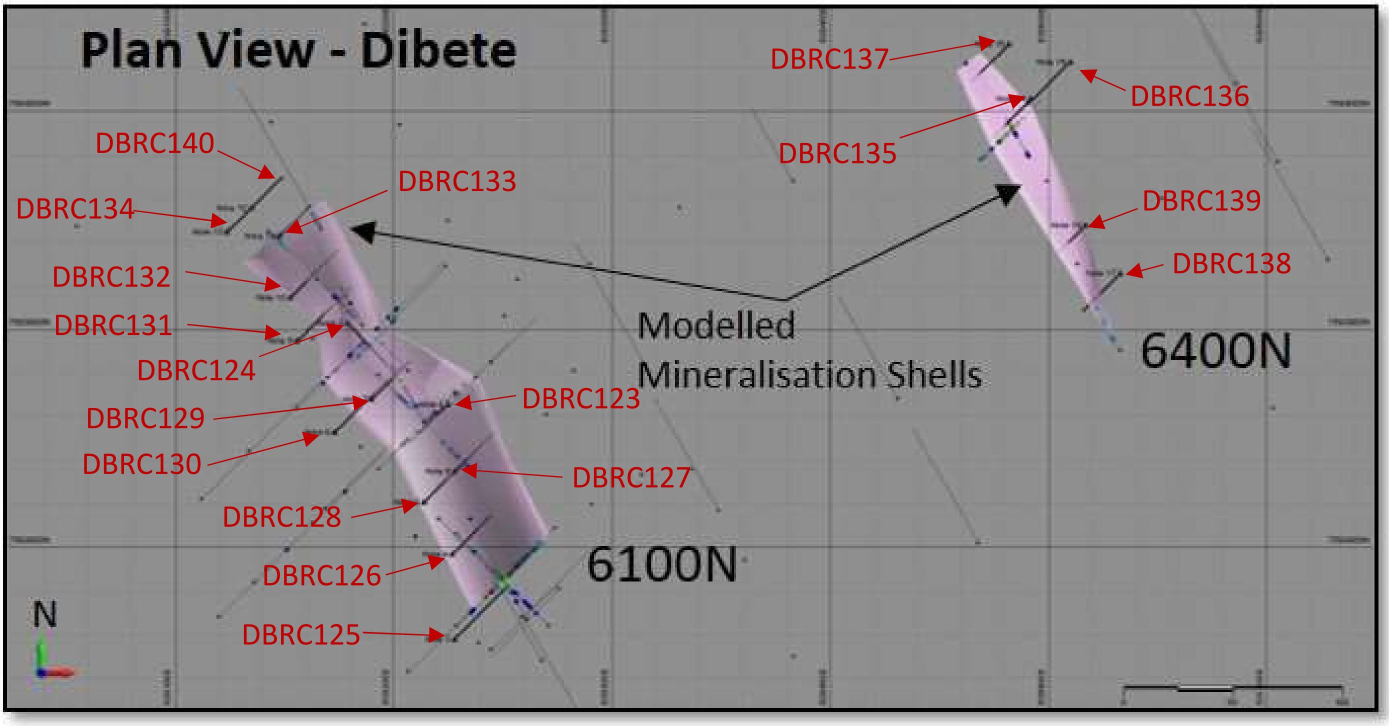

Figure 2: Plan view of the Dibete Project showing modelled mineralisation shells (pink), previous drill holes (thin grey traces) and completed holes (thicker black traces) indicated by red text and arrows.

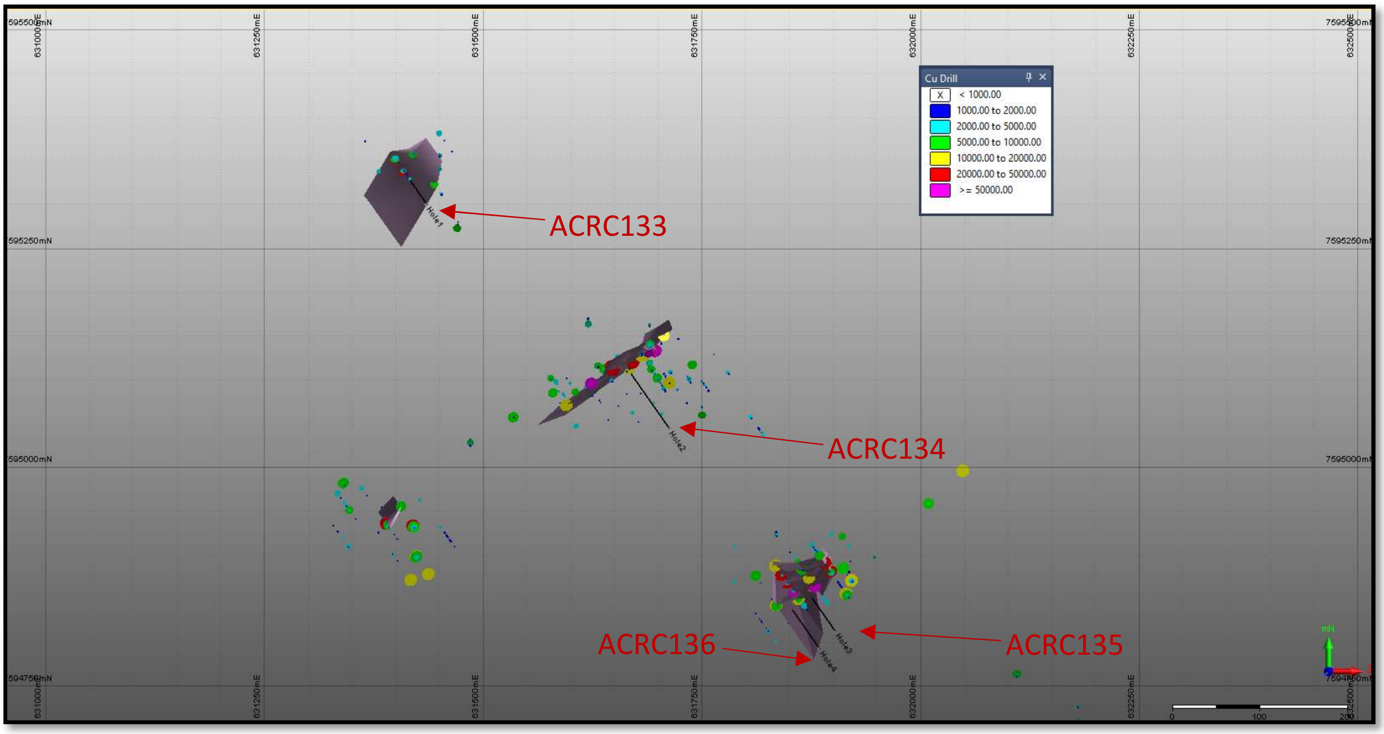

Figure 3: Plan view of the Airstrip Project showing modelled mineralisation shells (pink), previous Cu drill intercepts and completed holes (thicker black traces) indicated by red text and arrows.

Lithium, Tantalum and Tin

The Company continued to review its exploration tenure for Lithium, Tantalum and Tin potential. No further sample results were received during the quarter.

Tenure

The the Ministry of Minerals Resources, Green Technology and Energy Security has suspended (put on hold) the renewal date of the three Prospecting Licences (PL 110/94, PL 111/94 and PL 54/98) that are under a Farm-in Joint Venture Agreement between BCL Investments (Pty) Ltd and African Metals (Pty) Ltd, a 100% subsidiary of Botswana Metals Limited (BML) (ASX Announcement 25 September 2017).

This suspension means that the current renewal date of 31 March 2018 has been frozen from 9 October 216, being the date the High Court of Botswana placed BCL Limited and BCL Investments (Pty) Ltd into Provisional Liquidation, for an indefinite period pending completion of the Provisional Liquidation.

The Ministry has advised the above to KPMG the Provisional Liquidator, in accordance with the provisions of section 76(1)(C) of the Mines and Minerals Act.

This decision does not affect AML's right to continue exploring these licences and the drilling program currently underway at Dibete (PL 111/94) and Airstrip (PL 110/94) will continue as planned. AML will apply for renewals for all three licences as stipulated in the

Mines and Minerals Act when advised by the Ministry of the new renewal dates for the licenses.

BCL LIQUIDATION:

During June 2017, the Board of Botswana Metals Limited was advised by KPMG Botswana that the High Court of Botswana placed BCL Limited into final Liquidation at the hearing on 15 June 2017.

BCL Investments (Pty) Ltd, a subsidiary of BCL Limited, and the counterparty to the Farm-in Joint Venture Agreement in respect of PL 110/94, PL 111/94 and PL 54/98 had its Provisional Liquidation extended however the length of the extension was not advised.

These three licences cover ~185km^2 out of BML's~1500km^2 exploration portfolio.

BML's ASX announcement titled "Update Regarding BCL Limited" dated 13 October 2016 provided details of BML's rights arising out of the Provisional Liquidation of BCL.

In summary:

Under the Farm-in Joint Venture Agreement if a party becomes insolvent (including being placed in Provisional Liquidation) then:

(a) during the earning period (until a party has formally earned its interest) the solvent party may terminate the farm-in by notice to the insolvent party;

(b) if a participant has earned its interest then:

  (i) the solvent party may compulsorily acquire the interest of the insolvent party at an agreed price or, if a price cannot be agreed, at a price recommended by a qualified person as the fair market value of the interest; or

  (ii) if there is no acquisition of the insolvent party's interest, the joint venture can be terminated and the assets are to be realised and the net proceeds, after paying any liabilities of the joint venture, are to be distributed to the participants in proportion to their interests.

BOTSWANA METALS LIMITED EXPLORATION OVERVIEW

Location Map and Schedule of Prospecting Licences held by BML.

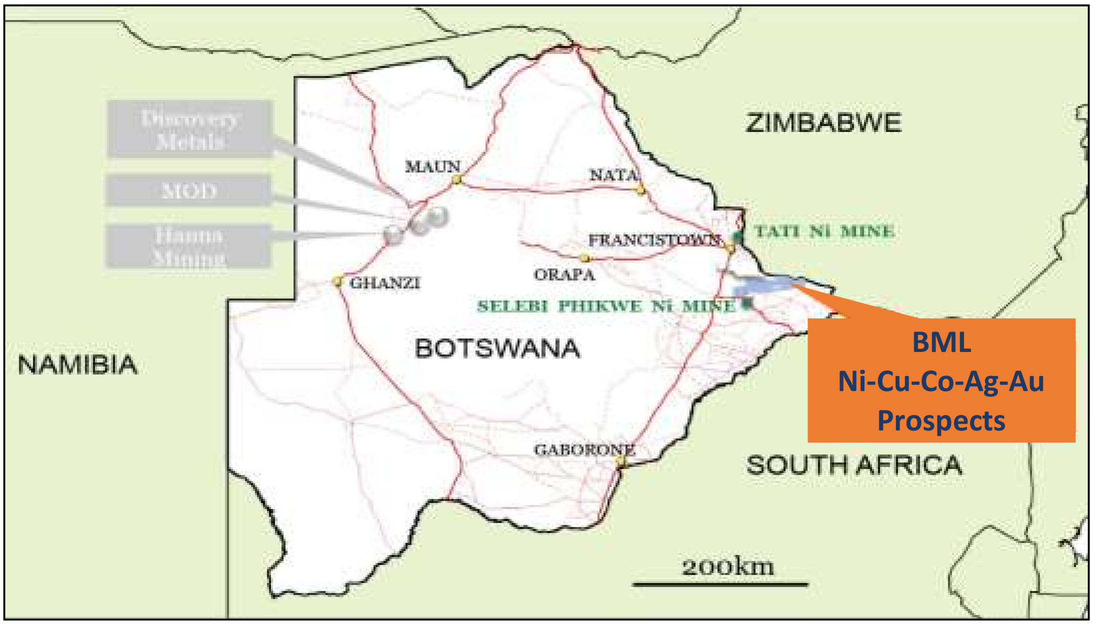

Figure 4: Location of Botswana Metals Limited Exploration portfolio in Botswana.

Exploration areas held in Botswana

The Company holds the following prospecting licences in Botswana:

Tenement	Renewal / Expiry Date	Percentage Holding	Title Holder	Comment
Magogaphate PL 110/94	31/03/2018	100	African Metals (Pty) Ltd	Farm-in agreement with BCL Ltd
Mokoswane PL 111/94	31/03/2018	100	African Metals (Pty) Ltd	Farm-in agreement with BCL Ltd.
Takane PL 54/98	31/03/2018	100	African Metals (Pty) Ltd	Farm-in agreement with BCL Ltd
Shashe South PL 059/2008	30/09/2016	100	African Metals (Pty) Ltd	Renewal application submitted 30/06/16
PL 193/2016	30/09/2019	100	African Metals (Pty) Ltd	
PL 194/2016	30/09/2019	100	African Metals (Pty) Ltd	
PL 195/2016	30/09/2019	100	African Metals (Pty) Ltd	

There were no changes in the tenements held during the Quarter.

Additional Tenement Information:

African Metals (Pty) Ltd is a wholly owned subsidiary of the Company.

Minerals Holdings (Botswana) Pty Ltd holds a 5% net profit share interest in PL 110/94, PL 111/94 and PL 54/98.

On 1 April 2014 a **Farm-In Joint Venture agreement with BCL Limited and BCL Investments (Pty) ltd** became effective where BCL Investments (Pty) Limited could earn an initial 40% interest in three PLs based on making certain expenditure commitments. If BCL funds to the end of a Bankable Feasibility Study then BCL can earn a 70% equity interest in the three JV PL's being PL 110/94, PL 111/94 and PL 54/98.

KPMG were appointed as Provisional Liquidator of BCL Limited and related companies by the High Court of Botswana on 9 October 2016. In June 2017 BML was advised that BCL Investments (Pty) Ltd, a subsidiary of BCL Limited, and the counterparty to the Farm-in Joint Venture Agreement in respect of PL 110/94, PL 111/94 and PL 54/98 had its Provisional Liquidation extended however the length of the extension was not advised.

These three licences cover ~185km^2 out of BML's~1500km^2 exploration portfolio.

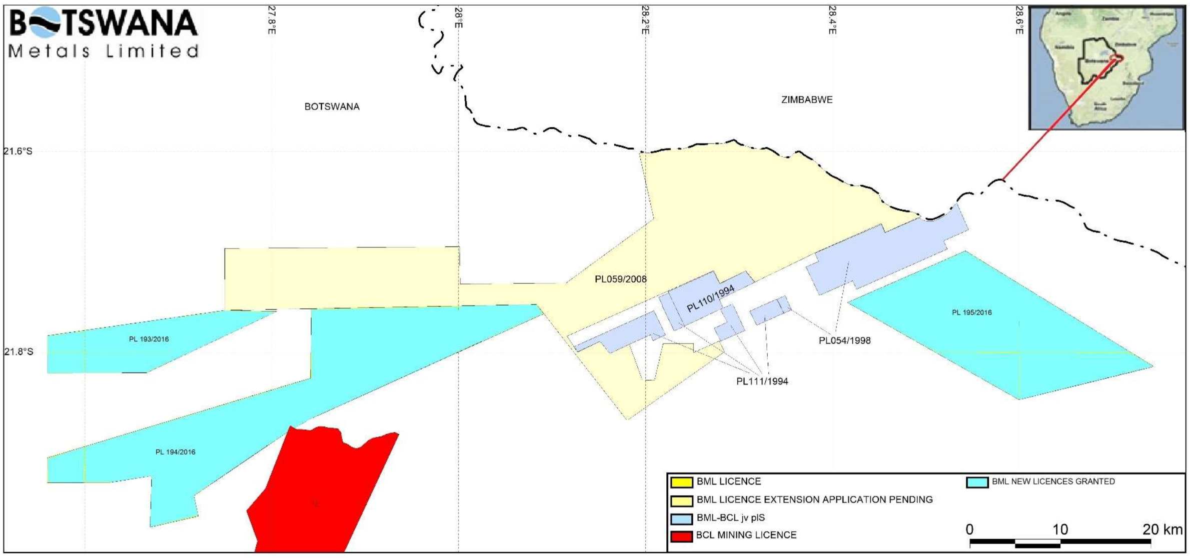

Figure 5: Exploration tenement portfolio in Botswana. Prospecting Licences subject to the Farm-in Joint Venture Agreement with BCL are shaded light blue. New licences granted in the September 2016 quarter are coloured cyan.

Patrick Volpe
Chairman

+Rule 5.5

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

BOTSWANA METALS LIMITED

ABN	Quarter ended ("current quarter")
96 122 995 073	30 SEPTEMBER 2017

Consolidated statement of cash flows			Current quarter $A'000	Year to date (3 months) $A'000
1.	**Cash flows from operating activities**			
1.1	Receipts from customers			
1.2	Payments for			
	(a)	exploration & evaluation	(56)	(56)
	(b)	development		
	(c)	production		
	(d)	staff costs		
	(e)	administration and corporate costs	(150)	(150)
1.3	Dividends received (see note 3)			
1.4	Interest received			
1.5	Interest and other costs of finance paid			
1.6	Income taxes paid			
1.7	Research and development refunds			
1.8	Other (provide details if material)			
1.9	**Net cash from / (used in) operating activities**		**(206)**	**(206)**

2.	**Cash flows from investing activities**			
2.1	Payments to acquire:			
	(a)	property, plant and equipment	(18)	(18)
	(b)	tenements (see item 10)		
	(c)	investments		
	(d)	other non-current assets		

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment		
	(b) tenements (see item 10)		
	(c) investments		
	(d) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	**Net cash from / (used in) investing activities**	**(18)**	**(18)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of shares	340	340
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options	(4)	(4)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	**Net cash from / (used in) financing activities**	**336**	**336**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	147	147
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(206)	(206)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(18)	(18)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	336	336
4.5	Effect of movement in exchange rates on cash held		
4.6	**Cash and cash equivalents at end of period**	**259**	**259**

5.	**Reconciliation of cash and cash equivalents** at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	**Current quarter $A'000**	**Previous quarter $A'000**
5.1	Bank balances	259	147
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**259**	**147**

6.	**Payments to directors of the entity and their associates**	**Current quarter $A'000**
6.1	Aggregate amount of payments to these parties included in item 1.2	81
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

	Fees paid to Directors or their associated companies for director services and management and corporate services	63
	Fees paid to a Director for geological consulting services	12
	Fees paid to a company controlled by relatives of a Director for clerical and administrative services	6

7.	**Payments to related entities of the entity and their associates**	**Current quarter $A'000**
7.1	Aggregate amount of payments to these parties included in item 1.2	
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

8.	**Financing facilities available** *Add notes as necessary for an understanding of the position*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
8.1	Loan facilities		
8.2	Credit standby arrangements		
8.3	Other (please specify)		

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

9.	**Estimated cash outflows for next quarter**	**$A'000**
9.1	Exploration and evaluation	125
9.2	Development	
9.3	Production	
9.4	Staff costs	
9.5	Administration and corporate costs	125
9.6	Other (provide details if material)	
9.7	**Total estimated cash outflows**	**250**

10.	**Changes in tenements (items 2.1(b) and 2.2(b) above)**	**Tenement reference and location**	**Nature of interest**	**Interest at beginning of quarter**	**Interest at end of quarter**
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2	Interests in mining tenements and petroleum tenements acquired or increased				

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Sign here: .... Date: 31 October 2017
(Company secretary)

Print name: Ramon Jimenez

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. This is an interim report prepared based on management accounts which are not audited. The final audited cash flow figures may differ from those in this report.