

**TO: COMPANY ANNOUNCEMENTS OFFICE
ASX LIMITED**

DATE: 26 OCTOBER 2016

QUARTERLY REPORT TO 30 SEPTEMBER 2016

MATERIAL EVENT TO BCL LIMITED AND BML JOINT VENTURE:

On 13 October 2016 BML advised the ASX that BCL Limited was placed into provisional liquidation.

KPMG has been appointed liquidator and at this stage the BCL management has not been able to comment on the JV position. The BML board has provided a summary in this report on its position. (see under Material Events -BCL)

Highlights:

BCL and BML JOINT VENTURE:

- Regional drill program across PL 54/98 – Takane is complete.
- The completed program totalled three holes for over 1,100m of diamond drilling.
- Every hole intersected significant zones of disseminated to semi-massive pyrrhotite, pyrite and chalcopyrite (copper sulphide).
- Effectiveness of SQUID EM technology in locating sulphides is once again demonstrated.
- A program of down hole EM surveying for each of the three holes has commenced.

Li –Ta Exploration

- Ground exploration for Ta - Li continued with soil sampling completed across two priority Ta-Li target areas during the quarter.

New Licences Granted

- Three new prospecting licences covering ~700km² of prospective Limpopo Mobile Zone granted to BML for three years.

Cash Position:

The cash balance as at the date of this report is ~\$239,000.

- Cash Balance at 30 September 2016 was ~\$310,000. An Appendix 5B report is attached.

Material Events: BCL Limited

On the 13 October 2016, BML advised the ASX that BCL Limited was placed into provisional liquidation. BCL and BML have a joint venture- farm in agreement that covers three of BML's Prospecting Licences (PL 110/94, PL 111/94 and PL 54/98). KPMG has been appointed as provisional liquidator and at this stage the management of BCL has not been able to comment on the JV position. A summary of events and BML's potential position is detailed below.

1. On 27 June 2016 the Company announced that, subject to formal documentation, BCL could earn a 40% interest in PL 110/94, PL 111/94 and PL 54/98 ("the three PLs").
2. At this stage no formal advice has been received from BCL regarding the earning of an interest in the three PLs.
3. 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.

The market will be kept informed as more information is at hand and discussions materialise.

Exploration Activities for the September 2016 quarter:

BML-BCL JOINT VENTURE ACTIVITIES FOR THE QUARTER

PL 110/94 - Maibele North

No field work was undertaken at Maibele North during the September quarter as work focussed on the commencement of the Bankable Feasibility Study. Joint Venture field

activities were focussed on drilling priority regional targets in PL 54/98 Takane (see below).

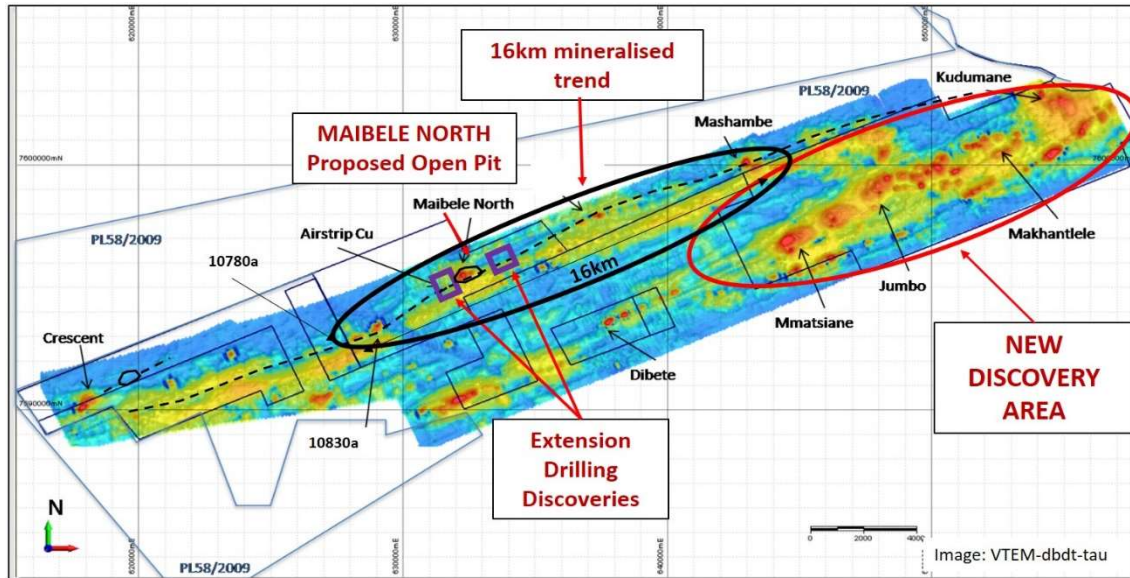


Figure 1: Aerial view of BML's tenements in Eastern Botswana showing the proposed Maibele North Open Pit and the priority regional prospects.

PL 54/98 - Takane Exploration

The Joint Venture partners have completed drilling of three holes into three high priority Ni-sulphide targets on the regional JV licence PL 54/98 (Figure 2). These targets were identified through the combination of geological mapping, geochemical sampling and detailed airborne and ground geophysics. A total of approximately 1,133m of diamond core was completed in the drilling program.

Program Details

All holes were targeting strong SQUID EM conductors and significant sulphide zones were intersected in each hole (Figures 3 – 5). The sulphide zones consisted mainly of Pyrrhotite (Fe-sulphide associated with Ni mineralisation at Maibele North), pyrite and chalcopyrite (Cu-sulphide). Samples from the sulphide zones from the three holes are currently being prepared for sample analysis at an independent laboratory (SGS South Africa) in South Africa.

A program of down hole EM surveying for each of the three holes has commenced. This will enable more accurate modelling of the target conductors and will highlight further targets for follow up drilling.

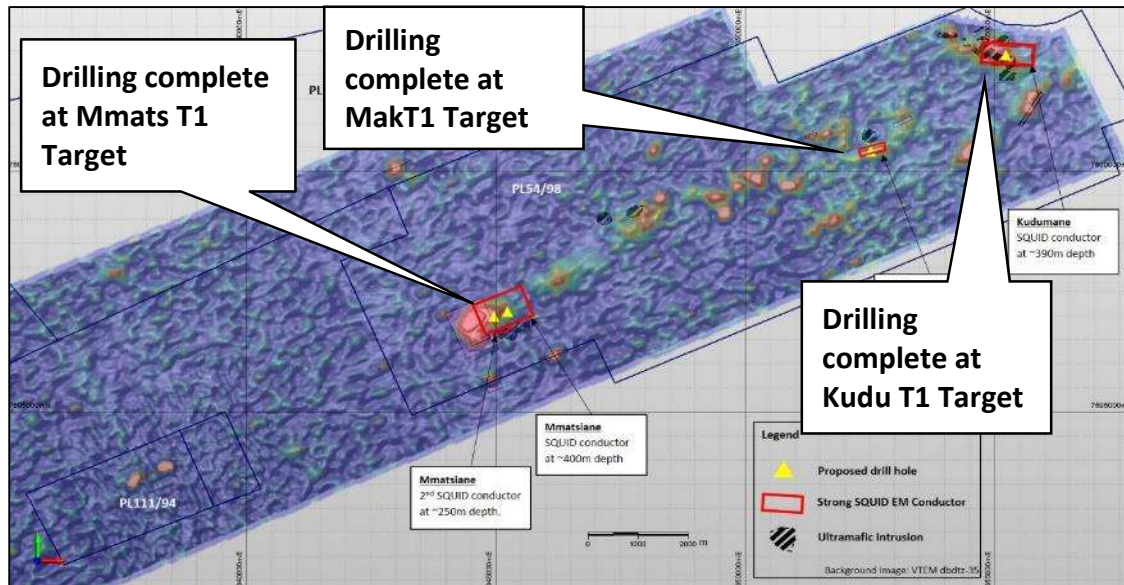


Figure 2: Regional plan view of PL 54/98 showing the SQUID EM conductors (Red Rectangles) targeted by diamond drilling (Holes indicated by yellow triangles).

Target Mmats 1 – MTDD003

One hole (MTDD003) was drilled at the Mmatsiane prospect where a large (>1km), strongly conductive plate at a depth of approximately 400m was the target. The hole reached a depth of 423m and initially intersected shallow disseminated and stringer pyrrhotite and chalcopyrite mineralisation at 84m to 90m and at 92m to 92.6m (see ASX release 12/09/2016). A number of deeper zones of disseminated sulphide mineralisation also containing pyrrhotite and chalcopyrite were intersected between 362m – 410m and correspond well with the position of the modelled SQUID conductor at 398m depth (Figure 3). This zone contains disseminated sulphides from 362m – 370m, 380m – 395m and 398 – 410m down hole.



Figure 3: Examples of the disseminated and stringer pyrrhotite mineralisation (bronze coloured mineral) in core from around 365m down hole in MTDD003.

These sulphide intersections in the first and only hole at Mmatsiane are considered extremely encouraging because they contain the sulphide minerals pyrrhotite, chalcopyrite and pyrite which are associated with the Ni+Cu+Co+PGEs mineralisation at the nearby advanced Maibele North deposit. These intersections are indicative of a fertile sulphide mineralised system and demonstrate the potential for the discovery of additional sulphide deposits regionally in the Magogophate Shear Zone (MSZ).

Mak1 Target – MKDD001

The second hole (MKDD001) in the program was completed at the Mak 1 target to a depth of 299.6m. This hole has also successfully intersected 3m of disseminated sulphide mineralisation from 230m to 233m down hole. The zone contains mostly disseminated pyrrhotite, chalcopyrite and pyrrhotite with a very heavily disseminated 40cm sulphide zone at 232m (Figure 4). This section of core is visually reminiscent of much of the host sulphides and textures at the Maibele North Resource.



Figure 4: Examples of the 40cm zone of heavily disseminated pyrrhotite + chalcopyrite mineralisation in core from around 232m down hole in MKDD001. This style of sulphide mineralisation is visually similar to the host sulphides of Ni+Cu+Co+PGEs at the Maibele North Resource some 21km to the southwest.

This drill hole has produced further intersections indicative of a potentially mineralised sulphide system and has once again demonstrated the great effectiveness of the SQUID EM technique in locating sulphides in the MSZ.

Kudu 1 Target – KNDD001

The hole, located at the Kudu 1 target successfully intersected three significant sulphide zones at 175m (Figure 5), 370m and 382m depth down hole. All zones contain disseminated, net-textured and semi-massive sulphides and pyrrhotite, pyrite and minor chalcopyrite. The hole was designed to test a Ni-sulphide target marked by prominent VTEM anomalies and a corresponding SQUID EM conductor at approximately 390m depth.



Figure 5: Section of core from the upper sulphide zone from 175m in KNDD001. Note the zones of semi-massive pyrrhotite associated with ultramafic rock types. This style of sulphide mineralisation is visually similar to the host sulphides of Ni+Cu+Co+PGEs at the Maibele North Resource some 23km to the southwest.

PL 59/2008 Maibele North Extension (100% BML)

No work was undertaken on PL 59/2008 as the result of an extension application lodged with the Botswana Department of Mines is awaited.

Exploration Activities outside the JV PLs during the Quarter

During May, 2016, the company announced a new exploration focus for pegmatite-hosted tantalum and lithium mineralisation on their exploration licences in eastern Botswana. Historic exploration had previously revealed substantial tantalum anomalies in stream sediment sampling that had remained unexplained. Similar rock types to those in BML's licences exist along strike in Zimbabwe and host one of the world's largest pegmatite-hosted Li-Ta mines. The potential for similar mineralisation to occur in BML's portfolio has been recognised and exploration for pegmatite-hosted tantalum-lithium mineralisation has commenced on the company's licences. Ground exploration is focused on locating pegmatites as well as determining the source of the extremely strong historical tantalum stream sediment anomalies (*BML ASX release 23/05/2016*).

Ground work commenced during the September quarter (refer ASX announcement 18 July 2016) with geological mapping and soil sampling in areas of historically anomalous tantalum, particularly where anomalies are coincident with outcropping felsic lithology. Although much of these areas are covered by a thin veneer of soil, initial mapping identified pebbles and float of pegmatitic material (Figure 6).

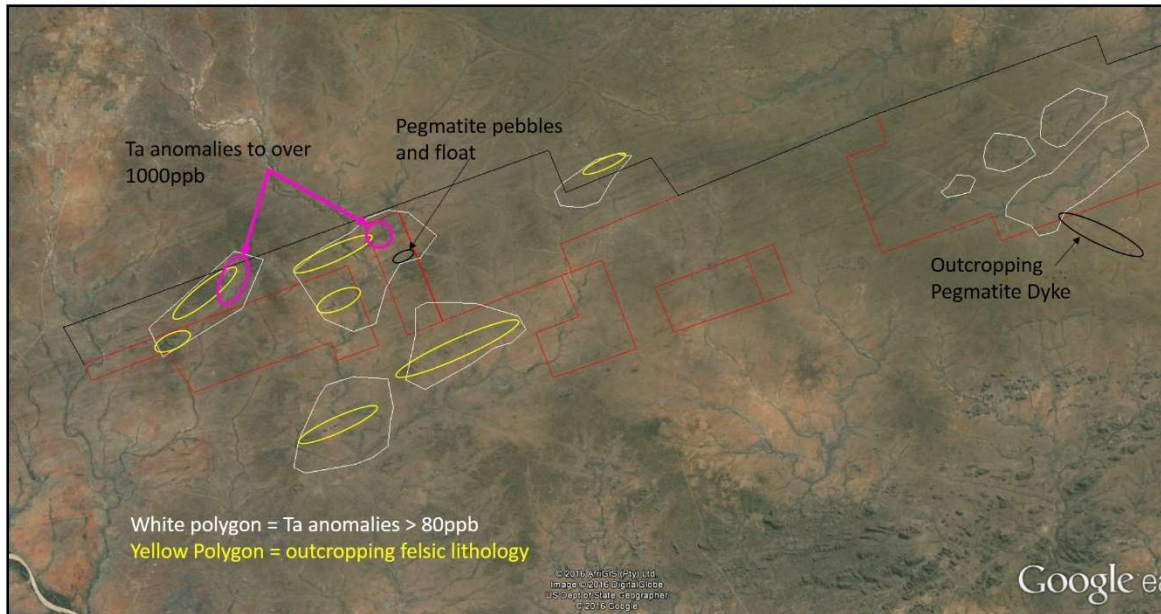


Figure 6: Areal view of BML's tenements in Eastern Botswana showing areas of tantalum anomalism (white polygons > 80ppb, purple polygons > 1000ppb), outcropping felsic rocks (yellow polygons) and areas containing pegmatitic outcrop and/or float (black polygons)

Soil Sampling Programme

The soil sampling programme commenced on four target areas which were initially defined by historical stream sediment anomalies. Table 1 and Figure 7 below show the program details. Targets Areas 1 and 2 have been completed and a selection of samples are currently being prepared for analysis at an independent laboratory.

Follow up work including infill soil sampling and exploration trenching will be undertaken in priority Ta-anomalous areas. Any areas containing verified Ta or Li mineralisation will ultimately be drill-tested.

Table 1: Details of soil sampling program

TARGET	No. OF Lines	SAMPLES	LINE SPACING	SAMPLE SPACING
1	43	1804	200	50
2	17	884	200	50
3	30	840	200	50
4	30	600	200	50
TOTAL	120	4128		

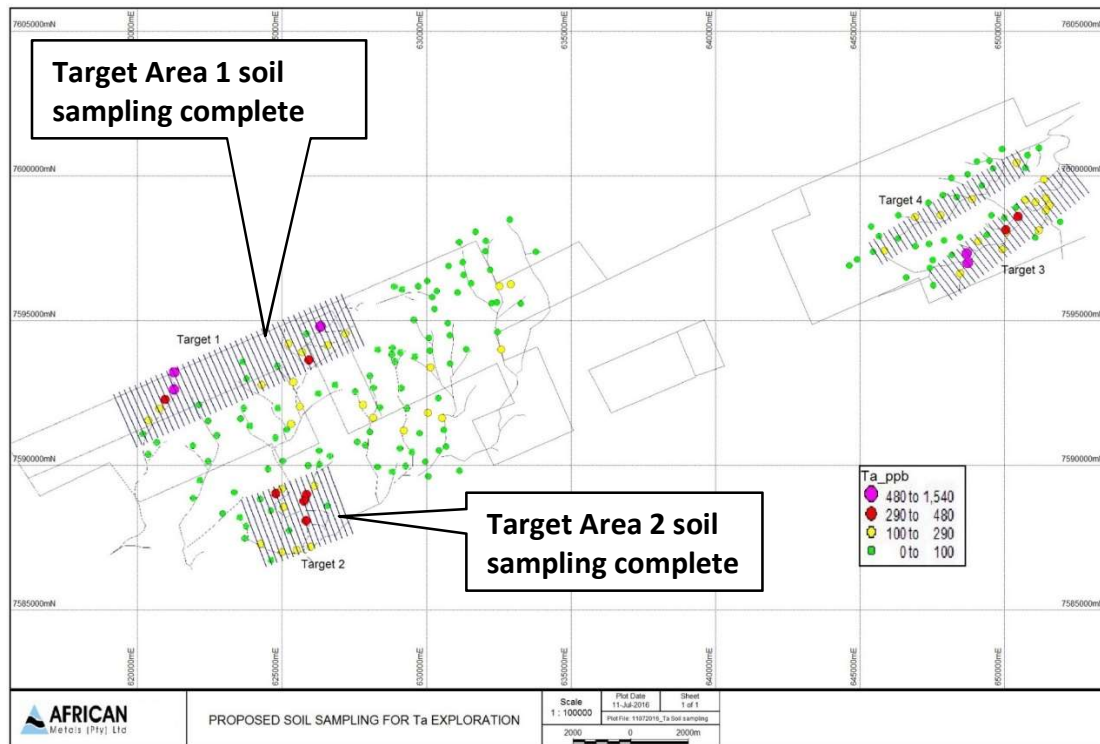


Figure 7: A map showing soil sampling grids planned over stream sampling anomalies

BML are extremely encouraged by the positive start to the Company's refocused strategy for the discovery of "new age metals" and will keep the market informed on the progress of exploration as results come to hand.

BML TENURE

Three New Prospecting Licences Granted

During the September quarter, BML was granted three new Prospecting Licences for metals in the Limpopo Mobile Zone in eastern Botswana (see Figure 9, below). The licences are adjacent to the Company's existing tenure in the region and are prospective for base and precious metals including nickel, copper, gold, silver as well as tantalum and lithium in pegmatites.

The licences add a further 700km² to BML's portfolio in the Limpopo Mobile Zone and have been issued for a first term of three years and can be renewed on 30 September 2019.

Licence No.	Area (km ²)
193/2016	96.5
194/2016	348.3
195/2016	255.9

Location Map and Schedule of Prospecting Licences held by BML.

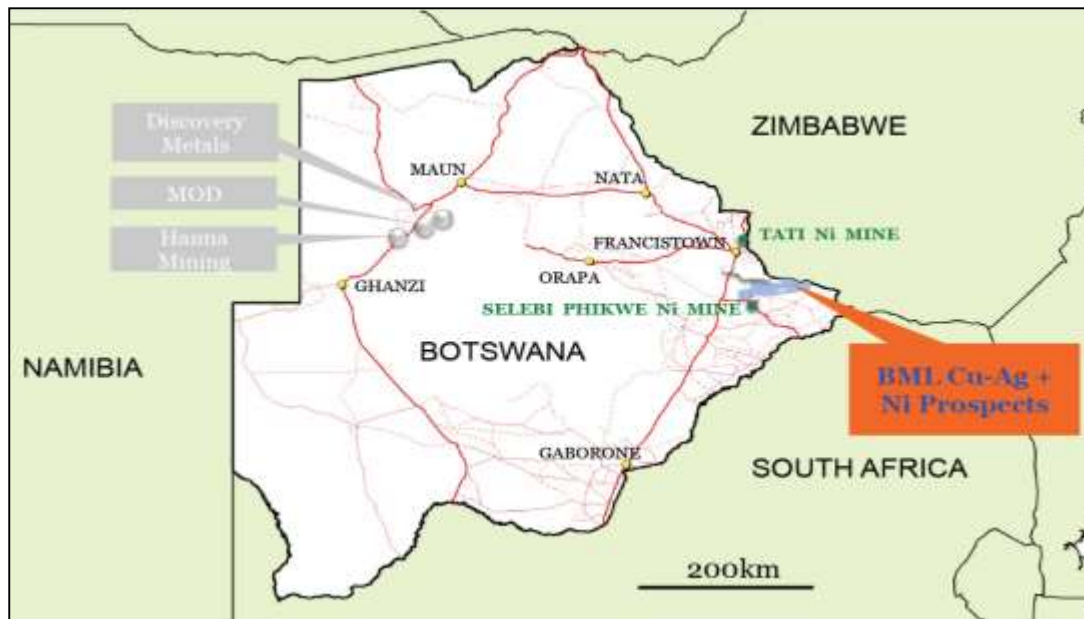


Figure 8: Location of Botswana Metals Limited Exploration portfolio in Botswana

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

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PL 193/2016	30/09/2019	100	African Metals (Pty) Ltd	Granted during September 2016 quarter.
PL 194/2016	30/09/2019	100	African Metals (Pty) Ltd	Granted during September 2016 quarter.
PL 195/2016	30/09/2019	100	African Metals (Pty) Ltd	Granted during September 2016 quarter.

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 & PL 54/98.

PL 110/94, PL 111/94 and PL 54/98 were extended for a further two years to 31 April 2018.

On 1 April 2014 a **Farm-In Joint Venture agreement with BCL Limited** became effective where BCL Limited can earn an initial 40% interest in 3 PLs based on making certain expenditure commitments. If BCL Limited funds to the end of a Bankable Feasibility Study then BCL can earn a 70% equity interest in the 3 JV PL's being 110/94, 111/94 and 54/98.

During June 2016, the Botswana Government, through the Department of Mines, granted an extension to the three of BML's JV licences PL 110/94, PL 111/94 and PL 54/98 for a period of two years effective from 1 April 2016 to 31 March 2018.

A renewal application for a further 2-year period in accordance with the Mines and Minerals Act 1999 was submitted for PL 59/2008 to the Department of Mines.

PL 070/2008 was relinquished. PL 111/2011 was not renewed.

In the March 2015 quarter, the Company applied for several new applications for Prospecting Licences with the Department of Mines in Botswana. Three of these were granted during the September quarter (see section above) and the remainder are pending processing. The new licences are highlighted in light blue and those pending are highlighted in light green in Figure 9.

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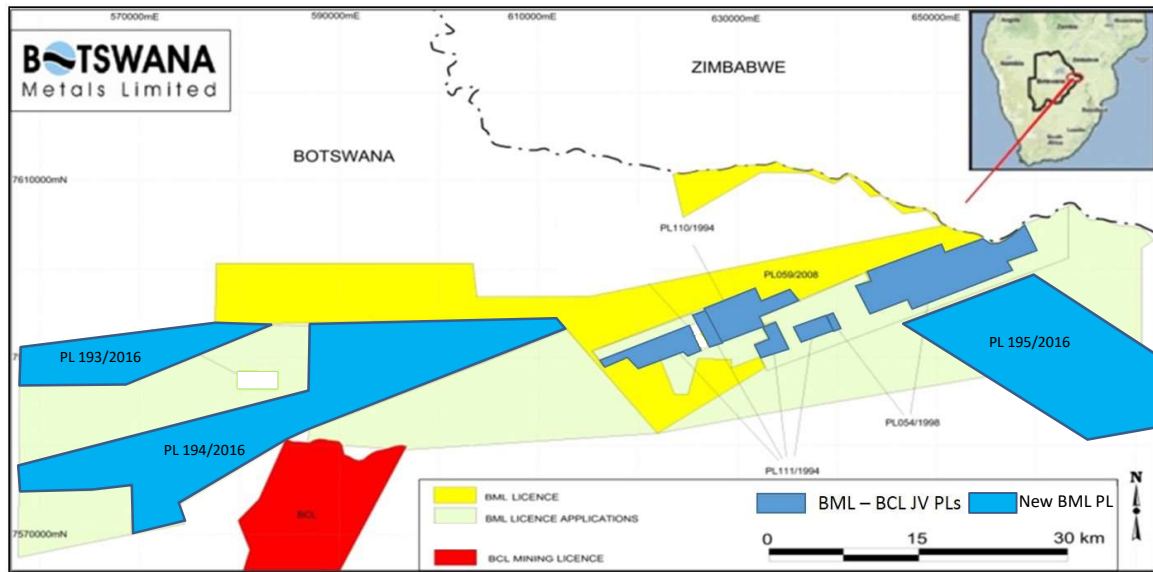


Figure 9: BML exploration tenement portfolio in Botswana. Prospecting Licences subject to the Joint Venture with BCL are shaded dark blue.

Patrick Volpe
Chairman

The Company has retained the services of Mr Steve Groves (MAIG, MSEG) as its competent person to review exploration activities of the Company.

The information in this report that relates to Exploration Results is based on, and fairly represents, information and supporting documentation compiled by BML staff on site and provided to Mr Steve Groves who is a Member of The Australasian Institute of Geoscientists. Mr Groves is a consulting geologist to BML and has previously been employed as the Exploration Manager at BML. Mr Groves has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Groves consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

BCL Investments (Pty) Limited - Farm-in Joint Venture Agreement

BCL executed the revised Farm-In Joint Venture Agreement on 22 January 2014.

The BCL group has been operating a nickel, copper and platinum group elements mine and smelter facility at Selebi Phikwe since the 1970s until October 2016, when the company was placed into provisional liquidation.

The BCL operations are located at Selebi Phikwe only 55 km to the southwest of the JV PLs where the mining and smelting operations employed ~5,000 people in the township population of ~50,000.

The Maibele North ore is close enough to be trucked to the BCL mining and smelting facilities.

In March 2015 a maiden resource of 2.82m/t Ni+Cu+PGEs was declared at Maibele North with the resource still open to the west, east and at depth.

In July 2016 the JV announced plans to progress to a BFS for an open pit mine at Maibele North. Underground potential was to be re-assessed once mining had commenced and the metals prices recover.

BML will continue to revise and prepare exploration plans for the JV areas. Takane commenced exploration activities and drilling on three priority targets at Takane based soils geochemistry and TDEM ground magnetics with VTEM anomalies was completed in the September 2016 quarter with an initial minimal three hole program. Core samples will now be sent to another lab determined by BML for assessment of mineralisation intercepted in all three holes.

About Botswana Metals Limited

Botswana Metals Limited ("BML") is listed on the Australian Securities Exchange (ASX) and its stock code (ticker) is BML. BML is a mineral exploration company fully focused on its portfolio of exploration tenements covering approximately ~1,000 sq km all located in Botswana and has made new PL applications lodged in the March 2015 quarter that will significantly expand the exploration portfolio of BML along the same Limpopo belt that its current PLs are held.

BML's objective is to discover an economic base and precious metals deposit in eastern Botswana on the well-known Limpopo Belt, which extends into Botswana from its neighbouring country Zimbabwe.

Recent exploration has resulted in three discoveries of Nickel-Copper- Cobalt and Copper-Silver mineralisation known as Airstrip Copper, Maibele North and Dibete. The Ni-Cu-Co deposit at Maibele North is just east of Airstrip Copper whilst Dibete is 7 km to the south of Airstrip Copper.

To the east of these discoveries, a recent VTEM program has identified at least 23 new VTEM anomalies that are planned to be part of the Company's exploration focus in the future.

55km to the south of the three discoveries is the BCL Limited mine and smelter. BML entered into a farm in agreement with BCL that became effective on 1 April 2014.

BML has solid logistical support and the projects benefit from excellent infrastructure. The Company is managed by experienced personnel with many years' experience in

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Botswana, as well as other African countries. Botswana is considered to be one of the most advanced African countries in respect to its mining and exploration laws, and for safety and education where English is spoken freely.

BML has offices in Australia (Melbourne) and Botswana (Selebi Phikwe).

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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

96 122 995 073

Quarter ended ("current quarter")

30 SEPTEMBER 2016

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	(55)	(55)
(b) development		
(c) production		
(d) staff costs		
(e) administration and corporate costs	(125)	(125)
1.3 Dividends received (see note 3)		
1.4 Interest received	1	1
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)	2	2
1.9 Net cash from / (used in) operating activities	(177)	(177)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment		
(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		

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares		
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		
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		

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	487	487
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(177)	(177)
4.3	Net cash from / (used in) investing activities (item 2.6 above)		
4.4	Net cash from / (used in) financing activities (item 3.10 above)		
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	310	310

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	310	487
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)	310	487

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	74
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	
	<i>Director remuneration</i>	58
	<i>Director consulting fees</i>	10
	<i>Fees paid to a company controlled by relatives of a Director for clerical and administrative services</i>	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 <i>Add notes as necessary for an understanding of the position</i>	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.		

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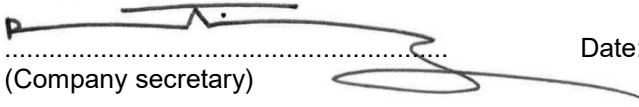
9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	50
9.2 Development	
9.3 Production	
9.4 Staff costs	
9.5 Administration and corporate costs	100
9.6 Other (provide details if material)	
9.7 Total estimated cash outflows	150

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	PL 070/2008 PL 111/2011	Holder of PL Holder of PL	100% 100%	0% 0%
10.2 Interests in mining tenements and petroleum tenements acquired or increased	PL 193/2016 PL 194/2016 PL 195/2016	Holder of PL Holder of PL Holder of PL	0% 0% 0%	100% 100% 100%

All of the above PL's are located in Botswana.

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: 26 October 2016
(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.