BOTSWANA
Metals Limited

ABN 96 122 995 073

ASX Code: BML

TO: **COMPANY ANNOUNCEMENTS OFFICE**
ASX LIMITED

DATE: **31 JANUARY 2017**

QUARTERLY REPORT TO 31 DECEMBER 2016

Highlights:

- **Appointment of Mr. Matthew Hudson to the Board.**
- **Strong focus on Lithium and Tantalum exploration for the quarter.**
- **Lithium and Tantalum soils collected for independent lab analysis.**
- **Three hole diamond drilling at Takane completed in September 2016 quarter all intersected Nickel and/or Copper mineralisation.**
- **Down hole EM completed on the three holes with interpretation report expected next quarter.**
- **No work on Maibele North due to financial position of BCL Limited (JV partner).**
- **KMPG acting as provisional liquidator for BCL Limited has corresponded with BML and is now assessing the status of the BCL Limited and BML joint venture as part of their overall review.**
- **A review of the BML exploration portfolio is underway.**
- **Shareholder approval received at AGM in November 2016 to place shares to professional and sophisticated investors.**
- **The Board to consider investment opportunities to enhance or complement the current exploration portfolio. If any decision made the market will be informed immediately.**
- **Board focussed on increasing shareholder's wealth working from what the Board believe is a low market capitalisation for BML.**
- **Exercise and expiry of options (ASX: BMLOB).**

Details:

Board Changes

Appointment of Mr. Matthew John Hudson

Mr Hudson was appointed as a non-executive Director of Botswana Metals Limited in January 2017.

Mr Hudson brings a wealth of experience to the Board.

Mr Hudson has a Bachelor of Commerce from the University of Melbourne and built a career with Credit Suisse and Arthur Andersen as an analyst up until 2002. He has since operated through his own corporate advisory businesses which have consulted to both listed and unlisted public

companies in Australia, Europe and the United States. Mr Hudson's experience covers the oil and gas sector as well as the mining and exploration sector where he is involved in projects as both an advisor and founding shareholder. He is also a non-executive director of two unlisted public companies and is also involved in the financial technology sector where, as a non-executive director, he is assisting with the planned listing on ASX for these companies.

Mr Hudson will be instrumental in assisting the Board with its strategic planning focused on creating wealth for BML and our shareholders.

Resignation of Dr Paul Woolrich

Dr Woolrich has resigned as a non-executive Director of the Company due to other commitments. The Board records its sincere appreciation to Dr Woolrich for his service since 2008 and acknowledges his extremely valuable contribution to the Company. The Board wishes him well with his future endeavours.

BCL AND BML JOINT VENTURE:

- KPMG appointed Provisional Liquidator of BCL Limited and related companies by the courts on 9 October 2016.
- The Provisional Liquidator has communicated with BML during the quarter and reported that they are assessing the status of the affairs of BCL Limited that will include the JV agreement between BML and BCL.
- Once this review has been completed (which is expected in the first of quarter of 2017), BML will be advised of the outcome.

EXERCISE AND EXPIRY OF OPTIONS (ASX: BMLOB):

- 20,011 shares issued of the exercise of 20,011 options with an exercise price of 1.5 cents ($0.015) per option expiring 31 December 2016.
- 410,213,922 options expired unexercised.

Exploration Activities:

STRONG FOCUS ON LITHIUM AND TANTALUM EXPLORATION DURING THE QUARTER:

- Ground exploration for Ta - Li with grid soil sampling was completed.
- Anomalous and background samples as defined by handheld XRF were collected for analysis across priority Ta-Li target areas.

- A number of check samples submitted for Laboratory analysis
- Results expected in the March 2017 quarter.

EXPLORATION ACTIVITES ON THE BCL / BML JOINT VENTURE GROUND:

- Regional drill program across PL 54/98 – Takane was completed during December 2016.
- Three diamond holes were drilled for over 1,100m.
- Every hole intersected significant zones of disseminated to semi-massive pyrrhotite, pyrite and chalcopyrite (copper sulphide).
- Effectiveness of SQUID EM technology in locating sulphides was once again demonstrated.
- A program of down hole EM surveying for each of the three holes was completed in the December 2016.
- Interpretation of the survey is expected in the March 2017 quarter.

Due to the BCL situation the board is reviewing its funding and exploration priorities.

The Board's prime objective is to enhance shareholders value. With this in mind a strategy is being worked on and once formulated will be released to the market.

In respect to cash funding the company had obtained shareholder approval at the last AGM to place shares to sophisticated and professional investors. That authority will expire towards the end of February 2017.

Cash Position:

The cash balance at 31 December 2016 was ~$83,000. An Appendix 5B report is attached.

Exploration Activities for the December 2016 quarter:

LITHIUM AND TANTALUM EXPLORATION PROGRAM

Background

Ground exploration for pegmatite-hosted Lithium and Tantalum mineralisation continued on the company's tenements in Eastern Botswana during the December quarter. Historic exploration has previously revealed substantial tantalum anomalies in stream sediment sampling that had remained unexplained on the licences. Similar rock types to those in BMLs 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 BMLs portfolio has been recognised and exploration for pegmatite-hosted tantalum-lithium mineralization continued during December with a focussed soil-sampling program in areas of anomalous tantalum stream sediment results. 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*).

Soil Sampling Program

The soil sampling programme is designed to cover four priority target areas initially defined by historical stream sediment anomalies. Table 1 and Figures 1 & 2 below show the program details. Targets Areas 1 and 2 have been completed and a selection of samples from Area 1 have been submitted for analysis at an independent laboratory to compare with the handheld XRF results. A total of 86 samples have been submitted to SGS South Africa for analysis.

Initial exploration during 2016 saw geological mapping in areas of historically anomalous tantalum coincident with outcropping felsic lithology reveal numerous occurrences of pebbles and float of pegmatitic material in areas covered predominantly by a thin veneer of soil (*BML ASX release 18/07/2016*).

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

The company is highly encouraged by the initial observations coming from the 2016 field work and will be pursuing an aggressive Li-Ta exploration campaign during 2017.

BML will keep the market informed on progress of the company's refocused strategy for the discovery of "new age metals" as exploration results come to hand.

Table 1: Details of soil sampling program

TARGET	No. OF Lines	SAMPLES	LINE SPACING	SAMPLE SPACING	DAYS TO COMPLETE
1	43	1804	200	50	Complete
2	17	884	200	50	Complete
3	30	840	200	50	10
4	30	600	200	50	8
TOTAL	120	4128			51

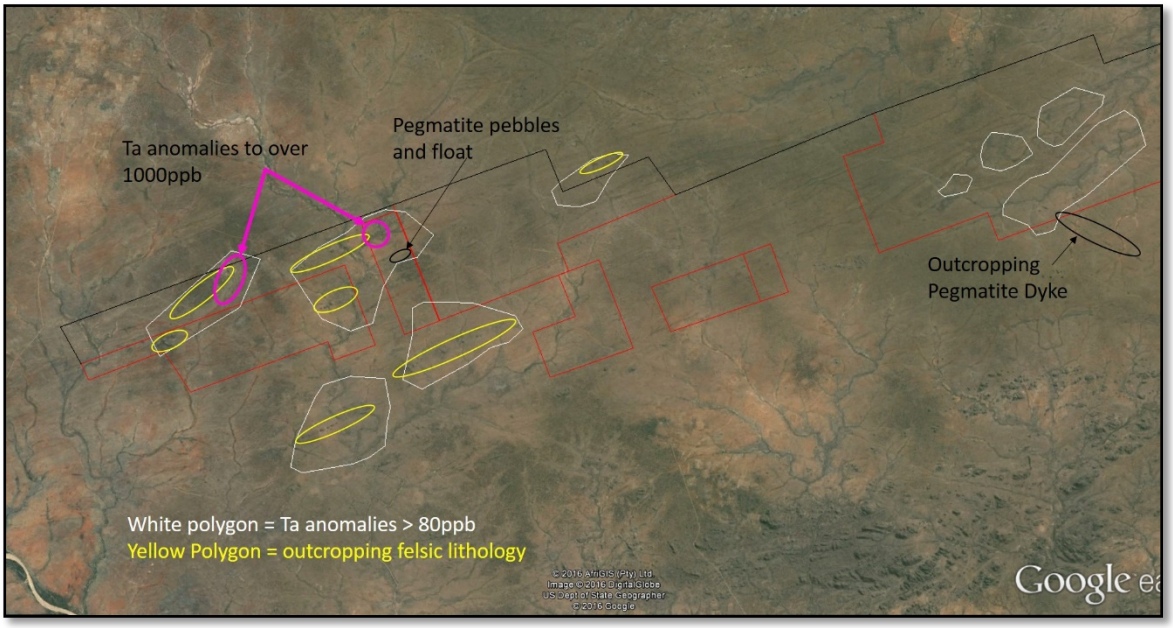

Figure 1: Areal view of BMLs tenements in Eastern Botswana showing areas of tantalum anomalism (white polygons > 80ppb, purple polygons > 1000ppb), outcropping felsic rocks (yellow polygons) and areas containing pegmatitic outcrop and/or float (black polygons).

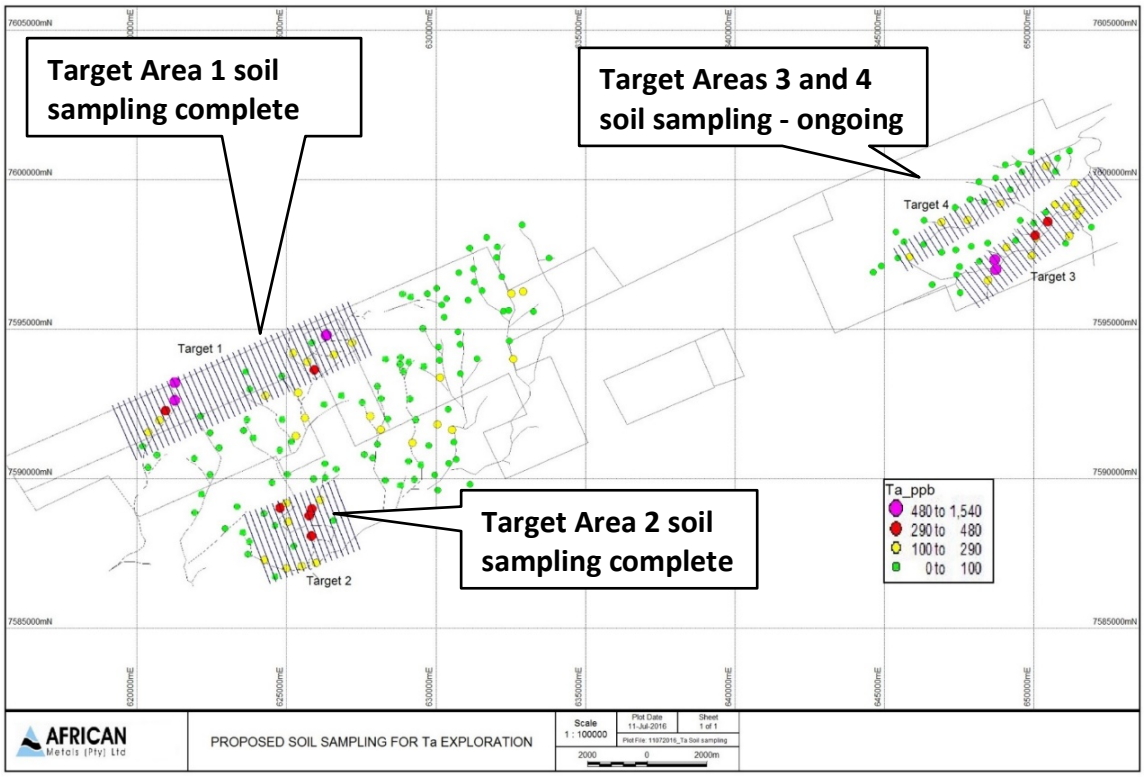

Figure 2: A map showing soil sampling grids planned over stream sampling anomalies.

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BML-BCL JOINT VENTURE

Very little activity was undertaken on the JV projects during the December quarter pending the outcome of the provisional liquidation investigation initiated in October 2016. Joint Venture field activities were limited to the completion of the regional PL 54/98 Takane drill program (*refer ASX release – Quarterly Activities and Cashflow Report – 30/09/2016*) and down hole geophysical surveying during October.

PL 54/98 - Takane Exploration

Drilling Program

The Joint Venture partners completed drilling of three holes into three high priority Ni-sulphide targets on the regional JV licence PL 54/98 (Figure 3). 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. All holes intersected significant zones of disseminated, semi-massive and minor massive sulphide mineralisation in areas coincident with the positions of modelled EM conductor plates, once again confirming the effectiveness of the SQUID EM technology for the discovery of sulphides in the Magogophate Shear Zone.

Full details of the all the drill holes and sulphide intersections have previously been released to the ASX in: *BML Quarterly Activities and Cashflow Report – 30/09/2016 and Completion of drilling at Takane and update – 12/10/2016*

No samples have been submitted for laboratory analysis pending the outcome of the provisional liquidation investigation.

Due to the success of the drilling in discovering a number of significant new sulphide zones, a program of down-hole EM surveying was subsequently undertaken.

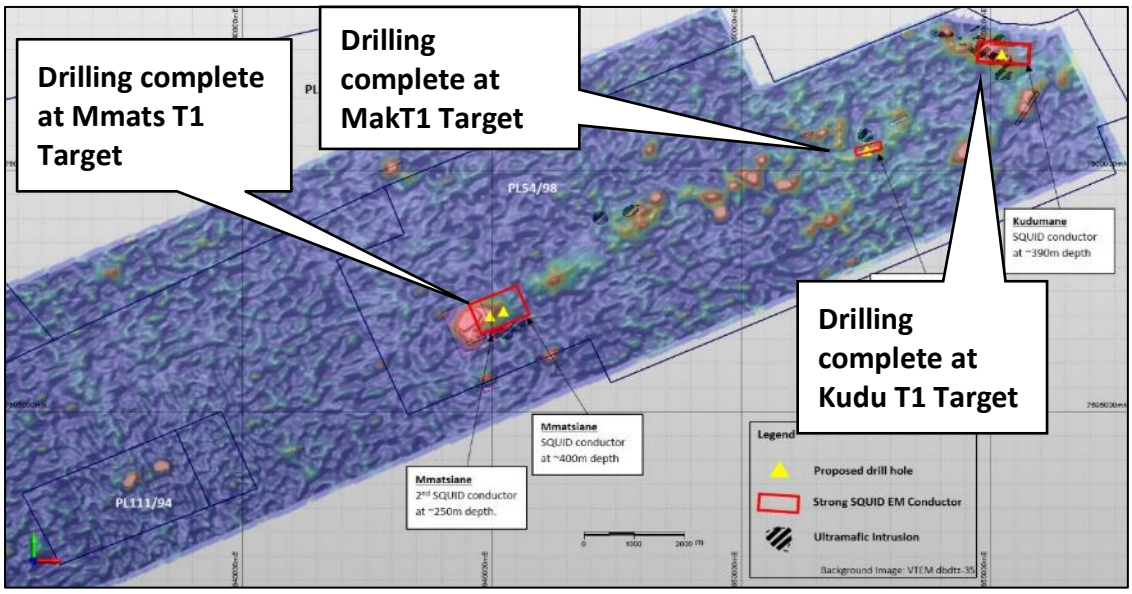

Figure 3: Regional plan view of PL 54/98 showing the SQUID EM conductors (Red Rectangles) targeted by diamond drilling (Holes indicated by yellow triangles).

Down Hole Surveying

The program of down hole EM surveying of each of the three holes was completed during the December quarter. This program was designed to enable more accurate modelling of the target conductors and highlight further targets for follow up drilling.

Two out of the three holes were able to be re-entered and surveyed fully. The hole at the Mak1 target was blocked at 30m depth.

Interpretation and modelling of the results from the Kudu1 and Mmats1 drill holes are ongoing and will be presented to the market when completed.

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

No work was undertaken on PL 59/2008 during the quarter.

BML TENURE

Location Map and Schedule of Prospecting Licences held by BML.

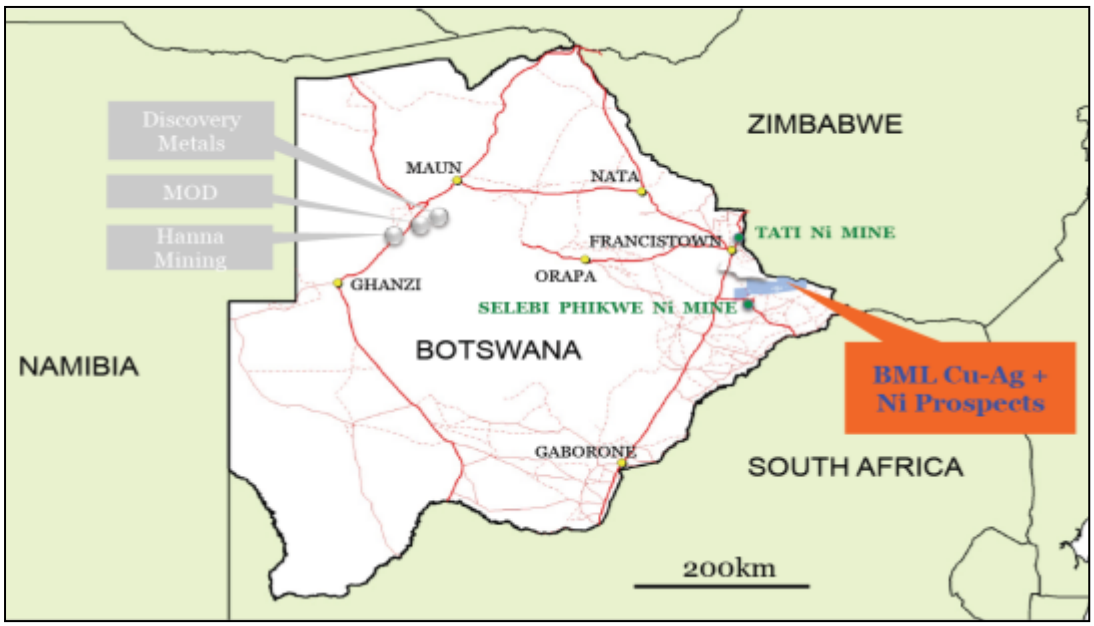

Figure 4: Location of Botswana Metals Limited Exploration portfolio in Botswana.

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	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.

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 & PL 54/98.

PL 110/94, PL 111/94 and PL 54/98 have been 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.

BCL Limited was placed in Provisional Liquidation during October 2016. KPMG were appointed Provisional Liquidator of BCL Limited and related company's by the courts on the 9th of October 2016. The Provisional Liquidator has communicated with BML during the quarter and reported that they are assessing the status of the affairs of BCL Limited that will include the JV agreement between BML and BCL. Once this review has been completed (which is expected in the first of quarter of 2017), BML will be advised of the outcome.

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.

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 the Figure 5 below.

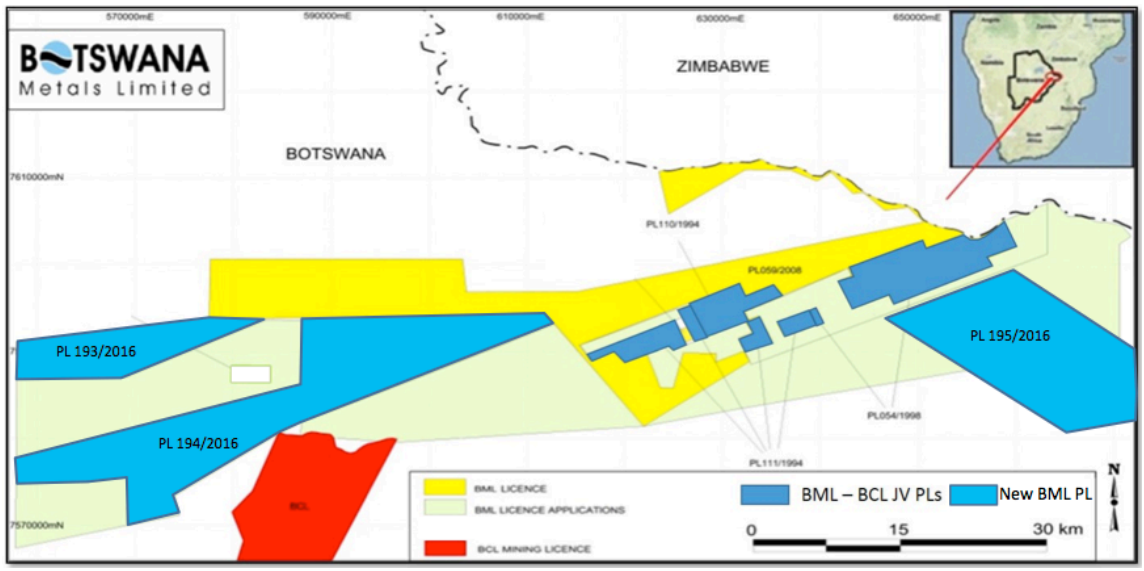

Figure 5: BML exploration tenement portfolio in Botswana. Prospecting Licences subject to the Joint Venture with BCL are shaded light blue.

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.

About the BCL Limited Farm-In Joint Venture on PL 110/94, PL 111/94 and PL 54/98

BCL Investments (Pty) Limited ("BCL"), under the joint venture agreement, has spent at least AUD$4 million on a drilling program to earn its 40% interest over the projects. BCL has agreed to continue to fund the projects to the completion of a Bankable Feasibility Study ("BFS") to earn a 70% interest.

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 at Selebi Phikwe for processing, which is situated 55 km to the southwest of our projects. BCL also has a first right of refusal to participate in exploration on the

Company's other prospecting licences in Botswana and in July 2016 BCL exercised its right to farm into PL 59/2008 subject to this licence being extended to BML by the DOM and a deal on commercial terms negotiated between the JV parties.

BML will retain a 30% interest after the BFS is completed on the three exist PLs under the JV agreement.

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

BCL executed the Farm-In Joint Venture Agreement on 22 January 2014 to PL 110/94, PL 111/94 and PL 54/98 ("the three PLs"). The DOM subsequently granted the extensions to the three PLs. Under the terms of the agreement BCL Limited could earn up to 70% by spending to the end of a Bankable Feasibility Study.

The current position of the JV is uncertain until the provisional liquidator KPMG has reviewed the JV agreements along with the total BCL limited position.

The Company has made base metal discoveries within the three PLs: Maibele North (nickel, copper, cobalt and platinum group elements), Airstrip Copper (copper and silver) and Dibete (copper and silver). A total of 23 VTEM base and precious metal anomalies have been identified to the east of the discoveries.

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 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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+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	31 DECEMBER 2016

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (6 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers		
1.2	Payments for		
	(a) exploration & evaluation	(98)	(153)
	(b) development		
	(c) production		
	(d) staff costs		
	(e) administration and corporate costs	(126)	(251)
1.3	Dividends received (see note 3)		
1.4	Interest received		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
1.9	**Net cash from / (used in) operating activities**	**(224)**	**(401)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(3)	(3)
	(b) tenements (see item 10)		
	(c) investments		
	(d) other non-current assets		

Consolidated statement of cash flows		Current quarter $A'000	Year to date (6 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)**	**(3)**

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	310	487
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(224)	(401)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3)	(3)
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**	**83**	**83**

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	83	310
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)**	**83**	**310**

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	72
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

	Remuneration paid to Directors or their associated companies	58
	Fees paid to a company controlled by relatives of a Director for clerical, administrative, printing and postal services	14

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	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				
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 January 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.