

**TO: COMPANY ANNOUNCEMENTS OFFICE
ASX LIMITED**

DATE: 31 OCTOBER 2013

QUARTERLY REPORT TO 30 SEPTEMBER 2013

The Directors of Botswana Metals Limited ("the Company") report as follows:

Tenure over Prospecting Licences PL110/94 Airstrip and Maibele North, PL111/94 Dibete and PL54/98 Takane ("the PLs")

Applications were made for the extension of the three PLs and the retention licence applications over the areas covered by the PLs were withdrawn.

During the quarter, the Company focused on doing everything necessary to secure the tenure of its prime exploration assets over PL110/94, PL111/94 and PL54/98.

After numerous discussions and correspondence with the Department of Mines (DOM) and the Ministry of Mines in Botswana, the Company withdrew its retention licence applications with the DOM on the 27th September 2013 and on the same day applied for an extension of the prospecting licences over the same three licence areas.

This follows the DOM issuing an extension on the 5th August 2013, over the PLs that will now expire on the 31st December 2013.

The Company applied for a 24 month extension over the PLs which will take effect from 1st January 2014 if granted.

However, it is at the full discretion of the DOM as to the length of time the licences may be extended, or if the PLs will be extended at all. It is possible that the DOM may only extend one or two of the three PLs.

Therefore the Company makes no assurances as to the granting of any extension of the PLs and cannot guarantee any of the possibilities or outcomes as outlined above.

The Company believes from past experience only, that at best the DOM may formally advise its determination in the second quarter of 2014.

However, it is stressed that there can be no guarantees that advice will be received from the DOM in the second quarter or before or after that estimated time. The Company is using its best endeavours to get a decision for the DOM as soon as possible but has no control on the process within the DOM.

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In light of the above, BML raised funds for working capital in October 2013 from a rights issue to fund the administration and operations in both Australia and Botswana sufficient to cover at least the next two quarters. However, exploration activities have been scaled back to preserve funds until it is clear whether the PLs will be extended or not. The Company will decide the most appropriate strategy once it has received feedback for the DOM and the market will be kept informed of this strategy.

PL158/2009 and PL360/2008

The DOM did not grant the first renewal on these two prospecting licences even though the Company exceeded the proposed budget work expenditure program detailed in the application for these licences.. However the DOM rejected the Company's first renewal application on the basis that the Company did not drill the anomalies identified.

The Company has objected to this determination and in October 2013 received confirmation from the DOM that the Company's objection had been received.

If the Company is successful in having these licences renewed then this renewal will be for a further two years.

If the objection is not successful then the licences will remain lapsed.

Again the decision on whether the objection will be successful and the timing of such is not known to the Company and there can be no assurances on the outcome.

PL59/2008 and PL70/2008

In June 2013, the Company lodged a second renewal application over PL59/2008 and PL70/2008 with the DOM. The Company is awaiting a response from the DOM.

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

In October 2013, BCL Limited's 100% exploration subsidiary, BCL Investments (Pty) Ltd, advised that it is amenable to changing the farm-in joint venture agreement so that the only condition precedent is the granting of extensions to PL110/94, PL111/94 and PL54/98 in lieu of the grant of retention licences.

The agreement is currently in the process of being amended for execution.

Cash Position and Capital Raising – Loan Facility

As at 30 September 2013 the cash at bank was \$73,000.

The Company's recent rights issue closed and raised \$564,471.

A previous rights issue in July 2013 was not successful and funds raised were refunded as the issue was well under subscribed.

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The Company also received an ASIC interim stop order during the quarter in relation to its Replacement Prospectus covering the latest rights issue capital raising. As a result, the Company issued a Supplementary Prospectus which was approved by ASIC.

The funds raised from this rights issue will be used for the working capital requirements of the operations in Australia and Botswana and the funds are forecasted to cover at least the next two quarters.

The Board's strategy is to ensure adequate funding is available for at least the next two quarters with a view that the DOM will have sufficient time to make a determination on the extension of the 3 PLs. However the Company has no control of this process and timing cannot be guaranteed as the DOM provides no indication at all as to the time it requires to make these decisions.

Based on the current market capitalisation and the uncertainty created by this situation, the Board determined that the dilution factor on shareholders would be too great if more funds were raised under the issue given the above circumstances at this point in time.

Within the next two quarters, if one of the following options eventuates then the Board will review its funding strategy accordingly:

- a positive decision is received from DOM but BCL has not commenced exploration activities;
- a positive decision is received from DOM and BCL commences with the exploration activities;
- no decision is received by the DOM and is still pending; or
- a decision is made which is not in favour of BML.

Cost Restructure Program

The Company also implemented a cost restructure program during the quarter which became effective from the 1st July 2013. As a result, all directors agreed not to take any directors fees from the 1st July 2013 and this decision will be reviewed at the end of December 2013.

The Executive Chairman has also agreed to suspend his salary effective from 1st July 2013 on the same terms as the directors.

The remuneration suspension will continue to at least 31st of December 2013 or until a decision by the DOM is known unless any other material matter arises that potentially will see an injection of cash into the Company in the future.

Other cost cutting measures taken included the appointment of a casual Company Secretary over the previous full time role. In this respect Mr Ramon Jimenez has been appointed to the Company Secretary role and Mr Richard Baker resigned in August 2013.

The Company will also look to relocate its Australian Office premises in the New Year when the current lease commitment expires and it will continue to review its expenditure in Australia and Botswana and reduce these costs where possible.

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The Company plans to further review its operations in Botswana which are being kept intact on the basis that the expertise and staff will be required to perform the activities required under the BCL Joint venture agreement, but the Company may have to review this position if a decision from the DOM is not forthcoming.

Unsecured Loan Facility

The Company obtained a \$50,000 unsecured loan facility from Trayburn Pty Ltd, which is a company associated with Mr Pat Volpe, to provide bridging finance until the rights issue funds become available.

The loan is unsecured and interest free and is to be repaid out of the proceeds of the right issue. The loan has been fully drawn on and will be repaid in the first week of November 2013.

Exploration Actives during the quarter

Activities were kept to a minimum as the Company focused on its prospecting licencing issues with the DOM. BML also focused on its contractual agreement with BCL in the quarter.

There were no exploration activities for the quarter. It is expected that the activities for the next quarter will be focused on ground surveying and desk top analysis.

As there was no exploration report required for the quarter, a competent person's statement is not required.

The Company still maintains Mr Peter Temby as its competent person to review exploration activities of the Company.

Additional Information

The reader is also referred to the Replacement Prospectus and Supplementary Prospectus dated 16/09/2013 and 15/10/2013 respectively for more details on the Company's events and plans. The Company's audited Annual Report to 30 June 2013 was also lodged during the quarter and is available on the ASX and the Company's web site.

Pat Volpe
Chairman

About the BCL Limited Farm-In Joint Venture

If these Extension Licences are granted, BCL Investments (Pty) Limited ("BCL"), under the joint venture agreement, will spend an initial US\$4 million on a drilling program to earn 40% of the projects over these areas. BCL has the option to continue to fund the projects to the completion of a Bankable Feasibility Study ("BFS") to earn a 70% interest.

At that point 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 55km to the southwest of our project.

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BML will retain a 30% interest after the BFS is completed, at which time the management of the projects will be transferred to BCL.

About Botswana Metals Limited

Botswana Metals Limited 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 2,000 sq. km all located in Botswana.

BML's objective is to discover an economic base and precious metals resource 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 and Copper-Silver mineralisation known as Airstrip Copper, Maibele North and Dibete. The Ni-Cu 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 dependent upon licence tenure being maintained.

BML has solid logistical support and the projects benefit from excellent infrastructure. The Company is managed by experienced personnel who have 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 (at Francistown and Tobane).

About BCL Limited

BCL Limited ("BCL") is a mining and smelting company owned by the Botswana Government (94%) and Norilsk Nickel (6%). The company commenced operations in 1959 and is now one of the largest private sector employers in Botswana.

BCL produces two types of finished matte containing nickel, copper and cobalt, and precious and platinum group metals to a smaller extent. The Selebi Phikwe ore deposits are owned and operated by BCL Limited.

The Selebi copper and nickel ore body was discovered in 1963, and higher grade ore was discovered at Phikwe in 1966. Mining of nickel-copper ore commenced in 1973 and since 1980, BCL's smelter has operated at an annual production rate of approximately 50,000 tonnes of nickel-copper matte.

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