

Botswana Metals Limited

Recommendation:

6 - 12 month price target: **\$0.02**

Sector: Materials

ASX Code: BML

Share Price: \$0.006

52 Week -

High: \$0.026

Low: \$0.005

Issued Ordinary Shares: 650.0M

Options: 410.2M

Market Cap: \$3.9M

Major Shareholders

Vermar Pty Ltd 12.13%

Polarity B Pty Ltd 4.26%

Bell IXL / Cellante Securities 4.24%

Directors and Management

Executive Chairman: Patrick John Volpe

Non-Executive Director: Massimo Cellante

Non-Executive Director: Paul Woolrich

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CURRENT DRILLING AT MAIBELE NORTH OPENS “TIP OF THE ICEBERG” POTENTIAL ALONG LIMPOPO TREND LICENCES

- We initiate coverage of Botswana Metals (ASX:BML) with a speculative BUY rating and note that development of BML owned PL110/94 will be **fully funded and de-risked** via a Joint Venture with Government owned BCL Limited.
- Further de-risking flows from Botswana’s status as one of Africa’s most stable countries with business friendly tax and mining codes, and low operating costs.
- BML and BCL are moving rapidly with drilling, completion of Feasibility Studies and permitting that is aimed at commencement of mining at Maibele North by the end of 2016. This provides further valuation upside.
- Proactive Investors notes that BML has first mover status along the Limpopo Belt which is chronically underexplored for Ni-Cu. BML licences host the same geology as the nearby Selebi Phikwe mines that produced 175Mt of Ni-Cu ores, and analogues with major global nickel resources with up to 100Mt of Ni-Cu ore.
- Application of “newtech” SQUID technology has allowed BML to target NI-Cu conductors with a 100% drilling success rate and expedites development of a deep prospect pipeline.
- BCL is a world class miner and refiner of Ni-Cu matte at Selebi Phikwe that has a need for new sources of local, long life, and low cost Ni-Cu ore. The Joint Venture with BML and right to include additional prospects imprints very significant value into the relationship that is underappreciated by the marketplace.
- Proactive Investors notes that that the Enterprise Valuation “EV” for BML is \$3.2M within an ASX peer group of highly prospective Western Australian Ni-Cu explorers that range from \$9.4 - \$11.8M. This EV belies the near term production potential and massive exploration upside of the Limpopo Belt Licences.
- Proactive Investors calculates a 6-12 month price target of \$0.02 per share, based simply on its undervaluation within its peer group and value of its exploration assets. Further upside will flow from drilling results, Feasibility Studies and potential for further Joint Venture deals with BCL.

BACKGROUND – BOTSWANA PROJECTS HAVE GLOBAL POTENTIAL

Botswana Metals Limited (ASX: BML) is an ASX listed exploration and development Company that was formed to capitalise on advanced base metals and precious metals opportunities initially developed by A-Cap Resources Limited (ASX:ACB) within North Eastern Botswana.

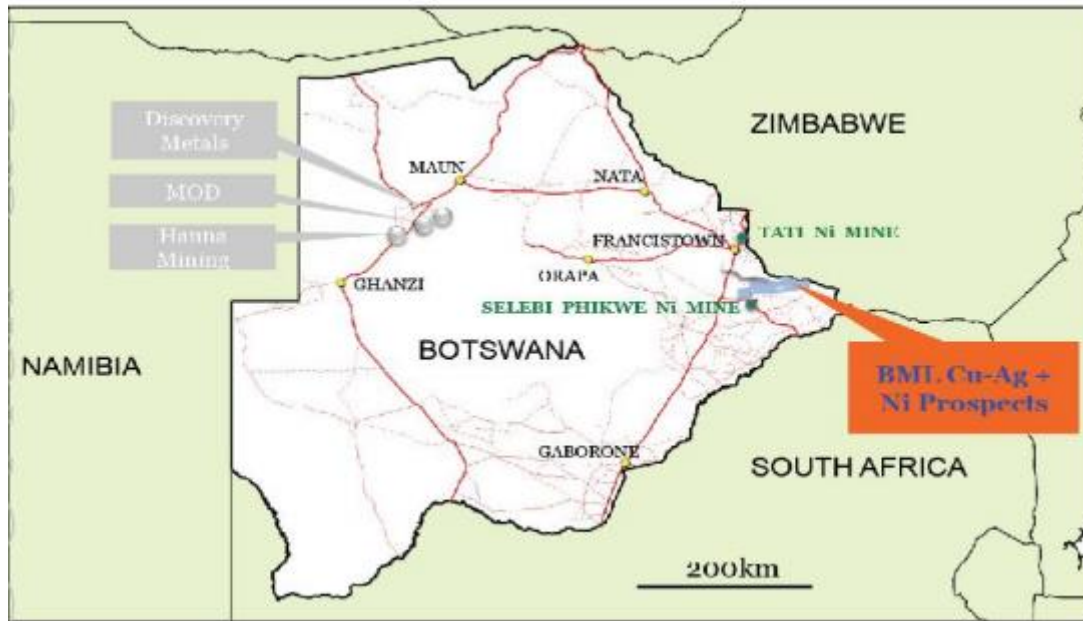


Figure 1: Location of Botswana projects indicated by orange arrow and marked in light blue

BML has a base of operations in Francistown from which it manages prospects at Magogaphate, Mokoswane, Takane, Sampowane, Majante, Gobe Shear, Shashe South, Mmadinare, Lepokole, Xia2, and Central Sampa.

All projects are contained within a 1,000 square kilometre portfolio that includes the BCL Limited Joint Venture (180 square kilometres), and may triple in size when new applications are granted.

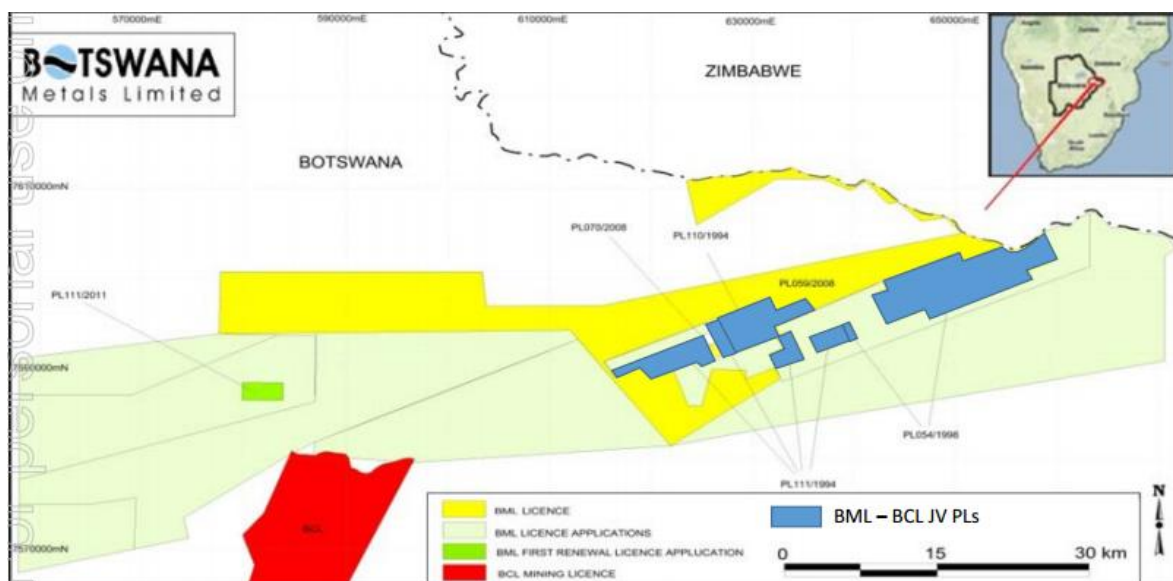


Figure 2: Granted licences, licences under application, with BCL Limited Mining Licence marked in red

BCL LIMITED JOINT VENTURE UP TO A 70/30 SPLIT

BCL Limited “BCL” is 100% owned by the Botswana Government which maintains operations at Selebi Phikwe that have (over the last half century) extracted 175 million tonnes of ore to a depth of 1 kilometre.

The Government considers BCL to be a strategic asset that employs 5,400 people, produces annual revenues of over US\$180 million and has total assets of US\$700 million.

Selebi Phikwe includes world class copper and nickel mining facilities with annual capacity to treat approximately one million tonnes of ore and produce ~50,000 tonnes of nickel and copper matte.

The BCL limited Joint Venture evolved out of a number of significant discoveries made by BML that are within 55 kilometres of BCL refining operations and may become long term ore supply sources.

Early stage discoveries include **Airstrip** and **Dibete** for copper and silver, and **Maibele North** for nickel, copper and platinum group elements.

In January of 2014 BCL farmed into **Maibele North, Airstrip** and **Dibete** with a \$4 million spend to earn a 40% interest.

BCL may (at its own cost) increase its interest to 70% on completion of a Bankable Feasibility Study, take control of the project, and off-take all future production.

BCL also retains a right of first refusal for all other prospects generated by BML within the licence areas set out in Figure 2.

RATIONALE FOR THE JOINT VENTURE – FAST TRACK TO A LONG LIFE AND LOW COST ORE SUPPLY

BML has identified over 32 kilometres of strike line that is highly prospective for nickel and copper mineralisation and now includes a number of prominent conductive anomalies associated with ultramafic lithology.

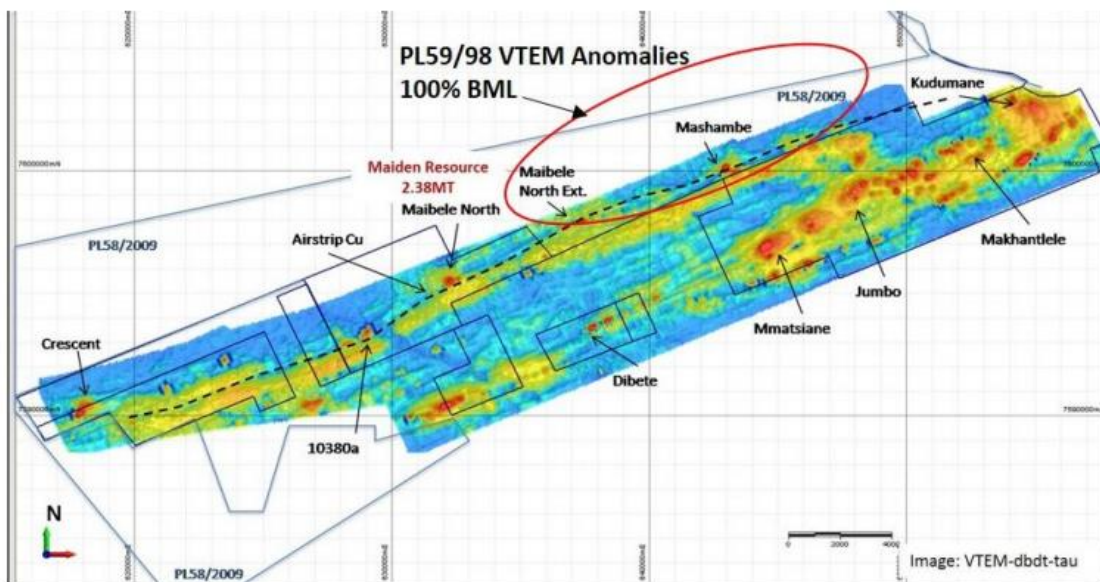


Figure 3: 32 kilometre strike line

This strike line is located within the chronically underexplored Limpopo mobile belt that contains the same geology as found at Selebi Phikwe, and has analogues with the Thompson Belt and Raglan Deposits of Canada, and Nova Bollinger and Tropicana Gold deposits in Australia.

These global deposits fall within a 14 - 117 million tonne range.

Selebi Phikwe dwarfs them all with a resource base that approaches 300 million tonnes when historic mining is included with current resources and reserves.

BCL has exposed this potential with the fast tracked development of Maibele North on a \$2 million spend that has resulted in a maiden JORC resource of 2.38 million tonnes that remains open along strike and depth.

NEAR TERM DEVELOPMENT FOCUS AT MAIBELE NORTH PL110/94 - MINING TO COMMENCE IN 2016

The current JORC Inferred resource base at Maibele North at:

At a 0.3% Ni cut-off the resource stands at:

Tonnes (Mt)	Ni (%)	Cu (%)	Pt (g/t)	Pd (g/t)	Rh (g/t)	Ru (g/t)	Au (g/t)
2.38	0.72	0.21	0.08	0.36	0.04	0.05	0.10

Figure 4: JORC Inferred Resource verified by MSA Consultants - 39 drill holes / 6,100 metres of drilling completed in 2014

Three mineralised zones or layers were identified that included a continuous and relatively high grade central or main zone, along with two localised and lower grade zones in the hanging wall and footwall of the main zone.

Oxidised material was not subjected to metallurgical testing and was not included in the resource.

In September of 2015 Worley Parsons RSA appointed to perform a Feasibility Study and AquaLogic appointed to carry out an Environmental Impact Assessment.

BCL is self-funding an aggressive 12,500 metre drilling program aimed at increasing the size of the resource, confirming indicated status, completing Feasibility Studies and obtaining a mining licence in 2016.

Results have already been released from 8 infill and step-out holes that confirm the discovery of a new mineralised zone that extends sulphide mineralisation from 800 metres to 1,200 metres to the northeast.

All three northeast step out holes intersected significant sulphides (at downhole depths of 200.3 - 235.9 metres) which included some massive sulphide zones.

Infill and metallurgical drill-hole highlights included:

- MARD0138 intersected 17.10 metres of disseminated sulphides.
- MARD0141 intersected 11.15 metres of strongly disseminated and stringer sulphides.

Highlights of prior step out holes that fall outside of the current resource zone included:

- MARD0106 drilled 200 metres underneath the known Maibele North orebody, intersected 9 metres of mineralised sulphides at 289 metres and 16 metres at a depth of 359 metres.

- MARD0113 stepped out by 430 metres to the east, intersected 9.85 metres of sulphides at a depth of 178 metres.
- MARD0094 stepped out 250 metres to the east, intersected 6.82 metres of sulphides at a depth of 450 metres.

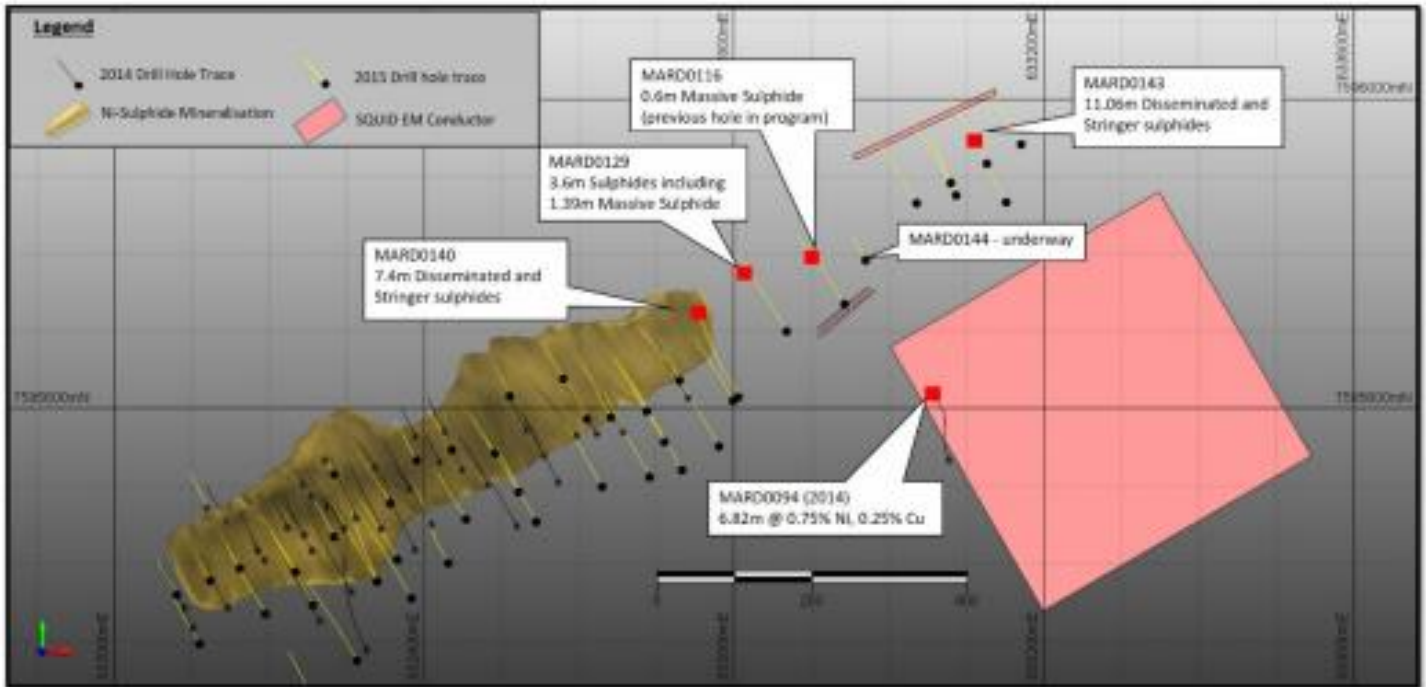


Figure 5: Mineralisation extends to the northeast and east of Maibele North, SQUID EM conductor plate marked in pink

MAIBELE NORTH EXTENSION PL59/2008 – 100% OWNERSHIP – FIRST HOLE HITS THICK SULPHIDE ZONE

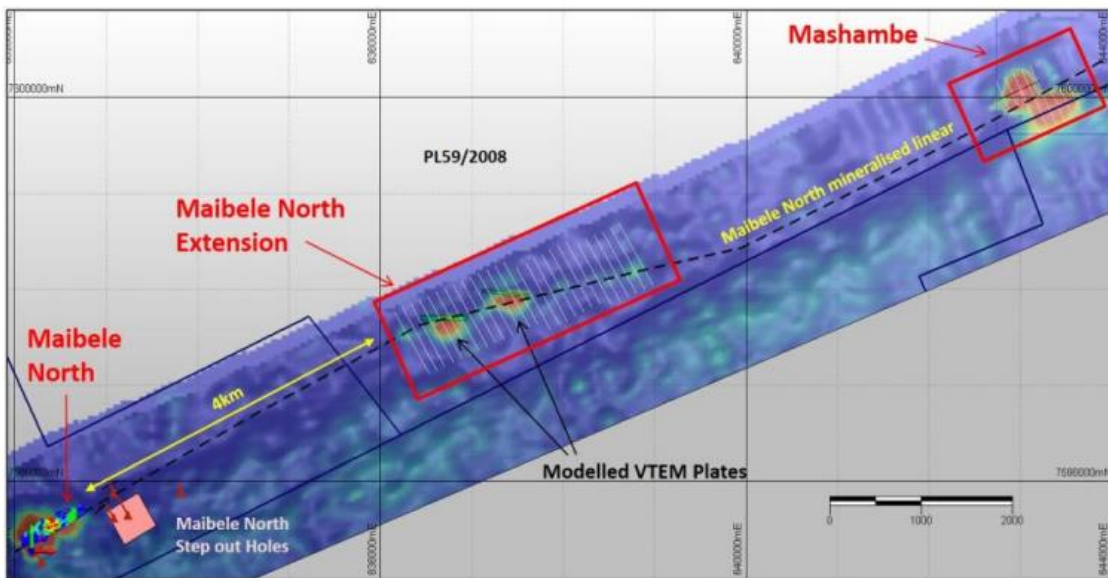


Figure 6: Maibele North Extension is 100% owned and located 4 kilometres along strike from Maibele North

BML employed SQUID (Superconducting Quantum Interference Devices) which are sensitive magnetic sensors that can detect deep, magnetic sulphide ore bodies and distinguish them from other conductive material. SQUID allied with EM and VTEM surveys identified three high priority targets numbers E1, E2 & E4 (Figure 7).

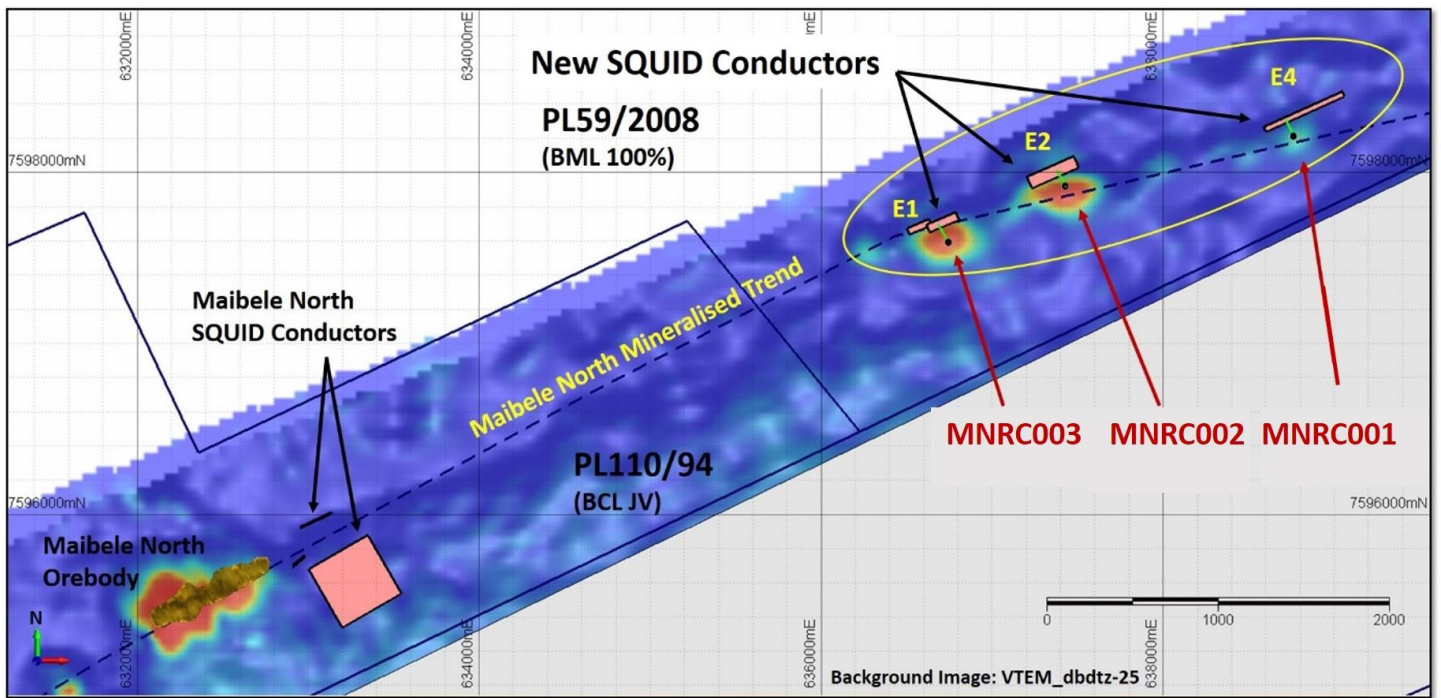


Figure 7: SQUID / EM / VTEM conductors E1, E2 & E4

BML is completing a shallow three drill-hole program (average depth of 250 metres downhole) to test all three conductors.

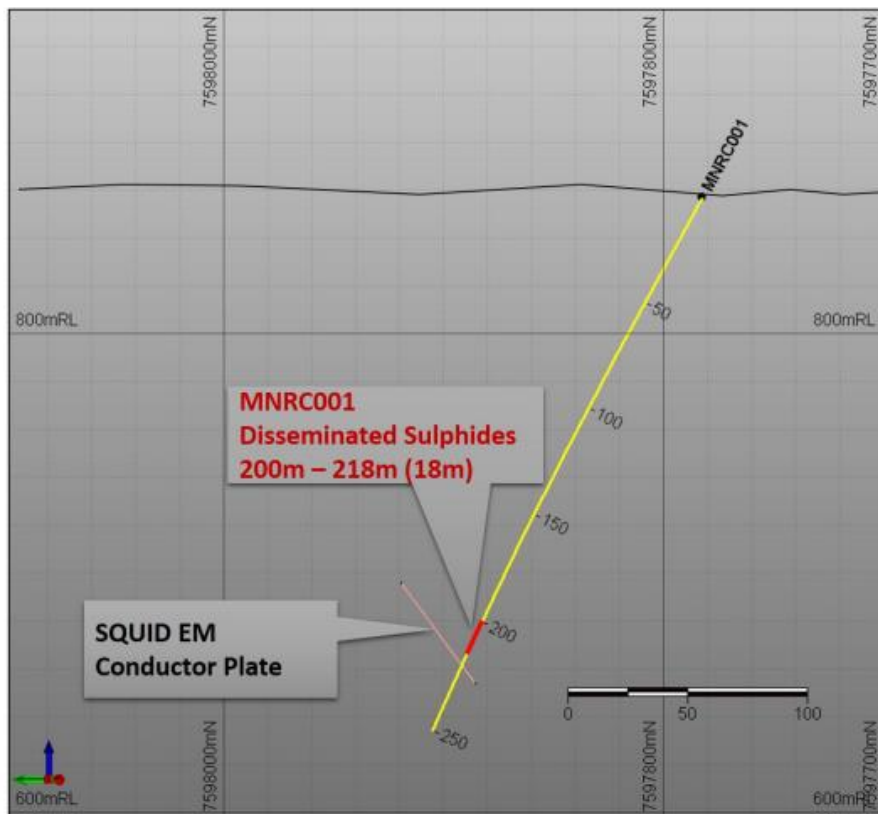


Figure 8: MNRC001 at E4 conductor

Drill-hole MNRC001 targeted into the E4 conductor intersected an 18 metre thick zone of weakly disseminated pyrrhotite (which is the host sulphide for nickel and copper at Maibele North) at a downhole depth of 200 - 218 metres.

The orebody at Maibele North also contains thick disseminated sulphide sections that coalesce into narrower massive and semi-massive zones (hosting mineable grades of nickel and copper) within a very short distance.

BML is very encouraged by this result and will now target E4 for the location of these narrower massive and semi-massive sulphide zones.

E1, E2 & E4 form multiple targets with a cumulative strike length of 900 metres (along a strike line that exceeds 3 kilometres), and represent potential for numerous orebodies.

Drilling continues at E1 & E2, with assays results to follow in the very near term.

BML has also confirmed the presence of elevated zinc geochemical anomalies at Mashambe which is located in the eastern end of the licence area.

SIX SQUID GENERATED NI-CU CONDUCTORS INDICATING EVOLUTION OF A NICKEL PROVINCE

The positive flow of SQUID confirmed data buttresses the BML interpretation of the presence of a preferential regional geological horizon for sulphide mineralisation that includes Joint Venture ground at **Maibele North**, **Airstrip Copper**, **Anomaly 10380a** and 100% BML owned prospects at **Maibele North Extension**, **Mashambe**, and **Mashambe Northeast** (see Figure 3).

Conductor depths range from 155 to 240 metres, with cumulative strike length of all 6 conductors is over 2 kilometres.

All conductors are associated with ultramafic rock types and geochemical anomalies.

PL54/1998 TAKANE 100% OWNED – POTENTIAL NEW DISCOVERY BELT

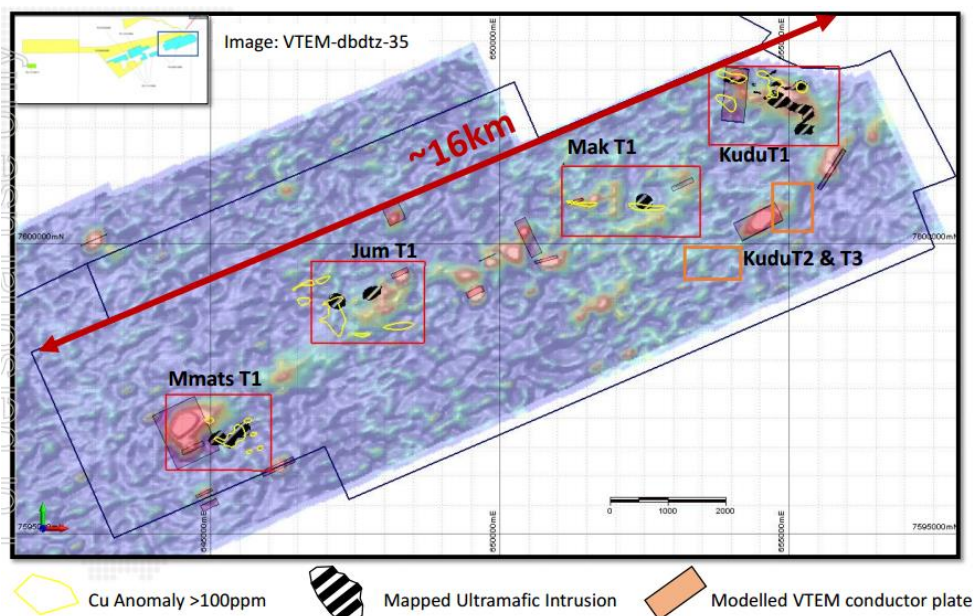


Figure 9: Four high priority targets identified

BML has identified 23 prominent VTEM anomalies that include 4 high priority targets, and believes that this area has potential to become a new mineralised province within the highly mineralised Limpopo Belt.

SQUID EM / VTEM field program completed over the 4 high priority targets, and now being set up for drilling.

Setting is similar to the (Sirius Resources) Nova- Bollinger discovery in Western Australia.

BOTSWANA

The Botswanan economy relies on a diversified natural resource base of diamonds, copper, uranium and coal to generate the bulk of its foreign revenues.

Botswana is one of Africa's most stable countries and reports one of the globe's highest economic growth rates since the declaration of independence in 1966. The nation also boasts the lowest corruption levels on the continent that underwrites a steady flow of foreign investment.

The constitution prohibits nationalisation of private property and there are no foreign exchange controls, or prohibition on foreign ownership of companies. The corporate tax rate is a low 15%, and the authorities have a history of applying commercial laws that are somewhat similar to the United States.

Both Standard & Poor's and Moody's have awarded Botswana their highest sovereign ratings in Africa.

NICKEL AND COPPER MARKET

The price of nickel has been severely affected by a drop-off in Chinese demand, with the spot price declining from around US\$7.50 to around US\$4.50 per pound, a loss of 40% within a 10 month period.

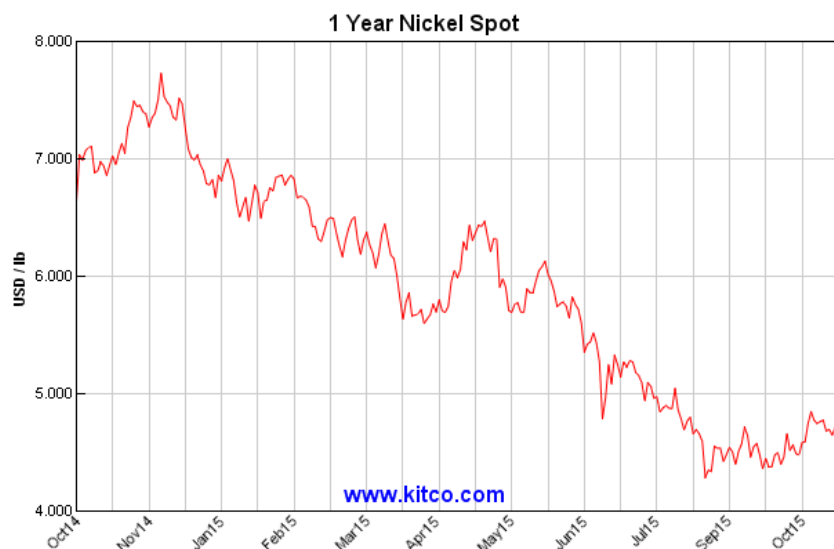


Figure 10

According to ABC News and UBS the price fall has been so dramatic that 60-65% of global production is now operating at a loss.

Pricing has stabilised in the face of declining supply, with a sharp draw down of 40,000 tonnes of nickel stocks over the last nine months.

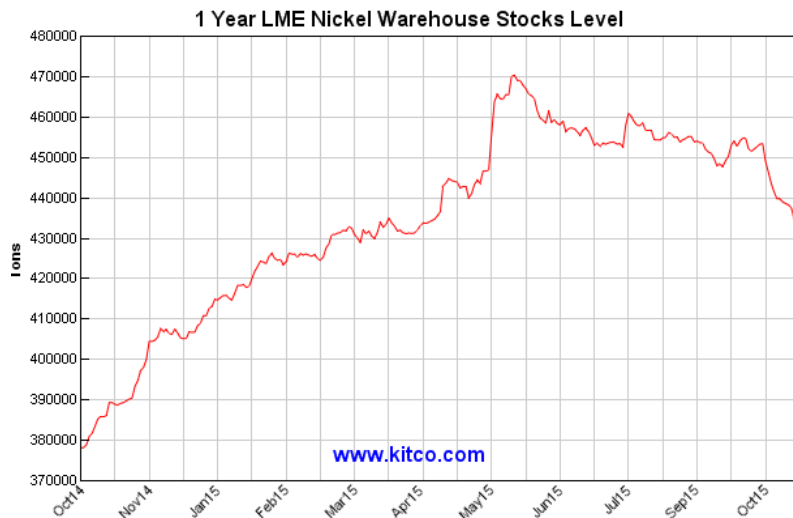


Figure 11

Long term nickel prices will be underpinned by the dearth of planned nickel projects, and decline in the production of cheaper nickel pig iron.

A similar but much sharper draw down of LME copper stocks is underway with a draw-down of 85,000 tonnes over the last six months, and the price has stabilised around US\$2.30 per pound.

TIMELINE WITH NEAR TERM CATALYSTS

- Completion of resource upgrade at Maibele North.
- Completion of Feasibility Study for Maibele North.
- Permitting applications completed for Maibele North by end of 2015.
- Drilling of 3 SQUID/EM/VTEM generated targets at Maibele North Extension completed and assays announced.
- Completion of 4 SQUID/EM/VTEM drill targets generated at Takane.
- Mining Licence issued for Maibele North, with mining scheduled to commence in 2016.

VALUATION AND PEER GROUP COMPARISON

Botswana Metals Limited is currently valued at \$3.9 million, of which \$0.7 million is cash, for an Enterprise Valuation of \$3.2 million.

The management team holds a 13% interest in the Company, and has a total of over 100 years of combined exploration and development “in country” experience that includes major uranium, graphite, potash and gold discoveries for other entities.

Cash burn is very low as the bulk of exploration and development funding is obtained via Joint Venture from BCL.

Exploration and development costs are also very low with an initial spend of \$2 million by BCL to establish JORC Inferred status for the first 2.38 million tonnes of shallow nickel and copper mineralisation.

MAJOR CONCEPTUAL POTENTIAL AT MAIBELE NORTH AND ALONG STRIKE EXTENSIONS

Proactive Investors believes that the current resource estimate at Maibele North represents the “tip of the iceberg” in terms of potential within the total BML licence package along trend.

In our opinion the Limpopo mineral belt licences may have conceptual (long term) potential to rival (or approach) the volume of Ni-Cu ore that was extracted from the nearby Selebi Phikwe mines.

We note the following relevant points when assessing Maibele North and strike extensions:

- Maiden JORC resource estimated to a shallow depth of ~250 metres within an area that is reporting mineralisation at 450 metres, and where underground mining at nearby Selebi Phikwe has reached a depth of 1,000 metres.
- Current drilling has extended the mineralised strike line from 800 metres to 1,200 metres to the northeast, and has not yet fully evaluated the SQUID conductor that is located 200 – 600 metres to the east.
- An additional three targets have been identified at the Maibele North Extension, with current drilling near the E4 SQUID conductor intersecting disseminated sulphides.

Proactive Investors believes that (based on current drilling) conceptual potential is now in place at Maibele North, and Maibele North Extension for definition of multiples of the current JORC inferred resource of 2.38 million tonnes.

ASX listed peer group entities that are involved in the exploration and development of nickel and copper deposits in Western Australian nickel belts (compared with BML) include:

COMPANY	MARKET CAP	ENTERPRISE VALUE	PROJECTS –W. AUST	RESOURCES
Legend Mining (ASX: LEG)	\$21.6M \$9.8M cash	\$11.8M	Nova-Bollinger “look alike” Ni targets	NIL
St. George Mining (ASX: SGQ)	\$13.3M \$2.0M cash	\$11.3M	Nova Bollinger “look alike” Ni targets	NIL
Mt. Ridley Mines (ASX: MRD)	\$10.8M \$1.4M cash	\$9.4M	Nova Bollinger “look alike” Ni targets	NIL
Botswana Metals (ASX: BML)	\$3.9M \$0.7M cash	\$3.2M	Multiple Ni/Cu resource targets in Botswana	2.38Mt “tip of the iceberg”

Proactive Investors notes that BML is the most undervalued peer within its group, although it is fully funded for nickel and copper mining within the next 14 months.

We take these points into account and calculate a 6 - 12 months Enterprise Valuation of \$15 million, or \$0.02 per share, pending completion of the Feasibility Study and re-valuation.

Additional upside will flow from further drilling and definition of resources. We believe that BCL will maintain an aggressive stance via its Joint Venture (and further Ventures) with BML that will provide additional upside.

A recovery in nickel and copper prices will also underpin the share price.

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