

BOTSWANA METALS LIMITED

Recommendation: Spec Buy
Price (May 27): A\$0.004
52-Week Range: A\$0.013 - A\$0.002
Target Price:
First: A\$0.01
Second: A\$0.04
Shares O/S: 1,158.35 million
Market Cap: A\$4.63 million
Average Volume:
50-day: 3,055,200
100-day: 1,314,100
Symbol: ASX: BML



PROFILE: *An Australian-based mineral exploration company, focused on base, precious metal, and rare earth projects in Botswana.*

UPFRONT

Our last report on Botswana Metals Limited (“Botswana Metals” or the “Company”) was dated September 27, 2015. A link to that report is here: http://www.eresearch.ca/wp-content/uploads/2015/09/BML_092715-B.pdf.

Like almost all junior mining companies, the past two years has been about survival, conserving cash, and cutting back or even eliminating exploration activities.

Since Botswana Metals has conducted minimal new exploration recently, this report outlines the Company’s exciting new strategic focus.

FOCUS ON LITHIUM

The centre of attention has shifted currently to confirming the extent of lithium-caesium-tantalum (Li-Cs-Ta) pegmatite mineralization on the Company’s Property Licences (“PLs”) in Botswana.

COMMENT: *As well known, lithium is the current “hot spot” in the mining sector. The industry anticipates exponential growth in the use of the metal, principally because of its lightness, and thus its use in batteries, both chargeable and non-chargeable, in electric vehicles. Other industrial applications include heat-resistant glass and ceramics, lithium grease lubricants, and flux additives for iron, steel, and aluminium production.*

COMMENT: *Tantalum also is receiving increasing attention for its industrial uses, including tantalum capacitors in electronic equipment such as cell-phones, DVD players, computers, hard drives, digital cameras, LCD screens, and game consoles.*

COMMENT: *Caesium, or cesium, is used in drilling fluids. Its applications include the production of electricity, in electronics, and in chemistry. Its radioactive isotope is used in medical applications, industrial gauges, and hydrology.*

Botswana Metals is devoting considerable time and effort to assessing the potential of the significant at-surface occurrences of pegmatite rocks on its tenement holding in eastern Botswana. Pegmatites are a coarse-grained, granite-like intrusion that often is home to significant rare-earth resources, including lithium and tantalum.

In addition, laboratory test samples from the Company's numerous stream sediment sampling programs showed substantial values of tantalum.

As a result, the Company believes the potential discovery of rare-earth mineralization is worthy of a priority exploration program in 2016.

Adding further interest and impetus to this program is that neighbouring Zimbabwe, which is the world's fifth largest producer of lithium, has one of the world's largest lithium-tantalum deposits in pegmatites, and these deposits are hosted along the same geological belt that extends onto the Company's property in Botswana.

JOINT-VENTURE NI-CU-PGE PROJECT (Nickel-Copper-Platinum Group Elements)

Heretofore, Botswana Metals' primary business activity was, and still is, the development of its Ni-Cu-PGE projects, especially the Maibele North Project in Botswana with its joint-venture partner, BCL Limited (an entity 100%-owned by the Botswana Government).

BCL Limited operates, at Selebi Phikwe, the second largest town in Botswana, the world-class mining and smelter operation that has been in production for over 50 years. BCL considers the Maibele North JV to be a priority project since its Selebi Phikwe mine is nearing the end of its mine life. The Maibele North JV project is only 55 km from the BCL mine.

A Pre-Feasibility Study on Maibele North is being conducted by independent consultant, WorleyParsons Limited, and is expected before the end of June 2016. If positive, the next step probably would be a full feasibility study, which is required for the application for a mining licence. In addition, an Environmental Impact Assessment (EIA), which is already underway by AquaLogic, should be completed by the end of 2016.

COMMENT: *Feasibility and EIA studies are required in order to apply for a mining licence with Botswana's Department of Mines.*

The JV partners are hopeful of completing the necessary studies in time to be able to apply for the mining licence before the end of this year.

On the drilling front, the Company needs to continue its aggressive drilling program with the goal of upgrading the known resource from an Inferred to an Indicated JORC status.

COMMENT: *JORC, or Joint Ore Reserves Committee, is the Australian equivalent of Canada's National Instrument 43-101 standards for disclosure of mineral projects.*

The current Inferred JORC resource for Maibele North is shown on the following page.

JORC Resource

Tonnes	Nickel	Copper	Platinum	Palladium	Rhenium	Ruthenium	Gold
(million)	%	%	g/t	g/t	g/t	g/t	g/t
2.38	0.72	0.21	0.08	0.36	0.04	0.05	0.10

The above findings used a 0.30% Ni cut-off.

Importantly, the extensive drilling indicates that the Ni-Cu-PGE mineralization continues to the west, the east, and at depth, and is open in all these directions.

COMMENT: *Continuing to be open in all directions indicates the resource offers considerable potential to greatly increase its size.*

Significant Advantage of the JV

Another significant and positive factor adding to the attraction of this project is the proximity of a mineral processing plant and smelter that is owned by BCL Limited. It is located only about 55 kilometres to the southeast of the Maibele North Project. This plant is already treating nickel from one of BCL's own projects and it will be able to treat the Maibele North nickel mineralization if it proves to be economic to do so.

Drill Program

While BCL has the right to earn a 70% interest in three of the JV's drill holes, namely, PL110/94, PL 111/94, and PL 54/98, Botswana Metals owns outright PL 59/2008, which lies along strike from the Maibele North orebody, and which contains approximately 13 kilometres of possible Ni-Cu-PGE mineralization. The Company will be drilling further on this extension since it has completed ground surveys on three target areas.

Botswana Metals drilled three test holes at PL59/2008 in 2015. Two of these holes encountered nickel sulphide mineralization, confirming that the structure extends onto the Company's 100% licenses. SQUID* electromagnetic (EM) technology has confirmed additional large targets along strike extending over a 16 km+ VTEM anomaly, of which only about 800m of the drilled Maibele North strike has been incorporated by the JV into the JORC-inferred resource.

* SQUID stands for "superconducting quantum interference device". It is a very sensitive magnetometer used to measure extremely subtle magnetic fields.

The JV partner, BCL Limited, has first right of refusal over any PL-drill-holes that the Company would like to farm out that are not included in the JV program.

MINING IN BOTSWANA

Botswana is well known for its diamond exploration, and the country is expected to continue to attract international interest in exploration for diamonds as well as base and precious metals. The country has a favorable geologic environment and mineral investment climate, with low tax rates and political stability.

Although the Botswana Government encourages mineral value-added processing, the lack of water in this landlocked country is a considerable deterrent to large-scale industrial development. The country also has a small domestic market, with costly transportation to ports in South Africa.

However, it is important to note that the Company's exploration ground and the JV licences are situated along the eastern border of Botswana where there are paved roads and a rail-line into South Africa. Power and water are already in place in the area and are available to the JV projects.

RECOMMENDATION

It is difficult to recommend the stock of a company that is trading for less than a penny a share. However, on the Australian bourse, there are many viable companies whose shares trade for pennies or less.

Botswana Metals Limited is one such company: it has sufficient liquid financial resources, an identified project, a strong and knowledgeable JV partner, BCL Limited, (Botswana Government), a confirming technical report, and capable management.

As the Company continues its aggressive drill programme, on both its Ni-Cu-PGE and Li-Cs-Ta projects, it seems reasonable that sustained success should inevitably lead to a higher share price, and a goal of trading for A\$0.04 seems realistic, in our view.

COMMENT: *It is quite common for companies listed on the Australian Stock Exchange to have millions of shares outstanding and a corresponding small share price, often below A\$0.01. To wit, Botswana Metals has 1.158 billion shares outstanding and a current share price of A\$0.004. Its Market Cap is A\$4.63 million.*

STOCK CHARTS

The five-year chart, shown below, affirms our opinion that the stock could reach our ultimate Target Price. The stock reached just above A\$0.04 in both September 2012 and July 2014.

FIVE-YEAR CHART



Observations: The **BLUE** horizontal resistance line just above A\$0.04 sets the upper boundary to reach and overcome. In the meantime, let us look at some short-term charts: two-year and one-year charts.

<continued>

TWO-YEAR CHART



Observations: BML has broken both down-trend lines, **RED** and **ORANGE**. Having done so, it has formed a horizontal bottoming pattern, I mean, there is not much lower it can go!, since its 52-week low is A\$0.002!!!

The next chart shows the trading activity over the past twelve months.

ONE-YEAR CHART



Observations: The **RED** down-trend line clearly has been broken to the upside, at the beginning of April. The stock now needs a positive catalyst to propel it forwards, so that it can break above its recent high of A\$0.007 on May 23.

COMMENT: *Should there be positive news emanating from the forth-coming pre-feasibility study, the stock would be expected to continue its recovery. Any announcement of encouraging drill results also should spark investor interest. The shares are rated a Speculative Buy.*

eRESEARCH CORPORATION**eResearch Analyst on this Report:**

Bob Weir, B.Sc., B.Comm, CFA

Analyst Affirmation: I, Bob Weir, hereby state that, at the time of issuance of this research report, I do not own, directly or indirectly, shares of Botswana Metals Limited.

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