BOTSWANA METALS LIMITED
AND ITS CONTROLLED ENTITIES
ACN 122 995 073

ANNUAL REPORT
30 JUNE 2014

CONTENTS

CORPORATE DIRECTORY

Directors:	Patrick John Volpe (Executive Chairman) Massimo Livio Cellante Paul Woolrich
Company Secretary:	Ramon Jimenez
Registered Office:	Suite 506, Level 5 1 Princess Street KEW VIC 3101 Telephone (03) 9855 1885 Facsimile (03) 9855 2885
Share Registry:	Advanced Share Registry Services Limited 110 Stirling Highway NEDLANDS WA 6009 Telephone (08) 9389 8033 Facsimile (08) 9262 3723
Banker:	Bank of Melbourne Level 8 530 Collins Street MELBOURNE VIC 3000
Auditor:	William Buck Level 20 181 William Street MELBOURNE VIC 3000
Lawyers:	Mills Oakley Lawyers Level 6 530 Collins Street MELBOURNE VIC 3000
Stock Exchange:	ASX Limited Level 45 Rialto South Tower 525 Collins Street MELBOURNE VIC 3000

CHAIRMAN'S REPORT

On behalf of the Botswana Metals Limited ("BML" or "the Company") Board, I present the audited Annual Financial Report for the financial year ending 30 June 2014.

During the year, your Board continued to be fully focused on its base metal portfolio of Prospecting Licences (PLs) located on the Limpopo belt in eastern Botswana. The Company's strategy was to ensure tenure was secured and particularly over the most advanced of the PL's in the portfolio being "the three PLs" – PL 110/94, PL 111/94 and PL 58/94 where three discoveries have been made. These discovery projects are Maibele North for Ni + Cu + PGE's, Airstrip for Cu + Ag (but now reassessed as a potential Ni extension to Maibele North) and Dibete for Cu + Ag.

PL 54/98, which is the most eastern tenement and close to the Botswana border, contains at least 23 VTEM anomalies and priority targets are being assessed.

Your Board achieved four of its major objectives during the year which were:

- Ensuring adequate funding was available with shareholders participation to pursue the extension to tenure over the "three PLs" and hence securing a commitment by our joint venture partner.
- Securing tenure over the "three PLs" via an extension which was granted by the Botswana Government through the Ministry of Mines, for a two year period effective from 1 April 2014.
- The formalisation of the Farm-in Joint venture agreement with BCL Limited ("BCL"), a world class Botswana nickel mining and smelter operation owned by the Botswana Government, with operations located just 55km from the "three PLs". This agreement became effective on 1 April 2014.
- The commencement of exploration and drilling over the priority targets of the "three PLs". Drilling commenced at Maibele North in June 2014.

Details of the joint venture are provided later in this report but in a nutshell BCL can spend $4m to earn a 40% interest and can elect to continue to fund to the end of a Bankable Feasibility Study to earn a 70% interest in the "three PLs"

Exploration activities commenced in June 2014 with the joint venture committing to a 6000 metre Diamond and Reverse Circulation (RC) drilling program for at least 30 holes. Three drill rigs are still on site progressing the drilling program at the time of this report.

The drilling program was designed to:-

- Drill eight "metallurgical" holes to test the compatibility of the Maibele North ore to that mined by BCL just 55km away at Selebi Phikwe.
- Infill drilling and step out drilling to determine the size of the discovery which is open to the west-east and at depth.

The results from the drilling should be sufficient to carry out a JORC compliant resource at Maibele North.

If this JORC compliant resource is of a sufficient size and the economics of the Project look viable following the completion of a Bankable Feasibility Study, then a mining licence will be applied for by the joint venture partners.

The Joint Venture partnership is in line with BCL's overall strategy of defining potential minable ore in the area to feed its processing and smelter operations at Selebi Phikwe. The BML and BCL agreement makes sense as the BML discovery projects:

- Are only 55 km from BCL's nickel-copper mine, process plant and smelter.
- At Maibele North, the Ni + Cu + PGE mineralisation is similar to that being mined by BCL.
- BCL has established crushing, milling, flotation and smelter plants available that can in effect "toll treat" the Joint Venture ore. This will significantly reduce any capital outlay in developing the project(s).
- BCL has the marketing and sales team in place with international client base to sell the final product.
- BCL will provide BML and the Joint Venture with the expertise, logistics and access to plant and equipment.

BCL also has a first right of refusal to fund the exploration on the balance of BML's exploration portfolio that covers the extension of the Limpopo belt into Eastern Botswana from Zimbabwe.

BCL has put in place a policy to find business opportunities that can extend the longevity of the mining, processing and smelting operations at Selebi Phikwe which employs 5,000 people in the township with a population of 50,000.

The Joint Venture partnership can fast track BML's efforts towards commencing an operation within the "three PLs".

BML's projects provide the potential for additional ore particularly for nickel and copper that can be trucked to the BCL plant which has been operating at Selebi Phikwe since the 1960s.

Of the three BML projects, Maibele North nickel prospect will be given priority for drilling as previous diamond drilling intercepted nickel mineralisation at around a depth of 50 m. If the economics permit, the capital and operating costs of developing a mine would be significantly reduced due to the availability of BCL's processing plant situated 55 km away from the joint venture exploration areas.

The drill program to date has very encouraging visual results where massive, semi massive and disseminated sulphides have been encountered however independent laboratory results are still pending but expected at any time.

During the year, your Board raised funds of $1,564,471 via new capital (before costs) through a rights issue to shareholders and two private placements to professional, sophisticated and other exempt investors at three different stages leading up to the granting of the PLs and after to ensure the minimum dilution was encountered weighing up the Company's risk and position at any given time. The cash position at 30 June 2014 was ~$895,000 to cover corporate over heads. In respect to additional exploration the joint venture drilling results and BCL's position moving forward will dictate the exploration program for BMLs other PLs in its portfolio.

The 2014 financial year was a difficult year to manage and the uncertainty leading up to the PLs being extended allowed your Board to review costs and restructure the corporate and business operations of the group.

As a result BML relocated its Australian office to smaller less expensive premises in Kew and consolidated its Botswana operations to one office in Selebi Phikwe in close proximity to the BCL operations.

Future details on the joint venture terms, exploration progress and operations for the period are provided in the review of operations section of this report.

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.

I wish to thank our shareholders for the ongoing support and understanding over a difficult year for exploration companies.

Your Board believes it has positioned the Company into a solid positon over the past year and is proud of its achievements over this difficult period.

BML is now in a position where its exploration funding has been de-risked as much as possible but at the cost of dilution in the project. This is compensated by having BCL as a partner providing other advantages that will ensure the best business opportunity is provided to determine whether a minable resource can be achieved.

The exploration program and results will determine the strategy by both joint venture partners moving forward. The common objective is to progress the projects and determine if an economic resource can be defined for processing at BCL's operations at Selebi Phikwe.

Patrick Volpe
Chairman
30 September 2014

DIRECTORS' REPORT

The Directors present their report on the consolidated entity consisting of Botswana Metals Limited and its controlled entities ("the Group") for the year ended 30 June 2014.

DIRECTORS

The following persons were Directors of the Company during the whole of the financial year and up to the date of this Report:

Patrick John Volpe (Executive Chairman)

Massimo Cellante

Paul Woolrich

COMPANY SECRETARY

Ramon Jimenez was appointed as Company Secretary on 21 August 2013

Richard Charles Baker was the Company Secretary from the start of the financial year until his resignation on 21 August 2013.

PRINCIPAL ACTIVITIES

The Company's principal activities during the year have been the continuing exploration in the mining industry. The main business activities in recent years have been focused on the exploration development for base metals and in particular for nickel and copper and PGEs within the Company's tenement portfolio located over the Limpopo belt on the eastern side of Botswana.

There were no significant changes in the nature of the Company's principal activities and the Company did not seek any other exploration expansion activities during the financial year.

OPERATING RESULTS

The consolidated loss for the year attributable to the members of the Group was:

	2014	2013
	$	$
Operating loss after income tax	**(831,634)**	(1,760,015)
Net loss attributable to members of the Group	**(831,634)**	(1,760,015)

DIVIDENDS

As the Company's principal activities are minerals exploration it has not as yet paid any dividends and does not see any short–term return to shareholders via dividend payments.

REVIEW OF OPERATIONS

A summary of Botswana Metals Limited ("BML" or the "Company") activities during the year follows.

BOTSWANA THE COUNTRY

Botswana Metals Limited ("BML") was born as its own entity in 2008 after being spun out (demerged) of A-Cap Resources Limited as a Base and Precious Metal Exploration Company focused solely in Botswana. As far back as 1998 when A-Cap Resources Limited exploration assets were held as a subsidiary of Cardia Mining Limited, Botswana was identified by its founder who today remains the Chairman of Botswana Metals Limited, Mr Patrick Volpe, as a grossly underexplored country.

That vision is now shared internationally as Botswana is being recognised as Africa's most favourable mining destination and ranked as one of the most attractive investment destination in the world.

With a strong economy and political stability, this English speaking country has enjoyed remarkable progress since its independence in 1966. It is now amongst the world's most successful developing countries and is "a place to be" for mining exploration.

Botswana is known as the "Switzerland of Africa" and is attractive to International companies because of the:

- vast potential for mineral deposits;
- practical and compactable Mining Act and laws;
- predictable environmental regulations;
- stable Government and established parliamentary system;
- clear and concise legal system;
- easy access to banking, airports, road and rail infrastructure;
- accessibility to educated and experienced local technical expertise and services as a result of Botswana's historical involvement in exploration and mining activities;
- Government that has enjoyed the fruits of its vast mineral resources and encourages more mining success to contribute to its economic growth; and
- workable tax regime.

BML is well established in Botswana.

OUR STRATEGY

Your Board has put together an impressive portfolio of base and precious metals assets in the Limpopo belt of eastern Botswana and this remains strategically the only focus of the Company.

These assets are strategically positioned in between two existing nickel mines with a smelter also in close proximity (55km to the southwest).

The Company's strategy is to progress its discoveries to the mine development stage and partner with BCL Limited who has an existing mine and processing facility just 55km from the Maibele North nickel discovery.

On 1 April 2014 the Company was granted a 2 year extension over 3 PLs including PL 110/94, PL 111/94 and PL 54/98, which collectively contain the Maibele North Ni-Cu-PGE Project and the Airstrip Copper & Dibete Cu-Ag Projects.

The decision by the Department of Mines (DOM) to extend the Prospecting Licences resulted in the activation of the Farm-in-Joint Venture agreement with BCL Limited and joint exploration activities commenced during the year.

PROSPECT LOCATIONS

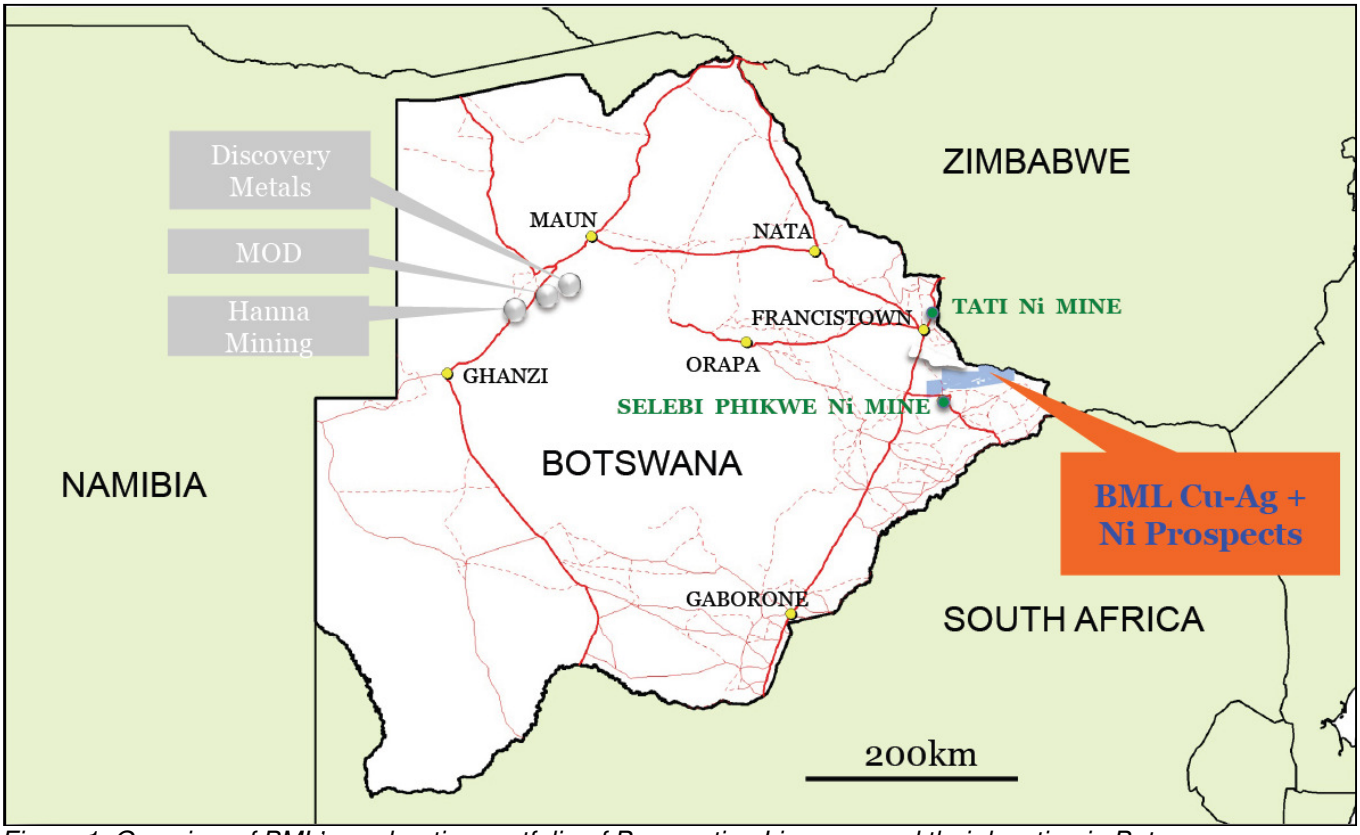

Figure 1: Overview of BML's exploration portfolio of Prospecting Licences and their location in Botswana.

BML's tenements (Figure 1) are situated in northeast of Botswana on the Limpopo belt that extends from Zimbabwe into Botswana. The tenements are between the major nickel producing mines of Selebi Phikwe to the southwest, and Tati Nickel to the north. BML controls circa 1,000 square kilometres of highly prospective exploration ground in its Tenement portfolio consisting of six PLs (Figure 2).

These PLs cover two important geological domains, each of which hosts major nickel-copper deposits. To the north the tenements are situated on the south eastern edge of the Zimbabwe Craton, an Archean age granite greenstone terrain that hosts the well-known Tati Nickel deposits currently being mined by Norilsk Nickel. The Mupane Gold Mine also operates in this vicinity.

The southern tenements cover the Northern Limpopo Mobile Belt. This area hosts the well-known Selebi Phikwe nickel – copper deposits operated by BCL, which have been in operation since the 1970s.

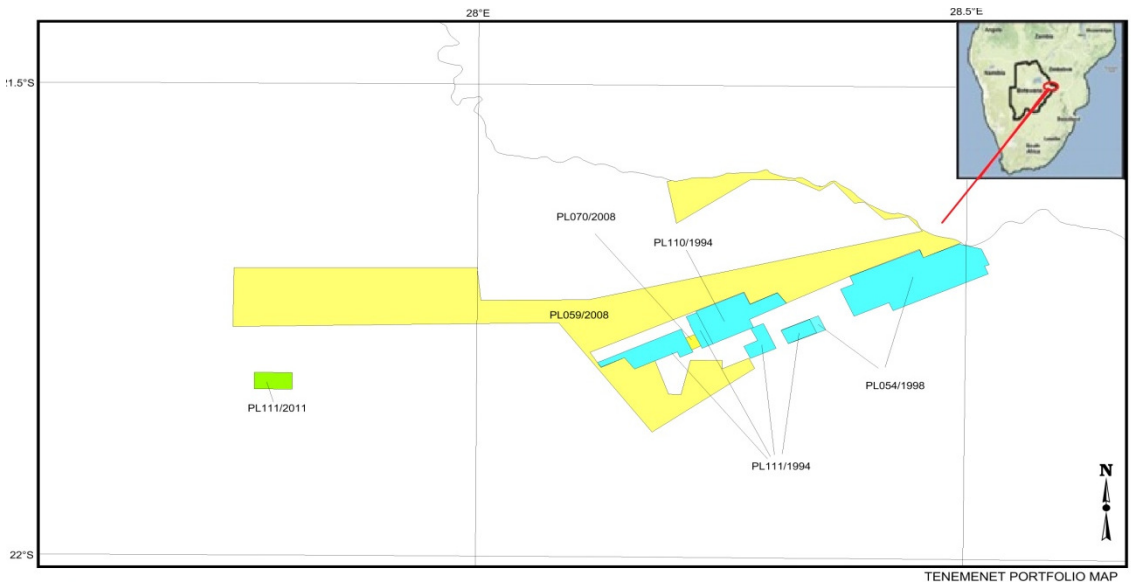

Figure 2: Current BML Tenement that cover circa 1000 sq km along the Limpopo Belt on the East of Botswana.

Farm-in Joint Venture Agreement with BCL Limited

In November 2012, the Company signed a Farm-in Joint Venture Agreement ("the Agreement") with BCL Limited ("BCL"). Under the Agreement, BCL will spend an initial AUD4 million on a drilling program to earn 40% of the projects over the areas covered by the Retention Licences, should they be granted.

The Company successfully negotiated an amendment to the Agreement with BCL so that the only condition precedent was the extension of the three Prospecting Licences in lieu of the requirement that the Company be granted Retention Licences.

The decision of the DOM to grant an extension to the three Prospecting Licences on 1 April 2014, resulted in the activation of the agreement with BCL and joint exploration activities commenced during the year and detailed below.

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.

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

BCL also has the option to participate in exploration of any other Prospecting Licences held by BML.

EXPLORATION REPORT

Exploration during the year

The major exploration focus was on the three Joint Venture PLs.

Given the uncertainty as to tenure and funding during the year, limited exploration was conducted on the other PLs in the portfolio.

Summary of the exploration activities are as follows:-

Summary:

- The Joint Venture partners commenced drilling during the June 2014 quarter with the initial focus on Maibele North nickel and copper prospect.
- To date, a total of 34 holes from the 6000 m program have been completed or have commenced
- All holes completed to date have intersected the mineralised horizon, with numerous very encouraging zones of potentially nickel-bearing sulphides identified.
- A review of Maibele North Nickel prospect shows
  - Potential for the extension of the Maibele North Ultramafic to the west, east and at depth.
  - The Ultramafic strikes to the west, close to the Airstrip Copper Cu-Ag mineralisation.
  - Long Section analysis show significant Ni% and Cu% metal accumulations defining potential plunge and strike extensions

JOINT VENTURE EXPLORATION ACTIVITIES FOR FY14

PL110/94 - Drilling Commences at Maibele North

A 6,000m diamond drill program commenced at Maibele North on 16 June 2014. The program has been designed to test the mineralisation at depth and down dip of the known nickel-copper and platinum group element mineralisation at Maibele North. Two diamond drill rigs commenced drilling a series of diamond drill holes in positions that infill gaps in the historic drill pattern and step out along strike to test the lateral continuation and down plunge extents of the orebody. The program will provide metallurgical samples by twinning a number of existing mineralised holes as well as ensuring a sufficient drill hole spacing and sample density to enable the first JORC-compliant mineral resource to be calculated for the deposit.

Progress

To date, 34 holes from the program have been completed or have commenced for a total of 4467.29m. The first eight holes (MADD0058 – 0064) were designed to collect samples for metallurgical analysis and all successfully intersected the mineralised horizon and provided sufficient sample material.

Holes 9 to 19 (MARD0065 – 0075) have been designed as infill and extension holes in and around known mineralisation. These holes have returned a variety of intersection types and are successfully defining the distribution of sulphide mineralisation.

Holes 21 - 34 (MARD0077 to 90) have been designed to infill gaps in the main zones of mineralisation at Maibele North. The aim is to provide further clarity on the structural controls on mineralisation and allow the design of accurate step out holes at depth and along strike. The holes will also facilitate the calculation of an initial JORC-compliant resource for the project. These holes have all been pre-collared with an RC drill rig and are undergoing completion via diamond drill tails.

A total of 700m of strike of a potential 1.6km long mineralised corridor has been tested by the program to date.

Highlights of the drilling to date include:

- **Hole 1 (MADD0057)**: a 30m thickness of disseminated, semi-massive and massive sulphide including one 6.24m thick massive sulphide zone from 90.32m and another 6.85m thick massive sulphide zone from 112.27m, both containing massive pyrrhotite and lesser chalcopyrite

- **Hole 2 (MADD0058)**: a 37m zone containing variable widths of disseminated, semi-massive and massive pyrrhotite and lesser chalcopyrite mineralisation

- **Hole 3 (MADD0059)**: a zone of massive sulphides, semi-massive sulphides and disseminated sulphides of ~20m down hole thickness from 99.7m to 119.69m.

- **Hole 4 (MADD0060)**: a zone of massive sulphides, semi-massive sulphides and disseminated sulphides of ~10m down hole thickness from 104.55m to 114.26m.

- **Hole 5 (MADD0061)** intersected a zone of heavily disseminated pyrrhotite containing narrow bands of massive and semi-massive sulphides from 91.34m to 99.58m.

- **Hole 6 (MADD0062)**: a zone of sporadic sulphide mineralisation including narrow bands of massive to semi-massive sulphides and larger sections of disseminated sulphides from 129m to 159.56m down hole.

- **Hole 7 (MARD0063:** a zone of heavily disseminated sulphides from 99m to 100m and a 1.3m (down hole) thick zone of massive pyrrhotite and chalcopyrite from 171.57m.

- **Hole 8 (MARD0064):** a zone containing multiple narrow semi-massive pyrrhotite stringers was observed from 226 – 235m.

- **Hole 9 (MARD0065):** intersected weathered serpentinite from 11m to 26.3m with some zones of gossanous material on the footwall contact. A narrow zone of disseminated and blebby pyrite and pyrrhotite was also intersected from around 84.5m.

- **Hole 12 (MARD0068):** a 14m zone of disseminated sulphides from 98.6m.

- **Hole 13 (MARD0069):** a 40cm zone of semi-massive pyrrhotite and chalcopyrite at 208m

- **Holes 16 (MARD0072):** disseminated sulphides from 51 to 63m and 100.2m to 170.10m. The latter zone is variable, with some intersections containing stringers and veinlets of mostly pyrrhotite and lesser pyrite and chalcopyrite.

- **Holes 17 (MARD0073):** intersected numerous narrow zones of disseminated pyrrhotite and pyrite from between 145.15m to 187.16m. A 1m wide zone of malachite mineralisation was also intersected from 56m.

- **Hole 18 (MARD0074)**: a narrow zone of semi-massive to disseminated sulphides between 54.76m to 56.25m.

- **Hole 19 (MARD0075):** an encouraging zone of variable disseminated, semi-massive and massive sulphides between 139.64 to 145.19m down hole. The intersection included a 1.11m thick section of massive sulphide and demonstrates good continuity of the mineralisation at depth on this section.

- **Holes 21 (MARD0077) :**several thin zones of massive to semi-massive sulphides from 56.7m to 73.82m.

- **Holes 22 (MADD0078):** an extremely oxidised gossanous Amphibolite with heavily disseminated Malachite mineralisation between 14.53 and 15.60m and a zone of disseminated, semi-massive and massive sulphides from 91m to 111m down hole. The zone included a 1.99m thick section of massive sulphide from 108.37m.

- **Hole 26 (MARD0082):** a variable zone of disseminated, semi-massive and massive sulphides from 89.3m to 109.8m down hole. The zone included a 2.75m thick section of massive sulphide from 100m and 3.37m thick massive sulphide section from 106.43m.

- **Hole 27 (MARD0083):** intersected massive sulphides between118m and 119m. And variable sulphide mineralisation from 129.18, including massive sulphides from 133.89 (0.61m) and 139.81 (0.43m).

- **Hole 28 (MADD0084):** A gossan was intersected from 28m to 29.72 m

- **Hole 30 (MARD0086):** a zone of significant disseminated, semi-massive to massive sulphide from 106.3m to 152.3m, including a 2.69m thick massive sulphide zone from 135.63m.

A total of 286 samples of massive, semi-massive and disseminated sulphide mineralisation have been cut and dispatched from BCL Limited ("BCL") to SGS South Africa Pty Ltd ("SGS") where assays for nickel, copper, platinum group elements and other base metals will be undertaken. The samples will also undergo metallurgical test work to determine compatibility for processing in the nearby BCL plant and smelter.

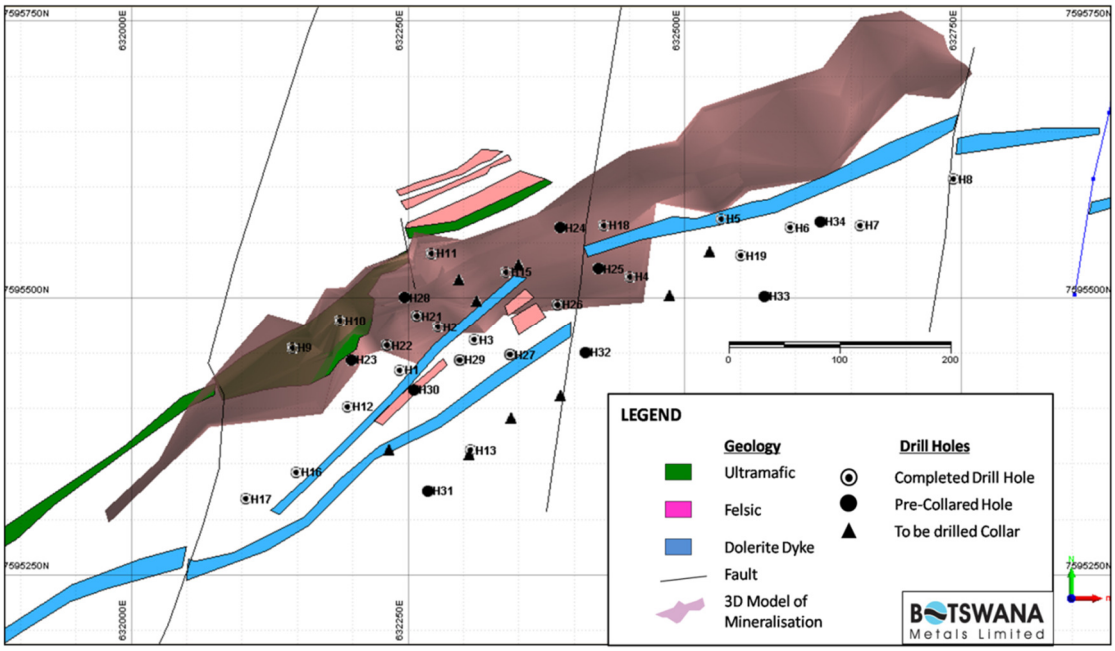

Figure 2: Collar location plan of current and recently completed drill holes

HOLEID	EASTING	NORTHING	RL	Azimuth	Dip	EOH m	HOLE STATUS
MADD0057	632242	7595438	837	330	-55	140.1	COMPLETE
MADD0058	632277	7595473	842	330	-55	150.07	COMPLETE
MADD0059	632310	7595463	848	330	-55	142.65	COMPLETE
MADD0060	632449	7595518	844	330	-55	161.25	COMPLETE
MADD0061	632534	7595572	844	330	-60	122.24	COMPLETE
MADD0062	632596	7595566	847	330	-55	155.25	COMPLETE

MARD0063	632659	7595569	847	330	-60	199.3	COMPLETE
MARD0064	632741	7595612	850	330	-60	240	COMPLETE
MARD0065	632147	7595455	838	330	-55	98.3	COMPLETE
MARC0066	632189	7595488	840	330	-55	7	Awaiting DD tail
MARC0067	632275	7595536	847	330	-55	16	Awaiting DD tail
MARD0068	632199	7595397	840	330	-55	149.27	COMPLETE
MARD0069	632304	7595369	847	330	-55	220	COMPLETE
MARW0070	632116	7595473	840	330	-55	120	COMPLETE
MARC0071	632339	7595523	848	330	-55	100	Awaiting DD tail
MARD0072	632144	7595344	847	330	-55	185.4	COMPLETE
MARD0073	632104	7595314	845	330	-55	194.31	COMPLETE
MARC0074	632425	7595569	843	330	-55	92.25	COMPLETE
MARC0075	632553	7595537	848	330	-60	152.3	COMPLETE
MARW0076	632091	7595343	847	330	-55	65	COMPLETE
MARD0077	632258	7595483	845	330	-60	120	COMPLETE
MADD0078	632230.7	7595456	845	330	-55	130.77	COMPLETE
MARD0079	632199	7595443	845	330	-50	100	Awaiting DD tail
MARD0080	632388	7595563	845	330	-60	100	Awaiting DD tail
MARD0081	632422	7595526	845	330	-60	140	Awaiting DD tail
MARD0082	632384.7	7595494	845	330	-55	150	IN PROGRESS
MARD0083	632342	7595448	845	330	-55	175	IN PROGRESS
MADD0084	632247.2	7595500	845	330	-55	100	Awaiting DD tail
MARD0085	632296.9	7595443	845	330	-55	150	Awaiting DD tail
MARD0086	632255	7595416	845	330	-55	165	Awaiting DD tail
MARD0087	632267.8	7595325	845	330	-55	260	Awaiting DD tail
MARD0088	632410	7595449	845	330	-55	180	Awaiting DD tail
MARD0089	632572	7595501	845	330	-55	200	Awaiting DD tail
MARD0090	632622	7595568	845	330	-60	170	Awaiting DD tail

Table 1: Collar Details of holes commenced to date in the Maibele North program.

The objective of the program is to complete twin, infill and step out drilling and to determine a JORC complicate resource in 6 months. If an economic resource can be defined BCL will toll treat the ore just 55km away to its processing facilities and can also negotiate an off take agreement to treat the ore at its smelter at Selebi Phikwe.

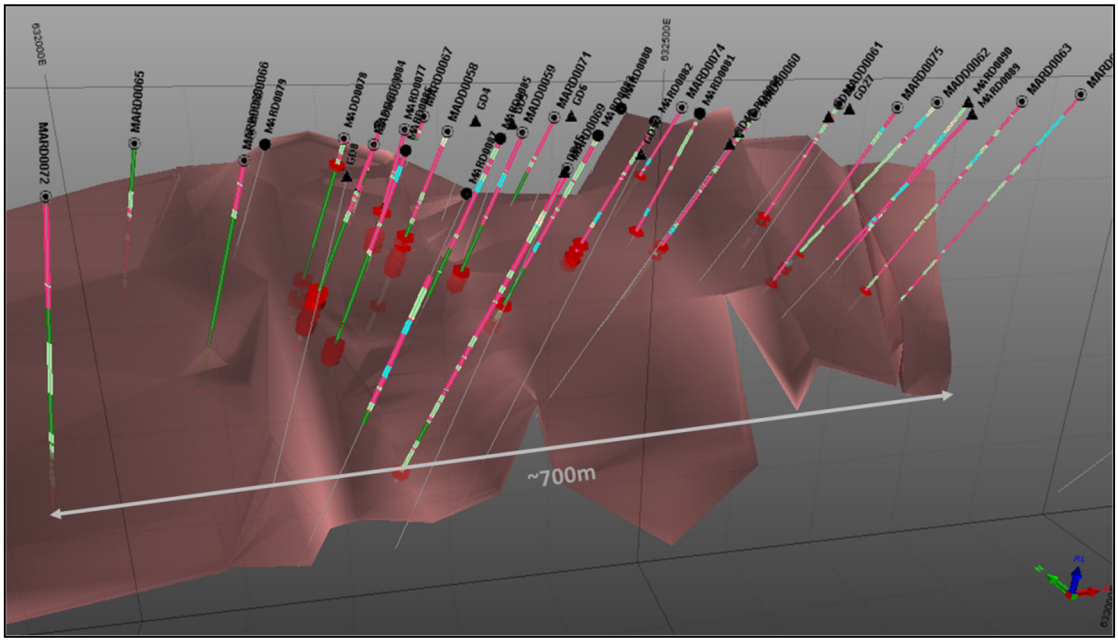

Figure 2: 3D perspective view, looking to the northeast, completed recently commenced holes at Maibele North. The red shapes on the drill traces indicate the location of sulphides in the completed holes. The shaded pink shape represents a model of nickel mineralisation based on intercepts from historic and current drilling.

Maibele North – Airstrip Copper Review

During the year a review assessing the distribution of the known nickel intersections and host ultramafic unit at Maibele North with the aim of determining the possible extensions of this host unit along strike and down dip was undertaken. Nickel intersections reported in some of the Airstrip drilling carried out in 2012 and located 400-500m west of Maibele North potentially indicate the host unit is more extensive to the west.

The review has confirmed that potential exists for a relationship between the Maibele and Airstrip prospects. Numerous holes containing nickel-copper intersections are positioned directly along strike of the Maibele trend, some 500m southwest of the Maibele deposit. The review concluded that:

- The Airstrip – Maibele trend contains nickel mineralisation along most of the 1.6km strike of the zone.
- IP and VTEM conductors previously drilled along the trend all intersected mineralisation.
- A 300m long central zone between Maibele North and Airstrip containing IP and VTEM conductors and thick ultramafic units remains **untested** by drilling, and has the potential to contain mineralisation within the same trend.
- The mineralisation is open at depth and to the west and east of the known mineralisation, with strong EM and IP conductors identified in the untested plunge and strike direction of mineralisation

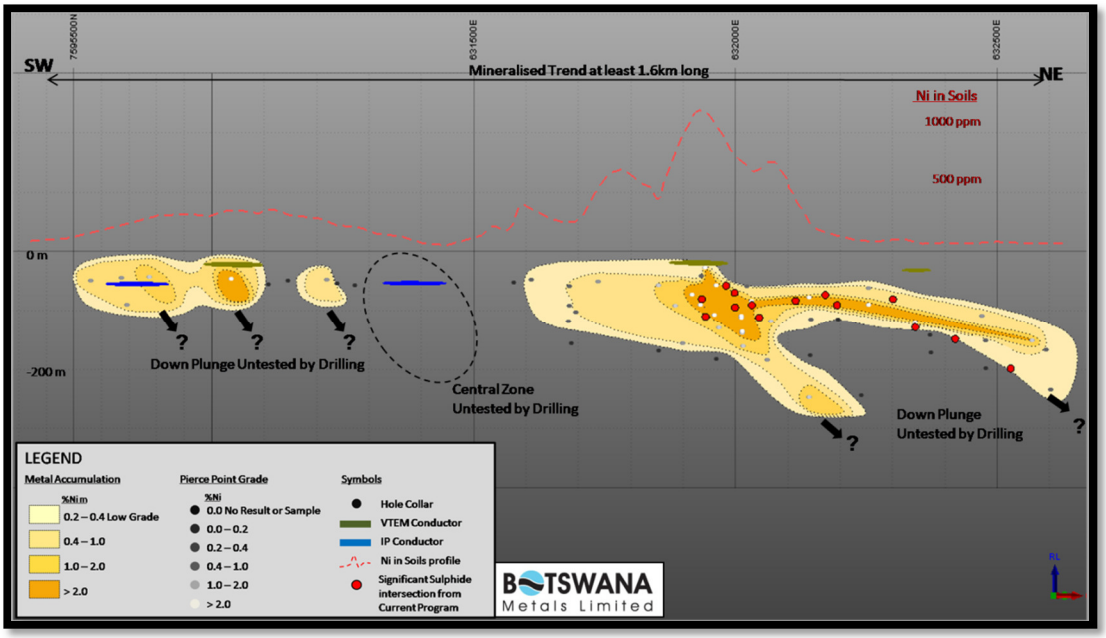

Figure 4: Long Section view showing the significant sulphide pierce points (red spots) from the recent drilling in relation to the mineralised envelope (Ni% x m - yellow shading). Shaded areas denote %Ni_m accumulation.

PROPOSED WORK PROGRAM

Both BCL and BML commenced exploration including drilling in June 2014 on the prospecting licence **PL110/94** (Maibele North Project for Ni + Cu + PGEs and Airstrip Project for Cu +Ag) with the ultimate objective of completing a feasibility into the potential of mining and trucking ore to the BCL operations at Selebi Phikwe situated just 55 km to the south of BML's projects. Review and planning of field programs for **PL111/94** (Dibete Project for Cu + Ag) and **PL54/98** (23 identified VTEM anomalies) also continued with a view to commencing exploration ground work in FY15.

EXPLORATION ACTIVITIES OUTSIDE THE JOINT VENUTRE PLs DURING THE YEAR

Activities outside the Prospecting Licences not covered by the Joint Venture with BCL were kept to a minimum during the year as the Company focused on commencing exploration on the Joint Venture prospects as outlined above.

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

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	31/03/2016	100	African Metals (Pty) Ltd	J/V with BCL Ltd effective 01/04/14
Mokoswane PL 111/94	31/03/2016	100	African Metals (Pty) Ltd	J/V with BCL Ltd effective 01/04/14

Takane PL 54/98	31/03/2016	100	African Metals (Pty) Ltd	J/V with BCL Ltd effective 01/04/14
Shashe South PL 059/2008	30/09/2013	100	African Metals (Pty) Ltd	Renewal application lodged 28/06/13
Central PL 070/2008	30/09/2013	100	African Metals (Pty) Ltd	Renewal application lodged 28/06/13
Central Sampa PL 111/2011	30/06/2014	100	African Metals (Pty) Ltd	Renewal application lodged 31/03/14

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.

African Metals (Pty) Ltd also holds PL 126/2011 which is due to expire on 30/09/2014. The PL will not be renewed.

Tenement Status

PROSPECTING LICENCES:

PL 110/94, PL 111/94 and PL 54/98 ("the three PLs")
During the year, the Botswana Government, through the Department of Mines, granted an extension to three PLs: **PL 110/94**, **Airstrip and Maibele North, PL 111/94 Dibete** and **PL 54/98 Takane** for a period of two years effective from 1 April 2014.

The granting of the extensions activated a Farm-In Joint Venture agreement with BCL Limited, a world class Botswana mining and smelting operation owned by the Botswana Government.

PL 59/2008 and PL 70/2008
Following a meeting with the DOM early in 2014, the DOM advised that they are reviewing the second renewal application over PL 59/2008 and PL 70/2008 lodged in June 2013. No correspondence has subsequently been received with respect to the application.

PL 111/2011 and PL 126/2011
The Company applied to renew PL 111/2011 on 31 March 2014. No correspondence has yet been received with respect to the application. PL 126/2011 will expire on 30 September 2014. The Group is not applying to renew the tenement.

PL 158/2009 and PL 360/2008
In June 2013 the Company was advised that the DOM had rejected the first renewal application on these two prospecting licences on the basis that the Company did not drill the anomalies identified.

The rejection was made even though the Company exceeded the proposed budget work expenditure program detailed in the application for these licences.

The Company has objected to this determination and in October 2013 received confirmation from the DOM that the objection had been received. No other advice has been received as to the status of this objection.

PL 46/2004 and 47/2004

These licences expired on 31/03/2014 and were not renewed.

Other than as detailed above, the Company did not acquire or dispose of any other tenements or beneficial interests in farm-in agreements during the year.

Competent Persons Statement

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 Mining and Metallurgy. 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.

CORPORATE ACTIVITY

Financial Position

The net assets of the consolidated entity have increased by $303,208 to $7,591,379 as at 30 June 2014.

The Directors believe the Group is in a stable financial position and able to expand and grow its current operations.

Significant Changes in the State of Affairs

Significant changes in the state of affairs of the Group during the financial year were as follows:

Prospecting Licences Extended

The Department of Mines ("DOM") in Botswana granted the Company's application and the three Prospecting Licences were extended for a period of two years from 1 April 2014 to 31 March 2016.

Farm-in Joint Venture Agreement with BCL Limited

In November 2012 the Company signed a Farm-in Joint Venture Agreement ("the Agreement") with BCL Limited. Under the Agreement, BCL will spend an initial AUD4 million on a drilling program to earn 40% of the projects over these areas covered by the Retention Licences. A condition precedent of the Agreement commencing was that the Company must be granted the Retention Licences, the condition was later amended to the grant of extensions to the Prospecting Licences covering the relevant areas.

The decision of the DOM to extend the Prospecting Licences resulted in the activation of the agreement with BCL and joint exploration activities commenced during the year.

The activation of the venture is a very significant step in the development of the Company as it transfers to BCL the responsibility to meet the expenditure commitments on the three licence 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.

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

Capital raisings

The Company issued a total of 380,449,608 new fully paid ordinary shares together with free attaching one-for-one options to raise $1,564,471 (before costs). The shares were issued under a rights issue and two private placements to professional, sophisticated and other exempt investors.

Impairment of capitalised exploration expenditure

A review of the Company's exploration assets was completed during the year and it was decided that PL 126/2011, which is due to expire on 30 September 2014, would not be renewed. The Company accordingly impaired the value of capitalised exploration expenditure for this licence.

After Balance Date Events

Other than the matters discussed below, there has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company to affect the operations of the consolidated entity, the results of these operations or the state of affairs of the consolidated entity in subsequent years.

Exercise of Listed Options

A total of 215,675 options exercisable at 1.5 cents ($0.015) per option expiring on 31 December 2016 were exercised and $3,235 was received by the Company. The Company issued 215,675 new fully paid ordinary shares on the exercise of the options.

Exploration Activities – BCL Joint Venture

Drilling and sampling continued at Maibele North. A total of 286 samples of massive, semi-massive and disseminated sulphide mineralisation were cut and dispatched from BCL to SGS South Africa Pty Ltd where assays for nickel, copper, platinum group elements and other base metals will be undertaken. The samples will also undergo metallurgical test work to determine compatibility for processing in the BCL plant and smelter. As at the date of this report the laboratory results are still pending.

Future Developments

The Group's main exploration efforts will be focussed on continuing to develop value from exploration across its tenement package in Botswana.

In addition to extensive exploration being undertaken in conjunction with BCL, the Group will also carefully consider its other exploration assets. The Group intends to continue to engage with DOM for a successful resolution of:

- The applications to renew PL 059/2008, PL 070/2008 and PL 111/2011; and
- The objection to the decision to refuse the first renewal of PL 360/2008 and PL 158/2009.

Environmental Issues

The consolidated entity holds 100% interest in a number of exploration licences and has participating interests in others. The various authorities granting such licences require the licence holder to comply with directions given to it under the terms of the grant of licence.

There have been no known breaches of the consolidated entity's licence conditions.

INFORMATION ON DIRECTORS

Patrick John Volpe *B.Bus (Acc), P.G.(Tax), CPA*	Experience:	Executive Chairman for 8 years Background in mining, media, transport, manufacturing, banking and stockbroking with a particular emphasis on corporate restructuring, business acquisitions, investment advising and capital raisings.
	Age:	56
	Special Responsibilities:	Corporate finance and investment. Chairman of the Audit and Compliance Committee
	Interest in Shares and Options:	73,827,897 Ordinary Shares 44,296,738 Options to acquire Ordinary Shares exercisable at 1.5 cents ($0.015) expiring 31/12/2016
	Directorships held in other Listed Entities:	He is currently Chairman of Bisan Limited (appointed 18 December 2013) and Deputy Chairman of Cohiba Minerals Limited (appointed 24 July 2013). He was formerly Chairman of Cardia Bioplastics Limited (from 23 May 1994 to 22 November 2013) and formerly a director of Genesis Resources Limited (from 11 May 2012 to 17 June 2014). All the above are ASX-listed companies. He has not held any other directorships of listed entities over the last 3 years.
Massimo Livio Cellante *B. Comm (Deakin)*	Experience:	Non-Executive Director for 5 years. Chairman and Managing Director of Bell IXL Investments Pty Ltd, a strategic investment company where his role includes identifying and investing in undervalued publicly-listed companies and he is experienced in negotiation, investment analysis, capital raisings, capital returns and corporate acquisitions.
	Age:	40
	Special Responsibilities:	Member of the Audit and Compliance Committee
	Interest in Shares and Options:	25,529,729 Ordinary Shares 15,000,000 Options to acquire Ordinary Shares exercisable at 1.5 cents ($0.015) expiring 31/12/2016

	Directorships held in other Listed Entities:	He is currently an executive director of Bell IXL Investments Pty Limited, formerly an NSX-listed company, but has not held any other directorships of listed entities over the last 3 years.
Paul Woolrich *BSc (honours), MSc, PhD.*	Experience:	Non-executive director for 7 years. Dr Woolrich has over 40 years of experience in the international exploration and mining industry focussed on gold, base metals and PGEs, with the last 20 years spent in senior management positions with Western Mining Corporation, Ranger Minerals Ltd, Orion Resources, Gallery Gold and Platmin Ltd. He was Project Manager in charge of the feasibility study of Platmin's Pilanesberg PGE Project in South Africa in 2004-2006. He holds degrees in Geology (BSc honours), Geochemistry (MSc) and Metallurgy (PhD).
	Age:	69
	Interest in Shares and Options:	3,069,444 Ordinary Shares 1,841,666 Options to acquire Ordinary Shares exercisable at 1.5 cents ($0.015) expiring 31/12/2016
	Directorships held in other Listed Entities:	He is currently a director of A-Cap Resources Limited (appointed 18 December 2007), an ASX-listed company, but has not held any other directorships of listed entities over the last 3 years.

DIRECTORS' MEETINGS

The number of meetings of the Company's Board of Directors and the Audit and Compliance Committee held during the year ended 30 June 2014, and the numbers of meetings attended by each director were:

Name	Board		Audit and Compliance Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
P J Volpe	8	8	-	-
P Woolrich	8	8	-	-
M L Cellante	8	8	-	-

REMUNERATION REPORT (AUDITED)

Remuneration Policy

The remuneration policy of Botswana Metals Limited has been designed to align Director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives. The Board of Botswana Metals Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and Directors to run and manage the consolidated group, as well as create goal congruence between Directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for executive directors and specified executives of the economic entity is as follows:

- The remuneration policy, setting the terms and conditions for the executive Directors and other specified executives, was developed by independent external consultants and approved by the Board based on the professional advice of those consultants.
- All executive directors and specified executives receive a base salary (which is based on factors such as length of service and experience) and superannuation.
- The Board reviews executive directors and specified executives remuneration packages annually by reference to performance.

Executives and employees are entitled to participate in the Executive and Employee Option Plan at the discretion of the Board; however Directors are not permitted to participate.

The Directors and specified executives receive a superannuation guarantee contribution when classified as employees, required by the government, which is currently 9.5%, and do not receive any other retirement benefits.

All remuneration paid to Directors and executives is valued at the cost to the Group and expensed.

Non-executive remuneration policy

The Board's policy is to remunerate non-executive Directors at market rates for time, commitment and responsibilities. The Board determines payments to the non-executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice may be utilised in the future should the Directors deem such advice necessary. The maximum aggregate amount of fees that can be paid to non-executive Directors is subject to approval by shareholders at a General Meeting. Fees for non-executive Directors are not linked to the performance of the consolidated group. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in Botswana Metals Limited.

With effect from 1 July 2013 remuneration payable to Directors was frozen as a temporary measure to assist the Company to stabilise its financial position. The payment of remuneration recommenced at reduced rates from 1 January 2014. The full amount of Directors remuneration, less payments made, has been accrued as a liability of the Company as at 30 June 2014 and will be paid out to Directors once the financial position of the company is sufficiently strong.

Performance-based Remuneration

No performance based remuneration was paid during the year.

REMUNERATION REPORT (CONTINUED)

Company Performance, Shareholders Wealth and Directors' and Executives' Remuneration

Remuneration of Directors is determined by the Board within the maximum amount approved by the shareholders from time to time, and the Group's broad remuneration policy is to ensure that remuneration packages properly reflect a person's duties and responsibilities and are set at levels that are intended to attract and retain people of the highest quality.

Remuneration is based upon market practice, duties and accountability at this stage of the Group's evolution and not linked to Company performance and shareholders wealth. The Group's focus is to discover a mineable deposit and generate future revenue from sales and production of resources. The Group is presently in the exploration phase and as such has no revenue from production and has incurred losses. All expenditure directly attributable to prospecting activities on the Group's tenement portfolio is capitalised and is not expensed in the Statement of Profit of Loss and Other Comprehensive Income unless an impairment event occurs. No dividends have been paid to shareholders.

Key Management Personnel Remuneration Policy

The Board's policy for determining the nature and amount of remuneration of key management personnel for the Group is as follows:

The remuneration structure for executive directors and specified executives is based on a number of factors, including length of service and particular experience of the individual concerned. The contracts for service are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement executive directors and specified executives are paid employee benefit entitlements accrued at the date of retirement. Any options not exercised before or on the date of termination lapse.

Details of the nature and amount of each major element of the remuneration of each Director of Botswana Metals Limited for the year ended 30 June 2014 are:

Name	Short-term Benefits	Post-employment Benefits	
	Cash Salary & Fees $	Superannuation $	Total $
P J Volpe (Executive Director)	60,000	-	60,000
P Woolrich	6,250	-	6,250
M L Cellante	6,250	578	6,828
Total	72,500	578	73,078

Salary and fees accrued and unpaid as at 30 June 2014 for Directors as follows: P J Volpe ($270,000), P Woolrich ($23,750) and M L Cellante ($23,750).

P J Volpe was paid accrued leave of $84,482 during the year in addition to the above remuneration.

With effect from 1 July 2013 the Directors voluntarily froze the payment of remuneration pending the clarification of the situation regarding the BCL joint venture and the tenure of the Company's principal exploration assets being PL 110/94, PL 111/94 and PL 54/98. No remuneration was paid to Directors during the period from 1 July 2013 to 31 December 2013. From 1 January 2014 the Company recommenced paying remuneration to Directors in part by cash with the balance accrued.

REMUNERATION REPORT (CONTINUED)

The remuneration freeze did not constitute a waiver by the Directors to receive their proper remuneration from the Company and accordingly, the total unpaid remuneration of $317,500 has been accrued as a liability owing to the Directors. The liability is disclosed at Note 13 of the Financial Report.

Information in respect of specified executive officers within the consolidated entity receiving the highest emoluments for the year ended 30 June 2014 are:

Name	Short-term Benefits	Post-employment Benefits	
	Cash Salary & Fees $	Superannuation $	Total $
R C Baker	8,333	-	8,333
R Jimenez	31,000	-	31,000
Total	39,333	-	39,333

R C Baker was paid accrued leave of $14,533 during the year in addition to the above remuneration.

Details of the nature and amount of each major element of the remuneration of each Director of Botswana Metals Limited for the year ended 30 June 2013 are:

Name	Short-term Benefits	Post-employment Benefits	
	Cash Salary & Fees $	Superannuation $	Total $
P J Volpe (Executive Director)	330,000	-	330,000
P Woolrich	30,000	-	30,000
M Cellante	30,000	2,700	32,700
Total	390,000	2,700	392,700

Information in respect of specified executive officers within the consolidated entity receiving the highest emoluments for the year ended 30 June 2013 are:

	Short-term Benefits	Post-employment Benefits	
Name	Cash Salary & Fees $	Superannuation $	Total $
R C Baker	150,000	13,500	163,500

Options Issued as part of remuneration

No options were issued to Directors and other Key Management Personnel as part of their remuneration during the year.

Shares Issued on Exercise of Options

No options were exercised by Directors and other Key Management Personnel during the financial year.

REMUNERATION REPORT (CONTINUED)

Number of Options Held by Key Management Personnel

2014	Balance 1.7.2013	Granted as Compensation	Exercised	Expired	Net Change Other*	Balance 30.6.2014 or date of resignation	Vested and exercisable	Vested and Unexercisable
Mr P J Volpe	-	-	-	-	44,296,738	44,296,738	44,296,738	-
Mr M Cellante	-	-	-	-	15,000,000	15,000,000	15,000,000	-
Dr P Woolrich	-	-	-	-	1,841,666	1,841,666	1,841,666	-
Mr R C Baker #	-	-	-	-	-	-	-	-
Mr R Jimenez #	-	-	-	-	3,750,000	3,750,000	3,750,000	-
Total	**-**	**-**	**-**	**-**	**64,888,404**	**64,888,404**	**64,888,404**	**-**

* Net Change Other refers to free attaching options issued as part of capital raisings undertaken by the company.
# Mr R C Baker resigned on 21/08/2013 and Mr R Jimenez was appointed in his place.

2013	Balance 1.7.2012	Granted as Compensation	Exercised	Expired	Net Change Other	Balance 30.6.2013	Vested and exercisable	Vested and Unexercisable
Mr P J Volpe	23,750,000	-	-	23,750,000	-	-	-	-
Mr M L Cellante	7,500,000	-	-	7,500,000	-	-	-	-
Dr P Woolrich	488,888	-	-	488,888	-	-	-	-
Mr R C Baker	272,488	-	-	272,488	-	-	-	-
Total	**32,011,376**	**-**	**-**	**32,011,376**	**-**	**-**	**-**	**-**

Number of Shares held by Key Management Personnel

2014 Holder	Balance 1.7.2013	Received as Compensation	Issued on Exercise of Options	Net Change Other*	Balance 30.6.2014 or date of resignation
Mr P J Volpe	29,531,159	-	-	44,296,738	73,827,897
Mr M L Cellante	10,529,729	-	-	15,000,000	25,529,729
Dr P Woolrich	1,227,778	-	-	1,841,666	3,069,444
Mr R C Baker #	169,978	-	-	-	169,978
Mr R Jimenez #	-	-	-	3,750,000	3,750,000
Total	**41,458,644**	**-**	**-**	**64,888,404**	**106,347,048**

* Net Change Other refers to shares purchased during the financial year.
# Mr R C Baker resigned on 21/08/2013 and Mr R Jimenez was appointed in his place.

2013 Holder	Balance 1.7.2012	Received as Compensation	Issued on Exercise of Options	Net Change Other*	Balance 30.6.2013
Mr P J Volpe	29,531,159	-	-	-	29,531,159
Mr M L Cellante	10,989,709	-	-	(459,980)	10,529,729
Dr P Woolrich	1,227,778	-	-	-	1,227,778
Mr R C Baker	169,978	-	-	-	169,978
Total	**41,918,624**	**-**	**-**	**(459,980)**	**41,458,644**

* Net Change Other refers to shares sold during the financial year.

Employment Contracts of Directors and Senior Executives

There are no employment contracts with Directors or executive officers.

REMUNERATION REPORT (CONTINUED)

Other transactions

	2014 $	2013 $
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.		
Key Management Personnel		
Consulting fees paid/payable to Woolrich & Associates Pty Ltd, a company of which Dr P Woolrich is a Director and shareholder.	**4,750**	58,750
Rent received from Cardia Bioplastics Limited, a listed public company of which Mr P J Volpe is a Director and shareholder.	**(17,502)**	(29,167)
Contracting fees paid by African Metals (Pty) Ltd to Cam Bow Holdings (Pty) Ltd, a wholly-owned subsidiary of Cam Bow Limited, a company of which Mr P J Volpe is a Director and shareholder.	**-**	6,462
Contracting fees received by African Metals (Pty) Ltd from Cam Bow Holdings (Pty) Ltd, a wholly-owned subsidiary of Cam Bow Limited, a company of which Mr P J Volpe is a Director and shareholder.	**-**	(5,973)
Capital raising fees paid to Foxfire Capital Pty Ltd, a company of which Mr P J Volpe is a consultant and shareholder.	**41,811**	**-**
Fees for office facilities received from Cohiba Minerals Limited, a company of which Mr P J Volpe is a director and shareholder.	**(9,000)**	**-**
Rent paid to Cohiba Minerals Limited, a company of which Mr P J Volpe is a director and shareholder.	**5,278**	**-**
Payments made on behalf of Cam Bow Holdings (Pty) Ltd, a company of which Mr P J Volpe is a director and shareholder.	**9,575**	**-**
	34,912	30,072

During the year the Company borrowed $50,000 from Trayburn Pty Ltd ("Trayburn"). Mr P J Volpe, a Director and substantial shareholder of the Company, is also a Director and substantial shareholder of Trayburn. The loan provided working capital for the Company pending the completion of the rights issue. The loan was unsecured, interest free and was fully repaid out of the proceeds of the rights issue.

This concludes the Remuneration Report, which has been audited.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has agreed to indemnify all the current Directors and Officers of the Company and of its controlled entities against all liabilities incurred as an officer except where the liability arises out of conduct involving a lack of good faith. The Indemnity includes costs and expenses in successfully defending any legal proceedings, and applied, from 9 January 2008 when BML ceased to be a controlled entity of A-Cap Resources Ltd. The Company has paid a premium to insure the Directors and Officers against liabilities incurred in their respective capacities.

INDEMNIFICATION AND INSURANCE OF AUDITORS

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor. During the

financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

OPTIONS

At the date of this Report, there are 410,233,933 (2013: Nil) unissued ordinary shares of Botswana Metals Limited under option. A total of 215,675 shares have been issued since year end on the exercise of options. No other shares have been issued. All issued shares are fully paid.

DIVIDENDS

No dividends have been paid during the financial year.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

NON-AUDIT SERVICES

There were no fees for non-audit services paid to the external auditors during the year ended 30 June 2014.

AUDITOR'S INDEPENDENCE DECLARATION

The lead Auditor's Independence Declaration for the year ended 30 June 2014 has been received and can be found on page 28 of this Report.

This report is made in accordance with a resolution of the Directors.

P J Volpe
Director
Dated 30 September 2014
Kew, Victoria

William Buck

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF BOTSWANA METALS LIMITED

I declare that, to the best of my knowledge and belief during the year ended 30 June 2014 there have been:

— no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

— no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136

R. H. Dummett
Director

Dated this 30th day of September, 2014

CHARTERED ACCOUNTANTS & ADVISORS

Melbourne Office
Level 20, 181 William Street
Melbourne VIC 3000

Hawthorn Office
Level 1, 465 Auburn Road
Hawthorn East VIC 3123

PO Box 185, Toorak VIC 3142
Telephone: +61 3 9824 8555
williambuck.com

CORPORATE GOVERNANCE STATEMENT

This Statement reflects Botswana Metals Limited's corporate governance policies and practices as at 30 June 2014 and which were in place throughout the year.

The Board's philosophy is to adopt practices that are consistent with the best practice recommendations of the ASX Corporate Governance Council and in the best interests of the Company. The governance practices are reviewed regularly.

A description of the Company's main corporate governance practices is set out below.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

The Board's responsibilities include:

- Leadership of the organisation
- Strategy formulation
- Overseeing planning activities
- Shareholder liaison
- Monitoring compliance and risk management
- Company finances
- Human resources
- Remuneration policy

The Board has delegated the responsibility for management of the Company to the Executive Chairman and senior management who implement the Board's strategies and compliance activities. The Board constantly monitors the performance of the Executive Chairman and senior management in their undertaking of these duties.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

The Board has been formed so that it has an effective mix of personnel who are committed to discharging their responsibilities and duties, and being of value to the Company.

The names of the Directors, and their qualifications and experience are contained in the Directors' Report on pages 20 – 21 along with the term of office held by each.

At present there are no Directors on the Board that could be classified as 'Independent'. Independent Directors are likely to be appointed as the Company develops and the Board believes that it can attract appropriate independent directors with the necessary industry experience.

When determining whether a Non-executive Director is independent, the Director must not fail any of the following materiality thresholds:

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE (CONTINUED)

- less than 5% of Botswana Metals Limited shares are held by the Director and any entity or individual directly or indirectly associated with the Director;
- no sales are made to or purchases made from any entity or individual directly or indirectly associated with the Director; and
- none of the Directors' income or the income of an individual or entity directly or indirectly associated with the Director is derived from a contract with any member of the Group other than income derived as a Director of the entity.

Where any Director has material personal interest in a matter and, in accordance with the *Corporations Act 2001,* the Director will not be permitted to be present during discussion or to vote on the matter. The enforcement of this requirement aims to ensure that the interest of shareholders, as a whole, is pursued and that their interest or the Director's independence is not adversely affected.

The Company believes that at this stage in its development, the most appropriate person for the position of Chairman is an Executive Officer of the Company. The Executive Officer's overall expertise has been crucial to the Company's development and negates any perceived lack of independence.

The Company does not have a Nomination Committee because the Board considers that selection and appointment of Directors is such an important task that it should be the responsibility of the entire Board to consider the nominations process.

The Board is responsible for evaluating its performance and that of individual Directors and key executives and in doing so may engage independent external advisors if thought appropriate to do so. The Company has not established a formal process to evaluating the performance of the Board, its committees and individual Directors; however the performance of the Board, the Directors, officers and employees is monitored on a regular basis by the Board, with appropriate feedback and necessary training given to those parties.

Directors collectively or individually have the right to seek independent professional advice at the Company's expense to assist them to carry out their responsibilities. Written approval must be obtained from the Chair prior to incurring any expense on behalf of the Company. All advice obtained is made available to the full Board.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Due to the size of the Company and the resources available to it, the Board does not consider that a formal Code of Conduct for Directors and other key executives is appropriate. Rather, it is agreed by the Board that all officers of the Company will act ethically and in the best interests of the Company. In maintaining the highest standards of corporate governance and ethical conduct Directors and employees are required to:

- act honestly and in good faith;
- exercise due care and diligence in fulfilling the functions of office;
- avoid conflicts and make full disclosure of any possible conflict of interest;
- comply with the law;
- encourage the reporting and investigating of unlawful and unethical behaviour; and
- comply with the Securities Trading Policy.

Directors are obliged to be independent in judgment and ensure all reasonable steps are taken to ensure due care is taken by the Board in making sound decisions.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING (CONTINUED)

Securities Trading Policy

The Company has a Securities Trading Policy that regulates the dealings by directors, officers and employees, in shares, options and other securities issued by the Company.

Under the Botswana Metals Limited Securities Trading Policy, an Executive, including a Director, Company Secretary, or employee (and any employee of any subsidiary) must not trade in any securities of the Botswana Metals Limited at any time when they are in possession of unpublished price sensitive information in relation to those securities or the Group's operations.

Before commencing to trade, an executive or any other specified party must first obtain the approval of the Board to purchase (including the exercise of any options) or sell any securities of the Company.

The policy has been formulated to ensure that directors, officers, employees and consultants who work on a regular basis for the Company are aware of the legal restrictions on trading in company securities while in possession of unpublished price-sensitive information.

Diversity Policy Statement

The Company's workforce is comprised of people from diverse backgrounds with a range of skills, values and experiences. Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The Company is committed to providing an environment in which all employees are treated with fairness and respect, and have equal access to opportunities available in the workplace.

Many years ago the Company established regional offices in Botswana at Francistown (Botswana's second largest city) and Tshokwe, which is approximately 20 kilometres from the location of the Company's Prospecting Licence portfolio, with one of the objectives being to increase community participation in the Group's workforce. The Company has since consolidated its Botswana operations to an office at Selebi Phikwe.

Presently there are only four employees based in Australia so it is not practical to set measurable targets with regard to diversity, however the Company aims to continue with its diversity policy over the next few years as director and senior executive positions become vacant and appropriately qualified candidates become available.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

The Executive Chairman and Chief Financial Officer provide written declarations to the Board confirming that the Company's financial statements present a true and fair view of the Company's financial condition and operational results and in accordance with the relevant accounting standards.

As the Company is small with a Board of three members it has not established a series of committees to address specific areas of corporate governance such as risk management, strategic review, operations and remuneration but has established an Audit and Compliance Committee.

The members of the Committee at the date of this report are Patrick Volpe (Chairman), who is also Chairman of the Board of Directors and Massimo Cellante (Non-executive Director). The Audit and Compliance Committee was established by the Board to give additional assurance regarding the quality and reliability of financial information used by the Board and financial information provided by the Company pursuant to its statutory reporting requirements. The members of the committee meet formally twice a year and on an ad hoc basis as required.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING (CONTINUED)

The Board selected the members of the Audit and Compliance Committee based upon those members who are considered to have the most expertise in the area and are therefore not necessarily independent or non-executive directors.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the Australian Securities Exchange ("ASX") as well as communicating with the ASX. In accordance with the ASX's 'Listing Rules' the Company immediately notifies the ASX of information concerning the Company:

1. that a reasonable person would or may expect to have a material effect on the price or value of the Company's securities; and
2. that would, or would be likely to influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

Due to the size of the Company, it achieves compliance with ASX 'Listing Rules' disclosure requirements without the need for formal policies and procedures, however there are specific processes followed by the Board and officers with regard to ensuring the Company complies with its disclosure requirements.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

Due to the size of the Company, it does not have a formal policy regarding the promotion of effective communications with shareholders and encouraging their participation at general meeting, the Company respects the rights of its Shareholders, and to facilitate the effective exercise of those rights, the Company is committed to:

1. Communicating effectively with shareholders through ongoing releases to the market via the ASX, and the general meetings of the Company;
2. Giving shareholders ready access to balanced and understandable information about the Company and Corporate Proposals;
3. Providing annual and interim financial statements;
4. Making it easy for shareholders to participate in general meetings of the Company and providing appropriate notice periods and disclosure for general meetings, the ability to appoint proxies and lodge questions to by the Board and / or the Executive Chairman; and
5. Requesting the External Auditor to attend the Annual General Meeting and be available to answer shareholders' questions about the conduct of the audit, and the preparation and content of the Auditor's Report.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

The Company has not established formal policies for the oversight and management of material business risks. Due to the size of the Company and the size of the Board, the Board monitors all key areas of the Company's risk management on an ongoing basis and keeps shareholders informed of any changes in the risk profile of the Company.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK (CONTINUED)

The Board considers identification and management of key risks associated with the business as vital to maximise shareholder wealth. A yearly assessment of the Groups risk profile is undertaken by the Board as a whole, covering all aspects of the Group's activities from the operational level through to strategic level risks.

The Board has delegated the responsibility of designing risk management and internal control systems to the Executive Chairman and senior management who manage the Company's material business risks and report to the Board on the effectiveness of those systems. The effectiveness of these controls is reviewed and assessed regularly.

The Board seeks assurance from the Executive Chairman and the Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material aspects in relation to financial reporting risks and discloses accordingly.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Due to the size of the Company, it has not established a Remuneration Committee and it currently uses independent external consultants to determine the level and components of remuneration for the Directors. Botswana Metals Limited presently has four employees. The remuneration paid to executive Directors and senior executives is distinguished from that paid to non-executive Directors.

Non-Executive Directors are paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of non-executive directors. Non-executive Directors do not receive performance based bonuses and do not participate in Equity Schemes of the Company without prior shareholder approval.

The Board as a whole reviews executive packages annually by reference to the Group's performance in meeting its objectives, executive performance, comparable information from industry sectors and other listed companies and independent advice.

Current remuneration details are disclosed in the Directors' Report.

Further information regarding the Company's corporate governance practices and policies has been made publicly available on the Company's website at www.botswanametals.com.au.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2014

	Notes	Consolidated Group 2014 $	2013 $
Revenue from Ordinary Activities	2	**113,143**	90,940
Administration	3	**(273,273)**	(307,889)
Corporate Expenses		**(131,727)**	(112,378)
Employment & Consultancy		**(455,702)**	(552,951)
Net Foreign Exchange Loss		**(5)**	(429)
Impairment of Capitalised Exploration Expenditure		**(84,070)**	(877,308)
Loss before Income Tax Expense		**(831,634)**	(1,760,015)
Income Tax Expense	4	**-**	-
Loss for the year attributable to owners of Botswana Metals Limited		**(831,634)**	(1,760,015)
Other Comprehensive Income for the year that may be subsequently reclassified to the profit or loss			
Exchange differences on translating foreign controlled operation		**(370,137)**	(32,547)
Total Comprehensive Loss attributable to owners of Botswana Metals Limited		**(1,201,771)**	(1,792,562)
Basic Loss per Share (cents per share)	7	**(0.21)**	(0.94)
Diluted Loss per Share (cents per share)	7	**(0.21)**	(0.94)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	Notes	Consolidated Group 2014 $	2013 $
Current Assets			
Cash and cash equivalents	8	**894,729**	192,926
Trade and other receivables	9	**196,973**	41,725
Total Current Assets		**1,091,702**	234,651
Non-Current Assets			
Plant and equipment	11	**40,194**	115,845
Capitalised exploration and evaluation	12	**6,874,599**	7,105,794
Total Non-Current Assets		**6,914,793**	7,221,639
TOTAL ASSETS		**8,006,495**	7,456,290
Current Liabilities			
Trade & Other Payables	13	**415,116**	168,119
Total Current Liabilities		**415,116**	168,119
TOTAL LIABILITIES		**415,116**	168,119
Net Assets		**7,591,379**	7,288,171
Equity			
Issued Capital	14	**15,431,357**	13,986,378
Reserves	15	**(2,577,730)**	(2,267,593)
Accumulated Losses		**(5,262,248)**	(4,430,614)
TOTAL EQUITY		**7,591,379**	7,288,171

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For year ended 30 June 2014

Consolidated Group

	Issued Share Capital	Share Options Reserve	Accumulated Losses	Foreign Currency Translation Reserve	Total Equity
	$	$	$	$	$
Balance at 1 July 2012	13,997,581	90,816	(2,761,415)	(2,235,046)	9,091,936
Loss after income tax for the year	-	-	(1,760,015)	-	(1,760,015)
Other Comprehensive Loss	-	-	-	(32,547)	(32,547)
Repatriation of Share Options Reserve	-	(90,816)	90,816	-	-
Transactions with owners in their capacity as owners					
Shares issued during the period	2,157	-	-	-	2,157
Share issue costs	(13,360)	-	-	-	(13,360)
Balance at 30 June 2013	**13,986,378**	**-**	**(4,430,614)**	**(2,267,593)**	**7,288,171**
	$	$	$	$	$
Balance at 1 July 2013	13,986,378	-	(4,430,614)	(2,267,593)	7,288,171
Loss after income tax for the year	-	-	(831,634)	-	(831,634)
Other Comprehensive Loss	-	-	-	(370,137)	(370,137)
Options issued to pay expenses	-	60,000	-	-	60,000
Transactions with owners in their capacity as owners					
Shares issued during the period	1,564,471	-	-	-	1,564,471
Share issue costs	(119,492)	-	-	-	(119,492)
Balance at 30 June 2014	**15,431,357**	**60,000**	**(5,262,248)**	**(2,637,730)**	**7,591,379**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2014

	Notes	Consolidated Group 2014 $	2013 $
Cash Flows from Operating Activities			
Receipts from customers (inclusive of GST)		**115,440**	38,981
Payments to suppliers and employees (inclusive of GST)		**(674,784)**	(864,486)
Interest received		**2,424**	14,951
Net Cash Used In Operating Activities	19b	**(556,920)**	(810,554)
Cash Flows from Investing Activities			
Exploration Expenditure		**(169,607)**	(470,588)
Purchase of plant and equipment		**(1,922)**	(2,843)
Proceeds from sale of plant and equipment		**-**	31,720
Loans to other entities		**(10,886)**	-
Loans repaid by other entities		**4,212**	-
Net Cash Used In Investing Activities		**(178,203)**	(441,711)
Cash Flows from Financing Activities			
Issue of share capital		**1,564,410**	2,156
Payments of share capital issue costs (inclusive of GST)		**(131,440)**	(13,360)
Proceeds from borrowings		**50,000**	-
Repayment of borrowings		**(50,000)**	-
Net Cash Received From (Used In) Financing Activities		**1,432,970**	(11,204)
Net Increase/(Decrease) in Cash and cash equivalents held		**697,847**	(1,263,469)
Cash and cash equivalents at the Beginning of the Financial Year		**192,926**	1,446,066
Foreign currency effect on cash held		**3,956**	10,329
Cash and cash equivalents at the End of the Financial Year	19a	**894,729**	192,926

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements include the consolidated financial statements and notes of Botswana Metals Limited and controlled entities ('Group').

Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001* as appropriate for for-profit oriented entities.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below. They have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Going Concern

The Group reported a net loss for the period after income tax of $831,634 (30 June 2013: $1,760,015) and operating cash outflows of $556,920 (30 June 2013: $810,554). At 30 June 2014 the Group had $894,729 in cash and cash equivalents (30 June 2013: $192,926).

The financial position of the Group has stabilised considerably in the year to 30 June 2014 and the Group intends to continue to conduct future exploration activities. The Directors consider that the going concern basis is appropriate for the following reasons:

- The Group has secured tenure to its key exploration assets being PL 110/94, PL 111/94 and PL 54/98 ("the three PLs") and the licences will now run to 31 March 2016.
- The extension of the three PLs coupled with the re-negotiation of the terms of the BCL farm-in joint venture agreement resulted in the agreement being activated and the commencement of BCL funded exploration activities.
- The terms of the BCL farm-in joint venture agreement required that BCL meet all expenditure required to meet the licence conditions of the three PLs.
- The Company has raised substantial additional capital totaling $1,564,471 (before costs) to meet its corporate and administration overheads, provide working capital and possibly fund exploration activities on areas outside the BCL farm-in joint venture agreement.
- The Group has continued to reduce overheads wherever possible. A partial freeze on the payment of remuneration to Directors remains in place.
- The Group is not obligated to renew its Prospecting Licences, and therefore has the ability to scale down its operations sufficiently if required.
- The Group can enter into a joint venture or sale arrangement over some of the tenements should there be a need to scale down operations.
- The Group has no material contracts with suppliers or employees (aside from standard employee entitlements).

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Going Concern (continued)

The financial statements do not include any adjustments relating to the recoverability and classification of assets and liabilities that may be necessary should the Group be unable to continue as a going concern.

Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Botswana Metals Limited at the end of reporting period. A controlled entity is any entity over which Botswana Metals Limited has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 10 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

(b) Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted of substantially enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profits will be available against which the benefits of deferred tax assets can be utilised.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Income Tax (continued)

When temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set off exists, the deferred assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(c) Farm Out Arrangements

A farm out arrangement is when the owner of a working interest (the farmor) undertakes to transfer all or a portion of its working interest to another party (the farmee) in return for the farmee's performance of agreed upon actions.

When the farmee agrees to undertake exploration works, upon the farmee meeting the required performance hurdles, the farmor transfers a portion of the working interest in the property to the farmee.

The farmor will not record any expenditure (whether this would otherwise have been capitalised or expensed immediately) that is settled by the farmee, and the farmor does not recognise a gain or loss on the basis of the partial disposal of any exploration asset that has already been capitalised.

(d) Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and Equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over their useful lives to the consolidated group commencing from the time the asset is held ready for use.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Plant and Equipment (continued)

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	15% - 25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Comprehensive Income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(e) Exploration and Development Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(f) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial Instruments (continued)

Classification and subsequent measurement

Financial instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

a. the amount at which the financial asset or financial liability is measured at initial recognition;
b. less principal repayments;
c. plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and
d. less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At the end of each reporting period, the group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial Instruments (continued)

Derecognition

Financial assets are derecognised where the contractual rights to the receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(h) Impairment of Non-Financial Assets

At the end of each reporting period, the group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Comprehensive Income.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives, or more frequently if facts or circumstances indicate an impairment may have occurred.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(i) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the Statement of Comprehensive Income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange difference arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Foreign Currency Transactions and Balances (continued)

Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at the end of the reporting period.
- Income and expenses are translated at average exchange rates for the period.
- Retained profits are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the Statement of Changes in Equity. These differences are recognised in the Statement of Comprehensive Income in the period in which the operation is disposed.

(j) Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits expected to be wholly settled have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Those benefits are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

Equity-settled compensation

The group operates equity-settled share-based payment employee share and option schemes. The fair value of the options granted is recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black-Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(k) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will results and that outflow can be reliably measured.

(l) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the Statement of Financial Position.

(m) Trade and Other Payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the group during the reporting period which remains unpaid. The balance is recognised as a current liability with the amount being normally paid within 30 days of recognition of the liability.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Revenue and Other Income

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST) or valued added tax (VAT).

(o) Goods and Services Tax (GST) and Value-Added Tax (VAT)

Revenues, expenses and assets are recognised net of the amount of GST / VAT, except where the amount of GST / VAT incurred is not recoverable from the relevant taxation authority. In these circumstances the GST / VAT is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST / VAT.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST / VAT component of investing and financing activities, which are disclosed as operating cash flows.

(p) Earnings per Share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any cost of servicing equity (other than dividends), divided by the weighted average number of ordinary shares.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- Cost of servicing equity other than dividends and preference share dividends;
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- Other non-discretionary changes in revenue or expenses during the period that would result from the dilution of potential ordinary shares, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(q) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(r) Critical Accounting Estimates and Judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Critical Accounting Estimates and Judgements (continued)

Key Estimate – Impairment

The Group assess impairment at the end of each reporting period by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment indicator exists, the recoverable amount of the assets is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates. Directors may impair capitalised expenditure in respect of licences which have, or will shortly expire, or which have been deemed to be a low priority for exploration. The directors have evaluated the recoverable amount of Capitalised Exploration and Evaluation expenditure and impaired the amount of $84,070 (2013: $877,308) accordingly. The expenditure impaired this year relates to PL 126/2011 which is due to expire on 30 September 2014 and which will not be renewed.

The Group's right to tenure is subject to ongoing renewal of its Prospecting Licences.

Key Judgements - Exploration and Evaluation Expenditure

The group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the Directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded. Such capitalised expenditure is carried at the end of the reporting period at $6,874,599 (2013: $7,105,794).

(s) New Accounting Standards for Application in Future Periods

A number of Australian Accounting Standards and Interpretations (and IFRS and IFRIC Interpretations) are in issue but are not effective for the current year end. The reported results and position of the group will not change on adoption of these pronouncements as they do not result in changes to information currently disclosed in the financial statements. The Group does not intend to adopt any of these pronouncements before their effective dates.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

(t) New, revised or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The financial statements were authorised for issue on the date of the signing of the Directors' Declaration by the Board of Directors.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 REVENUE

	Consolidated Group	
	2014	2013
	$	$
Revenue from Ordinary Activities		
Other income		
Interest	**2,684**	14,951
Recoveries	**65,804**	5,756
Rent	**44,655**	38,513
Gain on disposal of assets	**-**	31,720
	113,143	90,940

NOTE 3 EXPENDITURE

	Consolidated Group	
	2014	2013
	$	$
Administration		
Office expenses	**106,023**	68,296
Depreciation expense	**38,895**	17,828
Rental expense	**76,293**	101,458
Travel expenses	**43,740**	54,342
Other expenses	**8,322**	65,965
	273,273	307,889

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 INCOME TAX EXPENSE

	Consolidated Group	
	2014	2013
	$	$
The prima facie tax on profit from ordinary activities before income tax is reconciled to income tax as follows:		
Profit/(loss) before income tax expense	**(831,634)**	(1,760,015)
Prima facie tax payable on profit / (loss) from ordinary activities before income tax at 30% (2013: 30%)	**(249,490)**	(528,004)
Add:		
Tax effect of		
- Accrued remuneration to directors and management	**95,250**	
- Non- deductible expenses	**4,037**	6,467
Less		
Tax effect of:		
- Accrued expenses paid during the year	**(30,920)**	
- Overprovision from prior year	**-**	(2,526)
	(181,123)	(524,063)
Prior year tax losses not previously brought to account	**(1,981,036)**	(1,456,973)
The Directors estimate that the potential deferred income tax assets at 30 June in respect of tax losses not brought to account is:	**(2,162,159)**	(1,981,036)
Tax benefits not recognised during the year		1,981,036
Income Tax Expense for the year	**-**	-

Tax benefits are not brought to account for the year ended 30 June 2014 (2013: nil) as the certainty of recovery cannot yet be reliably determined at this stage of the Group's development.

NOTE 5 KEY MANAGEMENT PERSONNEL

(a) Names and positions held of economic and parent entity key management in office at any time during the financial year are:

Key Management Person	**Position**
Mr P Volpe	Chairman - Executive
Mr M Cellante	Director - Non-executive
Dr P Woolrich	Director - Non-executive
Mr R Baker	Company Secretary (resigned 21/08/2013)
Mr R Jimenez	Company Secretary (appointed 21/08/2013)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 5 KEY MANAGEMENT PERSONNEL (CONTINUED)

(b) Remuneration paid to Key Management Personnel

	Consolidated Group	
	2014	2013
	$	$
Short-term employee benefits	**111,333**	540,000
Post-employment benefits	**578**	16,200
Total	**111,911**	556,200

Remuneration of $317,500 for Key Management Personnel was accrued and unpaid at 30 June 2014.

NOTE 6 REMUNERATION OF AUDITORS

	Consolidated Group	
	2014	2013
	$	$
Remuneration of the auditor of the entity for:		
- Audit or review of the financial statements	**20,000**	18,800

NOTE 7 EARNINGS PER SHARE ("EPS")

	Consolidated Group	
	2014	2013
	$	$
a) Reconciliation of losses to profit or loss		
Loss used to calculate basic and diluted EPS	**(831,634)**	(1,760,015)
	No.	No.
b) Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share	**394,123,782**	188,135,837
c) Anti-dilutive options on issue not used in dilutive EPS calculation	**410,449,608**	-

NOTE 8 CASH AND CASH EQUIVALENTS

	Consolidated Group	
	2014	2013
	$	$
Cash at bank and in hand	**95,054**	28,600
Call deposit	**799,675**	111,146
Term deposit	**-**	53,180
	894,729	192,926

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 9 TRADE AND OTHER RECEIVABLES

	Consolidated Group	
	2014	2013
	$	$
Current		
Trade & Other Receivables	**196,973**	41,725
	196,973	41,725

NOTE 10 CONTROLLED ENTITIES

	Country of Incorporation	Principal Activity	Class of Share	Equity Holding	
				2014	2013
				%	%
African Metals (Pty) Ltd	Botswana	Mineral Exploration	Ordinary	**100**	100

NOTE 11 PLANT AND EQUIPMENT

	Consolidated Group	
	2014	2013
	$	$
Plant and equipment		
At cost	**334,905**	429,241
Accumulated Depreciation	**(294,711)**	(313,396)
	40,194	115,845

Movements in Carrying Amounts

	Consolidated Group	
	2014	2013
	$	$
Balance at 1 July	**115,845**	230,894
Additions	**1,614**	2,843
Disposals	**-**	-
Depreciation charged	**(76,061)**	(117,734)
Foreign currency translation	**(1,204)**	(158)
Balance at 30 June	**40,194**	115,845

Depreciation of $37,166 (2013: $99,906) was capitalised as exploration expenditure during the year and was not expensed.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 12 CAPITALISED EXPLORATION AND EVALUATION

The exploration and evaluation expenditure relates to the consolidated entity's projects in Botswana.

	Consolidated Group	
	2014	2013
	$	$
Capitalised exploration and evaluation (at cost)	**6,874,599**	7,105,794
Movements in carrying values		
Balance at beginning of year	**7,105,794**	7,551,554
Expenditure during the year	**200,868**	470,588
Expenditure impaired during the year	**(84,070)**	(877,308)
Foreign currency translation	**(347,993)**	(39,040)
Balance at year end	**6,874,599**	7,105,794

Recoverability of the carrying amount of exploration assets is dependent on the successful exploration and sale of base and precious metals.

Capitalised depreciation of $37,166 (2013: $99,906) is included in exploration expenditure this year.

NOTE 13 TRADE AND OTHER PAYABLES

	Consolidated Group	
	2014	2013
	$	$
Current		
Unsecured liabilities		
Trade Payables	**60,504**	16,211
Sundry payables and accrued expenses	**37,112**	149,108
Accrued remuneration owing to Directors	**317,500**	-
Amounts payable to:		
- Amount payable to Director related Entity	**-**	2,800
	415,116	168,119

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 14 ISSUED CAPITAL

	Consolidated Group	
	2014	2013
	$	$
568,606,489 (2013: 188,156,881) fully paid ordinary shares	**15,431,357**	13,986,378
410,449,608 options (2013: Nil) exercisable at 1.5 cents per option and expiring 31 December 2016	**-**	-
	15,431,357	13,986,378

(a) Ordinary Shares

	Date	Number of Shares		Issue Price ($)		$	
		2014	2013	**2014**	2013	**2014**	2013
At the beginning of the reporting period		**188,156,881**	188,135,317			**13,986,378**	13,997,581
Shares issued during the year							
- rights issue	13/03/2012						
- rights issue	04/04/2012						
- rights issue	13/04/2012						
- exercise of options	17/06/2013		9,064		0.10		907
- exercise of options	26/06/2013		12,500		0.10		1,250
- rights issue	30/10/2013	**282,235,323**	-	**0.002**	-	**564,471**	-
- placement	03/04/2014	**62,500,000**	-	**0.008**	-	**500,000**	-
- placement	10/06/2014	**35,714,285**	-	**0.014**	-	**500,000**	-
Costs associated with capital raising						**(119,492)**	(13,360)
At reporting date		**568,606,489**	188,156,881			**15,431,357**	13,986,378

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding-up of the Company in proportion to the number of and amounts paid on the shares held.

At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

The company's ordinary shares have no par value, and the company does not have a limited amount of authorised capital.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 14 ISSUED CAPITAL (CONTINUED)

(b) Capital Management

Management controls the capital of the group in order to maintain a good debt to equity ratio and ensure that the group can fund its operations and continue as a going concern.

The group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the group's capital by assessing the group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels and share issues.

There have been no changes in the strategy adopted by management to control the capital of the group since the prior year. The strategy is to ensure that the group's gearing ratio has minimal debt. The gearing ratios for the year ended 30 June 2014 and 30 June 2013 are as follows:

		Consolidated Group	
		2014	2013
	Note		$
Total borrowings	13	**415,116**	168,119
Less cash and cash equivalents	8	**(894,729)**	(192,926)
Net debt		**(479,613)**	(24,807)
Total equity		**7,591,379**	7,288,171
Total capital		**7,111,766**	7,263,364
Gearing ratio		**(6.7%)**	(0.3%)

(c) Options

Information relating to employee share option plan is set out in Note 20: Share-based Payments.

During the year a total of 380,449,608 options to acquire ordinary shares exercisable at 1.5 cents per option expiring 31 December 2016 were issued at no cost on a one-for-one attaching basis with fully paid ordinary shares issued under a rights issue and two placements.

In addition the Company issued 30,000,000 of the same options in satisfaction of fees totalling $60,000 owed by the Company to a third party and otherwise payable by the Company in cash.

At 30 June 2014 there were 410,449,608 (2013: Nil) unissued ordinary shares under option.

NOTE 15 RESERVES

Nature and Purpose of Reserves

Foreign Currency Translation reserve

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary as described in Note 1(h).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 15 RESERVES (CONTINUED)

Nature and Purpose of Reserves (continued)

Option reserve
The option reserve records the grant date fair value of options issued by the Company.

NOTE 16 CAPITAL AND LEASING COMMITMENTS

	Consolidated Group	
	2014	2013
	$	$
Planned Exploration Expenditure		
Payable		
- not later than 12 months	**2,781,942**	4,442,132
- between 12 months and 5 years	**2,957,852**	248,018
- greater than 5 years	**-**	-
	5,739,794	4,690,150

The estimated figures include amounts submitted to the Department of Geological Survey in Botswana in order to maintain the Group's current rights of tenure to exploration and mining tenements up until the expiry of the leases including the group's joint venture commitments. These obligations are subject to renegotiation upon expiry of the leases and are not provided for in the financial statements. The activation of the farm-in joint venture agreement with BCL Limited ("BCL") has resulted in BCL being obligated to fund a significant portion of the above planned expenditure.

The Group anticipates future expenditure on its current rights of tenure to exploration and mining tenements up until the expiry of its current Prospecting Licences and on tenement renewals and extensions that have been applied for but not yet granted, which are included in the above table. In the event the Group does not meet the minimum exploration expenditure the licences may be cancelled or not renewed.

	Consolidated Group	
	2014	2013
	$	$
Lease of Premises		
Payable		
- not later than 12 months	**8,127**	49,038
- between 12 months and 5 years	**-**	-
- greater than 5 years	**-**	-
	8,127	49,038

The company occupies premises provided by Cohiba Minerals Limited which is considered a related party. Further information is contained in Note 22. The company pays rent of $1,161 per month for the use of the office and the current lease ends on 9 February 2015.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 17 CONTINGENT LIABILITIES

Magogaphate Tenement Acquisition

Although the Company acquired a 100% interest in the Magogaphate group of tenements in Botswana from A-Cap Resources Limited in 2007, Mineral Holdings Botswana (Pty) Ltd has retained a right to a 5% net profits share. The Group therefore, has a contingent liability to Mineral Holdings Botswana (Pty) Ltd should it establish a profitable mining operation on those tenements.

NOTE 18 SEGMENT INFORMATION

The Company operates in one reportable segment, being the exploration and evaluation of mineral resources in Africa.

NOTE 19 CASH FLOW INFORMATION

	Consolidated Group	
	2014	2013
	$	$
(a) Reconciliation of cash		
For the purposes of the statement of cash flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position.		
Cash at bank and on hand	**95,054**	28,600
Call Deposit	**799,675**	111,146
Term Deposit	**-**	53,180
	894,729	192,926

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 19 CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of Cash Flow from Operations with Loss after Income Tax

Operating Loss after income tax	**(831,634)**	(1,760,015)
Non–Cash flows in loss		
- Depreciation	**38,895**	104,057
- (Profit) / loss on sale of assets	**-**	(31,720)
- Impairment of capitalised exploration expenditure	**84,070**	887,308
- Expenses settled by issue of options	**60,000**	-
Changes in assets and liabilities		
- (Increase)/decrease in receivables	**(155,248)**	70,893
- Increase/(decrease) in trade and other payables	**246,997**	(81,077)
Net cash (outflow) from operating activities	**(556,920)**	(810,554)

	Consolidated Group	
	2014	2013
	$	$
Non-Cash Financing and Investing Activities		
Capitalised depreciation for Plant and Equipment	**37,166**	99,906

NOTE 20 SHARE-BASED PAYMENTS

The Company established the Executive and Employee Option Plan on 2 July 2008. All employees are entitled to participate in the scheme at the discretion of the Directors and upon terms stipulated by the directors.

The options are issued for no consideration and carry no entitlements to voting rights or dividends of the group.

There are no outstanding options issued under the Executive and Employee Option Plan.

During the year the Company issued 30,000,000 options to acquire new fully paid ordinary shares exercisable at 1.5 cents ($0.015) per option and expiring on 31 December 2016. The options were issued in satisfaction of fees of $60,000 owing by the Company to a third party that were otherwise payable in cash. The market value of the options was $60,000 at the date that the Company and third party agreed to the issue of the options. Due to the need to obtain shareholder approval, the options were not issued until a later date. There were no other share based payments.

For the year ended 30 June 2013 there were no share-based payments.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 21 EVENTS AFTER THE END OF THE REPORTING PERIOD

Other than the matters discussed below, there has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company to affect the operations of the consolidated entity, the results of these operations or the state of affairs of the consolidated entity in subsequent years.

Exercise of Listed Options
A total of 215,675 options exercisable at 1.5 cents ($0.015) per option expiring on 31 December 2016 were exercised and $3,235 was received by the Company. The Company issued 215,675 new fully paid ordinary shares on the exercise of the options.

Exploration Activities – BCL Joint Venture
Drilling and sampling continued at Maibele North. A total of 286 samples of massive, semi-massive and disseminated sulphide mineralisation were cut and dispatched from BCL to SGS South Africa Pty Ltd where assays for nickel, copper, platinum group elements and other base metals will be undertaken. The samples will also undergo metallurgical test work to determine compatibility for processing in the BCL plant and smelter. As at the date of this report the laboratory results are still pending.

NOTE 22 RELATED PARTY INFORMATION

	Consolidated Group	
	2014	2013
	$	$
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.		
Key Management Personnel		
Consulting fees paid/payable to Woolrich & Associates Pty Ltd, a company of which Dr P Woolrich is a Director and shareholder.	**4,750**	58,750
Rent received from Cardia Bioplastics Limited, a listed public company of which Mr P J Volpe is a Director and shareholder.	**(17,502)**	(29,167)
Contracting fees paid by African Metals (Pty) Ltd to Cam Bow Holdings (Pty) Ltd, a wholly-owned subsidiary of Cam Bow Limited, a company of which Mr P J Volpe is a Director and shareholder.	**-**	6,462
Contracting fees received by African Metals (Pty) Ltd from Cam Bow Holdings (Pty) Ltd, a wholly-owned subsidiary of Cam Bow Limited, a company of which Mr P J Volpe is a Director and shareholder.	**-**	(5,973)
Capital raising fees paid to Foxfire Capital Pty Ltd, a company of which Mr P J Volpe is a consultant and shareholder.	**41,811**	**-**
Fees for office facilities received from Cohiba Minerals Limited, a company of which Mr P J Volpe is a director and shareholder.	**(9,000)**	**-**
Rent paid to Cohiba Minerals Limited, a company of which Mr P J Volpe is a director and shareholder.	**5,278**	**-**
Payments made on behalf of Cam Bow Holdings (Pty) Ltd, a company of which Mr P J Volpe is a director and shareholder.	**9,575**	**-**
	34,912	30,072

NOTE 22 RELATED PARTY INFORMATION (CONTINUED)

Directors

The names of persons who were Directors of Botswana Metals Limited at any time during the year are as follows: Mr P J Volpe, Dr P Woolrich and Mr M L Cellante. During the year ended 30 June 2013 the names of persons who were Directors of Botswana Metals Limited at any time during the year are as follows: Mr P J Volpe, Dr P Woolrich and Mr M L Cellante.

Specified Executives

Mr R C Baker and Mr R Jimenez were the only Specified Executives in the role as Company Secretary during the year. During the year ended 30 June 2013, Mr R C Baker was the only Specified Executive.

Remuneration

Information on remuneration of Directors and the Specified Executives is disclosed in the Remuneration Report and Note 5 to the financial statements. Remuneration is paid or accrued to the Director/Executive or to a related company for the provision of the services of the person.

Other Transactions with Directors and Director-Related Entities

During the year the Company borrowed $50,000 from Trayburn Pty Ltd ("Trayburn"). Mr P J Volpe, a Director and substantial shareholder of the Company, is also a Director and substantial shareholder of Trayburn. The loan provided working capital for the Company pending the completion of the rights issue. The loan was unsecured, interest free and was fully repaid out of the proceeds of the rights issue.

Ownership Interests in Related Parties

Interests held in the following classes of related parties are set out in the following notes:

Controlled Entities Note 10

NOTE 23 FINANCIAL RISK MANAGEMENT

(a) Financial Risk Management Policies

The consolidated group's financial instruments consist mainly of deposits with banks and accounts receivable and payable.

(i) Treasury Risk Management

The Board of Directors meets on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

The Board's overall risk management strategy seeks to assist the consolidated group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

(ii) Financial Risk Exposures and Management

The main risk the group is exposed to through its financial instruments is liquidity risk.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 23 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial Risk Management Policies (continued)

(ii) Financial Risk Exposures and Management (continued)

Liquidity Risk

Liquidity risk arises from the possibility that the group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The group manages liquidity risk by monitoring forecast cash flows and only investing surplus cash with major financial institutions. For further commentary on the Group's liquidity risk profile please refer to the Going Concern note contained in Note 1.

Foreign Currency Risk

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations. The consolidated entity also has exposure to foreign exchange risk due to the currency cash reserves and other balances denominated in foreign currencies. The consolidated entity does not actively manage foreign currency risk and does not make use of derivative financial instruments.

(b) Net Fair Values

The net fair values of financial assets and liabilities approximate their carrying values due to their short-term nature.

NOTE 24 PARENT ENTITY DISCLOSURES

Financial Position	**2014**	2013
	$	$
Assets		
Current assets	**945,426**	224,063
Non-current assets	**11,890,198**	11,648,426
Total assets	**12,835,624**	11,872,488
Liabilities		
Current liabilities	**388,772**	145,064
Non-current liabilities	**-**	-
Total liabilities	**388,772**	145,064
Equity		
Issued capital	**15,431,357**	14,077,194
Reserves	**60,000**	-
Accumulated losses	**(3,044,505)**	(2,349,769)
Total equity	**12,446,852**	11,727,425

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 24 PARENT ENTITY DISCLOSURES (CONTINUED)

Financial Performance

	2014	2013
		$
Loss for the year	**(785,552)**	(868,338)
Other comprehensive income	**-**	-
Total comprehensive loss	**(785,552)**	(868,338)

Guarantees, contingent liabilities and contractual commitments

The subsidiary company has expenditure commitments to maintain its current rights of tenure to exploration and mining tenements up until the expiry of the leases including its joint venture commitments. These obligations are subject to renegotiation upon expiry of the leases and are not provided for in the financial statements. The parent entity has committed to providing funds to ensure the subsidiary company can fulfil these commitments as well as any other operating commitments.

NOTE 25 COMPANY DETAILS

The principal place of business and registered office is:
Suite 506, Level 5
1 Princess Street
Kew, Victoria 3101

DIRECTORS' DECLARATION

1. The Directors declare that the financial statements and notes set out on pages 34 to 60 are in accordance with the *Corporations Act 2001* and:

a. comply with International Financial Reporting Standards, as stated in Note 1 to the financial statements;

b. comply with Accounting Standards, the Corporations Regulations 2001; and

c. give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the company and economic entity.

2. The Executive Chairman and Company Secretary have each declared that:

a. the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;

b. the financial statements and notes for the financial year comply with the Accounting Standards; and

c. the financial statements and notes for the financial year give a true and fair view.

3. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

P J Volpe
Director
Dated 30 September 2014
Kew, Victoria

William Buck

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BOTSWANA METALS LIMITED AND CONTROLLED ENTITIES

Report on the Financial Report

We have audited the accompanying consolidated financial report of Botswana Metals Limited (the Company) and the entities it controlled at year's end or from time to time during the financial year (the consolidated entity) on pages 34 to 60. The consolidated financial report comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

CHARTERED ACCOUNTANTS & ADVISORS

Melbourne Office
Level 20, 181 William Street
Melbourne VIC 3000

Hawthorn Office
Level 1, 465 Auburn Road
Hawthorn East VIC 3123

PO Box 185, Toorak VIC 3142
Telephone: +61 3 9824 8555
williambuck.com

William Buck

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BOTSWANA METALS LIMITED AND CONTROLLED ENTITIES (CONT)

Auditor's Opinion

In our opinion:

a) The financial report of the consolidated entity on pages 34 to 60 is in accordance with the Corporations Act 2001, including:
   i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2014and of its performance for the year ended on that date; and
   ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the financial report, which indicates that the consolidated entity incurred a net loss of $831,634 (2013: $1,760,015) and had net operating cash outflows of $556,920 (2013: $810,554) for the year ended 30 June 2014. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern and therefore the entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 22 to 26 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Botswana Metals Limited for the year ended 30 June 2014, complies with section 300A of the Corporations Act 2001.

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the consolidated financial report of Botswana Metals Limited for the year ended 30 June 2014 included on company's web site. The company's directors are responsible for the integrity of the company's web site. We have not been engaged to report on the integrity of the company's web site. The auditor's report refers only to the financial report. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

William Buck

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136

R. H. Dummett
Director
Dated this 30th day of September, 2014

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 26 September 2014.

(A) NUMBER OF HOLDERS OF EACH CLASS OF

Ordinary Shares

2,199 holders

Options over Ordinary Shares

432 holders

(B) DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of equity security holders by size of holding:

Ordinary Shares

	Holders	Units	Percentage
1 – 1,000	273	131,392	0.02
1,001 – 5,000	332	961,207	0.17
5,001 – 10,000	186	1,502,197	0.27
10,001 – 100,000	825	37,070,482	6.51
100,001 and over	583	529,156,886	93.03
	2,199	**568,822,164**	**100.00**

There were 1,088 holders of less than a marketable parcel of ordinary shares.

Options (1.5 cents exercise price, expiring 31/12/2016)

	Holders	Units	Percentage
1 – 1,000	3	1,337	>0.01
1,001 – 5,000	13	36,041	0.01
5,001 – 10,000	16	120,266	0.03
10,001 – 100,000	115	6,166,215	1.50
100,001 and over	285	403,909,714	98.46
	432	**410,233,933**	**100.00**

There were 99 holders of less than a marketable parcel of options

(C) EQUITY SECURITY HOLDERS

The names of the twenty largest holders of quoted Ordinary Shares are listed below:

	Ordinary Shares	
	Number Held	Percentage of Issued Shares
Vermar Pty Ltd / Trayburn Pty Ltd	73,827,897	12.98
Bell IXL Investments Pty Ltd / Cellante Securities Pty Ltd	25,529,729	4.49
Polarity B Pty Ltd	23,288,716	4.09
Mr Itzhak Benedikt	12,721,833	2.24
NLK Holdings Pty Ltd	12,200,000	2.14
YAD Investments Pty Ltd	10,970,000	1.93
Mining Investments Limited	7,500,000	1.32

Kumova Securities Pty Ltd	7,000,000	1.23
Kong Loong Wong	6,350,000	1.12
Riotek Pty Ltd	6,025,084	1.06
Mr Peter James Young and Mrs Marie Olive Young	6,000,000	1.05
Citicorp Nominees Pty Ltd	5,976,292	1.05
Mrs Ratchaporn Songprasit	5,875,000	1.03
Jascot Rise Pty Ltd	5,274,950	0.93
ABN Amro Clearing Sydney Nominees Pty Ltd	5,220,352	0.92
Kushkush Investments Pty Ltd	5,000,000	0.88
Mr Rex Hsuan Yin Lin	5,000,000	0.88
Pabasa Pty Ltd	5,000,000	0.88
Claric 182 Pty Ltd	4,889,137	0.86
Celtic Capital Pty Ltd	4,500,000	0.79
	238,148,990	**41.87**

The names of the twenty largest holders of quoted Options are listed below:

	Options	
	Number Held	**Percentage of Issued Options**
Vermar Pty Ltd / Trayburn Pty Ltd	44,296,738	10.80
Polarity B Pty Ltd	18,548,855	4.52
Cellante Securities Pty Ltd	15,000,000	3.66
Kong Loong Wong	15,000,000	3.66
Mr Frank Weng Thong Chew	11,106,000	2.71
YAD Investments Pty Ltd	10,000,000	2.44
Mr Sufian Ahmad	9,010,000	2.20
Kushkush Investments Pty Ltd	9,000,000	2.19
Code Nominees Pty Ltd	9,000,000	2.19
S H Rayburn Nominees Pty Ltd	8,000,000	1.95
Kumova Securities Pty Ltd	7,000,000	1.71
CBN Enterprises Pty Ltd	6,150,000	1.50
Mr Rex Hsuan Yin Lin	5,000,000	1.22
Pabasa Pty Ltd	5,000,000	1.22
Toro De Plata Pty Ltd	4,240,000	1.03
Mr Cheyne Michael Dunford	4,210,462	1.03
F C Investments Pty Ltd	4,125,000	1.01
NLK Holdings Pty Ltd	4,000,000	0.98
Mrs Ratchaporn Songprasit	3,700,000	0.90
Mr Graeme Alan Menzies	3,700,000	0.90
	196,087,055	**47.82**

SHAREHOLDER INFORMATION (CONTINUED)

(D) SUBSTANTIAL SHAREHOLDERS

Substantial shareholders in the Company are:

	Ordinary Shares	
	Number Held	Percentage of Issued Shares
Vermar Pty Ltd / Trayburn Pty Ltd	73,827,897	12.98

(E) VOTING RIGHTS

The voting rights attaching to each class of equity security are set out below:

Ordinary Shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options

No voting rights.

SCHEDULE OF INTERESTS IN MINING TENEMENTS

Tenement	Renewal / Expiry Date	Percentage Holding	Title Holder	Comment
Magogaphate PL 110/94	31/03/2016	100	African Metals (Pty) Ltd	Mineral Holdings (Botswana) Pty Ltd holds 5% net profits share. Licence renewed on 1 April 2014 for two years.
Mokoswane PL 111/94	31/03/2016	100	African Metals (Pty) Ltd	Mineral Holdings (Botswana) Pty Ltd holds 5% net profits share. Licence renewed on 1 April 2014 for two years.
Takane PL 54/98	31/03/2016	100	African Metals (Pty) Ltd	Mineral Holdings (Botswana) Pty Ltd holds 5% net profits share. Licence renewed on 1 April 2014 for two years.
Shashe South PL 059/2008	30/09/2013	100	African Metals (Pty) Ltd	Application for renewal submitted 28 June 2013
Central PL 070/2008	30/09/2013	100	African Metals (Pty) Ltd	Application for renewal submitted 28 June 2013
Central Sampa PL 111/2011	30/06/2014	100	African Metals (Pty) Ltd	Application for renewal submitted 27 March 2014.
Xia2 PL126/2011	30/09/2014	100	African Metals (Pty) Ltd	Tenement will not be renewed.

On 26 June 2013 the Company objected to the decision of the Department of Mines in Botswana to reject the renewal applications for PL360/2008 and PL158/2009. The Company is yet to receive a formal response to the objection.