BOTSWANA METALS LIMITED
AND ITS CONTROLLED ENTITIES
ACN 122 995 073

ANNUAL REPORT
30 JUNE 2012

CONTENTS

CORPORATE DIRECTORY

Directors:	Patrick John Volpe (Executive Chairman) Massimo Livio Cellante Paul Woolrich
Company Secretary:	Richard Charles Baker
Registered Office:	Suite 5, Level 1 310 Whitehorse Road BALWYN VICTORIA 3103 Telephone (03) 9830 7676 Facsimile (03) 9836 3056
Share Registry:	Advanced Share Registry Services Limited 150 Stirling Highway NEDLANDS WA 6009 Telephone (08) 9389 8033 Facsimile (08) 9389 7871
Banker:	Bank of Melbourne Level 8 530 Collins Street MELBOURNE VIC 3000
Auditor:	William Buck Audit (Vic) Pty Ltd 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

In a globally challenging year for the exploration and mining industry, several factors including the European crisis, the slowdown in China and USA economic situation have put pressure on commodity prices and in particular that of base metals.

However moving into the future, copper has been forecast to be in strong demand with supply expected to tighten.

In 2012, our Company remained focused in Botswana, at its three recent discovery projects at Maibele North, Airstrip Copper and Dibete. These discoveries are significant for Copper, Nickel and Silver mineralisation. During 2012, shareholders were invited to participate in a rights issue to raise additional funds for the Company to continue its exploration in these areas.

All three projects have mineralisation that remains open with the potential to add to the mineral resources discovered to date. Whilst initial JORC compliant resources were calculated at Airstrip and Dibete, your Board believes that the three projects along with other targets identified, have more exploration potential in the highly prospective Limpopo belt located on the east side of Botswana.

Outside of these three major projects, another 23 anomalies have been identified from the recently flown Electromagnetic ("VTEM") survey with no prior drilling conducted on these targets. The potential for additional discoveries remain high.

Botswana Metals has made three discoveries for Copper, Nickel and Silver with the mineralisation still open.
23 VTEM targets have been identified.
These discoveries are located just 55km north east of BCL's Nickel-Copper smelter and 80km south from the Tati Nickel mine.

Our Company's exploration portfolio covers circa 2,300 square km and is situated just 80km to the south of the Tati Nickel mine and circa 55km to the north east of the Selebi Phikwe mine and Smelter owned by BCL with its equity holders being the Botswana Government and the Russian Company Norilsk - one of the largest copper nickel miners in the world.

Your Board believes that our exploration area has been grossly underexplored in the past and has the potential to become a major base and precious metals mineralised belt.

In the west of Botswana, major successes have resulted from copper discoveries made by companies such as Discovery Metals Limited, Hana Mining and New Hana Mining along with MOD Mining Limited has shown the value the market has placed on these significant discoveries. Botswana Metals Limited believes that the Limpopo belt in the northeast side Botswana has the potential to generate similar interest.

In order to progress our Company's vast exploration opportunities in the current poor environment for exploration funding, your Board has entered into negotiations with a major local company that has mining and smelter operations in Botswana. The objective is to seek a joint relationship for exploration and development funding to move these three projects closer to an economical mining operation.

Whilst no guarantee of an outcome can be made, these discussions are continuing and would be both a positive and a strategic outcome for Botswana Metals Limited moving forward.

BOTSWANA METALS IS IN DISCUSSIONS WITH A LOCAL SMELTER GROUP IN ORDER TO DEVELOP THESE THREE BASE METAL PROJECTS.

Your Board has been active in ensuring the Company's exploration portfolio tenure remains intact. In this respect several licences were renewed by the Department of Mines in 2012.

An extension application has been submitted on PL 110/94 which is pending a formal response from the Department.

In addition, the Company has been in close communication with the Department of Mines in respect to lodging a retention application on several of its licences in accordance to the relevant Mines and Minerals Act of Botswana.

Whilst the Department have been supportive of this approach and your Board sees no reason why these applications, when submitted, will not be processed in the Company's favour, no warranties can be assured as to this outcome.

During the year the Company commenced feasibility studies into developing the Maibele North nickel-copper deposit and the Airstrip / Dibete copper-silver deposits. As part of this study the Company completed a Preliminary Environmental Impact Assessment and its subsequent Scoping Study Report was accepted by the Department of Environmental Affairs to enable progression to a detailed Environmental Impact Assessment.

The local Chiefs, officials and villagers have indicated strong support for Botswana Metals Limited should our projects advance to mining. A full Environmental Impact Assessment is expected to commence in the last quarter of 2012.

Our base in Botswana is located close to site and is managed by our local onsite Chief Geologist along with the local team that have worked together over the past three years. Our team is now being recognised for their local geological knowledge and expertise over the Limpopo belt and are supported by an experienced technical team from Australia who have spent many years in Botswana.

With the potential to continue our exploration success, your Board believes that shareholders value will be re- rated and reflected in the market capitalisation of the Company accordingly.

I wish to thank our shareholders for their support.

Pat Volpe
Chairman
27 September 2012

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 2012.

DIRECTORS

The following persons were Directors of the Company during the whole of the financial year:

Patrick John Volpe (Executive Chairman)

Massimo Cellante

Paul Woolrich

COMPANY SECRETARY

The Company Secretary is Richard Charles Baker, M.Commercl Law, B.Ec., CPA. Mr Baker has qualifications in both law and economics and has held similar positions with other listed companies over the past 8 years. Previously he worked in accounting positions for many years.

PRINCIPAL ACTIVITIES

The Company's principal activities during the year have been the continuing exploration of its tenement portfolio in Botswana.

There were no significant changes in the nature of the Company's principal activities during the financial year.

OPERATING RESULTS

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

	2012	2011
	$	$
Operating loss after income tax	**(1,107,274)**	(2,187,448)
Net loss attributable to members of the Group	**(1,107,274)**	(2,187,448)

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 founders and by current members of the BML Board 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 the fifth 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.

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 complete the feasibility studies on these three discoveries and to progress them to the mine development stage. At the same time our Company will continue to explore and work to identify other exploration targets with the potential to further value add to the Company's portfolio with the objective of advancing projects from exploration to defined mineral resources.

The vast number of exploration targets is also being ranked and a strategy of working these either 100% or in partnership is also being pursued.

BML's objective is to expand its exploration activities and grow its mineral resources into a cash flow positive and profitable business.

PROSPECT LOCATIONS

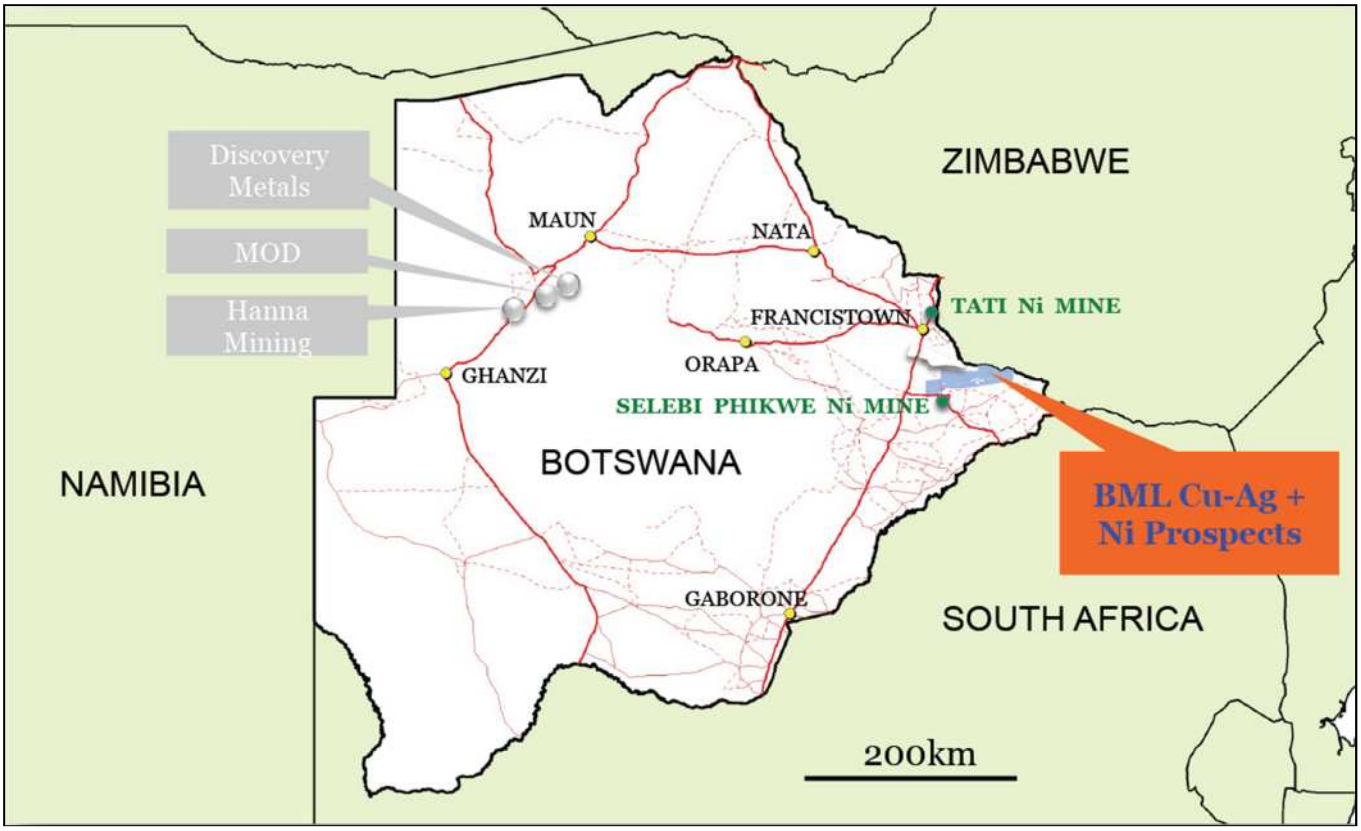

Figure 1: Overview of BML's exploration portfolio of Prospecting Licences and there location in Botswana.

BML's tenements (figure 1) are situated in the northeast of Botswana on a belt known as the Limpopo belt that extends from Zimbabwe into Botswana. The tenements are directly between the major nickel producing mines of Selebi Phikwe to the southwest, and Tati Nickel to the north. BML controls circa 2,300 square kilometres of highly prospective exploration ground in its Prospecting Licence ("PL") portfolio (figure 2).

These PL's 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 deposits operated by BCL, which have been in operation since the 1970's

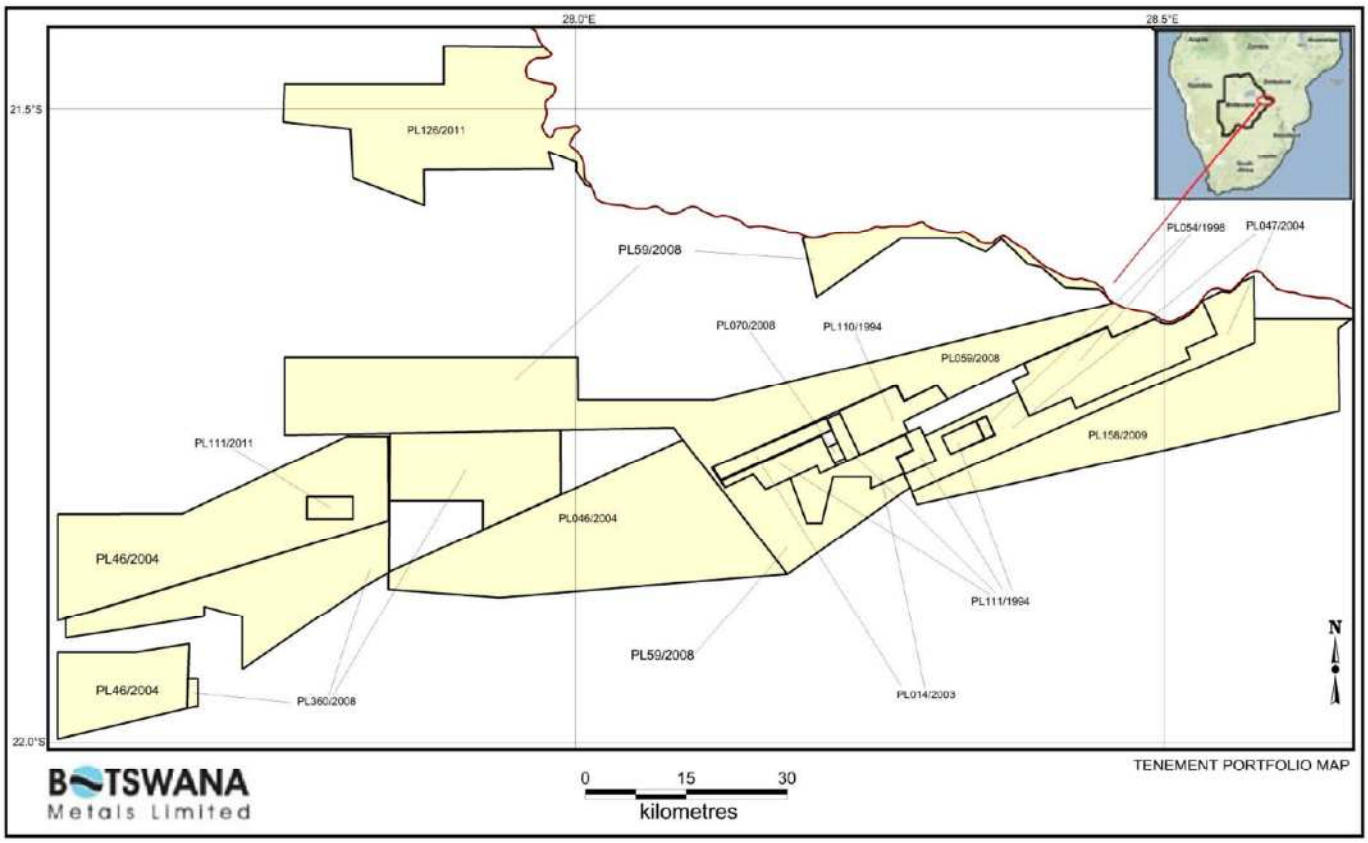

Figure 2: Current BML Tenement that cover circa 2,300km along the Limpopo Belt on the East of Botswana.

EXPLORATION REPORT

Highlights

- All Prospecting Licences are 100% owned by BML;
- Exploration portfolio covers circa 2,300 square kilometres;
- Three discoveries: Airstrip Copper copper-silver, Maibele North nickel-copper and Dibete copper-silver projects;
- Initial JORC compliant Resources at Airstrip and Dibete;
- Exploration Target estimate at Maibele North with a drilling program to bring it to a JORC compliant resource;
- At Takane: 23 previously unknown VTEM anomalies identified;
- Within the exploration portfolio other prospective targets identified;
- Retention Licence application ready for submission;
- 55km from Selebi Phikwe smelter;
- Discussions with local smelter as potential strategic partner;
- Feasibility studies commenced in 2011 on developing the Maibele North nickel-copper and the Airstrip and Dibete copper-silver projects;
- Environmental Impact Assessment studies commenced in 2012 with preliminary and scoping study reports completed and accepted; and
- Local village support for potential mine development.

BML focused on its three base metal discoveries at PL110/94 (Airstrip Copper and Maibele North) and PL111/94 (Dibete) and on its eastern tenement- PL54/98 (Takane) during the year. Drilling during the period was followed up with additional soil sampling, Induced Polarisation ("IP") and Magnetic surveys to identify extended and new targets as the focus for the 2013 exploration program.

Figure 3 highlights the VTEM anomalies identified and the location of the three base metal deposits discovered over BML's tenements.

The Company was able to obtain an initial JORC compliant resource at both Airstrip and Dibete with additional drilling required to bring Maibele North to JORC compliant status.

Feasibility studies commenced at both Maibele North nickel-copper and Airstrip / Dibete copper-silver deposits. An Environmental Impact Study commenced with a Preliminary Environmental Impact Assessment report and scoping study completed and lodged with the Department of Environmental Affairs. Meetings with the local village authorities confirm their support for any potential mining operations within our licences.

BML has prepared applications for a retention licence to cover the PL's covering these mineral deposits, and expects to lodge these by the end of September 2012.

During the year several meetings and due diligence was conducted between BML and a local smelter who has expressed an interest in BML's base metal projects. Whilst no formal agreement has been reached discussions are at an advanced stage.

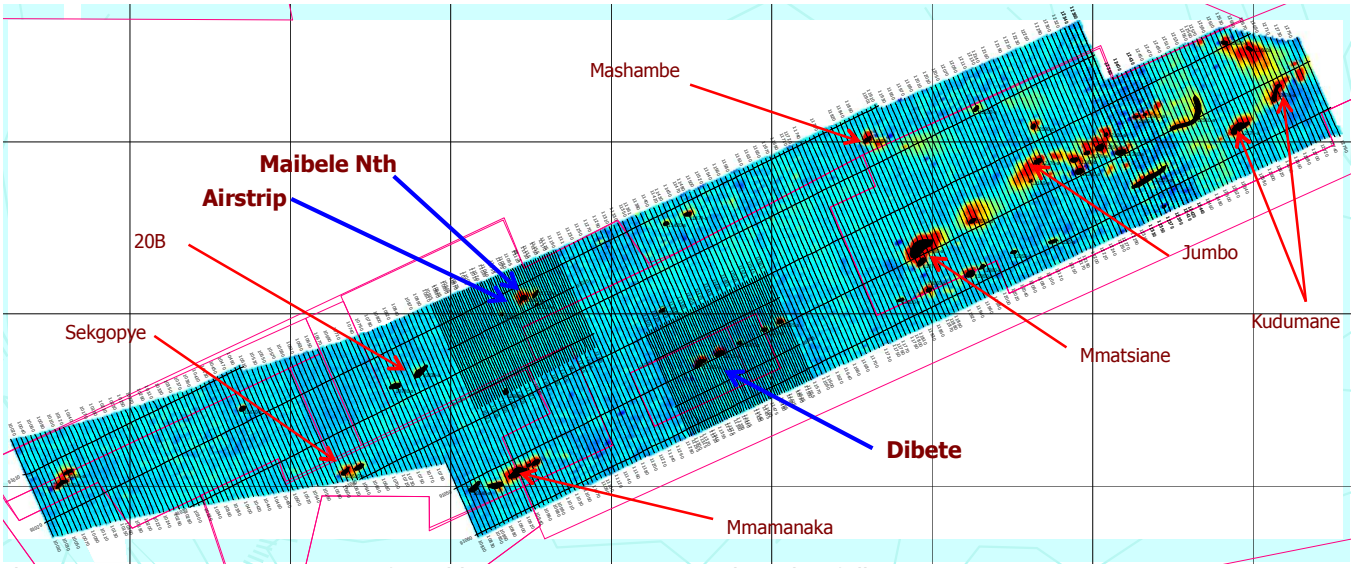

Figure 3: Numerous new targets found by VTEM Survey – Undergoing follow up now.

Discovery focus

- Airstrip and Dibete for primary and supergene Cu-Ag mineralisation
- Maibele North for Ni-Cu-PGE primary mineralisation

Below is a summary account of the activities conducted in 2012 across the Company's portfolio of exploration tenements.

Airstrip Copper (PL 110/94 - Magogaphate)

Figure 4: Drill core from ACRD 032 showing copper intersection (massive silver rich bornite) and dolerite (far left) in the top row of core. Intersection is 0.58 metres long.

The JORC compliant resources at Airstrip were based on only two of seventeen conductors and the mineralisation is still open at depth. Additional drilling is planned on other conductors which may have the potential to add to this resource. The drill targeting strategy at Airstrip is based on identifying conductors for drilling from IP data in conjunction with soils and VTEM data.

These conductors individually appear to be small in tonnage but may not have been closed off at depth. The strategy will be to drill out all the known conductors on the basis that collectively these conductors can add up to a sizable and economic resource.

Drilling in 2012 resulted in:

- 11 of the 17 conductors identified on the initial 1.5km by 1km I.P. grid were drilled;
- All 11 conductors encountered mineralisation
- Only 2 conductors (C6 and C12) were sufficiently drilled to carry out a resource estimation with both reporting small JORC compliant resources which are still open at depth (see tables 1 and 2);
- Other conductors in the initial IP grid have potential to add to the resource;
- To the west of the initial IP grid, an additional 1.5 km x 1.5m grid has been established with soil geochemistry identifying numerous anomalies as potential targets for drilling.

Table 1: Resource estimation at C6 using a 1% Cu equivalent cut-off grade

Resource Category	Mineralisation tonnes	Cu equiv grade %	Cu %	Ag ppm)	Ni ppm
Indicated	20,500	3.6	2.4	82	570
Inferred	4,700	8.8	5.4	230	1,500
Total	25,200	4.6	3.0	110	743

The estimation is down to a depth of 120m below surface.

Table 2: Resource estimation at C12 using a 1% Cu equivalent cutoff grade.

Resource Category	Mineralisation (tonnes)	Cu equiv %	Cu %	Ag ppm
Inferred	9,700	3.96	3.16	62

Table 3: Exploration target identified at C12 from 70m to 100m below surface

Potential	Range (tonnes)	Cu equiv%	Cu %	Ag ppm
Exploration Target	10,000-15,000	2.4-3.1	2.0-2.5	30-50

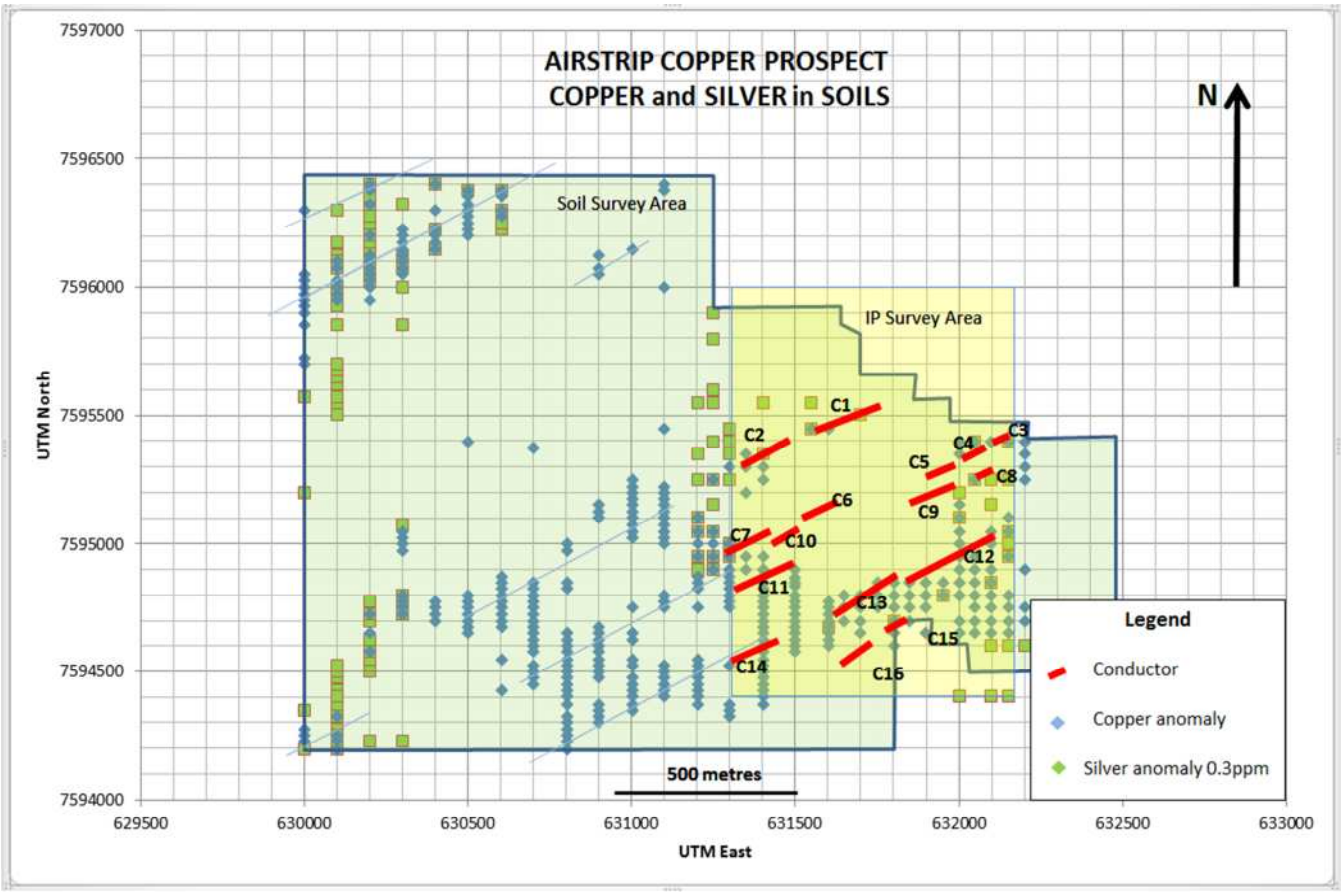

Figure 5: New Copper and Silver soil anomaly at NW-W Airstrip Copper Prospect. To date only C6 and C12 above, have sufficient drilling for a JORC compliant resource estimation and are open at depth. All 11 conductors drilled to date all encountered mineralisation and new anomalies identified from soil geochemical analysis.

Maibele North (PL110/94 - Magogaphate)

Figure 6: photograph of drill cores from drill hole MAI-05-23 showing 1.28 metres of massive sulphides containing nickel and copper from 94.14 m to 95.42 m downhole

A major review of the Maibele North nickel-copper project was conducted in the 2012 year focusing on a re-interpretation of the geological and structural model and a review of the analytical database. This is as a follow up to the recent resource estimation completed by Hilmac which indicated an Exploration Target of around 4-7 million tonnes of mineralisation at a grade of around 0.6% Ni using a cut-off grade of 0.3% Ni*.

The aim of this review is to clearly identify the additional work required to bring the Maibele North deposit up to JORC compliant resource status.

New geological cross sections have been constructed for approximately 760 metres of strike length of the Maibele North deposit (see Figures 7 & 8), and this data indicates good continuity of the mineralisation along strike, which was also confirmed in the Hilmac Pty Limited ("Hilmac") geostatistical analysis.

The nickel-copper mineralisation occurs at or near the footwall of a major serpentinite body (Figure 7) and occasionally close to the hangingwall of the serpentinite.

Planning of Down Hole EM to look for off hole conductors associated with hole MARC 056 and with two previous holes ACRD 027 and ACRD 028 (Figure 8) is at an advanced stage.

The EM surveys are expected to define additional targets that may have been missed by previous drilling.

* The potential quantity and grade at the Maibele North exploration targets are conceptual in nature, there has been insufficient exploration to define a Mineral Resource according to the JORC Code (2004) and it is uncertain if further exploration will result in the discovery of a Mineral Resource.

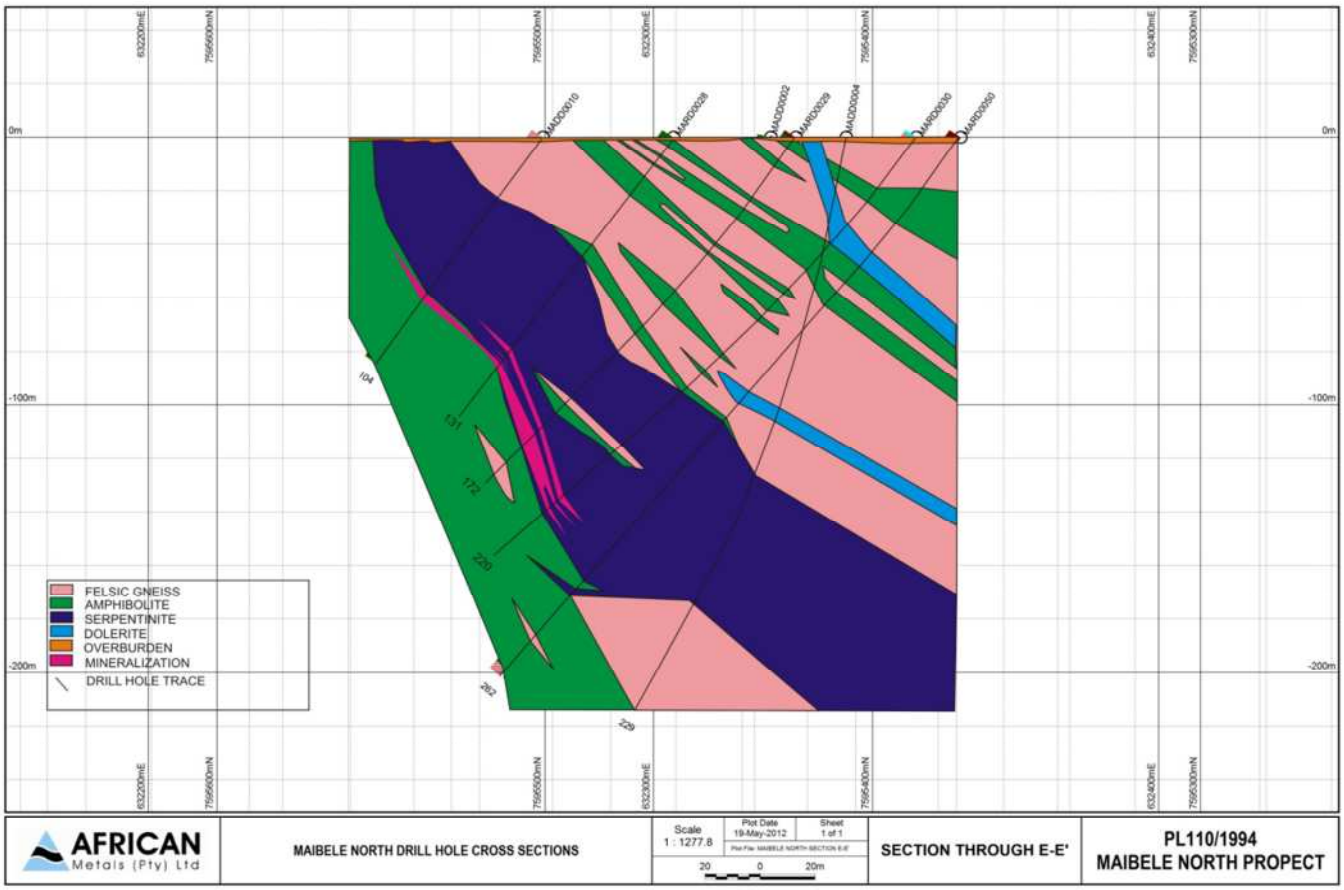

Figure 7: Maibele North Prospect showing section E-E'. Mineralisation shown on this section has approximately 100 m continuity down dip in this section and a maximum aggregate thickness of approximately 20 metres.

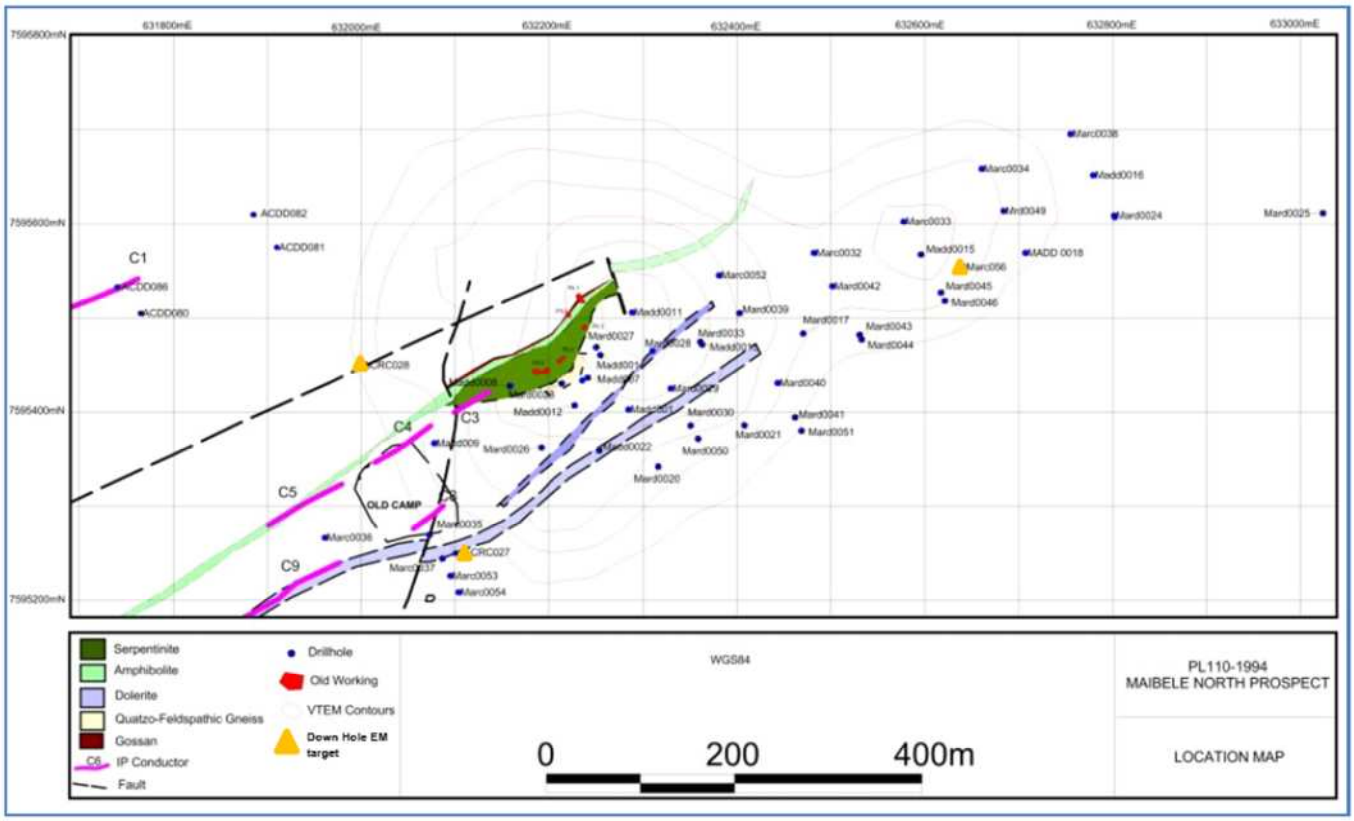

Figure 8: Plan of Maibele North Prospect area showing holes targeted for Down Hole EM surveys.

Dibete Copper Project (PL111/94 – Mokoswane)

Figure 9: Outcropping secondary copper mineralization in an old working at Dibete copper prospect

Significant copper-silver mineralisation was located at Dibete (figure 9) and subsequent drilling continued in the 2012 year. The mineralisation is believed to be associated with cross cutting shear zones and consists of an upper oxide zone and underlying primary and secondary sulphides. The mineralogy of the oxide zone, based on mineragraphy and drill hole logging, consists of malachite, minor azurite, possible chrysocolla with probable chalcocite. The sulphide zone consists predominantly of chalcocite, bornite and chalcopyrite. Silver content is variable and discrete silver minerals have been identified in thin section.

Hilmac carried out a Mineral Resource estimation over the 6100E shoot (Figures 11 and 12) during the year using Ordinary Kriging techniques on back-transformed normalised 1m composites. Data from 121 drill holes totaling 5200 metres of drilling was assessed and the resource is contained within a zone down to 60m below surface. Results are summarised in Table 4 and include:-

1.03 million tonnes (Indicated & Inferred) at 0.4%Cu and 2.7g/t Ag at 0.1% Cu equivalent cut-off grade, including

265,000 tonnes (Indicated & Inferred) at 0.9% Cu and 4.2 g/t Ag at 0.4% Cu equivalent cut-off grade

Additional potential remains open along strike and particularly to the north.

An extensive new soil grid was sampled during the year with additional significant copper anomalies identified, suggesting potential for additional mineralisation outside areas previously explored. The copper anomaly drilled is still open with potential to add to the already defined resource.

Follow up drilling and IP are planned over these new soil anomalies and around the 6100E shoot to define additional mineralisation.

Table 4: Mineral Resources at Dibete Prospect using various cut off grades and by ore type.

Ore Type	COG	Indicated	Cu	Ag	Inferred	Cu	Ag	
	Cu equiv %	tonnes	%	g/t	tonnes	%	g/t	Totals
Oxide - carbonate	0.04	362,000	0.295	2.5	745,000	0.299	2.3	1,107,000
Primary and secondary Sulphide	0.04	86,000	0.187	2.3	215,000	0.338	2.6	301,000
Totals		448,000	0.275	2.5	950,000	0.307	2.3	1,408,000
Oxide - carbonate	0.1	252,000	0.396	2.9	510,000	0.405	2.8	762,000
Primary and secondary Sulphide	0.1	52,000	0.266	2.0	215,000	0.338	2.6	267,000
Totals		304,000	0.374	2.7	725,000	0.385	2.7	1,029,000
Oxide - carbonate	0.4	74,000	0.848	4.2	133,000	1.001	4.5	206,000
Primary and secondary Sulphide	0.4	3,000	1.681	8.9	56,000	0.676	3.2	59,000
Totals		77,000	0.883	4.4	188,000	0.905	4.1	265,000
Oxide - carbonate	0.5	55,000	0.987	4.5	100,000	1.189	5.1	155,000
Primary and secondary Sulphide	0.5	2,000	2.470	12.1	30,000	0.849	3.7	32,000
Totals		57,000	1.040	4.8	130,000	1.106	4.8	187,000

Note Cu equiv = Cu_ppm + (Ag_ppm * AgPrice / CuPrice)
LME 14 June 2012 prices AgPrice = 927.55 USD/kg CuPrice = 7.384 USD/kg

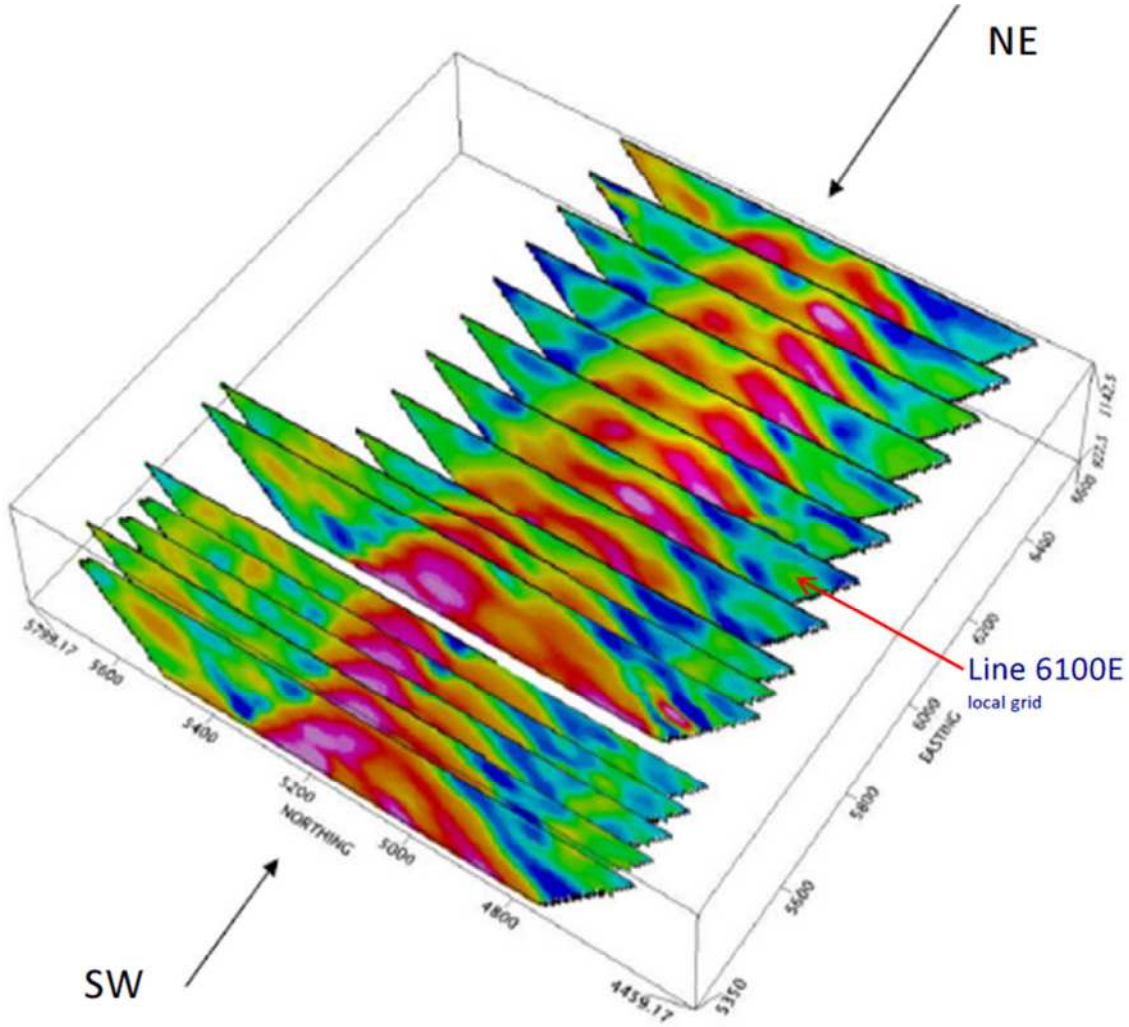

Figure 10: Dipole-dipole IP surveys carried out over 1250 metres of strike at Dibete. Project open in both SW and NE directions. 3D modelling carried out to assist in target identification. Line 6100E was the focus of drilling during 2012 and remains open to the North. The IP survey shows potential for additional mineralised zones.

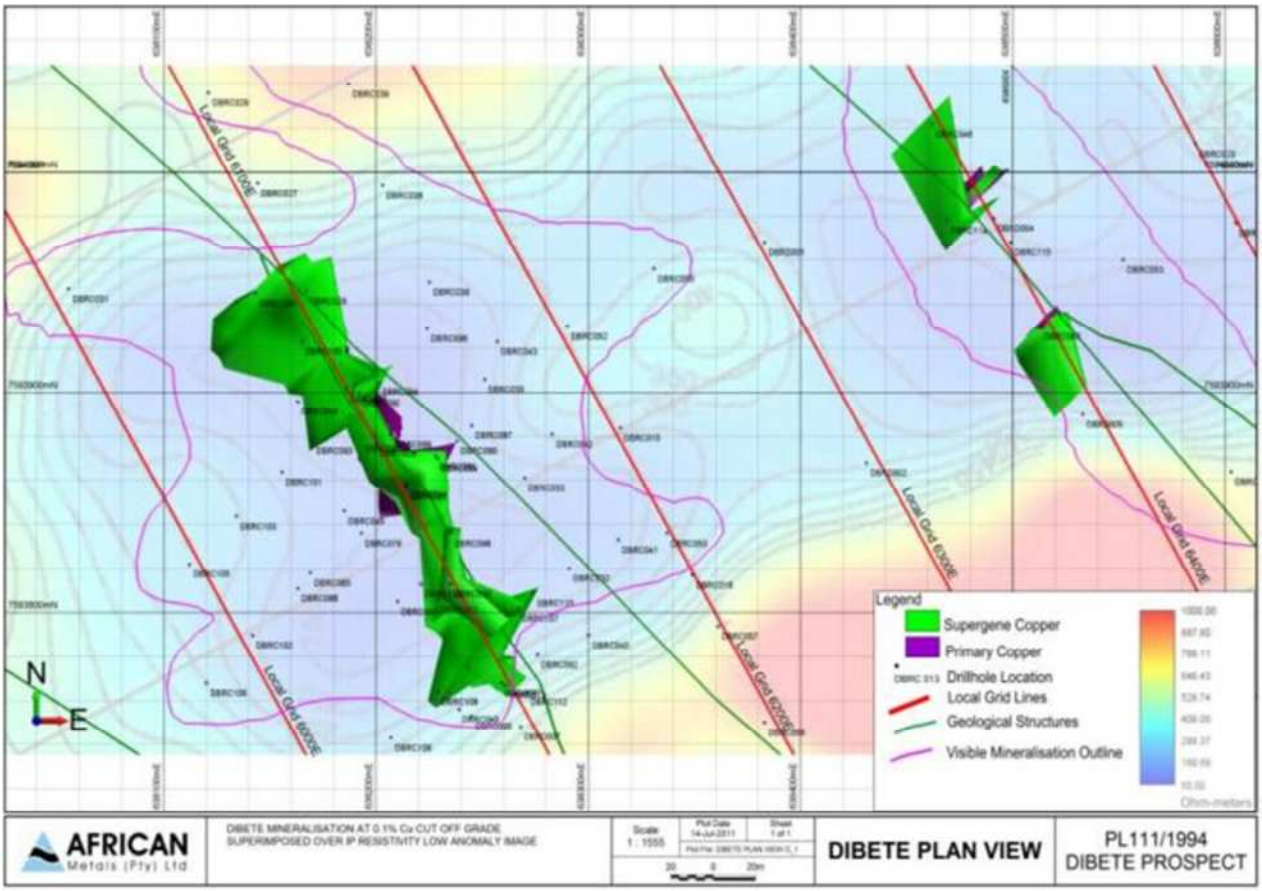

Figure 11: Modelled supergene oxide Cu-Ag in drill hole intersections shown in green, overlying supergene and primary sulphide mineralisation shown in purple.

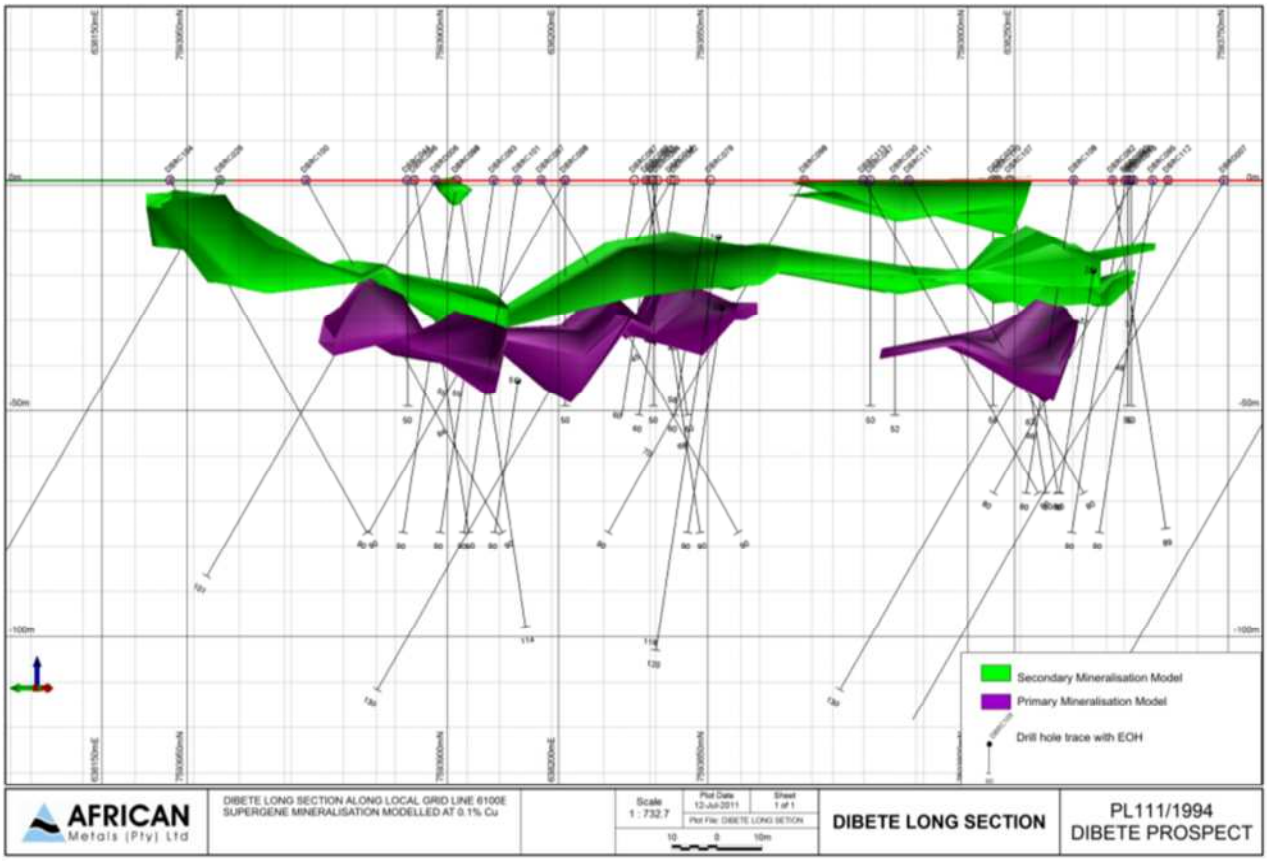

Figure12: Long section on Line 6100E showing supergene oxide and sulphide mineralisation.

Takane (PL54/98)

At least 23 VTEM anomalies were identified on the Takane tenement of which 3 targets have been prioritised following exploration activities on these that included soil geochemistry and an IP / resistivity survey. This work commenced during the 2012 year and subject to licence renewals will continue in 2013.

The 3 areas of focus are known as Jumbo, Mmatsiane and Kudumane.

Location of the VTEM targets and named prospects in the Takane PL are shown in Figure 13.

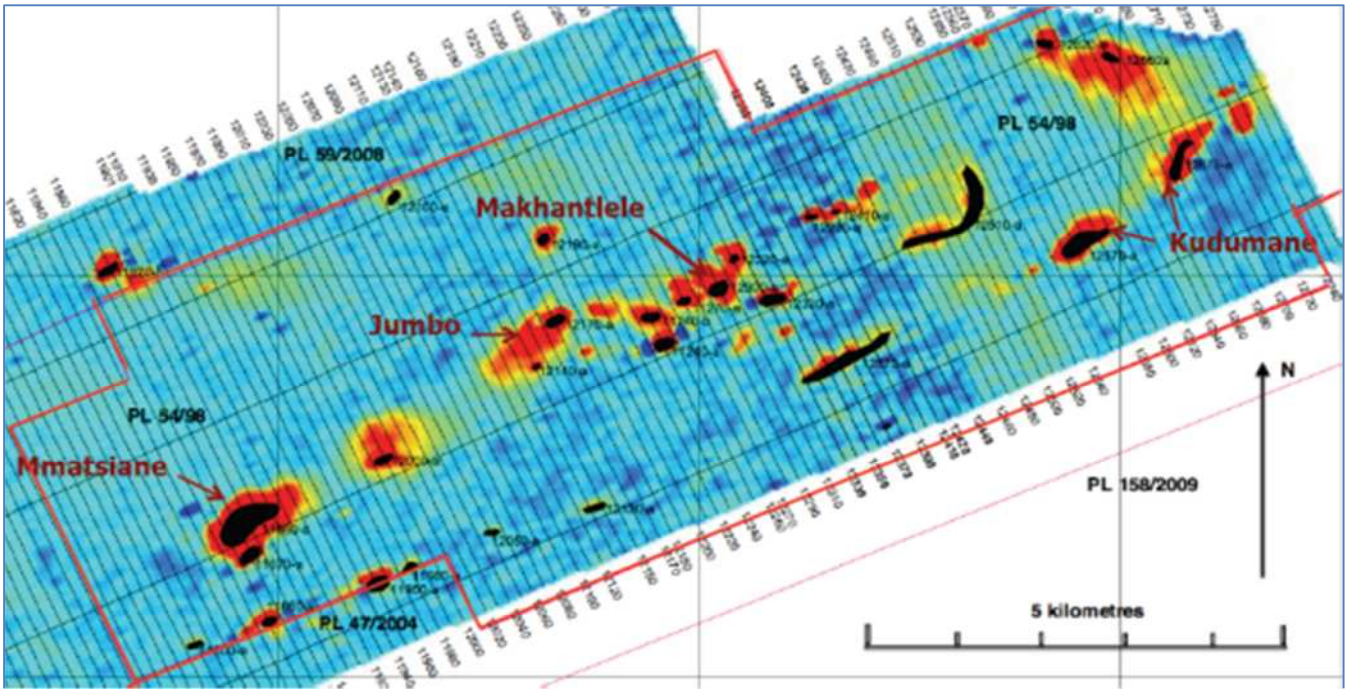

Figure 13: Location of VTEM anomalies and named prospects on PL54/98 Takane.

Other Exploration Areas

The Company's other exploration tenements have been reviewed and some work carried out in the 2012 year. This will be prioritised for additional exploration in 2013 but will be dependent on available cash resources and other priorities.

Tenement Status

A list of all of BML's Prospecting Licences is given on page 72.

The Company is still awaiting advice from the Department of Geological Survey ("DGS") regarding the first renewal applications lodged for Prospecting Licences 360/2008 and 159/2009 and also awaiting advice on an application for an extension of Prospecting Licence 110/94.

The Company intends to lodge an application for a Retention Licence for areas of PL's 110/94, 111/94 and 54/98 before the end of September 2012.

Feasibility Study on Projects at Maibele North and Airstrip / Dibete Projects Environmental Impact Assessment

During the 2012 year, Botswana Metals Limited appointed Ecosurv (Pty) Ltd ("Ecosurv") as an independent consultant to undertake an Environmental Impact Assessment ("EIA") over the Company's Airstrip, Maibele North and Dibete base metal projects in Botswana. The EIA will form part of the Feasibility Study into developing the Maibele North Ni-Cu prospect and Airstrip and Dibete Cu-Ag prospects.

A preliminary Environmental Impact Assessment and Scoping Study Report was completed and on the 8 June 2012, the Department of Environmental Affairs accepted the Scoping Study report as an adequate guide to a detailed study granting authority for the Company to proceed with a detailed EIA. This study is expected to commence in the last quarter of 2012. These reports are required as part of the feasibility process and in applying for a retention and/or mining license in accordance with the Mines and Minerals Act of Botswana 1999.

Figure 14: Chief Geologist Mr Elvis Mosweu and Consulting Geologist Mr Peter Temby at a trench at Airstrip Copper.

Competent Persons Statement

(*The information in this report that relates to Exploration Results is based on information compiled by Mr Peter Temby, who is a member of The Australian Institute of Geoscientists.*

Mr Temby has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activities which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Temby consents to the inclusion in this report of 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 decreased by $293,070 as at 30 June 2011 to $9,091,936 as at 30 June 2012.

The Directors believe the group is in a strong and 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:

Entitlements Issue

During the year the Company issued 44,417,473 New Shares (plus one free attaching option for each New Share subscribed for), raising $1,776,699 before costs.

After Balance Date Events

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.

Future Developments

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

Potential Partner

During the year discussions commenced and are continuing with a local Smelter in Botswana.

The discussions involve a potential farm-in agreement and potential take off agreement.

At this stage no agreement has been formalised.

Retention Licence

The Company intends to lodge an application for a Retention Licence for areas of PL's 110/94, 111/94 and 54/98 before the end of September 2012.

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 6 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:	54
	Special Responsibilities:	Corporate finance and investment. Chairman of the Audit and Compliance Committee
	Interest in Shares and Options:	29,531,159 Ordinary Shares 23,750,000 Options
	Directorships held in other Listed Entities:	He is currently a Director of Cardia Bioplastics Limited (appointed 23 May 1994) and Genesis Resources Limited (appointed 11 May 2012) and a former Director of A-Cap Resources Limited (appointed 11 March 2003 and resigned 12 January 2010), both ASX-listed companies, but 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 3 years. Chairman and Managing Director of Bell IXL Investments 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:	38
	Special Responsibilities:	Member of the Audit and Compliance Committee
	Interest in Shares and Options:	10,989,709 Ordinary Shares 7,500,000 Options
	Directorships held in other Listed Entities:	He is currently an executive director of Bell IXL Investments Limited, an NSX-listed company, and a former Director of Blue Capital Limited (appointed 18 June 2008 and resigned 27 March 2009), an ASX-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 5 years. Dr Woolrich has over 35 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:	67
Interest in Shares and Options:	977,778 Ordinary Shares 488,888 Options
Directorships held in other Listed Entities:	He is currently a director of A-Cap Resources Limited, 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 2012, 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	2	2
P Woolrich	8	8	-	-
M L Cellante	8	8	2	2

REMUNERATION REPORT

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 based upon benchmarked industry standards. 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 Board members and senior executives of the economic entity is as follows:

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

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 executives receive a superannuation guarantee contribution when classified as employees, required by the government, which is currently 9%, 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.

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 is utilised to do this from independent external consultants. 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.

Performance-based Remuneration

No performance based remuneration was paid during the year.

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 REPORT (CONTINUED)

Remuneration of Key Management Personnel is based upon the recommendations of external consultants 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 Comprehensive Income unless an impairment event occurs. No dividends have been paid to shareholders.

Performance Income as a Proportion of Total Remuneration

No performance based remuneration was paid during the year as there were no options being granted to Directors and executives.

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 key management personnel is based on a number of factors, including length of service and particular experience of the individual concerned. The contracts for service between the Group and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement key management personnel 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 2012 are:

Name	Short-term Benefits	Post-employment Benefits	Total
	Cash Salary & Fees	Superannuation	
	$	$	$
PJ Volpe (Executive Director)	302,752	27,248	330,000
P Woolrich	30,000	-	30,000
ML Cellante	30,000	2,700	32,700
Total	362,752	29,948	392,700

Information in respect of specified executive officers within the consolidated entity receiving the highest emoluments for the year ended 30 June 2012 are:

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

REMUNERATION REPORT (CONTINUED)

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 2011 are:

Name	Short-term Benefits	Post-employment Benefits	Total
	Cash Salary & Fees $	Superannuation $	$
P J Volpe (Executive Director)	302,752	27,248	330,000
P J Volpe (Executive Director) – back pay from underpayments from 2009 financial year	93,395	8,405	101,800
H. Stacpoole (resigned 30 November 2010)	12,500	1,125	13,625
P Woolrich	30,000	-	30,000
M Cellante	30,000	2,700	32,700
Total	468,647	39,478	508,125

Information in respect of specified executive officers within the consolidated entity receiving the highest emoluments for the year ended 30 June 2011 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 Key Management Personnel as part of their remuneration during the year.

Shares Issued on Exercise of Options

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

REMUNERATION REPORT (CONTINUED)

Employment Contracts of Directors and Senior Executives

There are no employment contracts with Directors or executive officers.

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.

OPTIONS

At the date of this Report, the unissued ordinary shares of Botswana Metals Limited under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number of Options for Ordinary Shares
13/04/2012	30/06/2013	$0.10	500,000
04/04/2012	30/06/2013	$0.10	2,850,000
13/03/2012	30/06/2013	$0.10	41,067,473
16/02/2011	30/06/2013	$0.10	71,857,670
		Total	116,275,143

Option holder's do not have any rights to participate in any issues of shares or other interests in the Company or any other entity.

All options presently on issue were issued as a free attaching option to Rights Issues and no other options were granted and no options lapsed during the financial year.

No further shares have been issued since year end. No amounts are unpaid on any of the shares.

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 2012.

AUDITOR'S INDEPENDENCE DECLARATION

The lead Auditor's Independence Declaration for the year ended 30 June 2012 has been received and can be found on page 27 of this Report.

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

P J Volpe
Director
Dated this 27th day of September 2012
Balwyn, 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 2012 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

J.C. Luckins
Director

Dated this 27th day of September, 2012

Sydney
Melbourne
Brisbane
Perth
Adelaide
Auckland

Melbourne: Level 20, 181 William Street, Melbourne VIC 3000 | **Hawthorn:** Level 1, 465 Auburn Road, Hawthorn East VIC 3123
PO Box 185, Toorak VIC 3142 • Telephone: +61 3 9824 8555 • Facsimile: +61 3 9824 8580
williambuck.com

CORPORATE GOVERNANCE STATEMENT

This Statement reflects Botswana Metals Limited's corporate governance policies and practices as at 30 June 2012 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)

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.

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.

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.

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 three 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.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY (CONTINUED)

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 2012

	Notes	Consolidated Group 2012 $	2011 $
Revenue from Ordinary Activities	2	**128,662**	252,878
Administration	3	**(391,451)**	(382,386)
Corporate Expenses		**(134,052)**	(123,108)
Employment & Consultancy		**(704,724)**	(681,229)
Net Foreign Exchange Loss		**(5,709)**	(49,285)
Impairment of Capitalised Exploration Expenditure		**-**	(1,204,318)
Loss before Income Tax Expense		**(1,107,274)**	(2,187,448)
Income Tax Expense	4	**-**	-
Loss for the year attributable to owners of Botswana Metals Limited		**(1,107,274)**	(2,187,448)
Other Comprehensive Income for the year			
Exchange differences on translating foreign controlled entity		**(856,926)**	(770,031)
Total Comprehensive Loss attributable to owners of Botswana Metals Limited		**(1,964,200)**	(2,957,479)
Basic Earnings (Loss) per Share (cents per share)	7	**(0.71)**	(1.82)
Diluted Earnings (Loss) per Share (cents per share)	7	**(0.71)**	(1.82)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	Notes	Consolidated Group 2012 $	2011 $
Current Assets			
Cash and cash equivalents	8	**1,446,066**	3,265,791
Trade and other receivables	9	**112,618**	166,731
Total Current Assets		**1,558,684**	3,432,522
Non-Current Assets			
Plant and equipment	11	**230,894**	324,416
Capitalised exploration and evaluation	12	**7,551,554**	6,089,251
Total Non-Current Assets		**7,782,448**	6,413,667
TOTAL ASSETS		**9,341,132**	9,846,189
Current Liabilities			
Trade & Other Payables	13	**249,196**	461,183
Total Current Liabilities		**249,196**	461,183
Non-Current Liabilities		**-**	-
Total Non-Current Liabilities		**-**	-
TOTAL LIABILITIES		**249,196**	461,183
Net Assets		**9,091,936**	9,385,006
Equity			
Issued Capital	14	**14,088,397**	12,417,267
Reserves	15	**(2,235,046)**	1,043,999
Accumulated Losses		**(2,761,415)**	(4,076,260)
TOTAL EQUITY		**9,091,936**	9,385,006

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For year ended 30 June 2012

Consolidated Group

	Issued Share Capital	Share Options Reserve	Accumulated Losses	Reserves	Total Equity
	$	$	$	$	$
Balance at 1 July 2010	9,487,986	90,816	(1,888,812)	1,814,030	9,504,020
Loss for the year	-	-	(2,187,448)	-	(2,187,448)
Other Comprehensive Income	-	-	-	(770,031)	(770,031)
	9,487,986	**90,816**	**(4,076,260)**	**(770,031)**	**6,546,541**
Transactions with owners in their capacity as owners					
Shares issued during the period	3,042,886	-	-	-	3,042,886
Share issue costs	(204,421)	-	-	-	(204,421)
Balance at 30 June 2011	**12,326,451**	**90,816**	**(4,076,260)**	**1,043,999**	**9,385,006**
	$	$	$	$	$
Balance at 1 July 2011	12,326,451	90,816	(4,076,260)	1,043,999	9,385,006
Loss for the year	-	-	(1,107,274)	-	(1,107,274)
Other Comprehensive Income	-	-	-	(856,926)	(856,926)
Repatriation of Demerger Reserve	-	-	2,422,119	(2,422,119)	-
	12,326,451	**90,816**	**(2,761,415)**	**(2,235,046)**	**7,420,806**
Transactions with owners in their capacity as owners					
Shares issued during the period	1,776,699	-	-	-	1,776,699
Share issue costs	(105,569)	-	-	-	(105,569)
Balance at 30 June 2012	**13,997,581**	**90,816**	**(2,761,415)**	**(2,235,046)**	**9,091,936**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2012

	Notes	Consolidated Group 2012 $	2011 $
Cash Flows from Operating Activities			
Receipts from customers (inclusive of goods and services tax)		**57,098**	37,678
Payments to suppliers and employees (inclusive of goods and services tax)		**(1,367,530)**	(1,273,898)
Interest received		**70,972**	198,272
Net Cash Used In Operating Activities	19b	**(1,239,460)**	(1,037,948)
Exploration Expenditure		**(2,204,803)**	(3,538,680)
Purchase of plant and equipment		**(69,437)**	(277,500)
Proceeds from sale of plant and equipment		**9,654**	25,499
Net Cash Used In Investing Activities		**(2,264,586)**	(3,790,681)
Cash Flows from Financing Activities			
Issue of share capital		**1,776,699**	3,042,886
Payments of share capital issue costs		**(105,569)**	(204,421)
Net Cash Used In Financing Activities		**1,671,130**	2,838,465
Net Increase/(Decrease) in Cash and cash equivalents held		**(1,832,916)**	(1,990,164)
Cash and cash equivalents at the Beginning of the Financial Year		**3,265,791**	5,305,240
Foreign currency effect on cash held		**13,191**	(49,285)
Cash and cash equivalents at the End of the Financial Year	19a	**1,446,066**	3,265,791

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').

The separate financial statements of the parent entity have not been presented within this financial report, as permitted by amendments made to the Corporations Act 2001 on 28 June 2010.

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*.

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.

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 11 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Income Tax (continued)

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.

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) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Plant and Equipment (continued)

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.

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.

(d) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Exploration and Development Expenditure (continued)

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.

(e) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial Instruments (continued)

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.

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.

(f) 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.

(g) Interests in Joint Ventures

The group's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the consolidated statements of financial performance and financial position.

The group's interests in joint venture entities are brought to account using the equity method of accounting in the consolidated financial statements. The parent entity's interests in joint venture entities are brought to account using the cost method.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) 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.

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.

(i) 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 settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Employee Benefits (continued)

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.

(j) 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.

(k) 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.

(l) 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.

(m) 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).

(n) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) 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.

(p) Comparative Figures

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

(q) 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.

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. The directors have evaluated the recoverable amount of Capitalised Exploration and Evaluation expenditure and determined that no impairment is necessary (2011: impairment of $1,204,318).

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 $7,551,554 (2011:$6,089,251).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) 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.

The financial statement was authorised for issue on 27 September 2012 by the Board of Directors.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 REVENUE

	Consolidated Group	
	2012	2011
	$	$
Revenue from Ordinary Activities		
Other income		
Interest	**70,972**	198,273
Recoveries	**5,472**	8,511
Rent	**51,626**	29,167
Gain on disposal of assets	**592**	16,927
Revenue from ordinary activities	**128,662**	252,878

NOTE 3 EXPENDITURE

	Consolidated Group	
	2012	2011
	$	$
Administration		
Office expenses	**89,144**	93,063
Depreciation expense	**26,280**	12,129
Rental expense	**97,700**	57,089
Travel expenses	**97,250**	110,767
Other expenses	**81,077**	109,338
	391,451	382,386

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 INCOME TAX EXPENSE

	Consolidated Group	
	2012	2011
	$	$
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	**(1,107,274)**	(2,187,448)
Prima facie tax payable on profit / (loss) from ordinary activities before income tax at 30% (2011: 30%)	**(332,182)**	(656,234)
Add:		
Tax effect of		
- Non- deductible expenses	**(20,759)**	37,523
	(311,423)	(618,711)
Prior year tax losses not previously brought to account	**(1,145,550)**	(526,839)
The Directors estimate that the potential deferred income tax assets at 30 June in respect of tax losses not brought to account is:	**(1,456,973)**	(1,145,550)
Tax benefits not recognised during the year	**1,456,973**	1,145,550
Income Tax Expense for the year	**-**	-

Tax benefits are not brought to account for the year ended 30 June 2012 (2011: 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 5 KEY MANAGEMENT PERSONNEL (CONTINUED)

(b) Number of Options Held by Key Management Personnel

2012	Balance 1.7.2011	Granted as Compensation	Exercised	Expired	Net Change Other*	Balance 30.6.2012	Vested and exercisable	Vested and Unexercisable
Mr P Volpe	17,500,000	-	-	-	6,250,000	23,750,000	23,750,000	-
Mr M Cellante	7,500,000	-	-	-	-	7,500,000	7,500,000	
Dr P Woolrich	488,888	-	-	-)	-	488,888	488,888	-
Mr R Baker	272,488	-	-	-	-	272,488	272,488	-
Total	**25,761,376**		**-**	**-**	**6,250,000**	**32,011,376**	**32,011,376**	**-**

***** Net Change Other refers to options obtained by participation in the Rights Issue on 13 March 2012.

2011	Balance 1.7.2010	Granted as Compensation	Exercised	Expired	Net Change Other*	Balance 30.6.2011	Vested and exercisable	Vested and Unexercisable
Mr P Volpe	3,000,000	-	(1,000,000)	(2,000,000)	17,500,000	17,500,000	17,500,000	-
Mr M Cellante	-	-	-	-	7,500,000	7,500,000	7,500,000	
Dr P Woolrich	1,000,000	-	(333,334)	(666,666)	488,888	488,888	488,888	-
Mr R Baker	100,000	-	(33,334)	(66,666)	272,488	272,488	272,488	-
Total	**5,100,000**		**(1,700,002)**	**(3,399,998)**	**25,761,376**	**25,761,376**	**25,761,376**	**-**

***** Net Change Other refers to options obtained by participation in the Rights Issue on 18 February 2011.

(c) Number of Shares held by Key Management Personnel

2012 Holder	Balance 1.7.2011	Received as Compensation	Issued on Exercise of Option	Net Change Other*	Balance 30.6.2011
Mr P Volpe	23,281,159	-	-	6,250,000	29,531,159
Mr M Cellante	10,989,709	-	-	-	10,989,709
Dr P Woolrich	977,778	-	-	-	977,778
Mr R Baker	169,978	-	-	-	169,978
Total	**35,418,624**	**-**	**-**	**6,250,000**	**41,668,624**

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

2011 Holder	Balance 1.7.2010	Received as Compensation	Issued on Exercise of Option	Net Change Other*	Balance 30.6.2011
Mr P Volpe	13,531,159	-	1,000,000	8,750,000	23,281,159
Mr M Cellante	7,239,709	-	-	3,750,000	10,989,709
Dr P Woolrich	400,000	-	333,334	244,444	977,778
Mr R Baker	400	-	33,334	136,244	169,978
Total	**22,606,128**	**-**	**1,366,668**	**12,880,688**	**35,418,624**

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

(d) Remuneration paid to Key Management Personnel

	Consolidated Group	
	2012	2011
	$	$
Short-term employee benefits	**512,752**	618,647
Post-employment benefits	**43,448**	52,978
Total	**556,200**	671,625

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 REMUNERATION OF AUDITORS

	Consolidated Group	
	2012	2011
	$	$
Remuneration of the auditor of the entity for :		
Audit or review of the financial statements	**24,500**	24,500

NOTE 7 EARNINGS PER SHARE

	Consolidated Group	
	2012	2011
	$	$
a) Reconciliation of losses to profit or loss		
Loss used to calculate basic EPS	**(1,107,274)**	(2,187,448)
Loss used to calculate diluted EPS	**(1,107,274)**	(2,187,448)
	No.	No.
b) Weighted average number of ordinary shares used in the calculation of basic earnings per share	**156,732,388**	119,904,134
c) Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**156,732,388**	119,904,134
d) Anti-dilutive options on issue not used in dilutive EPS calculation	**116,275,143**	71,857,670

NOTE 8 CASH AND CASH EQUIVALENTS

	Consolidated Group	
	2012	2011
	$	$
Cash at bank and in hand	51,869	340,566
Call deposit	1,237,792	1,021,484
Term deposit	156,405	1,903,741
	1,446,066	3,265,791

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 9 TRADE AND OTHER RECEIVABLES

	Consolidated Group	
	2012	2011
	$	$
Current		
Trade & Other Receivables	**112,618**	166,731
	112,618	166,731

NOTE 10 CONTROLLED ENTITIES

	Country of Incorporation	Class of Share	Equity Holding	
			2012	2011
			%	%
African Metals (Pty) Limited	Botswana	Ordinary	**100**	100

NOTE 11 PLANT AND EQUIPMENT

	Consolidated Group	
	2012	2011
	$	$
Plant and equipment		
At cost	**496,743**	485,013
Accumulated Depreciation	**(265,849)**	(160,597)
	230,894	324,416

Movements in Carrying Amounts

	Consolidated Group	
	2012	2011
	$	$
Balance at 1 July	**324,416**	166,508
Additions	**69,437**	210,752
Disposals	**(9,062)**	-
Depreciation charged	**(128,856)**	(52,844)
Foreign currency translation	**(25,041)**	-
Balance at 30 June	**230,894**	324,416

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	
	2012	2011
	$	$
At cost	**7,551,554**	6,089,251
Expenditure impaired during the year	**-**	1,204,318
Movements in carrying values		
Balance at beginning of year	**6,089,251**	4,221,291
Expenditure during the year	**2,307,379**	3,598,104
Expenditure impaired during the year	**-**	(1,204,318)
Foreign currency translation	**(845,076)**	(525,826)
Balance at year end	**7,551,554**	6,089,251

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

NOTE 13 TRADE AND OTHER PAYABLES

	Consolidated Group	
	2012	2011
	$	$
Current		
Unsecured liabilities		
Trade Payables	**35,247**	197,840
Sundry payables and accrued expenses	**206,169**	261,516
Amounts payable to		
- Amount payable to Director related Entity	**7,780**	1,827
	249,196	461,183

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 14 ISSUED CAPITAL

	Consolidated Group	
	2012	2011
	$	$
188,137,318 (2011: 143,717,845) fully paid ordinary shares	**13,997,581**	12,326,451
116,275,143 options expiring 30 June 2013; (2011: 71,857,670 options expiring 30 June 2013)	**90,816**	90,816
	14,088,397	12,417,267

(a) Ordinary Shares

	Date	Number of Shares		Issue Price ($)		$	
		2012	2011	**2012**	2011	**2012**	2011
At the beginning of the reporting period		**143,717,845**	106,087,760			**12,326,451**	9,487,986
Shares issued during the year							
- rights issue	13/03/2012	**41,067,473**	-	**0.04**	-	**1,642,699**	-
- rights issue	04/04/2012	**2,850,000**	-	**0.04**	-	**114,000**	-
- rights issue	13/04/2012	**500,000**	-	**0.04**	-	**20,000**	-
- exercise of options	30/11/2010	**-**	333,334	**-**	0.10	**-**	33,334
- exercise of options	13/01/2011	**-**	1,366,668	**-**	0.10	**-**	136,667
- rights issue	18/02/2011	**-**	35,929,251	**-**	0.08	**-**	2,874,340
- exercise of options	03/05/2011	**-**	832	**-**	0.10	**-**	83
Costs associated with capital raising						**(105,569)**	(205,959)
At reporting date		**188,135,318**	143,717,845			**13,997,581**	12,326,451

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, provide the shareholders with adequate returns 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 is to have minimal debt. The gearing ratios for the year ended 30 June 2012 and 30 June 2011 are as follows:

		Consolidated Group	
		2012	2011
	Note	**$**	$
Total borrowings	14	**249,196**	461,183
Less cash and cash equivalents	8	**(1,446,066)**	(3,265,791)
Net debt		**(1,196,870)**	(2,804,608)
Total equity		**9,091,936**	9,385,006
Total capital		**7,895,066**	6,580,398
Gearing ratio		**(15%)**	(43%)

(c) Options

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

During the year 44,417,473 (2011: 71,858,502) options exercisable at 10 cents each at any time before 5pm AEST on 30 June 2013 were issued to shareholders who subscribed for new shares during the entitlements issue on a one-for-one basis.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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).

Movements in Carrying Amounts

	Consolidated Group	
	2012	2011
	$	$
Balance at 1 July	**(1,378,120)**	(608,089)
Movement in foreign exchange	**(856,926)**	(770,031)
Balance at 30 June	**(2,235,046)**	(1,378,120)

Demerger Reserve

The demerger reserve reflects the carrying value of the non-uranium assets transferred from A-Cap Resources Limited under the Scheme of Arrangement.

Movements in Carrying Amounts

	Consolidated Group	
	2012	2011
	$	$
Balance at 1 July	**2,422,119**	2,422,119
Movement in demerger reserve – repatriation to accumulated losses	**(2,422,119)**	-
Balance at 30 June	**-**	2,422,119

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 16 CAPITAL AND LEASING COMMITMENTS

	Consolidated Group	
	2012	2011
	$	$
Planned Exploration Expenditure		
Payable		
- not later than 12 months	**12,124,022**	8,419,908
- between 12 months and 5 years	**6,172,019**	11,389,053
- greater than 5 years	**-**	-
	18,296,041	19,808,961

The estimated figures include amounts required 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 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	
	2012	2011
	$	$
Lease of Premises		
Payable		
- not later than 12 months	**96,192**	92,492
- between 12 months and 5 years	**49,038**	145,230
- greater than 5 years	**-**	-
	145,230	237,722

The premises located at Suite 5, Level 1, 310 Whitehorse Road, Balwyn, Victoria are subject to a three year lease that concludes on 10 January 2014.

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.

Bank Guarantee

The Company has issued a bank guarantee totalling $47,297.25 in favour of Keriani Pty Ltd, the landlord of the premises of the Company's registered office, pursuant to the Lease of the office located at Suite 5, Level 1, 310 Whitehorse Road, Balwyn, Victoria.

NOTE 18 SEGMENT INFORMATION

Segment Information

Identification of reportable segments

The group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The group only operates within one business segment being that of mineral exploration. In addition, the management considers the consolidated group's operation from a geographic perspective being that of Australia and Africa, and monitor the performance in those regions separately.

Australia
The home country of the parent entity which is also the main operating entity. The area of operation is in the mineral exploration industry.

Africa
Comprises operations carried on in Botswana.

Basis of accounting for the purposes of reporting by operating segment

(a) Accounting Policies

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, capitalised exploration and evaluation expenditure, plant and equipment, net of allowances and accumulated depreciation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits and accrued expenses. Unless stated otherwise, all amounts reported to the Board of Directors in relation to operating segments are determined in accordance with the accounting policies consistent with those adopted in the annual financial statements of the Group.

(b) Intersegment Transfers

Segment revenues, expenses and results include transfers between segments. There are no prices charged on intersegment transactions. Intersegment transfers are charged at cost.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 18 SEGMENT INFORMATION (CONTINUED)

(i) Segment Performance

SEGMENT REVENUE	2012 Australia $	2012 Africa $	2012 Total $	2011 Australia $	2011 Africa $	2011 Total $
Interest revenue	**70,972**	**-**	**70,972**	198,238	34	198,272
Other income	**51,626**	**6,064**	**57,690**	29,396	25,210	54,606
Total segment revenue	**122,598**	**6,064**	**128,662**	227,634	25,244	252,878

SEGMENT NET PROFIT	2012 Australia $	2012 Africa $	2012 Total $	2011 Australia $	2011 Africa $	2011 Total $
Loss before income tax	**967,887**	**139,387**	**1,107,274**	1,355,427	832,021	2,187,448

SEGMENT ASSETS	2012 Australia $	2012 Africa $	2012 Total $	2011 Australia $	2011 Africa $	2011 Total $
Cash and cash equivalents	**1,423,233**	**22,833**	**1,446,066**	3,230,364	35,427	3,265,791
Plant and equipment	**30,820**	**200,074**	**230,894**	49,725	274,691	324,416
Capitalised exploration and evaluation	**-**	**7,551,554**	**7,551,554**	-	6,089,251	6,089,251
Prepayments	**-**	**97**	**97**	-	-	-
Trade & other receivables	**33,115**	**79,406**	**112,521**	50,741	115,990	166,731
Total segment assets	**1,487,168**	**7,853,964**	**9,341,132**	3,330,830	6,515,359	9,846,189

SEGMENT LIABILITIES	2012 Australia $	2012 Africa $	2012 Total $	2011 Australia $	2011 Africa $	2011 Total $
Trade & other payables	**185,807**	**63,389**	**249,196**	180,617	280,566	461,183
Total segment liabilities	**185,807**	**63,389**	**249,196**	180,617	280,566	461,183

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 19 CASH FLOW INFORMATION

	Consolidated Group 2012 $	2011 $
(a) Reconciliation of cash		
For the purposes of the statements 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 statements of cash flows is reconciled to the related items in the statement of financial position.		
Cash at bank and on hand	**51,869**	340,566
Call Deposit	**1,237,792**	1,021,484
Term Deposit	**156,405**	1,903,741
	1,446,066	3,265,791

(b) Reconciliation of Cash Flow from Operations with Profit after Income Tax		
Operating Loss after income tax	**(1,107,274)**	(2,187,448)
Non–Cash flows in profit		
- Depreciation	**26,280**	12,129
- (Profit) / loss on sale of assets	**(592)**	(16,927)
- Net (gain) / loss on foreign exchange	**-**	(155,454)
- Impairment of capitalised exploration expenditure	**-**	1,204,318
Changes in assets and liabilities net of the effects of purchase and disposal of subsidiaries		
- (Increase)/decrease in receivables	**54,113**	(118,435)
- Increase/(decrease) in trade and other payables	**(211,987)**	223,869
Net cash (outflow) from operating activities	**(1,239,460)**	(1,037,948)

	Consolidated Group 2012 $	2011 $
Non-Cash Financing and Investing Activities		
Capitalised depreciation for Plant and Equipment	**102,576**	61,064
	102,576	61,064

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

For the year ended 30 June 2012 there were no share-based payments.

NOTE 21 EVENTS AFTER THE END OF THE REPORTING PERIOD

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 22 RELATED PARTY INFORMATION

	Consolidated Group	
	2012	2011
	$	$
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		
Underwriting fees paid to Trayburn Pty Ltd, a company of which Mr Volpe is a Director and shareholder.	**-**	130,653
Underwriting fees paid to Bell IXL Investments Limited, a listed company of which Mr Cellante is a Director and shareholder.	**-**	15,000
Underwriting fees paid to Mrs Anne Woolrich, the spouse of Mr Paul Woolrich.	**-**	1,250
Consulting fees paid to Woolrich & Associates Pty Ltd, a company of which Dr P Woolrich is a Director and shareholder.	**101,375**	25,187
Consulting fees paid to Mr H Stacpoole.	**-**	10,500
Administrative fees paid to Cardia Bioplastics Limited, a listed public company of which Mr P Volpe is a Director and shareholder.	**-**	7,177
Rent received from Cam Bow Limited, a company of which Messrs Volpe and Baker are Directors and shareholders. Mr Baker resigned as a Director of Cam Bow Ltd on 11 April 2012.	**(25,000)**	(7,778)
Rent and administrative expense reimbursements received from Cardia Bioplastics Limited, a listed public company of which Mr Volpe is a Director and shareholder.	**(44,068)**	(13,634)
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 Messrs Volpe and Baker are Directors and shareholders. Mr Baker resigned as a Director of Cam Bow Ltd on 11 April 2012.	**16,057**	23,725
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 Messrs Volpe and Baker are Directors and shareholders. Mr Baker resigned as a Director of Cam Bow Ltd on 11 April 2012.	**(5,302)**	-
Administrative fees and vehicle hire received by African Metals (Pty) Limited, from Cardia Mining Botswana (Pty) Limited, a wholly owned subsidiary of A-Cap Resources Limited of which Messrs P Volpe, H Stacpoole and P Woolrich are directors and shareholders. Mr Volpe resigned as a Director of A-Cap Resources Limited and Cardia Mining Botswana (Pty) Ltd on 12 January 2010 and Mr Stacpoole resigned as a Director of Botswana Metals Ltd and African Metals (Pty) Ltd on 30 November 2010.	**-**	(8,282)
	43,062	175,630

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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: Messrs P J Volpe, Dr P Woolrich and Mr M L Cellante. During the year ended 30 June 2011 the names of persons who were Directors of Botswana Metals Limited at any time during the year are as follows: Messrs P J Volpe, Dr P Woolrich and Mr M L Cellante.

Specified Executives

Mr R Baker was the only Specified Executive in the role as Company Secretary during the year.

Remuneration

Information on remuneration of Directors and the Specified Executive is disclosed in the Remuneration Report and Note 5 to the financial statements.

Other Transactions with Directors and Director-Related Entities

Amounts owing to Director-related entities are disclosed in Note 14

Aggregate amounts of each of the above types of other transactions with Directors and their Director-related entities:

	Consolidated Group	
	2012	2011
	$	$
Directors' Fees	**60,000**	72,500
Wages and Salaries	**302,752**	396,147
Consulting Fees	**101,375**	35,687
	464,127	504,334

Aggregate amounts payable by Botswana Metals Limited to related-party entities at the end of the reporting period are disclosed in Note 14.

Ownership Interests in Related Parties

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

(a) Controlled Entities Note 11.
(b) Joint Ventures Note 10.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 risks the group is exposed to through its financial instruments are foreign currency risk and liquidity risk.

Foreign Currency Risk

The group is exposed to fluctuations in foreign currencies arising from the purchase of goods and services in currencies other than the group's functional currency.

The group is not significantly exposed to the foreign currency risk as the group buys foreign currency at spot rates only to fund short-term cash requirements.

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.

The group is not significantly exposed to the liquidity risk as the group has sufficient funds to meet its obligations when they fall due and is investing surplus cash with major financial institutions.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 23 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial Liability and Financial Asset Maturity Analysis

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the Statement of Financial Position.

Consolidated Group

2012	Weighted average effective interest rate %	Floating interest rate $	Fixed interest rate maturing 1 year or less $	1 to 5 years $	over 5 years $	Non interest bearing $	Total $
From 1 July 2011 to 30 June 2012							
Assets:							
Cash and Bank Balances	1.48%	1,258,284	-	-	-	31,377	1,289,661
Term Deposits	5.60%	-	156,405	-	-	-	156,405
Receivables	-	-	-	-	-	112,521	112,521
Total financial assets		1,258,284	156,405	-	-	143,898	1,558,587
Liabilities:							
Trade and other creditors	-	-	-	-	-	(122,229)	(122,229)
Total financial liabilities		-	-	-	-	(122,229)	(122,229)
Net financial assets (liabilities)		1,258,284	156,405	-	-	21,669	1,436,358

Consolidated Group

2011	Weighted average effective interest rate %	Floating interest rate $	Fixed interest rate maturing 1 year or less $	1 to 5 years $	over 5 years $	Non interest bearing $	Total $
From 1 July 2010 to 30 June 2011							
Assets:							
Cash and Bank Balances	2.90	1,127,143	-	-	-	234,907	1,362,050
Term Deposits	6.00	-	1,903,741	-	-	-	1,903,741
Receivables		-	-	-	-	166,731	166,731
Total financial assets		1,127,143	1,903,741	-	-	401,638	3,432,522
Liabilities:							
Trade and other creditors		-	-	-	-	(371,083)	(371,083)
Total financial liabilities						(371,083)	(371,083)
Net financial assets (liabilities)		1,127,143	1,903,741	-	-	30,555	3,061,439

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 23 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) 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

	2012	2011
	$	$
Assets		
Current assets	**1,456,348**	3,281,104
Non-current assets	**11,336,425**	8,803,236
Total assets	**12,792,773**	12,084,340
Liabilities		
Current liabilities	**185,806**	180,617
Non-current liabilities	**-**	-
Total liabilities	**185,806**	180,617
Equity		
Issued capital	**14,088,397**	12,417,267
Demerger reserve	**-**	2,422,119
Accumulated losses	**(1,481,430)**	(2,935,663)
Total equity	**12,606,967**	11,903,723

Financial Performance

	2012	2011
	$	$
Loss for the year	**(967,887)**	(1,355,427)
Other comprehensive income	**-**	-
Total comprehensive income	**(967,887)**	(1,355,427)

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 25 COMPANY DETAILS

The principal place of business and registered office is:
Suite 5, Level 1, 310 Whitehorse Road,
Balwyn, Victoria, Australia 3103

DIRECTORS' DECLARATION

1. The Directors declare that the financial statements and notes set out on pages 33 to 65 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 2012 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

Balwyn
Dated this 27th day of September 2012

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 comprising Botswana Metals Limited (the Company) and the entities it controlled at the year's end or from time to time during the financial year (the consolidated entity). The consolidated financial report comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of changes in equity and the 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.

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 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 and fair presentation of the financial report 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

Sydney
Melbourne
Brisbane
Perth
Adelaide
Auckland

Melbourne: Level 20, 181 William Street, Melbourne VIC 3000 | **Hawthorn:** Level 1, 465 Auburn Road, Hawthorn East VIC 3123
PO Box 185, Toorak VIC 3142 • Telephone: +61 3 9824 8555 • Facsimile: +61 3 9824 8580
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 Botswana Metals Limited 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 2012 and 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.

Report on the Remuneration Report

We have audited the Remuneration Report, which forms part of the directors' report for the year ended 30 June 2012. 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 2012, 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 2012 included on Botswana Metals Limited web site. The company's directors are responsible for the integrity of the Botswana Metals Limited web site. We have not been engaged to report on the integrity of the Botswana Metals Limited 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

J.C. Luckins
Director

Dated this 27th day of September, 2012

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 25 September 2012.

(A) NUMBER OF HOLDERS OF EACH CLASS OF

Ordinary Shares

1,738 holders

Options over Ordinary Shares

745 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	277	138,118	0.07
1,001 – 5,000	368	1,065,935	0.57
5,001 – 10,000	237	1,911,622	1.02
10,001 – 100,000	612	23,786,731	12.64
100,001 and over	244	161,232,911	85.70
	1,738	**188,135,317**	**100.00**

There were 1,105 holders of less than a marketable parcel of ordinary shares.

Options over Ordinary Shares

	Holders	Units	Percentage
1 – 1,000	50	26,076	0.022
1,001 – 5,000	153	440,226	0.379
5,001 – 10,000	132	982,074	0.845
10,001 – 100,000	283	10,269,470	8.832
100,001 and over	127	104,557,297	89.922
	745	**116,275,143**	**100.00**

There were 666 holders of less than a marketable parcel of options over ordinary shares.

SHAREHOLDER INFORMATION (CONTINUED)

(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	29,531,159	15.696
Polarity B Pty Ltd	14,657,292	7.791
Bell IXL Investments Limited	10,989,709	5.841
Mr Peter & Mrs Marie Young	4,500,000	2.392
J P Morgan Nominees Australia Limited	3,726,493	1.981
Riotek Pty Ltd	3.525,084	1.874
Mr Michael Hsiau Yun Lan	3,519,546	1.871
Mr Peter Hayes	2,279,407	1.212
Baystreet Pty Ltd	2,000,000	1.063
Claric 182 Pty Ltd	1,889,137	1.004
Agilom Pty Ltd	1,884,666	1.002
CBN Enterprises Pty Ltd	1,700,000	0.904
Mrs Ratchaporn Songprasit	1,650,000	0.877
Comp-world Limited	1,639,000	0.871
Mrs Judith & Mr Graeme Robertson	1,491,115	0.793
FC Investments Pty Ltd	1,443,997	0.768
Mr Luke Anderson	1,300,000	0.691
Merriwee Pty Ltd	1,300,000	0.691
Miss Andrea Dent	1,290,000	0.686
Jetosea Pty Ltd	1,190,000	0.633
	92,086,605	**48.947**

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

	Ordinary Shares	
	Number Held	**Percentage of Issued Shares**
Vermar Pty Ltd	23,750,000	20.426
Polarity B Pty Ltd	9,596,500	8.253
Bell IXL Investments Limited	7,500,000	6.450
Gurney Capital Nominees Pty Ltd	3,525,000	3.032
Sandhurst Trustees Ltd	3,390,000	2.915
Mr Peter & Mrs Marie Young	3,100,000	2.666
ABN AMRO Clearing Sydney Nominees Pty Ltd	2,855,918	2.456
Riotek Pty Ltd	1,903,177	1.637
Mrs Felicity Kissane	1,800,000	1.548
Mr Brett Mitchinson	1,589,670	1.367
Agilom Pty Ltd	1,567,332	1.348
Mr Jason Sourasis	1,539,470	1.324
JP Morgan Nominees Australia Limited	1,445,347	1.243
F C Investments Pty Ltd	1,250,000	1.075
Mr John & Mrs Rita Friedrich	1,250,000	1.075
Miss Amy Poon	1,200,000	1.032
Mrs Ratchaporn Songprasit	1,175,000	1.011
Comp-world Limited	1,000,000	0.860
Mr Peng Chew	1,000,000	0.860
Halifax Limited	1,000,000	0.860
	71,437,414	**61.438**

SHAREHOLDER INFORMATION (CONTINUED)

(D) SUBSTANTIAL SHAREHOLDERS

Substantial shareholders in the Company are:

	Ordinary Shares	
	Number Held	**Percentage of Issued Shares**
Vermar Pty Ltd	29,531,159	15.696
Polarity B Pty Ltd	14,657,292	7.791
Bell IXL Investments Limited	10,989,709	5.841

(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	30/03/2012	100	African Metals (Pty) Ltd	Mineral Holdings (Botswana) Pty Ltd Holds 5% net profits share
Mokoswane PL 111/94	31/12/2012	100	African Metals (Pty) Ltd	Mineral Holdings (Botswana) Pty Ltd Holds 5% net profits share
Takane PL 54/98	31/12/2012	100	African Metals (Pty) Ltd	Mineral Holdings (Botswana) Pty Ltd Holds 5% net profits share
Majante PL 14/2003	31/12/2012	100	African Metals (Pty) Ltd	Mineral Holdings (Botswana) Pty Ltd Holds 5% net profits share
Letlhakane PL45/2004	30/06/2013	-	Cardia Mining Botswana (Pty) Ltd	African Metals (Pty) Ltd has an interest in exploration for Base and Precious Metals but excluding Radioactive Metals.
Sampowane PL 46/2004	31/03/2014	100	African Metals (Pty) Ltd	Application for extension submitted 31 March 2011 Mineral Holdings (Botswana) Pty Ltd Holds 5% net profits share
Gobe Shear PL 47/2004	31/03/2014	100	African Metals (Pty) Ltd	Application for extension submitted 31 March 2011 Mineral Holdings (Botswana) Pty Ltd Holds 5% net profits share
Shashe South PL 059/2008	30/09/2013	100	African Metals (Pty) Ltd	
PL 070/2008	30/09/2013	100	African Metals (Pty) Ltd	
Lepokole PL158/2009	31/12/2011	100	African Metals (Pty) Ltd	First Renewal Application lodged 29 September 2011.
Mmadinare PL360/2008	30/09/2011	100	African Metals (Pty) Ltd	First Renewal Application lodged 30 June 2011
Central Sampa PL 111/2011	30/06/2014	100	African Metals (Pty) Ltd	
Xia2 PL126/2011	30/09/2014	100	African Metals (Pty) Ltd	