



ALBIDON LIMITED

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30 January 2009

via electronic lodgement

Market release

QUARTERLY ACTIVITIES REPORT For the period ended 31 December 2008

1. MUNALI NICKEL PROJECT, ZAMBIA

Albidon Limited 100%

Summary production statistics from the Company's Munali Nickel Project are included in the following table:

		Dec Qtr	YTD
Mined ore	dmt	85,562	270,376
Ni grade	%	0.72	0.56
Mill feed	dmt	116,689	265,783
Ni grade	%	0.59	0.56
Bulk concentrate	dmt	4,991	10,911
Ni grade	%	7.27	6.88
Contained Ni in concentrate	dmt	363	751

Operational highlights for the quarter included:

- Mining during the quarter was affected by the unreliability of underground mining equipment and lack of critical spares on a timely basis. This impacted development requiring lower grade/high MgO stopes to be accessed rather than the planned higher grade/lower MgO stopes.
- Milling operations were impacted by the lower than expected ore feed tonnages and higher MgO content. This impacted overall recoveries and the quality of bulk concentrate production. By-product credits have been higher than anticipated.
- From a safety perspective, the Munali Nickel Project reached 1 million man-hours worked without a lost time injury.

On 20 January 2009 the Company announced that it has introduced a new mine plan which has seen the suspension of development of the Northern Decline and the accelerated development of the Southern Decline. Please refer to that announcement for the impact of the revised mine plan on the Munali Nickel Project.

2. NICKEL PROJECTS, TANZANIA

Songea JV

Albidon Limited 100%, currently funded and operated by BHP Billiton to earn an initial 30% interest under the Africa Exploration Co-operation Agreement

- Drilling on the Songea JV with BHP Billiton is waiting on drilling permits. The 3000m drill program has been postponed until the second half of 2009. No significant work was performed in the quarter.

Ilagala Project

Albidon Limited 100%

- The first two applications at Ilagala were approved by the Ministry. JOGMEC has indicated an interest in funding the project to earn a majority interest and discussions are ongoing.
- The license area lies between the Xstrata Kabanga nickel project and Goldstream's Mibango Cu-Ni PGM prospect on Lake Tanganyika in northeast Tanzania. Soil survey programs are being planned to follow-up historical reports of nickel and copper in soil greater than 150ppm Ni and 150ppm Cu over 10 kilometres of strike length with highs up to 3000ppm Ni and 1000ppm Cu.

3. NICKEL PROJECTS, BOTSWANA

Selebi-Phikwe Nickel-Copper Project

Albidon Limited 100%

- Field follow-up on the VTEM anomalies at the Selebi-Phikwe project in Botswana, showed the majority of conductors to be explained by banded iron formation and hematite within the stratigraphy.
- The Sunnyside West area remains a potential drill target based on the presence of an IP conductor, Ni and Cu in soils and the presence of dunite.

IAMGOLD Maitengwe JV, Botswana

- Ground EM and soil sampling was completed over the Maitnegwe greenstone target. No conductors were identified and no nickel targets were generated from the soil programme.

4. ZINC PROJECTS, TUNISIA

Fernana-Nefza Zinc-Lead and Copper-Gold Project

Albidon Limited 100% diluting to 30%, funded and operated by Zinifex Limited under an option and farm-in agreement

Drilling in the quarter on the Khatkhada prospect, within the Bou Aouane District, intersected 44.9 meters of low grade zinc @ 2.64% Zn from 7.5 meters.

Initial drilling in March 2008 intersected 8.1m @ 11.7% Zn from 21m within the same Khatkhada prospect and the latest drilling confirms the prospectivity of the area for a small open pit resource.

All drilling is completed for the year. Significant intercepts for the quarter include:

Prospect	Drill Hole ID	From	To	Width (m)	Assay
Khatkhada	BADD016	7.5m	51.4	43.9	2.64%Zn

**0.5% Zn cutoff*

Corporate

- The cash position at 31 December 2008 was US \$8.1 million.
- Albidon secured US\$16 million in funding and US\$5 million in subordinated debt conversion during the quarter.
- The Company entered into a Subscription Agreement to place 19,469,750 shares at A\$0.40 (or US\$0.26) per share to Jinchuan Group Limited (Jinchuan) to raise US\$5 million.
- The Company and Jinchuan also entered into a Conversion Agreement to convert US\$5 million of subordinated debt by issuing 10,000,000 ordinary shares at \$A0.78 (or US\$0.50) per share thereby reducing the Company's subordinated debt to US\$15 million.
- The Company entered into two subscription agreements with funds managed by a large UK based equity fund. A total of 15,575,800 shares were issued at A\$0.40 (or US\$0.26) per share to raise US\$4 million (A\$6.2 million).
- The Company closed out its nickel hedge positions on the 22 September 2008 realising US\$50 million in proceeds at the beginning of the quarter. The proceeds were used to decrease senior debt from US\$80 million to US\$40 million and settle senior debt interest and fees (approximately US\$3 million), with the balance of approximately US\$7 million being made available for working capital at the Munali Nickel Project.



Paul Chapman
Joint Managing Director

Full details for all projects including location maps, tenement schedules and technical descriptions may be found on the Albidon website at www.albidon.com

The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the 'JORC Code') sets out minimum standards, recommendations and guidelines for Public Reporting in Australasia of Exploration Results, Mineral Resources and Ore Reserves. The information contained in this announcement has been presented in accordance with the JORC Code and references to "Indicated" and "Inferred Resources" are to those terms as defined in the JORC Code.

Information in this report relating to exploration results is based on data compiled by John Schloderer (a full time employee of Albidon), a member of The Australasian Institute of Mining and Metallurgy. Mr. Schloderer has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as a Competent Person under the 2004 Edition of the Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr. Schloderer consented to the inclusion of the data in the form and context in which it appears.

If you have any queries please contact the Chief Financial Officer, Len Troncone on +61 8 9211 4600 or email lent@albidon.com.

Albidon's nominated adviser is RFC Corporate Finance Ltd, contact Steve Allen +61 8 9480 2500.

Appendix 5B**Mining Exploration Entity Quarterly Report**

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

ALBIDON LIMITED

ARBN

107 288 755

Quarter ended ("current quarter")

31 December 2008

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter US\$'000s	Year to date US\$'000s
1.1	Receipts from product sales and related debtors	54,293	54,293
1.2	Payments for:		
	(a) administration	(725)	(5,412)
	(b) development	(2,437)	(26,889)
	(c) production	(10,158)	(14,248)
	(d) exploration and evaluation	(1,046)	(4,270)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	77	402
1.5	Interest and other costs of finance paid	(2,399)	(4,216)
1.6	Income taxes paid	–	–
1.7	Other (provide details if material)	8	10
	Net Operating Cash Flows	37,613	(330)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects	(759)	(1,206)
	(b) equity investments	–	–
	(c) other fixed assets	(9,404)	(59,528)
1.9	Proceeds from sale of:		
	(a) prospects	–	–
	(b) equity investments	–	–
	(c) other fixed assets	–	2
1.10	Loans to other entities	–	–
1.11	Loans repaid by other entities	–	–
1.12	Recognition of Security Deposits as Cash	–	–
	Net investing cash flows	(10,163)	(60,732)
1.13	Total operating and investing cash flows (carried forward)	27,450	(61,062)

1.13	Total operating and investing cash flows (carried forward)	27,450	(61,062)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	9,082	29,862
1.15	Proceeds from sale of forfeited shares	–	–
1.16	Proceeds from borrowings		64,001
1.17	Repayment of borrowings	(40,000)	(40,000)
1.18	Dividends paid	–	–
1.19	Cost of share issue	(210)	(244)
	Net financing cash flows	(31,128)	53,619
	Net increase (decrease) in cash held	(3,678)	(7,443)
1.20	Cash at beginning of quarter/year to date	11,753	16,614
1.21	Exchange rate adjustments to item 1.20	0	(1,096)
1.22	Cash at end of quarter	8,075	8,075

Payments to directors of the entity and associates of the directors**Payments to related entities of the entity and associates of the related entities**

		Current quarter US\$'000s
1.23	Aggregate amount of payments to the parties included in item 1.2	222
1.24	Aggregate amount of loans to the parties included in item 1.10	–

1.25 Explanation necessary for an understanding of the transactions

Salaries and Directors fees paid to Executive and Non-Executive Directors of the Company, for the period aggregated US\$123,847.

Administrative and technical services provided by Mitchell River Group Pty Ltd, a company in which Mr. A Cooke is a Director, for the period aggregated US\$69,602.

Executive services provided by Hartree Pty Ltd, a company in which Mr. A Cooke is a director, for the period aggregated US\$16,335.

Consultancy fees and reimbursements of bona fide expenses provided by Mineral Commerce Services, a company in which Mr C DeGuinand is a director, for the period aggregated US\$30,267.

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

At a General Meeting on the 18 December 2008 shareholders approved the conversion of US\$5 million of subordinated debt by issuing 10,000,000 shares at US\$0.50 to Jinchuan Group Limited.

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

Financing facilities available

	Amount available US\$'000s	Amount used US\$'000s
Loan facilities		
• Secured Lenders	40,000	40,000
3.1 • Subordinated Lenders	15,000	15,000
• Leased Equipment	18,000	12,000
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	US\$'000s
4.1 Exploration and evaluation	0
4.2 Development	0
Total	0

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter US\$'000s	Previous quarter US\$'000s
5.1 Cash on hand and at bank	1,661	3,643
5.2 Deposits at call	6,174	7,166
5.3 Bank overdraft	-	-
5.4 Term deposits	240	944
Total: cash at end of quarter (item 1.22)	8,075	11,753

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

Issued and quoted securities at end of current quarter


Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3)	Amount paid up per security (see note 3)
7.1	+ Preference securities <i>(description)</i>			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions			
7.3	+Ordinary securities	210,206,452	210,206,452	
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	15,575,800 10,000,000 19,469,750	15,575,800 10,000,000 19,469,750	US\$0.26 US\$0.50 US\$0.26
7.5	+Convertible debt securities <i>(description)</i>			
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted			

		Total number	Number quoted	Issue price per security (see note 3)	Amount paid up per security (see note 3)
7.7	Options <i>(description and conversion factor)</i>	6,242,667	Number	Exercise Price	Expiry
			371,000	A\$1.05	30/06/2009
			566,667	A\$2.60	20/05/2010
			150,000	A\$1.70	01/12/2009
			250,000	A\$3.14	12/07/2010
			300,000	A\$2.97	12/07/2010
			200,000	A\$2.23	01/09/2010
			150,000	A\$3.22	01/12/2011
			105,000	A\$3.22	01/11/2009
			350,000	A\$2.88	30/12/2010
			100,000	A\$2.97	30/12/2010
			400,000	A\$2.81	01/02/2011
			100,000	A\$3.25	01/02/2011
			300,000	A\$3.47	30/06/2011
			1,100,000	A\$1.00	30/10/2011
7.8	Issued during quarter		1,100,000	A\$1.00	30/10/2011
7.9	Exercised during quarter				
7.10	Expired during quarter		1,200,000	A\$0.75	01/12/2008
			1,200,000	A\$2.10	27/02/2010
			500,000	A\$3.22	01/12/2011
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:

Office held: Director
Print name: Paul Chapman
Date: 30/01/2009

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities:** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards:** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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