ALBIDON LIMITED

LEVEL 1
62 COLIN ST
WEST PERTH 6005
WESTERN AUSTRALIA
ARBN 107 288 755

TEL:·+61·8·9211 4600
FAX:· +61·8·9211 4699
EMAIL:·INFO@ALBIDON.COM
ASX CODE: ALB
AIM CODE: ALD

3 March 2009

BUSINESS UPDATE

KEY ISSUES

- *The Company has received a conditional financing proposal from its major shareholder, Jinchuan Group Limited ("Jinchuan"). This is an alternative to the Pacific Road Resources Funds proposal and the Company has elected to pursue the Jinchuan proposal.*
- *Equipment availability constrained mine production at the Munali Nickel Project ("Munali" or "the Project") during January 2009 but improvement has been seen in February 2009 following the availability issues being resolved.*
- *Notwithstanding improved operating performance and capital previously raised, depressed nickel prices have made ongoing operations at Munali unsustainable. Accordingly, a decision has been made to place Munali on care and maintenance immediately. Mining will be suspended. However, limited development activities may recommence so that production levels greater than 900,000 tpa can be readily achieved when nickel prices improve. This decision will be finalised in conjunction with Jinchuan's due diligence.*
- *Discussions with key stakeholders including employees, suppliers, lenders/creditors, the Zambian Government and local community are ongoing.*
- *The Company's ability to continue is subject to completion of the proposed transaction with Jinchuan.*

REFINANCING

Jinchuan is a large company engaged in non-ferrous mining, concentrating, metallurgy and chemical engineering. Jinchuan produces nickel, copper, cobalt, rare and precious metals and also chemical products. Jinchuan is the largest producer of nickel and cobalt in China and has a life of mine offtake agreement over Munali. Jinchuan is also Albidon's largest shareholder with 18.4% of the Company and holding US$15m of subordinated debt.

The proposed funding is via three tranches. The major terms of the funding are as follows:

1. Tranche 1: US$1.8 million by way of payments for January and February 2009 concentrate deliveries payable by 3 March 2009. These funds will be used to place Munali on care and maintenance.
2. Tranche 2: US$7 million in equity at A$0.08 per share payable by 20 March 2009. These funds will be used for working capital.
3. Tranche 3: A convertible note facility at A$0.10 per share with a coupon equivalent to the interest rate on Jinchuan's subordinated debt. These funds will be used for working capital and possibly limited mine development.

The Tranche 2 and 3 funding is conditional upon a number of items including the following:

1. Satisfactory agreement being reached with the Company's secured and unsecured creditors;

2. Jinchuan completing full due diligence on Munali including a review of the care and maintenance and restart plan;
3. Reaching agreement on the composition of Albidon's board and management;
4. Albidon obtaining shareholder approval; and
5. All of the above conditions being completed by 20 March 2009.

This proposal is an alternative to that provided by the Pacific Road Resources Funds and the Company has elected to pursue the Jinchuan alternative for the following reasons:

- the Pacific Road Resources Funds proposal required Albidon to obtain shareholder approval and to raise a minimum of US$5 million in additional equity both of which would have been difficult without Jinchuan's support;
- the Jinchuan proposal allows Munali to be placed on care and maintenance and thereby minimises cash burn and nickel resources while nickel prices are low. There is also a willingness to continue decline development during care and maintenance which will put us in a position to start operations at economical production rates; and
- if the proposal is fully achieved, it will provide us with a strong balance sheet and industry partner going forward in a time of unprecedented volatility in nickel and financial markets.

Discussions have been held with key stakeholders including:

- Employees - approximately 350 Albidon and contractor employees will be made redundant. Remaining employees will be offered revised care and maintenance terms and conditions or redundancy.
- Suppliers - major suppliers will be offered settlement proposals in respect of outstanding obligations.
- Zambian Government - meetings have been held with the Zambian authorities regarding the impact of care and maintenance.
- Local Community - local community leaders have been advised that certain community projects and obligations must be deferred or cancelled.
- Lenders - senior lenders have been briefed.

The Company's ability to continue is subject to completion of the proposed transaction with Jinchuan.

OPERATIONS

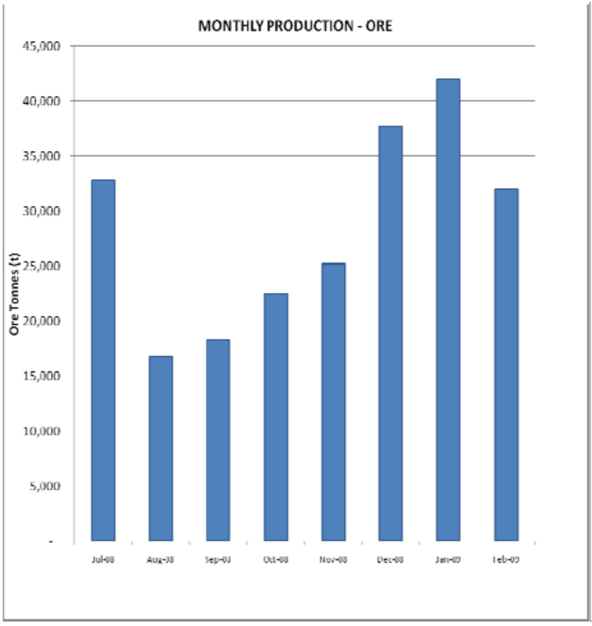
SAFETY

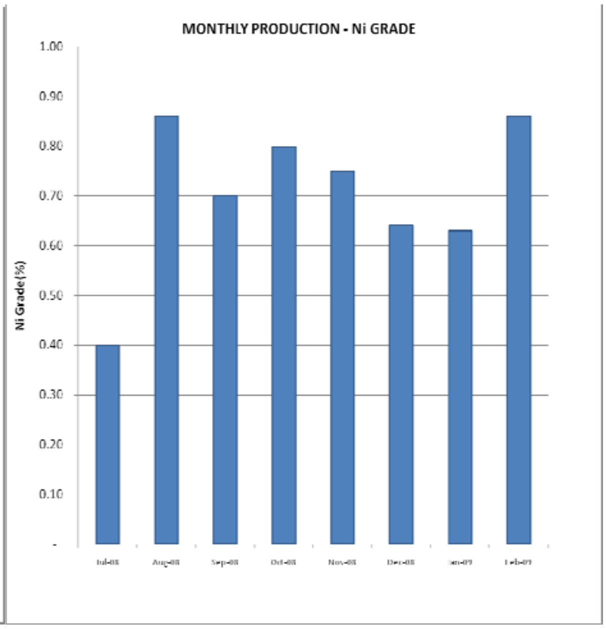
Pleasingly, the Project's safety record remains strong with no LTIs recorded within the past 12 months.

MINING

Ore production for January 2009 was 42,000 tonnes @ 0.63% Ni (forecast 49,000 tonnes @ 0.83% Ni). As previously advised, this was due mainly to availability of underground equipment and lack of critical spares on a timely basis. This also impacted development and required lower grade/high MgO stopes to be accessed rather than planned higher grade/lower MgO stopes. Lack of development saw February 2009 ore production at 32,000 tonnes @ 0.86% (forecast 38,000 tonnes @ 0.89% Ni).

Details of actual ore tonnes and grade mined are shown in the following graphs:

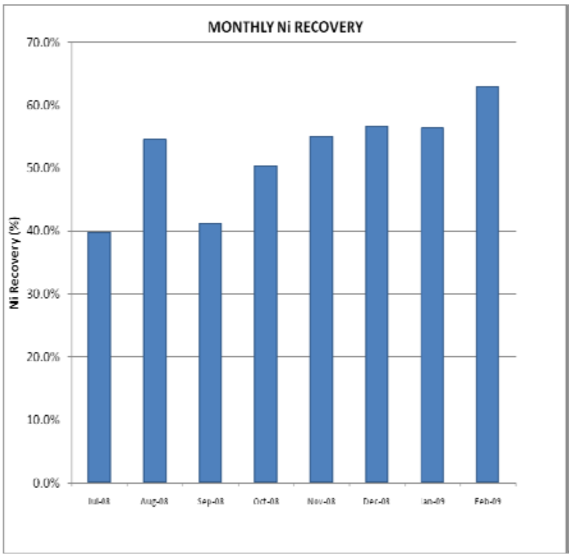


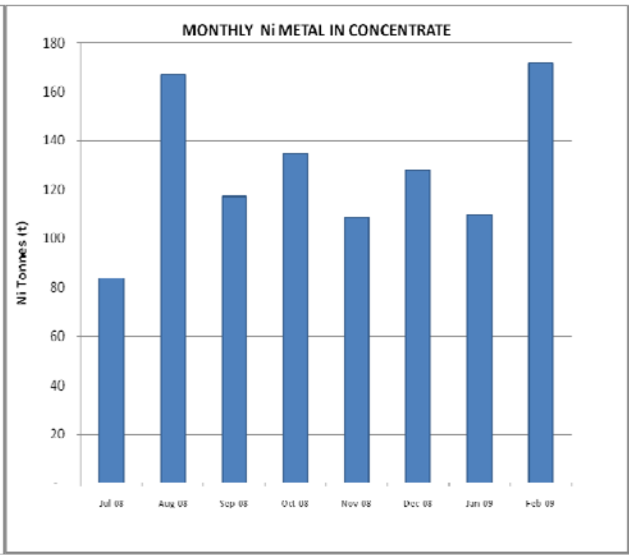


PROCESSING

In January and February 2009, the processing plant was impacted by lower than expected ore feed tonnages/grade with higher than expected MgO content for reasons indicated above. This has affected the quality of concentrate produced and overall recoveries. By-product credits have contributed to revenue at higher than expected levels.

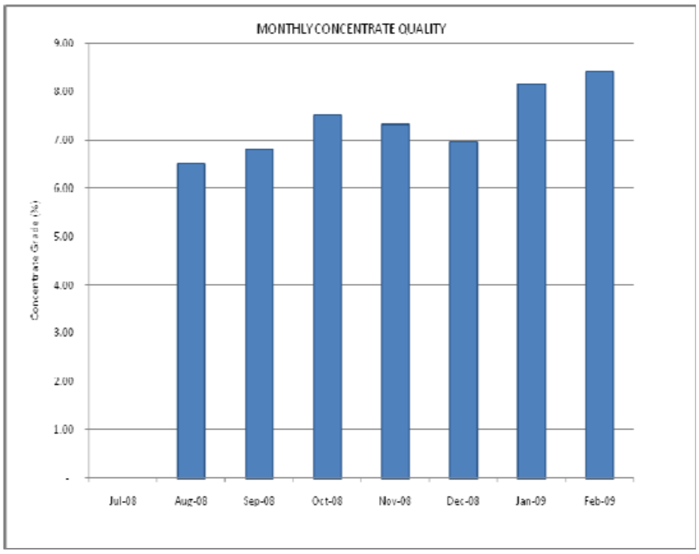
Details of actual recoveries, nickel tonnes in concentrate and concentrate grade are shown in the following graphs:





CONCENTRATE SALES

Dispatches from Munali of approximately 2,000t of lower grade out of specification concentrate were completed in January 2009. Dispatches to Jinchuan of higher grade concentrate will continue until stocks are exhausted.



INFRASTRUCTURE

Infrastructure onsite has largely been completed.

EXPLORATION

Exploration activities are being kept to a minimum.

CARE & MAINTENANCE

Notwithstanding improved operating performance and capital previously raised, depressed nickel prices have made ongoing operations at the current production levels unsustainable. Accordingly, a decision has been made to place Munali on care and maintenance effective immediately.

MINING

Mining will be suspended. However, limited development activities may recommence so that production levels greater than 900,000 tpa can be readily achieved when nickel prices improve. This decision will be finalised in conjunction with Jinchuan's due diligence.

PROCESSING

The processing plant will cease operation. A skeleton maintenance staff will be retained and a detailed start up plan will be prepared for implementation in a higher nickel price environment.

OPERATING COSTS

The Company will focus on ensuring that systems and plans are in place for a restart of operations in a higher nickel price environment. Minimising cash burn during the period of care and maintenance will also be a focus. In addition, the Munali operations will undergo significant cost reduction planning during the period of care and maintenance in order to render the project a viable concern once operations recommence.

CONTACTS

If you have any queries please contact Alasdair Cooke and Paul Chapman on +61 8 9211 4600 or email **info@albidon.com**.

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

Additional information may also be viewed on Albidon's website at **www.albidon.com**.