



# ALBIDON LIMITED

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AIM CODE: ALD

12 September 2008

## **INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2008**

Please find attached Albidon Limited's Interim Report for the six months ended 30 June 2008.

*For more information about Albidon and its projects please visit our web site at [www.albidon.com](http://www.albidon.com) or contact: Dale Rogers (Albidon's Managing Director) on +61 8 9211 4600 or email [INFO@ALBIDON.COM](mailto:INFO@ALBIDON.COM)*

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

### **About Albidon Ltd.**

*The Company was established in April 2000 and listed on both AIM and ASX stock exchanges in March 2004. The Board and management have a diversity of skills in exploration, mining, metallurgy, concentrate marketing, logistics and project finance in Africa and elsewhere.*

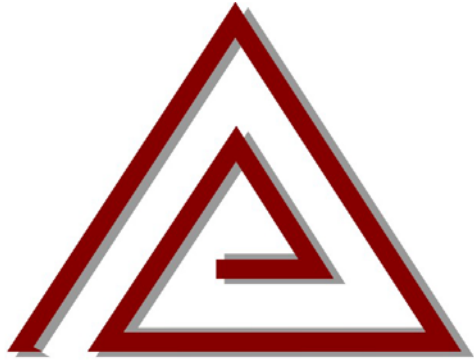
*The Company's main focus on East Africa is based on the assessment that this region holds the potential to be one of the world's premier nickel mining districts. Albidon's development activities have been centred on the Munali Nickel Project, in Zambia, where the Company completed a positive Bankable Feasibility Study in July 2006. Exploration drilling is ongoing, with the aim of expanding the nickel resource base in the Munali district.*

*Munali (100% Albidon) is located approximately 60 kilometres south of Zambia's capital city Lusaka. The Munali project area comprises the Enterprise Deposit and a number of other nickel prospects in the Munali Intrusion, the most advanced of which is the Voyager prospect along strike to the north of Enterprise. Project construction is now complete, with first production of nickel concentrates achieved in mid 2008.*

*The other projects are at an early stage of exploration, where prospects range in degree of maturity from mineralized drill intersections to large licence holdings which cover prospective ground with identified targets that have not yet been drilled, such as the Songea nickel project in Tanzania and the Selebi-Phikwe Project in Botswana.*

*The Company believes the east and southern African projects have potential for discovery of substantial nickel sulphide deposits, and further that they represent a regional exploration opportunity in a relatively unexplored terrain.*

*Albidon's large licence holdings in southern and eastern Zambia also have potential for substantial uranium deposits, as confirmed by the recently announced positive pre-feasibility study on the Chirundu Uranium Projects*



# ALBIDON LIMITED

**Interim report for the six months  
ended 30 June 2008**

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**CORPORATE INFORMATION**

**ABN 86 107 288 755**

**Directors**

J. Shaw *Chairman*  
D. Rogers *Managing Director*  
P. Chapman  
V. Chitalu  
A. Cooke  
C. De Guingand

**Company Secretary**

K. Hart

**Registered Office**

3/F Barclays House, Wickhams Cay  
Road Town, Tortola, British Virgin Islands

**Principal Place of Business**

Level 1, 62 Colin Street  
West Perth, WA 6005, Australia

**Share Register**

Computershare Investor Services Pty Limited  
452 Johnston Street  
Abbotsford, Victoria 3067, Australia

Albidon Limited shares are listed on the Australian Stock Exchange (ASX) and the Alternative Investment Market (AIM) of the London Stock Exchange

**Solicitors**

Blakiston & Crabb  
1202 Hay Street  
West Perth, WA 6005, Australia

**Auditors**

Ernst & Young  
11 Mounts Bay Road  
Perth, WA 6000  
Australia

**Website**

[www.albidon.com](http://www.albidon.com)

## **DIRECTORS' REPORT**

Your Directors present their report on the Consolidated Entity consisting of Albidon Limited and the entities it controlled at the end of, or during, the six months ended 30 June 2008.

### **DIRECTORS**

The names and details of the Company's directors in office during the reporting period and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Mr. John Shaw	Non Executive Chairman
Mr. Dale Rogers	Managing Director
Mr. Alasdair Cooke	Executive Director
Mr. Paul Chapman	Executive Director
Mr. Christopher John Gilbert De Guingand	Non-Executive Director
Mr. Valentine Chitalu	Non-Executive Director
Mr. Richard (Dick) Potts	Non Executive Director (Retired 29 May 2008)

### **REVIEW AND RESULTS OF OPERATIONS**

#### **Principal Activities**

The principal activity of the Consolidated Entity during the period was the exploration, evaluation and development of mineral interests.

The operating loss after income tax for the six months ended 30 June 2008 was US\$6,385,967 (2007 US\$33,680).

#### **Group Highlights**

##### *(i) Munali Nickel Project*

The Project commenced production of first ore from underground development in January, several months ahead of schedule. Mining production is progressing to plan with 134,662 tonnes of ore stockpiled on the ROM pad at the end of June.

Stopping operations will commence in the third quarter, with stripping of the hanging wall material.

The first nickel-copper-cobalt-PGM concentrate was produced in June. A stockpile of nickel-copper-cobalt-PGM concentrate is being built for ex-works sale to the Jinchuan Group with first sales expected in the third quarter. The focus at Munali is now to complete commissioning of the concentrator and to increase production to full capacity in early 2009.

The Board has approved an expansion of the Munali concentrator from 0.9m tpa to 1.2m tpa, targeting a production increase to approximately 10,000 nickel tpa.

Extensive ground geophysical surveys at Munali and drilling of priority targets around Munali will take place in the second half of the year.

##### *(ii) Exploration Projects*

Following a review of the positive results of the PFS for the Chirundu Uranium JV, with African Energy Resources, the Company has decided to maintain its 30% interest in the joint venture and commit to funding its share of the Bankable Feasibility Study which has now commenced.

At the Sunnyside prospect in Botswana drill assays confirmed the presence of thick zones of Ni-Cu sulphide mineralisation, the highlights being assays from drillhole ALB004 which yielded the following intercepts within a larger mineralised zone of 55 metres starting at 21.4m from surface:

- 8.64m @ 1.21% Ni, 0.30% Cu within an intersection of
- 18.64m @ 0.75% Ni, 0.55% Cu.

A Joint Venture Agreement was signed with IAMGOLD under which Albidon may earn up to 80% interest in nickel exploration projects at Maitengwe in eastern Botswana, thereby expanding the Company's coverage of nickel-prospective greenstone belts in the region.

A drill testing programme will be conducted at Sunnyside West (Botswana) in the third quarter

*(ii) Exploration Projects (continued)*

It is planned to drill the high priority targets in Tanzania during the third quarter, commencing with Mbinga while waiting for approval to drill in the Liparamba area.

In Tunisia, drilling will be continued in the next quarter to test additional geophysical and geochemical targets within the Nefza zinc project.

*(iii) Corporate Activities*

In July, Mr. Nick Day advised the Company of his decision to resign from Albidon as the Chief Financial Officer and Company Secretary. Mr. Day has timed his departure to coincide with the completion of construction and the production of first concentrate at the Munali Nickel Project. Mr. Kevin Hart has been appointed Company Secretary of the Company effective 9 September 2008. In addition, Mr. Len Troncone has been appointed Chief Financial Officer of Albidon, effective 9 September 2008.

In May, Mr. John Shaw was appointed as Chairman of Albidon following the retirement of Mr. Richard Potts after four years of service with the Company. Mr. Potts was an integral member of the Albidon team and has assisted greatly in Albidon's growth and development over the past years. The Board wishes to express its appreciation of his substantial contributions to the Company.

In February, the Company completed the final issue of 5,084,746 shares at A\$3.35/US\$2.95 each to the Jinchuan Group to raise US\$15 million.

In February, as part of the funding arrangements negotiated in December 2007, the Company forward hedged 2,274 tonnes of nickel in addition to its original 9,020 tonnes hedged in May 2007. Total nickel now hedged is 11,294 tonnes at an average price of US\$10.71/lb, which represents approximately 25% of the nickel in concentrate expected to be produced from the Munali Nickel Project over the hedging period (January 2009 to December 2013).

In January, as part of the funding arrangements negotiated in December 2007, the Company received a second instalment of US\$5 million from ZCCM Investments Holdings plc ("ZCCM-IH") to complete the transaction whereby the Company issued 3,389,831 shares at A\$3.35/US\$2.95 each to ZCCM-IH to raise US\$10 million.

*Options*

In August, in accordance with employment agreements the following unlisted options lapsed:

- 200,000 at A\$2.80 expiring on or before 12 July 2010
- 400,000 at A\$2.23 expiring on or before 1 September 2010
- 250,000 at A\$3.22 expiring on or before 1 December 2011
- 190,000 at A\$3.22 expiring on or before 1 November 2009

In July:

- 150,000 unlisted options were exercised at A\$2.60 each for total proceeds of A\$390,000 (US\$374,072).
- 30,000 unlisted options were exercised at A\$1.05 each for total proceeds of A\$31,500 (US\$30,108).

In June:

- Following shareholder approval at the AGM:
  - 300,000 unlisted options exercisable at A\$3.47 expiring on or before 30 June 2011 were issued to Mr John Shaw.
  - 500,000 unlisted options exercisable at A\$3.22 expiring on or before 1 December 2011 were issued to Mr Dale Rogers.
- 150,000 unlisted options were exercised at A\$0.75 each for total proceeds of A\$112,500 (US\$108,204).
- 33,333 unlisted options were exercised at A\$2.60 each for total proceeds of A\$86,666 (US\$83,357).

(iii) *Corporate Activities (continued)*

*Options (continued)*

In April:

- 99,000 unlisted options were exercised at A\$1.05 each for total proceeds of A\$103,950 (US\$97,104).
- 56,100 unlisted options were exercised at A\$0.60 each for total proceeds of A\$33,660 (US\$31,604).

In February, 100,000 unlisted options exercisable at A\$3.25 expiring on or before 1 February 2011 were allocated to key personnel.

In January, 102,000 unlisted options were exercised at A\$0.60 each for total proceeds of A\$61,200 (US\$54,390).

**CAPITAL STRUCTURE AS AT 12 SEPTEMBER 2008**

**SHARES**

<b>Total Shares</b>	<b>165,160,902</b>
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**SHARE OPTIONS**

Unlisted options (expiring 1 Dec 2008 A\$0.75)	1,200,000
Unlisted options (expiring 30 Jun 2009 A\$1.05)	371,000
Unlisted options (expiring 20 May 2010 A\$2.60)	566,667
Unlisted options (expiring 27 Feb 2010 A\$2.10)	1,200,000
Unlisted options (expiring 1 Dec 2009 A\$1.70)	150,000
Unlisted options (expiring 12 Jul 2010 A\$3.14)	250,000
Unlisted options (expiring 12 Jul 2010 A\$2.97)	300,000
Unlisted options (expiring 1 Sep 2010 A\$2.23)	200,000
Unlisted options (expiring 1 Dec 2011 A\$3.22)	150,000
Unlisted options (expiring 1 Nov 2009 A\$3.22)	105,000
Unlisted options (expiring 30 Dec 2010 A\$2.88)	350,000
Unlisted options (expiring 30 Dec 2010 A\$2.97)	100,000
Unlisted options (expiring 1 Feb 2011 A\$2.81)	400,000
Unlisted options (expiring 1 Feb 2011 A\$3.25)	100,000
Unlisted options (expiring 30 Jun 2011 A\$3.47)	300,000
Unlisted options (expiring 1 Dec 2011 A\$3.22)	500,000
<b>Total Options</b>	<b>6,242,667</b>

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



**Dale Rogers**  
 Managing Director

Perth  
 12 September 2008

**AUDITOR'S INDEPENDENCE DECLARATION**

The directors have received the following declaration from the auditor of Albidon Limited.



Ernst & Young Building  
11 Mounts Bay Road  
Perth WA 6000 Australia  
GPO Box M939 Perth WA 6843  
Tel: +61 8 9429 2222  
Fax: +61 8 9429 2436  
[www.ey.com/au](http://www.ey.com/au)

**Auditor's Independence Declaration to the Directors of Albidon Limited**

In relation to our review of the financial report of Albidon Limited for the six months ended 30 June 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements or any applicable code of professional conduct.

A handwritten signature in black ink that reads 'Ernst &amp; Young'.

Ernst & Young

A handwritten signature in black ink that reads 'V. Tidy'.

V W Tidy  
Partner  
Perth  
12 September 2008

Liability limited by a scheme approved under Professional Standards Legislation

**Consolidated income statement**

	Notes	2008 US\$	2007 US\$
<b>Continuing Operations</b>			
Revenue	4(a)	210,311	957,260
Other income	4(b)	-	1,910,957
Staff costs	4(c)	(3,049,001)	(1,385,126)
Depreciation and amortisation		(50,854)	(53,504)
Exploration & evaluation expenditure		(1,910,451)	(368,219)
Other expenses	4(d)	(1,585,972)	(1,095,048)
<b>Loss before income tax</b>		<b>(6,385,967)</b>	<b>(33,680)</b>
Income tax expense		-	-
<b>Loss for the year</b>		<b>(6,385,967)</b>	<b>(33,680)</b>
<b>Loss attributable to equity holders of the parent</b>		<b>(6,385,967)</b>	<b>(33,680)</b>
<b>Loss per share (expressed in US cents per share)</b>			
- basic	5	(3.93)	(0.02)
- diluted	5	(3.93)	(0.02)

The accompanying notes form part of the Financial Report.

**Consolidated balance sheet**

	Notes	30 Jun 2008 US\$	31 Dec 2007 US\$
<b>Assets</b>			
<b>Current assets</b>			
Trade and other receivables		9,401,711	4,175,383
Inventories		4,794,857	106,912
Other financial assets		277,508	254,415
Prepayments		3,852,172	698,257
Cash and cash equivalents		12,460,572	16,365,129
<b>Total current assets</b>		<b>30,786,819</b>	<b>21,600,096</b>
<b>Non-current assets</b>			
Plant and equipment	6	89,382,727	51,206,397
Mine properties & development	7	74,917,805	51,510,067
Financial derivative assets		30,869,059	-
Deferred tax asset		-	3,790,608
<b>Total non-current assets</b>		<b>195,169,591</b>	<b>106,507,072</b>
<b>Total assets</b>		<b>225,956,410</b>	<b>128,107,168</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		15,654,570	18,321,041
Interest bearing loans and borrowings		4,000,414	-
Other financial liabilities		93,328	76,749
Provisions		574,403	366,592
<b>Total current liabilities</b>		<b>20,322,716</b>	<b>18,764,382</b>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings		86,405,494	33,733,809
Financial derivative liabilities		-	15,162,431
Deferred tax liability		7,717,265	-
Provisions		1,690,513	445,598
<b>Total non-current liabilities</b>		<b>95,813,272</b>	<b>49,341,838</b>
<b>Total liabilities</b>		<b>116,135,987</b>	<b>68,106,220</b>
<b>Net Assets</b>		<b>109,820,423</b>	<b>60,000,948</b>
<b>Equity</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Issued capital	8	1,649,809	1,560,659
Share premium reserve	8	100,736,095	75,450,585
Capital raising costs	8	(3,308,704)	(3,275,182)
<b>Share capital</b>		<b>99,077,200</b>	<b>73,736,062</b>
Share capital to be issued		-	5,000,000
Option premium reserve	9	4,462,045	2,828,746
Hedging reserve		22,864,443	(11,366,562)
Accumulated loss		(16,583,265)	(10,197,298)
<b>Total shareholders' equity</b>		<b>109,820,423</b>	<b>60,000,948</b>

The accompanying notes form part of the Financial Report.

**Consolidated cash flow statement**

	2008	2007
	US\$	US\$
<b>Cash flows from/(used in) operating activities</b>		
Payment to suppliers	(3,332,210)	(945,136)
Payment to employees	(1,439,085)	(969,335)
Interest and other revenue received	109,516	1,207,260
<b>Net cash flows used in operating activities</b>	<b>(4,661,779)</b>	<b>(707,211)</b>
<b>Cash flows from/(used in) investing activities</b>		
Purchase of property, plant and equipment, and mine development	(62,238,980)	(20,138,039)
Borrowing and transaction costs	(70,822)	-
Payment to suppliers (exploration)	(220,601)	(38,859)
Hedging collateral	-	(13,616,601)
Repayments from other entities	-	365,995
<b>Net cash flows used in investing activities</b>	<b>(62,530,403)</b>	<b>(33,427,504)</b>
<b>Cash flows from/(used in) financing activities</b>		
Proceeds from issue of ordinary shares	20,374,660	6,636,145
Share issue transaction costs	(33,522)	-
Proceeds from loans	42,639,323	-
<b>Net cash flows from financing activities</b>	<b>62,980,461</b>	<b>6,636,145</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(4,211,721)</b>	<b>(27,498,570)</b>
Effects of exchange rate changes	307,164	1,304,430
Cash and equivalents at beginning of the period	16,365,129	38,276,017
<b>Cash and equivalents at end of the period</b>	<b>12,460,572</b>	<b>12,081,877</b>

The accompanying notes form part of the Financial Report.

**ALBIDON LIMITED**  
**Consolidated Statement of Changes in Shareholders' Equity**  
**For the year ended**  
**31 December 2007**

**Consolidated statement of changes in shareholders' equity**

For the six month ended 30 June 2008

	Issued Capital US\$	Share Premium US\$	Option Premium Reserve US\$	Hedging Derivative Reserve US\$	Capital Raising Costs US\$	Shares to be issued US\$	Accumulated (Loss) US\$	Total US\$
<b>At 1 January 2008</b>	<b>1,560,659</b>	<b>75,450,585</b>	<b>2,828,746</b>	<b>(11,366,562)</b>	<b>(3,275,182)</b>	<b>5,000,000</b>	<b>(10,197,298)</b>	<b>60,000,948</b>
Fair value of hedging	-	-	-	45,738,878	-	-	-	45,738,878
Tax effect thereon	-	-	-	(11,507,873)	-	-	-	(11,507,873)
<b>Total income and expense for the period recognised in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34,231,005</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34,231,005</b>
Net loss from ordinary activities	-	-	-	-	-	-	(6,385,967)	(6,385,967)
<b>Total income and expense for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34,231,005</b>	<b>-</b>	<b>-</b>	<b>(6,385,967)</b>	<b>27,845,038</b>
Shares issued	84,746	24,915,255	-	-	(33,522)	(5,000,000)	-	19,966,479
Share based payments	-	-	1,633,299	-	-	-	-	1,633,299
Exercise of options	4,404	370,255	-	-	-	-	-	374,659
<b>At 30 June 2008</b>	<b>1,649,809</b>	<b>100,736,095</b>	<b>4,462,045</b>	<b>22,864,443</b>	<b>(3,308,704)</b>	<b>-</b>	<b>(16,583,265)</b>	<b>109,820,423</b>

For the six months ended 30 June 2007

	Issued Capital US\$	Share Premium US\$	Option Premium Reserve US\$	Hedging derivative reserve US\$	Capital Raising Costs US\$	Shares to be issued US\$	Accumulated (Loss) US\$	Total US\$
<b>At 1 January 2007</b>	<b>1,481,680</b>	<b>67,793,071</b>	<b>1,017,471</b>	<b>-</b>	<b>(3,234,600)</b>	<b>-</b>	<b>(7,992,222)</b>	<b>59,065,400</b>
Fair value of hedging	-	-	-	(40,822,737)	-	-	-	(40,822,737)
Tax effect thereon	-	-	-	10,205,684	-	-	-	10,205,684
<b>Total income and expense for the period recognised in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(30,617,053)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(30,617,053)</b>
Net loss from ordinary activities	-	-	-	-	-	-	(33,680)	(33,680)
<b>Total income and expense for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(30,617,053)</b>	<b>-</b>	<b>-</b>	<b>(33,680)</b>	<b>(30,650,733)</b>
Shares issued	45,910	5,207,005	-	-	-	-	-	5,252,915
Share based payments	-	-	378,538	-	-	-	-	378,538
Exercise of options	27,980	1,355,249	-	-	-	-	-	1,383,229
<b>At 30 June 2007</b>	<b>1,555,570</b>	<b>74,355,325</b>	<b>1,396,009</b>	<b>(30,617,053)</b>	<b>(3,234,600)</b>	<b>-</b>	<b>(8,025,902)</b>	<b>35,429,349</b>

The accompanying notes form part of the Financial Report.

## NOTES TO THE FINANCIAL STATEMENTS

### 1 General information

The condensed consolidated financial statements of Albidon Limited for the six months ended 30 June 2008 were authorised for issue in accordance with a resolution of the Directors dated 12 September 2008.

Albidon Limited ('the Company') is a Company incorporated in the British Virgin Islands, on 11 April 2000, whose shares are publicly traded. Its registered place of business is Level 1, 62 Colin Street, West Perth, Western Australia 6005.

The principal activities of the Company and its subsidiaries ('the Group') are described in note 3.

The Group had two hundred and nineteen employees as at 30 June 2008 (two hundred and ninety three employees as at 31 December 2007).

### 2 Summary of significant accounting policies

#### a) Basis of preparation

The interim condensed consolidated financial statements of Albidon Limited and all its subsidiaries contained in this report have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The half-year financial report does not include all the notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and investing activities of the Group as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 31 December 2007 and considered together with any public announcements made by Albidon Limited during the half-year ended 30 June 2008 in accordance with the continuous disclosure of the ASX and AIM listing rules.

The functional currency of the Company and each of the subsidiaries is US dollars. This represents the currency of the primary economic environment in which the Company and each of the subsidiaries operates.

The condensed consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale financial assets and derivative financial instruments which are measured at fair value.

Recently issued or amended International Accounting Standards not yet effective and not adopted for the six months ended 30 June 2008, are not expected to result in significant accounting policy changes.

#### *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of an accounting policy for inventories (*see below*) and amending standards and interpretations mandatory for annual periods beginning on or after 1 January 2008. There is no material impact on the Group as a result of adopting the amending standards and interpretations.

#### b) Basis of consolidation

The consolidated financial statements comprise the financial statements of Albidon Limited and its subsidiaries for the six months ended 30 June 2008. The financial statements of subsidiaries are prepared for the same reporting period as the parent Company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist. All inter-company balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. All subsidiaries have been owned by the Group since their date of incorporation.

## **2 Summary of significant accounting policies (continued)**

### ***c) Inventories***

Inventories are valued at the lower of cost and net realisable value. Cost includes expenditure incurred in acquiring and bringing the inventories to their existing condition and location but excludes overheads. Cost is accounted for as follows:

#### *Stores*

Purchase cost on a weighted average cost method.

#### *Ore stockpiles*

Contractor cost of mining on an average cost method.

#### *Work in progress*

Contractor cost of mining and processing at an average cost method.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

### 3 Segment information

The Group operates in one principal area of activity, namely exploration and development of base metal tenements, and two principal geographical areas, namely Australia (head office) and Africa (operations).

<b>Geographical segments</b>	<b>Australia</b>	<b>Africa</b>	<b>Consolidated</b>
<b>Six months to 30 June 2008</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
<b>Revenue</b>			
Other	-	-	-
<b>Result</b>			
Segment result	846,879	(6,729,923)	(5,883,044)
Interest revenue	210,281	30	210,311
Fair value of hedging derivatives	-	292,612	292,612
(Loss) before related income tax expense	-	-	(6,385,967)
Income tax expense	-	-	-
<b>Net (loss)</b>	<b>-</b>	<b>-</b>	<b>(6,385,967)</b>
<b>Geographical segments</b>			
<b>Six months to 30 June 2007</b>			
<b>Revenue</b>			
Other	-	-	-
<b>Result</b>			
Segment result	(884,405)	(100,664)	(895,387)
Interest revenue			957,260
Fair value of hedging derivatives			(95,553)
(Loss) before related income tax expense	-	-	(33,360)
Income tax expense	-	-	-
<b>Net (loss)</b>	<b>-</b>	<b>-</b>	<b>(33,360)</b>

**4 Revenue and expenses**

	2008 US\$	2007 US\$
<b>(a) Revenue</b>		
Interest on bank balances	210,311	951,389
Interest on loans to related parties	-	5,871
	<b>210,311</b>	<b>957,260</b>
<b>(b) Other income</b>		
Foreign exchange gain	-	1,660,957
Other	-	250,000
	-	<b>1,910,957</b>
<b>(c) Staff costs</b>		
Salaries and personnel expenses	839,996	895,151
Superannuation expenses	113,253	44,521
Share based payments	1,633,299	378,538
Consultant expenses	462,453	66,916
	<b>3,049,001</b>	<b>1,385,126</b>
<b>(d) Other expenses</b>		
Advisory, audit and consulting fees	488,634	132,577
Travel expenses	334,353	240,531
Printing, stationery and advertising expenses	191,981	191,277
Occupancy and insurance expenses	102,721	151,170
Information technology and communications expenses	111,075	126,276
Company secretarial expenses	122,822	95,191
Movement in fair value of ineffective portion of hedging derivatives	(292,612)	62,473
Foreign exchange loss	382,006	-
General administration expenses	144,992	95,553
	<b>1,585,972</b>	<b>1,095,048</b>

## 5 Loss per share

(i) *Basic*

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares on issue during the year.

(ii) *Diluted*

Diluted loss per share amounts are calculated by dividing the net loss attributable to ordinary shareholders by the weighted number of ordinary shares outstanding during the year adjusted for the effects of dilutive options.

The following table reflects the income and share data used in the basic and diluted earnings per share computations:

	<b>2008</b>	2007
	<b>US\$</b>	US\$
<b>Basic</b>		
Loss attributable to equity holders of the Company	<b>(6,385,967)</b>	(33,680)
Weighted average number of ordinary shares in issue	<b>162,469,907</b>	150,818,941
<b>Basic loss per share (US cents per share)</b>	<b>(3.93)</b>	(0.02)
<b>Diluted</b>		
Loss used to determine diluted loss per share	<b>(6,385,967)</b>	(33,680)
Weighted average number of ordinary shares for diluted loss per share	<b>162,469,907</b>	150,818,941
<b>Diluted loss per share (US cents per share)</b>	<b>(3.93)</b>	(0.02)
Weighted average number of ordinary shares for basic loss per share	<b>162,469,907</b>	150,818,941
Effect of dilution - share options	-	-
Weighted average number of ordinary shares adjusted for the effects of dilution	<b>162,469,907</b>	150,818,941

Share options are considered as anti-dilutive as their inclusion would reduce the loss per share.

## 6 Plant and equipment

### (a) Reconciliation of carrying amounts at the beginning and end of the period

	Assets under construction US\$	Plant & equipment US\$	Motor vehicles US\$	Total US\$
<b>At 1 January 2008, net of accumulated depreciation</b>	<b>50,825,116</b>	<b>335,912</b>	<b>45,369</b>	<b>51,206,397</b>
Additions	25,794,289	12,442,137	-	38,236,426
Depreciation charge for the period	-	(54,804)	(5,292)	(60,096)
<b>At 30 June 2008, net of accumulated depreciation</b>	<b>76,619,405</b>	<b>12,723,245</b>	<b>40,077</b>	<b>89,382,727</b>
<b>at 30 June 2008</b>				
Cost	76,619,405	13,250,155	63,374	89,932,934
Accumulated depreciation	-	(526,910)	(23,297)	(550,207)
<b>Net carrying amount</b>	<b>76,619,405</b>	<b>12,723,245</b>	<b>40,077</b>	<b>89,382,727</b>

	Assets under construction US\$	Plant & equipment US\$	Motor vehicles US\$	Total US\$
<b>At 1 January 2007, net of accumulated depreciation</b>	<b>-</b>	<b>256,905</b>	<b>9,829</b>	<b>266,734</b>
Additions	14,034,120	67,085	-	14,101,205
Depreciation charge for the period	-	(50,823)	(2,681)	(53,504)
<b>At 30 June 2007, net of accumulated depreciation</b>	<b>14,034,120</b>	<b>273,167</b>	<b>7,148</b>	<b>14,314,435</b>
<b>at 30 June 2007</b>				
Cost	14,034,120	398,584	21,450	14,454,154
Accumulated depreciation	-	(125,417)	(14,302)	(139,719)
<b>Net carrying amount</b>	<b>14,034,120</b>	<b>273,167</b>	<b>7,148</b>	<b>14,314,435</b>

Contractual commitments (see note 11) for the acquisition of property, plant and equipment at 30 June 2008 were US\$4,900,000 (2007: US\$14,267,623).

### (b) Property, plant and equipment pledged as security for liabilities

Property, plant and equipment with a carrying value of US\$72,794,870 (2007 nil) is pledged as security for interest bearing loans and borrowings.

**7 Mine properties and exploration expenditure**

**(a) Mine properties and development**

	Six months to 30 June 2008 US\$	Year to 31 Dec 2007 US\$	Six months to 30 June 2007 US\$
<b>Mine properties and development - pre-production</b>			
<b>Opening at beginning of the period</b>	<b>51,510,067</b>	<b>20,841,917</b>	<b>20,841,917</b>
Pre-production exploration	220,601	4,293,728	1,862,509
Additions	23,187,137	27,956,944	4,873,058
Reclassified to plant and equipment	-	(1,582,522)	-
<b>Closing at end of the period</b>	<b>74,917,805</b>	<b>51,510,067</b>	<b>27,577,484</b>

Mine properties and development expenditure relates to the Munali project.

The Munali nickel deposit is located approximately 60km south of Lusaka in southern Zambia. The project is served by road, rail and power infrastructure as well as water supplies. The deposit was discovered in 1969 and was held by a number of owners prior to its acquisition by the Group in September 2002. The tenement covers an area of 737 sq km.

In accordance with the Company's policy for exploration and evaluation expenditures, once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from exploration and evaluation expenditure to mine property and development.

**(b) Mine properties and development pledged as security for liabilities**

Mine properties and development with a carrying value of US\$73,224,905 (2007 nil) are pledged as securities for interest bearing loans and borrowings.

## 8 Contributed equity

### (a) Ordinary shares

	Authorised		Issued, called up and fully paid	
	Number	US\$	Number	US\$
Ordinary shares of US\$0.01 each	5,000,000,000	50,000,000	164,980,902	102,385,903
<b>Balance 31 December 2006</b>			<b>148,168,000</b>	<b>66,040,150</b>
Issued through private placement			4,190,992	5,000,000
Capital raising costs			-	(28,280)
Issued to employees and contractors on exercise of options			3,306,900	1,683,862
Capital raising costs			-	(10,252)
Issued to Mr Dale Rogers			400,000	1,052,632
Capital raising costs			-	(2,050)
<b>Balance 31 December 2007</b>			<b>156,065,892</b>	<b>73,736,062</b>
Issued through private placement (i)			3,389,831	10,000,000
Issued through private placement (ii)			5,084,746	15,000,000
Capital raising costs			-	(33,522)
Issued to employees and contractors on exercise of options			440,433	374,660
<b>Balance 30 June 2008</b>			<b>164,980,902</b>	<b>99,077,200</b>

Represented by:	Share capital	Share premium	Capital raising costs	Total
	US\$	US\$	US\$	US\$
	1,649,809	100,736,095	(3,308,704)	99,077,200

(i) In January 2008, as part of the funding arrangements negotiated in December 2007, the Company received a second instalment of US\$5 million from ZCCM Investments Holdings plc ("ZCCM-IH") to complete the transaction whereby the Company issued 3,389,831 shares at AU\$3.35/US\$2.95 each to ZCCM-IH to raise US\$10 million. The first instalment payment was received in December 2007 and was included as "Share capital to be issued" in the Balance Sheet at 31 December 2007.

(ii) In February 2008 as part of the same funding arrangements the Company completed the final issue of 5,084,746 shares at AU\$3.35/US\$2.95 each to the Jinchuan Group Limited to raise US\$15 million.

The funds raised will be used to help fund the development of the Munal Nickel Project in Zambia as well as Albidon's exploration, increased drilling and business development activities.

Ordinary shares have the right to receive dividends as declared and in the event of a winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of, and amounts paid up on, shares held.

### (b) Options

Information relating to details of options issued, exercised and lapsed during the six months and options outstanding at the end of the financial year is set out in Note 9.

## 9 Share based payments

The option premium reserve is used to record the options issued as share based payments in accordance with the Company's accounting policy.

<b>Option Premium Reserve</b>	<b>US\$</b>
<b>Balance 31 December 2007</b>	<b>2,828,746</b>
Issued to Directors, employees and contractors	1,633,299
<b>Balance 30 June 2008</b>	<b>4,462,045</b>

Set out below is a summary of options on issue at 30 June 2008:

Exercise price	Grant date	Expiry date	Opening balance	Granted during the six months	Exercised during the six months	Lapsed during the six months	Balance at the end of the six months	Vested and exercisable at the end of the period
AU\$0.60 (i)	29/03/2005	30/06/2008	102,000	-	(102,000)	-	-	-
AU\$0.75 (i)	22/11/2005	30/06/2008	150,000	-	(150,000)	-	-	-
AU\$0.60 (i)	08/05/2006	30/06/2008	56,100	-	(56,100)	-	-	-
AU\$0.75 (ii)	13/07/2006	01/12/2008	1,200,000	-	-	-	1,200,000	800,000
AU\$1.05 (i)	19/10/2006	30/06/2009	500,000	-	(99,000)	-	401,000	301,000
AU\$2.60 (iii)	23/04/2007	20/05/2010	350,000	-	(33,333)	-	316,667	166,667
AU\$2.10 (iv)	29/05/2007	27/02/2010	1,200,000	-	-	-	1,200,000	200,000
AU\$1.70 (v)	29/05/2007	01/12/2009	150,000	-	-	-	150,000	75,000
AU\$2.60 (i)	29/05/2007	20/05/2010	400,000	-	-	-	400,000	133,333
AU\$3.14 (i)	13/07/2007	27/07/2010	250,000	-	-	-	250,000	-
AU\$2.80 (i)	13/07/2007	12/07/2010	200,000	-	-	-	200,000	-
AU\$2.97 (i)	26/07/2007	12/07/2010	300,000	-	-	-	300,000	-
AU\$2.23 (i)	22/08/2007	01/09/2010	600,000	-	-	-	600,000	-
AU\$3.22 (v)	30/11/2007	01/11/2009	295,000	-	-	-	295,000	-
AU\$3.22 (v)	30/11/2007	01/12/2011	400,000	-	-	-	400,000	-
AU\$2.88 (i)	30/11/2007	31/12/2010	350,000	-	-	-	350,000	-
AU\$2.97 (v)	30/11/2007	31/12/2010	100,000	-	-	-	100,000	-
AU\$2.81 (vi)	21/12/2007	01/02/2011	400,000	-	-	-	400,000	-
AU\$3.25 (i)	25/02/2008	01/02/2011	-	100,000	-	-	100,000	-
AU\$3.22 (v)	18/06/2008	01/12/2011	-	500,000	-	-	500,000	-
AU\$3.47 (i)	18/06/2008	30/06/2011	-	300,000	-	-	300,000	-
			<b>7,003,100</b>	<b>900,000</b>	<b>(440,433)</b>	<b>-</b>	<b>7,462,667</b>	<b>1,676,000</b>
Weighted average exercise price			AU\$2.08	AU\$3.31	AU\$0.90	-	AU\$2.30	AU\$1.34

- (i) These options vest in three equal annual tranches, each subject to completion of a full year of service with the Company.
- (ii) These options vest in six equal tranches, each subject to a different vesting condition as follows:
- a. 200,000 immediately on issue.
  - b. 200,000 on completion of the Munali Feasibility Study;
  - c. 200,000 on completion of debt and equity financing for the Munali Project;
  - d. 200,000 on the commencement of commercial mining at the Munali Project;
  - e. 200,000 on the first US\$50 million of sales or the market capitalisation of the Company reaching AU\$150 million; and
  - f. 200,000 on three years of service or the next US\$100 million of sales or the market capitalisation of the Company reaching AU\$200 million.
- (iii) These options vest in four equal annual tranches, each subject to completion of a full year of service with the Company.

**9 Share based payments (continued)**

- (iv) These options vest in six equal tranches, each subject to a different vesting condition as follows:
- a. 200,000 to vest on continued employment by Mr. Dale Clark Rogers up to 31 December 2007;
  - b. 200,000 to vest on continued employment by Mr. Dale Clark Rogers up to 31 December 2008;
  - c. 200,000 to vest on continued employment by Mr. Dale Clark Rogers up to 31 December 2009;
  - d. 200,000 to vest on the Mechanical Completion where it occurs on or prior to 31 July 2008;
  - e. 200,000 to vest on the occurrence of Mechanical Completion where it is on budget (within 5% of budgeted development costs for the 2007 and 2008 annual budgets); and
  - f. 200,000 to vest on the occurrence of Economic Completion where it occurs on or prior to 30 June 2009.
- (v) These options vest in two equal annual tranches, each subject to completion of a full year of service with the Company.
- (vi) These options vest on a time basis in three equal annual tranches. They were granted to Barclays Capital in relation to the funding arrangements entered into in December 2007.

All options granted carry no dividend or voting rights. Upon a takeover bid for the Company all unvested options vest. The Company does not have an Employee Share Plan.

## **10 Interest in joint ventures**

### **Albidon and BHP Billiton Limited**

Albidon and BHP Billiton Limited ("BHP Billiton") entered into an agreement in October 2004 for the exploration and development of a number of Albidon's nickel projects in east Africa.

BHP Billiton has elected to proceed to the earn-in stage of the agreement in respect of several tenements at Songea in Tanzania. Through sole funding of agreed exploration programmes, BHP Billiton may earn a 30% interest in this project by expending US\$5 million, inclusive of the amounts expended on the project area during the initial period.

BHP Billiton may complete a Pre-Feasibility Study (including a JORC Measured Resource) on the Songea project to earn a 70% interest. Albidon may then elect to fund its 30% share of project expenditures, or may reduce to a 20% equity interest in return for BHP Billiton funding the first US\$10 million of a Bankable Feasibility Study.

### **Albidon and African Energy Resources Limited**

Albidon Limited and Energy Ventures Limited ("EVE") entered into an agreement in October 2005 for the exploration and development of a number of uranium and coal prospects that have been identified on Albidon's tenements in Zambia. The exploration programme is funded and managed by African Energy Resources Limited ("AFR"), which is owned as to approximately 70% by EVE.

Having met the initial expenditure requirement of A\$500,000 within 2 years, AFR has elected to enter into joint ventures with Albidon on three nominated project areas, Chirundu, Kariba and Luano. AFR has earned an equity interest of 70% in the Chirundu JV. The AFR Board has approved initiation of a Bankable Feasibility Study (BFS) to evaluate uranium mining at the Njame and Gwabe deposits in the Chirundu JV and Albidon has agreed to participate and fund its 30% interest. On each of the Kariba and Luano joint ventures AFR is funding initial exploration programmes to earn a 30% interest.

### **Albidon and OZ Minerals Limited**

In December 2006 Albidon and OZ Minerals Limited ("OZ Minerals") entered into an agreement in respect of zinc projects in Tunisia. After completing a number of staged cash payments, OZ Minerals may earn a 51% interest in the projects by spending a total of US\$6 million on exploration within 3 years, and making further cash payment of US\$750,000. No interest will be earned by OZ Minerals in the projects until this time. The minimum initial committed expenditure of US\$1.3 million is credited towards the earn-in, however the cash payments of US\$1 million are not included as project expenditures.

OZ Minerals may earn a total interest of 70% by spending an additional US\$5 million within two years. Thereafter Albidon may elect to contribute to project expenditures in proportion to its 30% interest or may sell its interest for cash plus a retained royalty.

### **Albidon and MM Mining plc**

In October 2007, Albidon and MM Mining plc ('MMM') entered into an agreement for the exploration and development of the Mpemba nickel project in Malawi. Under the agreement MMM will sole-fund initial exploration expenditure of US\$200,000 within 12 months, and may then earn a 75% interest by expending an additional \$US1.2 million within 4 years. Thereafter Albidon may elect to contribute to project expenditures in proportion to its 25% interest or may convert this to a 3% NSR royalty.

### **Albidon and Mupane Gold Mining Ltd.**

In April 2008, Albidon and Mupane Gold Mining (Propriety) Ltd. ("Mupane") entered into an agreement for the exploration and development of base and precious metals in north eastern Botswana. Albidon has been granted an option by Mupane to farm-in to up to 80% of the base and precious mineral rights by spending a minimum of US\$75,000.

In order to earn a 50% farm-in interest, Albidon shall spend an additional US\$325,000 within 3 years of the commencement date. If at this point Mupane elects not to contribute, Albidon may spend a further US\$400,000 to earn a further 20% after which its total farm-in Interest shall be 70%. Albidon may earn a further 10% by completing a pre-feasibility study after which its total farm-in interest will be 80%.

**10 Interest in joint ventures (continued)**

*Joint Venture assets and liabilities*

Under the terms of the Tunisian joint venture agreement with OZ Minerals Limited, OZ Minerals have various cash expenditure commitments. These cash expenditures are processed through Albidon's payment systems on an imprest basis whereby OZ Minerals provide cash ahead of the occurrence of the expenditure. At 30 June 2008 the balance held on this account was US\$93,328 (31 December 2007 US\$76,749) This balance represents funding in the account at the balance sheet date in relation to future expenditure on the Tunisian joint venture.

Apart from the balance on the Oz Minerals imprest account, the Group has no recognised assets, liabilities, outstanding commitments or contingent liabilities in relation to these joint ventures.

## **11 Commitments**

As at 30 June 2008 the Group had the following commitments:

**(a) Albidon Tenement Commitments:**

*(i) Exploration:*

Commitment on licenses requiring expenditures within 2 years : US\$320,000

Commitment on licenses requiring expenditures within 3 years : US\$402,000

**(b) Other:**

At the balance sheet date the following commitments existed in relation to the development of the Munalii Project.

Not later than 1 year

<b>Commitments</b>	<b>\$US</b>
Plant construction	3,402,500
Plant piping	402,250
Power	1,095,250
<b>Total</b>	<b>4,900,000</b>

These commitments have not been provided for in the financial statements.

## **12 Related party transactions**

The following transactions were carried out with related parties:

### **Directors' interests**

Mitchell River Group Pty Ltd., an entity associated with Mr Alasdair Cooke provides office space and administrative staff, facilities and services to the Company, the costs of which are then reimbursed by the Company. For the six months ended 30 June 2008, these costs totalled US\$197,631 (2007: US\$247,089). During the six months the Company recharged Mitchell River Group Pty Ltd. the total of US\$31,867 (2007: US\$54,547) for rent and shared overheads. At 30 June 2008 nil (2007: US\$10,146) was owing to the Company.

Hartree Pty Ltd., a mining consulting firm of which Mr. Alasdair Cooke is a director, has received fees of US\$6,769 (2007: US\$15,900) in respect of database access, field equipment rental and office cost recovery provided to the Company in the ordinary course of business.

African Energy Resources Ltd., an uranium exploration firm of which Mr. Alasdair Cooke and Mr Valentine Chitalu are directors, has being invoiced the six months ended 30 June 2008 US\$9,056 (2007: US\$120,133) in respect of operating costs recovery provided by the Company in the ordinary course of business. At 30 June 2008 nil (2007: US\$11,261) was owing to the Company.

Mineral Commercial Services Pty Ltd (MCS), a consulting firm of which Mr. Chris De Guingand is a director, has received fees of US\$5,538 (2007: US\$41,301) in respect of services provided to the Company in the ordinary course of business. At 30 June 2008 the Company owed MCS US\$2,882 (2007: nil).

All of the above transactions were entered into on normal commercial terms.

### **Directors**

The Directors of the Company during the year, and up to the date of this report (unless otherwise stated), were as follows:

Dale Rogers  
Alasdair Cooke  
Richard (Dick) Potts (retired 29 May 2008)  
Christopher de Guingand  
Paul Chapman  
Valentine Chitalu  
John Shaw

## **13 Events after the balance sheet date**

There has not arisen in the interval between the end of financial period and the date of these financial statements any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the entity, the results of these operations, or the state of affairs of the entity, in future financial periods.

**DIRECTORS' DECLARATION**

In accordance with a resolution of the board of Directors of Albidon Limited, I state that:

In the opinion of the Directors:

- a) the condensed financial statements and notes of the Consolidated Entity:
  - i. give a true and fair view of the financial position as at 30 June 2008 and the performance for the six months ended on that date of the Consolidated Entity; and
  - ii. comply with International Financial Reporting Standards,
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



**Dale Rogers**  
Director  
12 September 2008

INDEPENDENT REVIEW REPORT



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**To the members of Albidon Limited**

**Report on the Half-Year Consolidated Financial Report**

We have reviewed the accompanying half-year consolidated financial report of Albidon Limited and the entities it controlled during the half-year, which comprises the consolidated balance sheet as at 30 June 2008, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

*Directors' Responsibility for the Half-Year Consolidated Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the half-year consolidated financial report in accordance with International Financial Reporting Standards ("IFRS"). This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year consolidated financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year consolidated financial report based on our review. We conducted our review in accordance with the Australian Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the accompanying interim consolidated financial report does not presented fairly, in all material respects, the consolidated entity's financial position as at 30 June 2008 and its performance for the half-year ended on that date; and complies with International Accounting Standard 34 *Interim Financial Reporting*. As the auditor of Albidon Limited and the entities it controlled during the half-year, ASRE 2410 also requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standard on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Independence*

In conducting our review, we have complied with the independence requirements of the Australian professional ethical pronouncements.

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Albidon Limited and the entities it controlled during the half year does not:

- (a) present fairly the consolidated entity's financial position as at 30 June 2008 and its performance for the half-year ended on that date;
- (b) comply with International Accounting Standard 34 *Interim Financial Reporting*.

A handwritten signature in black ink that reads 'Ernst &amp; Young'.

Ernst & Young  
Perth  
12 September 2008