



ALBIDON LIMITED

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MUNALI NICKEL PROJECT UPDATE

KEY POINTS

- **First revenue from sale of concentrates received.**
- **Appointment of new General Manager – Munali.**
- **Final completion of construction contract achieved and construction contractor demobilised from site.**
- **Commissioning of the processing plant is progressing well with 900ktpa (2,465tpd) nameplate capacity being exceeded on a number of occasions.**
- **Dedicated power line to Project completed and energised.**
- **Mining development rates on target, stoping operations commenced.**
- **Final draw-down of US\$10m – Barclay's senior debt facility.**

Concentrate Sales

First revenue from the sale of Ni-Cu-Co-PGM concentrate, to the Jinchuan Group, was received by the Company in early October. This is a significant step in the transition from development to producer for the Company.

In addition, the Company is actively seeking to sell a parcel of low grade out of specification concentrate, produced during the beginning of Commissioning of the concentrator, when mineralised waste was being fed into the concentrator.

Appointment of New General Manager - Munali

The Company is pleased to advise the appointment of Mr Grant Pierce as General Manager - Munali.

Grant is a qualified mining engineer with 23 years experience in both open pit and underground operations, 10 years of which have been in Africa having worked in Tanzania for 8 years and the DRC for 2 years. Grant has held senior management positions including Operations Manager of the first major gold mine in Tanzania, the Golden Pride Project with Resolute (Tanzania) Limited and more recently as Executive General Manager for Barrick Gold Corporation in Tanzania and Country Manager for Africo Resources Limited in the Democratic Republic of Congo.

Grant was awarded the Medal of the Order of Australia by the Governor General of Australia, on 26 January 2003. The investiture was in recognition of his personal contribution to sustainable social development in rural Tanzania.

Grant will report to the Managing Director of Albidon Limited and will be responsible for the Munali Nickel Project operations, completion of commissioning and production ramp-up.

Processing Plant

Final completion of the construction contract was achieved in September. The construction contractor, GRD Minproc, has now demobilised and a number of minor "punch list" items are being addressed as part of the plant's scheduled maintenance programme.

Commissioning of the processing facility commenced mid-year utilising mineralised waste initially. Commissioning is progressing well with nameplate capacity of 900ktpa (2,465tpd) being achieved on a number of occasions without any discernable problems. Mill throughput has ramped up, towards the nameplate capacity of 75kt per month, from 25kt in July to 55kt in August and 67kt in September. Optimisation of process control is progressing with the on-stream analyser and on site laboratory scheduled to be functional in October.

The focus at Munali remains to increase the processing facility throughput to nameplate capacity of 900ktpa initially. Following this the expanded target is 1.2Mtpa of ore mined from the Enterprise deposit and milled. This will generate between +10,000 tpa of nickel in a high quality Ni-Cu-Co-PGM concentrate. Expansion to 1.2 Mtpa is underway and expected to be achieved in the first quarter of 2009.

Infrastructure

The Kafue river crossing of the Project's dedicated 33kV power line has occurred which now provides a more reliable power source to the operation. This is a major milestone for the project as the reliability of the power supply from Zambian grid was disruptive to operations.

Additional bores were required to provide a consistent flow of water for processing. This programme has now been completed.

Most buildings on site are complete with only the stores and administration buildings outstanding and due for completion during October.

Mining

The mine development advance rates remain on target.

Mining development has advanced on the North and South declines with low grade development ore being accessed from the 1040, 1020 and 995 levels. Accelerating decline development in the Southern ore zone together with level development on the 995 ore drives is the current focus.

The mined ore grades achieved from development in the transitional zone at the top of the Enterprise Deposit have been lower than anticipated. This ore was sourced from the 1040 and 1020 levels in the Northern zone. This grade variability in the Northern transitional ore zones has been partly attributed to mining dilution which the Company has now addressed.

As anticipated, grades achieved from development have trended higher as the depth has increased from the 1040 level to the 995 level. The resource grades for the uppermost levels of the Enterprise Deposit are less than those at depth.

Selective stoping of higher grade ore on the south 1040 and 1020 levels commenced in late September. Stopping will commence on the 995 level in October / November, being the base of the transition zone and top of the higher grade main zone of primary ore.

The focus for mining is now to advance stopping rates and deliver higher grade primary ore to the ROM stockpile. Ore blend into the concentrator is presently 10 – 20% stopping ore and 80 – 90% development ore. This is expected to reverse over the next 4 – 6 months with a corresponding increase in milled grades.

Final Draw-down of \$US10 million – Barclay's Senior Debt Facility

The Company has made a final draw-down of \$US10m under the Barclay's senior debt facility.

The proceeds from the draw-down will be used to fund completion of the process facility upgrade, infrastructure and provide working capital.

Some increased costs associated with completion of the above were a consequence of the delays and logistical issues that arose a result of the most recent extreme wet season in Zambia.

For more information about Albidon and its projects please visit our web site at www.albidon.com or contact: Dale Rogers (Albidon's Managing Director) 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.

About Albidon Limited

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.