



ALBIDON LIMITED

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Market release

via electronic lodgement

QUARTERLY ACTIVITIES REPORT **For the period ended 31 March 2009**

OVERVIEW:

- Depressed nickel prices and an inability to ramp-up production resulted in the Munali Nickel Project ("Munali") being placed on care and maintenance in March 2009. Mining operations have been suspended.
- The workforce at Munali has been reduced to approximately 60 employees and contractors.
- With the mine on care and maintenance, funds available were insufficient to meet ongoing needs, including debt servicing obligations.
- On 6 March 2009 the senior lenders to the Munali Nickel Project advised that the placing of the mine on care and maintenance had caused an event of default. The senior lenders advised that they reserved their rights and may exercise their security rights at any time and without further notice.
- Discussions continue between Jinchuan Group Limited ("Jinchuan") and the senior lenders to secure a funding arrangement suitable to all parties.
- Jinchuan offered to fund the Company, with the proposal effectively consisting of three components:
 - US\$1.8 million up front backed by concentrate production for the months of January and February 2009, with these funds having been received and utilised to place Munali on care and maintenance.
 - US\$7 million via the issue of approximately 135 million ordinary shares at US\$0.052 each or A\$0.08 each; and
 - The injection of up to an additional US\$21 million via the issue of up to 323,076,923 convertible notes at US\$0.065 (A\$0.10) each with a coupon rate equal to Jinchuan's existing subordinated debt (3.75% + USD LIBOR) and a 5 year term.
- The Jinchuan funding proposal was put to a General Meeting on 20 March 2009 and adopted by shareholders.
- The funding is conditional on due diligence by Jinchuan at Munali, agreement with the senior lenders with regards to funding arrangements, agreement with Barclays Bank Zambia on loan funds advanced for equipment financing and agreement with unsecured creditors. All conditions were met other than reaching agreement between Jinchuan and Barclays Bank Zambia on the equipment leases.

- After exhaustive efforts to seek conclusion to the funding proposals, the Board of Albidon Limited announced on 22 April 2009 the appointment of Messrs Mel Ashton and Damian Templeton, Chartered Accountants, of KPMG, as joint and several Administrators of Albidon. The Board concluded that this action was the only available means for the company to continue operating in order to complete the financing transaction with Jinchuan.

Corporate

- The cash position at 31 March 2009 was US \$1.1 million.

Outlook

- The Company believes that agreement should be reached with all relevant parties to allow the Jinchuan funding proposal to be implemented during the second quarter of calendar 2009. The flows of funds however are not expected to occur until early in the third quarter of 2009.

1. MUNALI NICKEL PROJECT, ZAMBIA

Albidon Limited 100%

Project Activities on Site at Munali

Mining

- Mining ceased in March 2009, with the mining fleet parked on the surface and the mining contract suspended.

Processing

- The mill was placed in care and maintenance in March 2009.

Munali Exploration

- Pending ongoing funding arrangements no current works programme is being considered.

2. NICKEL PROJECTS, TANZANIA

Songea JV

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

- BHP Billiton has withdrawn from the Project. Options for the project are being assessed.

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.

3. NICKEL PROJECTS, BOTSWANA

Selebi-Phikwe Nickel-Copper Project

Albidon Limited 100%

- No work was conducted in the quarter.

IAMGOLD Maitengwe JV, Botswana

- Notice has been given of Albidon's withdrawal.

4. ZINC PROJECTS, TUNISIA

Fernana-Nefza Zinc-Lead and Copper-Gold Project

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

OZ Minerals have requested an extension of the earn-in period and propose to submit a formal request and proposal by June 2009.

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

Technical descriptions may be found on the Albidon website at www.albidon.com

If you have any queries please contact the Financial Controller, Jim Dean on +61 8 9211 4600 or email jimd@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 March 2009

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	4,832	4,832
1.2	Payments for:		
	(a) administration	(657)	(657)
	(b) development	(3,205)	(3,205)
	(c) production	(5,055)	(5,055)
	(d) exploration and evaluation	(166)	(166)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	8	8
1.5	Interest and other costs of finance paid	(1,607)	(1,607)
1.6	Income taxes paid	–	–
1.7	Other (provide details if material)		
	Net Operating Cash Flows	(5,850)	(5,850)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects		
	(b) equity investments	–	–
	(c) other fixed assets	(1,215)	(1,215)
1.9	Proceeds from sale of:		
	(a) prospects	–	–
	(b) equity investments	–	–
	(c) other fixed assets		
1.10	Loans to other entities	–	–
1.11	Loans repaid by other entities	–	–
1.12	Recognition of Security Deposits as Cash	84	84
	Net investing cash flows	(1,131)	(1,131)
1.13	Total operating and investing cash flows (carried forward)	(6,981)	(6,981)

1.13	Total operating and investing cash flows (carried forward)	(6,981)	(6,981)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.		
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid	-	-
1.19	Cost of share issue		
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(6,981)	(6,981)
1.20	Cash at beginning of quarter/year to date	8,075	8,075
1.21	Exchange rate adjustments to item 1.20	1	1
1.22	Cash at end of quarter	1,095	1,095

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	156
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\$79,366.

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\$28,930.

Executive services provided by Hartree Pty Ltd, a company in which Mr. A Cooke is a director, for the period aggregated US\$38,703.

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\$8,689.

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 20 March 2009 shareholders approved the issue of 135,615,385 fully paid ordinary shares to Jinchuan Group Limited at an issue price of A\$0.08/US\$0.052 per share to raise US\$7 million. Also approved was the issue of up to 323,076,923 convertible notes, convertible into fully paid ordinary shares in the capital of the company, to Jinchuan Group Limited at a conversion price of A\$0.10 per note. The convertible notes have a 5 year term with a coupon rate of 3.75% + USD LIBOR. The proceeds from the maximum potential issue of convertible notes are US\$ 21 million. None of these financing arrangements were able to be drawn-down by the Company.

- 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	13,848
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

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

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	492	1,661
5.2 Deposits at call	452	6,174
5.3 Bank overdraft	-	-
5.4 Term deposits	151	240
Total: cash at end of quarter (item 1.22)	1,095	8,075

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			
7.5	+Convertible debt securities <i>(description)</i>			

	Total number	Number quoted	Issue price per security (see note 3)	Amount paid up per security (see note 3)
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options (<i>description and conversion factor</i>)	2,437,667	Number	Exercise Price	Expiry
		371,000	A\$1.05	30/06/2009
		266,667	A\$2.60	20/05/2010
		50,000	A\$1.70	01/12/2009
		250,000	A\$3.14	12/07/2010
		400,000	A\$2.81	01/02/2011
		100,000	A\$3.25	01/02/2011
		1,000,000	A\$1.00	30/10/2011
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
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:



Director

Print name: Alasdair Cooke

Date: 11/11/2009

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* applies 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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