



ALBIDON LIMITED

(Subject to Deed of Company Arrangement)

Market release

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via electronic lodgement

QUARTERLY ACTIVITIES REPORT

For the period ended 31 December 2009

OVERVIEW:

Administration and refinancing process

- The appointment of KPMG, as joint and several Administrators of Albidon continued during the quarter. Management of the company was returned to the Board on 9 November 2009.
- At a General Meeting on 30 October 2009, following lapsing of the original approval of 20 March 2009, shareholders approved:
 - New equity raising of US\$7 million through the issue of 135,615,385 fully paid ordinary shares in the company to Jinchuan at US\$0.052 each;
 - Additional financing of US\$21 million through the issue of 323,076,923 secured convertible notes to Jinchuan at an issue price of US\$0.065, with a conversion price of US\$0.056, at an interest rate of 3.75% + SD LIBOR and a 5 year term;
 - A secured facility agreement between the Company (as a guarantor), Albidon Zambia Limited and Jinchuan;
 - The granting by the Company of a fixed and floating charge over all of its assets and undertakings in favour of Jinchuan; and
 - The issue of 10 million warrants to Barclays Capital Plc and European Investment Bank.
- On 30 October Jinchuan transferred US\$10 million to the company's legal representatives in Zambia to allow settlement of deeds entered into with Zambian creditors. US\$1.77 million of these funds have ultimately been transferred back to the company. On 6 November 2009 Jinchuan transferred US\$15.1 million to Albidon as the balance of the proceeds of the convertible notes issue and equity raising, after deducting US\$2.9 million in advances to the Administrator and interest due.
- On 9 November 2009 Albidon transferred US\$2.4 million to the Administrator to fund settlement of Australian creditors and administration costs.
- In November 2009 KPMG advised that the transactions to restructure and recapitalise the company by Jinchuan had taken place. Control of the company and its operations had reverted to the company's Board of Directors effective 9 November 2009.

- On 10 November 2009, a Deed of Settlement was entered into with Byrncut Mining International to resume works under the Munali mining contract.
- In November 2009 135,615,385 fully paid ordinary shares in the company were issued to Jinchuan in accordance with shareholders approval at the General Meeting of the 30 October 2009 and after receipt of US\$7 million.
- On 23 December 2009 Albidon Limited entered into a loan agreement with Jinchuan Jitian Nickel Pty Ltd with a facility limit of US\$20 million. The full facility limit has been drawn to provide funding for the buy back of leased equipment and for mine working capital.
- On 24 December 2009 Albidon Zambia Limited settled the agreed outstanding equipment finance lease facility with Barclays Bank Zambia. All consolidated entity debt from this date is held with Jinchuan and associated companies.

Munali Operations

- The mining contractor Byrncut Mining International Limited remobilised in early December and has since reengaged all key Zambian staff previously employed. Underground mining recommenced in later December and is progressing according to a new mine schedule.
- Preparations are well advanced for the restart of the process plant in the first quarter 2010.

Chirundu Uranium JV (Albidon 30%)

- A new resource was reported for the Chirundu JV following the addition of 2.3 Mlb U3O8 in new resources at Njame South. The total resources for Njame are now 11 Mlb contained U3O8.

Corporate

- The Company was advised in December by the London Alternative Investment market (AIM) that its AIM listing was cancelled on 16 November 2009. Shareholders registered on the AIM will be assisted to transfer their holdings to the Australian Stock Exchange (ASX). The Company will seek relisting on the ASX as soon as audit and other listing requirements are completed in the first quarter of 2010.
- Mr Daniel Davis was appointed as Company Secretary on the 26th November replacing Mr Len Trocone.
- The cash position at 31 December 2009 was US\$13.3 million.

1. MUNALI NICKEL PROJECT, ZAMBIA

Albidon Limited 100%

Project Activities on Site at Munali

Mining

- In November 2009 a Deed of Settlement and Release was entered into Byrncut Mining International that allowed a remobilisation of the contractor to site. The remobilisation started in early December with key staff returning to site during the month. BMIL advised that most of the key former Zambian staff, who had received previous training and operations experience, have returned to employment at the mine. Underground mining operations resumed in late December and are progressing according to schedule.

Processing

- The mill was placed in care and maintenance in March 2009. Preparation is well advanced in the restaffing and refitting of the plant to allow restarting the mill when sufficient ore is available.
- The crushing circuit has operated continuously through December processing waste material for use as aggregate to be used at site and for sale to local contractors.

Munali Exploration

- No surface exploration was undertaken during the quarter.

2. NICKEL PROJECTS, TANZANIA

Songea JV

Albidon Limited 100%

- No work was conducted in the quarter.

Ilagala Project

Albidon Limited 100%

- No work was conducted in the quarter.

3. NICKEL PROJECTS, BOTSWANA

Selebi-Phikwe Nickel-Copper Project

Albidon Limited 100%

- No work was conducted in the quarter.

4. ZINC PROJECTS, TUNISIA

Fernana-Nefza Zinc-Lead and Copper-Gold Project

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

The project has passed to Minmetals who have served notice of termination of the agreement.

5. CHIRUNDU URANIUM JOINT VENTURE, ZAMBIA (ALBIDON 30%)

A new resource was reported for the Chirundu JV following the addition of 2.3 Mlb U3O8 in new Inferred Resources at Njame South. The new resource comprised 4.4 Mt @ 237 ppm U3O8, using a 100ppm cutoff.

The Njame South resource is located less than 1km from the existing Njame resource and is considered to be the strike extension of the deposit.

The total resources for Njame are now 11 Mlb contained U3O8.

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

If you have any queries please contact Jim Dean, Financial Controller, on +61 8 9211 4600 or email jimd@albidon.com.

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 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	0	5,560
1.2	Payments for:		
	(a) administration	(12,822)	(17,703)
	(b) development	-	(3,204)
	(c) production	-	(5,055)
	(d) exploration and evaluation	-	(166)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	75	119
1.5	Interest and other costs of finance paid	(194)	(1,823)
1.6	Income taxes paid	-	-
1.7	Other – Jinchuan Group Limited advance	(2,802)	-
	Net Operating Cash Flows	(15,743)	(22,272)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects		
	(b) equity investments		-
	(c) other fixed assets		(1,215)
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets		10
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	1,770	1,770
1.12	Recognition of Security Deposits as Cash	-	92
	Net investing cash flows	1,770	657
1.13	Total operating and investing cash flows (carried forward)	(13,973)	(21,615)

1.13	Total operating and investing cash flows (carried forward)	(13,973)	(21,615)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	18,000	18,000
1.15	Proceeds from sale of forfeited shares	–	–
1.16	Proceeds from borrowings	20,000	20,000
1.17	Repayment of borrowings	(11,000)	(11,000)
1.18	Dividends paid	–	–
1.19	Cost of share issue		
	Net financing cash flows	27,000	27,000
	Net increase (decrease) in cash held	13,027	5,385
1.20	Cash at beginning of quarter/year to date	428	8,075
1.21	Exchange rate adjustments to item 1.20	(169)	(174)
1.22	Cash at end of quarter	13,286	13,286

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	3,246
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Office accommodation and support services provided by Mitchell River Group Pty Ltd, a company in which Mr. A Cooke is a Director, for the period aggregated US\$55,455.

Administrator fees and disbursements were claimed by KPMG for the period totalling US\$316,264.

Jinchuan had advanced funds to KPMG in the form of an Administrators' Loan and Deed Administrators' Loan that were treated as a pre-payment under the Share Subscription Agreement pursuant to clause 3.9(c) of the Deed of Company Arrangement (DOCA). These advances plus interest were deducted from the equity injection, totalling US\$2.9 million.

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

Nil

- 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	96,000	96,000
3.1 • Subordinated Lenders	-	-
• Leased Equipment		
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	US\$'000s
4.1 Exploration and evaluation	-
4.2 Development	6,000
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	13,286	428
5.2 Deposits at call	0	0
5.3 Bank overdraft	-	-
5.4 Term deposits	-	0
Total: cash at end of quarter (item 1.22)	13,286	428

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	345,821,837	345,821,837	
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	135,615,385	135,615,385	US\$0.052
7.5	+Convertible debt securities <i>(description)</i>			
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	323,076,923	323,076,923	US\$0.065

		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>)	10,775,000	Number	Exercise Price	Expiry
			200,000	A\$2.60	20/05/2010
			50,000	A\$3.14	27/07/2010
			400,000	A\$2.81	01/02/2011
			125,000	A\$1.00	30/10/2011
			10,000,000	A\$0.09	30/10/2012
7.8	Issued during quarter	10,000,000	10,000,000	A\$0.09	30/10/2012
7.9	Exercised during quarter				
7.10	Expired during quarter	50,000	50,000	A\$1.70	01/12/2009
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: 28/01/201

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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