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The Manager Companies
Company Announcements
Australian Securities Exchange Ltd
Level 8 Exchange Plaza
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Perth WA 6000

PROPOSAL TO ACQUIRE 100% OF ALBIDON

The Board of Albidon Limited (“Albidon” or “the Company”) (ASX: ALB) today announces that Jin Tuo Investment Limited (“Jin Tuo”) a wholly owned subsidiary of Jinchuan Group (Hong Kong) Resources Holdings Limited (“Jinchuan HK”) has proposed to acquire 100% of the Company.

The consideration proposed is US\$0.0025 cash per Albidon share to all shareholders other than Jinchuan Group (“Jinchuan”) via a Statutory Merger (“the Merger”) pursuant to the British Virgin Islands (“BVI”) Business Companies Act 2004 (as amended).

As a result of the Jin Tuo proposal, Albidon has signed a legally binding, conditional Merger Implementation Agreement (“MIA”) with Jin Tuo for the acquisition of all of the outstanding fully-paid ordinary shares of Albidon not currently owned by Jinchuan by way of the Merger.

The Board considers that the terms of the offer provide adequate value and certainty to Albidon shareholders in view of the Company’s current circumstances (described further below) and therefore unanimously recommend shareholders to vote in favour of the Merger in the absence of a superior offer, and subject to the Independent Expert’s report concluding that the Merger is in the best interests of all Albidon shareholders.

The surviving entity will indirectly retain the interest in the Munali Mining License and, with Jinchuan’s backing, will have the financial resources to meet the significant ongoing obligations that Albidon owes to the Munali Hills community and the government of The Republic of Zambia.

Transaction Implementation

Albidon understands that the Merger under BVI law will require the preparation of a Plan of Merger which sets out the terms of the Merger between Jin Tuo, a special purpose vehicle incorporated in the BVI, and Albidon.

The proposal is conditional upon, amongst other things, unanimous Albidon Board support, the Munali Mining License continuing to be held in good standing by Albidon Zambia Ltd, obtaining the necessary shareholder approval, regulatory approvals by the governments of The Republic of Zambia, the People’s Republic of China and execution of the Merger under BVI law. A summary of the terms of the Merger Implementation Agreement is attached in Appendix A.

Under the terms of the Merger, Jin Tuo will pay US\$0.0025 (one quarter of a cent) per Albidon share to all shareholders other than Jinchuan, which is the Company’s largest shareholder with 49.93% of the issued capital of the Company. Following the Merger, Albidon shares will no longer be listed on the Australian Securities Exchange (“ASX”) whilst Jin Tuo will be struck off the BVI Registrar of Corporate Affairs.

BDO Corporate Finance (QLD) Ltd has been appointed to prepare an independent expert's report to determine whether the Merger is fair and reasonable to non-Jinchuan shareholders. This report will accompany the documentation to be released to shareholders as outlined in Appendix A.

Commenting on the Merger, Albidon Chairman Mr Zhang Sanlin said:

"I believe the merger is in the best interests of shareholders when considering all efforts to find a third party investor who could breathe new life into the Company have been exhausted," he said.

"By making a cash offer for the shares that Jinchuan does not already own, shareholders will at least be able to recoup a portion of their investment."

"The only other alternative is liquidation of the Company which would provide no return to shareholders."

Situation Analysis

Albidon was established in 2000 and listed on the ASX in March 2004. Albidon has its registered office in Tortola, British Virgin Islands. The Company's sole asset is the Munali Nickel Mine, located 80km south of the Zambian capital Lusaka ("Munali Mine"). The Munali Mine and mineral leases are operated by Albidon Zambia Ltd ("Albidon Zambia"), a wholly owned subsidiary of Albidon.

As shareholders will already be aware, the Company has been in an uncertain financial position since its shares were first suspended from trading in September 2011 following the announcement of the identification of certain operational issues at the company's Munali Mine.

In light of these challenges, the Company proceeded with an independent strategic review, the outcome of which was announced in early October 2011 being an intention to raise new capital, restructure the Company's existing secured finance facilities and off-take arrangements with its major shareholder, Jinchuan, and seek new management.

Jinchuan is incorporated in China and is the Company's largest shareholder (holding 49.93% of the current issued capital). Jinchuan was and continues to be supportive of this initiative and continues to assist the Company in meeting its debts as and when they fall due.

The delay in identifying new sources of capital coupled with declining nickel prices resulted in the Company making the decision in November 2011 to suspend the operation of the Munali Mine.

Since the Company suspended the operation of the Munali Mine, the Company has engaged in exhaustive discussions with a number of parties to find a cornerstone investor prepared to make a significant capital investment and assume a hands-on management role. The Company has considered a range of alternative transactions but has not been able to consummate an appropriate proposal.

The Board also commissioned Snowden Mining Industry Consultants ("Snowden") to prepare a rigorous independent review of the Munali resource model to reconfirm earlier interpretations of the mineral resource estimate. The resulting *Resource Report*, released publicly in November 2012, confirmed a material change to the underlying mineral resource estimate. This represented a 25% decrease to the indicated resource tonnage and a 42% decrease in indicated nickel contained. In addition, the *Mining Report* from Snowden presented a technical analysis describing the practical implications for the Munali Mine resulting from the resource downgrade outlined above. The key findings include:

- No measured mineral resource has ever been reported for Munali Mine.
- There is presently insufficient basis to conclude that the reclassified resource tonnes can be mined economically at current metal prices using mechanised mining methods.
- The Resource and Reserve Statement in the 2010 Annual Report, which showed a probable ore reserve of 6.2Mt at 1.14% Ni, can no longer be justified (Note 2).

Note 2: Based on 0.6% Ni cut-off grade and before accounting for mining depletion from operations during 2011. In addition, all resource tonnes above 870mRL were included being unaffected by subsidence at that time.

Transaction Rationale

Since the voluntary suspension of the Company Shares from trading on ASX in September 2011, the Board has sought to attract investors with a view to recommencing operations at the Munali Mine. These efforts have proved fruitless with day to day expenses being funded by loans obtained from Jinchuan, Jinchuan HK and Jinchuan Jitian Nickel Pty Ltd. For the period from 1 November 2011 to date, Jinchuan has provided further working capital loans to the Company amounting to US\$12.5 million. This brings to approximately US\$146 million the value of total debt (including interest) owed by Albidon to Jinchuan Group, against which no payment has been made to Jinchuan.

Albidon currently has a number of significant legacy financial and community commitments. To meet these obligations Albidon has considered a number of options. These options included the engagement of a Corporate Advisor to complete an extensive search to identify a cornerstone investor prepared to make a significant capital investment and assume a hands-on management role of the Company. Unfortunately, none of the options considered by Albidon progressed leaving Albidon to rely on the ongoing financial assistance and commitment from Jinchuan. Without Jinchuan's ongoing financial assistance and commitment, Albidon would be unable to meet its financial commitments.

Regretfully, with the challenges facing the Company, there is no prospect of generating a return to Albidon shareholders. However, under the terms of the Merger, Jinchuan will effectively pay non-Jinchuan shareholders cash consideration in the amount of US\$0.0025 per ordinary share, which will allow non-Jinchuan shareholders to exit with a portion of their investment. The only other alternative to the Merger being liquidation, which given Albidon's current liabilities, would result in a nil return to shareholders.

Considering the amount of funding that Jinchuan has injected into Albidon to date, the continuing funding that needs to be provided and the assurances that Jinchuan has given to the government of The Republic of Zambia in relation to the Munali Mine and Albidon's obligations in Zambia, Jinchuan has advised of their belief that it is appropriate for them to have full control and ownership of Albidon and Albidon Zambia moving forward.

As a major shareholder, Jinchuan is aware of the Company's current financial and operational situation and that it is extremely unlikely that it will recover any significant portion of its total investment in Albidon (debt and equity) of approximately US\$195 million and may not even recover any portion of its investment. Jinchuan has been made aware of the significant obligations owed by Albidon to the many stakeholders of the Munali Mine. Jinchuan has acknowledged that honouring these obligations has been an important factor in their decision to initiate the Merger.

Timetable and Next Steps

The Notice of Meeting and Plan of Merger is expected to be mailed to Albidon shareholders in early April 2013 with shareholder meetings expected to be held approximately one month later as required by law. The Merger formalities are expected to be completed by late May 2013.

A summary of key terms and timing for the implementation of the Merger is attached at the end of this announcement (Appendix A).

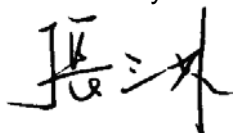
Advisers to the Transaction

Albidon is being advised by Censere Holdings Ltd a specialist valuation and advisory firm headquartered in Singapore. Legal advisors are Price Sierakowski in Australia and Walkers in the BVI.

The Board will keep the market informed with further announcements in due course.

ENDS

Released by:



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Competent Persons Disclosures

Munali Project

The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the 'JORC Code') sets out minimum standards, recommendations and guidelines for Public Reporting in Australasia of Exploration Results, Mineral Resources and Ore Reserves. The information contained in this announcement has been presented in accordance with the JORC Code and references to "Inferred Resources" are to those terms as defined in the JORC Code.

Information in this report relating to Mineral Resources has either been completed or reviewed by Mr Ivor Jones of Snowden Mining Industry Consultants who is a member of The Australian Institute of Mining and Metallurgy. Mr Jones has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person under the 2004 Edition of the Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Jones consents to the inclusion of the data in the form and context in which it appears.

Information in this report relating to Ore Reserves has either been completed or reviewed by Mr Allan Earl of Snowden Mining Industry Consultants who is a member of The Australian Institute of Mining and Metallurgy. Mr Earl has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person under the 2004 Edition of the Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Earl consents to the inclusion of the data in the form and context in which it appears.

Appendix A

SUMMARY OF THE KEY TERMS OF THE MERGER IMPLEMENTATION AGREEMENT (“MIA”)

Set out below is a summary of the key terms of the MIA. Defined terms in this summary have the meaning given to them in the MIA. The MIA can also be found on Albidon’s website (www.albidon.com).

The Merger Implementation Agreement sets out the rights and obligations of the Company and Jin Tuo in connection with the implementation of the Merger. An outline of the key terms of the Merger Implementation Agreement is set out below:

Note: Capitalised terms have the meaning given to them in the Merger Implementation Agreement.

(a) Outline of the Merger

Under the Merger, each Shareholder other than Jinchuan Group will have their Shares cancelled in exchange for the Merger Consideration of \$0.0025 per Share. All options currently on issue will be cancelled without payment of consideration.

(b) Conditions Precedent

Unless waived by a party in accordance with the Merger Implementation Agreement, implementation of the Merger is subject to a number of conditions contained in the Merger Implementation Agreement, including:

- (i) Shareholder approval for the Merger being obtained;
- (ii) No governmental order or proceeding being instituted which would prevent the completion of the Merger or otherwise make it illegal;
- (iii) The Government of the Republic of Zambia, ASX and any other relevant regulatory authority issuing such consents, exemptions and approvals, and doing such other acts, as are necessary to implement the Merger;
- (iv) The Independent Expert providing a report to the Company that concludes that the Merger Consideration is either fair and reasonable or not fair but reasonable to the Independent Shareholders;
- (v) the Board unanimously recommending that Shareholders vote in favour of the Merger, in the absence of a Superior Offer for the Company and including that recommendation in the Explanatory Statement;
- (vi) the Board of the Company:
 - (A) not exercising its discretion under article 11.7 of the Company’s Articles of Association to suspend any voting rights attributable to the shares of the Company held by Jinchuan Group in relation to any possible non-compliance of the terms of the Proposed Merger with the UK City Code on Takeovers and Mergers; and
 - (B) complying with the requirements of British Virgin Islands law in relation to the implementation of the Merger;
- (vii) the Munali Mining License held by Albidon Zambia not being cancelled by the Government of Zambia; and
- (viii) no winding up order of any court for the winding up of Albidon Zambia having been given or any resolution for the winding up of Albidon Zambia having been passed by the members or creditors of Albidon Zambia.

(c) Competing Transactions

The Merger Implementation Agreement contains provisions which recognise the Company's right to engage with third parties in connection with a bona fide, written Competing Proposal where the Board has determined (acting on the advice of the Independent Corporate Adviser) that, among other things, such a Competing Proposal is a Superior Offer. However, Jin Tuo has the right, but not the obligation within 3 Business Days of receipt of a notice from the Company of a Superior Offer to offer to amend the terms of the Merger.

For the purposes of the Merger Implementation Agreement a "Superior Offer" means a bona fide Competing Proposal that the Board, acting reasonably and in good faith, determines:

- (i) is reasonably capable of being valued and completed on a timely basis, taking into account all aspects of the Competing Proposal and the person making it, including having regard to legal, regulatory and financial matters and any conditions precedent; and
- (ii) would or would be reasonably likely to be more favourable to Shareholders than the Merger, after taking into account all of the terms and conditions of, and the identity, reputation and standing of the person making the Competing Proposal.

(d) Representation and warranties

Jin Tuo and the Company have given representations and warranties as to their respective capacities to enter into and be bound by the Merger Implementation Agreement.

(e) Termination

The Merger Implementation Agreement may be terminated:

- (i) at any time by mutual written consent of the parties;
- (ii) by either Jin Tuo or the Company if:
 - (A) the Merger fails to have been implemented before 30 June 2013 (or as agreed between the parties);
 - (B) the Merger is not approved by Shareholders;
 - (C) any governmental entity or regulatory authority issues an order or decision which would prevent the completion of the Merger or otherwise make it illegal;
 - (D) there is a breach or non-fulfilment of a condition precedent which is not waived by the relevant party; or
 - (E) the Independent Expert concludes in its opinion that the Merger is not fair and not reasonable to the Independent Shareholders;
- (iii) by the Company:
 - (A) if Jin Tuo breaches any representation or warranty or otherwise commits a material breach of the Merger Implementation Agreement which cannot be remedied within the time prescribed; or
 - (B) in order to enter into an agreement with respect to a Superior Offer before Shareholder approval of the Merger is obtained;
- (iv) by Jin Tuo if:

- (A) the Company breaches any representation or warranty or otherwise commits material breach of the Merger Implementation Agreement which cannot be remedied within the time prescribed; or
- (B) the Board fails to include a recommendation that Shareholders vote in favour of the Merger, in the absence of a Superior Offer or the Company enters into an agreement with respect to a Competing Proposal.