

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR URGENT ATTENTION
IF YOU ARE IN DOUBT AS TO HOW TO DEAL WITH IT, YOU SHOULD CONSULT YOUR
LEGAL OR FINANCIAL ADVISER IMMEDIATELY.**

**THIS DOCUMENT CONTAINS A PROPOSAL WHICH, IF IMPLEMENTED, WILL RESULT
IN THE REMOVAL OF ALBIDON LIMITED FROM THE OFFICIAL LIST OF ASX.**

ALBIDON LIMITED

ABN 107 288 755

("Company")

RECOMMENDED PROPOSAL, NOTICE OF MEETING AND EXPLANATORY STATEMENT

FOR

**THE PROPOSED MERGER WITH JIN TUO INVESTMENT LIMITED
("Jinchuan NewCo")**

BY WAY OF A

STATUTORY MERGER PURSUANT TO THE BRITISH VIRGIN ISLANDS

BUSINESS COMPANIES ACT, 2004 (AS AMENDED)

**THE INDEPENDENT EXPERT'S REPORT CONCLUDES THAT THE PROPOSED
MERGER, BEING THE SUBJECT OF THE RESOLUTIONS, IS FAIR AND REASONABLE
TO THE INDEPENDENT SHAREHOLDERS FOR THE REASONS DESCRIBED IN THE
INDEPENDENT EXPERT'S REPORT**

**YOUR DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU VOTE IN FAVOUR OF
THE MERGER IN ABSENCE OF A SUPERIOR OFFER AT A MEETING OF ALBIDON
SHAREHOLDERS TO BE HELD AT SUITE 1501-1507, ALEXANDRA HOUSE, 18 CHATER
ROAD, CENTRAL, HONG KONG AT 10:00 AM ON 15 MAY 2013**



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LETTER FROM CHAIRMAN OF ALBIDON

Dear Albidon Shareholders,

You are invited to attend a general meeting of shareholders of Albidon Limited ("**the Company**") to be held on 15 May 2013 at 10.00am (WST). The meeting will be held at Suite 1501-1507, Alexandra House, 18 Chater Road, Central, Hong Kong. The attached Notice of General Meeting and Explanatory Statement and annexures hereto provide information regarding the matters to be acted on at the General Meeting, including at any adjournment or postponement thereof.

On 27 March 2013, the Company entered into a Merger Implementation Agreement with Jin Tuo Investment Limited ("**Jinchuan NewCo**"), on behalf of Jinchuan Group Limited ("**Jinchuan Group**"), pursuant to which it is proposed that Jinchuan NewCo merge with and into the Company by way of a statutory merger ("**Merger**") under the British Virgin Islands Business Companies Act, 2004 (as amended) (the "**BVI Business Companies Act**").

Under the terms of the Merger Jinchuan NewCo will pay US\$0.0025 per share ("**Merger Consideration**") to all shareholders other than Jinchuan Group, the Company's largest shareholder which holds 49.93% of the issued capital of the Company. Following the Merger, the Company shares will no longer be listed on the Australian Securities Exchange ("**ASX**") whilst Jinchuan NewCo will be struck off the Register of Companies in the British Virgin Islands.

At the General Meeting you will be asked to consider and vote upon a proposal to approve the transactions contemplated in a plan of merger ("**the Plan of Merger**") between the Company and Jinchuan NewCo. A copy of the Plan of Merger is attached as Annexure A to the accompanying Explanatory Statement.

Jinchuan Group has indicated its intention to the Board to vote in favour of the Merger. In the Board's view the vote of Jinchuan Group is likely to be determinative of the outcome of the vote on Resolution 2. However the ASX Listing Rules require that the Board disregard Jinchuan Group's vote for the purposes of determining whether Resolution 1 is passed.

Accordingly, there is a possibility that Resolution 2 (Approval of the Plan of Merger for the purposes of the BVI Business Companies Act) is passed but Resolution 1 (Approval of the Plan of Merger for the purposes of the ASX Listing Rules) is not passed. The Board is conscious of its compliance obligations under the ASX Listing Rules which continue notwithstanding that the Company's shares are currently suspended from quotation. However the Board is also cognisant of its fiduciary obligations to act in the best interests of the Company and shareholders as a whole.

In light of the expert reports gathered and discussed further in this letter and attached Explanatory Statement, the Board has determined that the Merger is in the best interest of the non-Jinchuan Group shareholders ("**Independent Shareholders**").

The Board has therefore decided that if Resolution 2 is passed but Resolution 1 is not passed, consideration of the best interests of the shareholders as a whole dictates that the Company must proceed

with the Merger notwithstanding that the requirements of ASX Listing Rule 10.1 have not been complied with, as if the Merger is not implemented, it is likely the Company will be liquidated.

Since the voluntary suspension of the Company shares from trading on ASX on 1 September 2011, the Board has sought to attract investors with a view to recommencing operations at the Company's Munali project. These efforts have proved fruitless with day to day expenses being funded by loans obtained from Jinchuan Group. For the period from 1 November 2011 to 31 March 2013, Jinchuan Group has provided loans to the Company amounting to approximately US\$12.5 million. This brings to approximately \$146 million the value of total debt (including accrued interest) owed by Albidon to Jinchuan Group. No interest has been paid to Jinchuan Group in respect to those loans.

The Company's consolidated statements of comprehensive income and financial position audited and signed by the Company auditor Ernst & Young that forms part of the annual report for the period ended 31 December 2011 ("**2011 Period**"), and audited draft consolidated statements of comprehensive income and financial position for the period ended 31 December 2012 ("**2012 Period**"), pending final auditor sign-off, are attached to the Explanatory Statement (Annexure F). The notes to the 2011 audited financial statements can be viewed in the Company's 2011 Annual Report to Shareholders that was announced to the market on 3 April 2013 and can be accessed online on the Company's ASX announcement page (www.asx.com.au – company code ALB). The Company's consolidated financial statements for the periods ended 2011 and 2012 are prepared on a liquidation basis (paragraph 2(a) of the Annual Report 2011). We encourage shareholders to read the 2011 Annual Report published on the ASX market announcements platform and request that it be regarded as part of the Notice of Meeting and Explanatory Statement.

In the consolidated statements for the 2011 Period the **net liability** of the Company (and Shareholders deficit) was stated at US\$142,674,664 (Statement of Financial Position), whilst a total **net loss** of US\$225,130,735 was recorded (Statement of Income).

In the draft consolidated statements for the 2012 Period the **net liability** of the Company (and Shareholders deficit) was stated at US\$160,074,384 (Statement of Financial Position), whilst a total **net loss** of US\$17,399,720 was recorded (Statement of Income).

The only viable options left for the Company now appear to be either a full takeover by Jinchuan Group by way of the proposed Merger (whereby the Independent Shareholders stand to benefit from some return on their investment), or liquidation of the Company.

If the Merger is approved by the requisite percentage of the Company's registered shareholders and consummated, each of the Company's outstanding ordinary shares (other than those held by Jinchuan Group and the Dissenting Shares (as defined below)), will be cancelled in exchange for the Merger Consideration. Under the Merger, the shares of Jinchuan Group will be cancelled at no consideration. Options currently on issue will be cancelled for no consideration on the basis that these are significantly "out of the money".

Dissenting Shares are any registered shares owned by Company shareholders who have validly exercised and have not effectively withdrawn or lost their appraisal rights pursuant to section 179 of the BVI Business Companies Act ("**Dissenting Shares**"). Dissenting Shares will be cancelled for their fair or other agreed value as described in more detail in the Explanatory Statement. Dissenter's rights are available only to registered holders of shares. Holders of CDI's who wish to exercise rights to dissent will therefore need to withdraw their CDI's under the CHESS arrangement and convert them into shares. Registered holders of shares must comply with the procedures and requirements for exercising dissenter's rights with respect to the shares under Section 179 of the BVI Business Companies Act.

The Board is mindful of its duty to act in the best interests of the Company and its shareholders, especially the independent shareholders (being those shareholders other than Jinchuan Group). However, with the resignation of Mr Harry Ou Wang as Independent Director and Riverstone Advisory Pty Ltd as Corporate

Advisers in July 2012, the Board considers that it is currently not in a position to exercise independent judgment in assessing the relative merits of the proposed Merger.

The Board considers that the Directors are not independent as required by ASX Corporate Governance Council Recommendation 2.1 on the basis that Director Mr Sanlin Zhang is Vice President of Jinchuan Group and Directors Mr Jianke Gao and Mr Yimin Zhang are employees of Jinchuan Group. The ASX Corporate Governance Council defines independence as being free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of unfettered and independent judgment. Accordingly in order to enable it to properly discharge its duties, the Board has appointed Censere Holdings Limited (“**Censere**”) as an independent corporate adviser (“**Independent Corporate Adviser**”) to assist the Board in reviewing the Merger proposal received from Jinchuan.

The Board also engaged BDO Corporate Finance (Qld) Pty Ltd (“**Independent Expert**”) to separately review the terms of the Merger for the purposes of compliance with ASX Listing Rule 10.1. The Independent Expert has concluded that the terms of the Merger are fair and reasonable to Independent Shareholders.

Having evaluated the terms of the Merger your Directors have unanimously determined, with the benefit of the Independent Corporate Adviser’s advice and based on the conclusions of the Independent Expert, that the Merger is in the best interests of the Company and its Independent Shareholders. Accordingly the Board recommends that Shareholders vote in favour of the resolutions to approve the Merger in the absence of a Superior Offer.

The accompanying Explanatory Statement provides detailed information about the Merger and the General Meeting. I encourage you to carefully read the entire document and all of the attachments together with the other documents referred to or incorporated by reference herein. You may also obtain more information about the Company from documents the Company has filed with ASX which are available on the ASX website www.asx.com.au.

The Board recommends that registered shareholders execute and return their Proxies and holders of CDI’s execute and return their CDI Voting Instruction Form and vote in favour of both Resolutions.

Whilst the Zambian Minister of Mines said in a press release on 5 April 2013 that output from the Munali Mine should be restarted by the final quarter of the year, given the circumstances described above, this is highly unlikely.

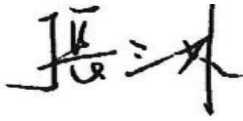
The Company appointed Professional Public Relations Pty Ltd (“**PPR**”) of Level 1, 588 Hay Street, Subiaco, WA, 6008, telephone 1300 730 439 (domestic) or +61 8 6380 4530 (international) as contact between the Company and shareholders to assist in answering questions on the proposed Merger, share issues and the process of voting on the proposed resolutions.

If you have any questions or need assistance involving your shares, please feel free to contact the Registrar, Computershare Investor Services Pty Limited, Level 2, Reserve Bank Building, 45 St Georges Terrace, Perth, WA, 6000, telephone 1300 787 272, 1300 850 505 or if calling from outside Australia on +61 3 9415 4000.

Please note that PPR and the Registrar cannot provide advice on the merits of the proposed Merger or Plan of Merger nor give any opinion, financial, investment, legal or tax advice.

We thank you for your co-operation and continued support.

Yours sincerely,



Mr Zhang Sanlin

CHAIRMAN OF THE BOARD

The enclosed Explanatory Statement is dated 11 April 2013 and has first been mailed to shareholders on or about 15 April 2013.



LETTER FROM CHAIRMAN OF JINCHUAN NEWCO

Dear Albidon Shareholders,

I am the Chairman of Jin Tuo Investment Limited (“**Jinchuan NewCo**”) a wholly owned subsidiary of Jinchuan Group (Hong Kong) Resources Holdings Limited, which proposes to merge with Albidon Ltd (“**Albidon**” or the “**Company**”).

I am writing to you on behalf of Jinchuan NewCo and Albidon’s major shareholder, Jinchuan Group Limited (“**Jinchuan Group**”), to outline the background to, and the rationale for, Jinchuan NewCo’s proposed merger with Albidon.

Jinchuan Group’s relationship with Albidon goes back to mid-2007. Since that time, Jinchuan Group has provided continual support to Albidon through what have proved to be some very challenging times for the Company. Since becoming the major shareholder of Albidon in mid-2007, Jinchuan Group has injected a total of approximately US\$195 million (inclusive of accrued interest) of investment into the Company through both equity and debt funding. Jinchuan Group continues to provide the funding needed by Albidon during the long term care and maintenance of the Munali Mine.

Jinchuan Group takes its obligations to all stakeholders seriously, and is prepared to continue to support Albidon through these challenging times. However, there have been a number of material developments that have made it economically unviable for Albidon to continue to operate in the manner in which it has done to date. Let me share with you a few key examples.

1. Resource Downgrade of Munali Nickel Mine

In 2012, as part of the due diligence process for a potential investor in Albidon, Snowden Mining Industry Consultants (“**Snowden**”) were commissioned to provide an independent report in respect to the Munali Mine. As previously announced to the ASX on 8 November 2012, Snowden’s report confirmed that the Probable Ore Reserve of 6.2Mt at 1.14% Ni, shown in the 2010 Annual Report can no longer be justified using the previous mining method and at current metal prices. Accordingly the Munali Mine is currently uneconomic. The report also confirmed a significant downgrade of the mineral resource estimate of the Munali Mine; namely, a 25% decrease to the volume of the resource and a 42% decrease in the estimated nickel content of the resource.

2. Declining global nickel price



The global price of nickel has drastically declined in recent times; from US\$28,000 per tonne in February 2011 to US\$17,360 per tonne in January 2013 (a decrease of 38%).

3. Failure to find an investor

Despite an extensive search by Albidon's then financial advisors, Riverstone Advisory Pty Ltd, over many months, for the reasons set out in Section 5 of the attached Explanatory Statement, it was not possible to find an investor who would commit to an investment in Albidon.

In light of the above and various other matters, Jinchuan Group, together with Albidon's board of directors, believe the Merger to be the only realistic prospect for securing a viable future for the Company and the Munali Mine.

Whilst the Zambian Minister of Mines has said in a press release on 5 April 2013 that output from the Munali Mine should be restarted by the final quarter of the year, Jinchuan Group is of the view that given the circumstances described above, this is highly unlikely.

However, given the amount of funding that Jinchuan has injected into Albidon to date, the continued funding that needs to be provided and the assurances that Jinchuan Group has given to the Zambian Government with respect to the Munali Mine and Albidon's obligations in Zambia, Jinchuan Group believes it is appropriate that it has full control and ownership of Albidon and its Zambian subsidiary moving forward. This will allow Jinchuan Group to ensure that the strategy is implemented effectively and efficiently, and to ensure that Albidon delivers on its promises to the Zambian Government.

Jinchuan Group's strategy for Albidon (some of which has already been implemented – see Section 5 of the Explanatory Statement) is, broadly, as follows:

- the Munali Mine be placed on long-term care and maintenance;
- redundancies of staff be made, appropriate for the care and maintenance of the Munali Mine, with Jinchuan Group funding the redundancy payments;
- in consultation with the community leaders in the Munali area, a plan be developed and implemented, to meet Albidon Zambia's outstanding community resettlement obligations;
- Jinchuan Group initiates a takeover of the Company, by way of statutory merger, so as to enable Jinchuan Group to assume full control of the Company and its Zambian subsidiary;



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- Jinchuan Group to negotiate with the Zambian Government, for the extinguishment of the US\$12 million hedge tax gain liability, which arose in 2008, before Jinchuan Group became the major shareholder of Albidon; and
- identify an exploration partner who is prepared to fund the investigation of the exploration potential of the Munali Mine with a view to Jinchuan potentially recovering some part of its investment.

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

Jinchuan Group is mindful that it is extremely unlikely to recover its total investment of approximately US\$195 million (or even any significant portion thereof). However, Jinchuan Group is also aware of the significant obligations owed by Albidon to many stakeholders in the Munali Mine. Consideration of the importance of honouring these obligations has been an important factor in Jinchuan Group's decision to initiate the takeover of Albidon by way of statutory merger.

Jinchuan Group recognises that, as a shareholder, this is not a desirable outcome, and I regret not being able to present you with a more optimistic outlook for Albidon. However, I hope that this letter and the attached Explanatory Statement helps you to understand better the difficulties which face Albidon and the reasons why the proposed merger is the only viable option moving forward.

On behalf of Jinchuan Group, I thank you for your continued support.

Yours sincerely,

Mr Zhang Zhong

CHAIRMAN, JIN TUO INVESTMENT LIMITED

NOTICE OF GENERAL MEETING OF SHAREHOLDERS TO BE HELD ON

15 MAY 2013

Notice is hereby given that a General Meeting of the members of Albidon Limited (“**Company**”) will be held on 15 May 2013 at 10.00am (WST) at Suite 1501-1507, Alexandra House, 18 Chater Road, Central, Hong Kong.

Only registered holders of ordinary shares of the Company (“**Shares**”) at the close of business on 10 May 2013 or their proxies are entitled to vote at this General Meeting or any adjournment or postponements thereof. At the meeting you will be asked to consider and vote:

As resolutions:

Resolution 1: Approval of the Plan of Merger for the purposes of the ASX Listing Rules

To consider and if thought fit, to pass the following resolution as an ordinary resolution.

“That for the purposes of ASX Listing Rule 10.1, the Merger between Jin Tuo Investment Limited and the Company pursuant to the terms of a Plan of Merger under British Virgin Islands Business Companies Act 2004 (as amended) (a copy of which is included as Annexure A to this Explanatory Statement accompanying this Notice of General Meeting dated 11 April 2013) be approved.”

Voting Exclusion Statement

In accordance with the ASX Listing Rules the Company will disregard any votes cast on Resolution 1 by Jinchuan Group and any of its Associates.

However the Company need not disregard a vote for the purposes of the ASX Listing Rules if:

- (a) it is cast by a person as a proxy who is entitled to vote, in accordance with the directions or the proxy form; or
- (b) it is cast by the Chairman of the meeting as a proxy for a person who is entitled to vote, in accordance with the directors or proxy form authorising the Chairman of the Meeting to vote as he decides.

Resolution 2: Approval of the Plan of Merger for the purposes of the BVI Business Companies Act

To consider, and if thought fit, to pass the following resolutions as ordinary resolution.

“That for the purpose of Section 170 of the British Virgin Islands Business Companies Act, 2004 (as amended) and for all other purposes: (i) the Plan of Merger (a copy of which is included as Annexure A to this Explanatory Statement accompanying this Notice of Meeting dated 11 April 2013) be and is hereby authorised and approved; (ii) the Company be authorised to carry out, give effect to and complete the Merger whereby the separate corporate existence of Jin Tuo Investment Limited will cease and Jin Tuo Investment Limited will merge with and into the Company with the Company being the surviving company; (iii) each Director, officer, Registered Agent and agent of the Company be and are hereby authorised to do all things necessary or desirable, including (without limitation) causing the Articles of Merger to be executed, delivered and performed on behalf of the Company and the filing of all necessary documents with the BVI Registrar to complete the Merger; and (iv) the Directors

Resolutions be, and they hereby are, ratified, confirmed, authorised, approved and adopted in all respects by the Shareholder(s) of the Company as resolutions of the Company.”

(Director Mr Sanlin Zhang has disclosed to the Board and the Company that he is Vice President of Jinchuan Group Limited (a shareholder of the Company) and directors Yimin Zhang and Jianke Gao are both employees of Jinchuan Group Limited and are to be regarded as interested in the transaction contemplated in this resolution for the purposes of Section 124(4) of the BVI Business Companies Act, 2004.)

EXPLANATORY STATEMENT

The accompanying Explanatory Statement forms part of this Notice of General Meeting and should be read in conjunction with it. Capitalised words and terms used in this Notice of General Meeting and the Explanatory Statement shall have the meaning assigned to it and if none it shall have the meaning contained in the Company's Memorandum and Articles of Association (if any).

PROXIES

Only registered Shareholders can vote at the General Meeting personally or by proxy, attorney or representative. A Shareholder entitled to attend and vote at the General Meeting may appoint not more than two proxies to attend and vote at this meeting. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the Shareholder's voting rights. A proxy may but need not be a Shareholder of the Company. The instrument appointing a proxy must be in writing, executed by the appointor or his/her attorney duly authorised in writing or, if such appointor is a corporation, either under seal or under hand of an officer or his/her attorney duly authorised. The instrument of proxy (and the power of attorney or other authority, if any, under which it is signed) must be lodged by person, post, courier or facsimile and reach the office of the Company not later than 10:00 am WST on 13 May 2013. For the convenience of Shareholders a proxy form is enclosed with notices sent to Shareholders (Annexure D).

A Shareholder that is a corporation may elect to appoint a representative in accordance with the Company's Memorandum and Articles of Association in which case the Company will require written proof of the representative's appointment which must be lodged with, or presented to the Company not later than 10:00 am WST on 13 May 2013.

CHESS DEPOSITORY INTERESTS

Holders of CDI's are invited to attend the General Meeting but are not entitled to vote at the meeting. In order to have votes cast at the General Meeting on their behalf, CDI holders are required to complete, sign and return the enclosed CDI Voting Instruction Form (Annexure E) to Computershare Investor Services Pty Limited, GPO Box 242, Melbourne VIC 3001, Australia so that CDI holders can direct CDN to vote the underlying shares on their behalf. The CDI Voting Instruction Form needs to be received at the address shown on the form by not later than 10:00 am WST on 12 May 2013.

Holders of CDI's are further afforded the opportunity to withdraw their CDI's under the CHESS arrangement converting them into Shares and attend the Meeting or vote their share directly by proxy. Questions regarding the removal process may be directed to the Company's registrar in Australia, Computershare Investor Services Pty Limited, on 1300 787 272, 1300 850 505 or if calling from outside Australia on +61 3 9415 4000.

CDI holders (being the beneficial owners of Shares) can vote their interest in the Shares as follows:

1. By completing the CDI Voting Instruction Form contained in Annexures E with instructions to the proxy of how to cast the vote; or
2. By withdrawing their CDI's under CHESS arrangement and converting them to Shares prior to the Record Date by contacting Computershare. In this case the CDI holder's name will be included in the register of shareholders and will be permitted to exercise its right to vote in person, by proxy, attorney or representative at the General Meeting.

By order of the Board of Directors, Chairman of the Board of Directors.

**EXPLANATORY STATEMENT IN RELATION TO THE PROPOSED MERGER OF
JINCHUAN NEWCO INTO ALBIDON LIMITED**

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1 IMPORTANT DATES

Record Date:	10 May 2013
Proxies to be received not later than 10:00am (WST)	13 May 2013
Meeting of Shareholders to approve the Merger	15 May 2013

If the Shareholders approve the Merger, the EXPECTED timetable is:

Effective Date:	16 May 2013
Last day of Shares listing with ASX:	23 May 2013
Despatch of cheques for cash payments to Shareholders:	23 May 2013

Note: These dates are indicative only. The directors reserve the right to vary dates and times without notice.

2 IMPORTANT NOTES

This Explanatory Statement does not constitute the solicitation of a proxy in any jurisdiction to or from any person to whom or from whom it is unlawful to make such proxy solicitation in that jurisdiction. You should rely only on the information contained or incorporated by reference in this proxy statement to vote your shares at the general meeting. We have not authorised anyone to provide you with information that is different from what is contained in this explanatory statement.

This Explanatory Statement is dated 11 April 2013. You should not assume that the information contained in this explanatory statement is accurate as of any date other than that date, and the mailing of this Explanatory Statement to Shareholders does not create any implication to the contrary.

2.1 Competent Person Statement

Any information in this Explanatory Statement that relates to the resource downgrade and change to the mineral resource estimate of the Munali Mine is based on information that has been compiled by Mr Allan Earl and Mr Ivor Jones respectively who are both consultants working for Snowden Mining Industry Consultants and members or fellows of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists or recognised overseas professional organisation (ASX listed or ASX promulgated) and competent persons as defined by the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Allan Earl and Mr Ivor Jones respectively consent to the inclusion of the data in the form and context in which it appears.

2.2 Purpose of this Document

This document provides information to the Shareholders necessary for them to make a decision as to how to vote on the resolutions to approve the Merger at the General Meeting for the purposes of the ASX Listing Rules and the BVI Business Companies Act. It has been prepared and is provided pursuant to section 170 of the BVI Business Companies Act to explain the effect of the Merger.

In preparing this Explanatory Statement the Board has endeavoured to ensure that it contains all of the material information that the Shareholders would reasonably require in order to make an informed decision with respect to the approval of the Merger. Special consideration was given to the interest of the Independent Shareholders that are not participants to the Merger,

to ensure that they have adequate substantive material information at their disposal to make an informed decision on the Plan of Merger.

No person should construe the contents of this document as legal, financial, investment or tax advice but should consult their own advisers in connection with the matters referred to in this document.

Your Directors recommend that you read this Explanatory Statement in its entirety (including its Appendices) before making your decision as to how to vote at the General Meeting.

2.3 Responsibility for Information

The information concerning the Company contained in this Explanatory Statement, excluding the Independent Expert's Report ("**Albidon Information**"), has been compiled by the Company and its directors and is the responsibility of the Company. The information concerning Jinchuan NewCo, Jinchuan HK and Jinchuan Group contained in this Explanatory Statement, excluding the Independent Expert's Report ("**Jinchuan Information**"), has been provided by Jinchuan Group and its directors and is the responsibility of Jinchuan Group. The Company assumes no responsibility for the accuracy or completeness of the Jinchuan Information, and Jinchuan Group assumes no responsibility for the accuracy or completeness of the Albidon Information.

BDO has prepared the Independent Expert's Report contained in Annexure B and takes responsibility for that report.

2.4 ASIC

A copy of this Explanatory Statement has not been provided to ASIC for review as the proposed Merger will be conducted pursuant to the BVI Business Companies Act rather than the Corporations Act. Accordingly, neither ASIC nor any of its officers takes any responsibility for the contents of this Explanatory Statement.

2.5 ASX

A copy of this Explanatory Statement has been lodged with the ASX. Neither the ASX nor any of its officers take any responsibility for the contents of this Explanatory Statement.

2.6 Forward-looking Statements

This Explanatory Statement includes, or may include, forward-looking statements including, without limitation, forward-looking statements regarding the Company and Jinchuan's financial position, business strategy, and plans and objectives for future operations (including development plans and objectives), which have been based on the Company and Jinchuan's current expectations about future events. These forward-looking statements are, however, subject to known and unknown risks, uncertainties and assumptions that could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company and Jinchuan's present and future business strategies and the environment in which the Company and Jinchuan will operate in the future.

Matters not yet known to the Company and Jinchuan or not currently considered material to the Company and Jinchuan may impact on these forward-looking statements. The statements reflect views held only as at the date of this document. In light of these risks, uncertainties and assumptions, the forward-looking statements discussed in this document might not occur. The Shareholders are therefore cautioned not to place undue reliance on these statements.

Subject to any continuing obligations under applicable law or the ASX Listing Rules, the Company and Jinchuan expressly disclaim any liability or obligation to disseminate after the date of this Explanatory Statement any updates or revisions to such forward-looking statements to reflect changes in expectations or events, conditions or circumstances on which any such statements are based.

2.7 Investment Decisions

This Explanatory Statement contains general information only and does not take into account the objectives, financial situation or needs of any particular Shareholder or any other person. The Explanatory Statement should therefore not be relied on as the sole basis for any decision in relation to the Merger. Independent financial, investment, legal and taxation advice should be sought before making any decision in relation to the Merger.

2.8 Privacy

The Company may collect personal information in the process of implementing the Merger. This information may include the names, contact details and security holdings of Shareholders and the names of persons appointed by the Shareholders to act as proxy, corporate representative or attorney at the General Meeting. The primary purpose of collecting this information is to assist the Company in the conduct of the General Meeting and to enable the Merger to be implemented by the Company in the manner described in this Explanatory Statement. Without this information, the Company may be hindered in its ability to carry out these purposes to full effect. The collection of certain personal information is authorised by the Corporations Act.

Personal information may be disclosed to the Registrar, to print and mail service providers, to authorised securities brokers, and to related bodies corporate of the Company and Jinchuan.

The Shareholders have the right to access personal information that has been collected. They should contact the Registrar in the first instance if they wish to exercise this right.

The Shareholders who appoint a named person to act as their proxy, corporate representative or attorney at the General Meeting should ensure that they inform that person of the matters outlined above.

2.9 Definitions

In this Explanatory Statement capitalised words have the meanings assigned:

“**Albidon Zambia**” means Albidon Zambia Ltd.

“**Articles of Merger**” means the articles of merger to be filed with the BVI Registrar.

“**ASIC**” means Australian Securities and Investment Commission.

“**Associates**” has the meaning assigned in the ASX Listing Rules.

“**ASX**” means ASX Limited (ACN 008 624 691) operating as the Australian Securities Exchange.

“**ASX Listing Rules**” means the listing rules applicable and published by ASX.

“**Board**” means the board of Directors of the Company.

“**BVI Business Companies Act**” means the British Virgin Islands Business Companies Act 2004 (as amended) of the British Virgin Islands.

“**BVI Registrar**” means the Registrar of Corporate Affairs of the British Virgin Islands.

“**CDI**” means CHESS Depository Interests and the holders of CDI’s where the context requires.

“**CDN**” means CHESS Depository Nominees Pty Ltd.

“**Company**” means Albidon Limited.

“**Competing Proposal**” has the meaning given to it in Section 3.2 of the Explanatory Statement.

“**Corporations Act**” means the Corporations Act 2001 (Cth).

“**Directors**” mean the directors of the Company as of the date of this Explanatory Statement namely Sanlin Zhang, Jianke Gao and Yimin Zhang.

“**Directors Resolutions**” means the resolutions of the Directors dated on or about 15 March 2013 approving the Company carrying out, giving effect to and completing the Merger whereby the separate corporate existence of Jinchuan NewCo will cease and Jinchuan NewCo will merge into the Company and approving the Plan of Merger.

“**Dissenting Shares**” means the shares of registered Shareholders that wish to exercise their right to dissent under section 179 of the BVI Business Companies Act.

“**Effective Date**” means the date the Merger becomes effective, being the date of registration of the Articles of Merger.

“**Explanatory Statement**” means this explanatory statement accompanying the Notice of General Meeting.

“**General Meeting**” means the General Meeting where the Plan of Merger will be considered or at any adjournment thereof.

“**Independent Corporate Adviser**” or “**Censere**” means Censere Holdings Ltd (“**Censere**”).

“**Independent Expert**” or “**BDO**” means BDO Corporate Finance (Qld) Pty Ltd and the Independent Expert Report is the report prepared by the Independent Expert.

“**Independent Shareholders**” means all Shareholders of the Company excluding Jinchuan Group.

“**Jinchuan**” means Jinchuan NewCo, Jinchuan HK, Jinchuan Group and Jinchuan Jitian Nickel Pty Ltd.

“**Jinchuan Group**” means that Shareholder being a company incorporated under the laws of the Peoples Republic of China, of P.C. 737103, Jinchuan City, Gansu Province, Peoples Republic of China.

“**Jinchuan HK**” means Jinchuan Group (Hong Kong) Resources Holdings Limited, a company incorporated in Hong Kong with company number CR1371391 of Room 4105, Tower Two, Lippo Center, 89 Queensway, Hong Kong.

“**Jinchuan NewCo**” means Jin Tuo Investment Limited or any company nominated by Jinchuan Group as the company participating in Merger with the Company.

“**Merger**” means the merger of the Company and Jinchuan NewCo on the terms set out in the Plan of Merger.

“Merger Consideration” means payment of US\$0.0025 per Share.

“Merger Implementation Agreement” means a merger implementation agreement dated 27 March 2013 between the Company and Jinchuan NewCo.

“Munali Mine” means the Munali nickel mine located in Zambia.

“Notice of General Meeting” or **“Merger Meeting”** or **“General Meeting”** or **“Meeting”** means this notice convening the general meeting of the Company.

“Plan Documents” means the Plan of Merger together with any notices and acknowledgements to be given pursuant thereto and any instruments and other documents scheduled thereto.

“Plan of Merger” means the plan of merger between the Company and Jinchuan NewCo dated 27 March 2013 and attached to the Explanatory Statement marked Annexure A.

“Plan of Merger Approval” means the approval of the Plan of Merger pursuant to Resolution 2.

“PPR” means Professional Public Relations Pty Ltd of Level 1, 588 Hay Street, Subiaco, WA Australia, with telephone number 1300 730 439 (domestic) or +61 8 6380 4530 (international), fax number +61 8 9388 0933 and email address albidon@ppr.com.au.

“Record Date” means 10 May 2013, being the date on which the Shareholders and holders of CDI’s on record will be determined.

“Registered Agent” means Tricor Services Limited of 2nd Floor Palm Grove House, Wickhams Cay, Road Town, Tortola, British Virgin Islands or such registered agent from time to time appointed in terms of section 91 of the BVI Business Companies Act.

“Registrar” means Computershare Investor Services Pty Limited of Level 2, 45 St Georges Terrace, Perth, WA, Australia with telephone number 1300 850 505, 1300 787 272 (domestic) and +61 3 9415 4000.

“Shareholders” means registered shareholders or members of the Company and where the context requires include holders of CDI’s at the Record Date.

“Share” means a fully paid ordinary share of the Company.

“Superior Offer” has the meaning given to it in Section 3.2 of the Explanatory Statement.

“Surviving Company” means the Company.

2.10 Interpretation

In this Explanatory Statement, except where the context otherwise requires:

- (a) the singular includes the plural and vice versa, and a gender includes other genders;
- (b) a reference to **A\$, \$A, dollar** or **\$** is to Australian currency unless otherwise stated;
- (c) a reference to time is to West Australia Standard time;
- (d) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them; and
- (e) words not defined shall have its normal lexical meaning.

3 SUMMARY OF MERGER AND RESOLUTIONS

3.1 Introduction

On 28 March 2013 the Company announced to the ASX that it had entered into a Merger Implementation Agreement with Jinchuan NewCo under which, subject to the waiver or satisfaction of certain conditions, Independent Shareholders will receive US\$0.0025 for each Share they hold which will then be cancelled. A summary of the terms of the Merger Implementation Agreement is set out below.

The proposed Merger has been structured as a statutory merger under BVI law between Jinchuan NewCo, a special purpose vehicle incorporated in the British Virgin Islands as a subsidiary of Jinchuan HK, and the Company. Jinchuan HK is a wholly owned subsidiary of Jinchuan Group.

The Board has resolved to recommend to the Shareholders the merger proposal from Jinchuan NewCo for the reasons outlined in section 6 of this Explanatory Statement.

3.2 Proposed/Anticipated terms of formal binding offer of Merger

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

Summary of Merger Implementation Agreement

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

(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 US\$0.0025 per Share. Jinchuan Group's Shares will be cancelled for no consideration. 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 Proposal

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, Jinchuan NewCo 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

Jinchuan NewCo 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 Jinchuan NewCo 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 Jinchuan NewCo 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 Jinchuan NewCo 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.

3.3 What you will receive

If the Merger becomes effective the Independent Shareholders will receive a cash payment of US\$0.0025 per Share.

3.4 Appointment of Independent Corporate Adviser

The Independent Corporate Adviser has been engaged by the Company to provide independent corporate advice to assist the Board in considering the relative merits of the Merger proposal from Jinchuan NewCo. The Board considered it prudent to seek such independent advice in the light of the current Board composition, and apparent connection between the Directors and Jinchuan.

Censere is a specialist valuation and advisory firm headquartered in Singapore with twelve offices throughout Asia Pacific. Censere offers comprehensive technical asset valuation and advisory services.

Censere has advised the Board that it considered the offer contained in the Plan of Merger as both fair and reasonable to the Shareholders, especially to the Independent Shareholders.

3.5 Directors' recommendations

Your Directors have unanimously determined that the Merger is in the best interests of the Company and its Independent Shareholders and recommend that Shareholders vote in favour of the Merger in the absence of a Superior Offer.

In view of the challenges faced by the Company (further described in section 5), the Board believes that the only viable options left for the Company now appear to be either a full takeover by Jinchuan, by way of the proposed Merger or the liquidation of the Company. In view of this and the consideration of a number of other matters set out in section 6, the Board has concluded that the Merger is in the best interests of Independent Shareholders in absence of a Superior Offer.

The Board's recommendation is supported by the conclusion of BDO in its independent expert report (see below) and the advice of the Independent Corporate Adviser.

3.6 Merger implementation, timetable and procedures

The Merger process involves the approval of a Plan of Merger (included as Annexure A to this Explanatory Statement) as discussed in more detail below. Under the terms of the Merger, Jinchuan NewCo will merge with and into the Company so that the Company continues as the surviving company. All non-Jinchuan Shares will be cancelled, in consideration for a cash amount paid by Jinchuan NewCo to the Independent Shareholders, and Jinchuan Group Shares will be cancelled for no consideration. Following completion of the Merger Jinchuan NewCo will be the sole Shareholder of the Company and as a result the Company will be delisted from ASX.

Under BVI law the Plan of Merger must be approved by the boards and shareholders of both Jinchuan NewCo and the Company.

Following all approvals being obtained, the Articles of Merger (which includes the Plan of Merger) will be filed with the BVI Registrar following which a Certificate of Merger under the BVI Business Companies Act will be issued. The Merger becomes effective upon the date of registration of the Articles of Merger under the BVI Business Companies Act by the BVI Registrar and at which point the separate corporate existence of Jinchuan NewCo would cease with the Company continuing on as the Surviving Company.

3.7 General Meeting

The General Meeting to approve the Merger is scheduled to be held at Suite 1501-1507, Alexandra House, 18 Chater Road, Central, Hong Kong on 15 May 2013 at 10.00am (WST). Voting eligibility for the General Meeting will be determined as at 4.00pm (WST) on the Record Date.

3.8 Approval under ASX Listing Rule 10.1

Under ASX Listing Rule 10.1 a listed company (or any of its child entities) must not acquire a substantial asset from, or dispose of a substantial asset to, specified persons or companies without the approval of shareholders at a general meeting.

An asset is treated as a substantial asset if its value or the value of the consideration for it, is 5% or more of the listed company's equity interests as set out in the latest financial statements given to ASX. A listed company's equity interests are the sum of paid up capital, reserves, and accumulated profits or losses, disregarding redeemable preference share capital and outside equity interests.

The specified persons or companies to whom ASX Listing Rule 10.1 applies include:

- (a) a related party to the listed company;
- (b) a subsidiary of the listed company;
- (c) a substantial holder in the listed company who either alone or together with its Associates has a relevant interest, or had a relevant interest at any time in the six months before the transaction, or at least 10% of the total votes attached to the listed company's voting securities;
- (d) an associate of a person or company referred to in paragraphs (a), (b) or (c); or
- (e) a person or company whose relationship with the listed company or a person or company referred to in paragraphs (a) to (d) is such that, in ASX's opinion, the transaction should be approved by the shareholders.

Jinchuan NewCo is ultimately controlled by Jinchuan Group which is, in turn, a substantial holder of the Company with a relevant interest in 49.93% of the total votes attached to the Company's voting securities. As a result of the Merger Jinchuan NewCo will become the sole Shareholder of the Company with all Shares not held by Jinchuan Group being cancelled. Accordingly the effect of the Merger is that a substantial Shareholder of the Company will be acquiring the entire undertaking and all the assets and liabilities of the Company and, as such, the value of the assets being acquired will be greater than the 5% of the equity interest threshold. The Company has received written advice from ASX that, in its opinion, ASX Listing Rule 10.1 applies to the Merger on this basis.

Accordingly, the Board is seeking the approval of Shareholders for the Merger for the purposes of ASX Listing Rule 10.1.

3.9 Independent Expert's Report

Under ASX Listing Rule 10.10.2 the Company's Shareholders must be given an independent report by an independent expert. The report must state whether the proposal is fair and reasonable to the Company's Shareholders (except those who are precluded from voting at the meeting).

What is fair and reasonable must be judged by the independent expert in all the circumstances of the proposal. This requires taking into account the likely advantages to Shareholders if the Merger is approved and comparing them with the disadvantages to them if the proposal is not approved.

The Board has appointed BDO for this purpose. On the basis of the matters discussed in its report, BDO has formed the opinion that the proposal is fair and reasonable to the Company's Shareholders (except those who are precluded from voting at the meeting). Shareholders should read BDO's report in full. The report accompanies this Explanatory Statement as Annexure B.

3.10 Approval under the BVI Business Companies Act

Pursuant to the BVI Business Companies Act, the directors of both the Company and Jinchuan NewCo are required to approve the Plan of Merger before the Plan of Merger is then authorised by a resolution of Shareholders. Notice of the General Meeting, accompanied by a copy of the Plan of Merger, is to be given to each Shareholder, whether or not entitled to vote on the Merger. After approval of the Plan of Merger by the directors and Shareholders of each of the Company and Jinchuan NewCo, the Articles of Merger shall be executed by each company and filed with the BVI Registrar.

3.11 Voting thresholds

Each of Resolutions 1 and 2 must be approved by a majority of the Shareholders that together hold more than 50% of the voting rights of all Shareholders present and entitled to vote at the General Meeting in order for the resolutions to be passed for the purposes of the ASX Listing Rules and BVI Business Companies Act, respectively.

However, in accordance with the ASX Listing Rules the Company is required to disregard any votes cast on Resolution 1 by Jinchuan Group and any of its Associates. Jinchuan Group is permitted to vote on Resolution 2 and there is no requirement under BVI law which obliges the Company to disregard Jinchuan Group's vote on this resolution.

3.12 Potential conflict between outcomes Resolutions 1 and 2

Jinchuan Group currently holds 49.93% of the Company's issued capital and has indicated its intention to the Board to vote in favour of the Merger. In the Board's view the vote of Jinchuan Group is likely to be determinative of the outcome of the vote on Resolution 2. However the ASX Listing Rules require that the Board disregard Jinchuan Group's vote for the purposes of Resolution 1.

Accordingly, there is a possibility that Resolution 2 (Approval of the Plan of Merger for the purposes of the BVI Business Companies Act) is passed but Resolution 1 (Approval of the Plan of Merger for the purposes of the ASX Listing Rules) is not passed. The Board is conscious of its compliance obligations under the ASX Listing Rules which continue notwithstanding that the Company's Shares are currently suspended from quotation. However the Board is also cognisant of its fiduciary obligations to act in the best interests of Shareholders as a whole.

The Shares were suspended from trading on the ASX on 1 September 2011 and due to factors contained in this Explanatory Statement the Board concluded that there is no reasonable prospect of attaining re-quotation of the Shares on the ASX.

With the benefit of the Independent Corporate Adviser's advice and the Independent Expert's conclusion that the Merger is fair and reasonable to the Independent Shareholders, the Board has determined that the Merger is in the best interests of the Independent Shareholders.

The Board has therefore decided that if Resolution 2 is passed but Resolution 1 is not passed, consideration of the best interests of the Shareholders as a whole dictates that the Company must proceed with the Merger notwithstanding that the requirements of ASX Listing Rule 10.1 have not been complied with as if the Merger is not implemented it is likely the Company will be liquidated.

3.13 Rights to Dissent

Under the BVI Business Companies Act, dissenting registered Shareholders are entitled to receive fair value for their shares. If a dissenter believes that it has not received fair value for its shares, then the dissenter may demand that a statutory procedure be followed to determine the fair value of its Shares which involves the appointment of three appraisers to fix the value. Shareholders who elect to dissent from the Merger will have the right to seek appraisal and payment of the fair value of their shares if the Merger is completed, but only if they deliver to the Company, before the vote is taken, a written objection to the Merger and subsequently comply with all procedures and requirements of Section 179 of the BVI Business Companies Act for the exercise of appraisal rights, which is attached as Annexure C to this Explanatory Statement. The fair value of the Shares as determined under that statute could be more than, the same as, or less than the Merger Consideration they would receive pursuant to the Plan of Merger if they do not exercise appraisal rights with respect to their Shares.

Dissenter's rights are available only to registered holders of Shares. Holders of CDI's who wish to exercise rights to dissent will therefore need to withdraw their CDI's under the CHES arrangement and convert them into Shares. Registered holders of Shares must comply with the procedures and requirements for exercising dissenter's rights with respect to their Shares under Section 179 of the BVI Business Companies Act.

3.14 Tax implications

The transfer of your Shares in accordance with the Merger may have tax implications for you including the realisation of trading losses which could result in a tax credit. **You should seek your own professional advice regarding your individual or corporate tax consequences.**

4 FREQUENTLY ASKED QUESTIONS ABOUT THE GENERAL MEETING AND THE MERGER

The following questions and answers briefly address some questions you may have regarding the General Meeting and the Merger. These questions and answers may not address all questions that may be important to you as a Shareholder. Please refer to the more detailed information contained elsewhere in this Explanatory Statement, the annexures to this Explanatory Statement and the documents referred to or incorporated by reference in this Explanatory Statement. Shareholders should seek independent legal, taxation and financial advice.

Q: What is the Merger?

A: The Merger is a transaction pursuant to which Jinchuan NewCo will merge with and into the Company. Once the Plan of Merger Approval is obtained and the other closing conditions under the Merger Implementation Agreement have been satisfied or waived, the Articles of Merger will be filed for registration with the BVI Registrar and, upon registration of the Articles of Merger, Jinchuan NewCo will merge with and into the Company, with the Company continuing as the Surviving Company and Jinchuan NewCo being struck off the Register of Companies in the British Virgin Islands. As a result of the Merger, the Company's Shares will no longer be listed on ASX.

As soon as the Merger becomes effective the Company shall succeed to and assume all the rights, privileges, immunities, powers, objects and purposes of Jinchuan NewCo and all assets of each of Jinchuan NewCo and the Company shall immediately vest in the Company which will also be liable for all the debts, claims, liabilities and obligations of each of Jinchuan NewCo and the Company.

Q: What will I receive in the Merger?

A: If you are an Independent Shareholder and own Shares or hold CDI's and the Merger is completed, you will be entitled to receive US\$0.0025, without interest and net of any applicable withholding taxes, for each Share or CDI you own as of the Record Date (unless you validly exercise in the capacity of a registered Shareholder and have not effectively withdrawn or lost your appraisal rights under Section 179 of the BVI Business Companies Act with respect to the Merger, in which event you will be entitled to the value of each Share appraised or agreed to pursuant to the BVI Business Companies Act).

Q: How will the Company's options be treated in the Merger?

A: It is proposed that each option to acquire Shares shall be cancelled upon completion of the Merger. No cash consideration will be payable to option holders on the basis that the options are significantly "out of the money" and therefore considered by the Board to have no intrinsic value.

Q: After the Merger is completed, how will I receive the Merger consideration for my Shares or CDI's?

A. Subject to the terms of the Merger Implementation Agreement, within 5 business days of the Effective Date the Surviving Company shall cause the Registrar to mail to each Independent Shareholder and holder of non-Jinchuan Shares (other than CHES Depository Nominees Pty Ltd and holders of Dissenting Shares) and each holder of CDI's (other than Jinchuan Group), a cheque in the amount of the Merger Consideration which shall be rounded down to the nearest cent.

Q: When and where will the General Meeting be held?

A: The General Meeting will take place on 15 May 2013 at 10.00am (WST) at Suite 1501-1507, Alexandra House, 18 Chater Road, Central, Hong Kong.

Q: What matters will be voted on at the General Meeting?

A: You will be asked to consider and vote on the following proposals:

1. Resolution 1 - to approve the Merger pursuant to the Plan of Merger for the purposes of ASX Listing Rule 10.1; and
2. Resolution 2 - to approve the Merger pursuant to the Plan of Merger for the purposes of the BVI Business Companies Act and to authorise the Company to carry out and do all things necessary complete the Merger.

Q: What vote of the Company's Shareholders is required to approve the Plan of Merger?

A: Approval of the Plan of Merger under both Resolutions 1 and Resolution 2 requires the affirmative vote of a majority of the Shareholders that together hold more than 50% of the voting rights of all Shareholders present and entitled to vote at the General Meeting.

It is noted that Jinchuan Group holds 49.93% of the issued capital of the Company and has indicated its intention to the Board to vote in favour of the Merger. However, in accordance with the ASX Listing Rules the Company is required to disregard any votes cast on Resolution 1 by Jinchuan Group and any of its Associates. Jinchuan Group is permitted to vote on Resolution 2 and there is no requirement under BVI law which obliges the Company to disregard Jinchuan Group's vote on this resolution.

Q: How does the Board recommend that I vote on the proposals?

A: After careful consideration of all the relevant factors and the advice of the Independent Corporate Adviser (Censere) and the Independent Expert Report prepared by BDO, the Board, by a unanimous vote, recommends that you vote in the absence of a Superior Offer:

1. FOR the proposal contained in Resolution 1 to approve the Merger pursuant to the Plan of Merger for the purposes of ASX Listing Rule 10.1; and
2. FOR the proposal contained in Resolution 2 to approve the Merger pursuant to the Plan of Merger for the purposes of the BVI Business Companies Act and to authorise the Company to carry out and do all things necessary to complete the Merger.

Q: Who is entitled to vote at the General Meeting?

A: Article 11.7(a) of the Company's Articles of Association states that only a registered Shareholder in person, or by proxy, attorney or representative may vote at a general meeting. Article 1.1 of the Company's Articles of Association provides that a Shareholder is a person or body corporate registered in the register of Shareholders as the holder of one or more Shares.

Only registered Shareholders at the close of business in the British Virgin Islands on the Record Date, or their proxy holders, attorney or representative are entitled to vote at the General Meeting or any adjournment thereof. However, in accordance with the ASX Listing Rules the Company is required to disregard any votes cast on Resolution

1 by Jinchuan Group and any of its Associates. Holders of CDI's who are the underlying beneficial owners of the Shares are not regarded as the legal Shareholders, and although they are permitted to attend they will not be able to vote.

A CDI holder (being a beneficial owner of Shares) can vote their interest in the Shares as follows:

1. By completing the CDI Voting Instruction Form contained in Annexure E with instructions to the proxy of how to cast the vote; or
2. By withdrawing their CDI's under CHESS arrangement and converting them to Shares prior to the Record Date by contacting Computershare. In this case the CDI holder's name will be included in the register of Shareholders and will be permitted to exercise its right to vote in person, by proxy, attorney or representative at the General Meeting.

Q: What constitutes a quorum for the General Meeting?

A: The presence of two (2) registered Shareholders entitled to vote and present in person or by proxy or (in the case of a registered Shareholder being a corporation) by its duly authorised representative, throughout the meeting, shall constitute a quorum for the General Meeting.

Q: When do you expect the Merger to be completed?

A: The Company is working towards completing the Merger as quickly as possible and currently expects the Merger to close in the second quarter of 2013. In order to complete the Merger, the Company must obtain the Plan of Merger Approval and the other closing conditions under the Merger Implementation Agreement must be satisfied or waived in accordance with the Merger Implementation Agreement.

Q: What happens if the Merger is not completed?

A: If the Merger is not completed for any reason, Independent Shareholders will not receive the Merger Consideration. The Board also considers it likely given the Company's circumstances that Jinchuan Group, being the Company's major secured creditor, will initiate a liquidation of the Company which, given the Company's current liabilities, would result in a nil return to Independent Shareholders.

Q: What do I need to do now?

A: We urge you to read this Explanatory Statement carefully, including its annexures, exhibits, attachments and the other documents referred to or incorporated by reference herein and to consider how the Merger affects you as a Shareholder. After you have done so, please vote (by returning the Form of Proxy Card and Written Direction in accordance with the instructions below) as soon as possible.

Q: How do I vote if my Shares are registered in my name?

A: If Shares are registered in your name as of the Record Date, you should simply indicate on your proxy card how you want to vote, and sign and deposit the original proxy card (or certified copy of that proxy) as soon as possible but in any event so as to be received at least 48 hours before the time of the General Meeting so that your Shares will be represented and may be voted at the General Meeting.

Alternatively, you can attend the General Meeting and vote in person. If you decide to sign and send in your proxy card, and do not indicate how you want to vote, the Shares represented by your proxy will be voted FOR each of the proposals set out in

Resolutions 1 and 2 respectively. If your Shares are held by your broker, bank or other nominee, please see below for additional information.

The proxy must be returned to the Company in the manner prescribed in Item 4 of Annexure D.

Q: How do I vote CDI's?

A: A person who holds CDI's may vote its interest in the underlying Shares by completing the CDI Voting Instruction Form contained in Annexure E.

Q: If my CDI's or Shares are held in a brokerage account, will my broker vote my CDI's or Shares on my behalf?

A: Your broker, bank or other nominee will only vote your CDI's or Shares on your behalf if you instruct it how to vote. Therefore, it is important that you promptly follow the directions provided by your broker, bank or nominee regarding how to instruct it to vote your CDI's or Shares. If you do not instruct your broker, bank or other nominee how to vote your CDI's or Shares that it holds, those shares may not be voted.

Q: What will happen if I abstain from voting or fail to vote on the proposal to approve the Plan of Merger?

A: If you abstain from voting, fail to cast your vote in person or by proxy or fail to give voting instructions to your broker, dealer, commercial bank, trust company or other nominee, your vote can not be counted.

Q: May I change my vote?

A: Yes, you may change your vote in one of three ways:

Registered holders of our Shares may revoke their proxies in one of three ways:

1. First, a registered Shareholder can revoke a proxy by written notice of revocation given to the chairman of the General Meeting before the General Meeting commences. Any written notice revoking a proxy should also be sent to the Registrar.
2. Second, a registered Shareholder can complete, date and submit a new proxy card bearing a later date than the proxy card sought to be revoked to the Company so as to be received no earlier than 48 hours prior to the General Meeting.
3. Third, delivery of an instrument appointing a proxy shall not preclude a registered Shareholder from attending and voting in person at the General Meeting and in such event, the proxy shall be deemed to be revoked.

If a Shareholder holds Shares through a broker and has instructed the broker to vote the Shareholder's shares, the Shareholder must follow directions received from the broker to change those instructions.

CDI holders can change their vote any time before the CDI voting cut off by lodging a new CDI Voting Instruction Form.

Q: What should I do if I receive more than one set of voting materials?

A: You may receive more than one set of voting materials, including multiple copies of this Explanatory Statement or multiple proxy cards. For example, if you are a holder of

record and your Shares are registered in more than one name, you will receive more than one proxy card. Please submit each proxy card that you receive.

Q: Am I entitled to appraisal rights?

A: Yes, should you choose to dissent from the Merger. As highlighted above and as contained in Annexure C (section 179 of the BVI Business Companies Act, 2004) only Shareholders have the right to dissent. In order to become a Shareholder holders of CDI's must resign their position before the Record Date in order to be regarded as a Shareholder.

Shareholders who dissent from the Merger will have the right to seek appraisal and payment of the fair value of their Shares if the Merger is completed, but only if they deliver to the Company, before the vote is taken, a written objection to the Merger and they subsequently comply with all procedures and requirements of Section 179 of the BVI Business Companies Act for the exercise of appraisal rights. The fair value of your Shares as determined under the BVI Business Companies Act could be more than, the same as, or less than the Merger Consideration if you do not exercise appraisal rights with respect to your Shares.

Dissenter's rights are available only to registered holders of Shares. Holders of CDI's who wish to exercise rights to dissent will therefore need to withdraw their CDI's under the CHES arrangement and convert into Shares. CDI holders can do this by enquiring with and sending instructions to the Registrar prior to the Record Date.

We encourage you to read the information set forth in this Explanatory Statement carefully and to consult your own British Virgin Islands legal counsel if you desire to exercise your dissenting and appraisal rights. Please see the Section below on "Dissenters' Rights" as well as "Annexure C – BVI Business Companies Act, 2004 (as amended) – Section 179" to this Explanatory Statement for additional information.

The provisions of Section 179 of the BVI Business Companies Act are technical and complex. If you fail to comply strictly with the procedures set forth in Section 179, you will lose your Dissenters' Rights. You are advised to consult your British Virgin Islands legal counsel if you wish to exercise Dissenters' Rights.

Q: Will any service provider be used to assist with proxy solicitation in connection with the General Meeting?

A: Yes. To assist in the solicitation of proxies, the Company has engaged the Registrar and PPR.

Q: Do any of the Company's Shareholders, Directors, executive officers or employees have interests in the Merger that may differ from those of other Shareholders?

A: Yes. The Directors have interests in the Merger that may differ from those of other Shareholders. The Directors are affiliated with the Company Shareholder Jinchuan Group and Jinchuan NewCo. The Directors have disclosed this interest and appointed Censere as Independent Corporate Adviser to the Board to consider the relative merits of the Merger proposal for the Shareholders as a whole.

The Board also commissioned BDO as Independent Expert to prepare a report to ascertain whether the Merger is in the best interest of the Independent Shareholders.

Q: How will the Directors and executive officers vote on the proposal to approve the Merger?

A: No Director or executive officer holds Shares. Accordingly they will not be entitled to vote to approve the Merger. The Directors have however unanimously approved the Merger and recommend that Shareholders vote to approve of the Merger in absence of a Superior Offer.

Q: Who can help answer my questions?

A: The Company appointed PPR with a mandate to assist Shareholders in answering any questions on the proposed Merger, Share issues and the process of voting on the proposed resolutions. PPR can be reached on telephone number 1300 730 439 (domestic) or +61 8 6380 4530 (international) which is a dedicated line created for this purpose and available to Shareholders. If you have any questions about the Merger or if you need additional copies of this Explanatory Statement or the enclosed proxy card, you could also contact the Registrar. PPR and the Registrar cannot provide advice on the merits of the Resolutions or Plan of Merger nor give any opinion, financial, investment, legal or tax advice.

Q: How do I convert my CDI's to Shares?

A: By contacting the Registrar and requesting them to withdraw or resign your position as a CDI holder. The Registrar will give you instructions of how to complete the process. If you convert your CDI's to Shares before the Record Date, you will be a registered Shareholder of the Company entitled to vote at the General Meeting in person, by proxy, attorney or Representative.

5 BACKGROUND TO MERGER PROPOSAL AND KEY CONSIDERATIONS

5.1 Introduction

According to ASX and the Company's accounting records, the total issued share capital of the Company is 349,221,837 Shares of which 349,221,807 are held as CDI's and 30 Shares are unlisted.

The Company is the sole Shareholder of Albidon Zambia, which is the registered holder of the Munali Mining Licence. In April 2009, the Company was placed into voluntary administration. In July 2009 the Company entered into a Deed of Company Arrangement pursuant to which Jinchuan Group agreed to become the major shareholder and secured creditor of the Company. That transaction settled in November 2009.

Between November 2009 and November 2011 operations recommenced at Munali, however the ore quantity and grade of nickel concentrate produced never reached the levels indicated in the original bankable feasibility for Munali.

Since November 2009, the Company has faced many challenges which are described in more detail below. For these reasons, the future of the Company and the Munali project has reached a critical point where clear and decisive action must be taken without further delay. The Company continues to need the financial support of Jinchuan in order to survive. The Company and Albidon Zambia have significant financial commitments which, if they are to be met, require the ongoing financial assistance and commitment from Jinchuan. For the reasons described in more detail below, Jinchuan is not prepared to continue to provide financial support, unless Jinchuan has full control and ownership of Albidon Zambia.

The Board believes that it is extremely important for Shareholders to consider the proposed Merger in light of the events described below.

5.2 Suspension of trading on the ASX and suspension of operations at Munali in September 2011

On 1 September 2011, the Company's securities were suspended from official quotation on the ASX, pending the conclusion of investigations into certain operational issues at Munali relating to the quantity and grade of nickel concentrate being produced at Munali.

On 3 October 2011, the Board announced a series of initiatives intended to achieve the following outcomes:

- (a) Reorganise and restructure the Company and Albidon Zambia's finance facilities with Jinchuan Group and Jinchuan HK, in order to write off portion of the debt and align payments with a revised life of mine plan;
- (b) Attract new strategic and institutional investors to participate in a capital raising in order to fund the Company's ongoing operations;
- (c) Recruit new independent directors for the Board of the Company; and
- (d) Recruit new senior management team with international mining experience for the Perth head office of the Company and the Munali operations.

On 10 November 2011, after consultation with the Zambian mining authorities, the Company announced the temporary suspension of operations at Munali as the Company had experienced serious cash flow difficulties as a result of the decline in global nickel prices by approximately 23% over the previous four months and the less than budgeted nickel recovery at Munali.

The Zambian Ministry of Mines (“**MoM**”) consented to the suspension subject to the Company continuing to provide funding to Albidon Zambia (by way of loans from Jinchuan) in relation to its obligations, including continuing to pay all staff their allocated salaries, continuing with the Resettlement Action Plan (“**RAP**”) and paying all outstanding Zambian creditors and suppliers. The MoM also required Albidon Zambia to keep the Munali plant and equipment in readiness for a restart of operations when global nickel prices rose to an economic level.

5.3 Attempts to Secure Cornerstone Investor

On 18 July 2011, Riverstone Advisory Pty Ltd (“**Riverstone**”) was appointed by the Board to undertake a comprehensive strategic review of the Company’s operations, corporate management, board composition and capital structure resulting in the announcement made by the Company on 3 October 2011 (referred to in Section 5.2 above).

Riverstone were engaged by the Company to seek potential investors for the Company and the Munali project. During the period from July 2011 until Riverstone’s resignation in July 2012, Riverstone investigated numerous transactions on behalf of the Company with a range of potential investors, seven of which proceeded to being granted full access to the data room established to enable due diligence to be conducted on the Company and the Munali project.

During the twelve months from late 2011, extensive discussions were held with a number of parties to find a cornerstone investor prepared to make a significant capital investment and assume a hands-on management role in the Company.

Riverstone failed to attract an investor. The key issues which caused potential investors not to proceed related to the outstanding loans payable to Jinchuan Group, the hedge gain tax liability of Albidon Zambia (detailed in Section 5.6(c) below), the resources downgrade (detailed in Section 5.4 below), the debt to Byrnescut (detailed in Section 5.6(a) below) and RAP obligations (detailed in Sections 5.7 and 5.10(e) below).

5.4 Resource Downgrade

In early 2012, in connection with the Company’s discussions with a potential investor, Snowden Mining Industry Consultants (“**Snowden**”) were commissioned to undertake a rigorous independent review of the Munali resource model to confirm earlier interpretations of the mineral resource estimate formed following extensive geological and resource modeling work.

On 8 November 2012 the Company announced the mining and resource reports prepared by Snowden to the market which *inter alia* confirmed a material change to the Company’s mineral resource estimate.

Key findings by Snowden included:

- (a) A review of the enterprise deposit resource model confirmed that Munali’s total Indicated and Inferred Mineral Resource estimate is 5.8Mt at 1.02% Ni. This represents a significant drop in grade from the 2007 resource estimate showing 5.3Mt at 1.34% Ni.
- (b) The Indicated portion of the Mineral Resource as at 31 December 2011 is 3.4Mt at 1.07% Ni, compared with the 2007 resource estimate showing 4.5Mt at 1.37% Ni.
- (c) This represents a 25% decrease to the Indicated Resource tonnage and a 42% decrease in Indicated Ni metal contained.
- (d) The mineralisation varies significantly in terms of width and continuity to what had been previously predicted by the geological and resource modeling.

- (e) Reclassification and downgrading of a large amount of mineralisation from Indicated to Inferred category.

The Company also commissioned Snowden to prepare a Mining Report. This report presents a technical analysis, describing the practical implications for the Munali Mine resulting from the resource downgrade outlined above. The key findings include:

- (a) No Measured Mineral Resource has ever been reported for Munali Mine.
- (b) There is presently insufficient basis to conclude that the reclassified resource tonnes can be mined economically at current metal prices using mechanised mining methods.
- (c) 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 using the previous mining method and at current metal prices.

The work conducted by Snowden also revealed a significant revision to exploration potential concluding that the mineralization down-dip is considered to be closed off in some directions and is of lower grades than previously understood in others.

Having given thorough consideration to the findings and recommendations contained in the Resource Report and the Mining Report, the Board came to the following conclusions:

- (a) The Company no longer has the requisite level of confidence in the original technical and economic modeling, which provided the basis for historical mine planning.
- (b) Although Snowden's current studies have not identified that a technically or economically viable project exists at Munali, it may be possible that at higher metal prices a more selective, non-mechanised mining method may be successful, but this would be at much lower production rates with high technical and economic risk.
- (c) In order to demonstrate technical and economic viability (and consequently report a "Probable Ore Reserve") it would be necessary for the Company to address the following issues and/or undertake the following work to a minimum pre-feasibility level:
 - (i) Determine the capital cost of restarting the mine and mill and examine the viability of operating at lower throughput levels.
 - (ii) Conduct further drilling to upgrade the inferred material to indicated material. (Note that some of the Inferred material may not be capable of upgrading). Alternatively, all inferred material may be excluded when stating the Ore Reserve.
 - (iii) Undertake mine planning and geotechnical work to determine a viable selective mining method (including determination of appropriate stope dimensions and mining modifying factors).
 - (iv) Obtain cost estimates and develop a financial model to determine which sections of the ore body can be mined economically, and to demonstrate that the project is economically viable.
- (d) It would require considerable time and resources to undertake the work described above.

5.5 Declining Nickel Price

The global price of nickel has also drastically declined (US\$28,000 per tonne in February 2011 to US\$17,360 per tonne to 16 January 2013). The combined impact of Munali's low

production and the fall in nickel prices has placed significant and unsustainable stress upon the financial reserves of the Company. This decline taken together with the resource downgrade (see Section 5.4 above) has resulted in the Company taking the action of placing Munali on long term care and maintenance and making most of the Munali workforce redundant in January 2012 (see Sections 5.10(d) and (e) below).

5.6 Status of major creditors of the Company and Albidon Zambia

The status of the major creditors of the Company and Albidon Zambia are detailed below.

(a) Byrnegut

In October 2007, Albidon Zambia and Byrnegut Mining International Ltd (“Byrnegut”) entered into a contract pursuant to which Byrnegut provided contract mining services to Albidon Zambia at Munali (“Mining Contract”).

As at 31 October 2012, Albidon Zambia owed Byrnegut US\$6,587,455 for mining services pursuant to the Mining Contract. Albidon Zambia did not have the cash reserves to pay the amount due to Byrnegut and faced potential liquidation action by Byrnegut. In order to resolve this situation in December 2012, Albidon Zambia and Byrnegut entered into a Deed of Accord and Satisfaction pursuant to which:

- (i) Albidon Zambia transferred certain items of mobile equipment to Byrnegut;
- (ii) the underground equipment supplied by Byrnegut (pumps, valves and electrical switch gear) were transferred to Albidon Zambia; and
- (iii) Byrnegut released Albidon Zambia from all liability in respect to the Mining Contract.

(b) Jinchuan

As at 31 January 2013, the Company owes to Jinchuan a total of approximately US\$ 140 million, which is made up of the following facilities and interest thereon:

Name:	Cash advance 1
Lender:	Jinchuan Group
Borrower:	Albidon Zambia
Limit:	US\$20 million
Interest rate:	LIBOR + 3.2%
Repayment dates:	between 30 June 2012 and 30 June 2014
Facility end date:	30 June 2014

Name:	Cash advance 2
Lender:	Jinchuan Group
Borrower:	Albidon Zambia
Limit:	US\$20 million
Interest rate:	LIBOR + 2.75%
Repayment dates:	between 30 June 2014 and 31 December 2017
Facility end date:	31 December 2017

Name:	Cash advance 3
Lender:	Jinchuan Group
Borrower:	Albidon Zambia
Limit:	US\$15 million
Interest rate:	LIBOR + 3.75%
Repayment dates:	between 31 December 2010 (extended to 30 September 2012) and 31 December 2012

Facility end date: 31 December 2012

Name: Jinchuan Jitian Nickel Loan 1
Lender: Jinchuan Jitian Nickel Pty Ltd
Limit: US\$20 million
Borrower: Albidon Zambia
Interest rate: LIBOR + 3.5%
Repayment dates: between 30 September 2011 and 31 March 2012
Facility end date: 31 March 2012

Name: Jinchuan Jitian Nickel Loan 2
Lender: Jinchuan Jitian Nickel Pty Ltd
Limit: US\$20 million
Borrower: Albidon
Interest rate: LIBOR + 2.75%
Repayment date: 30 September 2012
Facility end date: 30 September 2012

Penalty interest is payable on overdue payments under the above facilities at the above interest rates plus 2%.

Name: Working Capital Loan 1
Lender: Jinchuan HK
Limit: US\$5 million
Borrower: Albidon
Interest rate: LIBOR + 2.5%
Repayment date: 31 December 2012
Facility end date: 31 December 2012

Name: Working Capital Loans 2-6
Lender: Jinchuan HK
Limit: US\$4 million
Borrower: Albidon
Interest rate: Nil
Repayment date: 28 February 2013
Facility end date: 28 February 2013

Name: Working Capital Loan 7-9
Lender: Jinchuan HK
Limit: US\$3.7 million
Borrower: Albidon
Interest rate: Nil
Repayment date: 30 June 2013
Facility end date: 30 June 2013

On 1 November 2009, the Company issued 323,076,923 secured convertible notes to Jinchuan Group at an issue and conversion price of US\$0.065, raising US\$21 million. Interest is accrued at a rate of 3.75% + USD LIBOR and is payable quarterly. The convertible notes have a 5 year term during which Jinchuan Group can exercise its option at any time before the expiry date. At issue date, the equity component of the convertible note was US\$2,226,596. The debt component of the convertible notes is carried at its face value, as Jinchuan Group could demand immediate repayment of the debt.

The Company and Albion Zambia are currently in default in respect of non-payment of interest and certain principal amounts on the facilities referred to above. The facilities are secured and Jinchuan has given a provisional undertaking not to demand repayment or enforce the facilities.

(c) **Hedge gain tax**

On 15 June 2006 Albidon Zambia entered into the Munali Nickel Project Development Agreement (“**Development Agreement**”) with the Government of The Republic of Zambia (“**GRZ**”). The Development Agreement contained an undertaking by the GRZ that during the five year stability period from January 2007, there would be no change to the income tax regime affecting the Munali project.

In April 2007, Albidon Zambia entered into a forward contract to hedge 9,020 tonnes of nickel and in February 2008 an additional 2,274 tonnes nickel was hedged. The counterparty was Barclays.

Delivery into the hedging transaction was due to commence in June 2009. However, by September 2008 nickel prices began to decline rapidly with the onset of the global financial crisis. The then board of the Company determined that the Company could not continue operations at Munali and resolved to place the Company into administration.

In September 2008, with no prospect of producing Nickel for delivery into the hedge contracts, the senior lenders to the Company and Albidon Zambia (Barclays and EIB) in consultation with the Company decided to close-out its entire hedging commitment in order to satisfy a portion of the debt and prevent foreclosure by the lenders. The unwinding of the hedge book resulted in a net gain of US\$50,000,000, which was immediately applied to the debt balances owing by the Company and Albidon Zambia to Barclays and EIB.

On 1 April 2008, the Income Tax (Amendment) Act 2008 introduced certain changes to the Income Tax Act 1966 including an expansion of the definition of business in Section 30 to include ‘hedging’. As a result a tax rate of 35% was imposed on “income received from hedging in a charge year”. This meant that any income realised as a result of a hedge gain could only be set off against accumulated hedge losses and not against accumulated general operating tax losses which amounted to approximately US\$200,000,000 for Albidon Zambia for the year ended 31 March 2011.

In 2008 the Mines and Minerals Act of 2008 was also introduced and this generally provided that development agreements were no longer binding on the Republic of Zambia.

From a tax perspective the hedging income accrued to Albidon Zambia in September 2008 upon closure of the relevant hedging contracts and a potential tax liability of approximately ZK61billion (US\$12,000,000) was recognised at that point. This amount was treated as a contingent liability in the Company’s 2009 and 2010 financial statements (Note 24).

The Income Tax (Amendment) Act 2009 repealed the changes introduced in Section 30 by the Income Tax (Amendment) Act 2008. Accordingly, had the hedge gain been realised after the date of enactment of that Act, no hedge gain would have been assessable.

On 2 November 2012 Albidon Zambia submitted outstanding tax returns for the years ended 31 March 2009, 31 March 2010 and 31 March 2011 on the basis that it reserved its rights to lodge an objection to the assessment of tax on hedging income for the 2008/09 financial year. The reservation was made on the basis that the Development Agreement contains a tax stability clause that remained valid and binding on the parties until expiry in December 2011. This followed requests made by Albidon Zambia to the Ministry of Finance for a moratorium under section 79 of the Income Tax Act in relation to the hedging gain, noting that operations at Munali had been suspended.

5.7 Community resettlement obligations

(a) Background

The RAP describes the principles, policies and procedures to guide the resettlement of persons, households and communities that were to be displaced by the Munali Nickel Project and how compensation was to be handled for the affected households. RAP forms part of the Environmental Impact Statement, which the Company submitted to GRZ in conjunction with the mine development approval process in early 2006. The Development Agreement was signed by the Company and GRZ in June 2006. The RAP is a significant community obligation that the Company is obliged to perform in full irrespective of whether the Munali Mine was a commercial success or not.

It was a condition of the Development Agreement that Albidon Zambia entered into various settlement deeds with residents of the area surrounding the Munali mining license (the “**Mugoto Area**”) pursuant to which residents of the Mugoto Area be resettled and provided basic facilities and infrastructure such as a healthcare centre and a school under the RAP.

Under the RAP, 132 households were identified as likely to be affected by mining development activity and thereby qualifying for compensation. The compensation to be provided by Albidon Zambia was a resettlement package to include a new brick dwelling and block of land at least equivalent to that which was required to be given up by residents within the mining lease zone. To date Albidon Zambia has successfully resettled over 45 households from the Munali Hills area to lands acquired by Albidon Zambia elsewhere in the region. In addition, due to the subsequent reduction in the mining lease area, 57 households were not required to give up their land and their legal title and traditional use of the land have been restored.

Unfortunately, as operating losses mounted during 2011 and Albidon Zambia was forced to suspend mining operations, the RAP was also suspended due to the inability to secure suitable arable land and lack of funding. As a result, the outstanding obligations under the RAP, including the resettlement of approximately 30 remaining households out of the Munali Nickel Project mining lease, could not be completed.

(b) High Court Case

On 9 July 2012 the Company received writ of summons issued by the High Court of Zambia registry on behalf of Gontready Moonga and twelve others (“**Plaintiffs**”) against Albidon Zambia. In the writ, it is claimed that Albidon Zambia had failed to honour all of its obligations under the RAP.

The High Court action brought by the Plaintiffs, involves a sub-group of the 30 households who are yet to receive compensation under the RAP. Albidon Zambia and its legal advisers in Zambia, actively engaged with the plaintiffs through an arbitration process originally established under the RAP which was approved by the High Court of Zambia.

The Company agreed to settle these claims and the gross offer of US\$256,000 (including interest and costs) was accepted by the Plaintiffs and the terms of settlement will be confirmed in a consent order made by the High Court of Zambia by agreement between the parties.

5.8 Geotechnical Issues

In June and July 2011, two sinkholes developed which caused subsidence into underground mining levels at Munali. On 12 November 2012 Albidon announced a developing subsidence event at the extreme southern part of the Enterprise Deposit at

the Munali Mine. A third sinkhole had begun to form between the existing Sinkhole #1 and Sinkhole #2.

Internal monitoring also identified geotechnical stresses appearing in the underground decline and ore drives. Accordingly significant underground remedial work is required to mitigate the risk of mine collapse.

These developments were reported to the Mines Safety Department on 9 November 2012. Albidon Zambia has undertaken emergency backfilling in respect to the latest sinkhole. To the best of the Board's knowledge the sinkholes have stabilised.

5.9 Jinchuan Group Strategy in light of the events described in Section 5

As announced on 20 November 2012 Jinchuan Group, (in its capacity as major shareholder and the Company's and Albidon Zambia's largest secured creditor), has been in discussions with the Company to explore ways in which to secure the future of the Company and the Munali Mine.

Those discussions culminated in the following proposed strategy which Jinchuan has put forward to the Board of the Company, which the Board now considers (with the benefit of independent advice) to be the only realistic prospect for securing a viable future for the Company and the Munali Mine.

Jinchuan's proposed strategy (some of which has already been implemented, see Section 5.10 below) is as follows:

- (a) Jinchuan will initiate a "takeover" of the Company by way of statutory merger under BVI law with Jinchuan NewCo, on terms which are set out in the Plan of Merger so as to enable Jinchuan to assume full control and deliver on various commitments made by the Company and Jinchuan to the GRZ including the RAP obligations referred to in Section 5.7 above;
- (b) transition the Munali Mine into long term care and maintenance;
- (c) implement a plan to meet the Company's outstanding obligations under the RAP referred to in Section 5.7 above;
- (d) undertake a planned series of redundancies and reappointments appropriate for its care and maintenance operations; and
- (e) engage with third-parties to investigate the extent of the further exploration potential of the Munali Mine.

Whilst the Zambian Minister of Mines said in a press release on 5 April 2013 that output from the Munali Mine should be restarted by the final quarter of the year, given the circumstances described in this section 5, this is highly unlikely.

5.10 Implementation of Jinchuan Group Strategy

(a) Meetings in Zambia

In mid-December 2012, a delegation from the Company, including Mr Zhang, the Chairman of the Company and Vice President of Jinchuan, Directors, management and key advisers ("**Delegation**"), travelled to Zambia to engage with senior Ministerial officials of the GRZ in respect to the arrangements for continuing the suspension of operations at Munali under a more formalised "care and maintenance program" and to update key community stakeholders on the current situation of the Company.

At meetings with the Hon Deputy Minister of Mines, Jinchuan confirmed its proposed strategy and commitment to provide continued support for Albidon Zambia and to strive to achieve long term success at the Munali Mine. It was made clear in the meetings that the Company has reverted from being a production company, to an exploration company and that any future success would be dependent on funding for a further exploration program, being able to be obtained. It was also made clear that the mechanised mining process that had been used to date at Munali was inappropriate and uneconomic and if further reserves could be found a more traditional labour intensive mining plan would be more effective.

A meeting with the Zambian Revenue Authority (“**ZRA**”) was held to discuss the levy of the US\$12 million tax on the hedging gain that arose in 2008, notwithstanding the ‘tax stability clause’ contained in the Development Agreement that was entered into between the GRZ and Albidon Zambia (see Section 5.6(c) above).

Other meetings were held with staff of Albidon Zambia to discuss the redundancy arrangements and with key Munali community stakeholders, including; a representative of His Royal Highness Chief Naluama, representatives of the Mugoto Liaison Committee and the District Commissioner for Mazabuka, to discuss proposals to progress the completion of the RAP. A meeting with ZCCM Investment Holdings, a shareholder in Albidon Zambia was also held to explain the Company’s current position and intentions.

The outcome of those meetings in respect of the implementation of Jinchuan’s proposed strategy is discussed below.

(b) Transition of Suspension to Care and Maintenance

The meeting with the Hon Deputy Minister of Mines followed a formal written request on 7 December, 2012 for permission to continue the suspension of operations at the Munali Mine under a more formalised Care and Maintenance Program. The Minister of Mines had previously expressed his in-principle support for the implementation of a Care and Maintenance Program, however this proposal had been submitted in August 2012 on the basis of a proposed transaction with a third party investor that was not completed.

The care and maintenance is essential to maintain the mine infrastructure at Munali and to keep it ready for any future operations at the mine.

The proposed Care and Maintenance Program was presented as part of Jinchuan Group’s broader proposed strategy, the implementation of which would be subject to a separate discussion with the ZRA in relation to the deferral or removal of the hedge gain tax liability. Jinchuan committed to operate the proposed Care and Maintenance Program as part of the Jinchuan Strategy on the basis that it would:

- (i) continue compliance with the relevant regulatory provisions of the Mines and Minerals Act of 2008;
- (ii) continue compliance with other applicable legislation including the Environmental Management Act of 2011;
- (iii) engage with and involve all stakeholders including the following:
 - (A) mine management;
 - (B) mine employees;
 - (C) shareholders;

- (D) suppliers; and
 - (E) the affected communities under the RAP; and
- (iv) consider recommencing production at the Munali Mine subject to the following:
- (A) a favourable economic climate with nickel prices increasing above breakeven point for the Munali Mine;
 - (B) a re-evaluation of the ore body and the generation of a new mine plan and schedule; and
 - (C) the geotechnical challenges being successfully addressed.

A key component of the Care and Maintenance Program was the retrenchment of Munali Mine employees and the re-employment of an appropriate number of employees to carry out the program. In order to facilitate this voluntary redundancy packages were negotiated with the employees and paid to employees on 15 January 2013 (discussed further in Section 5.10(d)).

The Company is in continuous discussions with the MoM to explore the best way in which to implement a formal long term Care and Maintenance Program to preserve the assets and conditions of the Munali Mine. At the same time efforts are being made to explore other options which may include engaging with a partner to resume exploration at the Munali Mine.

(c) Tax Deferral

The Delegation met with the ZRA to discuss the tax liability arising out of the hedging gain in 2008 in the context of the 'tax stability clause' contained in the Development Agreement between the GRZ and Albidon Zambia.

It was noted in discussions that the tax liability was a significant deterrent to potential investors considering an investment in Albidon Zambia, particularly given that Albidon Zambia is now no longer producing nickel and has reverted to the status of being an exploration company with no certainty as to its future. Albidon Zambia with such a liability would be technically insolvent, making it difficult to bring it back to life or to protect the Care and Maintenance Program.

The ZRA advised the delegation that whilst an arrangement could be entered into with the ZRA in respect to a deferred payment plan for the tax, the only way that the liability could be extinguished would be by way of a 'statutory instrument' ("SI") issued by the GRZ.

Accordingly, on 19 December 2012, the Company made a formal written request to Dr Victor Mutambo, Permanent Secretary, MoM to request the Hon. Minister and the GRZ to assist with the resolution of this issue in the following suggested ways:

- (i) an urgent letter from the Minister of Mines to the Minister of Finance requesting such an SI; and
- (ii) an urgent meeting be convened between officials at the MoM and the Ministry of Finance to resolve the tax issue.

The Company made this request on the basis that Jinchuan Group had demonstrated its commitment to Zambia by committing to a RAP (referred to in Section 5.6(c)(c) above) as well as continuing to fund the care and maintenance program for the Munali Mine of around US\$4.8 million per annum, without any prospect of recovering those

costs, let alone the outstanding secured debt owed by the Company and Albidon Zambia to Jinchuan, from the operation of Munali Mine. This was in addition to Jinchuan funding Albidon Zambia of approximately US\$1 million per month since the mine was placed under suspension last year.

The Company and its Zambian representatives are currently making efforts to request that the Zambian Ministries of Mines, Finance and Justice work together to issue an SI which will have the effect of either offsetting the tax against carried forward losses or waiving the tax under the provision of the tax stability agreement. As at the date of this Explanatory Statement, the hedge gains tax remains a current liability on the Company balance sheet.

If this issue is not settled favorably, the ZRA could issue an assessment which if not satisfied by the Company could result in proceedings for the recovery against Albidon Zambia. This could result in Albidon Zambia losing the Munali Mine.

(d) Redundancies

The Delegation visited the Munali Mine and met with the employees to brief them on Albidon's current position and advise them of the need to implement redundancies and to thank them for their efforts.

On 14 December 2012 all of the staff of its wholly owned subsidiary, Albidon Zambia, were given thirty (30) days' notice of their respective redundancies.

On 15 January 2013 (being the end of the 30 days' notice period) redundancy payments totaling US\$1,451,466 were made to 183 workers. The notices and payments were made in accordance with Zambian law. On the same day 58 staff were re-employed to provide security and other essential services in respect to the care and maintenance of the mine at a gross monthly cost of approximately US\$76,000. Jinchuan funded the redundancy payments and provided a provisional undertaking to fund the ongoing monthly expenses.

The Company is in no position to independently fund these monthly commitments and is fully reliant on Jinchuan to continue to honour these commitments.

(e) RAP

At the meeting the Delegation advised key Munali community stakeholders, including a representative of His Royal Highness Chief Naluama, representatives of the Mugoto Liaison Committee and the District Commissioner for Mazabuka, of the difficulties facing the Munali Mine and corresponding need to place the Munali Mine on care and maintenance. The Delegation also provided a briefing on a plan under which Albidon Zambia (with the financial support from Jinchuan) would complete as much of the RAP as possible, notwithstanding that operations at the Munali Mine have been suspended and that no revenue is being generated.

The plan devised by management of Albidon Zambia with the support of Jinchuan focuses on delivering those elements of the RAP as a matter of priority which are required on an urgent basis, including the – school, clinic and staff housing. Specifically the strategy includes:

- (i) establishing a project management structure – Trust or Cooperative;
- (ii) offering redundant Munali workers first right of refusal over construction jobs;
- (iii) funding requests will be made to Jinchuan in Zambia;

- (iv) plan to amicably resolve the Gontredy Moonga and 12 others vs. Albidon Zambia litigation within the next 3 months;
- (v) plan to settle claims from households yet to receive compensation entitlements under the RAP;
- (vi) cash settlement may be offered to households who choose quick closure; and
- (vii) project team to be established to negotiate outcomes on items (v) and (vi) above.

As a first step to implementing the RAP, Albidon Zambia is intending to enter into a memorandum of understanding (“**MOU**”) with certain key stakeholders who represent the interests of the residents of the Mugoto Area and who have agreed to participate in the implementation of the RAP. The purpose of this MOU is to outline a structure that will ensure that the RAP continues to be implemented even after the Munali Mine is placed under care and maintenance so that the objectives of the RAP are achieved notwithstanding the difficulties impacting on the Munali Mine.

Key objectives of the RAP as outlined in the draft MOU include, constructing of a school and clinic within the Mugoto Area, compensation for 29 households who had not been successfully relocated including cash settlement with 13 households who commenced court action.

Albidon Zambia intends to establish a charitable trust called the Mugoto Foundation Trust for the purposes of holding the funds necessary to fund the RAP. The trust is to be settled with an initial amount of approximately US\$2.7 million which is the total estimated budgeted costs for completing the RAP as outlined in the MOU which will be funded solely by Jinchuan.

5.11 Kobil Claim

The Company recently received notification of a claim by Kobil Zambia Limited (“**Kobil**”) against Albidon Zambia in the amount of approximately US\$1.1 million for an alleged loss of margin and uptake under a fuel supply agreement between Kobil and Albidon Zambia.

The Company has instructed its Zambian legal adviser (Corpus) to review and provide advice in relation to the validity of the claim.

In the meantime the Company could face the risk of liquidation proceedings and loss of the Munali Mine if Kobil is able to successfully enforce its claim. Any settlement of the claim by the Company would have to be funded by Jinchuan. In the event that the proposed Merger proceeds Jinchuan would ultimately be responsible to address the claim by Kobil.

5.12 Financial Information

The Company’s audited and signed consolidated statements of comprehensive income and financial position for the year ended 31 December 2011 and audited draft consolidated statements of comprehensive income and financial position for the year ended 31 December 2012 are included as Annexure F. The notes to the 2011 audited financial statements can be viewed in the Company’s 2011 Annual Report to Shareholders that was announced to the market on 3 April 2013 and can be accessed online on the Company’s ASX announcement page (www.asx.com.au – company code ALB). The 2012 draft audited financial statements are discussed in the BDO report and the Directors are of the opinion that those figures contained in Annexure F prepared by the Company accurately represent the position of the Company as at 31 December 2012. The Company intends to publish the 2012 audited financial statements on the Company’s ASX announcement platform once received.

6 ALBIDON BOARD RECOMMENDATION AND REASONS

After months of extensive due diligence investigations, detailed technical work by independent geological and engineering consultants and extensive negotiations with a number of potential third party investors, the Board believes that the prospect of a transaction that would recapitalise the Company is now almost impossible and given the challenges addressed in Section 5 above, there is no budget nor commercial reason for sustaining full operations at Munali Mine going forward.

The only viable options left for the Company now appear to be either a full takeover by Jinchuan, by way of the proposed Merger whereby the Independent Shareholders stand to benefit from some return on their investment, or the liquidation of the Company. The Board is mindful of its duty to act in the best interests of the Company and its Shareholders, especially the Independent Shareholders. However, with the resignation of Mr Harry Ou Wang as Independent Director and Riverstone Advisory Pty Ltd as Corporate Advisers in July 2012, the Board considers that it is currently not in a position to exercise independent judgment in assessing the relative merits of the proposed Merger.

The Board considers that the Directors are not independent as required by ASX Corporate Governance Council Recommendation 2.1 on the basis that Director Mr Sanlin Zhang is Vice President of Jinchuan Group and Directors Mr Jianke Gao and Mr Yimin Zhang are employees of Jinchuan Group. The ASX Corporate Governance Council defines independence as being free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of unfettered and independent judgment.

Accordingly in order to enable it to properly discharge its duties, the Board has appointed Censere as an Independent Corporate Adviser to assist the Board in reviewing the Merger proposal received from Jinchuan.

Censere is a leading strategic advisory and transaction support group which operates throughout Asia Pacific. Censere is head-quartered in Singapore and currently has 11 offices throughout Asia Pacific including Beijing, Hong Kong, Shanghai and Sydney. Censere offers comprehensive technical asset valuation and advisory services.

The Board requested Censere to provide it with independent advice on whether the Merger is in the best interests of the Company (which includes the Independent Shareholders), whether the Merger Consideration of US\$0.0025 per Share is fair and reasonable and whether the Board should consider recommending the Merger to the Shareholders. Censere has confirmed to the Board that the Merger is fair and reasonable and in the best interests of the Company and the Independent Shareholders.

The Board also engaged BDO to separately review the terms of the Merger for the purposes of compliance with ASX Listing Rule 10.1. The Independent Expert has concluded that the terms of the Merger are fair and reasonable to Independent Shareholders.

In the course of reaching their determinations, the Board also considered the following additional substantive factors and potential benefits of the Merger (which are not listed in any relative order of importance):

- (a) the Shares were suspended from trading on the ASX on 1 September 2011 and the factors described in Section 5 above leads the Board to conclude that there is no reasonable prospect of attaining re-quotation of the Shares on the ASX;
- (b) the heavily depressed nickel price and the significant downgrade of the mineral resource at Munali means that the Munali Mine is uneconomic and is likely to be uneconomic for the foreseeable future;

- (c) an exhaustive process of canvassing potential investors failed to identify any suitable proposals (each of which ultimately failed for varying reasons) for the recapitalisation of the Company;
- (d) the Company's current circumstances are such that if the proposed Merger does not proceed, the Directors will be forced to commence proceedings to liquidate the Company; and
- (e) in the Board's view the proposed Merger represents the last opportunity for Independent Shareholders to exit the Company with any value.

The factors listed above are not exhaustive, but include a number of the factors considered by the Board. In view of the wide variety of factors considered, the Board did not find it practical to quantify or assign relative weights of importance to the foregoing factors in reaching its conclusions. In addition, individual members of the Board may have given different weights to different factors and may have viewed some factors more positively or negatively than others. The Board approved the Plan of Merger based upon the totality of the information presented to and considered by it.

Having evaluated the terms of the Merger your Directors have unanimously determined, with the benefit of the Independent Corporate Adviser's advice and based on the conclusions of the Independent Expert, that the Merger is in the best interests of the Company and its Independent Shareholders. Accordingly the Board recommends that Shareholders vote in favour of the resolutions to approve the Merger in the absence of a Superior Offer.

ANNEXURE 5: D@B'C: 'A9F; 9F

PLAN OF MERGER

IN ACCORDANCE WITH PART IX OF THE BVI BUSINESS COMPANIES ACT, 2004 (AS AMENDED)

(THE "BC ACT")

This Plan of Merger is entered into on 27 March 2013 by and between:

- (1) **Albidon Limited** (the "**Surviving Company**"), a BVI Business Company incorporated under the International Business Companies Act, 1984 and has been re-registered under the BC Act on 1 January 2007 and whose registered office is located at Ernst & Young Corporation (BVI) Limited, P.O. Box 3340, Road Town, Tortola, British Virgin Islands, and which Surviving Company shall be authorised to issue a maximum of 5,000,000,000 shares of US\$0.01 each par value; and
- (2) **Jin Tuo Investment Limited** 金拓投资有限公司 (the "**Merging Company**") a BVI business company incorporated under the BC Act on 29 January 2013 and whose registered office is located at PO Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

WITNESSETH as follows:

1. The constituent companies to this Plan of Merger are the Surviving Company and the Merging Company.
2. The Merging Company shall be merged into and with Surviving Company in accordance with the laws of the British Virgin Islands. The terms of this Plan of Merger shall in all respects be subject to the laws of the British Virgin Islands.
3. The surviving company to this Plan of Merger is the Surviving Company.
4. The number and designation of the outstanding shares of the Surviving Company entitled to vote on the merger is one single class of 349,221,837 shares of US\$0.01 each par value.
5. The number and designation of the outstanding shares of the Merging Company entitled to vote on the merger is one single class of 1 share of US\$1.00 par value.
6. The manner and basis of cancelling, reclassifying or converting the shares in each constituent company into the shares, debt obligations or other securities in the Surviving Company, or money or other assets, or a combination thereof shall be as follows:

On the Effective Date (as defined below):

- i) each issued and outstanding share of US\$1.00 par value each in the Merging Company shall be cancelled in exchange for the issue of the equivalent number of shares in the Surviving Company to Jinchuan Group (Hong Kong) Resources Holdings Limited, a limited liability company incorporated in Hong Kong;

- ii) each issued and outstanding share of US\$0.01 par value each in the Surviving Company, except for the Jinchuan Shares (as defined below), shall be cancelled in consideration for the Surviving Company paying each holder US\$0.0025 per share; and
- iii) each issued and outstanding share of US\$0.01 par value each in the Surviving Company held by or on behalf of Jinchuan Group Limited (the "**Jinchuan Shares**"), shall be cancelled.

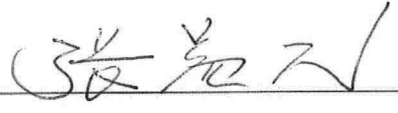
No other cash, shares, securities or obligations will be distributed or issued as a result of this merger.

7. The merger shall be effective on the date the Articles of Merger of the Surviving Company and the Merging Company are registered by the Registrar of Corporate Affairs (the "**Effective Date**").
8. From and after the Effective Date, the Surviving Company shall be subject to all the duties and liabilities of a BVI business company incorporated under the BC Act and shall be liable and responsible for all the liabilities and obligations of the Merging Company. The rights of the creditors of the Surviving Company and the Merging Company, or of any person dealing with such companies, or any liens upon the property of such companies, shall not be impaired by this merger, and any claim existing or action or proceeding, whether civil or criminal, pending at the time of the merger by or against the Merging Company or the Surviving Company, or against any member, director, officer or agent thereof, may be enforced, prosecuted, settled or compromised against the Surviving Company or against the member, director, officer or agent thereof, as the case may be. Except as otherwise specifically provided to the contrary herein or as required by the laws of the British Virgin Islands, the identity, existence, purposes, powers, franchises, rights, immunities and liabilities of the Surviving Company shall continue unaffected and unimpaired by the merger.
9. The Memorandum and Articles of Association of the Surviving Company, as in effect immediately prior to the Effective Date, shall, after the merger, continue to be the Memorandum and Articles of Association of the Surviving Company until duly amended in accordance with law, and no change to such Memorandum and Articles of Association shall be effected by the merger, except to the extent, if any, that changes in the Memorandum and Article of Association are contained in the Articles of Merger.
10. The persons who are the Directors and officers of the Surviving Company immediately prior to the Effective Date shall, after the merger, continue as the Directors and officers of the Surviving Company without change, to serve, subject to the provisions of the Memorandum and Articles of Association of the Surviving Company, until their successors have been duly elected and in accordance with the laws of the British Virgin Islands and the Memorandum and Articles of Association of the Surviving Company.
11. Any Shareholder of the Merging Company dissenting to this Plan of Merger shall be entitled to be paid the fair value of their shares in accordance with the provisions of section 179 of the BC Act.

12. This Plan of Merger may be executed in counterparts each of which when executed and delivered shall constitute an original but all such counterparts together shall constitute one and the same instrument.

IN WITNESS WHEREOF the parties hereto have caused this Plan of Merger to be executed on the date first set out in this Plan of Merger.

SIGNED for and on behalf of **ALBIDON LIMITED** by:

) 
) _____
)
) Name: YIMIN ZHANG
)
) Title: Director
)

SIGNED for and on behalf of **JIN TUO INVESTMENT LIMITED** 金拓投资有限公司 by:

) 
) _____
)
) Name: Zhang Zhong
)
) Title: Director
)

ANNEXURE B: INDEPENDENT EXPERT'S REPORT (BDO)

ALBIDON LIMITED
Independent Expert's Report

9 April 2013

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Financial Services Guide

The Financial Services Guide ('FSG') is provided to comply with the legal requirements imposed by the Corporations Act 2001 and includes important information regarding the general financial product advice contained in this report ('this Report'). The FSG also includes general information about BDO Corporate Finance (QLD) Ltd ('BDO CFQ' or 'we', 'us' or 'our'), including the financial services we are authorised to provide, our remuneration and our dispute resolution.

BDO CFQ holds an Australian Financial Services Licence to provide the following services:

- a) financial product advice in relation to deposit and payment products (limited to basic deposit products and deposit products other than basic deposit products), securities, derivatives, managed investments schemes, superannuation, and government debentures, stocks and bonds; and
- b) arranging to deal in financial products mentioned in a) above, with the exception of derivatives.

General Financial Product Advice

This Report sets out what is described as general financial product advice. This Report does not consider personal objectives, individual financial position or needs, and therefore does not represent personal financial product advice. Consequently any person using this Report must consider their own objectives, financial situation and needs. They may wish to obtain professional advice to assist in this assessment.

The Assignment

BDO Corporate Finance (QLD) Ltd ABN 54 010 185 725, Australian Financial Services Licence No. 245513 has been engaged to provide general financial product advice in the form of a report in relation to a financial product. Specifically, BDO CFQ has been engaged to provide an independent expert's report to the shareholders of Albidon Limited ('Albidon' or 'the Company') in relation to Merger Implementation Agreement entered into between Albidon and Jin Tuo Investment Limited ('Jinchuan NewCo'), on behalf of Jinchuan Group Limited ('Jinchuan') ('the Proposed Transaction'). Under the terms of the Proposed Transaction, Albidon shareholders other than Jinchuan will receive US\$0.0025 per share from Jinchuan NewCo and then each share they hold will be cancelled.

Further details of the Proposed Transaction to which the Report relates are set out in Section 3.0. The scope of this Report is set out in detail in Section 4.0 of this Report. This Report provides an opinion as to whether or not the Proposed Transaction is fair and reasonable to the Albidon shareholders.

This Report cannot be relied upon for any purpose other than the purpose mentioned above and cannot be relied upon by any person or entity other than those mentioned above, unless we have provided our express consent in writing to do so. A shareholder's decision to vote for or against the Proposed Transaction is likely to be influenced by their particular circumstances, for example, their taxation considerations and risk profile. Each shareholder should obtain their own professional advice in relation to their own circumstances.



Fees, commissions and other benefits we may receive

We charge a fee for providing reports. The fees are negotiated with the party who engages us to provide a report. We estimate the fee for the preparation of this Report will be approximately \$40,000 plus GST. Fees are usually charged as a fixed amount or on an hourly basis depending on the terms of the agreement with the engaging party. Our fees for this Report are not contingent on the outcome of the Proposed Transaction.

Except for the fees referred to above, neither BDO CFQ, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of this Report.

Directors of BDO CFQ may receive a share in the profits of BDO Group Holdings (QLD) Pty Ltd, a parent entity of BDO CFQ. All directors and employees of BDO Group Holdings (QLD) Pty Ltd and its subsidiaries (including BDO CFQ) are entitled to receive a salary. Where a director of BDO CFQ is a shareholder of BDO Group Holdings (QLD) Pty Ltd, the person is entitled to share in the profits of BDO Group Holdings (QLD) Pty Ltd.

Associations and relationships

From time to time BDO CFQ or its related entities may provide professional services to issuers of financial products in the ordinary course of its business. These services may include audit, tax and business advisory services. BDO CFQ has not provided services to Albidon in the previous two years. The signatory to the Report does not hold any shares in Albidon and no such shares have ever been held by the signatory.

To prepare our reports, including this Report, we may use researched information provided by research facilities to which we subscribe or which is publicly available. Reference has been made to the sources of information in this Report, where applicable. Research fees are not included in the fee details provided in this Report.

Complaints

We are members of the Financial Ombudsman Service. Any complaint about our service should be in writing and sent to BDO Corporate Finance (QLD) Ltd, GPO Box 457, Brisbane QLD 4001.

We will endeavour to resolve the complaint quickly and fairly. If the complaint cannot be satisfactorily resolved within 45 days of written notification, there is a right to lodge a complaint with the Financial Ombudsman Service. They can be contacted on 1300 780 808. This service is provided free of charge.

If the complaint involves ethical conduct, a complaint may be lodged in writing with the Institute of Chartered Accountants, Queensland Branch, GPO Box 2054, Brisbane QLD 4001. The Australian Securities and Investment Commission ('ASIC') also has an Infoline on 1300 300 630 which can be used to make a complaint and obtain information about investor rights.



Contact Details

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Phone: (07) 3237 5999	Email: cf.brisbane@bdo.com.au
Fax: (07) 3221 9227	

Glossary

Reference	Definition
ABV	Asset based valuation
Albidon	Albidon Limited
ASIC	Australian Securities and Investment Commission
BDO CFQ	BDO Corporate Finance (QLD) Ltd
BVI Business Companies Act	British Virgin Islands Business Companies Act 2004
ByrneCut	ByrneCut Mining International Ltd
CME	Capitalisation of maintainable earnings
Company, the	Albidon Limited
Corporations Act, the	Corporations Act 2001
DCF	Discounted cash flow valuation methodology
Explanatory Statement, the	Explanatory Statement for the meeting of Albidon shareholders
FSG	Financial Services Guide
GRZ	The Government of The Republic Zambia
Jinchuan	Jinchuan Group Ltd
Jinchuan NewCo	Jin Tuo Investment Limited
Km	Kilometres
M&I JORC Resources	Measured and Indicated JORC resources
Macquarie Commodities Compendium	Macquarie Commodities Research Commodities Compendium dated 18 September 2012
MBV	Market Based Valuation
Merger Consideration, the	US\$0.0025 per Albidon share
Mining Contract	The contract by ByrneCut Mining International Ltd to provide mining services to Albidon Zambia at Munali
Ni Eq	Nickel equivalent
Proposed Transaction, the	The merger between Albidon and Jinchuan NewCo whereby non-associated Albidon shareholders will receive US\$0.0025 for each Albidon share which they own
RAP	The Resettlement Action Plan
Report, this	This Independent Expert's Report prepared by BDO CFQ dated 9 April 2013
Snowden	Snowden Mining Industry Consultants
VWAP	Volume weighted average share price
We, us or our	BDO Corporate Finance (QLD) Ltd

The Shareholders
C/- The Directors
Albidon Limited
PO Box 1291
West Perth WA 6872

9 April 2013

Dear Shareholders,

Independent Expert's Report

1.0 Introduction

BDO Corporate Finance Limited ('BDO CFQ', 'we', 'us' or 'our') has been engaged by the directors of Albidon Limited ('Albidon' or 'the Company') to prepare an independent expert's report ('this Report') to the shareholders of Albidon other than Jinchuan Group Limited ('Jinchuan'). This Report relates to the proposed merger of Jin Tuo Investment Limited ('Jinchuan NewCo'), on behalf of Jinchuan, with and into Albidon ('the Proposed Transaction'). In essence, the proposed merger is a takeover of Albidon by Jinchuan.

Under the terms of the Proposed Transaction, Jinchuan NewCo will pay US\$0.0025 per share to the Independent Shareholders for each share they hold in Albidon which will then be cancelled. A more detailed description of the Proposed Transaction is set out in Section 3.0 of this Report.

In this Report, BDO CFQ has expressed an opinion as to whether the Proposed Transaction is fair and reasonable to the Independent Shareholders. This Report has been prepared solely for the use by Independent Shareholders to provide them with information relating to the Proposed Transaction. We understand that this Report will be provided to Independent Shareholders to assist them to make an informed decision on whether to vote in favour of or against the Proposed Transaction. Apart from the purpose stated directly above, this Report cannot be used or relied on for any other purpose or for any other person or entity.

This Report should be read in full, including the assumptions underpinning our work, together with the other information provided to the Independent Shareholders in conjunction with this Report, including the Recommended Proposal, Notice of Meeting and Explanatory Statement for the meeting of Albidon shareholders ('the Explanatory Statement').

This Report does not address circumstances specific to individual shareholders. A shareholder's decision to vote in favour of or against the Proposed Transaction is likely to be influenced by the shareholder's particular circumstances, for example, their taxation considerations and risk profile. Shareholders should obtain their own professional advice in relation to their circumstances.

2.0 Summary of Opinion

This section provides a summary of our opinion only and cannot substitute for a complete reading of this Report.

2.1 Fairness of the Proposed Transaction

To assess whether the Proposed Transaction is fair to Albidon shareholders, we completed the following analysis:

- a) Determined the value of a share in Albidon on a controlling interest basis. This analysis is set out in detail in Section 6.0 of this Report and indicates that Albidon has a current net asset deficiency in the range of approximately US\$0.36 to US\$0.45 per share. Given this net asset deficiency, in our view it is appropriate to adopt a value of US\$nil for the purpose of the analysis set out in this Report; and
- b) Compared the value of each Albidon share determined in a) above with the cash consideration of US\$0.0025 per share that is to be received by Albidon shareholders under the Proposed Transaction.

The Proposed Transaction is considered to be fair to the Albidon shareholders if the cash consideration is equal to or greater than the value of an Albidon share. Table 2.1 sets out a comparison of the value of an Albidon share and the value of the cash consideration to be received by Albidon shareholders under the Proposed Transaction.

Table 2.1: Comparison of the Value of an Albidon Share with the Cash Consideration Offered

	Value
Value of an Albidon share	US\$nil
Cash consideration offered for each Albidon share	US\$0.0025

Source: BDO CFQ analysis

As summarised in Table 2.1 above, the value of the cash consideration offered for each Albidon share under the Proposed Transaction is greater than the value of each Albidon share.

After considering the information and methodology summarised above and set out in further detail in the balance of this Report, it is our view that in the absence of a superior proposal, the Proposed Transaction is **Fair** as at the date of this Report.

Our assessment of the fairness of the Proposed Transaction is set out in Section 7.0 of this Report.

2.2 Reasonableness of the Proposed Transaction

Our assessment of the reasonableness of the Proposed Transaction is set out in Section 8.0 of this Report.

In summary, we have assessed the reasonableness of the Proposed Transaction having regard to other significant factors to which the Albidon shareholders may give consideration to prior to voting in favour of or against the Proposed Transaction. This includes comparing the likely advantages and disadvantages of the Proposed Transaction with the position of the Albidon shareholders if the Proposed Transaction is not approved.

Table 2.2 below summarises the potential advantages to the Albidon shareholders of approving the Proposed Transaction. The potential advantages of the Proposed Transaction are discussed in further detail in Section 8.1 of this Report.

Table 2.2: Summary of Potential Advantages of the Proposed Transaction

Advantages
<ul style="list-style-type: none">• The offer is unconditional and Albidon shareholders have certainty they will receive \$0.0025 for each Albidon share held
<ul style="list-style-type: none">• Relatively quick way for the Albidon shareholders to realise cash for their Albidon shares
<ul style="list-style-type: none">• Albidon shareholders may be entitled to a tax deduction or capital loss which may be of some value
<ul style="list-style-type: none">• The Proposed Transaction is the only proposal before the Company other than liquidating the Company. Based on the current net liability position of the Company, Albidon shareholders are unlikely to receive any return for their investment in Albidon under a liquidation scenario.

Table 2.3 below summarises the potential disadvantages to the Albidon shareholders of approving the Proposed Transaction. The potential disadvantages of the Proposed Transaction are discussed in further detail in Section 8.2 of this Report.

Table 2.3: Summary of Potential Disadvantages of the Proposed Transaction

Disadvantages
<ul style="list-style-type: none">• No exposure to any potential upside in the value of Albidon including any transactions that may be undertaken to unlock any underlying value of Albidon shares.
<ul style="list-style-type: none">• No partial investment in Albidon is possible
<ul style="list-style-type: none">• No exposure to any superior future offers that may arise

After considering the information and methodology summarised above and set out in further detail in the balance of this Report, it is our view that in the absence of a superior proposal, the Proposed Transaction is **Reasonable** as at the date of this Report.

Notwithstanding our view that the Proposed Transaction is fair and reasonable as at the date of this Report, we recommend that Albidon shareholders also have regard to the other considerations set out in Section 2.3 below.

2.3 Other Considerations

Before forming a view on the Proposed Transaction, we strongly recommend that Albidon shareholders:

- Consult their own professional advisors;
- Carefully read all relevant documents provided to them in relation to the Proposed Transaction, including this Report and the Explanatory Statement; and
- Consider their own specific circumstances.

We note that in circumstances where the Proposed Transaction does not proceed, the Directors of Albidon are of the view that it is likely that the Company will be liquidated. Having regard to the net liability position of Albidon, it is likely that Albidon shareholders will not receive any consideration for their investment in Albidon in circumstances where the Company is liquidated.

3.0 Overview of the Proposed Transaction

This section sets out an overview of the Proposed Transaction and is structured as follows:

- Section 3.1 provides a brief description of Jinchuan;
- Section 3.2 provides a description of the Proposed Transaction;
- Section 3.3 summarises the conditions of the Proposed Transaction;
- Section 3.4 summarises the strategic rationale of the Proposed Transaction; and
- Section 3.5 summarises Jinchuan's intentions for Albidon if the Proposed Transaction is approved.

The information set out below is a summary only. Albidon shareholders should refer to the Explanatory Statement for more information in relation to the Proposed Transaction.

3.1 Description of Jinchuan

Jinchuan is Albidon's largest shareholder and holds 49.93% of the issued capital of the Company as at the date of this Report.

Jinchuan is a large vertically integrated mining group engaged in mining, concentrating, metallurgy and chemical engineering, and deep processing. Jinchuan is the fourth largest nickel manufacturer in the world, the second largest cobalt manufacturer in the world, the third largest copper manufacturer in China and the largest platinum group metal manufacturer in China.¹ The headquarters of Jinchuan is located in Jinchang City of Gansu Province in northwest China.

Jinchuan's relationship with Albidon commenced in mid-2007. Since that time, Jinchuan has provided significant financial support to Albidon. By way of example, since mid-2007 to the date of this Report Jinchuan has injected in excess of US\$195 million (inclusive of accrued interest) of funding into Albidon through equity placements and debt funding.

3.2 Description of the Proposed Transaction

On 27 March 2013, Albidon entered into a Merger Implementation Agreement with Jinchuan NewCo, on behalf of Jinchuan, pursuant to which it is proposed that Jinchuan NewCo merge with and into Albidon by way of a statutory merger under the British Virgin Islands Business Companies Act 2004 (as amended) (the 'BVI Business Companies Act'). In essence, the Merger Implementation Agreement is effectively a 'takeover' of Albidon by Jinchuan.

Under the terms of the Proposed Transaction, Jinchuan NewCo will pay US\$0.0025 per share ('the Merger Consideration') to the Independent Shareholders. The Independent Shareholders will have their shares cancelled in exchange for the Merger Consideration.

¹ Jinchuan Group Limited company website, www.jnmc.com/english

Following completion of the Proposed Transaction, Jinchuan NewCo will be the sole shareholder of Albidon and the Company will be de-listed from the ASX. Options currently on issue will be cancelled for no consideration on the basis that they are significantly out of the money.

3.3 Conditions of the Proposed Transaction

Implementation of the Proposed Transaction is subject to a number of conditions contained in the Merger Implementation Agreement which, unless waived by a party in accordance with the Merger Implementation Agreement, include:

- Shareholder approval for the Proposed Transaction being obtained;
- No governmental order or proceeding being instituted which would prevent the completion of the Proposed Transaction or otherwise make it illegal;
- 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 Proposed Transaction;
- 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;
- The Board unanimously recommending that the Independent Shareholders vote in favour of the Proposed Transaction in the absence of a superior offer for the Company, and including that recommendation in the Explanatory Statement;
- The Board of the Company:
 - 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 in relation to any possible non-compliance of the terms of the Proposed Transaction with the UK City Code on Takeovers and Mergers; and
 - complying with the requirements of British Virgin Islands law in relation to the implementation of the Merger;
- The Munali Mining License held by Albidon Zambia not being cancelled by the Government of Zambia; and
- 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.

Refer to Section 3.2 of the Explanatory Statement for further details in relation to the conditions of the Proposed Transaction.

3.4 Strategic Rationale of the Proposed Transaction

Albidon currently has a number of significant financial commitments. To meet these financial commitments Albidon has considered a number of options. These options included the engagement of a financial 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. All options considered by Albidon did not progress 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.

Given the amount of funding that Jinchuan has injected into Albidon to date, the continued funding that needs to be provided and the assurances that Jinchuan has given to the Zambian Government in relation to the Munali mine and Albidon's obligations in Zambia, Jinchuan is of the view that it is appropriate that it has full control and ownership of Albidon and its Zambian subsidiary moving forward.

Jinchuan is mindful that it is extremely unlikely to recover its debt and equity investments which exceed US\$195 million inclusive of accrued interest (or even a significant portion of its total investment). However, Jinchuan is also aware of the significant obligations owed by Albidon to many stakeholders in the Munali mine. We understand that consideration of the importance of honouring these obligations has been an important factor in Jinchuan's decision to initiate the Proposed Transaction.

Albidon shareholders should refer to the letter from the Chairman of Jinchuan NewCo contained within the Explanatory Statement for additional information in relation to Jinchuan's strategic rationale.

For completeness we note that the Directors of Albidon are of the view that the Proposed Transaction is the only realistic prospect for securing a viable future for the Company and the Munali mine.

3.5 Jinchuan's Intentions for Albidon

Jinchuan's proposed strategy is broadly as follows:

- Continue with the long-term care and maintenance of the Munali mine;
- In consultation with the community leaders in the Munali area, a plan be developed and implemented, to meet Albidon Zambia's outstanding community resettlement obligations;
- Negotiate with the Zambian Government for the removal of the \$12 million hedge tax gain liability which arose in 2008; and
- Attempt to find an exploration partner who is prepared to invest to investigate the exploration potential of the Munali mine with a view to Jinchuan potentially recovering some part of its investment without the investment of significant additional funds from Jinchuan.

Albidon shareholders should refer to sections 5.9 and 5.10 of the Explanatory Statement for further details in relation to Jinchuan's proposed strategy.

4.0 Scope of Report and Assessment Methodology

4.1 Scope of Report

An independent expert, in certain circumstances, must be appointed to meet the requirements set out in the Corporations Act 2001 ('the Corporations Act'), the regulatory guides published by the Australian Securities and Investments Commission ('ASIC') and in some cases the listing requirements of the stock exchanges on which a company is listed. We have summarised the requirements of the Corporations Act and the ASX listing requirements in Sections 4.1.1 and 4.1.2 below respectively. We have summarised the guidance provided by the regulatory guides in Section 4.2 below.

The sole purpose of this Report is to express BDO CFQ's opinion on whether the Proposed Transaction is fair and reasonable to the Independent Shareholders. This Report cannot be used by any other person for any other reason or for any other purpose. A copy of this Report will accompany the Explanatory Statement to be sent to the Independent Shareholders.

This Report is general financial product advice only and has been prepared without taking into account the objectives, risk profile, financial situation or needs of individual Albidon shareholders. Before acting in relation to their investment, individual Albidon shareholders should consider the appropriateness of the advice having regard to their own business objectives, financial situation or needs (including their taxation consequences). Independent Shareholders should read the Explanatory Statement in full.

The decision to vote in favour of or against the Proposed Transaction is a matter for individual shareholders based on their expectations as to value, future market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Shareholders who are in doubt as to the action they should take in relation to the Proposed Transaction should consult their own professional adviser.

4.1.1 Requirements of the Corporations Act

We understand that as Albidon is a foreign registered company there is no legal requirement under the Corporations Act for the provision of an independent expert's report in relation to the Proposed Transaction. Notwithstanding this, Albidon has requested that we prepare this Report having regard to the requirements that would ordinarily apply to an independent expert's report drafted for the purpose of complying with the Corporations Act.

Section 606 of the Corporations Act states that a relevant interest in a listed company cannot be increased from 20% or below to more than 20%, or from a starting point that is above 20% and below 90%, unless one of the exceptions set out in section 611 of the Corporations Act is met. As Jinchuan is increasing its stake in Albidon from a starting point that is above 20% and below 90%, prima facie, Section 606 if it applied (which it doesn't as Albidon is not subject to the Corporations Act), would prevent the Proposed Transaction unless it meets one of the exemptions set out in Section 611 of the Corporations Act.

Item 7 of Section 611 of the Corporations Act in certain circumstances may provide an exemption from the prohibition of the sale of securities under Section 606. Item 7 of Section 611 states that an acquisition is exempt from the regulations of Section 606 if the acquisition proposal is approved by a requisite majority of shareholders not associated with the person making the proposal or their associates by passing a resolution at a general meeting.

Non-associated shareholders voting pursuant to item 7 of Section 611 of the Corporations Act are to be provided with all information known to the person proposing to make the acquisition or their associates, or known to the company, that was material to the decision on how to vote on the resolution.

To aid in their obligation to provide all relevant information in relation to the Proposed Transaction, the directors of Albidon have commissioned the preparation of this Report.

4.1.2 ASX Listing Requirements

This section considers the requirements of ASX Listing Rule 10.1 and 10.10.2 of Chapter 10: *Transactions with persons in a position of influence*.

ASX Listing Rule 10.1

ASX Listing Rule 10.1 states that an entity must ensure that neither it, nor any of its child entities, acquires a substantial asset from, or disposes of a substantial asset to, a substantial holder without the approval of holders of the entity's ordinary securities.

ASX Listing Rule 10.2 defines an asset as 'substantial' if its value, or the value of the consideration for it, is greater than 5% of the equity interests of the entity as set out in the latest accounts given to ASX under the listing rules.

Jinchuan NewCo is ultimately controlled by Jinchuan which is, in turn, a substantial holder of Albidon with a relevant interest in 49.93% of the total votes attached to the Company's voting securities. As a result of the Proposed Transaction, Jinchuan will become the sole shareholder of the Company with all shares not held by Jinchuan being cancelled. Accordingly, the effect of the Proposed Transaction is that a substantial shareholder of the Company will be acquiring the entire undertaking and all the assets and liabilities of the Company and, as such, the value of the assets being acquired will be greater than the 5% threshold. Albidon has received written advice from ASX that, in its opinion, ASX Listing Rule 10.1 applies to the Proposed Transaction on this basis.

ASX Listing Rule 10.10.2

Under ASX listing rule 10.10.2 the Company's shareholders must be given an independent report by an independent expert. The report must state whether the proposal is fair and reasonable to the Company's shareholders (except those who are precluded from voting at the meeting).

4.2 Assessment Methodology

ASIC have issued RG 111 *Content of experts reports*, which provides guidance in relation to independent experts' reports. RG 111 relates to the provision of independent experts' reports in a range of circumstances, including those where the expert is required to give an opinion as to whether a transaction is 'fair' and 'reasonable' to the shareholders.

RG 111 states that the report should explain the particulars of how the proposal was examined and evaluated as well as the results of the examination and evaluation. The report should provide an opinion by the expert stating whether or not, in the opinion of the expert, the proposal is 'fair and reasonable'. RG 111 also provides guidance on common valuation methodologies and some matters which should be considered by an expert when completing a valuation.

To meet the ASIC requirements, an expert seeking to determine whether the Proposed Transaction is ‘fair and reasonable’ should complete the steps set out below.

4.2.1 Step 1 - Assessment of Fairness

In our view, for assessment purposes, the Proposed Transaction effectively represents a takeover bid for Albidon by Jinchuan Group. RG 111 sets out guidance for experts when opining on takeover bids that are being completed having regard to Chapter 6 of the Corporations Act.

Under RG 111, the Proposed Transaction will be considered ‘fair’ if the value of the consideration to be received by the Independent Shareholders is equal to or greater than the value of the shares that are the subject of the takeover bid. In making this assessment, the guidance in RG 111 indicates that the expert should:

- a) compare the value of the consideration to be received by the Independent Shareholders to the value of an Albidon share that assumes a 100% ownership interest in Albidon; and
- b) have no regard to the percentage ownership interest of Jinchuan in Albidon prior to the Proposed Transaction.

Our assessment of the fairness of the Proposed Transaction is set out in Section 7.0 below.

4.2.2 Step 2 - Assessment of Reasonableness

Examine other significant factors to which Independent Shareholders may give consideration, prior to voting in favour of or against the Proposed Transaction. This includes comparing the likely advantages and disadvantages of voting in favour of or against the Proposed Transaction, with the position of the Independent Shareholders if the Proposed Transaction is not approved. This step can be classified as an assessment of whether the Proposed Transaction is ‘reasonable’.

Our assessment of the reasonableness of the Proposed Transaction is set out in Section 8.0 below.

4.2.3 Step 3 - Conclusion

Upon completion of steps 1 and 2, it may be possible to conclude that the Proposed Transaction is ‘reasonable’ if there are valid reasons for its approval, notwithstanding that the Proposed Transaction may not be regarded as being ‘fair’ to the shareholders. Generally speaking, an offer is ‘reasonable’ if it is ‘fair’.

It may also be ‘reasonable’, despite not being ‘fair’, if after considering other significant factors the interests of Independent Shareholders are reasonably balanced.

This Report will conclude by providing our opinion as to whether or not the Proposed Transaction is ‘fair and reasonable’. While all issues need to be considered before drawing an overall conclusion, we will assess the fairness and reasonableness issues separately for clarity.

We have not provided any advice, taxation, legal or otherwise in relation to the operation of the Proposed Transaction. Other advisors have provided advice to Albidon in relation to the Proposed Transaction on those matters.



In the process of making an assessment of the Proposed Transaction, we have made certain assumptions. Where these assumptions are material to our work, we have stated them in this Report.

This Report has been prepared in accordance with APES 225: Valuation Services issued by the Accounting Professional & Ethical Standards Board in May 2012.

5.0 Background of Albidon²

This section provides a background summary of Albidon and is structured as follows:

- Section 5.1 provides a brief overview of Albidon and its key assets;
- Section 5.2 describes the equity structure of Albidon;
- Section 5.3 summarises the share market performance of Albidon shares; and
- Section 5.4 summarises the historical financial information of Albidon.

5.1 Overview of Albidon

5.1.1 Background to Operations and Financial Position of Albidon

Albidon is the sole shareholder of Albidon Zambia Ltd, which is the registered holder of the Munali mining lease located in Zambia. Munali is a nickel mine (currently not operational) that is Albidon's only current mineral asset.

Albidon was established in April 2000 and listed on both the AIM and ASX stock exchanges in March 2004. The Company completed a Bankable Feasibility Study in July 2006, with nickel concentrates first produced at Munali in mid-2008.

A significant decline in nickel prices over the last half of 2008, combined with a slower than expected ramp up in production, caused working capital constraints. The working capital shortfall was largely addressed via capital raisings.

In March 2009, ongoing depressed nickel prices made operations at Munali unsustainable and Munali was placed on care and maintenance.

In April 2009, Albidon was placed into voluntary administration. In July 2009, Albidon entered into a Deed of Company Arrangement pursuant to which Jinchuan agreed to become the major shareholder and secured creditor of the Company.

Between November 2009 and November 2011 operations recommenced at the Munali nickel mine, however the ore quantity and grade of nickel concentrate produced never reached the levels previously considered in the original Bankable Feasibility Study for Munali.

In November 2011, Albidon suspended operations at Munali. The mine currently remains on care and maintenance. As announced by Albidon on 10 December 2012, all staff of its wholly owned subsidiary, Albion Zambia Ltd, have been made redundant and redundancy payments funded by Jinchuan were made on 15 January 2013. We understand that approximately 60 people have since been re-employed to provide security and other essential services in respect of the care and maintenance of the mine.

² Unless otherwise stated, the information in this section of the Report is based on Albidon's Annual Reports, documents of Albidon's website and information provided to us by Albidon.

Albidon currently has a number of significant financial commitments. Without Jinchuan's ongoing financial assistance and commitment, Albidon would be unable to meet its financial commitments. As Jinchuan has not committed to guarantee funding for a period of at least 12 months, both the Directors of Albidon and its auditors believe that it is appropriate to prepare the financial statements for the 12 months ended 31 December 2011 and 2012 on a liquidation basis rather than as a going concern.

We have discussed Albidon's attempts to find a cornerstone investor to recapitalise the Company in Section 5.1.3 below.

5.1.2 Summary of the Munali Mine and Nickel Resource

Munali is located approximately 80 kilometres ('km') south of Lusaka in southern Zambia. Munali comprises two nickel deposits, the Enterprise deposit (Munali Phase 1 Project) and the Voyager deposit.

For the 12 month periods ended 31 December 2010 and 2011, Albidon operated at a significant cash deficit and was unable to generate an economic return from the Munali Nickel Project. The reasons for this include:

- Mine production was significantly lower than Albidon's expectations in terms of ore grade and tonnage;
- The quantity of metal contained in concentrate failed to meet planned levels and was well below the tonnage required to sustain the cost structure of the business; and
- A geotechnical anomaly in relation to the across-strike continuity of the ore body resulted in higher levels of ore dilution than was anticipated in the existing resource model and mine plan, which undermined the efficient running and metallurgical recovery of the process plant. This was identified as one of the primary reasons the Munali mine has consistently failed to produce ore of sufficient quality and quantity to support an economic scale of production; and
- The nickel spot price reduced by approximately 26.6% from 1 January 2011 to 10 November 2011 when the company announced that operations had been suspended at Munali. We note that the nickel price since operations were suspended at the Munali nickel mine in November 2011 has remained at levels materially lower than the price that existed in 2010 and 2011. By way of example, the average nickel price from 1 January 2010 to 10 November 2011 was US\$23,609/tonne while the average nickel price from 11 November 2011 to 22 February 2013 has been US\$17,593/tonne.

In November 2012 Albidon commissioned Snowden Mining Industry Consultants ('Snowden') to prepare a Resource Report and a Mining Report in relation to Munali. Albidon shareholders can access these reports on Albidon's website and the Company's ASX announcements.

As part of the preparation of the resource report, Snowden was required to undertake a rigorous independent review of the Munali resource model to confirm earlier interpretations of the mineral resource estimate at the Munali deposit. Key findings from the report indicated a significant decrease in the resource and grade estimates initially specified for the Munali deposit in 2007.

Table 5.1 below summarises the mineral resource estimate for the Enterprise nickel deposit as at November 2012.

Table 5.1: Mineral Resource - Enterprise Nickel Deposit Above 0.60 % Ni Cut Off Grade, Below 870RL and Depleted for Mining

Resource Category	Mineralised Tonnes (kt)	Ni Grade (%)	Ni Metal
Measured	-	-	-
Indicated	3,376	1.07	36,040
Inferred	2,469	0.96	23,684
Total measured and indicated	3,376	1.07	36,040
Total measured, indicated and inferred	5,845	1.02	59,742

Note: The information in Table 5.1 is extracted from the report entitled Albidon Munali Resource Report created on 8 November 2012 and is available to view on Albion Limited's website under ASX Announcements (<http://www.albidon.com.au/investor/asx-announcements.html>). The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of the estimates of Mineral Resources, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

As announced by Albidon to the ASX, the results of Snowden's Mining Report, in which Snowden completed a technical assessment of the Munali Nickel Project, indicated that based on the resource estimates summarised above, there is significant uncertainty as to the technical and economic viability of the Munali mine at current metal prices using mechanised mining methods. Notwithstanding the above, Snowden noted that Munali may be viable at higher metal prices using a more selective, non-mechanised mining method, however this would be at much lower production rates with high technical and economic risk.

We have discussed the Resource Report and the Mining Report prepared by Snowden in further detail in Section 6.2.1 below.

5.1.3 Attempts to Secure a Cornerstone Investor

On 18 July 2011, corporate advisory firm Riverstone Advisory Pty Ltd ('Riverstone') was appointed by the Company's Board to undertake a comprehensive strategic review of the Company's operations, corporate management, board composition and capital structure. Riverstone was also engaged 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.

During the period from July 2011 until their resignation in July 2012, Riverstone investigated numerous transactions on behalf of the Company with a range of potential investors, seven of which proceeded to being granted full access to the data room established to enable due diligence to be conducted on the Company and Munali.

Notwithstanding that Riverstone managed to have a number of parties sign non-binding term sheets and on two occasions managed to progress the negotiations as far as drafting a full suite of transaction documents, no agreements were signed and the proposed transactions did not proceed due to the inability to satisfy the relevant conditions precedent in the transaction documents. We understand that the key issues which caused potential investors not to proceed related to the hedge gain tax liability of Albidon Zambia, the resources downgrade, the debt to Byrnescut and Resettlement Action Plan ('RAP') obligations. Each of these issues are discussed directly below.

Hedge Gain Tax Liability

On 22 September 2008, Albidon closed out its hedging commitment in order to satisfy a portion of its debt and prevent foreclosure by lenders. The unwinding of the hedge book resulted in a net gain of US\$50.0 million which was immediately applied to the debt balances owing by the Company and Albidon Zambia Ltd. At this point, hedging income accrued to Albidon Zambia Ltd and a potential tax liability of approximately US\$12.0 million was recognised.

Subsequently, the Income Tax (Amendment) Act 2009 repealed the assessment of tax on hedging income. Accordingly, had the hedge gain been realised after the date of enactment of that Act, no hedge gain would have been assessable.

On 2 November 2012, Albidon Zambia Ltd submitted outstanding tax returns for the years ended 31 March 2009, 31 March 2010 and 31 March 2011 on the basis that it reserved its rights to lodge an objection to the assessment of tax on hedging income for the 2009 financial year.

Resources Downgrade

As mentioned previously, Snowden completed a technical assessment of Munali and confirmed a material downgrade to the Company's mineral resource estimate. Refer to Section 5.1.1 of this Report for further details.

The Debt to Byrnegut

In October 2007, Albidon Zambia and Byrnegut Mining International Ltd ('Byrnegut') entered into a contract pursuant to which Byrnegut provided contract mining services to Albidon Zambia at Munali ('Mining Contract').

As at 31 October 2012, Albidon Zambia owed Byrnegut US\$6,587,455 for mining services pursuant to the Mining Contract. Albidon Zambia did not have the cash reserves to pay the amount due to Byrnegut and faced potential liquidation action by Byrnegut. In order to resolve this situation in December 2012, Albidon Zambia and Byrnegut entered into a Deed of Accord and Satisfaction pursuant to which:

- Albidon Zambia transferred certain items of mobile equipment to Byrnegut;
- Title to the underground equipment supplied by Byrnegut (pumps, valves and electrical switch gear) were transferred to Albidon Zambia; and
- Byrnegut released Albidon Zambia from all liability in respect to the Mining Contract.

RAP Obligations

The RAP describes the principles, policies and procedures to guide the resettlement of persons, households and communities that were to be displaced by Munali and how compensation was to be handled for the affected households. RAP forms part of the Environmental Impact Statement, which the Company submitted to The Government of The Republic Zambia ('GRZ') in conjunction with the mine development approval process in early 2006. The RAP is a significant community obligation that the Company is obliged to perform in full irrespective of whether the Munali mine was a commercial success or not.

As part of the RAP, Albidon Zambia entered into various settlement deeds with residents of the area surrounding the Munali mining license pursuant to which residents be resettled and provided basic facilities and infrastructure such as a healthcare centre and a school.

Under the RAP provisions, 132 households were identified as likely to be affected by mining development activity and thereby qualifying for compensation. The compensation to be provided by Albidon Zambia was a resettlement package to include a new brick dwelling and block of land at least equivalent to that which was required to be given up by residents within the mining lease zone. To date Albidon Zambia has successfully resettled over 45 households from the Munali Hills area to lands acquired by Albidon Zambia elsewhere in the region. In addition, due to the subsequent reduction in the mining lease area, 57 households were not required to give up their land and their legal title and traditional use of the land have been restored.

As operating losses mounted during 2011 and Albidon Zambia was forced to suspend mining operations, the RAP program was also suspended due to the inability to secure additional suitable arable land and lack of funding. We understand that the outstanding obligations under the RAP program, including the resettlement of approximately 30 remaining households, could not be completed.

On 9 July 2012, Albidon received a writ of summons issued by the High Court of Zambia on behalf of Gontready Moonga and twelve others ('the Plaintiffs') against Albidon Zambia. This action brought by the plaintiffs involves a sub-group of the 30 households who claim they have not yet received any compensation under the RAP program. We understand that Albidon Zambia and its legal advisers in Zambia actively engaged with the Plaintiffs through an arbitration process which was approved by the High Court of Zambia. During March 2013, the Company agreed to settle these claims with an out of court settlement totaling US\$278,000.

Kobil Claim

Albidon has received notification of a claim by Kobil Zambia Limited against Albidon Zambia in the amount of approximately US\$1.1 million for an alleged loss of margin and uptake under a fuel supply agreement between Kobil Zambia Limited and Albidon Zambia. We understand that as at the date of this Report Albidon's legal advisor is reviewing the claim and providing advice to Albidon in relation to the claim.

5.2 Equity Structure of Albidon

Albidon shares first listed on the ASX on 26 March 2004. On 30 August 2011, Albidon shares were placed in a trading halt and subsequently suspended from trading on 1 September 2011 pending the release of an announcement to the ASX. As at the date of this Report, Albidon shares remain suspended from official quotation on the ASX.

As at the date of this Report, Albidon has the following securities on issue:

- 349,221,837 ordinary shares;
- 8,150,000 options exercisable at \$0.10 expiring on 31 December 2014;
- 880,000 options exercisable at \$0.20 expiring 31 December 2014; and
- 323,076,923 convertible notes convertible at \$0.065 on or before 30 October 2014.

5.2.1 Top Ten Shareholders of Albidon Ordinary Shares

Table 5.2 sets out the top ten shareholders of Albidon ordinary shares as at the date of this Report.

Table 5.2: Top Ten Albidon Shareholders

	Shareholder	Number of Shares Held	Percentage of Total Shares
1	Jinchuan Group Limited	174,360,873	49.93%
2	HSBC Custody Nominees (Australia) Limited	21,963,594	6.29%
3	DBS Vickers Securities (Singapore) Pte Ltd	12,597,828	3.61%
4	J P Morgan Nominees Australia Limited	12,140,928	3.48%
5	National Nominees Limited	9,677,349	2.77%
6	J P Morgan Nominees Australia Limited	9,268,607	2.65%
7	Dr Donal Paul Windrim	6,779,990	1.94%
8	Rokeba Nominees Pty Ltd	5,000,000	1.43%
9	Mr Yi Jing Cai & Mrs Yan Ling Zeng	4,876,630	1.40%
10	Mr Tian You Chen & Mrs Lee Pin Ho	4,367,235	1.25%
	Other	88,188,803	25.25%
	Total	349,221,837	100.00%

Source: Albidon Share Register as at 28 February 2012

5.3 Trading of Albidon Shares

As mentioned in Section 5.2 above, Albidon shares were placed in a trading halt on 30 August 2011 and subsequently suspended from official quotation on the ASX. As at the date of this Report, Albidon shares remain suspended from official quotation on the ASX. Appendix B of this Report sets out information in relation to the performance of Albidon shares on the ASX over the period from 14 October 2010 to 29 August 2011 (i.e. the period prior to suspension from official quotation on the ASX).

5.4 Historical Financial Information

This section sets out the historical financial information of Albidon. As this Report contains only summarised historical financial information, we recommend that any user of this Report also read and understand the additional notes and financial information contained in Albidon's annual reports.

Albidon's financial statements are prepared in accordance with International Financial Reporting Standards. Albidon's financial statements for the 12 months periods ended 31 December 2010 and 2011 were audited by Ernst & Young. The financial statements for the 12 month period ended 31 December 2012 have been audited by Ernst & Young however are in draft pending final auditor sign-off.

BDO CFQ has not performed any audit or review of any type on the historical financial information of Albidon. We make no statement as to the accuracy of the information provided however we have no reason to believe that the information is misleading.

We note that the consolidated financial statements of Albidon have been prepared on a liquidation basis as the directors of Albidon do not believe there is sufficient basis to conclude the Company is a going concern. We also note that the presentation currency for Albidon, as well as the functional currency of the Company and each of the subsidiaries, is US dollars.

5.4.1 Comprehensive Income

Table 5.3 summarises the consolidated statement of comprehensive income for Albidon for the 12 month periods ended 31 December 2010, 2011 and 2012.

Table 5.3: Statement of Comprehensive Income

	12 Months Ended 31 Dec 2010 \$US	12 Months Ended 31 Dec 2011 US\$	12 Months Ended 31 Dec 2012 US\$
Sale of goods	42,968,548	41,259,689	167,790
Other revenue	61,883	23,306	3,054
Cost of sales	(46,012,806)	(66,802,656)	(8,329,830)
Gross profit/(loss)	(2,982,375)	(25,519,661)	(8,158,986)
Other income	111,103	420,051	316,882
Exploration and evaluation expense	(73,483)	(13,609)	(18,941)
Loss on disposal of plant and equipment	-	(80,511)	-
Write down of inventory	-	(2,099,317)	-
Reversal of impairment of exploration and evaluation	1,834,455	-	-
(Impairment)/reversal of impairment of plant and equipment	20,909,133	(37,172,133)	(36,200)
(Impairment)/reversal of impairment of mine property and development	51,629,346	(137,659,723)	-
Administration expense	(4,035,057)	(4,023,745)	(4,228,910)
Finance expense	(2,297,782)	(5,864,199)	(5,273,565)
Profit/(loss) before income tax	65,095,340	(212,012,847)	(17,399,720)
Income tax expense	-	(13,117,888)	-
Profit/(loss) after income tax	65,095,340	(225,130,735)	(17,399,720)
Other comprehensive income	-	-	-
Total comprehensive profit/(loss)	65,095,340	(225,130,735)	(17,399,720)

Source: Albidon Consolidated Financial Statements for the year ended 31 December 2011 and draft (audited pending final auditor sign-off) Consolidated Financial Statements for the year ended 2012

5.4.2 Financial Position

Table 5.4 summarises the consolidated statement of financial position for Albidon as at 31 December 2010, 2011 and 2012.

Table 5.4: Statement of Financial Position

	As at 31 Dec 2010 \$US	As at 31 Dec 2011 US\$	As at 31 Dec 2012 US\$
Current Assets			
Cash and cash equivalents	11,607,729	4,197,864	698,683
Trade and other receivables	13,354,901	2,351,580	172,054
Inventories	4,494,863	887,149	887,149
Other financial assets	80,082	79,028	80,339
Plant and equipment	-	9,174,366	8,479,994
Prepayments	54,652	216,491	-
Total current assets	29,592,227	16,906,478	10,318,219

	As at 31 Dec 2010 \$US	As at 31 Dec 2011 US\$	As at 31 Dec 2012 US\$
Non-Current Assets			
Plant and equipment	50,134,218	-	-
Mine properties and development	145,926,360	-	-
Exploration and evaluation	2,172,191	-	-
Total non-current assets	198,232,769	-	-
Total assets	227,824,996	16,906,478	10,318,219
Current Liabilities			
Trade and other payables	13,094,793	9,863,947	10,317,869
Provisions	2,805,239	5,635,800	5,126,824
Tax payable	-	12,514,959	12,107,963
Interest bearing loans and borrowings	122,695,228	131,566,436	142,839,947
Total current liabilities	138,595,260	159,581,142	170,392,603
Non-Current Liabilities			
Provisions	6,987,199	-	-
Total non-current liabilities	6,987,199	-	-
Total liabilities	145,582,459	159,581,142	170,392,603
Net assets	82,242,537	(142,674,664)	(160,074,384)
Equity			
Share capital	120,676,893	120,692,117	120,692,117
Option premium reserve	4,707,976	4,906,286	4,906,286
Convertible note reserve	2,226,596	2,226,596	2,226,596
Accumulated losses	(45,368,928)	(270,499,663)	(287,899,383)
Total equity	82,242,537	(142,674,664)	(160,074,384)

Source: Albidon Consolidated Financial Statements for the year ended 31 December 2011 and draft (audited pending final auditor sign-off) Consolidated Financial Statements for the year ended 2012

5.4.3 Cash Flows

Table 5.5 summarises the consolidated statement of cash flows for Albidon for the 12 month periods ended 31 December 2010, 2011 and 2012.

Table 5.5: Statement of Cash Flows

	12 Months Ended 31 Dec 2010 \$US	12 Months Ended 31 Dec 2011 US\$	12 Months Ended 31 Dec 2012 US\$
Cash flows from operating activities			
Receipts from customers	32,233,337	51,243,707	2,347,316
Receipts from insurance claims and other	-	-	316,882
Payments to suppliers and employees	(29,068,198)	(56,944,722)	(12,112,310)
Payments to suppliers (exploration)	(411,219)	(13,610)	(18,941)
Interest and other revenue received	68,730	23,306	3,054
Interest and other costs of finance paid	(11,671)	(9,948)	(54)
Net cash flows from/(used in) operating activities	2,810,979	(5,701,267)	(9,464,053)
Cash flows from investing activities			
Receipts from deposits	-	1,157,881	-
Purchase of plant and equipment	(3,126,592)	(1,701,206)	(36,200)
Payments for mine development	(21,870,636)	(6,913,118)	-

	12 Months Ended 31 Dec 2010 \$US	12 Months Ended 31 Dec 2011 US\$	12 Months Ended 31 Dec 2012 US\$
Proceeds from sale of investment in tenements	-	2,500,000	-
Proceeds from sale of motor vehicles	15,000	200,000	-
Net cash flows from/(used in) investing activities	(24,982,228)	(4,756,443)	(36,200)
<i>Cash flows from financing activities</i>			
Proceeds from issue of ordinary shares	322,741	15,224	-
Proceeds from loans	20,000,000	3,000,000	6,000,000
Net cash flows from/(used in) financing activities	20,322,741	3,015,224	6,000,000
Net increase/(decrease) in cash and cash equivalents	(1,848,508)	(7,442,486)	(3,500,253)
Exchange rate changes	204,046	32,261	1,071
Cash and cash equivalents at the beginning of the period	13,252,191	11,607,729	4,197,864
Cash and cash equivalents at the end of the period	11,607,729	4,197,864	698,683

Source: Albidon Consolidated Financial Statements for the year ended 31 December 2011 and draft (audited pending final auditor sign-off) Consolidated Financial Statements for the year ended 2012

6.0 Valuation of Albidon

This section sets out our valuation of Albidon and is structured as follows:

- Section 6.1 summarises our view of the most appropriate methodology to value each Albidon share;
- Section 6.2 summarises the value that we have adopted for Albidon’s assets and liabilities; and
- Section 6.3 sets out our calculation of the value of each Albidon share using the asset based valuation methodology.

6.1 Valuation Approach

Table 6.1 summarises our view of the most appropriate valuation methodology to apply when calculating the value of Albidon shares. Appendix B of this Report provides a summary of each of the valuation methodologies listed in Table 6.1.

Table 6.1: Valuation Methodologies

Methodology	Appropriate	Explanation
Discounted cash flow ('DCF')	✘	<p>The DCF methodology relies on projections which predict the future cash flows of a company. In our view the DCF methodology is not appropriate for the purpose of calculating the value of Albidon as a number of key financial assumptions required to project cash flows reliably cannot be determined with the appropriate level of certainty or accuracy.</p> <p>In our view, it is more appropriate to adopt valuation methodologies other than the DCF methodology for the purpose of valuing Albidon shares in this Report. A more detailed discussion of our reasoning is provided in Section 6.2 of this Report.</p>
Capitalisation of maintainable earnings ('CME')	✘	<p>Albidon does not currently generate, and is not expected to generate in the near future, an earnings stream suitable for use in the CME methodology. In our view the CME methodology is not appropriate for calculating the value of Albidon for the purpose of this Report.</p>
Asset based valuation ('ABV')	✓	<p>The assets and liabilities of Albidon can be identified and their values determined. We have been provided with Albidon’s draft (audited pending final auditor sign-off) statement of financial position as at 31 December 2012 along with the Resource Report and Mining Report prepared by Snowden in relation to the Munali Nickel Project.</p> <p>In calculating the value of the nickel resource we have also considered observed trading multiples for broadly comparable companies/deposits.</p> <p>In our view, it is appropriate to adopt the ABV methodology for the purpose of valuing Albidon shares in this Report.</p>

Methodology	Appropriate	Explanation
Market based valuation ('MBV')	✘	<p>It is possible to complete a market based valuation on a company when there is a readily observable market for the trading of shares.</p> <p>While Albidon is listed on the ASX, its shares have been suspended from official quotation since 30 August 2011, a period of approximately 18 months (refer Section 5.3 of this Report for additional discussion). Given the length of time that Albidon's shares have been suspended and the further deterioration in the financial position and operational capacity of the company over this period, it is our view that an MBV is unlikely to be representative of the value of Albidon shares as at the date of this Report.</p> <p>In our view the MBV methodology is not appropriate for determining the value of Albidon for the purpose of this Report.</p>

Source: BDO CFQ analysis

Having regard to the information set out in Table 6.1 above, it is our view that the most appropriate valuation methodology to apply to a valuation of Albidon is the asset based valuation. The valuation methodology that we have adopted in this Report is based on the current circumstances of the Company and, in particular, has regard to the following:

- Albidon has had difficulty operating the Munali Nickel Project profitably. Albidon recorded gross losses of approximately US\$3.0 million and US\$25.5 million for the 12 months ended 31 December 2010 and 2011 respectively. For completeness we note that Albidon recommenced operations at Munali in November 2009 before suspending them once more in November 2011;
- As at the date of this Report the Munali Nickel Project remains on care and maintenance and the Directors of Albidon are of the view that Albidon no longer has the requisite level of confidence in the original technical and economic modelling, which provided the basis for historical mine planning, to recommence operations. The Directors are of the view that it will require considerable time and resources to complete the work necessary to obtain a sufficient level of confidence to recommence operations;
- Concerns about the Company's viability caused the Directors, on the advice of the Company's auditors, to write down the carrying value of the Company's assets as at 31 December 2011 including:
 - Plant and equipment had a carrying value of approximately US\$9.2 million as at 31 December 2011 after an impairment expense of approximately US\$37.2 million was recognised in the 12 month period ended 31 December 2011; and
 - Mine property and development had a carrying value of US\$nil as at 31 December 2011 after an impairment expense of approximately US\$137.7 million was recognised in the 12 month period ended 31 December 2011;
- The consolidated financial statements of Albidon have been prepared on a liquidation basis as the directors of Albidon do not believe there is sufficient basis to conclude the Company is a going concern; and

- Albidon is heavily reliant on the financial support it receives from Jinchaun, the majority shareholder. In our view, the Company would be unlikely to be able to continue operating without this financial support.

6.2 Value of Assets and Liabilities Adopted in this Report

In our view it is appropriate to apply the asset based valuation methodology to determine the value of Albidon in this Report. In order to complete an asset based valuation of Albidon we have had regard to the value of Albidon's assets and liabilities as at 31 December 2012. We note that we have not performed any audit or review work on the historical financial information of Albidon. Accordingly, we make no statement as to the accuracy of the information although we have no reason to believe that it is not complete and accurate.

The key elements of our asset based valuation can be broadly summarised as follows:

- The value of the nickel resource contained within the Munali Nickel Project (refer Section 6.2.1 below);
- The value of Albidon's other assets including cash, receivables and plant and equipment (refer Section 6.2.2 below); and
- The value of Albidon's liabilities including trade and other payables, current and non-current borrowings, and current and non-current provisions (refer Section 6.2.3 below).

We note that Albidon's statement of financial position has been prepared on a liquidation basis having regard to the Directors view of the value that could be realised for the assets upon liquidation, net of costs. We have made enquiries of the management of Albidon in relation to these matters and are of the view that the information set out in Albidon's financial statements provides the best available information for the market value of the Company's assets for use in this Report.

6.2.1 Value of Munali Nickel Project and Nickel Resource

Munali Nickel Project

As set out in Section 5.1.1 above, nickel concentrates were first produced at Munali in mid-2008 although by March 2009 ongoing depressed nickel prices had made operations at Munali uneconomical and Munali was placed on care and maintenance. In April 2009, Albidon was placed into voluntary administration. Operations recommenced at Munali in November 2009 after Jinchuan agreed to become the major shareholder and secured creditor of the Company.

Albidon announced on 10 November 2011 that it was once again suspending operations at the Munali nickel mine and placing it on care and maintenance. The nickel mine currently remains on care and maintenance. As announced by Albidon on 10 December 2012, all staff of its wholly owned subsidiary, Albion Zambia Ltd, have been made redundant and redundancy payments funded by Jinchuan were made on 15 January 2013. We understand that approximately 60 people have since been re-employed to provide security and other essential services in respect of the care and maintenance of the mine.

For the 12 month periods ended 31 December 2010 and 2011, Albidon operated at a cash deficit and was unable to generate an economic return from the Munali Nickel Project. The reasons for this include:

- Mine production was significantly short of Albidon's expectations in terms of ore grade and tonnage;
- The quantity of metal contained in concentrate failed to meet planned levels and was well below the tonnage required to sustain the cost structure of the business;
- A geotechnical anomaly in relation to the across-strike continuity of the ore body resulted in higher levels of ore dilution than was anticipated in the existing resource model and mine plan. This characteristic undermined the efficient running and metallurgical recovery of the process plant. This was identified as one of the primary reasons the Munali mine has consistently failed to produce ore of sufficient quality and quantity to support an economic scale of production; and
- The nickel spot price reduced by approximately 26.6% from 1 January 2011 to 10 November 2011 when the company announced that operations had been suspended at Munali. We note that the nickel price since operations were suspended at the Munali nickel mine in November 2011 has remained at levels materially lower than the price that existed in 2010 and 2011. By way of example, the average nickel price from 1 January 2010 to 10 November 2011 was US\$23,609/tonne while the average nickel price from 11 November 2011 to 22 February 2013 has been US\$17,593/tonne.

As stated in section 5.4 of the Explanatory Statement, in early 2012, in connection with the Company's discussions with a potential investor, Snowden were commissioned to undertake an independent review of the Munali resource model to confirm earlier interpretations of the mineral resource estimate formed following extensive geological and resource modelling work.

Snowden prepared a Resource Report and a Mining Report which were both dated November 2012 and released to the ASX in an Albidon company announcement. The key findings from these reports are discussed in more detail in section 5.4 of the Explanatory Statement and include:

- Confirming a material change to the Company's mineral resource estimate with the reclassification and downgrading of a large amount of mineralisation from Indicated to Inferred category; and
- There is presently insufficient basis to conclude that the reclassified resource tonnes can be mined economically at current metal prices using mechanised mining methods.

Having regard to the work by Snowden and other available information, the Directors came to the conclusion that:

- Albidon no longer has the requisite level of confidence in the original technical and economic modelling, which provided the basis for historical mine planning; and
- Although Snowden's current studies have not identified that a technically or economically viable project exists at Munali, it may be possible that at higher metal prices a more selective, non-mechanised mining method may be successful, but this would be at much lower production rates with high technical and economic risk.

In order to demonstrate technical and economic viability (and consequently report a ‘Probable Ore Reserve’), the Directors are of the view that it would be necessary for Albidon to address the following issues and/or undertake the following work to a minimum pre-feasibility level:

- Determine the capital cost of restarting the mine and mill and examine the viability of operating at lower throughput levels;
- Conduct further drilling to upgrade the Inferred material to Indicated material (although some of the Inferred material may not be capable of upgrading). Alternatively, all Inferred material may be excluded when stating the Ore Reserve;
- Undertake mine planning and geotechnical work to determine a viable selective mining method (including determination of appropriate stope dimensions and mining modifying factors); and
- Obtain cost estimates and develop a financial model to determine which sections of the ore body can be mined economically, and to demonstrate that the project is economically viable.

The Directors are of the view that it will require considerable time and resources to undertake the work described above. Given Albidon’s current financial position, it does not have the resources to undertake the work referred to above.

Having regard to the above discussion and the uncertainty that exists in relation to the ability to demonstrate both a technically and economically viable project, it is our view that at the current time it is not possible to attribute any meaningful value to the Munali Nickel Project beyond the nickel resource contained within the Enterprise deposit (discussed further directly below). Essentially this reflects our view that as a result of the problems plaguing the Munali nickel mine, Albidon has reverted from a production company to a company that is more akin to an exploration company.

Nickel Resource

For reasons set out directly above, it is our view that Albidon is more akin to an exploration company than a production company. Exploration companies are often valued based on a multiple of their JORC resources.

To determine an appropriate US\$/t of Ni Eq to apply to Albidon’s resources we have considered publicly listed companies with business operations predominately involving nickel exploration and specifically, their enterprise value to total JORC resources ratio to identify an appropriate US\$/t Ni Eq to apply in our analysis. Our analysis was not restricted to any particular geographic region.

Our analysis identified eight broadly comparable companies with six trading at multiples below US\$30/t of Ni Eq while the other two companies traded at multiples below US\$100/t Ni Eq. The details of our analysis are set out in more detail in Appendix D of this Report.

We caveat our analysis with the limitation that none of the broadly comparable companies that we considered could be regarded as directly comparable to Albidon either because of:

- total JORC resources that are either larger or smaller than Albidon’s;
- a different mix of measured/indicated/inferred resources;

- nickel operations in a different geographic location to Zambia; and/or
- varying stages of progress in completing feasibility studies to become a producing company.

For the purpose of the analysis set out in this Report, it is our view that it is appropriate to adopt a low value of US\$nil/t Ni Eq and a high value of US\$100/t Ni Eq.

We have selected a low value of US\$nil/t Ni Eq based on the problems that Albidon has experienced with Munali and the difficulties it is likely to experience in being able to readily identify a purchaser for the Munali Nickel Project. This value is consistent with the value in Albidon's accounts whereby the asset has been written down to US\$nil.

We have selected a high value of US\$100/t Ni Eq based on the high end of the comparable companies we have considered to provide shareholders with a high scenario of the value that may be derived for the asset.

Table 6.2 summarises the value that we calculated for the value of the nickel resource for the purpose of this Report.

Table 6.2: Value of Albidon's Nickel Resource

Resource Category	Low	High
Total contained Ni tonnes (refer Table 5.1 above)	59,742 tonnes	59,742 tonnes
US\$/tonne Ni equivalent	US\$nil/t Ni Eq	US\$100/t Ni Eq
Value of Nickel Resource	US\$nil	US\$5,974,200

Source: BDO CFQ Analysis

Other Considerations - Risk of Cancellation of the Munali Mining Licence

We understand that if the Proposed Transaction does not proceed and a liquidation event occurs, there is a risk that the Ministry of Mines in Zambia may cancel the Munali mining licence. The cancellation of the Munali mining licence by the Ministry of Mines on the basis of liquidation would occur where:

- An order of the court winding up the company has been given; or
- A resolution to wind up the company has been passed by either the members or creditors of Albidon.

If the Munali mining license is cancelled then the value of the Munali Nickel Project and nickel resource in the hands of Albidon is likely to be nominal.

6.2.2 Value of Other Assets

Table 6.3 below sets out the value we have adopted for the other assets of Albidon. We have assumed the fair value of the other assets to be equal to the values set out in the 31 December 2012 statement of financial position which has been prepared on a liquidation basis. We have discussed this assumption with the management of Albidon and believe this assumption to be reasonable in the circumstances.

The only change we have made to the values set out in the 31 December 2012 statement of financial position is to reduce the value of plant and equipment by US\$1,579,994 and to exclude inventories of US\$887,149. We have excluded these assets as they were transferred to Byrncut in early January 2013 in settlement for the money owed to Byrncut.

Table 6.3: Value of Other Assets

Item	Value (US\$)
Cash and cash equivalents	698,683
Plant and equipment	6,900,000
Trade and other receivables	172,054
Other financial assets	80,339
Total	7,851,076

Source: Albidon's draft (audited pending final auditor sign-off) Statement of Financial Position as at 31 December 2012

In relation to Table 6.3 above, the most material other asset of Albidon is the plant and equipment which predominately comprises the Munali Nickel Concentrator Plant and Machinery. As noted in the Albidon Annual Report for 2011 and 2012, the Directors of Albidon obtained an independent valuation report prepared by CB Richard Ellis Zimbabwe in December 2012 to assist them to determine an appropriate value to record the plant and equipment at in the statement of financial position. We have considered this report and concur with the view of Albidon's auditors and Directors that it is appropriate to adopt the values set out in that report for the purposes of determining the value of Albidon's plant and equipment.

6.2.3 Value of Liabilities

Table 6.4 below sets out the value we have adopted for the liabilities of Albidon. We have assumed the fair value of the liabilities to be equal to the values set out in the 31 December 2012 statement of financial position which has been prepared on a liquidation basis. We have discussed this assumption with the management of Albidon and believe this assumption to be reasonable in the circumstances.

The only changes we have made to the values set out in the 31 December 2012 statement of financial position are as follows:

- We have reduced the value of trade and other payables by US\$6,587,455. We have excluded this liability as it relates to monies owed to Byrncut that were settled in early January 2013 with the transfer of certain pieces of plant and equipment; and
- For our high valuation scenario we have assigned a \$USnil value to all the liabilities with the exception of the interest bearing loans and borrowings. We have made this adjustment to allow for an optimistic scenario whereby Albidon is to renegotiate these values to \$USnil. This scenario is hypothetical as we have no information to reliably suggest that the relevant liabilities are able to be renegotiated to \$USnil. However, the information provides shareholders with some additional information showing how the share price would increase if this hypothetical scenario were possible.

Table 6.4: Value of Liabilities

Item	Low Value Scenario (US\$)	High Value Scenario (US\$)
Trade and other payables	3,730,414	-
Tax payable	12,107,963	-
Provisions	5,126,824	-
Interest bearing loans and borrowings	142,839,947	142,839,947
Total	163,805,148	142,839,947

Source: Albidon's draft (audited pending final auditor sign-off) Statement of Financial Position as at 31 December 2012

In relation to Table 6.4 above, we note the following:

- Trade and other payables include accruals for amounts owing under the Kobil claim (refer to section 5.11 of the Explanatory Statement for additional information), royalties accrued and interest on tax not yet paid;
- Tax payable relates to the hedge gain tax not yet paid to the Zambian government;
- Provisions include amounts for employee entitlements, restoration and rehabilitation, and community resettlement; and
- Interest bearing liabilities predominately relate to debt owing to Albidon's majority shareholder, Jinchuan.

6.3 Asset Based Valuation of Albidon

Table 6.5 below sets out our view of the net asset value of Albidon.

Table 6.5: Asset Based Valuation of Albidon

	Ref	Low (US\$)	High (US\$)
Nickel Resource	6.2.1	Nil	5,974,200
Other Assets	6.2.2	7,851,076	7,851,076
Liabilities	6.2.3	(163,805,148)	(142,839,947)
Asset based valuation of Albidon		(155,954,072)	(127,002,320)
Shares outstanding	5.2	349,221,837	349,221,837
Value per share		(0.45)	(0.36)

Source: BDO CFQ analysis

Table 6.5 shows that our asset based valuation of Albidon ranges from a net asset deficiency of approximately US\$0.45 per share to a net asset deficiency of approximately US\$0.36 per share.

Having regard to the above, in our view it is appropriate to adopt a value of US\$nil per Albidon ordinary share for the purpose of assessing the Proposed Transaction in this Report.

7.0 Assessment of the Fairness of the Proposed Transaction

This section sets out our opinion on the fairness of the Proposed Transaction to the Albidon shareholders and is structured as follows:

- Section 7.1 summarises the value that we have adopted per Albidon share for the purpose of assessing the Proposed Transaction;
- Section 7.2 summarises the value of the cash consideration offered by Jinchuan to the Albidon shareholders under the Proposed Transaction; and
- Section 7.3 sets out our assessment of the fairness of the Proposed Transaction.

7.1 Value per Albidon Share

Section 6.0 of this Report sets out our valuation of Albidon based on the asset based valuation methodology. In our view, given that Albidon currently has a net asset deficiency per share in the range of US\$0.36 to US\$0.45, it is appropriate to adopt a value of US\$nil for each Albidon share for the purpose of assessing the Proposed Transaction.

7.2 Value of the Cash Consideration offered by Jinchuan

Section 3.0 of this Report provides a description of the Proposed Transaction. Under the Proposed Transaction, Jinchuan have offered to the minority shareholders of Albidon US\$0.0025 for every Albidon share held. We have adopted US\$0.0025 per Albidon share as the value of the cash consideration for the purpose of assessing the Proposed Transaction.

7.3 Fairness of the Proposed Transaction

In order to assess the fairness of the Proposed Transaction it is necessary to compare the value of each Albidon share held with the value of the cash consideration offered by Jinchuan for each Albidon share under the Proposed Transaction. Table 7.1 sets out a comparison of these values.

Table 7.1: Value Comparison of the Value of an Albidon Share and the Cash Consideration Offered

	Value
Value of an Albidon share	US\$nil
Value of the cash consideration offered for each Albidon share	US\$0.0025

Source: BDO CFQ analysis

Table 7.1 shows that the value of the cash consideration offered by Jinchuan for each Albidon share is greater than the value per Albidon share. Based on the analysis set out in this Report and in the absence of a superior proposal, in our view the Proposed Transaction is Fair to the Albidon shareholders as at the date of this Report.

8.0 Assessment of the Reasonableness of the Proposed Transaction

This section sets out our opinion on the reasonableness of the Proposed Transaction and is structured as follows:

- Section 8.1 summarises the potential advantages to Albidon shareholders if the Proposed Transaction is approved;
- Section 8.2 summarises the potential disadvantages to Albidon shareholders if the Proposed Transaction is not approved;
- Section 8.3 considers the position of Albidon shareholders if the Proposed Transaction is not approved; and
- Section 8.4 sets out our assessment of the reasonableness of the Proposed Transaction.

8.1 Advantages of the Proposed Transaction

Table 8.1 summarises the potential advantages to Albidon shareholders if the Proposed Transaction is approved.

Table 8.1: Potential Advantages of the Proposed Transaction

Advantage	Explanation
The offer is unconditional	The Proposed Transaction involves an unconditional offer of US\$0.0025 per Albidon share. That is, if the Proposed Transaction is approved, Albidon shareholders have certainty that they will receive US\$0.0025 for each Albidon share which they own.
Realisation of value	<p>As discussed in Section 5.3 of this Report, Albidon shares have been suspended from official quotation on the ASX since August 2011. Albidon shareholders wishing to sell their shares may not have been readily able to do so.</p> <p>The Proposed Transaction provides Albidon shareholders with an opportunity to receive certain and immediate value for their investment in Albidon. We note that the price offered per Albidon share under Proposed Transaction represents a premium to our valuation of each Albidon share (refer to Section 7.0).</p>
Potential tax benefit	<p>We understand that the majority of the Albidon shareholders invested in Albidon at share prices considerably higher than the cash consideration being offered under the Proposed Transaction. If the Proposed Transaction is approved, Albidon shareholders may be entitled to a tax deduction or a capital loss which may be of some value.</p> <p>We recommend that Albidon shareholders seek their own taxation advice specific to their individual circumstances to obtain an understanding of any potential value that can be derived from any tax deduction or capital loss.</p>

Advantage	Explanation
The Proposed Transaction is the only proposal before the Company	<p>We are informed by Albidon that the Proposed Transaction is the only proposal before the Company other than liquidating the Company. As such, the Proposed Transaction represents an exit option for any Albidon shareholder looking to sell their shares.</p> <p>We note that Albidon shares remain suspended from official quotation on the ASX and Albidon shareholders do not currently have the ability to sell their shares on market. It is unknown whether Albidon shares will be reinstated to official quotation on the ASX at any time in the future. If Albidon is not reinstated to official quotation on the ASX, Albidon shareholders will not be able to sell their shares on market in the future.</p> <p>If the Proposed Transaction does not proceed, the Directors of Albidon have indicated that the only alternative option for the Company is the liquidation of the Company's assets. Based on the current net liability position of the Company, Albidon shareholders are unlikely to receive any return for their investment in Albidon under a liquidation scenario.</p>

Source: BDO CFQ analysis

8.2 Disadvantages of the Proposed Transaction

Table 8.2 summarises the potential disadvantages to Albidon shareholders if the Proposed Transaction is approved.

Table 8.2: Potential Disadvantages of the Proposed Transaction

Disadvantage	Explanation
No exposure to any potential upside in the future value of Albidon	If the Proposed Transaction is approved, Albidon shareholders will no longer hold any shares in Albidon. Accordingly, Albidon shareholders will have no exposure to any potential upside in the value of Albidon.
No partial investment in Albidon is possible	The Proposed Transaction is for 100% of each individual Albidon shareholder's shares in Albidon. That is, if the Proposed Transaction is approved, all individual Albidon shareholders will be required to sell their entire shareholdings in Albidon.
No exposure to any future offers	If the Proposed Transaction is approved, Albidon shareholders will no longer hold any shares in Albidon. Accordingly, Albidon shareholders will have no exposure to any superior future offers that may eventuate.

Source: BDO CFQ analysis

8.3 Position of Albidon Shareholders if the Proposed Transaction is Not Approved

In accordance with ASX Listing Rule 10.1 and BVI Law, the Proposed Transaction is to be approved by Albidon shareholders. Albidon is seeking the approval of the Proposed Transaction pursuant to Listing Rule 10.1 and BVI Law separately under Resolution 1 and Resolution 2 respectively at the Company's General Meeting.

Resolution 1 will seek the approval of the Proposed Transaction by Albidon Shareholders pursuant to Listing Rule 10.1. We note that in order for Resolution 1 to be approved, greater than 50% of Albidon shareholders present and voting at the meeting (in person or by proxy, corporate representative or attorney) must vote in favour of the resolution. In accordance with Listing Rule 10.1, the Company is required to disregard any votes cast on Resolution 1 by Jinchuan or any of its associates.

Resolution 2 will seek the approval of the Proposed Transaction by Albidon shareholders pursuant to BVI Law. In order for Resolution 2 to be approved, greater than 50% of Albidon shareholders present and voting at the meeting (in person or by proxy, corporate representative or attorney) must vote in favour of the resolution. We note that under BVI Law, Jinchuan is permitted to vote on Resolution 2 and Albidon is not required to disregard the votes cast by Jinchuan.

In our view, as Jinchuan holds 49.93% of the total voting power in Albidon and has indicated its intention to vote in favour of Resolution 2, it is likely that Resolution 2 will be approved at Albidon's General Meeting irrespective of whether Resolution 1 is approved.

As Albidon is seeking approval under ASX Listing Rule 10.1 and BVI Law separately, and the rules governing the eligibility for Jinchuan to vote under Listing Rule 10.1 and BVI Law differ, the possibility arises that Resolution 1 is not approved but Resolution 2 is approved.

As set out in section 3.12 of the Explanatory Statement, we understand that in circumstances where Resolution 1 is not approved by the non-associated Albidon shareholders but Resolution 2 is approved, that the Directors of Albidon intend to proceed with the Proposed Transaction in any event notwithstanding that the requirements of ASX Listing Rule 10.1 have not been met.

The Directors' rationale for proceeding with the Proposed Transaction is that it is their view that the Proposed Transaction is in the best interests of, and is the best option available to, the Albidon shareholders. The Directors' view is that it is likely that the Company will be liquidated if the Proposed Transaction does not proceed.

We note that having regard to the net liability position of Albidon, it is likely that Albidon shareholders will not receive any consideration for their investment in Albidon in circumstances where the Company is liquidated.

8.4 Reasonableness of the Proposed Transaction

After consideration of all of the issues set out in this Report, including those set out in Section 8.1 to 8.3 above, it is our view that the Proposed Transaction is **Reasonable** to Albidon shareholders as at the date of this Report.

9.0 Sources of Information

This Report is based on information from the following sources:

- Albidon Consolidated Financial Statements for the year ended 31 December 2011;
- Draft (audited pending final auditor sign-off) Albidon Consolidated Financial Statements for the year ended 31 December 2012;
- Albidon website (www.albidon.com.au);
- Albidon ASX announcements;
- Munali Nickel Project Mining Report prepared by Snowden Mining Consultants dated November 2012;
- Munali Nickel Project Resource Report prepared by Snowden Mining Consultants dated November 2012;
- Opinion on Risk of Cancellation of Albidon Zambia Limited's Mining Right prepared by Corpus Legal Practitioners dated 29 January 2013;
- The Explanatory Statement;
- Macquarie Commodities Compendium - September 2012;
- Meetings and correspondence with the management and directors of Albidon;
- Meeting and correspondence with advisors to Albidon on the Proposed Transaction; and
- Publicly available information from various sources including Bloomberg.



10.0 Representations, Indemnities and Warranties

Albidon has agreed to our terms of engagement and the following indemnities and representations.

10.1 Representations

Albidon recognises and confirms that, in preparing this Report, except to the extent to which it is unreasonable to do so, BDO Persons have used and relied on publicly available information and on data, material and other information furnished to BDO Persons by Albidon, its management, and other parties, and may assume and rely upon the accuracy and completeness of, and has not assumed any responsibility for independent verification of, such publicly available information and the other information so furnished.

Albidon has acknowledged that the engagement of BDO CFQ is as an independent contractor and not in any other capacity including a fiduciary capacity.

10.2 Indemnities and Warranties

In connection with BDO CFQ's engagement to prepare this Report, Albidon has agreed to indemnify and hold harmless BDO CFQ, BDO (QLD) or any of the partners, directors, agents or associates (together 'BDO Persons'), to the full extent lawful, from and against all losses, claims, damages, liabilities and expenses incurred by them. Albidon will not be responsible, however, to the extent to which such losses, claims, damages, liabilities or expenses result from the negligent acts or omissions or wilful misconduct of any BDO Persons.

Albidon has agreed to indemnify BDO Persons in respect of all costs, expenses, fees of separate legal counsel or any other experts in connection with investigating, preparing or defending any action or claim made against BDO Persons, including claims relating to or in connection with information provided to or which should have been provided to BDO CFQ by Albidon (including but not limited to the directors and advisers of Albidon) as part of this engagement.

11.0 Experience, Disclaimers and Qualifications

BDO CFQ has extensive experience in the provision of corporate finance advice, including takeovers, valuations and acquisitions. BDO CFQ holds a Financial Services Licence issued by ASIC for preparing expert reports pursuant to the Listing Rules of the ASX and the Corporations Act.

BDO CFQ and its related parties in Australia have a wide range of experience in transactions involving the advising, auditing or expert reporting on companies that have operations domestically and in foreign jurisdictions. BDO in Queensland and in Australia is a national association of separate partnerships and entities and is a member of the international BDO network of individual firms.

Steven Sorbello has prepared this Report with the assistance of staff members. Mr Sorbello is a director of BDO CFQ and has extensive experience in corporate advice and the provision of valuation and business services to a diverse range of clients, including large private, public and listed companies, financial institutions and professional organisations.

BDO CFQ has been engaged to provide an independent expert's report to the shareholders of Albidon in relation to the Proposed Transaction whereby Jinchuan NewCo will pay US\$0.0025 per share to the Independent Shareholders for each share they hold which will then be cancelled. This Report has been prepared to provide information to Albidon shareholders prior to voting in favour of or against the Proposed Transaction. Apart from such use, neither the whole nor any part of this Report, nor any reference thereto may be included in or with, or attached to any document, circular, resolution, statement, or letter without the prior written consent of BDO CFQ.

BDO CFQ takes no responsibility for the contents of other documents supplied in conjunction with this Report. BDO CFQ has not audited or reviewed the information and explanations supplied to us, nor has it conducted anything in the nature of an audit or a review of any of the entities mentioned in this Report. However we have no reason to believe that any of the information or explanations so supplied are false or that material information has been withheld.

Any forecast information which has been referred to in this Report has been prepared by the relevant entity and is generally based upon best estimate assumptions about events and management actions, which may or may not occur. Accordingly, BDO CFQ cannot provide any assurance that any forecast is representative of results or outcomes that will actually be achieved.

With respect to any taxation implications of the Proposed Transaction, it is strongly recommended that Albidon shareholders obtain their own taxation advice, tailored to their own particular circumstances.

The statements and opinions included in this Report are given in good faith and in the belief that they are not false, misleading or incomplete. This Report is current as at 9 April 2013.

BDO Corporate Finance (QLD) Ltd



Steven Sorbello
Director

Appendix A - Global Nickel Industry Overview

This appendix provides a brief summary of the global nickel mining industry. This summary is not intended to be a comprehensive analysis of the nickel mining industry. The information presented in this appendix has been compiled from a range of publicly available sources.

We have not commissioned the reports referred to in the appendix and have not independently verified any of the information therein. We recommend that Albion shareholders refer to the original source of the information listed in this appendix, and any other information they believe appropriate, for a more comprehensive analysis. This appendix should be referred to as a broad guide only.

A.1 Uses of Nickel

Nickel is mined predominately for use in the manufacturing of stainless steel. Stainless steel manufacturing accounts for approximately 65% of the consumption of nickel worldwide. Other uses for nickel include the production of non-steel products such as anodes, nickel salts, catalysts for the chemical industry and non-ferrous alloys.

A.2 Nickel Production

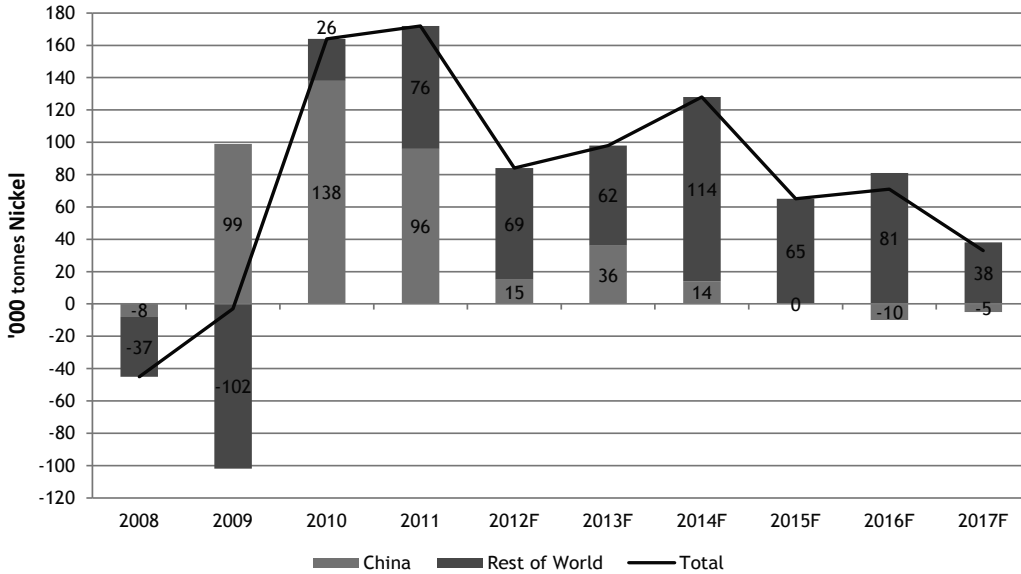
Nickel is mined in two different geological states, nickel sulphide and nickel laterite. Nickel laterite requires significantly different processing to nickel sulphide as the laterite ore is harder to extract than the sulphide ore. Most of the laterite projects incorporate processing facilities, such as chemical leaching, solvent extraction and electrowinning.

A.3 Global Nickel Market Performance

The global nickel industry's overall performance is dependent on the nickel price (denominated in USD), exchange rates, nickel output and the overall supply and demand for the metal. While the global nickel market remained tight in the first half of 2011, it became oversupplied during the first half of 2012 due to a ramp up in non-Chinese greenfield projects and steady growth in Chinese production. According to the Macquarie Commodities Research Commodities Compendium ('Macquarie Commodities Compendium') dated 18 September 2012, during 2011 world output of nickel grew by approximately 12% year-on-year to just over 1.6 Mt. World output of nickel is forecast to grow by between 5% and 8% per annum from 2012 to 2014, before moderating to low single-digit growth from 2015 to 2017.

Figure A.1 below shows the actual year-on-year growth in nickel production from 2005 to 2011 and the forecast year-on-year growth to 2017, as set out in the Macquarie Commodities Compendium.

Figure A.1: Year-on-Year Growth in Global Nickel Production



Source: Macquarie Commodities Compendium dated 18 September 2012

Figure A.2 below shows the fluctuations in the nickel price over the period from 1 January 2005 to 25 February 2013. Strong growth in demand for stainless steel from large emerging nations such as China and India as well as developed economies such as the US propelled the demand for and price of nickel up in 2006-2007. However, the economic downturn throughout 2008-2009 saw demand decline which led to prices decreasing substantially over this period. An improved global economy and the corresponding increase in demand for nickel resulted in price appreciation during 2010-2011. However, growth in supply to a point that it exceeded consumption led to a decline in the nickel price during the second half of 2011 and throughout 2012.

Figure A.2: Historical Nickel Prices



Source: Bloomberg as at 26 February 2013

Appendix B - Share Market Performance Prior to 29 August 2011

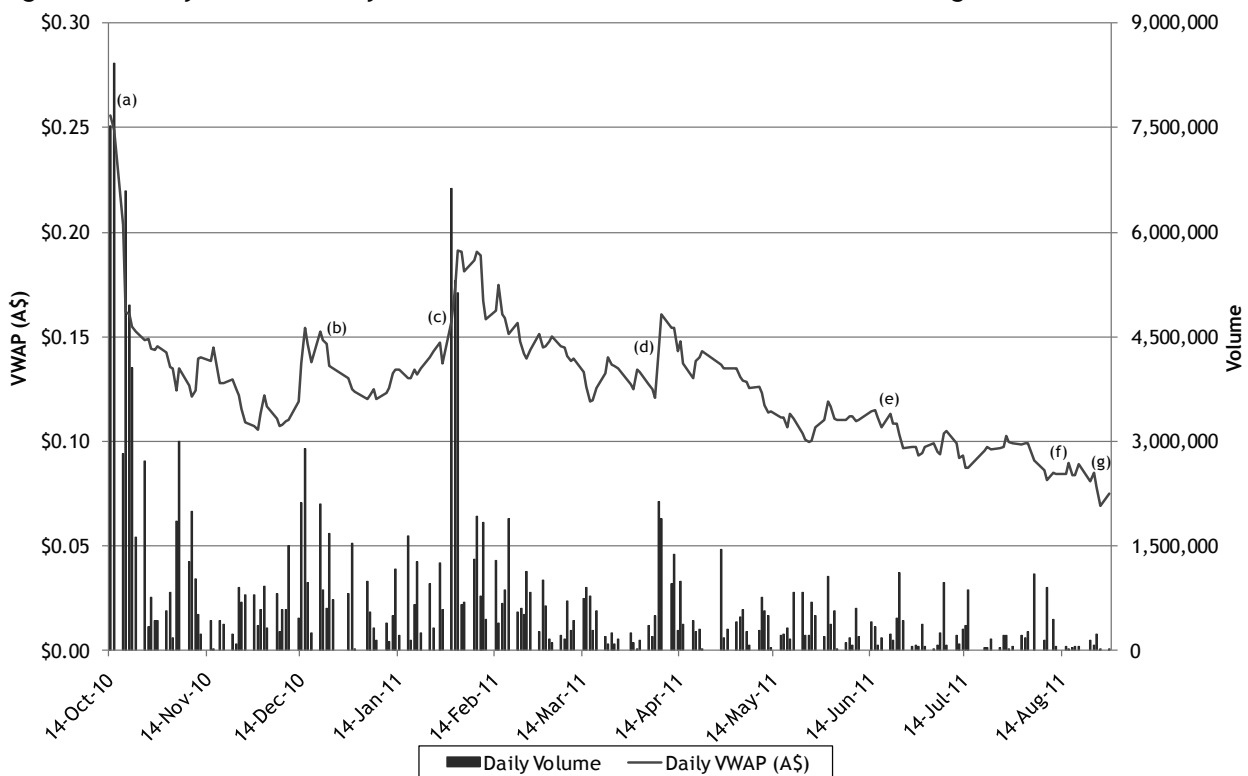
This appendix sets out an analysis of the share market performance of Albidon shares by considering the following:

- The most recent price of Albidon shares on the ASX; and
- The liquidity of Albidon shares.

B.1 Albidon Share Price

Albidon shares are listed on the ASX under the code ALB. We note that Albidon shares were placed in a trading halt on 30 August 2011 and subsequently suspended from official quotation. As at the date of this Report Albidon shares remain suspended from trading in the ASX. Figure B.1 shows Albidon's daily volume weighted average share price ('VWAP') and the daily volume of shares traded over the period from 14 October 2010 to 29 August 2011 inclusive, being the most recent period of trading of Albidon shares on the ASX.

Figure B.1: Daily VWAP and Daily Volume of Albidon from 14 October 2010 to 29 August 2011



Source: Bloomberg as at 26 February 2013

Over the period graphed in Figure B.1, the daily VWAP of Albidon shares shows a period low of \$0.069 on 26 August 2011 and a period high of \$0.258 on 14 August 2010.

For completeness, we note that 14 October 2010 was the first date that Albidon shares traded on the ASX following suspension on 29 March 2009. Albidon shares were again suspended from official quotation on the ASX on 30 August 2011 and remain suspended as at the date of this Report.

In addition to the share price and trading data, we have also provided additional information in this Report to assist readers to understand possible reasons for movements in Albidon's share price and volume of share trades over the time period analysed. Table B.1 summarises of Albidon's announcements over the period from 14 October 2010 to 29 August 2011.

Table B.1: Summary of Albidon's Announcements from 14 October 2010 to 29 August 2011

	Date	Announcement
(a)	14 October 2010	Albidon shares were reinstated to official quotation on the ASX following suspension on 29 March 2009.
(b)	22 December 2010	Albidon made an announcement in relation to exploration activities on its Songea Project which indicated that airborne electromagnetic surveys confirmed that several targets were coincident with Ni-Cu soil geochemical anomalies.
(c)	31 January 2011	Albidon released its quarterly activities report for the period ended 31 December 2011 which stated that Albidon expected "very strong NPV and project cash flow results" from the updated life of mine study on the Munali Nickel Project.
(d)	7 April 2011	Albidon announced that it had achieved record revenues for the month of March 2011. Revenue for March 2011 was reported to be in excess of US\$7 million which represented a 50% increase from the average of January and February 2011.
(e)	20 June 2011	Albidon announced that a minor structural fault at the Munali Nickel Project resulted in the partial cave in of one stope. As a result of the fault, Albidon expected production to be halted for three or four days.
(f)	12 August 2011	Albidon announced that an on-site review of the Munali site operations was expected to commence on 15 August 2011.
(g)	30 August 2011	Albidon shares were placed in a trading halt and subsequently suspended from Official Quotation pending the release of an announcement to the ASX. As at the date of this Report, Albidon shares remain suspended from official quotation on the ASX.

Source: Albidon ASX Announcements

B.2 Liquidity of Albidon Shares on the ASX

The volume of equity instruments traded is generally referred to as the 'liquidity' of the equity instruments. Changes in liquidity may impact the trading price of equity instruments, particularly depending on the number of equity instruments available to be bought and/or sold and the time period over which the equity instrument holder needs to buy and/or sell those equity instruments. Depending on the circumstances, a movement in market price, as is indicated by a share sale or series of share sales, may or may not represent a shift in value of either the equity instruments or of the company as a whole.

Table B.2 below summarises the monthly liquidity of Albidon shares from October 2010 to August 2011. Liquidity has been summarised by considering the following:

- Volume of Albidon trades per month;
- Total value of trades per month;
- Number of trades in Albidon shares per month;
- Volume of Albidon trades per month as a percentage of total Albidon shares on issue at the end of the month; and
- The volume weighted average price of Albidon shares per month.

Table B.2: Liquidity of Albidon Shares on the ASX

Month	Volume	Turnover (AUD\$)	Trades	Shares Outstanding	Volume per Shares Outstanding	Monthly VWAP (AUD\$)
August 2011	4,051,653	354,909	93	349,221,837	1.16%	0.0876
July 2011	4,105,144	392,851	138	349,221,837	1.18%	0.0957
June 2011	6,130,100	659,229	267	349,221,837	1.76%	0.1075
May 2011	9,530,767	1,099,976	321	349,221,837	2.73%	0.1154
April 2011	12,220,746	1,770,563	412	349,221,837	3.50%	0.1449
March 2011	8,248,265	1,110,638	251	345,821,808	2.39%	0.1347
February 2011	27,106,255	4,667,955	1,227	345,821,808	7.84%	0.1722
January 2011	18,196,904	2,581,828	495	345,821,808	5.26%	0.1419
December 2010	20,700,102	2,770,773	543	345,821,808	5.99%	0.1339
November 2010	16,659,572	2,102,881	558	345,821,808	4.82%	0.1262
October 2010	40,663,950	8,020,786	1,472	345,821,808	11.76%	0.1972
Total	167,613,458	25,532,389	5,777	347,367,276	48.25%	

Source: Bloomberg as at 26 February 2013

For completeness, we note that Albidon shares have not traded on the ASX since 29 August 2011. As a result, Albidon shares have had no liquidity over the period since 20 August 2011 and Albidon shareholders are unable to readily dispose of their shares.

Appendix C - Common Valuation Methodologies

A 'fair market value' is often defined as the price that reflects a sales price negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller, with both parties at arm's length. The valuation work set out in this Report assumes this relationship.

There are a number of methodologies available to value an entity at fair market value. In preparing this Report, we have considered the valuation methodologies recommended by ASIC Regulatory Guide 111: *Content of Expert Reports*. These methodologies include those mentioned directly below.

C.1 Discounted Cash Flow ('DCF')

The DCF approach calculates the value of an entity by adding all of its future net cash flows discounted to their present value at an appropriate discount rate. The discount rate is usually calculated to represent the rate of return that investors might expect from their capital contribution, given the riskiness of the future cash flows and the cost of financing using debt instruments.

In addition to the periodic cash flows, a terminal value is included in the cash flow to represent the value of the entity at the end of the cash flow period. This amount is also discounted to its present value. The DCF approach is usually appropriate when:

- An entity does not have consistent historical earnings but is identified as being of value because of its capacity to generate future earnings; and
- Future cash flow forecasts can be made with a reasonable degree of certainty over a sufficiently long period of time.

Any surplus assets, along with other necessary valuation adjustments, are added to the DCF calculation to calculate the total entity value.

C.2 Capitalisation of Maintainable Earnings ('CME')

The CME approach involves identifying a maintainable earnings stream for an entity and multiplying this earnings stream by an appropriate capitalisation multiple. Any surplus assets, along with other necessary valuation adjustments, are added to the CME calculation to calculate the total entity value.

The maintainable earnings estimate may require normalisation adjustments for non-commercial, abnormal or extraordinary events.

The capitalisation multiple typically reflects issues such as business outlook, investor expectations, prevailing interest rates, quality of management, business risk and any forecast growth not already included in the maintainable earnings calculation. While this approach also relies to some degree on the availability of market data, the multiple is an alternative way of stating the expected return on an asset, allowing for a risk premium over the risk free rate.

The CME approach is generally most appropriate where an entity has consistent historical earnings and a defined forecast or budget.

C.3 Asset Based Valuation ('ABV')

Asset based valuations are used to estimate the market value of an entity based on the realised value of its identifiable net assets. The ABV approach ignores the possibility that an entity's value could exceed the realisable value of its net assets, however when used in conjunction with other methods which determine the value of an entity to be greater than the realisable value of its net assets, it is also possible to arrive at a reliable estimate of the value of goodwill.

The ABV approach is most appropriate where the assets of an entity can be identified and it is possible, with a reasonable degree of accuracy, to determine the fair value of those identifiable assets.

C.4 Market Based Valuation ('MBV')

Market based valuations relate to the valuation of an entity, where its shares are traded on an exchange. The range of share prices observed may constitute the market value of the shares where sufficient volumes of shares are traded and the shares are traded over a sufficiently long period of time. Share market prices usually reflect the prices paid for parcels of shares not offering control to the purchaser.

The MBV approach often allows for a useful reasonableness check to be performed on the other valuation methodologies.

Appendix D - Comparable Company Analysis

D.1 Analysis of Trading Multiples of Listed Entities with Nickel Operations

D.1.1 Methodology Used to Calculate Comparable Company Multiples

The methodology that we have followed in completing our comparable multiples analysis is as follows:

- Using Bloomberg, a well-regarded research facility, identify listed companies with nickel exploration operations;
- Shortlist the companies identified having regard to the following:
 - Revenue: we have generally only considered companies with revenues of less than \$5.0 million as this is indicative of explorers, which are in the early phase of the tenement life cycle and have limited revenue;
 - Earnings: we have generally only considered companies with negative earnings as this is indicative of explorers with negative cash flow and in the early phase of the tenement life cycle; and
 - Type of operations: we have generally only considered explorers as opposed to, say, producers, given the current phase of Albidon’s operations;
- Collect information for each comparable company on the following:
 - Measured and indicated JORC resources (‘M&I JORC Resources’); and
 - Inferred JORC resources;
- Calculate an enterprise value to measured and indicated JORC resource ratio (EV/M&I JORC Resources) for each comparable nickel company; and
- Calculate an enterprise value to total JORC resource ratio (EV/Total JORC Resources) for each comparable nickel company.

D.1.2 Comparable Nickel Companies Identified

Table D.1 below sets out companies that can be considered broadly comparable to Albidon.

Table D.1: Description of Comparable Nickel Companies

Company	Description
Anfield Nickel Corporation	Anfield Nickel Corporation explores for nickel in Guatemala.
Toledo Mining Corp PLC	Toledo Mining Corporation PLC is a mining company focussed on nickel exploration and development in the Philippines.
Victory Nickel Inc	Victory Nickel Inc explored for nickel in Canada. The company is focussed on becoming a mid-tier nickel producer by developing its existing properties in north western Quebec.

Company	Description
Geovic Mining Corp	Geovic Mining Corporation explores for cobalt and nickel resources through its wholly owned subsidiary, Geovic Cameroon PLC, which is located in and incorporated under the laws of the Republic of Cameroon.
Hard Creek Nickel Corp	Hard Creek Nickel Corporation explores for base and precious metals. The company holds interests in a number of projects located in British Columbia.
African Eagle Resources PLC	African Eagle Resources PLC operates as a nickel exploration and development company. The company owns a mining asset located in northern Tanzania.
Bekem Metals Inc	Bekem Metals Inc explores for nickel, cobalt and other minerals in Kazakhstan.
Blackstone Ventures Inc	Blackstone Ventures Inc is a mineral exploration company. The company's current focus is on nickel projects located in Scandinavia.

Source: Bloomberg as at 27 February 2013

D.1.3 Comparable Nickel Multiples

Table D.2 below sets out a summary of key JORC resource statistics for the comparable nickel companies identified in Table D.1 including:

- Enterprise value as at 26 February 2013;
- Measured and indicated JORC resources held on an equity basis;
- Inferred JORC resources held on an equity basis; and
- Total JORC resources held on an equity basis.

Table D.2: JORC Resource Statistics for Comparable Nickel Companies

Company	Enterprise Value ³ (\$USm)	JORC Resources Measured and Indicated ('000t Ni Eq)	JORC Resources Inferred ('000t Ni Eq)	Total JORC Resources ('000t Ni Eq)
Anfield Nickel Corporation	152.98	1,056.0	547.6	1,603.6
Toledo Mining Corporation PLC	34.35	414.9	0.8	415.6
Victory Nickel Inc	18.47	484.4	138.8	623.6
Geovic Mining Corp*	8.27	785.2	1,195.1	1,980.3
Hard Creek Nickel Corp*	4.29	1,840.3	1,952.6	3,792.8
African Eagle Resources PLC	3.07	939.3	49.8	989.1
Bekem Metals Inc*	2.58	119.0	57.6	176.6
Blackstone Ventures Inc	0.53	13.4	86.6	100.0

Source: Company websites, Annual Reports, Quarterly Reports and Bloomberg as at 26 February 2012

* Indicates that these companies also have JORC compliant resources other than nickel. We note however that nickel represents the majority of total resources.

³ Enterprise value = market capitalisation + interest bearing debt - cash. The enterprise value is current as at 26 February 2013. Enterprise value has been used for the purpose of this table rather than market capitalisation so as to adjust for differing cash balances across each company.

The information set out in Table D.2 above is used to calculate the EV/M&I JORC Resources, and EV/Total JORC Resources ratios for the comparable nickel companies. These ratios are set out in Table D.3 below.

Table D.3: Comparable Nickel Companies Enterprise Value Multiples

Company	Enterprise Value / M&I JORC Resources (US\$/t Ni Eq)	Enterprise Value / Total JORC Resources (US\$/t Ni Eq)
Anfield Nickel Corporation	144.9	95.4
Toledo Mining Corporation PLC	82.8	82.6
Victory Nickel Inc	38.1	29.6
Geovic Mining Corp	10.5	4.2
Hard Creek Nickel Corp	2.3	1.1
African Eagle Resources PLC	3.3	3.1
Bekem Metals Inc	21.7	14.6
Blackstone Ventures Inc	39.6	5.3

Source: BDO CFQ Analysis

ANNEXURE C: BRITISH VIRGIN ISLANDS BUSINESS COMPANIES ACT, 2004

(AS AMENDED) SECTION 179

179. (1) A member of a company is entitled to payment of the fair value of his shares upon dissenting from
- (a) a merger, if the company is a constituent company, unless the company is the surviving company and the member continues to hold the same or similar shares;
 - (b) a consolidation, if the company is a constituent company;
 - (c) any sale, transfer, lease, exchange or other disposition of more than 50 per cent in value of the assets or business of the company, if not made in the usual or regular course of the business carried on by the company, but not including
 - (i) a disposition pursuant to an order of the Court having jurisdiction in the matter,
 - (ii) a disposition for money on terms requiring all or substantially all net proceeds to be distributed to the members in accordance with their respective interests within one year after the date of disposition, or
 - (iii) a transfer pursuant to the power described in section 28(2);
 - (d) a redemption of his shares by the company pursuant to section 176; and
 - (e) an arrangement, if permitted by the Court.
- (2) A member who desires to exercise his entitlement under subsection (1) shall give to the company, before the meeting of members at which the action is submitted to a vote, or at the meeting but before the vote, written objection to the action; but an objection is not required from a member to whom the company did not give notice of the meeting in accordance with this Act or where the proposed action is authorised by written consent of members without a meeting.
- (3) An objection under subsection (2) shall include a statement that the member proposes to demand payment for his shares if the action is taken.
- (4) Within 20 days immediately following the date on which the vote of members authorizing the action is taken, or the date on which written consent of members without a meeting is obtained, the company shall give written notice of the authorization or consent to each member who gave written objection or from whom written objection was not required, except those members who voted for, or consented in writing to, the proposed action.
- (5) A member to whom the company was required to give notice who elects to dissent shall, within 20 days immediately following the date on which the notice referred to in subsection (4) is given, give to the company a written notice of his decision to elect to dissent, stating
- (a) his name and address;
 - (b) the number and classes of shares in respect of which he dissents; and

(c) a demand for payment of the fair value of his shares;

and a member who elects to dissent from a merger under section 172 shall give to the company a written notice of his decision to elect to dissent within 20 days immediately following the date on which the copy of the plan of merger or an outline thereof is given to him in accordance with section 172.

- (6) A member who dissents shall do so in respect of all shares that he holds in the company.
- (7) Upon the giving of a notice of election to dissent, the member to whom the notice relates ceases to have any of the rights of a member except the right to be paid the fair value of his shares.
- (8) Within 7 days immediately following the date of the expiration of the period within which members may give their notices of election to dissent, or within 7 days immediately following the date on which the proposed action is put into effect, whichever is later, the company or, in the case of a merger or consolidation, the surviving company or the consolidated company shall make a written offer to each dissenting member to purchase his shares at a specified price that the company determines to be their fair value; and if, within 30 days immediately following the date on which the offer is made, the company making the offer and the dissenting member agree upon the price to be paid for his shares, the company shall pay to the member the amount in money upon the surrender of the certificates representing his shares.
- (9) If the company and a dissenting member fail, within the period of 30 days referred to in subsection (8), to agree on the price to be paid for the shares owned by the member, within 20 days immediately following the date on which the period of 30 days expires, the following shall apply:
 - (a) the company and the dissenting member shall each designate an appraiser;
 - (b) the two designated appraisers together shall designate an appraiser;
 - (c) the three appraisers shall fix the fair value of the shares owned by the dissenting member as of the close of business on the day prior to the date on which the vote of members authorising the action was taken or the date on which written consent of members without a meeting was obtained, excluding any appreciation or depreciation directly or indirectly induced by the action or its proposal, and that value is binding on the company and the dissenting member for all purposes; and
 - (d) the company shall pay to the member the amount in money upon the surrender by him of the certificates representing his shares.
- (10) Shares acquired by the company pursuant to subsection (8) or (9) shall be cancelled but if the shares are shares of a surviving company, they shall be available for reissue.
- (11) The enforcement by a member of his entitlement under this section excludes the enforcement by the member of a right to which he might otherwise be entitled by virtue of his holding shares, except that this section does not exclude the right of the member to institute proceedings to obtain relief on the ground that the action is illegal.
- (12) Only subsections (1) and (8) to (11) shall apply in the case of a redemption of shares by a company pursuant to the provisions of section 176 and in such case

the written offer to be made to the dissenting member pursuant to subsection (8) shall be made within 7 days immediately following the direction given to a company pursuant to section 176 to redeem its shares.

ANNEXURE D: FORM OF PROXY CARD AND WRITTEN DIRECTION FOR

ALBIDON LIMITED

For use at the General Meeting (“GM”) to be held on 15 May 2013 (or at any Postponement or Adjournment thereof).

The Proxy Card and Written Direction is Valid Only when Signed and Dated

**PROXY CARD
ALBIDON LIMITED
(the “Company”)**

I/We _____
(insert name in block capitals please)

of: _____

_____ (insert address in block capitals please)

being a member/members of the Company, hereby appoint the Chairman of the General Meeting of the Company to be held at Suite 1501-1507, Alexandra House, 18 Chater Road, Central, Hong Kong on 15 May 2013, at 10.00am (WST) (the “GM”) or

as my/our proxy to attend, speak and vote for me/us on my/our behalf at the GM and at any adjourned meeting.

I have indicated with an ‘X’ how I/we wish my/our votes to be cast on the following resolutions which are referred to in the notice convening the GM (the “Notice”) (see note 1 below).

RESOLUTIONS	FOR	AGAINST	VOTE WITHHELD
1. That for the purposes of ASX Listing Rule 10.1, the Merger between Jin Tuo Investment Limited and the Company pursuant to the terms of a Plan of Merger under British Virgin Islands Business Companies Act 2004 (as amended) (a copy of which is included as Annexure A to this Explanatory Statement accompanying this Notice of Meeting dated 11 April 2013) be approved.			
2. That for the purpose of Section 170 of the British Virgin Islands Business Companies Act, 2004 (as amended) and for all other purposes: (i) the Plan of Merger (a copy of which is included as Annexure A to this Explanatory Statement accompanying this Notice of Meeting dated 11 April 2013) be and is hereby authorised and approved; (ii) the Company be authorised to carry out, give effect to and complete the Merger whereby the separate corporate existence of Jin Tuo Investment Limited will cease and Jin Tuo Investment Limited will merge with and into the Company with the Company being the surviving company; (iii) each Director, officer, Registered Agent and agent of the Company be and are hereby authorised to do all things necessary or desirable, including (without limitation) causing the Articles of Merger to be executed, delivered and performed on behalf of the Company and the filing of all necessary documents with the BVI Registrar to complete the Merger; and (iv) the Directors Resolutions be, and they hereby are, ratified, confirmed, authorised, approved and adopted in all respects by the Shareholder(s) of the Company as resolutions of the Company.			

If the Chair of the meeting is appointed as your proxy, or may be appointed by default and you do not wish to direct your proxy how to vote as your proxy in respect of resolution 1 please place a mark in the box.

By marking this box, you acknowledge that the Chair of the meeting may exercise your proxy even if he has an interest in the outcome of resolution 1 and that votes cast by the Chair of the meeting for that resolution other than as proxy holder will be disregarded because of that interest.

If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on the resolutions and your votes will not be counted in calculating the required majority if a poll is called on the resolutions.

Signature Date..... 2013.

Please tick here if you are appointing more than one proxy.

Number of shares proxy appointed over.

In the case of a Corporation, this proxy must be signed under its common seal or be signed on its behalf by an attorney or officer duly authorised, stating their capacity (e.g. director or secretary).

Notes for Proxy

1. Every holder has the right to appoint some other person(s) of their choice, who need not be a shareholder as his proxy to exercise all or any of his rights, to attend, speak and vote on their behalf at the GM. If you wish to appoint a person other than the Chairman, please insert the name of your chosen proxy holder in the space provided (see over). If the proxy is being appointed in relation to less than your full voting entitlement, please enter the number of shares in relation to which they are authorized to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account).
2. To appoint more than one proxy you may photocopy this form. A shareholder who is entitled to cast two or more votes at the General Meeting may appoint two proxies. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
3. The 'Vote Withheld' option above is provided to enable you to abstain on any particular resolution. However, it should be noted that a 'Vote Withheld' is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.
4. The completion and return of this form will not preclude a member from attending the General Meeting and voting in person. In order to be valid an appointment of proxy must be returned in hard copy form deposited at the Company's Australian Office at Unit 19/4 Ventnor Avenue, West Perth, WA, 6005, Australia, or sent via facsimile transmission to number +61 8 9211 4699 and in each case must be received by the time being 48 hours prior to the General Meeting. In order to be able to attend and vote at the General Meeting or any adjourned meeting, (and also for the purpose of calculating how many votes a person may cast) a person must have his/her name entered on the register of shareholders of the Company by close of business on ASX on 10 May 2013. Changes to entries on the register of shareholders after this time shall be disregarded in determining the rights of any person to attend or vote at such meeting.
5. In the case of joint holders the vote of the senior joint holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders. For this purpose seniority is determined by the order in which the names of the holders stand in the register of members in respect of the joint holding.

Please indicate with a cross in the appropriate box how you wish the proxy to vote. In the absence of any indication, the proxy will exercise his/her discretion as to whether and how he/she votes and will vote in favour of both resolutions.

ANNEXURE E: CDI VOTING INSTRUCTION FORM

CDI Voting Instruction Form is enclosed.

ANNEXURE F: CONSOLIDATED FINANCIAL STATEMENTS

FINANCIAL POSITION AS AT 31 DECEMBER 2011

Consolidated Statement of Comprehensive Income (31 December 2011) (audited)

	<i>Notes</i>	31-Dec-11 US\$	31-Dec-10 US\$
Sale of goods		41,259,689	42,968,548
Other revenue	4	23,306	61,883
Cost of sales	4	(66,802,656)	(46,012,806)
Gross loss		(25,519,661)	(2,982,375)
Other income	4	420,051	111,103
Exploration and evaluation expense		(13,609)	(73,483)
Loss on disposal of plant and equipment		(80,511)	-
Write down of inventory	9	(2,099,317)	-
Reversal of Impairment of Exploration and Evaluation (Impairment)/reversal of impairment of plant and equipment	12	-	1,834,455
(Impairment)/reversal of impairment of Mine Property and Development	13	(37,172,133)	20,909,133
Administration expense	4	(137,659,723)	51,629,346
Finance expense		(4,023,745)	(4,035,057)
		(5,864,199)	(2,297,782)
(Loss)/ Profit before income tax		(212,012,847)	65,095,340
Income tax expense	5	(13,117,888)	-
(Loss)/Profit after income tax		(225,130,735)	65,095,340
Other comprehensive income			
Other comprehensive income for the period, net of tax		-	-
Total comprehensive (loss)/profit for the period		(225,130,735)	65,095,340
 (Loss)/Profit attributable to:			
Owners of the Company		(225,130,735)	65,095,340
 Total comprehensive profit/(loss) attributable to:			
Owners of the Company		(225,130,735)	65,095,340
 Earnings per share for Profit/(loss) attributable to the ordinary equity holders of the parent:			
Basic (loss)/profit per share (cents)	6	(64.47)	18.82
Diluted (loss)/profit per share (cents)	6	(64.47)	9.76

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the notes, which form part of this Financial Report prepared on a liquidation basis.

The notes to the 2011 audited financial statements can be viewed in the Company's Annual Report to Shareholders that was announced to the market on 3 April 2013 and can be accessed online on the Company's ASX announcement page (www.asx.com.au – company code ALB).

Consolidated Statement of Financial Position (31 December 2011)
(audited)

	Notes	31-Dec-11 US\$	31-Dec-10 US\$
Current assets			
Cash and cash equivalents	7	4,197,864	11,607,729
Trade and other receivables	8	2,351,580	13,354,901
Inventories	9	887,149	4,494,863
Other financial assets	10	79,028	80,082
Plant and equipment	12	9,174,366	-
Prepayments	11	216,491	54,652
Total current assets		16,906,478	29,592,227
Non-current assets			
Plant and equipment	12	-	50,134,218
Mine properties and development	13	-	145,926,360
Exploration and evaluation	13	-	2,172,191
Total non-current assets		-	198,232,769
Total assets		16,906,478	227,824,996
Current liabilities			
Trade and other payables	14	9,863,947	13,094,793
Provisions	15	5,635,800	2,805,239
Tax payable		12,514,959	-
Interest bearing loans and borrowings	4	131,566,436	122,695,228
Total current liabilities		159,581,142	138,595,260
Non-current liabilities			
Provisions	15	-	6,987,199
Total non-current liabilities		-	6,987,199
Total liabilities		159,581,142	145,582,459
Net (liability)/assets		(142,674,664)	82,242,537
Shareholders deficit/equity			
Capital and reserves attributable to the Company's equity holders			
Issued capital		3,492,218	3,490,718
Share premium reserve		120,719,463	120,705,739
Capital raising costs		(3,519,564)	(3,519,564)
Share capital	16	120,692,117	120,676,893
Option premium reserve	17	4,906,286	4,707,976
Convertible note reserve		2,226,596	2,226,596
Accumulated loss		(270,499,663)	(45,368,928)
Total shareholders deficit/equity		(142,674,664)	82,242,537

The above Consolidated Statement of Financial Position should be read in conjunction with the notes, which form part of this Financial Report prepared on a liquidation basis.

The notes to the 2011 audited financial statements can be viewed in the Company's Annual Report to Shareholders that was announced to the market on 3 April 2013 and can be accessed online on the Company's ASX announcement page (www.asx.com.au – company code ALB).

FINANCIAL POSITION AS AT 31 DECEMBER 2012

Consolidated Statement of Comprehensive Income (31 December 2012) (draft)

	31-Dec-12 US\$	31-Dec-11 US\$
Sale of goods	167,790	41,259,689
Other revenue	3,054	23,306
Cost of sales	-	(66,802,656)
Care and maintenance expense	(8,329,830)	-
Gross loss	(8,158,986)	(25,519,661)
Other income	316,882	420,051
Exploration and evaluation expense	(18,941)	(13,609)
Loss on disposal of plant and equipment	-	(80,511)
Write down of inventory	-	(2,099,317)
(Impairment)/reversal of impairment of plant and equipment	(36,200)	(37,172,133)
(Impairment)/reversal of impairment of Mine Property and Development	-	(137,659,723)
Administration expense	(4,228,910)	(4,023,745)
Finance expense	(5,273,565)	(5,864,199)
Loss before income tax	(17,399,720)	(212,012,847)
Income tax expense	-	(13,117,888)
Loss after income tax	(17,399,720)	(225,130,735)
<i>Other comprehensive income</i>	-	-
Other comprehensive income for the period, net of tax	-	-
Total comprehensive loss for the period	(17,399,720)	(225,130,735)
Loss attributable to:		
Owners of the Company	(17,399,720)	(225,130,735)
Total comprehensive loss attributable to:		
Owners of the Company	(17,399,720)	(225,130,735)
<i>Earnings per share for (loss attributable to the ordinary equity holders of the parent):</i>		
Basic loss per share (cents)	(4.98)	(64.47)
Diluted loss per share (cents)	(4.98)	(64.47)

Consolidated Statement of Financial Position (31 December 2012)
(draft)

	31-Dec-12 US\$	31-Dec-11 US\$
Current assets		
Cash and cash equivalents	698,683	4,197,864
Trade and other receivables	172,054	2,351,580
Inventories	887,149	887,149
Other financial assets	80,339	79,028
Plant and equipment	8,479,994	9,174,366
Prepayments	-	216,491
Total current assets	10,318,219	16,906,478
Non-current assets		
Plant and equipment	-	-
Mine properties and development	-	-
Exploration and evaluation	-	-
Total non-current assets	-	-
Total assets	10,318,219	16,906,478
Current liabilities		
Trade and other payables	10,317,869	9,863,947
Provisions	5,126,824	5,635,800
Tax payable	12,107,963	12,514,959
Interest bearing loans and borrowings	142,839,947	131,566,436
Total current liabilities	170,392,603	159,581,142
Non-current liabilities		
Provisions	-	-
Total non-current liabilities	-	-
Total liabilities	170,392,603	159,581,142
Net liability	(160,074,384)	(142,674,664)
Shareholders deficit		
Capital and reserves attributable to the Company's equity holders		
Issued capital	3,492,218	3,492,218
Share premium reserve	120,719,463	120,719,463
Capital raising costs	(3,519,564)	(3,519,564)
Share capital	120,692,117	120,692,117
Option premium reserve	4,906,286	4,906,286
Convertible note reserve	2,226,596	2,226,596
Accumulated loss	(287,899,383)	(270,499,663)
Total shareholders deficit	(160,074,384)	(142,674,664)

