

QUARTERLY REPORT FOR THE PERIOD ENDED 30 June 2003

Maintenance shut completed on time-on budget, plant now ramping up as planned

RESULTS SUMMARY

Health & Safety

- Lost Time Injury Frequency Rate (LTIFR) increased from 6.02 in March to 6.28 in June.
- 4 Lost Time Injuries (LTI) and 5 Medical Treated Injuries (MTI) in the quarter.
- Major review of permit to work and incident management systems underway.
- "Back to Basics" safety program introduced.

Murrin Murrin Production

- Production of 5,358 tonnes of nickel and 355 tonnes of cobalt.
- 21-day statutory inspection & maintenance shutdown in May completed on time and on budget.
- Shutdown resulted in approximately 2,100 tonnes of lost production in May/ June period.
- Murrin Murrin operating at satisfactory nickel throughput rates by end of the quarter.
- Four new open pits opened for mining during the quarter.
- Neil Meadows appointed to the position of GM Operations.

Murrin Murrin Financials

- Murrin Murrin net sales revenue: A\$76.1 million, down 29% on previous quarter (ANL share 60%).
- Capital program to complete Murrin Murrin on schedule.
- Murrin Murrin net cash flow deficiency: A\$40.9 million (ANL share 60%).

Corporate

- Group cash on hand at 30 June 2003: A\$64.9 million.
- A\$300 million Phase 2 Fluor arbitration claim progressing. Fluor appeal in respect of Phase 1 unsuccessful. Anaconda's appeal relating to autoclave capacity successful and referred back to arbitration.
- Institutional investors take up 6% issued capital via over-subscribed book build.
- All Takeovers panel applications now resolved and finalised.
- MP Global has 36% of the issued shares of the Company.
- Mr Gustiaman Deru has been appointed to the Board.

Market Conditions

- Nickel prices increase US20c/lb to close at US\$3.81/lb.
- Cobalt prices have stabilised.
- The Australian dollar has risen significantly against the US dollar.

Further updates will be provided as appropriate and posted on Anaconda's website www.anaconda.com.au.

P.B. JOHNSTON

Chief Executive Officer & Managing Director

28 July 2003



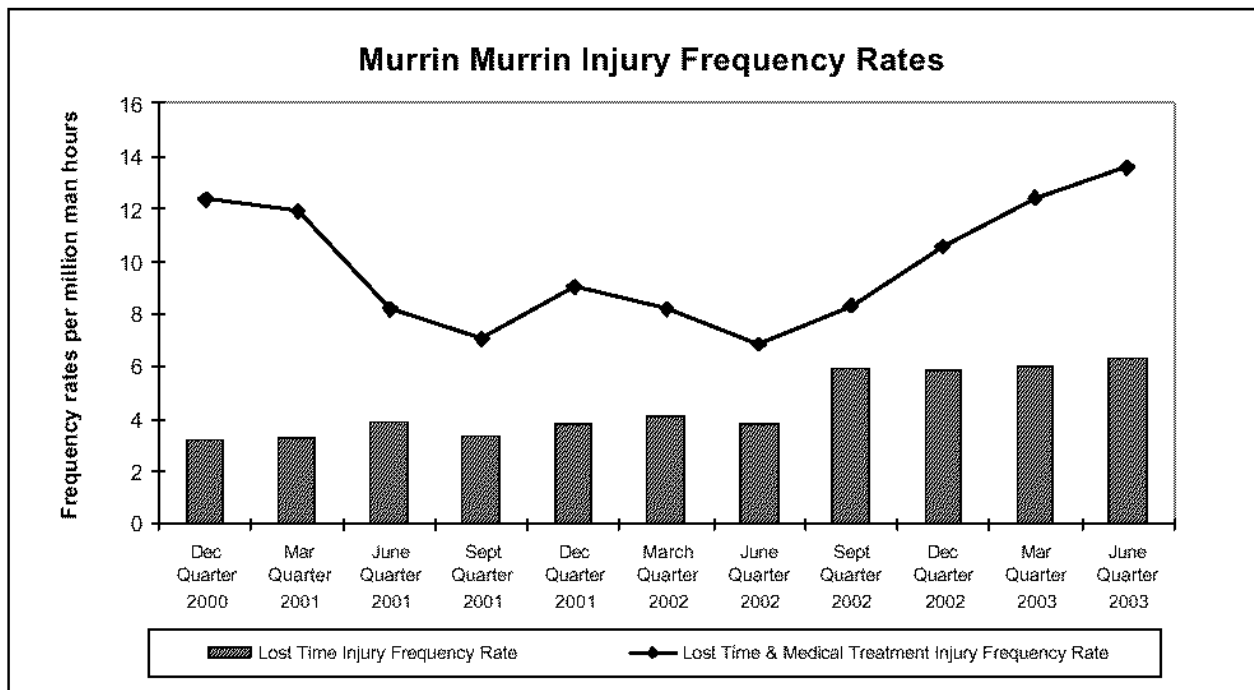
SAFETY, HEALTH & ENVIRONMENT

Safety & Health

An unsatisfactory safety performance at Murrin Murrin, has seen the LTIFR increase from 6.02 in March to 6.28 in June.

Our “Back to Basics” OH & S program, which focuses primarily on behavioural safety issues such as management safety walks, task observations, housekeeping inspections, PPE compliance checks, has recently been introduced, and includes improved incident reporting systems. A back care awareness and manual handling program has also been introduced, to reduce the incidence of back injuries resulting from poor manual handling practices.

A major review of the Permit To Work and Incident Management systems will take place in the next quarter.



Environment

During the quarter, one significant environmental incident was reported to the Department of Environment (DoE).

As a result of a breach in the liner of one of the Counter Current Discharge (CCD) ponds a small area of soil beneath the liner has been contaminated. The contamination has also resulted in some lifting of the liner due to the ingress of liquor reacting with the underlying compacted clay. The incident was immediately reported to the DoE and appropriate response procedures were followed.

As a result the DoE have requested the Company provide a management plan, including a schedule of works, for the remediation of the CCD containment pond.



PRODUCTION SUMMARY

	Quarter Ended 30 June 2003	Financial Year to date 30 June 2003	Financial Year to date 30 June 2002
Nickel produced (tonnes) (packaged basis)	5,358	27,683	28,529
Cobalt produced (tonnes)	355	1,867	1,568
Anaconda's Equity (60%)			
Nickel produced (tonnes)	3,215	16,610	17,117
Cobalt produced (tonnes)	213	1,120	941

The production results for 2002/3 fiscal year largely reflect a period of operational consolidation and on-going rectification works associated with a major capital expenditure program. These results will continue to improve throughout fiscal year 2003/4. The capital program is expected to be complete by the end of the 2003 calendar year. Production is expected to steadily improve and operating costs are expected to reduce as the plant continues to ramp up to achieve the design capacity rate of 40,000 tpa and consistently deliver "steady state" production.

June quarter production was below budget due to the biennial 3-week statutory inspection and maintenance shutdown that was conducted in May, and the subsequent loss of approximately 2,100 tonnes of nickel production for the period of the shutdown. The shutdown was completed on time – on budget; however the ramp up following the plant shutdown was slower than expected, due to difficulties processing stocks of low-grade ore stockpiled during the previous quarter. The May shutdown presented the opportunity to install various mechanical isolation valves and electrical isolation switching equipment in preparation for various plant integrity improvement projects that will come on stream during the next twelve months.

As stated in the March Quarter report, financial uncertainty meant that the Company could not renew or secure environmental bonds to allow development of new open pits during the December/ March period. As a result, feed sources to the plant became restricted and lower grade feed stock, which had been stockpiled, was used. With the financial uncertainty now removed, the Company has opened four new open pits during the June quarter. The solids content of the slurry feed to the high pressure acid leach (HPAL) autoclaves improved steadily throughout the quarter, as troublesome low grade ore stocks from the previous quarter were gradually drawn down. With ore from four new mining areas now available, plant throughput and nickel recoveries are expected to increase.

Three of the four HPAL autoclaves underwent major internal inspection and repair work during the May shutdown. The capital project to fit slurry heat exchangers to all four HPAL autoclave trains has now been completed.

The plant ended the quarter operating at acceptable nickel throughput rates.

Mr Neil Meadows was appointed to the position of GM Operations in May. Neil was previously GM Operations at BHP Billiton's Queensland Nickel Smelter.

CAPITAL PROGRAM

As previously announced a capital program is presently underway designed to complete Murrin Murrin and bring it up to 40,000 tonnes annualised capacity by June next year.

The program includes four significant projects, each of which is expected to deliver a step increase in performance:

- Improved screening circuit - to be commissioned in September



- High voltage electrical circuitry - to be installed in October
- Paste thickener to improve feed to the leach autoclaves - to be commissioned in November
- Addition of 2 new Geho pumps, to bring the installed number up to eight.

MURRIN MURRIN FINANCIALS

The Murrin Murrin Joint Venture had a operating cash flow deficiency in the June quarter of A\$29.4 million reflecting the below budget production in the quarter. After capital and working capital requirements the deficit was A\$40.9 million.

Net sales revenue for the quarter was A\$76.1 million, down 29% on the previous quarter due to lower production and a higher exchange rate.

CORPORATE

Takeovers Panel

All 19 applications before the Takeovers Panel, relating to the takeover of Anaconda Nickel by MatlinPatterson Global Opportunities ("MP Global"), have now been finalised and resolved.

On 16 June 2003, Anaconda announced that a range of Australian and International institutional investors had subscribed for 411 million Anaconda shares, at a price of 5.5 cents per share, as part of an ASIC-mandated book build, as required by the Takeovers Panel.

The book build, conducted by Royal Bank of Canada, resulted in the placement of approximately 6% of the Company's issued capital. The book build closed 2 weeks early and 10% over-subscribed.

Board Appointment

The Board have appointed Mr Gustiaman Deru of MP Global as a non-executive director to fill a casual vacancy. Mr Deru intends offering himself for election at the Annual General Meeting of the Company in November.

Executive Options

As a component of the Chief Executive Officer's employment contract, the Board, subject to shareholder approval at the 2003 Annual General Meeting, has resolved to grant to Mr Peter Johnston options over unissued Anaconda stock, with an exercise price of \$0.06 per share, exercisable after 5 June 2004. In July 2003, as part of the Senior Executive Incentive Scheme, the Board issued 27,200,000 options to 11 senior executives of the Company expiring on 5 June 2006 with an exercise price of \$0.06, exercisable after 5 June 2005.

Full details of the proposed Executive Options package will be in the AGM Notice of Meeting and Explanatory Memorandum, which will be accompany the 2003 Annual Report.

Fluor Arbitration

The Supreme Court of Victoria today handed down its decision on matters appealed by Fluor and Anaconda from the Phase 1 arbitration award made last year.

Fluor lost the appeal relating to defective pre-heater findings of the arbitrators in Phase 1, and must now release the remainder of the Phase 1 award totalling \$16.9 million inclusive of interest. Ninety per cent of this amount (A\$15.21 million) will be paid to the bondholders under the terms of the Scheme of Arrangement with secured creditors finalised earlier this year, and the balance of \$1.69 million will be paid to the Murrin Murrin joint venture sponsors.



In relation to Anaconda's appeal, the Supreme Court upheld Anaconda's entitlement to be compensated for insufficient autoclave capacity and referred this matter back to the arbitration tribunal. However Anaconda was unsuccessful in its appeal relating to the calculation of interest.

Formal proceedings relating to Phase 2 of the Fluor arbitration will commence in September 2003. The Phase 2 claims of Anaconda Operations exceed A\$300 million, and unlike Phase 1 of the arbitration Fluor has no counter claim against Anaconda. The Murrin Murrin joint venture participants will retain any and all amounts awarded in Phase 2, and Anaconda will receive its 60% joint venture proportionate share of any award in favour of Anaconda Operations.

MARKET CONDITIONS

Commodity Prices	Prices at 30 Jun 2003	Average For Quarter Ended 30 Jun 2003	Average For Quarter Ended 30 Jun 2002
LME Nickel US\$ per tonne	8,395	8,375	6,950
US\$ per lb	3.81	3.80	3.15
Cobalt US\$ per lb	8.10	8.31	6.83
Exchange Rate AUD:USD	0.6713	0.6400	0.5509

Nickel

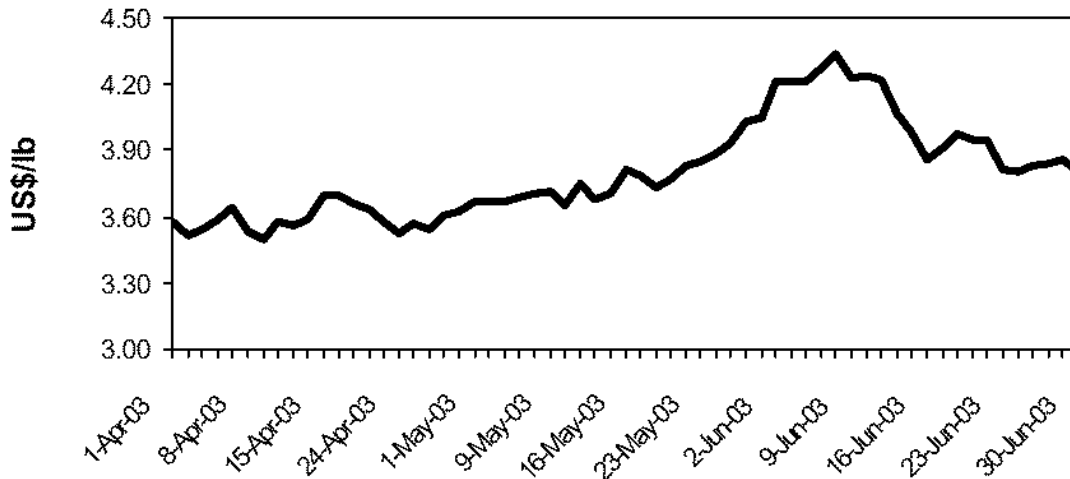
An uncertain economic outlook and Norilsk Nickel's releases of material to the LME imposed downward pressure on the nickel price during April. The Russian shipments balanced out the supply deficit for the first half of the year and LME stocks rose from 22,230 tonnes (Mt) to 26,538 Mt during May.

World nickel consumption is robust, but area-specific as major economies struggled to grow and the key Asian market was destabilized by the SARS epidemic. However, once the Western European and the US markets recover, nickel demand is expected to be strong. In the meantime prices are extremely volatile. At the beginning of June 2003 nickel prices retested US\$ 9,000/t as worries over supply disruptions in a very tight nickel market intensified due to the strike at Inco's Sudbury plant. However the rise was short-lived with Norilsk announcing a further release of the last 24,000 Mt of their stockpile into the market, which will make up for any supply deficits eventually caused by the strike in Canada.

Together with the upcoming summer slowdown this has put pressure on nickel prices once again and we are now back at the US\$ 8,500/t mark.



LME Nickel Cash Settlement Price



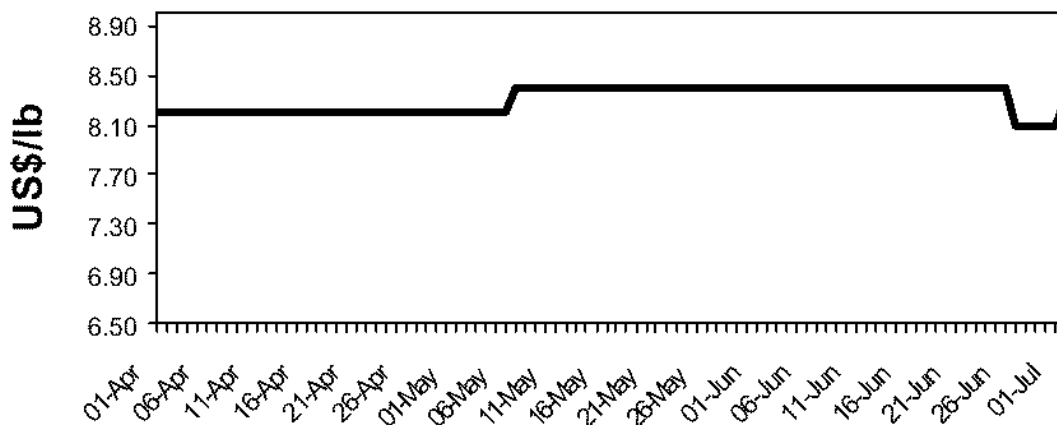
Cobalt

The Cobalt market was and is still reacting to supplier issues rather than to increased demand. Various producers' production problems and the strike at Inco's Sudbury plant have seen high-grade prices soar, however for lower grade material the picture is more mixed.

Despite some low-grade cobalt sales over US\$ 9.00/lb the 99.3 % metal spot prices continue to lag, with regular spot tonnages being sold at US\$ 8.25-8.40/lb in Europe and North America. The differentiation of quality and nickel content has led to a widening price spread. Low-grade cobalt powder sales have recently been reported exceeding US\$ 10.00/lb, which has helped to lift prices. However traders are generally cautious with regards to future cobalt prices, with battery demand holding up but the super-alloy sector very quiet and Chinese buying slow since the Lunar New Year holidays.

Any increase in price depends on a pick up in demand.

Metal Bulletin 99.3 % Price (Low)





Currency

The Australian dollar continues to strengthen against the US dollar with the continuation of a relatively high interest rate differential to the US and strong domestic economic performance. A one cent increase in the dollar reduces Anaconda revenue by approximately \$4 million.

AUD:USD Exchange Rate

