

This is an important document and requires your immediate attention. If you are in any doubt as to its contents, please consult your financial or legal adviser without delay.

Anaconda Nickel Limited
ACN 060 370 783

Target's Statement

The Independent Directors of ANL unanimously recommend that you

ACCEPT IN THE ABSENCE OF ANY SUPERIOR OFFER

the takeover offer for all of your Pre-Rights Issue ANL Shares from Mongoose Pty Ltd, a wholly owned subsidiary of MatlinPatterson Global Opportunities Partners LP

The takeover offer for all of your Pre-Rights Issue ANL Shares accounts for only 6.67% of the total number of ANL Shares which will be on issue following completion of the Rights Issue

Financial Adviser

CALIBURN PARTNERSHIP
ASSOCIATED WITH LAZARD

Legal Adviser

CLAYTON UTZ

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Target's Statement

In response to the Share Offer from Mongoose Pty Limited ACN 103 410 297, a wholly owned subsidiary of MatlinPatterson Global Opportunities Partners LP, to acquire all of the Pre-Rights Issue ANL Shares

AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION STATEMENT

This Target's Statement is given by Anaconda Nickel Limited ("ANL") in response to the Bidder's Statement lodged by Mongoose Pty Limited ("Mongoose") with ASIC on 22 January 2003 and sent to ANL Shareholders on 5 February 2003, and pursuant to Part 6.5 of Chapter 6 of the Corporations Act 2001 and in compliance with the requirements of sections 638 and 639 of the Corporations Act.

A copy of this Target's Statement was lodged with the Australian Securities and Investments Commission ("ASIC") on 20 February 2003. Neither ASIC nor any of its officers take any responsibility as to the contents of this Target's Statement. The date of this Target's Statement is 20 February 2003.

INTERPRETATION

Certain terms used in this Target's Statement are defined in Section 3.

SHAREHOLDER ENQUIRIES

Contact the Anaconda Shareholder Information Line on 08 9212 8432.

1. Recommendation of your Independent Directors

On 25 September 2002, ANL announced its intention to undertake a 14 for 1 pro rata renounceable rights issue ("**Rights Issue**"), fully underwritten by Glencore International AG ("**Glencore**"). The Rights Issue, which will raise \$323 million in equity capital and effect the recapitalisation of ANL, is a critical component of the schemes of arrangement entered into by certain ANL subsidiaries with certain secured creditors which were approved by the Supreme Court of Western Australia on 17 January 2003.

On 21 January 2003, MatlinPatterson Global Opportunities Partners L.P. ("**MatlinPatterson**") announced an unsolicited takeover offer for Pre-Rights Issue ANL Shares ("**Share Offer**") and ANL Rights ("**Rights Offer**").

The Rights Offer closed at midnight on 13 February 2003 and is no longer open for acceptance. On 13 February 2003, MatlinPatterson waived all conditions attaching to the Rights Offer, including the minimum acceptance condition, and acquired 42.2% of all ANL Rights (based on a substantial rights-holding notice dated 14 February 2003).

The exact composition of ANL's share register will not be known until after allotment of all ANL Shares pursuant to the underwritten Rights Issue. However, based on current information, the Independent Directors believe that the combined shareholding of the two major ANL Shareholders, Glencore and MatlinPatterson, is likely to be in excess of 80%.

Under the Share Offer, MatlinPatterson is offering to acquire all ANL Shares on issue prior to the completion of the Rights Issue (Pre-Rights Issue ANL Shares) for 12 cents cash per share. These Pre-Rights Issue ANL Shares account for only 6.67% of the total number of ANL Shares which will be on issue following completion of the Rights Issue. The Share Offer, which is now unconditional, is due to close on 5 March 2003.

ANL Shareholders who hold Pre-Rights Issue ANL Shares have the following choices:

- they can retain all or some of their Pre-Rights Issue ANL Shares
- they can sell all or some of their Pre-Rights Issue ANL Shares on ASX
- they can sell all or some of their Pre-Rights Issue ANL Shares into the MatlinPatterson Share Offer

The Independent Directors unanimously recommend that ANL Shareholders accept the Share Offer.

The reasons for the Independent Directors' recommendation are as follows:

- In the absence of the Share Offer or any alternative offer and based on current market conditions, the Independent Directors believe that the price of Pre-Rights Issue ANL Shares on ASX is likely to be less than the 12 cent offer price following the close of the Share Offer. For example, the ANL Shares to be issued on exercise of ANL Rights were trading on ASX on a deferred settlement basis at approximately 7 cents per share on 17 and 18 February 2003. The Independent Directors consider that this provides a reasonable indication of the level at which Pre-Rights Issue ANL Shares may trade in the absence of the Share Offer.
- Liquidity will be materially reduced with the two largest ANL Shareholders (Glencore and MatlinPatterson) likely to hold at least 80% of the fully diluted issued capital following completion of the underwritten Rights Issue, as opposed to 65.5% of ANL Shares being held by three substantial shareholders prior to the Share Offer.

- As the Share Offer is unconditional, payment for accepting ANL Shareholders is certain and will be received within 1 month of lodging an acceptance.
- It is unlikely that an offer superior to the Share Offer will emerge prior to the close of the Share Offer.

In considering the other alternatives available to ANL Shareholders referred to above, the Independent Directors note that significant volumes of shares have traded above the Share Offer price on ASX in the days preceding the date of this Target's Statement. Accordingly, ANL Shareholders should continue to review the opportunity of selling their Pre-Rights Issue ANL Shares on ASX, noting earlier settlement of the transfer may be offset by transaction costs (eg. brokerage). ANL Shareholders should seek their own financial and taxation advice in considering these alternatives.

ANL Shareholders who wish to participate in the future of ANL, notwithstanding the reduced liquidity, should consider retaining their Pre-Rights Issue ANL Shares or selling their Pre-Rights Issue ANL Shares on ASX (depending on market prices) or accepting the Share Offer and then purchasing deferred delivery ANL Shares on ASX to replace the Pre-Rights Issue ANL Shares sold.

ANL Shareholders who intend to accept the Share Offer must do so either by completing the Share Offer Acceptance Form which would have been received with the Bidder's Statement from MatlinPatterson or, if their Pre-Rights Issue ANL Shares are held through CHESS, by instructing a stockbroker to accept on their behalf.

2. Additional information

2.1 The Share Offer

MatlinPatterson, through its wholly owned subsidiary Mongoose, is offering to acquire all of your Pre-Rights Issue ANL Shares for \$0.12 per share. Pre-Rights Issue ANL Shares are those ANL Shares that were on issue as at 28 January 2003 (ASX code "ANL"). ANL Shares issued pursuant to the exercise of ANL Options or ANL Rights after 28 January 2003 (ASX code "ANLN") are not Pre-Rights Issue ANL Shares and are therefore not capable of being accepted into the Share Offer.

The Share Offer is now unconditional. It is open for acceptance until 7:00 pm (Sydney time) on 5 March 2003 (unless withdrawn or extended). MatlinPatterson may (but need not) extend the Offer Period at any time before the end of the Offer Period.

You may not withdraw your acceptance of the Share Offer if you have already accepted it. MatlinPatterson may withdraw the Share Offer with the written consent of ASIC.

2.2 The Rights Offer

MatlinPatterson, through its wholly owned subsidiary Mongoose, has previously offered to acquire ANL Rights for \$0.01 per ANL Right.

The Rights Offer closed at midnight (Sydney time) on 13 February 2003. Based on a substantial rights-holding notice dated 14 February 2003, MatlinPatterson acquired 42.2% of all ANL Rights as a result of acceptances under the Rights Offer.

2.3 Your choices as an ANL Shareholder

As an ANL Shareholder, you have the following choices in relation to the Share Offer during the Offer Period:

- (a) if you wish to accept the Share Offer for some or all of your Pre-Rights Issue ANL Shares, you should follow the instructions on the acceptance form enclosed with the Bidder's Statement sent to you by MatlinPatterson; or
- (b) if you wish to sell some or all of your Pre-Rights Issue ANL Shares on ASX at any time, you should not accept the Share Offer and should give appropriate instructions to your broker; or
- (c) if you do not wish to accept the Share Offer for some or all of your Pre-Rights Issue Shares, you do not need to take any action.

If you do not accept the Share Offer and MatlinPatterson becomes entitled to 90% or more of ANL Shares during or at the end of the Offer Period, your ANL Shares may be compulsorily acquired by MatlinPatterson on the same terms as the Share Offer in accordance with the Corporations Act.

If you are in any doubt as to the action that you should take in relation to the Share Offer, you should consult a professional adviser. In particular, the Australian taxation consequences of accepting the Share Offer will depend upon the circumstances of individual ANL Shareholders. You should consult your taxation adviser if you need further information regarding the taxation consequences of dealing with your ANL Shares in response to the Share Offer.

2.4 Directors of ANL

The Directors of ANL as at the date of this Target's Statement are:

- Mr James Campbell (Chairman)
- Mr Peter Johnston (Managing Director)
- Mr John Morrison (Non-executive Director)
- Mr Malcolm Macpherson (Non-executive Director)
- Mr Ivan Glasenberg (Non-executive Director)
- Mr Willy Strothotte (Non-executive Director)

Each of Messrs Campbell, Johnston, Morrison and Macpherson (the "**Independent Directors**") recommends to ANL Shareholders that you accept the Share Offer, in the absence of a superior offer, for the reasons set out in Section 1 of this Target's Statement.

Messrs Glasenberg and Strothotte, as directors of Glencore which has underwriting obligations in respect of the Rights Issue, consider it inappropriate to express to ANL Shareholders any opinion regarding the Share Offer, and have therefore declined to make any recommendation as to acceptance or rejection of the Share Offer.

2.5 Relevant interests and dealings in ANL Securities

Other than as described in this Section 2.5, no Director owns, controls or is otherwise entitled to any ANL Securities.

Messrs Glasenberg and Strothotte, are directors of Glencore. As at the date of this Target's Statement, Glencore holds 169,668,019 ANL Shares (being approximately 36.7%).

Other than as set out below in this Section 2.5, no ANL Shares were acquired or disposed of by Directors or other associates of ANL within the period of four months ending on the day immediately before the day on which the Bidder's Statement was served on ANL.

Messrs Glasenberg and Strothotte are directors of Glencore. Glencore acquired 13,800,000 ANL Shares at an average price of \$0.124 on 12 and 13 February 2003. In addition, Glencore will subscribe for further ANL Shares pursuant to its obligation to take up shortfall shares arising from the underwriting of the Rights Issue.

2.6 Relevant interests and dealings in marketable securities of MatlinPatterson

No Director owns, controls or is otherwise entitled to any marketable securities of MatlinPatterson.

There have been no acquisitions or disposals of any marketable securities of MatlinPatterson (or Mongoose) by ANL or, to the knowledge of ANL or any Director, by any person associated with ANL in the period of four months ending on the day immediately before the day on which the Bidder's Statement was served on ANL.

2.7 Payments and benefits

As a result of the Share Offer, no benefit has, or will be given to a person:

- (a) in connection with the retirement of a person from a board or managerial office in ANL or a related body corporate of ANL; and
- (b) who holds, or has held a board or managerial office in ANL or a related body corporate, or a spouse, relative or associate of such a person, in connection with the transfer of the whole or any part of the undertaking or property of ANL,

which would require approval of ANL Shareholders under section 208 of the Corporations Act.

2.8 No agreement with any ANL Director

There is no agreement made between any Director and any other person in connection with or conditional on the outcome of the Share Offer.

2.9 No interests of Directors in any contract entered into by ANL

No Director of ANL has an interest in any contract entered into by ANL or its related bodies corporate.

2.10 Material changes in financial position of ANL

The Directors advise that there have been no material changes to the financial position of ANL since 30 June 2002, being the date of the last audited financial statements, except as described in the financial statements as at 31 October 2002 contained in the Rights Issue Prospectus.

2.11 Other considerations and risk factors

If you choose to remain an ANL Shareholder, you should note the following risks, most of which the Directors have no control over and for which they accept no responsibility.

(a) Reduced liquidity

Based on current information, the Independent Directors believe that the combined shareholding of the two major ANL Shareholders, Glencore and MatlinPatterson, is likely to be in excess of 80%. As a result, there is significant potential for the liquidity of ANL Shares (that is, the ability of ANL Shareholders to trade their ANL Shares) to be adversely affected. This could have a consequential adverse effect on the market price of ANL Shares.

(b) No alternative proposals

As at the date of this Target's Statement, no proposals have been put to ANL or are currently under consideration by ANL which are alternatives to the Share Offer.

(c) Risks relating to holding ANL Shares

ANL Shareholders should note that by retaining ANL Shares they will be exposed to the inherent risks of holding equity securities. In particular, they will be exposed to:

- variability in equity market conditions and the overall market rating of companies and industries; and

- changes in economic, business, operating, taxation and regulatory conditions.

(d) **Schemes of arrangement**

The schemes of arrangement entered into between Murrin Murrin Holdings Pty Limited and Anaconda Nickel Holdings Pty Ltd (both of which are wholly-owned subsidiaries of ANL) and certain of their secured creditors are expected to become effective on 28 February 2003. A failure of these schemes of arrangement to become effective would have a material adverse impact on ANL's future viability.

As at the date of this Target's Statement, ANL does not have any reason to believe that the schemes of arrangement will not be implemented on 28 February 2003.

(e) **Policy and regulatory changes**

The introduction of new legislation or regulatory policies, or changes in existing legislation or regulatory policies which impact on the industry in which ANL operates may adversely affect the future viability or profitability of ANL.

(f) **Plant performance**

Production at the Murrin Murrin Project remains erratic. Improving the overall plant integrity and boosting nickel recoveries is essential to delivering sustained plant performance. These problems are currently being addressed and investigation and testwork will continue. However, the long term effect of the extreme working environment on equipment and the life of the plant is uncertain. Continuing erratic production and any adverse impact on the life of the plant will have a material adverse effect on the business and financial performance of ANL.

(g) **Resources and reserve risks**

The success of ANL's mining and production activities also depends, to some extent, on the delineation of economically viable reserves, securing and maintaining title to its exploration and mining tenements and obtaining necessary consent and approvals for the conduct of its activities.

Resources and reserve estimations are continually being reviewed and revised. In circumstances where reserve estimations are revised downward the life of mine estimates and other estimations may also be affected.

The mine plan continually optimises the grade profile, however grade is still a major determinant of plant throughput and, consistent with many mines, Murrin Murrin has been mining above the reserve average grade.

(h) **General business risks**

ANL is exposed to a number of general business risks, including higher than anticipated operating costs, increases in competition, changes in demand and price of ANL's products and adverse movements in foreign exchange rates, which may have a material adverse effect on the business and financial performance of ANL.

(i) **Native title and Aboriginal cultural heritage**

ANL's mining titles have been validly granted to it. However, there can be no guarantee that some of those mining titles will not be challenged or impaired, or that claims for compensation will not be made under the *Native Title Act 1993* (Cth).

There are also certain aboriginal heritage sites within the Murrin Murrin Project area that have been claimed to be significant by aboriginal groups and may not be disturbed or destroyed without the permission of the Minister for Aboriginal Affairs. There can be no assurance that there will not be future significant sites that are discovered in areas material to ANL's development of its projects.

(j) **Other**

Other risk factors include those normally found in conducting a business including risks relating to employees (through personal injuries, industrial matters or otherwise) or any other cause, strikes, lockouts, loss of service of key management or operational personnel, termination or variation of material or key contracts as a consequence of a breach, by any party, of the agreed contractual terms, non insurable risks, adverse weather conditions, delay in resumption of activities after a shutdown of operations and other matters that may interfere with the business or trade of ANL.

2.12 No other information material to the making of a decision by an ANL Shareholder

Since 30 June 2002, ANL has made various announcements to ASX. Copies of these announcements, including the Rights Issue Prospectus and ANL's 2002 Annual Report to shareholders, are available from ASX or from ANL's website (www.anaconda.com.au).

Having regard to:

- the information contained in the Bidder's Statement;
- the information contained in ANL's 2002 Annual Report to shareholders for the period ending 30 June 2002;
- the information contained in ANL's releases to ASX from 1 July 2002 to the date of this Target's Statement; and
- the information contained in the Rights Issue Prospectus,

all information that ANL Shareholders and their professional advisers would reasonably require to make an informed decision whether or not to accept the Share Offer, being information that is within the knowledge of any of the Directors and which has not previously been disclosed to ANL Shareholders, is set out in this Target's Statement.

In deciding what information should be included in this Target's Statement, the Directors have had regard to:

- (a) the nature of ANL Shares;
- (b) the matters that ANL Shareholders may be expected to know;
- (c) the fact that certain matters may reasonably be expected to be known to their professional advisers; and
- (d) the time available to prepare this Target's Statement.

2.13 Consents

Clayton Utz have given, and have not withdrawn, their consent to being named as the legal adviser to ANL in this Target's Statement in the form and context in which they are named.

Caliburn Partnership have given, and have not withdrawn, their consent to being named as the financial adviser to ANL in this Target's Statement in the form and context in which they are named.

3. Interpretation and approval

3.1 Interpretation

(a) **Definitions**

In this Target's Statement, unless the context otherwise requires, the following words have these meanings:

"**ANL**" means Anaconda Nickel Limited ACN 060 370 783.

"**ANL Option**" means an option to acquire an unissued ANL Share.

"**ANL Right**" means a right to acquire an ANL Share at A\$0.05 per ANL Share on the terms described in the Rights Issue Prospectus.

"**ANL Shareholder**" means a holder of an ANL Share.

"**ANL Share**" means a fully paid ordinary share in the capital of ANL.

"**ANL Securities**" means ANL Shares and/or ANL Options (as appropriate).

"**ASIC**" means the Australian Securities and Investments Commission.

"**ASX**" means Australian Stock Exchange Limited ACN 008 624 691.

"**Bidder's Statement**" means the bidder's statement dated 22 January 2003 in respect of the Share Offer given by Mongoose.

"**Corporations Act**" means the *Corporations Act 2001* (Cth).

"**Director**" means a director of ANL.

"**Independent Directors**" means, collectively, Messrs Campbell, Johnston, Morrison and Macpherson.

"**MatlinPatterson**" means MatlinPatterson Global Opportunities Partners LP.

"**Mongoose**" means Mongoose Pty Limited ACN 103 410 297.

"**Offer Period**" means the period or extended period during which the Share Offer is to remain open as described in the Bidder's Statement.

"**Pre-Rights Issue ANL Shares**" means ANL Shares that were on issue as at 28 February 2003 and does not include ANL Shares issued upon exercise of ANL Rights.

"**Rights Issue**" means the 14 for 1, pro rata, renounceable rights issue being undertaken by ANL as described in the Rights Issue Prospectus.

"**Rights Issue Prospectus**" means the prospectus issued by ANL and lodged with ASIC on 20 January 2003 in respect of the ANL Rights.

"**Rights Offer**" means the offers by MatlinPatterson, through its wholly owned subsidiary Mongoose, for ANL Rights as described in Section 2.2.

"**Section**" means a section of this Target's Statement.

"Share Offer" means the offers by MatlinPatterson, through its wholly owned subsidiary Mongoose, for all Pre-Rights Issue ANL Shares on the terms described in the Bidder's Statement.

(b) **Construction**

(i) Terms used in this Target's Statement and not defined in Section 3.1 have the meaning (if any) given to them in the Corporations Act or the SCH Business Rules unless that meaning is inconsistent with the context in which the term is used.

(ii) In this Target's Statement:

A. headings are for convenience only and do not affect the meaning of the paragraphs they introduce;

and unless the context otherwise requires:

B. the singular includes the plural and vice versa;

C. words importing one gender include all other genders;

D. references to persons include corporations;

E. references to "dollar" or "\$" are references to the currency of Australia; and

F. references to "US\$" are references to the currency of the United States of America.

3.2 Date and approval

This Target's Statement is dated 20 February 2003, being the date on which it was lodged with ASIC.

This Target's Statement has been approved by a resolution passed by the Directors. Messrs Glasenberg and Strothotte did not vote on the resolution for the reasons outlined in Section 2.4.

DATED: 20 February 2003

SIGNED:

For and on behalf of Anaconda Nickel Limited



Mr James Campbell
Chairman