

## FROM THE CHAIRMAN

The first three months of 2010 once again highlighted the importance of China as the global driver of long-term demand for commodities, with its economy achieving an annual growth rate of 11.9 per cent – a level not seen for three years.

China's soaring demand for raw materials combined with the prospect of improving demand from OECD nations boosted the prices of industrial metals during the March Quarter and underpinned solid outperformance for the GMI portfolio.

Surging iron ore prices dominated the headlines – as did talk of changes to the benchmark pricing system – fuelling solid gains in resource stocks exposed to China's rapidly increasing steel production needs. Spot market iron ore prices have now retraced back to the 2008 peak and are well above the initial Quarterly Index prices. Interest is now focussed on the extent to which the second Quarterly Index captures the recent spot price surge and the extent to which Chinese buyers accept the new pricing regime. GMI was well-positioned to capture this resurgent optimism with our portfolio of stocks generating solid returns over-and-above the benchmark HSBC Global Mining Index.

The GMI portfolio rose 4.9 per cent in the March Quarter, substantially ahead of the 1.7 per cent rise in the benchmark HSBC Global Mining Index (A\$) over the same period. On a one-year basis, the portfolio has returned a 55.2 per cent gain compared with the 47.5 per cent gain in benchmark index.

GMI's iron ore sector holdings were solid contributors, with the world's largest producer Vale of Brazil remaining our largest portfolio holding, followed by BHP Billiton and Rio. Our investment in Australian-listed mid-tier Pilbara iron ore producer Atlas Iron Limited and magnetite pellet producer Grange Resources also made strong contributions. In other sectors Canadian-listed Teck Resources and London-listed Eurasian Natural Resources Company were among the stand-out performers in our investment portfolio during the March Quarter.

With China's steel industry forecast by some commentators to double output by 2025, GMI is confident that our exposure to the bulk commodity market through a spread of quality stocks will allow the portfolio to continue reaping the rewards of this dynamic expansion.

In the more immediate future, we expect the trend towards consolidation in the mid-tier iron ore and coal market to continue as Chinese steelmakers seek to secure supplies of Australian raw materials. The base metals sector benefitted from the same improving demand outlook with copper prices making steady gains to end the March Quarter at US\$7,878 a tonne and nickel gaining 35 per cent over the quarter to US\$24,960 a tonne. The copper market, in particular, has limited ability

to respond to increasing demand and – with China's appetite growing and the possibility that demand from OECD nations may improve – GMI opted to increase its exposure to this metal over the March Quarter.

For local investors wanting to take advantage of these improving global dynamics, GMI continues to offer one of the few, easily-accessible entry points to a world-class portfolio of quality mining and metals assets.

GMI took steps early in the global financial crisis to minimise exposure to smaller companies and bias our investments towards larger producers with long-life assets and strong balance sheets. This adjustment to our portfolio strategy has been a factor in continuing to outperform our performance benchmark.

GMI investors own an investment portfolio that has returned an impressive 38.1 per cent gain in the financial-year-to-date. Importantly, the portfolio boasts a track record of annualised gains of 19.2 per cent over the five years to March 31, 2010 – 4.4 percentage points ahead of the HSBC Global Mining Index in relative terms over the same period.

As part of its response to the Henry Tax Review, the Australian Government recently announced a proposed "Resources Super Profits Tax". If implemented, this tax is likely to have an impact on some of GMI's holdings. The diverse geographic nature of GMI's portfolio however means that the majority of GMI's holdings will not be impacted by the proposals.

Our bias towards investments in iron ore, copper, coal, platinum and gold through major global producers such as BHP Billiton, Rio, Impala Platinum and Vale SA reflects our long-held strategy to focus on resource stocks with commanding positions in markets where the inventory outlook remains tight and demand strong.

These market-leading producers represent some of GMI's largest holdings, providing the company with the ability to leverage a broad geographical and commodities spread as the global outlook for raw materials demand continues to improve.



**John Robinson**  
Non-Executive Chairman

## QUARTER SUMMARY

- The GMI portfolio rose 4.9 per cent in the March Quarter, significantly outperforming the benchmark HSBC Global Mining Index (A\$) by 3.2 percentage points over the same period
- Global equity markets performed solidly over the March Quarter with the MSCI World Index gaining 2.7 per cent on the strength of improving economic data from the United States
- GMI's Net Tangible Assets (NTA) rose 2.9 per cent over the March Quarter to \$1.41 after allowing for tax on unrealised gains and losses across the portfolio, and gained 4.2 per cent to \$1.47 before tax
- GMI's share price rose 1.2 per cent over the March Quarter and 41.3 per cent over the year to 31 March
- Dividend paid of one cent per share fully franked
- The company has assets under management of approximately \$300 million invested in 50 different resource stocks across eight primary commodities and eight international stock exchanges
- Gearing facility has enabled GMI to take advantage of investment opportunities, with gearing of 5.9 per cent at Quarter end

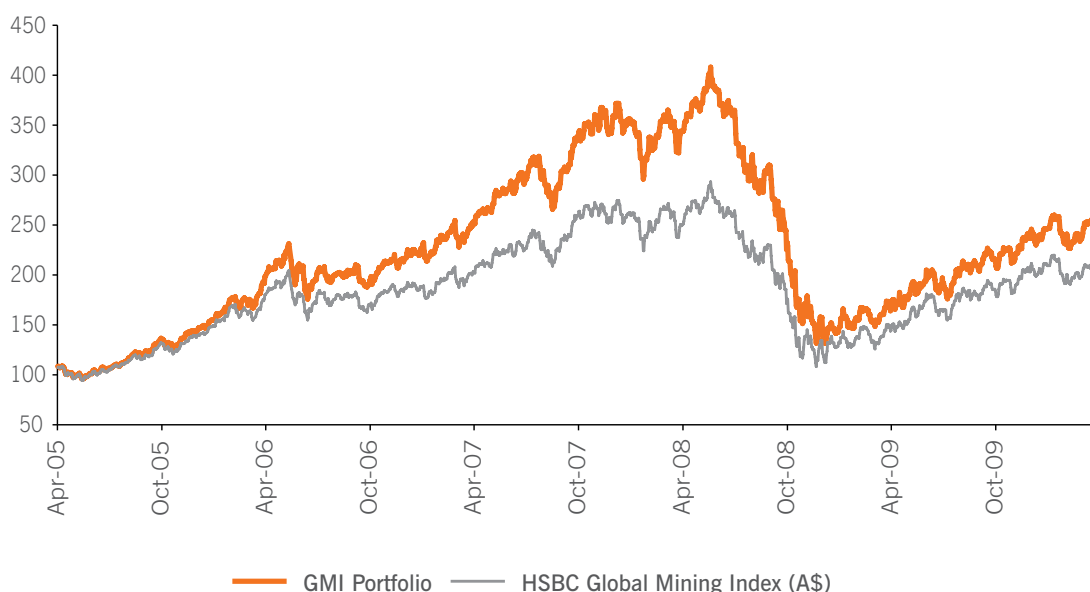
## PORTFOLIO PERFORMANCE

- GMI's portfolio continued to benefit from the resurgent Chinese economy, with our focus on quality, producing assets ensuring the portfolio made solid gains over-and-above the benchmark HSBC Global Mining Index (\$A) over the March Quarter
- Soaring iron ore prices drove strong gains in GMI's mid-tier iron ore holdings with locally listed Atlas Iron Limited, and Grange Resources, together with South African-listed Kumba Iron Ore Ltd among the strongest contributors to our outperformance
- GMI's focus on long-life, low-cost producers operating in tight commodity markets has proven a profitable long-term strategy with the portfolio returning annualised gains of 19.2 per cent over the past five years, compared with a 14.8 per cent return from the benchmark HSBC Global Mining Index
- GMI continues to provide investors with strategic leverage to China's burgeoning steel production and the improving demand outlook for bulk commodities through holdings in significant iron ore and coal producers
- GMI increased its holding of copper-related stocks over the March Quarter on the basis that supply constraints lasting 2-3 years should continue to drive outperformance in copper prices
- Gold equities underperformed the broader mining market during the March Quarter, however the fund retains long-term exposure to gold producers such as locally listed Newcrest Mining and Peruvian producer Minas Buenaventura

### GMI PORTFOLIO V HSBC GLOBAL MINING INDEX (A\$)

#### Non-annualised returns for five years to 31 March 2010

Source: DataStream and Internal. All data in A\$.



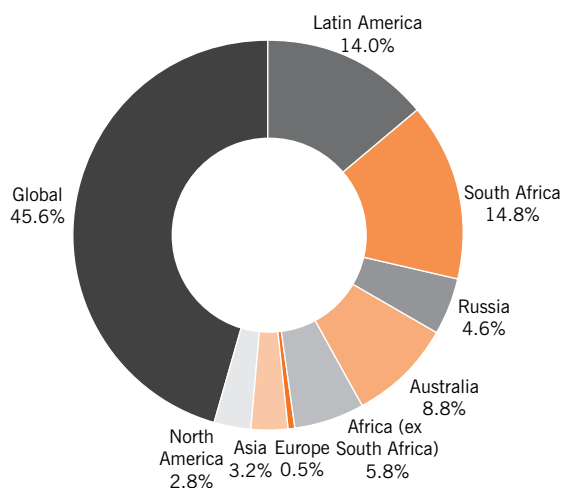
## COMMODITY SNAPSHOT

- GMI retains a bias towards investments in eight key commodity markets where supplies and inventories remain tight – iron ore, coal (both thermal & metallurgical), copper, platinum and gold
- Rapidly increasing demand for iron ore from Chinese steelmakers is expected to lead to sustained increases in iron ore prices, helping to offset the subdued outlook for Western steel production
- Chinese steelmakers experienced large increases in real demand for steel over the March Quarter (Chinese iron ore imports jumped 20 per cent in March from February 2010) and iron ore producers will continue to command premium prices for some time
- Long-term outlook for the gold remains positive with the World Gold Council predicting demand from China will double over the coming decade. Chinese demand for gold has already doubled in the past seven years (from 5% to 10%)

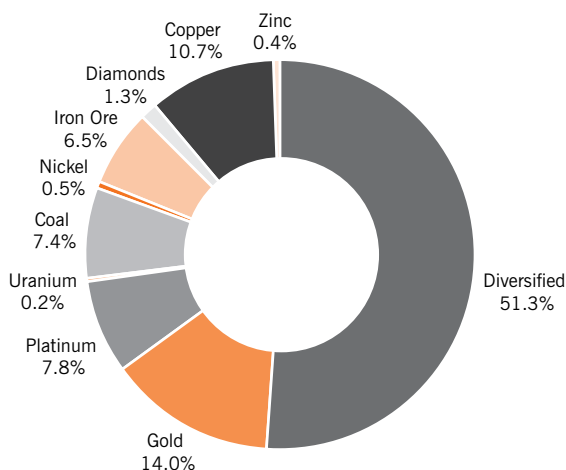
## OUTLOOK

- Continuing demand growth from key commodity-consumers China and India, as well as recovering demand in some OECD nations, should continue to underpin solid gains in the prices of bulk commodities, particularly copper and iron ore
- Chinese steelmakers will increasingly look to acquire to mid-tier miners to support rapidly increasing production – forecast to double in output by 2025
- Current equity market valuations do not necessarily reflect the potential for significant cash-flow generation by major listed resource groups (taken at current commodity prices) and GMI tends to view implied equity valuations as reasonable at current prices
- Greek and Portuguese sovereign debt concerns continue to overshadow equity markets and may lead to further short-term volatility

GEOGRAPHIC EXPOSURE as at 31 March 2010



COMMODITY EXPOSURE as at 31 March 2010



THE GMI PORTFOLIO ROSE 4.9 PER CENT IN THE MARCH QUARTER, SIGNIFICANTLY OUTPERFORMING THE BENCHMARK HSBC GLOBAL MINING INDEX (A\$) BY 3.2 PERCENTAGE POINTS OVER THE SAME PERIOD

## ABOUT GLOBAL MINING INVESTMENTS

Global Mining Investments is one of the largest listed global mining investment vehicles in the Australian market.

GMI provides exclusive exposure for Australian shareholders through a single listed entity to a global portfolio of metal and mining equity investments.

The portfolio comprises around 50 metal and mining stocks and goes well beyond holdings in BHP and Rio to include positions in other major international mining companies.

GMI's Investment Manager is the highly credentialed, London-based natural resources team from BlackRock.

The BlackRock natural resources investment group manages the world's largest mining mutual fund with some US\$30billion invested in international mining stocks. As GMI's Investment Manager, BlackRock provides unique investment exposure backed by strong analytical skills and ready access to new investment opportunities.

## TOP TWENTY HOLDINGS AS AT 31 MARCH 2010

Company	% of GMI	Listing	Location	Commodity
Vale	10.7	NYSE	Global	Diversified
BHP Billiton	9.5	LSE	Global	Diversified
Rio Tinto	9	LSE	Global	Diversified
Glencore	5.8	LUXX	Global	Diversified
Impala Platinum Holdings Ltd	5.8	JSE	South Africa	Platinum
Xstrata Plc	4.4	LSE	Global	Diversified
First Quantum Minerals	4.1	TSX	Africa	Copper
Aquila Resources	4	ASX	Australia	Coal
African Rainbow Minerals Ltd	3.9	JSE	South Africa	Diversified
Newcrest Mining	3.7	ASX	Australia	Gold
Atlas Iron	3.4	ASX	Australia	Iron
Anglo American Plc	3.2	LSE	Global	Diversified
Teck Resources Limited	2.7	TSX	North America	Diversified
GV Gold	2.5	Unlisted	Russia	Gold
Petropavlovski Plc	2.3	LSE	Russia	Gold
Freeport McMoran	2.2	NYSE	Asia Ex-China	Copper
Minas Buenaventura	2.1	NYSE	Latin America	Gold
Eurasian Natural Resources	2.1	LSE	Asia Ex-China	Diversified
Eramet Sln	1.9	BDP	Europe	Diversified
Kumba Iron Ore Limited	1.8	JSE	South Africa	Iron
	<b>85.1</b>			

**For further information, visit our website: [www.globalmining.com.au](http://www.globalmining.com.au) or phone 03 9235 1700.**

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## GLOBAL MINING

INVESTMENTS LIMITED

Level 29, 101 Collins Street, Melbourne Victoria 3000  
Telephone (03) 9235 1700 [www.globalmining.com.au](http://www.globalmining.com.au)

ABN 31 107 772 467 ASX Code: GMI