

# GLOBAL MINING

INVESTMENTS LTD

ACN 107 772 467 • Level 28, 80 Collins Street, Melbourne VIC 3000

## November 2004 NTA and Monthly Investment Update

The Company was listed on the Australian Stock Exchange on 8 April 2004.

As at 30 November 2004, 98.9% of the portfolio was invested in natural resource companies in accordance with the Investment Strategy of the Investment Manager, Merrill Lynch Investment Managers Limited. The balance of the portfolio is held in cash in US\$.

During November, GMI established a \$A14m borrowing facility for the purpose of enabling the Investment Manager to take advantage of additional investment opportunities as they arise.

The NTA figures as at 30 November 2004, are the highest that the Company has recorded to date.

The NTA before tax as at 30 November 2004 was \$1.13 (31 October \$1.06 per share) and the NTA after allowing for tax on unrealised gains was \$1.08 (31 October \$1.03 per share).

GMI has also issued Options to subscribe for shares at an exercise price of \$1.00 on or before 30 November 2006. If all options had been exercised as at 30 November 2004, the diluted NTA before tax would have been \$1.065 and \$1.04 after allowing for tax on unrealised gains.

*(NTA figures are unaudited)*

### **Investment Manager Commentary**

#### **Market Summary**

November was an excellent month for the portfolio with strong relative and absolute performance taking the NTA to a new record high. During the period the portfolio rose by 7.8% versus 6.3% for the HSBC Global Mining Index (both in Australian dollar terms) and absolute numbers would have been stronger had it not been for the strength of the Australian dollar on a trade weighted basis (since launch the portfolio is +18.8% versus +9.8% for the benchmark). Share prices recovered from the volatility that happened during the LME week in October. Metal prices for the month rallied from the October lows and mining company shares prices moved higher as a result.

#### *Performance Table*

	Starting Value	Value 30/11/04	% Change 1 month	% Change 3 months	% Change 6 months	% Change Since Launch
GMI Assets US\$m	56.9	69.1	11.3%	22.8%	30.1%	21.4%
HSBC US\$	226.5	249.4	9.8%	18.0%	26.0%	11.3%
GMI Assets A\$m	75.2	89.4	7.8%	11.8%	20.4%	18.8%
HSBC A\$	293.8	322.7	6.3%	7.5%	16.5%	9.8%

\*Note performance numbers are sourced from BONYE valuation report as at 30<sup>th</sup> November 2004 and start on the launch date of GMI 8<sup>th</sup> April 2004. Australian dollar FX rate used in Index conversion sourced from Bloomberg. Differences will occur versus the audited report due to management fees, dividends, interest and tax.

From the base metal price lows in October to the end of November the MG Base Metal Price Index rallied 5.9% in Australian dollar terms. This move higher appears to have been driven by the end of hedge fund related selling in October and a return of demand from consumers. Gold prices were also very strong during November as gold moved to a new multi year high. Prices rose by 5.3% during the month and gold reached a high of U\$452.85oz as November came to a close. Gold shares on the whole didn't manage to post strong moves as many had been trading at higher levels in the previous month. However a number of the junior gold

producers and explorers in the portfolio performed strongly during the period e.g. African Gold was up 42% in Australian dollar terms.

Corporate activity continued to develop during the period with the extremely hostile battle between Gold Fields and Harmony grabbing most of the headlines. At the end of the month it looks as though Harmony has not managed to win as many shares as expected in its tender offer for Gold Fields leaving it with the tough decision on whether to press ahead with its bidding process. The next key part to this battle is the Gold Fields shareholder vote on the deal with IAM Gold. The results of this vote should be released in the next few days. We continue to believe that the offer for Gold Fields by Harmony is not in the best interests of our holdings and as such we voted in favour of the IAM Gold deal.

The other key transaction is Xstrata's offer for WMC resources. During the month Xstrata tabled its full offer, which was again rejected by the Board of WMC Resources. With the shares of WMC trading well above the A\$6.35 per share cash offer it appears the market does not expect the existing offer to be successful. In the meantime WMC continues to update the market on the development options for its expansion at Olympic Dam. As part of this process the company announced a 29% increase in resources at this key asset. WMC shares rose by 6.8% during the month and Xstrata shares rose by 10.4% both in Australian dollar terms.

## Activities Report

During the month three new holdings were added to the portfolio. African Gold is a junior gold and base metals exploration/development company. The company raised new capital to help advance a transaction that we hope will transform the company. GMI participated in the recent capital raising for Bluestone Tin. The company raised capital to complete the development of its two tin projects. Leviathan Resources is a new company that holds the gold assets belonging to MPI Mines. As a result of the corporate transaction taking place with Lion Ore GMI will receive shares in Leviathan and GMI subscribed for additional shares as part of a fund raising coinciding with the IPO of Leviathan. Disposals were conducted in two holdings.

*Top Ten Holdings as at 30<sup>th</sup> November 2004 (% of gross assets including cash)*

	<b>% of GMI including cash</b>	<b>Country</b>	<b>Commodity</b>
CVRD	11.1%	Brazil	Diversified
BHP Billiton	10.4%	Global	Diversified
Rio Tinto Ltd	8.2%	Global	Diversified
Impala Platinum	5.6%	South Africa	Platinum
Xstrata Plc	5.4%	Global	Diversified
Alumina Ltd	5.0%	Australia	Alumina
Buenaventura	4.6%	Peru	Gold
Alcan	4.1%	Canada	Aluminium
WMC Resources	3.2%	Australia	Diversified
Alcoa	3.0%	USA	Aluminium
Vedanta Resources	2.9%	Asia	Diversified
Anglo American	2.8%	Global	Diversified
Newcrest Mining	2.0%	Australia	Gold
Peter Hambro Mining	1.9%	Russia	Gold
Noranda Inc	1.8%	Canada	Diversified
Teck Cominco Ltd	1.8%	Canada	Diversified
Falconbridge Limited	1.7%	Canada	Nickel
Antofagasta	1.6%	Latin America	Copper
Jianxi Copper	1.6%	China	Copper
MPI Mines Ltd	1.4%	Australia	Nickel
	<b>80.0%</b>		

*Commodity Allocation as at 30<sup>th</sup> November 2004*

	<b>GMI</b>	<b>HSBC Global Mining Index</b>
Aluminium	12.0%	12.4%
Copper	8.0%	6.2%
Nickel	5.1%	2.8%
Zinc	1.8%	0.5%
Gold	12.6%	18.7%
Platinum	5.7%	3.7%
Diamonds	2.0%	0.5%
Industrial Minerals	0.9%	1.4%
Diversified	48.4%	46.2%
Other	2.5%	7.6%
Cash	<u>1.1%</u>	=
	100%	100%

**Outlook**

Fundamentals for the sector remain very robust with tightness evident in most commodities. Metal prices remain at very attractive levels and with the deficits looming for the remainder of this year and well into next we foresee continued price strength. Bulk commodities look set for another record year in 2005 and given the large weighting to these commodities within the portfolio we expect this to be a significant performance generator for the coming year. The recent spate of corporate activity should highlight the value available to investors and the benefit of being exposed to the global resources sector.