

# GLOBAL MINING

INVESTMENTS LIMITED

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## January 2005 NTA and Monthly Investment Update

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

As at 31 January 2005, 99.6% 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\$.

The NTA before tax as at 31 January 2005 was \$1.14 (31 December \$1.14 per share) and the NTA after allowing for tax on unrealised gains was \$1.09 (31 December \$1.09 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 31 January 2005, the diluted NTA before tax would have been \$1.07 and \$1.05 after allowing for tax on unrealised gains.

*(NTA figures are unaudited)*

### Investment Manager Commentary

#### Market Summary

After the strong finish to 2004 for both commodities and mining shares January was hostage to some early month profit taking before share prices rebounded. Since inception the performance of the portfolio is now up 19.5% versus a 7.4% rise in the Benchmark.

#### *Performance Table – portfolio only*

	Starting Value	Value 31/01/05	% Change 1 month	% Change 3 months	% Change 6 months	% Change Since Launch
GMI Assets US\$m	56.9	69.7	0.02%	12.4%	27.9%	22.6%
HSBC US\$	226.5	244.77	-0.5%	7.7%	20.3%	9.3%
GMI Assets A\$m	75.2	89.9	0.6%	8.4%	15.8%	19.5%
HSBC A\$	293.8	315.5	0.6%	3.9%	9.0%	7.4%

\*Note the starting value of the portfolio reflects the funds available for investment after allowing for expenses of the public offer and accrued operating expenses as at 8 April 2004. Performance numbers are sourced from BONYE valuation report as at 31<sup>st</sup> January 2005. Australian dollar FX rate used in Index conversion sourced from Bloomberg. Differences will occur versus the audited report and NTA calculation due to management fees, other expenses, dividends, interest and tax.

Metal prices gyrated during the month starting weaker and finishing the period up 0.5%. Tin and zinc were the key positive performers during January rising 5.1% and 3.7% respectively. GMI has direct exposure to tin through a holding in Bluestone Tin (0.6%) and zinc through holdings in Zinifex (2.1%) and Perilya (0.6%) and indirectly to zinc through Teck Cominco (2.4%).

Outside of the base metal suite there is considerable optimism about the likely settlements for the bulk commodities; coking coal, thermal coal and iron ore. These commodities look set to have another excellent year with producers being awarded large price increases for 2005. The price for coking coal has already been set at US\$125/t up over 100% on the price for 2004. Iron ore settlements are forecast to settle between 30-50% up on last year with some recent rumours of a 90% rise coming out of Brazil.

A number of the Fund's holdings released their fourth quarter production and earning figures. In general higher volumes and higher realised prices were achieved across the board.

However it is also evident that material and labour cost pressures have also resulted in rising production costs. BHP Billiton (10.8% of the Fund) and Rio Tinto (8.8%) both reported record iron ore production as well as significant increases in other divisions. Antofagasta (1.6%) benefited from higher copper and molybdenum prices, so much so that molybdenum credits meant copper cash costs at their key Los Pelambres mine were negative. Vedanta (3.0%), saw operating profits increasing by 28% as a result of their purchase of a controlling stake in Konkola Copper Mines at the end of October last year; eight weeks after Vedanta bought 51% of Konkola for \$48 million, Konkola earned \$26 million.

## Activities Report

During the month a number of profits were taken in the portfolio in order to fund new holdings. Profits were taken in CVRD and Anglo Pacific Group as the shares continued to rally higher and WMC Resources as we felt there was more upside in other mining shares. Positions in Spur Ventures, Palabora and Novellis were exited. Holdings were increased in Aber, Alcan, Alcoa, Bolivar Gold, First Quantum, Iluka Resources and Kimberley Diamonds. A new holding was initiated in Western Canadian Coal. We continue to evaluate three unquoted opportunities which we expect to require funding during the next two months. Together with our existing holding in Wits Gold we anticipate these holdings to together not exceed 5% of the entire portfolio.

### *Top Twenty Holdings as at 31<sup>st</sup> January 2005 (% of gross assets including cash)*

	% of GMI including cash	Country	Commodity
CVRD	11.2%	Brazil	Diversified
BHP Billiton	10.8%	Global	Diversified
Rio Tinto Ltd	8.8%	Global	Diversified
Impala Platinum	5.4%	South Africa	Platinum
Alumina Ltd	5.2%	Australia	Alumina
Xstrata Plc	5.2%	Global	Diversified
Buenaventura	4.1%	Peru	Gold
Alcan	3.4%	Canada	Aluminium
Vedanta	3.0%	India	Diversified
Alcoa Inc	3.0%	Nth America	Aluminium
Anglo American	2.7%	Global	Diversified
Iluka Resources Ltd	2.4%	Australia	Industrial Minerals
WMC Resources Ltd	2.2%	Australia	Diversified
Teck Cominco Ltd	2.2%	Nth America	Diversified
Zinifex Ltd	2.0%	Australia	Zinc
Newcrest Mining Ltd	1.9%	Australia	Gold
Peter Hambro Mining	1.9%	Russia	Gold
Antofagasta Plc	1.6%	Latin America	Copper
Aber Diamond Corp	1.6%	Nth America	Diamonds
Falconbridge	<u>1.6%</u>	Nth America	Nickel
	80.2%		

*Commodity Allocation as at 31<sup>st</sup> January 2005*

	GMI	HSBC Global Mining Index
Aluminium	11.2%	11.0%
Copper	7.6%	6.3%
Nickel	3.3%	2.6%
Zinc	2.5%	0.6%
Gold	13.1%	16.3%
Platinum	5.4%	3.6%
Diamonds	3.0%	0.5%
Industrial Minerals	2.4%	1.5%
Diversified	48.1%	49.5%
Other	3.0%	8.1%
Cash	<u>0.4%</u>	=
	100%	100%

**Outlook**

Looking forward to the year ahead we remain optimistic about the earnings and cash flow that should be generated by the companies in the portfolio. Coking coal prices have been settled and iron ore prices are likely to be marked up significantly and this should underpin the earnings of the portfolio. In addition, the current high base metal prices should enhance the earnings potential of the portfolio as well. Furthermore the large deficits in the base metal sector look set to be around for the majority of 2005 meaning that high commodity prices could be around for sometime to come.