

# GLOBAL MINING

INVESTMENTS LIMITED

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## March 2005 NTA and Monthly Investment Update

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

As at 31 March 2005, 99.4% 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 March 2005 was \$1.21 (28 February \$1.24 per share) and the NTA after allowing for tax on unrealised gains was \$1.14 (28 February \$1.17 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 March 2005, the diluted NTA before tax would have been \$1.10, and \$1.07 after allowing for tax on unrealised gains.

*(NTA figures are unaudited)*

### Investment Manager Commentary

#### Summary

After the healthy returns generated last month the mining sector experienced some profit taking in March. For the month as a whole the HSBC Global Mining Benchmark Index fell by 3.6% in Australian dollars versus a 2.6% fall in the value of GMI's Portfolio. The decision to take some profits in the diversified mining companies towards the end of last month and into early March was one of the reasons for the good relative performance. During the month the diversified mining sub-sector of the Index fell by 5.1% in Australian dollar terms. Since inception the portfolio is up 27% versus a 14% rise in the HSBC Global Mining Index.

#### *Performance Table*

	Starting Value	Value 31/3/05	% Change 1 month	% Change 3 months	% Change 6 months	% Change Since Launch
GMI Assets US\$m	56.9	73.7	-5.1%	5.8%	19.7%	29.6%
HSBC US\$	226.5	259.0	-6.1%	5.3%	11.9%	14.3%
GMI Assets A\$m	75.2	95.6	-2.6%	7.0%	12.4%	27.0%
HSBC A\$	293.8	334.8	-3.6%	6.5%	5.0%	14.0%

\*Note performance numbers are unaudited and sourced from BONYE valuation report as at 31 March 2005. They reflect the performance of the funds made available to MLIM, the investment manager, 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, other expenses, dividends, interest and tax.

#### **Metal Prices**

Metal prices continued to move higher during March with the MG Base Metal Price index rising by 3.2% in Australian dollar terms. Despite this increase in metal prices, mining shares fell due to a mixture of profit taking and investor perception of a reduction in positive news flow during the coming months.

## Industry Activity

Merger and acquisition activity dominated the headlines in March.

In Australia the biggest news item was WMR. After many months of speculation about who would come in and compete against Xstrata for control of WMR, the news broke during March with BHP Billiton announcing a full cash bid of A\$7.85 per share, well in excess of the A\$7.00 (net of the WMR dividend payment) offer from Xstrata. This higher offer was supported by the Board of WMR forcing Xstrata to withdraw its bid. Since announcing the offer BHP Billiton has received the relevant Government approvals for its bid and in the absence of interest from other suitors it would appear that BHP Billiton is set to win control of WMR. GMI has held large positions in WMR since inception. As the bidding battle unfolded we took steps to reduce the holding taking profits when the share price offered the right exit level. As a result we have constantly been able to take profits above all of the bid levels including the current offer from BHP Billiton.

In Canada, the market was caught unawares by the announcement from Noranda and Falconbridge that the former is bidding for the outstanding free float of the latter. The price has been agreed to by the Board of Falconbridge and it is now up to shareholders to accept the offer. As part of this process the controlling parent company, Brascan, should be diluted significantly and this should reduce the discount that both groups trade on. In addition the new company should be revitalised now that it controls its own destiny. GMI has 3.1% in Falconbridge and 1.3% in Noranda.

## Portfolio Movements

During the month the portfolio continued to take profits particularly in the large diversified mining companies. This was done following the steady flow of positive news that was released during the first two months of the year. Money raised from these transactions was recycled into Falconbridge, Lafayette and Lion Ore. In addition the holding in WMR was further reduced following the bid by BHP Billiton with some sales above A\$8 per share.

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

<b>Description</b>	<b>% of GMI including Cash</b>	<b>Country</b>	<b>Commodity</b>
BHP Billiton Ltd	10.3	Global	Diversified
CVRD	9.4	Brazil	Diversified
Rio Tinto Ltd	8.5	Global	Diversified
Xstrata Plc	5.2	Global	Diversified
Impala Platinum Holdings	5.1	South Africa	Platinum
Alumina Ltd	4.9	Australia	Alumina
Cia De Minas Buenaventura	4.2	Peru	Gold
Alcoa Inc.	3.3	Nth America	Aluminium
Anglo American Plc	3.2	Global	Diversified
Falconbridge Ltd	3.2	Nth America	Nickel
Alcan Inc	3.1	Canada	Aluminium
Vedanta Resources Plc	2.9	India	Diversified
Teck Cominco Ltd	2.5	Nth America	Diversified
First Quantum Minerals Ltd	2.1	Africa	Copper
Iluka Resources	2.1	Australia	Industrial Minerals
Zinifex Ltd	2.0	Australia	Zinc
Newcrest Mining Ltd	1.8	Australia	Gold
Anotfagasta Plc	1.6	Latin America	Copper
Peter Hambro Mining Plc	1.6	Russia	Gold
Aber Diamond Corp	1.4	Nth America	Diamonds
	78.4		

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

	GMI	HSBC Global Mining Index
Diversified	44.7%	49.7%
Gold	13.7%	15.8%
Aluminium	12.0%	10.4%
Copper	8.7%	6.3%
Platinum	5.1%	3.5%
Nickel	5.2%	3.2%
Industrial Minerals	3.1%	1.4%
Zinc	2.4%	0.7%
Diamonds	2.8%	0.4%
Other	1.7%	8.6%
Cash	<u>0.6%</u>	=
	100.0%	100.0%

**Outlook**

We remain optimistic that 2005 will be another year of strong performance for the mining companies. Base metal prices continue to trade well ahead of consensus forecasts and when combined with high prices for the bulk commodities this should provide for further earnings upgrades as the year matures. In the meantime we expect merger and acquisition activity to pick up further as companies look to deploy excess cash.