

**GLOBAL MINING**  
INVESTMENTS LIMITED

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ACN 107 772 467

25 October 2010

The Manager  
Company Announcements Office  
Australian Stock Exchange Limited

**Investment Manager Presentation**

Evy Hambro and Catherine Raw from the Investment Manager of Global Mining Investments Limited, BlackRock Investment Management (UK) Limited, will be conducting presentations on GMI in Melbourne and Sydney this week.

A copy of the presentation is attached.

The presentation and a webcast recording will be made available tomorrow on the Company's website at [www.globalmining.com.au](http://www.globalmining.com.au).

Yours faithfully



Liesl Petterd  
Company Secretary



PRESENTATION OCT 10  
Evy Hambro and Catherine Raw

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# Disclaimer

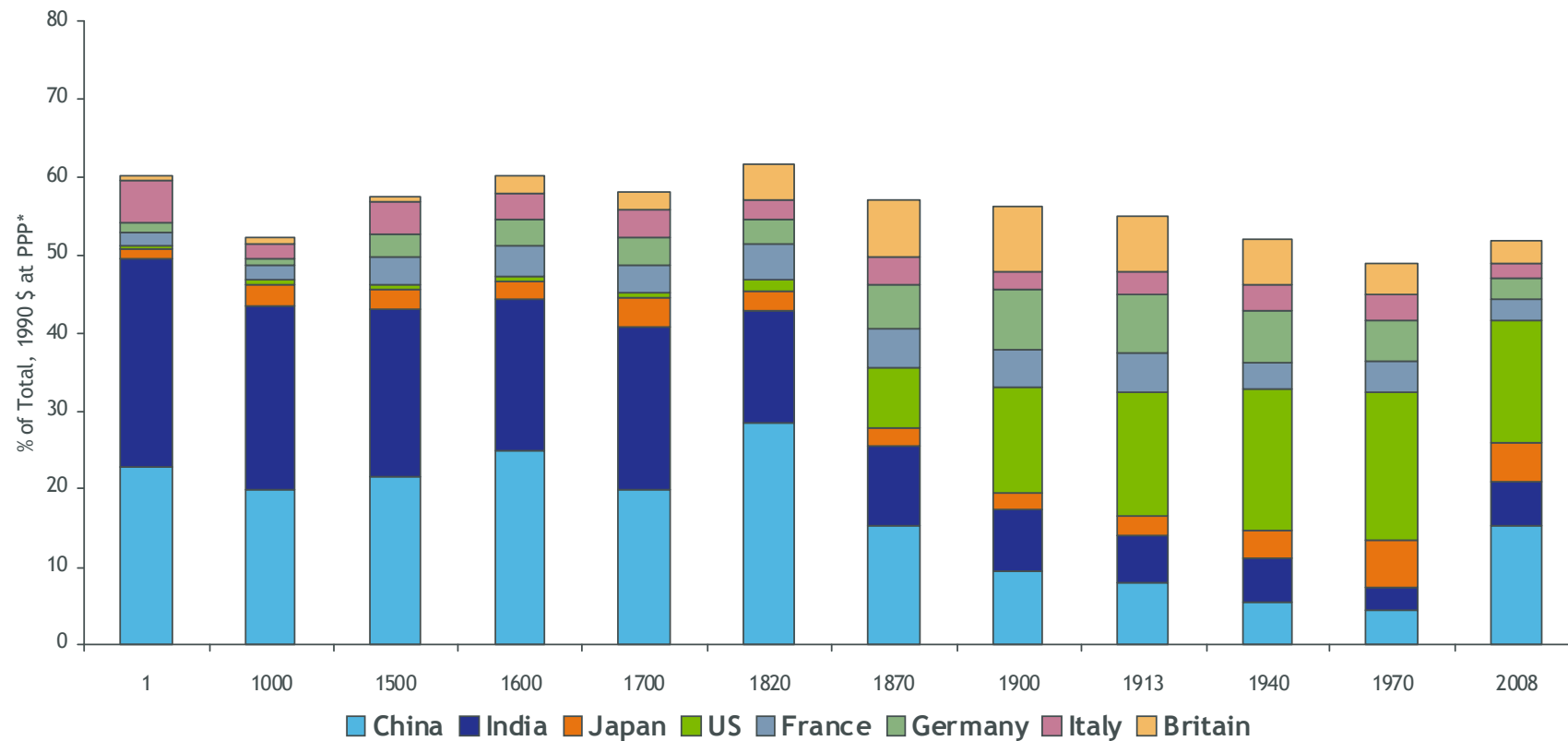


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# Evolution of World GDP



## A History of World GDP



*\*Purchasing power parity*

*Sources: Angus Maddison, University of Groningen; The Economist*

# HIICs vs BRICs



Theme of investment flow from old world portfolios into new world portfolios continues

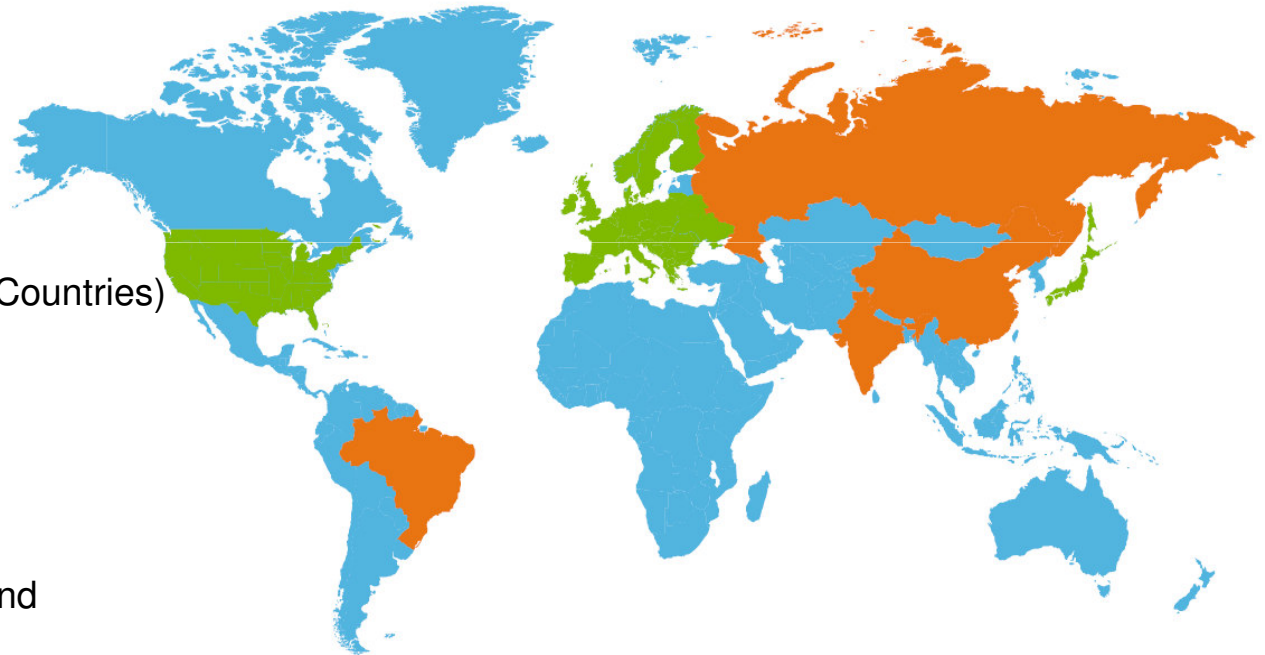
US investors have withdrawn \$36bn from funds investing in HIICs\*

Emerging market funds have seen inflows of \$45bn\*

- **HIICs** (Highly Indebted Industrialised Countries)
- **BRICs** (Brazil, Russia, India, China)

**Emerging Markets have:**

- Population Growth
- Raw materials consumption growth, and
- Economic Growth



**These are likely to drive the global economy in the medium to long term**

*\*Source: EPFR to 30 September 2010*

# Market update



## Equity markets January 2010 – October 2010



### Macro events:

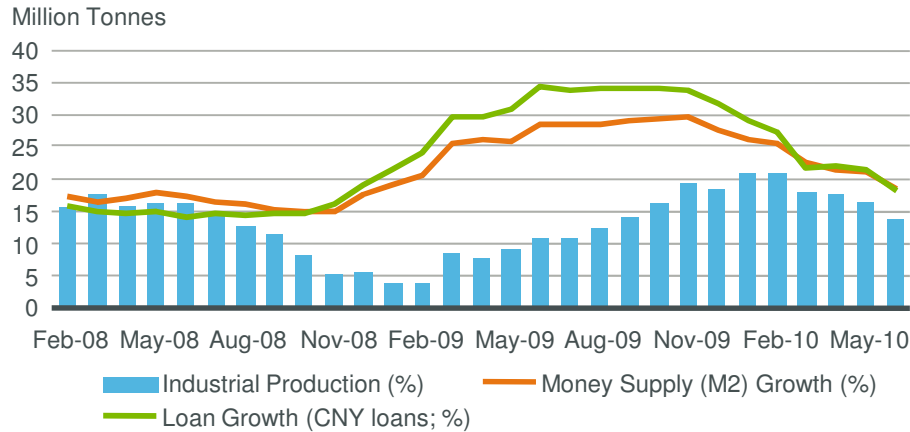
1. Introduction of monetary tightening policies by China to cool down rate of economic growth
2. Original Resource Tax proposal announced by Australian government
3. Eurozone debt concerns
4. New Resource Rent Tax proposal announced
5. FED policy makers start to discuss QE2

Source: DataStream, data to 18 October 2010

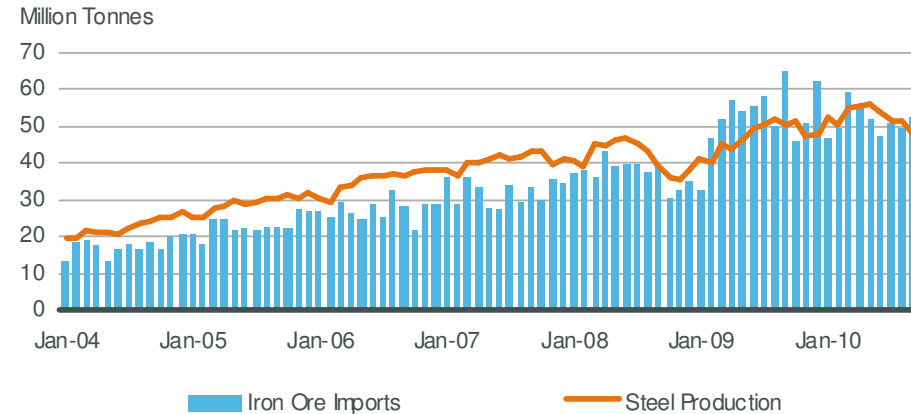
# China – hard or soft landing?



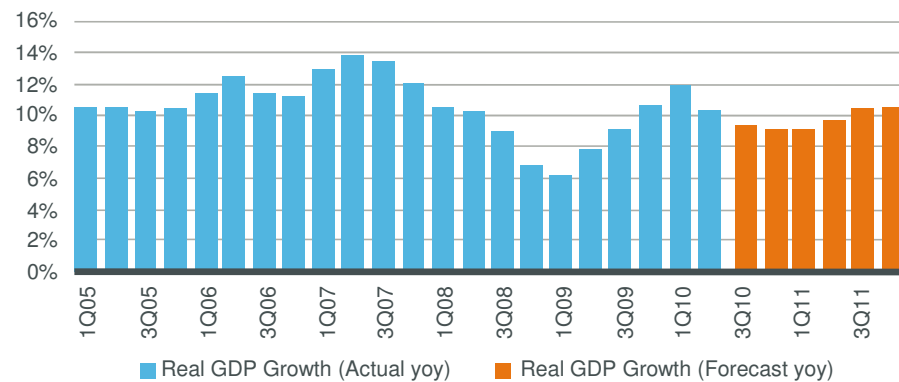
## IP, Money Supply and Loan Growth



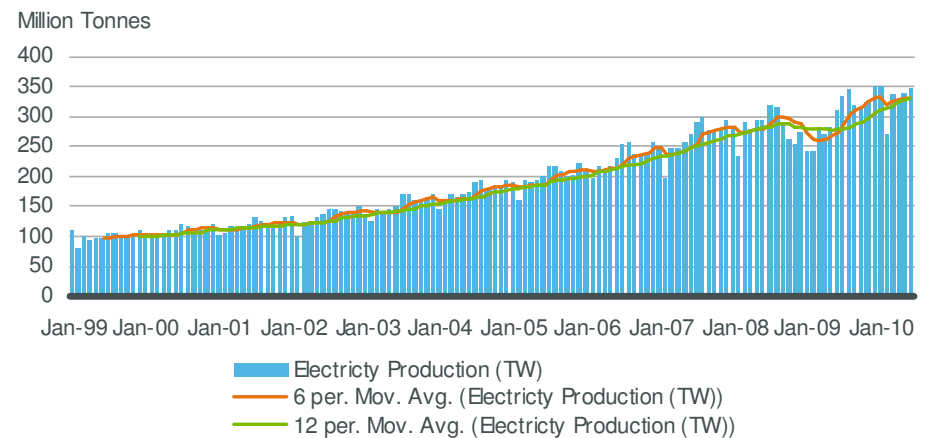
## Monthly Iron Ore Imports & Crude Steel Output



## Quarterly GDP Growth & GS Forecast



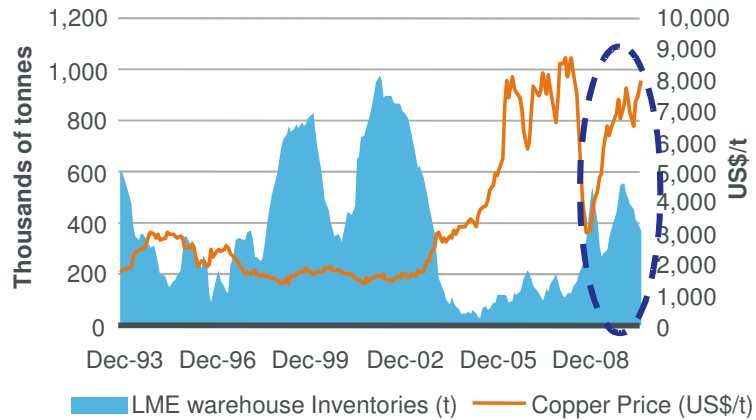
## Monthly Electricity Generation



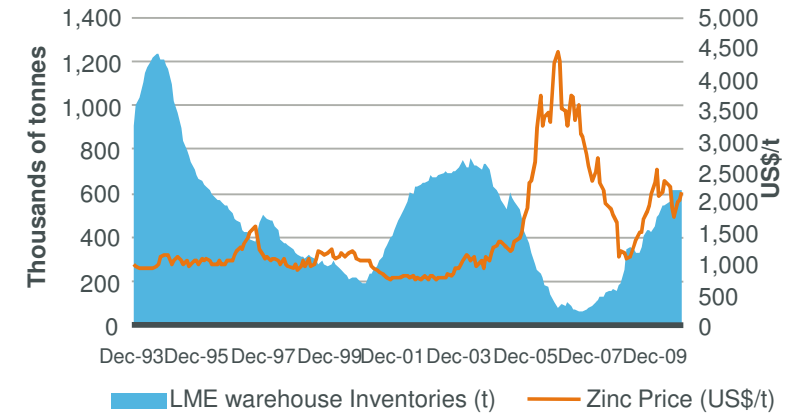
# LME inventories and base metal prices



## Copper inventories & price

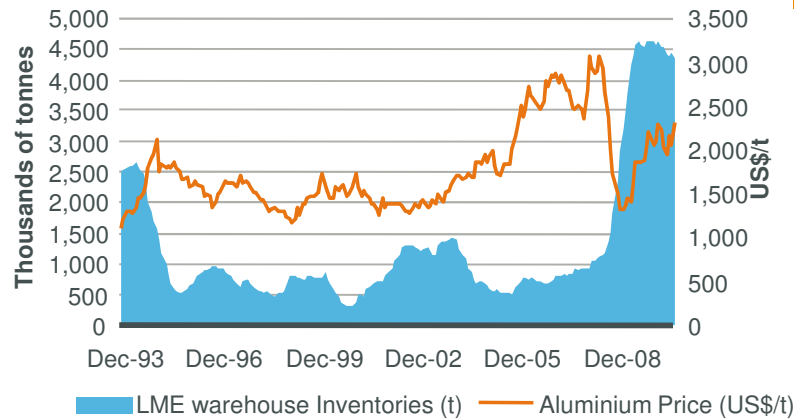


## Zinc inventories & price

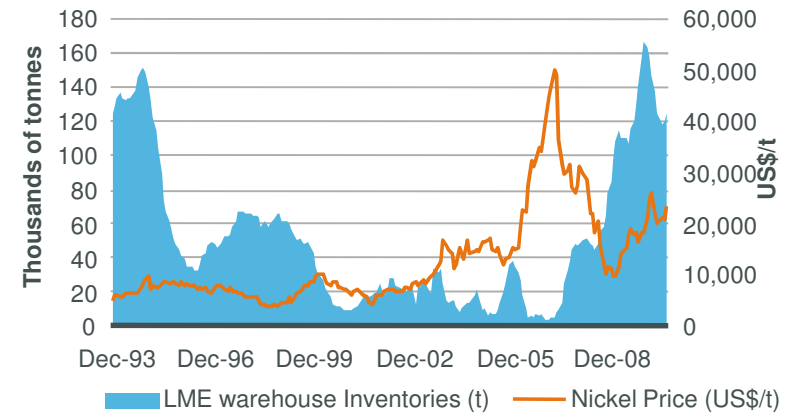


Significant increase in inventories post financial crisis – however for copper still low on historic basis and on stock consumption basis

## Aluminium inventories & price



## Nickel inventories & price

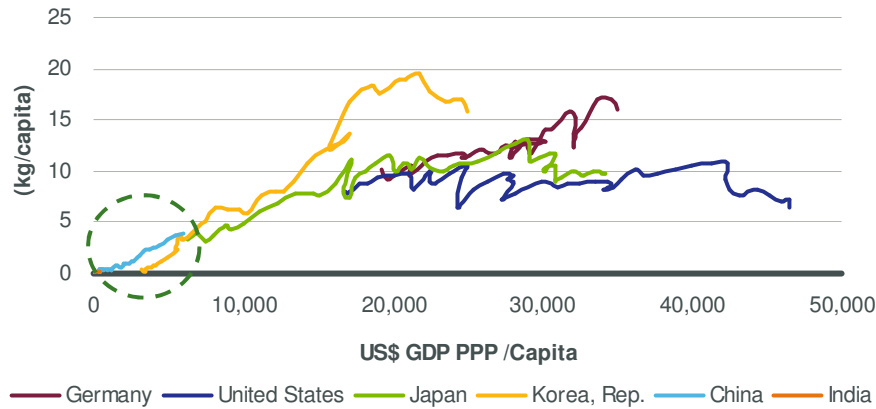




# Copper market – supply vs demand

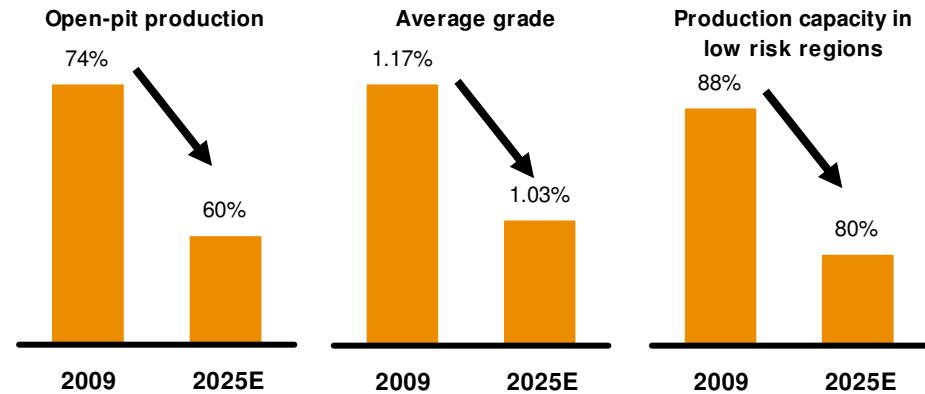


## Refined Copper Consumption: China continues to grow, and what about India?



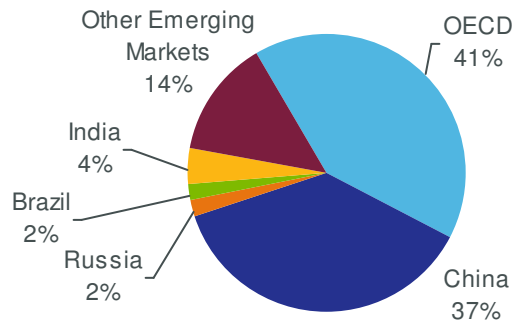
Source: Brook Hunt BHP Billiton Marketing Presentation Sept 09

## Challenges to global forecast production: Increasing depth, decreasing grade and higher risk



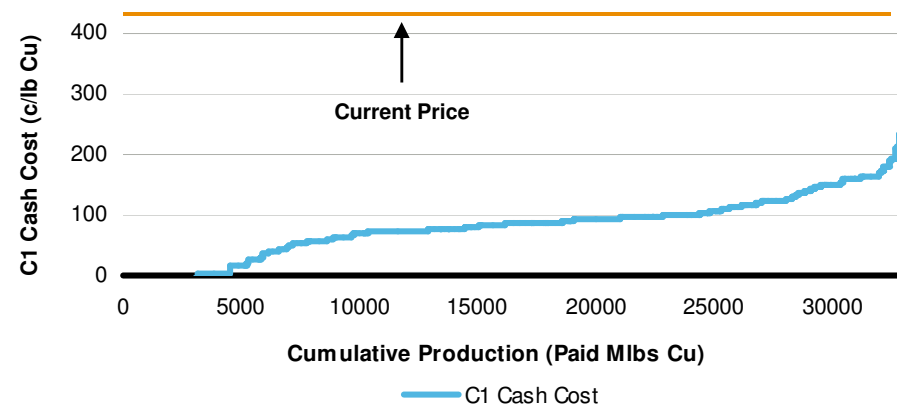
Source: Rio Tinto, October 2009, based on Brook Hunt data

## Breakdown of 2009 Copper Demand



Source: Pie Chart based on Goldman Sachs data, July 2010

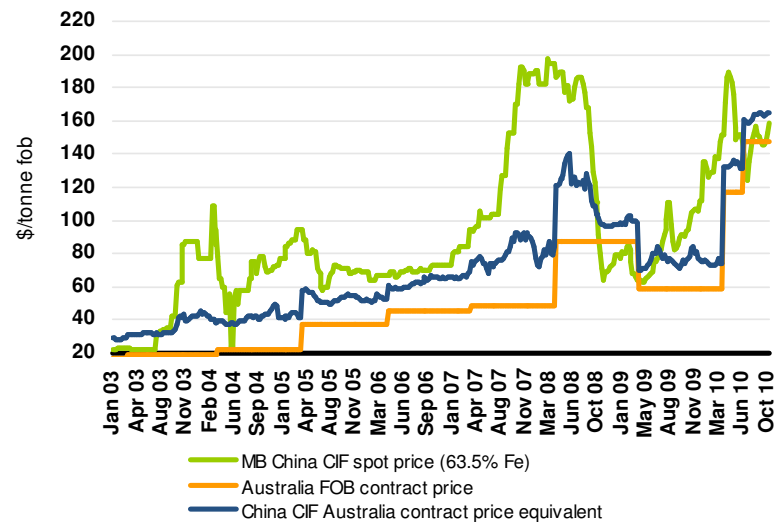
## 2009 Copper Industry Cost Data



# Iron ore

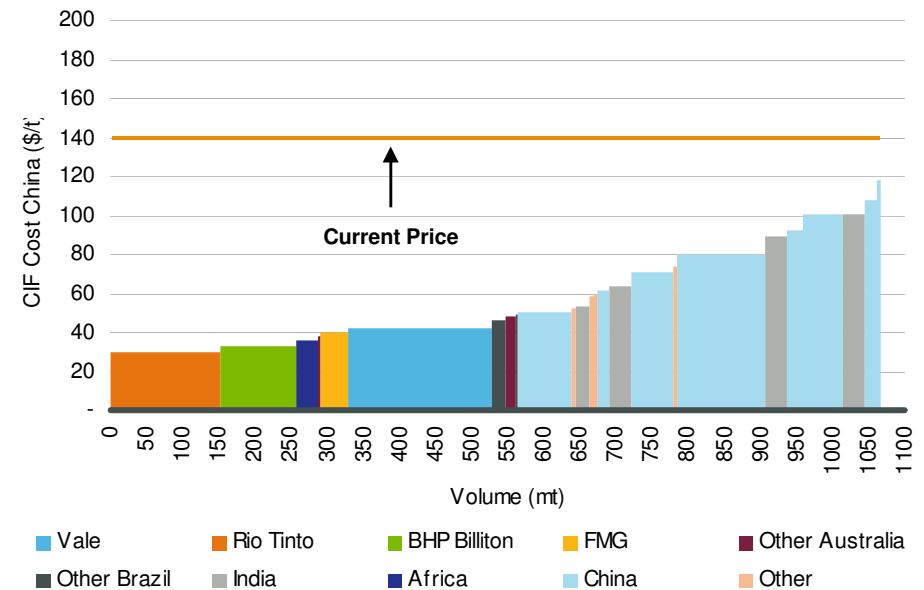


## Iron Ore Pricing



Source: CLSA data as at October 2010

## Supply curve to Chinese market for iron ore fines



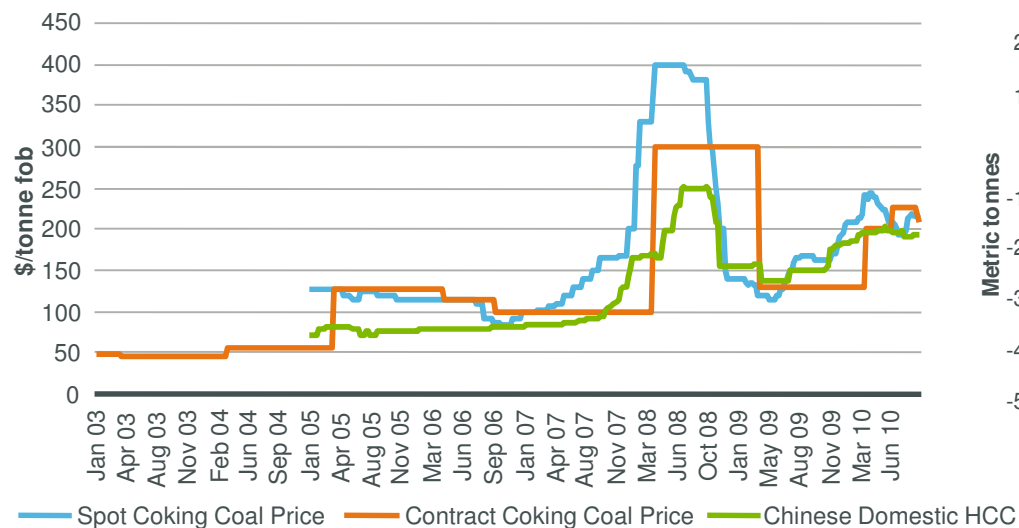
Source: Macquarie/The Steel Index as at end March 2010

- Iron ore markets changing significantly with move to quarterly pricing
- This appears to be a permanent change though the exact mechanism for pricing is still evolving
- Provides greater level of pricing transparency
- Directly reference spot price – driven by high cost Chinese and Indian production

# Coal Prices

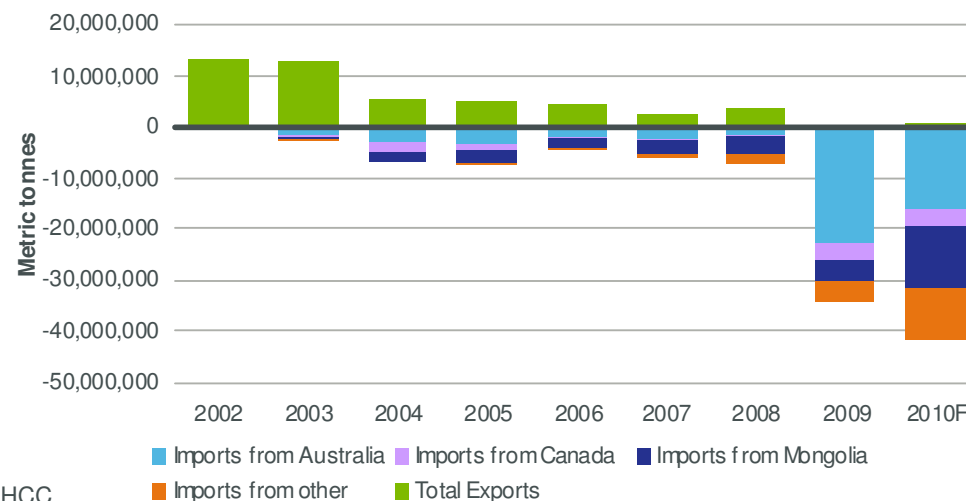


## Coking Coal Pricing



Source: Macquarie data as at October 2010

## Chinese Coking Coal Trade (tonnes)



Source: Macquarie as at June 10

- BHP Billiton have departed from annual benchmark for coking coal and settled at US\$225/t for Q3 2010
- High quality seaborne product sufficiently differentiated from low quality Chinese supply
- Early settlement of thermal coal contracts shows potential of bulk producers to exert pricing power
- China currently driving worldwide met coal demand
- China combined with increasing power capacity utilization in the US and the rest of the world should drive Atlantic basin met coal demand in 2010 and beyond

# Metal price forecast upgrades



## Earnings upgrades as analysts lift commodity price expectations



Upgraded 12 month copper price forecast by 37% to \$11,000/mt

*5<sup>th</sup> October 2010*

Announces price upgrades to copper, lead and zinc

*20<sup>th</sup> October 2010*



'QE2 will prolong the bull market in commodities.... Top picks are thermal coal, iron ore, palladium, copper and zinc'

Significant upgrades to commodities price forecasts

*18<sup>th</sup> October 2010*

'We expect the copper price to break \$5/lb in this cycle'

*8<sup>th</sup> October 2010*

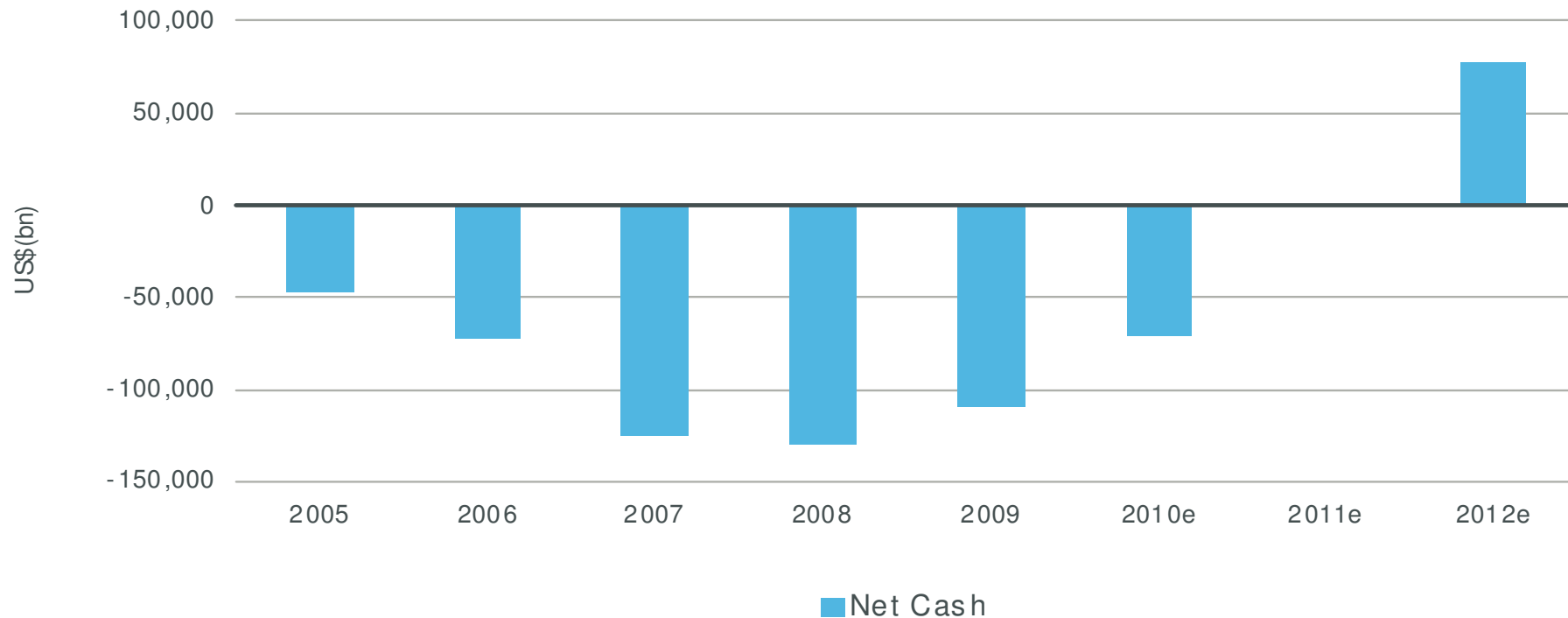


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# From Debt Mountains to Cash Piles



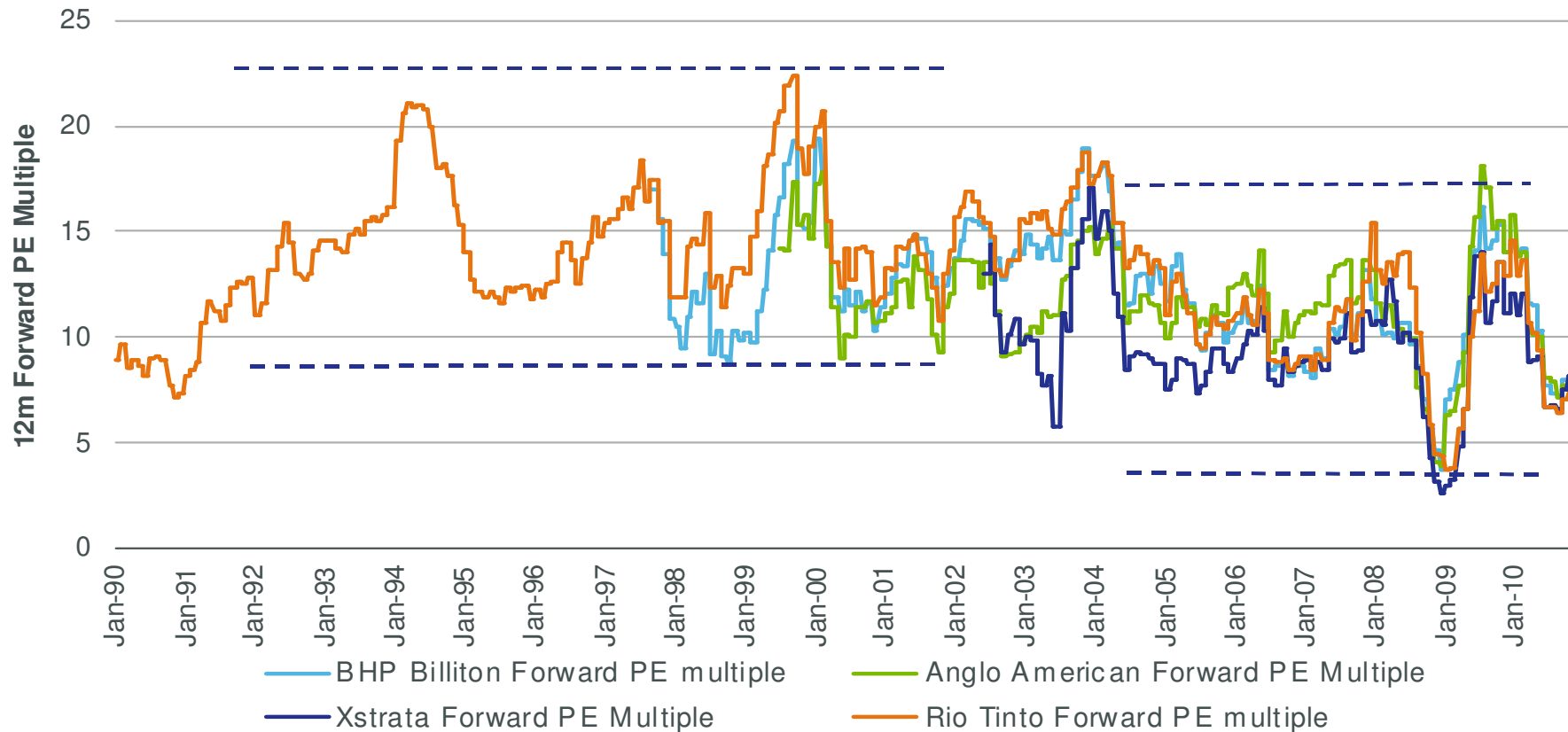
- Mining sector forecast to be in a net cash position by the end of 2011
- First time this has been the case in recent history



- Use of improved spending power – capex, M&A and dividends

Source: Citigroup, October 2010

# A New Trading Range for the Diversifieds?



- Diversified companies have been trading in a lower PE range than during the last cycle (92-02)
- These now appear to be at a discount compared to historic levels

# Corporate events



**Dividends have resumed or increased and debt markets are reopening**

**Anglo reinstates dividend after two-year break**

*Financial Times, 30<sup>th</sup> July 2010*

**Xstrata reinstates final dividend, upbeat on outlook**

*Reuters, 8<sup>th</sup> February 2010*

**Teck Resources Sells \$700 Million of Notes in Two-Part Offering**

*Bloomberg, 8<sup>th</sup> September 2010*

**Miner Freeport's profit soars; dividend doubled**

*Reuters, 21<sup>st</sup> October 2010*

**Gold producers reward investors with dividend boosts**

*The Globe and Mail, 30<sup>th</sup> July 2010*

**Significant M&A activity in the mining sector as companies start to put the large volumes of cash on their balance sheets to work**

- Newcrest Mining bid for Lihir Gold; Kinross bid for Red Back Mining, Vedanta bids for Cairn India, Xstrata bid for Sphere Minerals
- Chalco raises equity to JV the Simandou iron ore project in Guinea with Rio Tinto
- BHP and Vale both acquired fertiliser assets; BHP bids for Potash Corp
- FNX Mining Co and Quadra Mining merger
- Hostile Battle for Australian coal assets

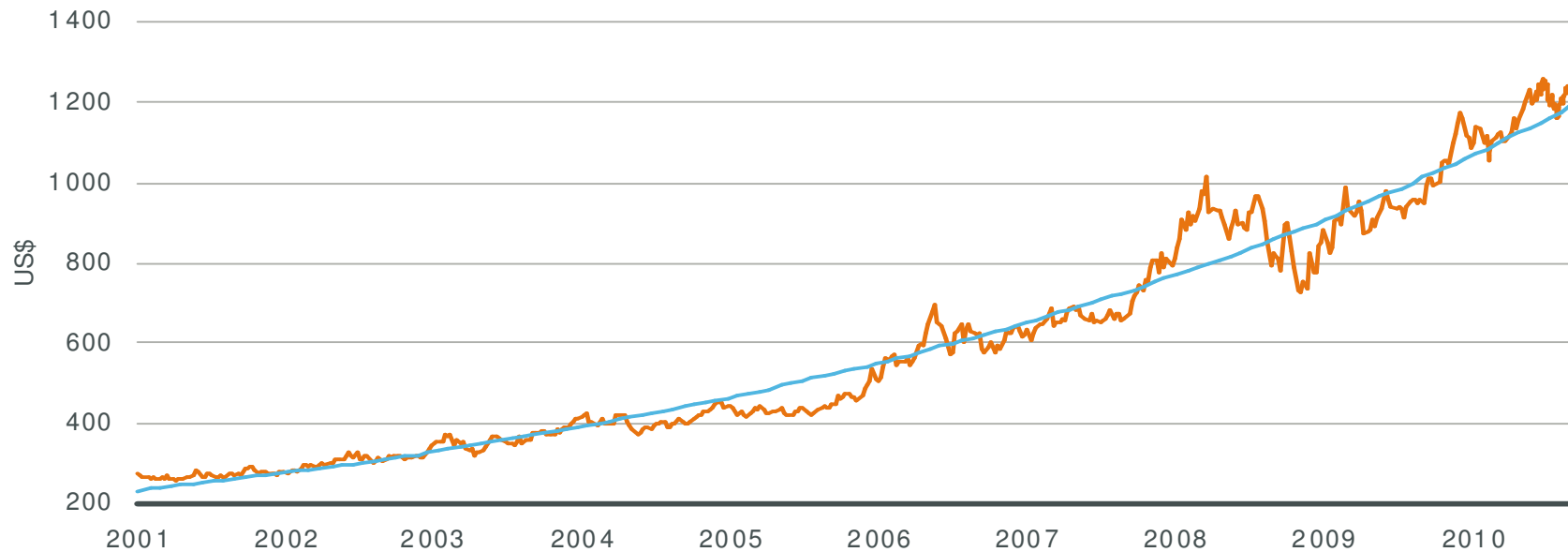


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# Gold market



## Gold Price US\$/oz



Source: DataStream, as at 27 September 2010

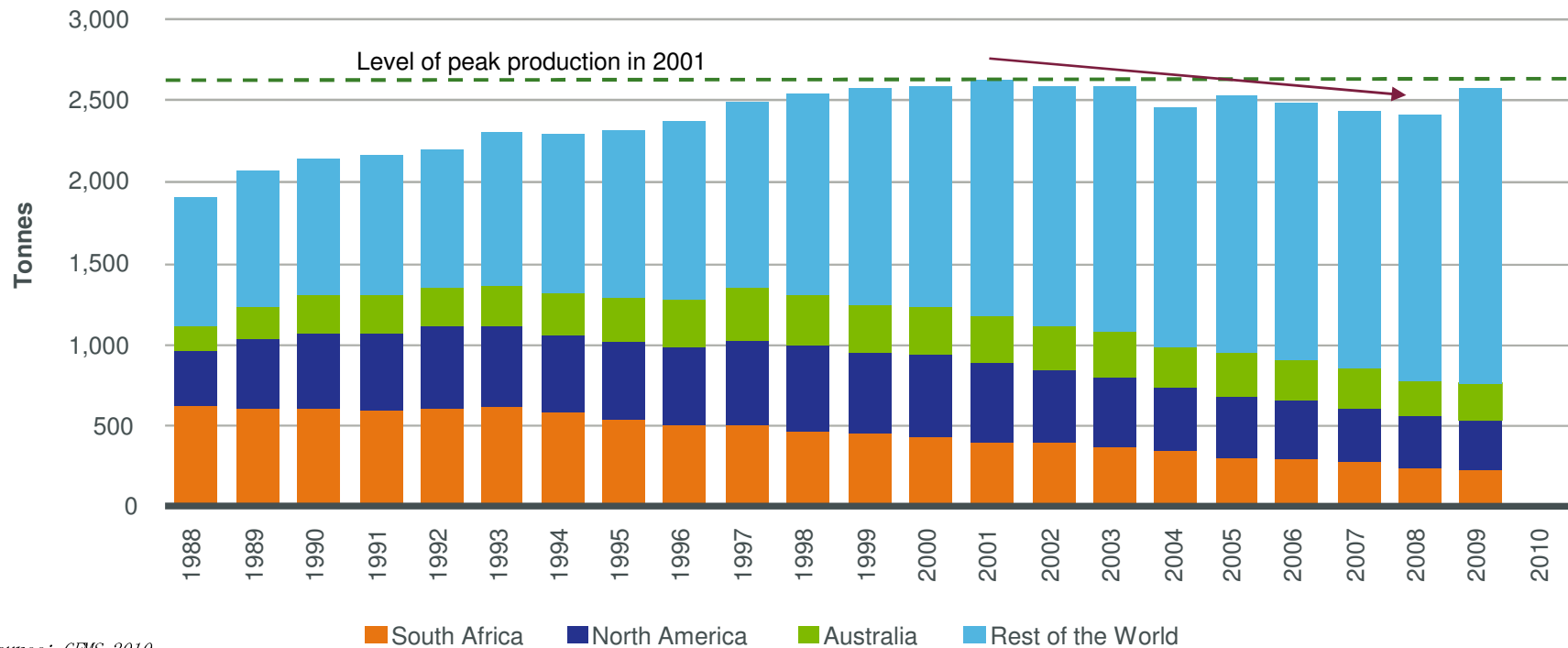
- Gained 13% in H1 2010 (in US\$ terms)
- Gold has been in a bull market since 2001
- Financial crisis accelerated an already upward trend
- Driven by strong supply as well as demand fundamentals



# A stagnant industry



**World Gold Mine Production, 1988-2009**



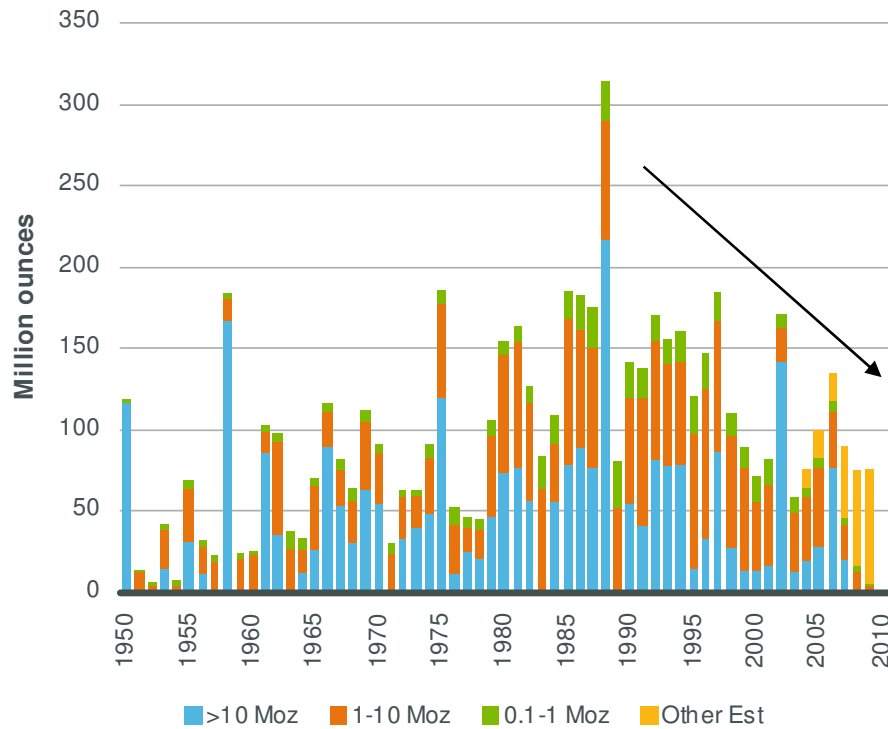
Source: GFMS 2010

- Mine production peaked in 2001; 2008 production was the lowest level since 1996
- In 2009 mine supply increased by 7% owing to new mine start ups and improving economics for existing production
- This rate of growth does not appear to be sustainable
- Number of world's largest gold mines are approaching the end of their lives and grades across the industry are falling
- We estimate total cost of production (exploration, development and mining) c.US\$900/oz

# Mine supply – Future supply challenged

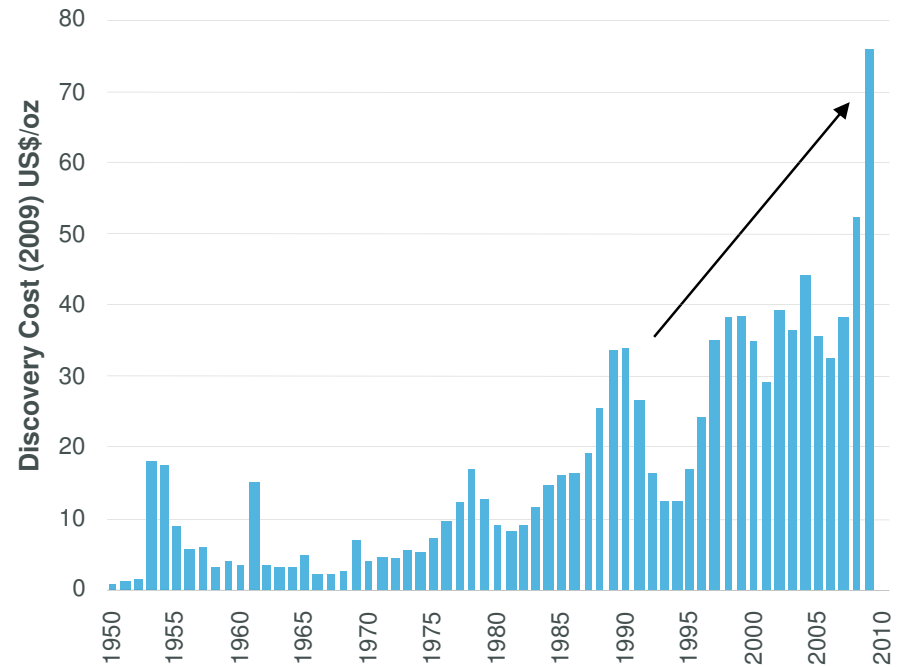


## World Discovery Trends



Source: Gold Fields, August 2010

## 3-Year Rolling Average Discover Cost

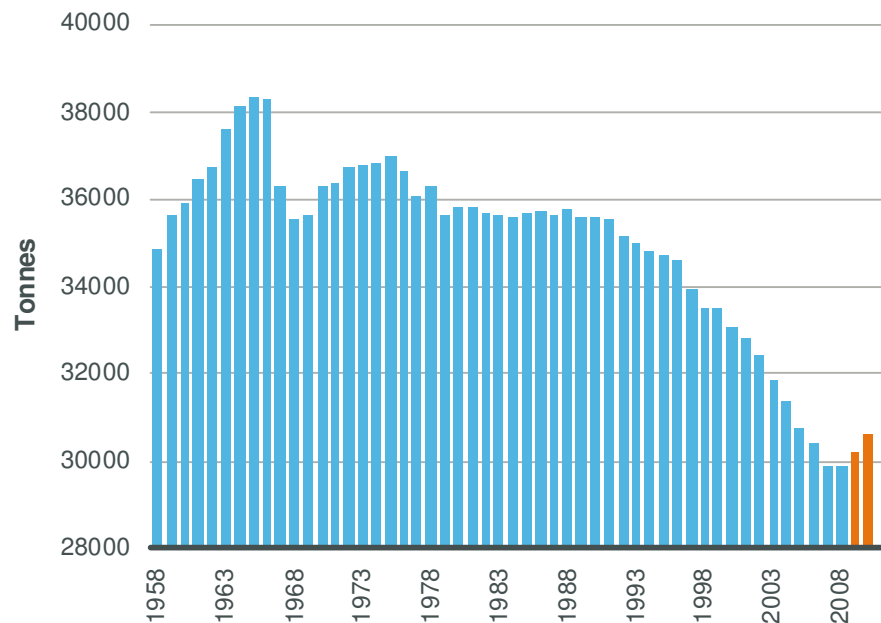


Source: Gold Fields, August 2010

# Central Bank Gold holdings – Strategic shift in attitude

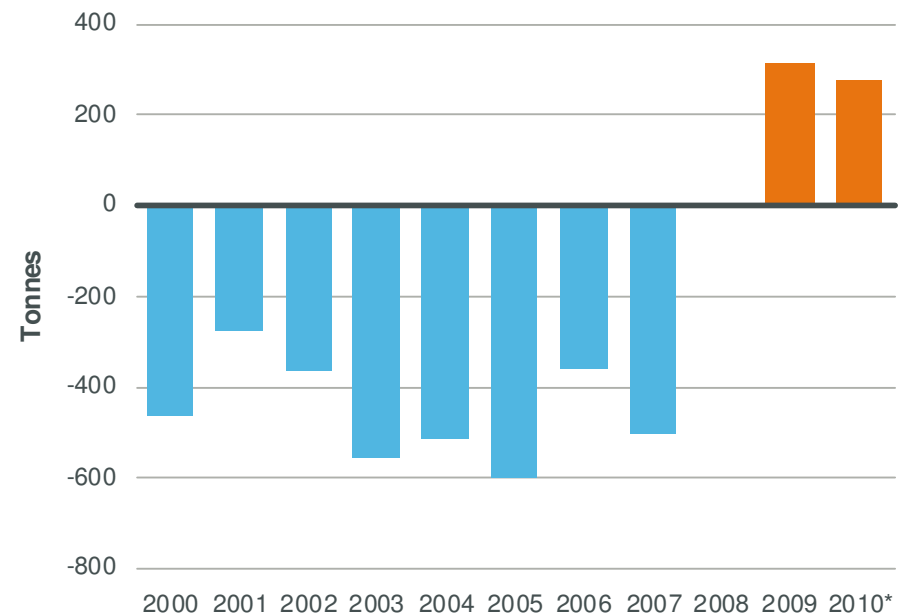


Central Bank Gold Holdings (1958-2010)



Source: Deutschebank, August 2010

Change in official sector gold holdings 2000-2010



Source: World Gold Council, June 2010. \*Data to Q1 2010

- China – announced increase of gold reserves from 600t to 1,054t
- Central Bank Gold Agreement – renewed for a further 5 years with a lower limit and inclusive of IMF disposal
- India – purchased 200t from the IMF off-market
- In June 2010 Saudi Arabia announced a significant increase in their previously reported gold holdings

# Investment Demand – Key Drivers



## Portfolio Diversifier

Low correlation to fixed income and equities

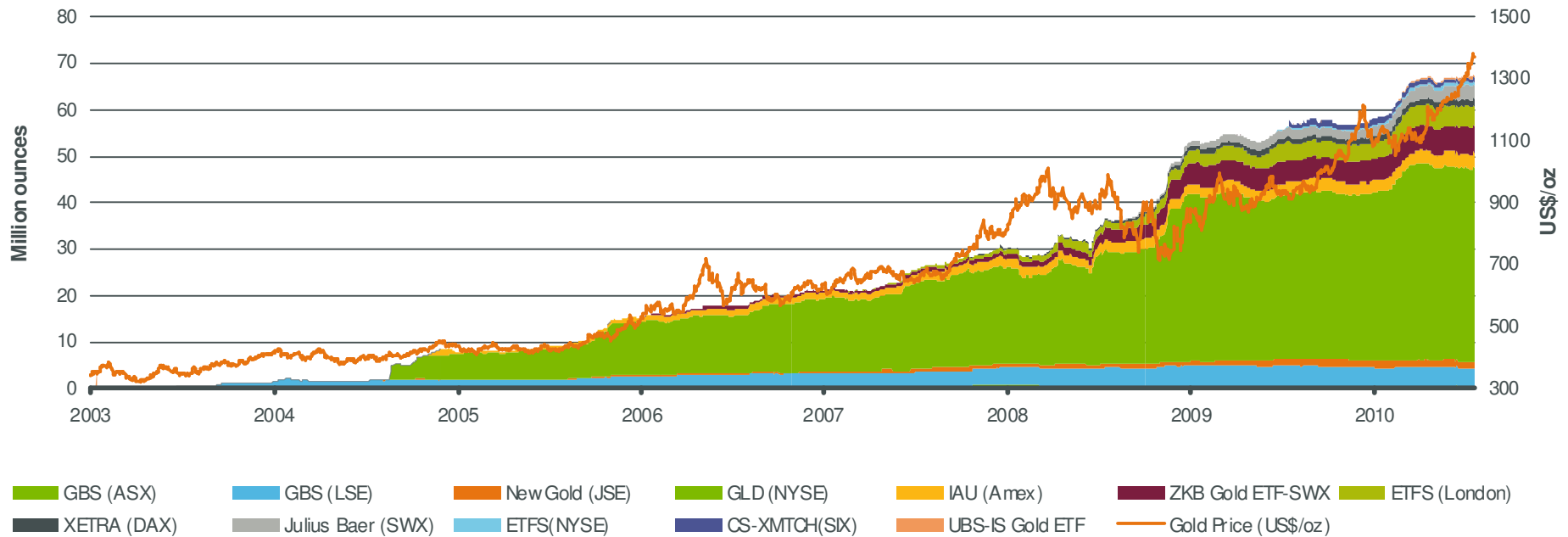
## Inflationary Concerns

Impact of quantitative easing – risk of inflationary scenario has increased

## Currency Volatility / Dollar Weakness

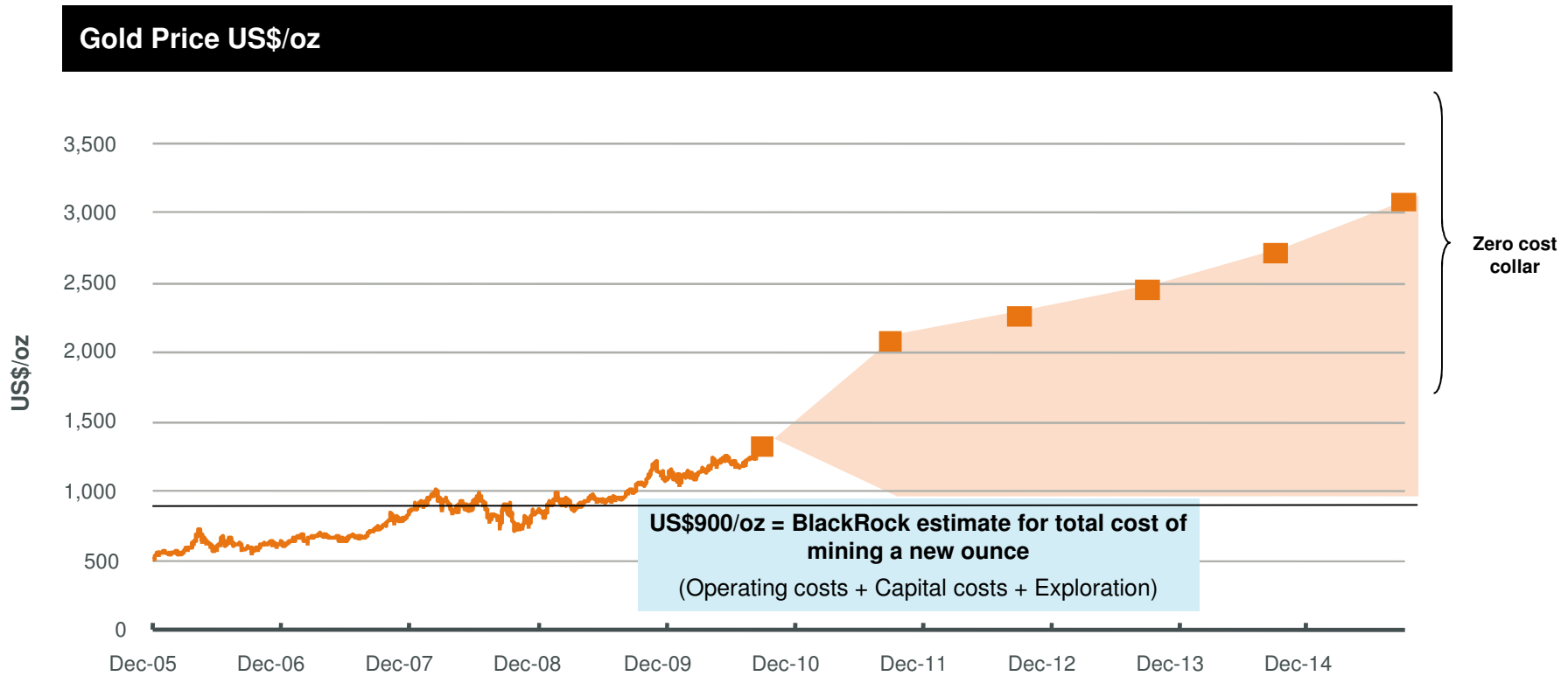
Current account deficit in US of >\$700bn

## Amount of gold backed by ETFs



Source: UBS. Data as at 18 October 2010

# What are gold options telling us?



**Support for current gold price**

- Stagnant mine supply
- Improving jewellery demand
- Reduced European Central Bank selling

**Upside risk**

- Emerging Market Central Bank purchases
- Increasing inflation expectations
- Risk diversification

Source: DataStream and GS, October 2010



# GMI PORTFOLIO

# GMI Portfolio strategy



## **A portfolio of high calibre companies**

- High quality assets
- Strong management
- Robust balance sheets

## **Focus on long life, low cost assets**

- Less prone to capex inflation
- Most of capex already spent

## **Significant exposure to diversified companies**

- High margins, high barriers to entry and consolidated supply ownership

## **Low emphasis on explorers / developers**

# GMI Portfolio update



- **Closed-ended structure provides ability to:**
  - Take advantage of opportunities not available to general investor: Glencore, GV Gold, Jumelles
  - Ability to take on gearing
- **As at end September, 10.0% portfolio in fixed income securities with running yield of 4.8%**
  - 8.9% in convertible bonds
  - 1.1% in corporate bonds
- **Current favoured sectors: bulk commodities, copper, platinum, gold**
- **Underweight aluminium and zinc**

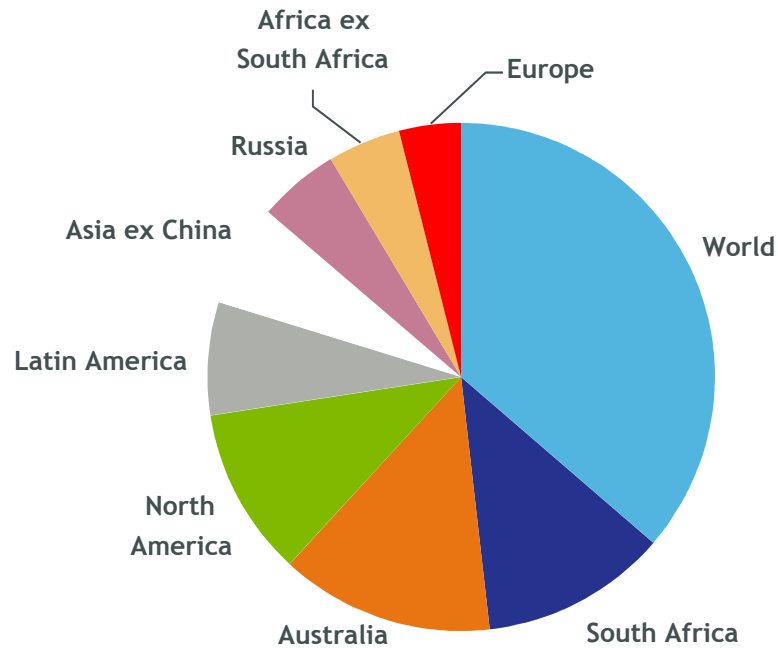


# GMI Portfolio



Number of holdings	57
Cash level	-8.1%
Forward PE (12 month)	14.9x
Dividend yield	1.7%

Risk country (by assets)

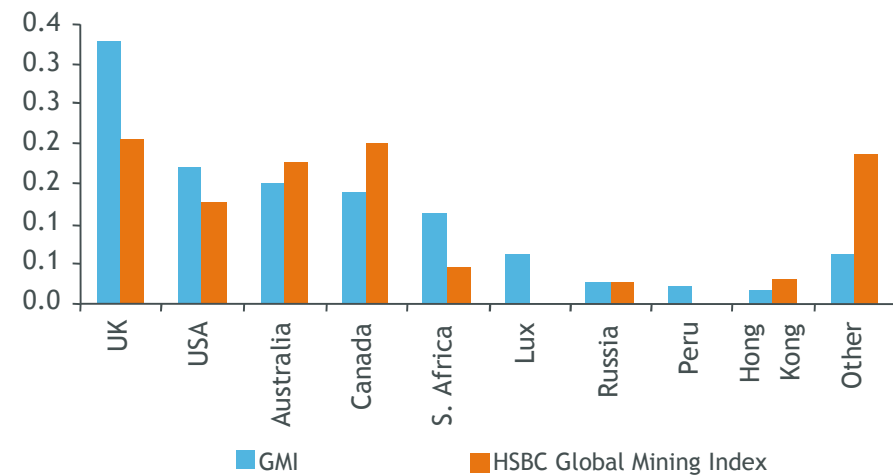


Source: Internal as at 30<sup>th</sup> September 2010.

Commodity Sector Exposure



Market Exposure



# GMI Top Ten



Company	% of Fund	Geography	Commodity
Rio Tinto	9.6	Global	Diversified
BHP Billiton	8.2	Global	Diversified
Vale	7.7	Latin America	Diversified
Glencore	6.0	Global	Diversified
Newcrest	4.8	Australia	Gold
Xstrata	4.6	Global	Diversified
Freeport McMoran C&G	4.6	Global	Copper
Teck Resources	4.0	North America	Diversified
Impala	3.6	South Africa	Platinum
Buenaventura	3.2	Latin America	Gold
<b>Total</b>	<b>56.3%</b>		

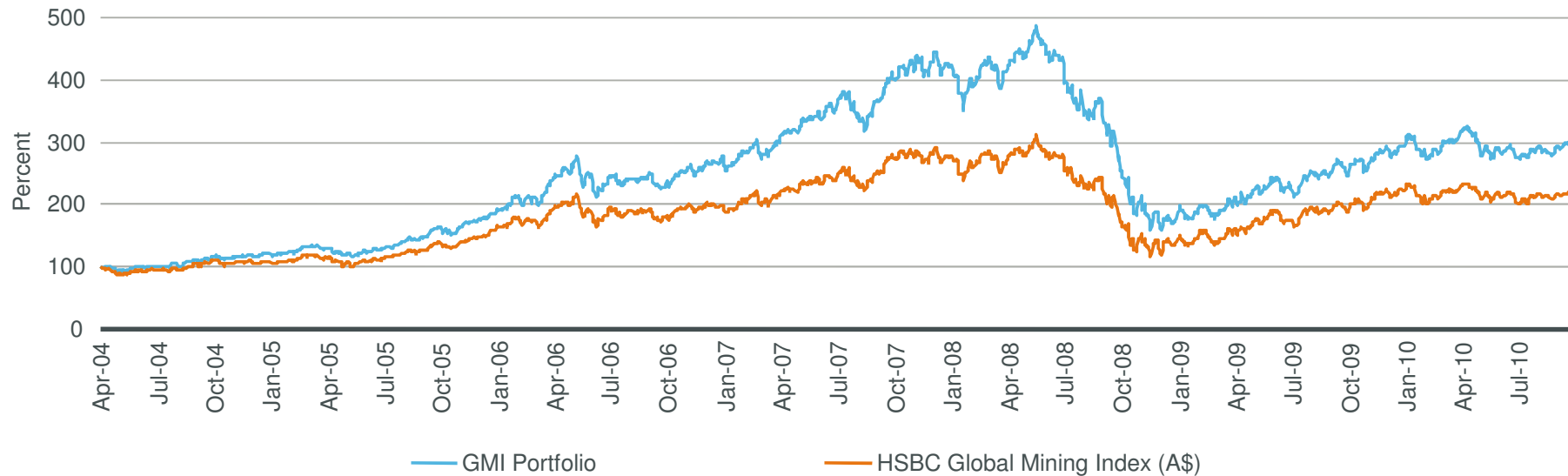
***Number of Holdings: 57***

*Source: Internal as at end September 2010. Indicative only and subject to change.*

# GMI Portfolio Performance



**GMI Portfolio (net of management fees) vs. HSBC Global Mining Index (A\$) (rebased to 100)**



A\$	1m	3m	6m	1 Yr	3 Yrs (p.a.)	5 Yrs (p.a.)
GMI	6.1%	9.7%	-2.3%	18.5%	-9.2%	13.1%
HSBC Global Mining Index	4.2%	6.1%	-2.4%	12.9%	-7.1%	9.5%

Source: Internal. Performance as at end September 2010. Launched April 2004. Returns over one year are annualised



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