
Merrill Lynch World Mining Trust plc

2868209

The Company's objective is to
maximise total returns to shareholders
through a world-wide portfolio of
mining and metal securities.
Up to 10% of the assets may be
invested in physical metals.



Details about the Company are available on the Merrill Lynch Investment Managers website at www.mlim.co.uk/its

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Performance Record

Performance record

Year ended 31 December	Net Assets attributable to Ordinary Shareholders £'000	Undiluted Net Asset Value per Ordinary Share p	Diluted Net Asset Value per Ordinary Share p	Gearing %	Ordinary Share Price p	Gross Revenue £'000	Revenue available for Ordinary Shareholders £'000	Earnings per Ordinary Share p	Dividends per Ordinary Share p
1994	446,816	104.94	104.12	–	93.50	12,077	3,642	0.86	0.77
1995	452,762	106.27	105.23	0.1	93.00	15,758	5,637	1.32	1.00
1996	424,774	99.70	n/a	–	86.50	14,977	5,082	1.19	1.15
1997	318,494	74.75	n/a	–	59.50	11,163	3,894	0.91	0.85
1998	230,284	60.92	–	–	55.75	11,442	5,619	1.43	1.20*
1999	223,397	116.99	–	11.2	100.75	6,430	2,238	1.00	1.20
2000	186,022	109.36	–	8.3	91.50	7,970	2,939	1.63	1.30
2001	196,726	118.48	–	–	96.50	11,650	6,434	3.82	1.45**
2002	243,350	149.48	–	–	131.75	8,484	4,110	2.52	1.60***
2003	389,244	239.09	–	8.8	217.00	7,657	2,816	1.73	1.70
2004	395,357	242.85	238.87	6.0	218.00	12,672	4,899	3.01	1.75****

* Excluding a special dividend of 1.15p per share.

** Excluding a special dividend of 1.70p per share.

*** Excluding a special dividend of 0.50p per share.

**** Excluding a special dividend of 0.75p per share.

Portfolio performance from launch on 15 December 1993 to 31 December 2004

Chairman's Statement

I am pleased to report that by the end of the year under review the Net Asset Value of your Company had recovered from the 16% decline reported at the interim stage to record a slight gain overall. Over the year the undiluted NAV grew by 2.7% to 242.85p, our fourth consecutive year of growth and roughly in line with the benchmark. The share price ended the year virtually unchanged at 218.00p, 3.9% below the all time high of 226.75p achieved in January 2004.

Performance

Earnings per share were 3.01p, an increase of 74% from the previous year which includes the benefit of some investment trading. The dividend is increased once again, from 1.70p to 1.75p and the directors have declared a special dividend of 0.75p per share.

In March 2004 shareholders were issued with bonus warrants on the basis of one warrant for every five shares held. These become exercisable on 29 April 2005 at a share price of 219p compared to the price at going to press of 227.50p – a new all time high. The warrant price at this time is 10.50p. We will shortly be writing to warrant holders setting out the possible courses of action.

Commodity markets experienced a strong year in 2004 as the global economy continued to prosper, led in the main by China. In particular, metal prices surged in US dollar terms although the weakness of the currency served to reduce the benefits to sterling investors. With China continuing as the growth engine for the world economy your Company has been well positioned to reap the benefits.

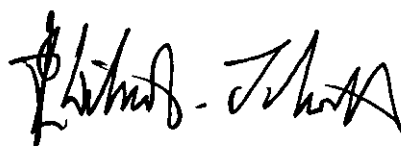
As detailed later in this report, your Board's Corporate Governance responsibilities continue to expand. We are fully supportive of the guidelines issued by the AITC in this connection and will be adopting the further measures recommended for the coming year.

Having served on the Board virtually since the Company was established in December 1993, Andrew Buxton will be retiring after the forthcoming AGM having reached the age of 70. We are enormously grateful to him for the wisdom and guidance he has provided to the Company over this time. Gordon Sage will succeed him as the Senior Independent Director and Colin Buchan will assume chairmanship of the Audit Committee. As mentioned in the interim report, Oliver Baring joined the Board on 4 November 2004. He worked for Anglo American Group prior to joining Rowe & Pitman in 1970, subsequently leading UBS Warburg's International Mining Group. He is currently Group Executive Chairman of First Africa and his experience should prove invaluable.

Outlook

Although the pace of economic expansion may well moderate during the year ahead, the outlook for demand growth in the metals and minerals sector continues to be encouraging. Once again China should help lead the way, with commodity prices predicted to strengthen further. We are hopeful that this will lead to the mining sector outperforming global equities generally. Your Company is fully invested to benefit from these conditions.

P S Wilmot-Sitwell
14 February 2005



Investment Manager's Report

Portfolio performance

As set out in the Chairman's statement, we are pleased to report that a good second half performance was enough to wipe out the negative returns seen in the first half of 2004. However taking the year as a whole the performance of the portfolio was somewhat disappointing given that commodity prices were generally stronger and many companies in the mining sector reported record earnings. For calendar year 2004 the Company's net asset value "NAV" and share price (with net income reinvested) rose by 2.7% and 2.8% respectively. In "capital" only terms the NAV rose by 1.6% and the share price by 0.5%. This compares with the HSBC Global Mining Index (sterling terms) which rose by 2.5% (capital only) and 4.4% (with income reinvested).

Although the overall gain achieved during the year was modest it is noteworthy that the Company's share price and NAV reached new all-time highs during 2004 of 226.75p and 250.97p respectively.

Mining share overview

The global capital market backdrop was broadly neutral to mildly positive in 2004 with lacklustre economic activity in the US and especially Europe matched by continuing strength of economic growth in China. Ongoing political and military problems in Iraq though, coupled with the high oil price, sapped enthusiasm for equities generally in the first half of the year. However the second half of the year saw stronger performance in the equity markets meaning the MSCI World Index finished 2004 up 14.7% (US\$ terms). Currency effects have again been important for investors in world equities and a Euro or Sterling based investor will have found the returns from the MSCI World Index less appealing than a dollar based investor at 4.7% and 7.0% respectively.

Weakness of the dollar was a persistent stock market theme during the year and is likely to remain important for the Company's portfolio as we progress through 2005. The dollar has come under pressure due to deep seated concerns about the sustainability of the US's large current account deficit. Furthermore, despite the recent dollar weakness, the US trade position has remained poor and November's trade deficit of \$60bn was the highest ever and equivalent to \$205 for every man, woman and child in the country. With US interest rates remaining at a low level in both real and nominal terms there is little obvious incentive to hold dollar cash.

As commodity prices are denominated in dollars and natural resources equities could thus be viewed as "dollar earners" it is to be expected that a structurally weak dollar will have a sizeable effect on returns in the Company's portfolio. Certainly the "short dollar" and "long commodities" pair trade has been popular amongst dollar-based investors aiming to protect themselves from a falling paper currency by holding physical assets. The correlation between the trade weighted dollar and both commodity equities and commodities is well documented and there is no doubt that a weak dollar is usually good for mining and gold shares.

The situation is not though without its complexities. The commodity-linked currencies such as the Australian dollar, the Canadian dollar and especially the South African rand have all been stronger than one would expect to see just from dollar weakness. As a consequence, corporate earnings have been crimped in these areas relative to those in "dollar zone" areas. This is certainly one of the reasons why mining equities responded in such an insipid fashion in comparison with the price movements of virtually all commodities during 2004.

In addition to currency movements, two other key factors contributed to the unusual divergence between commodity prices and the shares of the companies that produce the commodities; worries over Chinese growth and worries over the Federal Reserve action to raise interest rates. These "long term" factors impact because the pool of participants in commodity markets is different from that of equities and they have different motivations. Sometimes market events which impact commodities have little impact on equities and contrariwise. For example between January and mid-May 2004 mining equities suffered badly as a consequence of long term equity investor jitters concerning the outlook for the Chinese economy. Commodity markets on the other hand tended to focus more on the "here and now" and largely ignored the potential slowdown paying more attention to the continuing strength of underlying demand. Similarly equity market concerns about Federal Reserve tightening tend to be shrugged off by commodity markets.

Investment Manager's Report continued

This divergence is illustrated in the chart below which compares mining equities with an index of base metal prices. It can be seen that the divergence reached its widest point towards the end of April/early May when China worries were at their peak and the first Federal Reserve tightening for several years loomed. In fact April turned out to be the fourth worst month for absolute returns of mining equities in the past twenty years and the Company's portfolio fell by over 15% during that month alone. In the second half of the year metal prices resumed their upwards trend and investor confidence returned to the mining sector which then was able to "catch up" much of the lost performance.

Virtually all commodities both hard and soft rose in price during the year. The table shows the price moves of those metals and minerals that are most important to the Company's portfolio. Although as mentioned above some of the gloss was taken off by currency movements, the better pricing environment showed through in some good earnings numbers for the leading companies in the mining industry. Despite mounting pressure on production costs, the big diversified mining companies are mostly expected to have achieved record earnings for the year and will also be making record returns to shareholders.

	Price 31/12/04	% Change 12 month	% Change Average '04/'03
Gold (US\$/troy oz)	438	5.0%	12.6%
Silver (US\$/troy oz)	6.81	14.3%	36.5%
Platinum (US\$/troy oz)	861	5.9%	22.3%
Nickel (US\$/tonne)	15,202	-8.6%	43.7%
Copper (Cents/lb)	148	41.3%	61.1%
Aluminium (US\$/tonne)	1,963	23.3%	19.9%
Zinc (US\$/tonne)	1,269	26.0%	26.6%
Tin (US\$/tonne)	7,762	18.3%	73.5%

Gold and precious commodities

Gold equities performed poorly in 2004 with the FT Gold Mines Index dropping 6.9% in dollar terms despite the gold price reaching new 16 year highs towards the end of the year. As was the case in 2003, market enthusiasm for gold shares was eroded by a stream of opportunistic capital raisings coupled with poor earnings performances from the major companies in the sector.

Gold's performance was helped by a combination of a weak dollar, low interest rates, stagnant gold mine output (down 4% in 2004 according to consultants GFMS), rising investment demand and gold mine hedge "buybacks". Investment demand in particular received a big boost from the long awaited launch of the "StreetTRACKS" gold Exchange Traded Fund on the New York Stock Exchange which for the first time will allow US institutional investors an easy route into the gold market. The gold ETFs have now in aggregate soaked up about 200 tonnes of gold. On the supply side, the gold market took heart from the renewal of the "Central Bank Gold Agreement" which locks the leading European Central Banks into a further five years of gold sales quota – albeit with a limit raised to 500 tonnes per annum. It is though far from certain that the European Central Banks will entirely fill their quota as the Bundesbank has declared that it will pass up all but eight tonnes of its sales entitlement next year. This decision is due to Bundesbank reservations about using the proceeds of gold sales to help plug Germany's yawning budget deficit.

Investment in gold shares has not been a large feature of the portfolio strategy in 2004. At year end 2003 gold exposure in the portfolio stood at 19.2% and at end 2004 it stood at 11.3%. This reduction reflects the weaker capital performance of gold shares in comparison with other parts of the mining sector as well as further reduction in positions. Nonetheless gold

Investment Manager's Report continued

remains an important element in the portfolio (gold shares in the benchmark stand at 17.2%).

The most disappointing gold shares in 2004 were again the South African producers Harmony (1.6% of the portfolio) and Gold Fields (2.9%). The strong rand pressured their profitability all year and in October Harmony launched a hostile takeover bid for its fellow South African producer with the aim of exploiting synergies and gaining more critical mass. We voted the Company's shares against this transaction as we were unconvinced of the argument that shareholder value would be created. Subsequent to the commencement of the bid, the shares of both companies have fallen in value. The outcome of the corporate battle remains in the balance.

The largest gold holding in the portfolio, Buenaventura (5.1% of the portfolio), also had a difficult year and was impacted by local and national Peruvian politics. At the local level, farmers in Peru have become increasingly sensitised to land use issues and have caused Newmont and Buenaventura to suspend exploration in a portion of their Yanacocha mining lease. On the national level the Peruvian Government is planning to introduce sales-based tax that will impact the sector. We believe that profit based taxation is more appropriate for cyclical sectors.

Platinum remained firm in 2004 and in April reached a new all time high of US\$936/oz. This strength can be attributed to the slow ramp-up of production in South Africa together with buoyant demand from the autocatalyst market. There are signs that the jewellery industry is resistant to paying such highly elevated prices for metal. The Company's portfolio currently holds three platinum equities; Impala Platinum (4.6% of the portfolio), Aquarius Platinum (0.4%) and Anglo American Platinum (0.3%). All three have operations based in South Africa and have thus been impacted by the strong rand. Impala and Aquarius both completed major Black Economic Empowerment "BEE" transactions during the year. In Impala's case, this involved divesting its holding in Lonplats into a BEE vehicle for a substantial cash consideration. This will be used to support a stock buy-back in the coming months.

The diamond market was again strong this year with De Beers implementing three price rises. Our largest diamond equity holding is Aber Diamond (4.0% of the portfolio) which owns a 40% stake in the Diavik mine in Canada with Rio Tinto holding 60%. This mine continues to show great promise and as we predicted in last year's annual report Aber has now paid its maiden dividend. In Zimbabwe, Rio Tinto began commissioning

of the Murowa diamond mine (78% Rio Tinto 22% RioZim). Although production has started off at a low level of 200,000 carats per annum, there is scope to lift this to 1 million carats per annum. The Company's portfolio includes a holding equivalent to 6% of RioZim's issued capital. This stock is carried in the portfolio at zero value in view of the poor marketability of the stock and the difficulty of currency conversion.

Base metals

Base metals had an excellent year with China underpinning demand and a weak dollar flattering the price trend. Overall, inventories in London Metal Exchange (LME) warehouses declined reflecting favourable supply and demand trends. For all of the base metals, inventories are either at or approaching levels where we would normally expect to see price strength and volatility. The MG Base Metals Index – a basket of metals – rose by 24.3% during the year and the average price was up by over 39% in comparison with the average for 2003. Base metal equities as a whole though were barely changed – with the base metals sub index of the HSBC Global Mining Index up by 2% in dollar terms.

Nickel, 2003's strongest base metal, proved to be the weakest in 2004, declining from US\$7.54/lb to US\$6.89/lb over the course of the year. Nickel was the only major base metal to fall in price year on year although the average price for 2004 was significantly higher at US\$6.28/lb (vs US\$4.38/lb in 2003). The strong pricing environment led to a surge in earnings and cash flows of the main nickel producers in the portfolio. Nonetheless the share prices of the North American producers Inco and Falconbridge were disappointing – with Inco (1.5% of the portfolio) posting a fall of 7.6% during the year and Falconbridge (4.8%) only managing a rise of 7.0% (US dollar terms). Star performer was the French nickel-manganese company Eramet (1.1%) which rose by 85% in US dollar terms and stunned analysts with earnings far in excess of expectations. The worst performer in the nickel area was Norilsk Nickel – down 20.7% – which was impacted by "Russia" concerns.

Several of the nickel-related companies were involved in "corporate action" in 2004. The two largest proposed transactions (Noranda-Falconbridge-Minmetals) and (WMC-Xstrata) are discussed elsewhere in this report. The other large nickel deal to affect the portfolio was the agreed bid for the Australian stock MPI Mines by the Canadian nickel miner Lionore. This was consummated in January 2005 and we have

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retained the resulting holding in Lionore in the portfolio and disposed of the gold spin-off Leviathan.

At year end, nickel exposure in the portfolio stood at 8.9% – down a little from end 2003 (10.1%) reflecting mainly the partial disposal of the holding in Inco and outright sale of the holding in the Australian producer Minara which continued to struggle in attempting to reach design capacity.

As we predicted, copper continued its strong run in 2004, starting the year at 105.3c/lb and finishing at 148.7c/lb for a year on year gain of 41.3%. The average for the year exceeded the average for 2003 by 61.1%. The price strength resulted from a combination of good underlying demand – especially in China – and supply disruptions. The most notable production side problem came at Freeport Copper's Grasberg mine in Indonesia where a large pitwall failure led to some 180,000t of lost production. Grasberg is the world's largest copper mine and the shortfall exacerbated an already tight market. Inventories of copper in LME, COMEX & Shanghai warehouses slipped to historically low levels of 124,000 tonnes – equivalent to less than one week of consumption. Not surprisingly the low inventory levels encouraged speculative activity which pushed copper as high as 149.1c/lb in October – the highest price since 1988. In addition to the high copper price many copper mining companies also received an added boost from by-product molybdenum which surged from 6.25US\$/lb to 33.00US\$/lb.

Given the strength of the market the performance of the Company's copper equities was disappointing. Best performer was First Quantum Minerals (2.2% of the portfolio and up 43% in dollar terms) – this company made considerable progress in

developing the Kansanshi copper mine in Zambia and also enjoyed success on its extensive exploration properties on the border between the Democratic Republic of Congo and Zambia.

Most other copper equities in the portfolio such as Antofagasta (1.6% of the portfolio), Southern Peru Copper (0.8%), Jiangxi Copper (1.7%) and Amerigo Resources (1.4%) had excellent earnings but returned only small gains. Palabora Mining (1.4%) once more proved a laggard dropping by 33% – and has grappled with a combination of the strong rand and operational problems at its mine in South Africa. Interestingly, a possible solution to Palabora's woes may come from iron ore. As a by-product of copper mining Palabora has accumulated an 238mt stockpile of magnetite – which is now economically viable at today's iron ore prices and will be shipped over the next several years. We re-established a holding in Freeport McMoRan Copper & Gold (0.2% of the portfolio) following the resumption of normal mining at Grasberg. We sold the holdings in Ivanhoe and Norddeutsche Affinerie during the year.

Thanks to the strong cash flows, dividend flow from copper companies picked up sharply in 2004. Southern Peru more than tripled its payout in 2004 and is currently trading on a dividend yield of 5.5%. Freeport Copper also lifted its payment by over 300% despite the operating difficulties suffered earlier in the year. Cerro Verde paid a maiden dividend and announced a major investment programme to lift production substantially at its Peruvian mine.

The strong underlying cash flows within the copper industry coupled with the lacklustre share price performance has restored considerable value into the equities. As a result we expect to see a resumption of corporate activity in this area of the market. In 2004, corporate action in the copper industry centred on the long-running merger proposal of Southern Peru with Grupo Mexico's mining business. We quite like the commercial logic of this deal and once consummated may lift the overall size of the holding.

With many of the copper equities behaving in a lacklustre manner we attempted to capture some of the benefits of the rising price through direct investments in copper futures. At year end all the physical copper positions had been liquidated. At the end of 2004, copper exposure in the portfolio was 9.9% – compared with 10.6% at the end of 2003.

Aluminium continued to lag behind other base metals during 2004, weighed down by the large stockpiles of metal in LME warehouses and elsewhere. Nonetheless aluminium reached

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nine year highs towards the end of the year and gained 23.3% over the course of the year. This price strength failed to inspire the equity markets and Alcoa, the world's largest aluminium company fell in price by 17% during the year.

At current price levels Alcoa is, in our view, becoming an increasingly attractive investment. At end December Alcoa represented 1.6% of the portfolio – a considerable "underweight position" in comparison with our benchmark index (5.3%). One of the ways that we have been aiming to increase the Company's holding is through "put writing" in which we agree to potentially buy stock at a fixed price on a fixed date in exchange for an option premium. We currently have written puts covering 80,000 shares which, if exercised would lift Alcoa to about 2.6% of the portfolio. The Chinese aluminium company Chalco – the best performing stock in the portfolio during 2003 – also fell substantially by about 23%. Chalco has been impacted by tariff changes in China. We took considerable profits from the holding in Chalco during the year and it now represents only 1.6% of the portfolio.

The best performing aluminium share in the portfolio was Alcan Aluminium (1.2% of the portfolio) which rose by just under 5% during the year. Alcan has been successfully integrating last year's acquisition of Pechiney and recently announced the spin-out of its rolling business into a new company Novelis.

The largest aluminium investment in the portfolio (representing 4.0%) is the Australian company Alumina Ltd – the shares of which dropped by 5% during 2004. We like Alumina Ltd because of its high quality long life assets and its dominant market position – it is well placed to "grow" into the expanding demand from smelters. We are also expecting to see an increase in the price of the company's alumina production in comparison with the price of aluminium itself – a helpful factor for margins. Overall, the portfolio's exposure to aluminium/alumina closed the year at 8.9% compared to 13.4% at the end of 2003.

The minor base metals continued to improve their prices during the year with lead going to a 14 year high of US\$1,055/tonne, tin reaching a 15 year high of US\$10,087/tonne and zinc moving to a five year high of US\$1,269/tonne. The stronger performance of zinc is particularly encouraging as it always seems to be a perennial laggard. Inventories of zinc in LME warehouses have been declining and China has turned around from being a net exporter of the metal to being a modest net importer. This change suggests that zinc might see a sizeable deficit of supply in comparison with demand in 2005. If this

occurs then we expect that zinc prices could become buoyant. Regrettably, after years of depressed prices there are few sizeable zinc plays for us to invest in. However March 2004 saw the flotation of the Australian company Zinifex – a new company emerging phoenix-like from the ashes of the former Pasminco. Zinifex endured a poor stockmarket debut and this gave us the opportunity to build up a holding (now 1.9% of the portfolio) at an attractive price. Towards the end of the year we also participated in an equity issue by the Swedish zinc miner Boliden (0.4% of the portfolio). This integrated base metal company operates the Tara mine in Eire – Europe's largest zinc mine – as well as the Aitik copper mine and a number of other polymetallic mines in Sweden. At the junior end of the market we invested in an equity issue by Griffin Mining which is developing the Caijiaying zinc gold project in China – due to enter production in the summer of 2005.

Our investment in the Peruvian tin miner Minsur (1.1% of the portfolio) had a good year with the shares rising by 60.7% in dollar terms. Minsur is one of the largest and certainly the most profitable tin miners in the world and benefited from the high tin price as well as the disposal of its holding in Corporacion Backus in 2003. This debt free company has accumulated a considerable cash-pile and while some of this was paid out as a sizeable dividend at year end, the remainder might be earmarked for a new gold discovery that the company has reportedly made.

The portfolio has futures positions in zinc and tin equivalent to 0.4% and 0.1% of the portfolio respectively.

Diversified mining companies and industrial commodities

The UK listed diversified mining companies mostly had a good year – buoyed up by record breaking bulk commodity prices and strong base metals markets. Robust demand from the Chinese steel industry was again the reason why iron ore and coking coal moved higher with record price rises achieved by producers. There is every indication that the markets will strengthen further in 2005.

The best performing stock was Xstrata – up by over 58% in US dollar terms. Xstrata (4.0% of the portfolio) was the last of the major coal producers to settle 2004 contract prices and therefore achieved significantly better prices than others who struck terms earlier. Furthermore, the company benefited from its timely purchase of MIM in early 2003 – and has therefore had good exposure to the recovery in base metals prices. The net result for Xstrata was a 413% surge in net profits. In

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October, Xstrata sought to keep up the momentum by making a hostile cash bid for WMC Resources. If Xstrata is successful in its bid, it will deepen the company's exposure to copper and add uranium and nickel to the suite of products – thereby broadening the company's appeal to international investors. WMC has itself had an excellent year in 2004 with the strong base metals prices contributing to a surge in cash flow dividends and earnings. WMC Resources has already indicated that it will make a 30c/share capital return to shareholders in 2005 as well as buying back \$250m of stock. We like the proposed business combination of Xstrata and WMC but in view of the sizeable premium of the WMC share price to Xstrata's offer we have cut our holding substantially.

2003's best performer – BHP Billiton (6.5% of portfolio) – had another excellent year and achieved record earnings and cash flow. BHP Billiton had a perfect product mix and was able to take advantage of stronger iron ore coal and oil/gas markets. BHP Billiton has led the way in demonstrating commitment to shareholder value by returning \$2bn through a stock buyback and \$1.5bn through dividends (up by 87% on the 2003 levels). The shares rose by 34.2% in dollar terms during the year.

"New kid" in the sector, Vedanta Resources (1.9% of the portfolio), which listed in December 2003 had a much better year in 2004 after its shaky IPO. The company is the only stock offering exposure to the high-growth Indian market and it made good progress with its business plan during the year by recapitalising its local subsidiary Sterlite and pressing ahead with development projects in zinc copper alumina and iron ore. In October it acquired Konkola Copper Mines in Zambia, an acquisition which appears to have been made at an attractive price. The shares rose by 15% over the year.

Anglo American and Rio Tinto were the laggards in the "UK group". Anglo American (1.5% of the portfolio), which rose by just under 10% in dollars, was, like all companies with significant South African exposure, adversely impacted by rand strength. Rio Tinto (second largest holding in the portfolio at 7.2%) did worse, and rose by only 6.5% in dollar terms despite favourable underlying price trends in virtually all its products. Rio Tinto suffered from several "one off" problems including its share of the Grasberg pitwall failure as well as weather related production problems in Australia. Rio Tinto appears to be suffering from a perception amongst investors that it has less growth opportunities than its peers – a point that we would take issue with. Furthermore both Anglo American and Rio Tinto have been slow to reveal to shareholders a strategy for

returning surplus capital to investors – a factor which Rio Tinto has now rectified following its annual results presentation.

Apart from Xstrata's bid for WMC Resources, the largest corporate deal in the sector in 2004 was Brascan's proposed disposal of its holding in Noranda. As mentioned in the Company's interim report we had accumulated sizeable holdings in both Noranda and Falconbridge (Noranda's majority owned mining arm) in anticipation that Brascan's disposal might trigger an auction for these businesses. In the event however, there was less interest in Noranda than expected and the only serious buyer – China Minmetals – appears to be in no hurry to consummate a deal. As a result we have disposed of the portfolio holding in Noranda – while retaining the holding in Falconbridge (4.8% of the portfolio) which has enjoyed an excellent year in 2004 thanks to strength in nickel and copper.

As mentioned above, the iron ore market has been strong in 2004 and the Company's two holdings in this area – CVRD and Caemi have both been good performers – up by 41% and 95% respectively. CVRD is the largest investment in the portfolio at 10.2% of assets, and has a fine portfolio of long life and low cost assets. A substantial increase in the iron ore price is expected in 2005. CVRD is a strong dividend payer and we expect Caemi to declare a maiden dividend in 2005.

Although the US domestic coal market has not been as strong as the seaborne coking coal market, there have nonetheless been good price rises for producers. Inventories at utilities are low and the high price of natural gas is forcing utilities to maximise their coal burn. This situation is likely to improve further in 2005. Our main holding in this area – Peabody Energy (1.5% of the portfolio) – proved to be one of the best investments in the portfolio – up by 94% on the back of the much improved outlook. Another strong coal related play was the Canadian company Teck Cominco (3.2% of the portfolio). Teck controls Fording Coal – North America's largest coking coal producer. Teck also has significant exposure to copper and zinc – both of which are generating improving cashflows. Teck has finished 2004 free of net debt and announced a doubling of its dividend towards the end of the year. We like Teck's asset mix and have added to the holding in recent months.

Iluka Resources, the Australian minerals sands company announced an excellent exploration discovery in November. The deposit – known as Jacinth – is rapidly emerging as the best zircon discovery in many years and will materially add to Iluka's

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production profile and valuation. We have been adding to the Iluka holding which now stands at 3.4% of the portfolio.

Derivatives activity

Within guidelines agreed by the Board, the Group sometimes trades in derivatives options contracts, with virtually all of the activity focused on selling either puts or calls in order to generate option premium revenues. This activity has resulted in profits in excess of £3.5 million. These positions, which are always small in comparison with the total size of the Group, usually have the effect of obliging us to buy or sell stock or futures at levels which we believe are attractive. At 31 December the Group had written put options on Alcoa for 80,000 shares, written call options on WMC Resources for 396,000 shares, and held futures on 100 tonnes of tin and 2,500 tonnes of zinc.

Gearing

In addition, at 31 December the Group was utilising £20m of its £35m overdraft facility. Net gearing is equivalent to 6.0% of net asset value. The gearing which can be repaid at any time, reflects the Manager's positive view of the markets. A subsidiary of the Company also has a number of futures contracts and investments which has the effect of increasing the gearing of the Group by a further 1.2%.

Outlook and strategy for 2005

The weak improvement in the price of mining equities during 2004 against a background of improving commodity prices has made the valuations of our largest investments appear increasingly attractive.

We believe that global economic growth in 2005 will be sufficiently robust to ensure that supply/demand balances in the metals and minerals markets remain favourable with positive implications for prices. If we are right about the pricing environment then many companies in the portfolio will report record earnings and cash flow. Given that balance sheets have already strengthened markedly during 2004 there is every likelihood that these strong cash flows will translate into higher dividends and more share-buybacks. There is also the possibility of additional "corporate activity" providing further support for the market.

For the fourth year running we expect China to be a key theme in the commodity markets. Although economists differ widely in their economic growth assumptions for China there is little doubt that its rank in the global economy will continue to increase. While it seems likely that demand growth will

moderate from the high levels of recent years it should still be sufficient to support higher commodity prices across a broad front – especially the bulk commodities iron ore and coal.

We expect to see a continuation of the upward trend in gold. Mine supply fell 4% in 2004 and is likely to fall further. Meanwhile investment demand is growing and central bank sales are likely to decline. This is a good environment for gold especially if the dollar weakens again and the Federal Reserve keeps rate rises on a slow track.

Our portfolio strategy at the start of 2005 is three pronged:

- 1) Fully invested portfolio. Emphasis on companies with strong cashflow and the potential to lift returns to shareholders through higher dividends and share buybacks.
- 2) Emphasis on companies producing those commodities in short supply in China i.e. iron ore and coking coal.
- 3) Tactical investment in commodities.

Overall we expect that the mining sector will resume its outperformance against broader global equities after the lull in 2004.

Graham Birch & Evy Hambro
Merrill Lynch Investment Managers Limited
14 February 2005

Ten Largest Investments

31 December 2004

Set out below is a brief description by the Investment Manager of the Company's ten largest investments.

CVRD (10.2%) is the world's largest producer of iron ore. Based in Brazil, the company also has significant interests in other commodities such as aluminium, copper and gold. In addition to its mining interests, CVRD owns and operates transport infrastructure.

Rio Tinto (7.2%) is one of the most successful major mining companies and arguably sets the standard to which the industry aspires. The company has interests over a broad range of metals and minerals including iron ore, copper, coal, industrial minerals and gold.

BHP Billiton (6.5%) is one of the world's largest diversified natural resource companies, formed in 2001 from the merger of BHP and Billiton. The company is an important global player in a number of commodities including aluminium, iron ore, copper, coal, manganese and diamonds. In addition, it is the only company in the portfolio with significant oil and gas assets.

Minas Buenaventura (5.1%) is South America's premier precious metals company. Its main asset is a stake in the Yanacocha gold mine in Peru, which it jointly owns with Newmont. Yanacocha is, we believe, the most profitable gold mine in the world. Buenaventura also has interests in a number of other mines and exploration projects throughout Peru.

Falconbridge (4.8%) is one of Canada's most well-known mining companies. Although it is best known for its nickel business, the company also produces important quantities of copper and zinc. Falconbridge's largest shareholder is Noranda, another Canadian company that is rumoured to be soon bought by Minmetals, a Chinese state-owned company.

*Sterling adjusted – year to 31 December 2004. Source: Datastream.

Investment	Date holding first acquired	Book cost £'000	Market value at 31 Dec 2004 £'000	% of investments	Historic yield %
CVRD	Jan 1998	26,263	42,963	10.2	2.3
Rio Tinto	Jan 1995	26,010	30,660	7.2	2.6
BHP Billiton	Oct 1997	14,625	27,473	6.5	1.8
Minas Buenaventura, 'B' shares	May 1994	4,514	21,627	5.1	1.4
Falconbridge	Jun 1994	12,846	20,254	4.8	1.3

Ten Largest Investments continued

31 December 2004

Impala Platinum (4.6%) is the world's second largest producer of platinum group metals, with mining and refining operations in South Africa. The company also owns a number of substantial assets in Zimbabwe and is a major shareholder in Aquarius Platinum.

Aber Diamond (4.0%) owns a 40% stake in the Diavik diamond mine in Canada. Operated by Rio Tinto, production began in late 2002. Most analysts believe this mine has the potential to be one of the most profitable diamonds operations in the world. Aber also has interests downstream through its acquisition of the jeweller Harry Winston in 2003.

Alumina (4.0%) was spun out from the old Western Mining Corporation in 2002. It owns a 40% stake in AWAC, the alumina/chemicals business managed by Alcoa. These predominantly Australian assets are 'low cost' and have an excellent resource base and market position.

Xstrata (4.0%) is a relative newcomer to the diversified majors through its acquisition of MIM in 2003. The company's interests include coal, copper, ferrochrome, vanadium and zinc. Xstrata's management is following an aggressive growth strategy which has proven extremely successful.

Iluka Resources (3.4%) is a leading mineral sands producer with operations in Australia and USA. The company's main focus is on the production, processing and sales of titanium minerals and zircon. The company has a pipeline of new projects and has recently made significant zircon discoveries in Southern Australia.

*Sterling adjusted – year to 31 December 2004. Source: Datastream.

Investment	Date holding first acquired	Book cost £'000	Market value at 31 Dec 2004 £'000	% of investments	Historic yield %
Impala Platinum	Sep 1994	9,979	19,506	4.6	4.4
Aber Diamond	Sep 1995	8,929	17,076	4.0	0.4
Alumina	Jan 1995	13,634	16,949	4.0	4.8
Xstrata	Mar 2002	8,442	16,776	4.0	1.3
Iluka Resources	Apr 1999	9,995	14,382	3.4	4.1

Investments

31 December 2004

	Main geographic exposure	Market value £'000	% of investments
Diversified			
CVRD	Latin America	42,963	10.2
Rio Tinto	Global	30,660	7.2
BHP Billiton	Global	27,473	6.5
Xstrata	Global	16,776	4.0
Teck Cominco	Canada	13,673	3.2
WMC Resources	Australia	10,870	2.6
Vedanta Resources	India	8,290	1.9
Anglo American	Global	6,283	1.5
Umicore	Europe	5,155	1.2
Boliden	Europe	1,667	0.4
Merrill Lynch Natural Resources Hedge Fund	Global	1,642	0.4
		165,452	39.1
Gold			
Minas Buenaventura, 'B' shares	Latin America	21,627	5.1
Gold Fields	South Africa	12,164	2.9
Harmony Gold Mining	South Africa	6,715	1.6
Oxiana	Laos	4,022	0.9
Zijin Mining	China	3,389	0.8
AngloGold Ashanti	South Africa	11	—
		47,928	11.3
Copper			
First Quantum Minerals	Zambia	9,526	2.2
Jiangxi Copper	China	7,096	1.7
Antofagasta	Latin America	6,726	1.6
Palabora Mining (inc. convertible bonds)	South Africa	5,823	1.4
Amerigo Resources	Latin America	5,787	1.4
Southern Peru Copper	Latin America	3,296	0.8
Sociedad Minera (Cerro Verde)	Latin America	1,300	0.3
Freeport McMoRan	Indonesia	996	0.2
Constellation Copper	USA	816	0.2
Equinox Minerals	Zambia	269	0.1
Quadra Mining	USA	113	—
		41,748	9.9
Nickel			
Falconbridge	Canada	20,254	4.8
Inco	Canada	6,223	1.5
Eramet	Europe	4,671	1.1
MPI Mines	Australia	3,593	0.8
Norilsk Nickel	Russia	2,865	0.7
Bindura Nickel	Africa	—	—
		37,606	8.9

Investments continued

31 December 2004

	Main geographic exposure	Market value £'000	% of investments
Aluminium			
Alumina	Australia	16,949	4.0
Aluminium Corporation of China (Chalco)	China	6,719	1.6
Alcoa	USA	6,510	1.6
Alcan Aluminium	Canada	5,107	1.2
Global Aluminium Products	Guinea	2,188	0.5
		37,473	8.9
Silver & Diamonds			
Aber Diamond	Canada	17,076	4.0
Industrias Penoles	Latin America	8,056	1.9
Rio Tinto Zimbabwe	Africa	–	–
		25,132	5.9
Platinum			
Impala Platinum	South Africa	19,506	4.6
Aquarius Platinum	South Africa	1,868	0.4
Anglo American Platinum	South Africa	1,045	0.3
		22,419	5.3
Coal			
Peabody Energy	USA	6,319	1.5
Western Canadian Coal	Canada	265	0.1
		6,584	1.6
Other			
Iluka Resources	Australia	14,382	3.4
Zinifex	Australia	7,899	1.9
Minsur	Latin America	4,806	1.1
EM Resources*	Russia	3,769	0.9
Caemi Mineracao	Latin America	2,240	0.5
LIM Zinc Future Apr 05	–	1,623	0.4
Aricom	Russia	1,050	0.2
Griffin Mining	China	862	0.2
Quay Magnesium	China	686	0.2
Marakand Minerals	Russia	471	0.1
Bluestone Tin	Australia	425	0.1
LME Tin Future Feb 05	–	404	0.1
Adelaide Resources	Australia	45	–
		38,662	9.1
Portfolio (including subsidiary company investments)		423,004	100.0

All investments are in ordinary shares unless otherwise stated.

The total number of investments held at 31 December 2004 was 60 (2003: 65).

* Unquoted investment, at directors' valuation.

Portfolio Analysis

31 December 2004

Directors

Peter S Wilmot-Sitwell*

(Chairman)

Aged 69, has been the Chairman of the Company since its launch in December 1993. He was executive chairman of S.G. Warburg Securities until his retirement in 1994 and has been a non executive director of several quoted companies.

Ian C S Barby

Aged 60, was appointed to the Board in December 2003. He is non-executive chairman of Martin Currie European Investment Trust plc and a non-executive director of Ecofin Water and Power Opportunities plc and INVESCO Perpetual UK Smaller Companies Investment Trust plc. He was Managing Director of Merrill Lynch Investment Managers' Investment Trusts division until June 2003.

Oliver A G Baring*

Aged 60, was appointed to the Board on 4 November 2004. He is currently chairman of First Africa Ltd and holds non executive chairmanships of Ridge Mining (Cluff) plc and African Gold plc as well as directorships in Robert Fox Limited, Tilley International and Tiedemann Trust Company.

Colin A M Buchan*

Aged 50, was appointed to the Board in July 2001. He was Global Head of Equities at UBS Warburg before his retirement in March 2001. He is a non-executive director of Standard Life Investments, National Westminster Bank plc, The Royal Bank of Scotland plc, The Royal Bank of Scotland Group plc, The Fettes Foundation and The Royal Scottish National Orchestra.

Andrew E Buxton*

Aged 69, was appointed to the Board of the Company in April 1994. He was an executive director of Rio Tinto plc until his retirement in 1992.

Gordon H Sage*

Aged 57, was appointed to the Board in July 2001. He was an executive director of Rio Tinto plc until his retirement early in 2001 and is deputy chairman of ERM Holdings Ltd, an environmental consulting concern, and of Balfour Beatty plc.

All the directors are non-executive

* Independent director and member of the Audit & Management Engagement Committee.

Directors' Report

The directors present the annual report and financial statements of the Company and its subsidiary undertakings for the year ended 31 December 2004.

Principal activity and business review

The Company carries on business as an investment trust. Its principal activity is portfolio investment and that of its two subsidiary undertakings, Merrill Lynch Gold Limited and World Mining Investment Company Limited, is investment dealing.

A review of the business is given in the Investment Manager's Report.

Status of the Company

In the opinion of the directors, the Company has conducted its affairs during the year under review, and subsequently, so as to qualify as an investment trust for the purposes of section 842 of the Income and Corporation Taxes Act 1988 ("ICTA"). The last accounting period for which the Company has been treated as approved as an investment trust by the Inland Revenue was for the year ended 31 December 2003. It is the Company's intention to continue to seek approval under section 842 of ICTA.

The Company is an investment company and can take advantage of section 265 of the Companies Act 1985 (which allows an investment company to disregard losses on the capital account when paying dividends out of revenue account).

The Company is not a close company within the meaning of the provisions of ICTA.

The Company's shares are eligible for inclusion in the stocks and shares component of an Individual Savings Account.

Continuation of the Company

As agreed by shareholders in 1998, an ordinary resolution for the continuance of the Company is proposed at each Annual General Meeting ("AGM").

Going concern

The accounts of the Company have been produced on a going concern basis. The directors think this is the appropriate basis as the continuation vote, being an annual event, is considered to be a routine item, and the majority of the Company's assets are readily realisable. The Company is able to meet all of its liabilities from its assets.

Results and dividend

The revenue for the Group is set out in the consolidated revenue account on page 28. Consolidated revenue for the year, after taxation, was £4,899,000 (2003: £2,816,000).

The directors recommend the payment of a final dividend of 1.75p per share and have declared a special dividend of 0.75p per share in respect of the year ended 31 December 2004 (2003: 1.70p). The dividends will be paid on 31 March 2005 to shareholders on the register of members at close of business on 25 February 2005. The cost of the dividends amount to £4,070,000.

Share capital

Details of the Company's share capital are given in note 18 on page 40.

On 26 March 2004 the Company made a bonus issue of 1 warrant for every 5 ordinary shares held, resulting in the issue of 32,559,564 warrants. Each warrant entitles the holder to subscribe for one new ordinary share on 29 April 2005 at 219p. The Company will write to warrant holders prior to April to remind them of their subscription rights.

Derivative transactions

Details of the Group's derivative transactions are given in the Investment Manager's Report on page 11 and in note 16 on pages 38 to 39.

Directors

The directors of the Company on 31 December 2004, all of whom held office throughout the year under review (unless otherwise detailed), and their interests in the ordinary shares and warrants of the Company, are shown in the table below.

As reported in the interim report, Mr A R Fleming resigned as a director on 17 June 2004.

	1 January 2004		31 December 2004	
	Ordinary	Warrants	Ordinary	Warrants
	Shares		Shares	
P S Wilmot-Sitwell	45,000	—	45,000	9,000
I C S Barby	—	—	5,000	—
O A G Baring (appointed 4 November 2004)	—	—	—	—
C A M Buchan	20,000	—	20,000	4,000
A E Buxton	8,000	—	8,000	—
G H Sage	10,000	—	10,000	2,000

Directors' Report continued

All of the holdings of the directors are beneficial. No changes to these holdings had been notified up to the date of this report.

The directors retiring by rotation are Mr P S Wilmot-Sitwell and Mr G H Sage, who both offer themselves for re-election.

Mr Buxton will be retiring after the forthcoming Annual General Meeting on 17 March 2005, as he will have attained the age of 70 by that date and this would be in accordance with the Company's established practice.

Mr Wilmot-Sitwell has been a director and Chairman of the Company since 1994 and Mr Sage has been a director since 2001. Both directors have considerable knowledge and experience of the mining sector worldwide, as well as wider commercial experience, and their re-election is recommended to shareholders. Mr Wilmot-Sitwell will attain the age of 70 before the 2006 AGM and it would therefore be his intention to retire at that meeting. The Board will identify his successor before that date.

Mr O A G Baring, having been appointed as a director on 4 November 2004, also retires and offers himself for election. Mr Baring brings to the Board his extensive knowledge of the mining sector, as well as wider corporate finance and commercial experience.

Mr Buchan will become Chairman of the Audit & Management Engagement Committee, in place of Mr Buxton when he retires. Mr Sage will become the Senior Independent Director on Mr Buxton's retirement.

None of the directors has a service contract with the Company.

Directors' remuneration report

The directors' remuneration report is set out on page 22. An ordinary resolution to approve this report will be put to members at the forthcoming AGM. No person's entitlement to remuneration is conditional upon the resolution being approved.

Substantial shares interests

The Company has been advised that the following shareholders owned 3% or more of the ordinary shares of the Company on 11 February 2005.

	Number of Ordinary Shares	% of Issued Ordinary Share Capital
Lazard Asset Management	13,175,900	8.1
Legal & General Investment Management Limited	6,141,803	3.8
Reed Elsevier Ltd Pension Scheme	5,700,000	3.5

Investment policy

The Company's investment objective is to maximise total returns to shareholders through a worldwide portfolio of mining and metal securities. Up to 10% of the assets may be invested in physical metals. No material change will be made to the objective without shareholder approval.

While the Company may hold shares in other listed investment companies (including investment trusts), the Board has agreed that the Company will not invest more than 15% of its gross assets in other UK listed investment companies.

Investment management and administration

Merrill Lynch Investment Managers Limited ("MLIM") is the Investment Manager of the Company under a contract terminable at six months' notice. The management fee is 0.95% per annum of gross assets. The value of any investment in MLIM managed funds is excluded when calculating the management fee.

No penalty on termination of the investment management contract would be payable by the Company in the event that six months' written notice is given to MLIM. There are no provisions relating to payment of fees in lieu of notice.

Merrill Lynch Investment Managers Group Services Limited ("MLIMGS") acts as the secretary and administrator of the Company and receives an annual fee of 0.05% of gross assets. The Bank of New York Europe Limited ("BNYE") is the custodian of the Company's assets. BNYE received an annual fee of 0.1% of gross assets until 30 April 2004. The fee payable to BNYE has been renegotiated with effect from 1 May 2004 and now is payable at rates depending on the number of trades effected and location of securities held.

Both MLIM and MLIMGS are subsidiaries of Merrill Lynch & Co., Inc.

Directors' Report continued

Appointment of the Investment Manager

The Board keeps the resources and performance of the Investment Manager under review, and a comparative review of the terms is undertaken annually.

The Board believes that the continuing appointment of the Investment Manager, on the terms disclosed above, is in the interests of all shareholders. The specialist nature of the Company's investment remit is, in the Board's view, best served by the Natural Resources team at MLIM, who have a proven track record in successfully investing in the mining sector.

Gearing policy

The Manager believes that tactical use of gearing can add value from time to time. This gearing typically is in the form of an overdraft or short term facility, which can be repaid at any time. The level and benefit of gearing is discussed and agreed with the Board regularly.

The Investment Manager generally aims to be fully invested. The gearing limit is currently 15% of the Company's net assets.

Voting policy

The exercise of voting rights attached to the Company's portfolio has been delegated to the Investment Manager. However, the consent of the Chairman of the Board is sought prior to the Investment Manager voting against incumbent management in respect of any stock held in the portfolio.

The Investment Manager's voting policy states:

- We will vote in favour of proposals which we expect to enhance shareholder value and on routine issues where we are generally supportive of a company's management;
- We will vote against proposals which we believe may damage shareholders' rights or economic interests; in these situations we would normally have raised our concerns with management in advance;
- We will abstain on proposals which we feel unable to support but believe it would be against our clients' interests to oppose publicly; and
- In all situations the economic interests of our clients will be paramount.

Donations

The Company made no political or charitable donations during the year.

Payment of suppliers

It is the policy of the Company and its subsidiaries to settle all investment transactions in accordance with the terms and conditions of the relevant market in which it operates. Suppliers of goods and services are generally paid within 30 days of the date of any invoice. The Company has no trade creditors.

Authority to buy back shares

A total of 98,490,586 ordinary shares had been purchased and cancelled up to 14 February 2005, although no shares have been bought back since October 2002. The latest authority to purchase ordinary shares for cancellation was granted to the directors on 25 March 2004 and expires on 24 September 2005. The directors considered it was unnecessary to buy back any shares in 2004 as there was continuing demand for the Company's shares in the market, and the discount at which the shares traded to their underlying net asset value remained narrow compared with historic levels and the investment trust sector as a whole. The directors are proposing that their authority to buy back shares be renewed at the forthcoming AGM. The main objective of any buy back would be to enhance the net asset value per share of the remaining shares.

Purchases of ordinary shares will only be made through the market for cash at prices below the prevailing net asset value per ordinary share. Under the Listing Rules of the Financial Services Authority the maximum price which can be paid is 5% above the average of the market values of the ordinary shares for the five business days before the purchase is made. In making purchases, the Company will deal only with member firms of the London Stock Exchange. The directors are seeking authority to purchase up to 24,400,000 ordinary shares (being 14.99% of the issued share capital). This authority, unless renewed, will expire on 16 September 2006.

Although the Investment Manager initiates the buy backs, the policy and parameters are set by the Board and reviewed at regular intervals. The Company intends to raise the cash needed to finance the purchase of ordinary shares either by selling securities in the Company's portfolio or by short term borrowing.

Directors' Report continued

The Company currently holds no shares in treasury but will seek authority to use treasury shares at the forthcoming AGM. The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations came into force on 1 December 2003. The Regulations allow companies to hold shares acquired by way of market purchase as treasury shares, rather than having to cancel them. Up to 10% of the issued shares may be held in this way. These shares may be subsequently cancelled or sold for cash. This would give the Company the ability to reissue shares quickly and cost efficiently, thereby improving liquidity and providing the Company with additional flexibility in the management of its capital base.

The Board currently intends only to authorise the sale of shares from treasury at prices at or above the prevailing net asset value per share (plus costs of the relevant sale). This should result in a positive overall effect on shareholders if shares are bought back at a discount and then sold at a price at or above the net asset value per share (plus costs of the relevant sale).

By law, directors require specific authority from shareholders before selling shares out of treasury for cash without first offering them to existing shareholders in proportion to their holdings.

Resolution 10 empowers the directors to allot new shares for cash or to sell shares which are held by the Company in treasury, otherwise than to existing shareholders on a pro-rata basis, up to an aggregate nominal amount of £407,000 which is equivalent to 8,140,000 ordinary shares of 5p each and 5% of the Company's issued ordinary share capital. Unless renewed, this authority will expire on 16 September 2006.

The authority requested above is in addition to the authority granted at the Extraordinary General Meeting of the Company on 25 March 2004, in respect of the issue of bonus warrants, and which expires on 31 May 2005.

Auditor

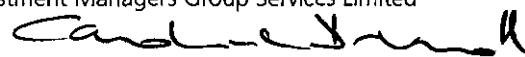
The auditor, Ernst & Young LLP, has indicated its willingness to continue in office and resolutions proposing its reappointment and authorising the directors to determine its remuneration for the ensuing year will be submitted at the AGM.

By order of the Board

Merrill Lynch Investment Managers Group Services Limited

Secretary

14 February 2005



Directors' Remuneration Report

The Company presents the directors' remuneration report for the year ended 31 December 2004.

Directors' Remuneration Committee

The Board as a whole fulfils the function of the Directors' Remuneration Committee, which meets when necessary to consider any change in directors' remuneration policy. The Company has no employees other than its directors, all of whom are non-executive and the majority of whom are independent of the Investment Manager. The secretary (whose duties are set out elsewhere in this report, and who is not appointed by the Directors' Remuneration Committee) provides a comparison of the directors' remuneration with other investment trusts of similar size and/or mandate. This comparison, together with consideration of any alteration in non-executive directors' responsibilities, is used to review whether any change in remuneration is necessary.

Performance is on a mid-to-mid basis, in sterling terms. The HSBC Global Mining Index has been used for comparative purposes as this is the benchmark used when reporting to shareholders. Sources: Merrill Lynch Investment Managers, Datastream.

No element of the directors' remuneration is performance related. The Company has not awarded any share options or long-term performance incentives to any of the directors.

None of the directors have service contracts with the Company. The terms of their appointment are detailed in a letter sent to them when they join the Board. These letters are available for inspection at the registered office of the Company.

Directors' remuneration

Director	Remuneration	
	2004 £	2003 £
Ian Barby	12,000	1,000
Oliver Baring (appointed 4/11/04)	2,000	–
Colin Buchan	12,000	12,000
Andrew Buxton	12,000	12,000
Adam Fleming (resigned 17/06/04)	5,600	12,000
Gordon Sage	12,000	12,000
Lionel Stopford-Sackville (retired 19/03/03)	–	2,646
Peter Wilmot-Sitwell (Chairman)	18,000	18,000

The information in this table and in the paragraphs below have been audited.

The remuneration paid to the Chairman and the directors was increased from £15,000 and £10,000 to £18,000 and £12,000 respectively, on 1 June 2002. Prior to this, there had been no increase in directors' remuneration since the Company was launched in 1993.

None of the directors receives any non-cash benefits or pension entitlements.

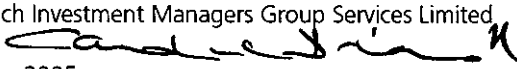
Compensation for loss of office

No past director has been compensated for loss of office.

Retirement of directors

All of the Company's directors are subject to retirement by rotation as per the Company's Articles of Association.

By order of the Board

Merrill Lynch Investment Managers Group Services Limited
Secretary 
14 February 2005

Corporate Governance & Directors' Responsibilities

The Company is committed to high standards of corporate governance. The Board has put in place a framework for corporate governance which it believes is suitable for an investment trust and which enables the Company to comply with the revised Combined Code on Corporate Governance (the "Combined Code") prepared by the Committee on Corporate Governance, published in July 2003 and the AITC Code of Corporate Governance issued at the same time. The Financial Services Authority issued the Investment Entities (Listing Rules and Conduct of Business) Instrument 2003 in September 2003. The Board has made the appropriate disclosures in this report to ensure the Company meets its continuing obligations.

The Board considers that the Company has complied with the provisions contained within Section 1 of the Combined Code throughout this accounting period, and this statement describes how the relevant principles of governance are applied to the Company.

The Board

The Board currently consists of six non-executive directors, all but one of whom are independent of the Company's Investment Manager. This, in the Board's opinion, includes Messrs Wilmot-Sitwell and Buxton, despite their length of service. This independence allows all of the directors, with the exception of Mr Barby, to sit on the Company's various committees. Mr Barby, as a non-independent director, does not sit on the Audit & Management Engagement Committee. He is considered to be non-independent due to his recent employment by the Investment Manager, from whom he retired in December 2003. However, the rest of the Board agrees that this recent relationship does not affect his judgement in discussions relating to the Investment Manager and that his extensive experience of the investment trust sector is of material value to the Company.

Mr Buxton has acted as the Senior Independent Director throughout 2004 and Mr Sage will assume this role on the former's retirement in March. The directors' biographies, on page 17, demonstrate a breadth of investment and business experience.

The Board is supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties. The Board determines strategic issues and all operational matters of a material nature.

The directors retire by rotation at every third Annual General Meeting ("AGM") and any directors appointed to the Board since the previous AGM also retire and stand for election. Directors retire at the first AGM after they reach the age of 70 and are generally not expected to seek re-election. Mr Buxton is retiring as a director after the Annual General Meeting in March 2005, as he will be 70 by that date.

Directors who have served on the Board for more than nine years are subject to annual re-election. The Directors support a planned and progressive renewing of the Board.

The directors standing for re-election are Mr Wilmot-Sitwell and Mr Sage. The Board has considered the position of both directors, as part of the evaluation process, and believes it would be appropriate for them both to be proposed for re-election, given their material level of contribution. The Board believes it is in the Company's interest for Mr Wilmot-Sitwell to remain as Chairman for a further year.

Mr Baring is standing for election to the Board, having been appointed in November 2004 to fill the vacancy caused by the resignation of Mr Fleming. Mr Baring's appointment was fully debated by all the directors. No executive search firm was used as, due to the Company's specialist nature, the Board believes it is familiar with most of the suitable candidates based in the UK.

The Board meets at least five times a year and between these meetings there is regular contact with the Investment Manager. The Board reserves to itself decisions relating to the determination of investment policy, any change in investment strategy, strategic gearing policy, policy on the buy back of shares, whether to hold shares in treasury, and entering into any material contracts. The Board also sets investment parameters, such as the acquisition or disposal of substantial interests and the maximum amount that can be invested in unquoted investments. In addition, changes relating to the Group's capital structure, approval of circulars to shareholders and listing particulars, relevant press releases and any significant change in accounting policies or practices must also be referred to the Board.

The directors also have access to the advice and services of the company secretary, who is responsible to the Board for ensuring that Board procedures are followed and that it complies with applicable rules and regulations. Where necessary, in the furtherance of their duties, the directors may seek independent professional advice at the expense of the Company.

Corporate Governance & Directors' Responsibilities continued

The Board has responsibility for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable it to ensure that the financial statements comply with the Companies Act 1985. It is the Board's responsibility to present a balanced and understandable assessment, which extends to interim and other price-sensitive public reports.

The Company has maintained appropriate Directors' Liability Insurance cover throughout the year, in the event of any potential legal action against its directors.

The Board is also responsible for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Board/Audit Committee/Director ongoing evaluation

The Board formally reviews its performance on a regular basis, together with that of the Audit & Management Engagement Committee.

An appraisal system has been agreed by the Board for evaluation of the Board, its Committees and the individual Directors, including the Chairman. The evaluation for 2004/2005 was carried out and it was agreed that the current composition of the Board reflected a suitable mix of skills and experience.

Delegation of responsibilities

The Board has delegated the following areas of responsibility:

Management and administration

The management of the investment portfolio and the administration of the Company have been delegated to the Investment Manager and its subsidiary companies. Custody and settlement services are provided by The Bank of New York Europe Limited ("BNYE"), a subsidiary of The Bank of New York.

The Board has delegated the exercise of voting rights attaching to the securities held in the portfolio to the Investment Manager. Details of the Investment Manager's voting policy are set out on page 20. The consent of the Chairman of the Board is sought prior to the Investment Manager voting against incumbent management in respect of any stock held in the portfolio. The Investment Manager reports any contentious issues at each Board meeting.

Board Committees

The Board as a whole fulfils the function of the Nomination Committee, which meets when necessary, to select and propose suitable candidates for appointment. When looking for a new director, the Board assesses the skills of the Board as a whole, to identify any areas that need strengthening. Due to the specialist nature of the investment mandate, and the difficulty in finding new directors with knowledge of the mining sector, the existing directors try to identify suitable individuals from their range of contacts, although other sources, including external search consultants, may also be used as required.

A separately chaired Audit & Management Engagement Committee, made up of the independent Directors, and including the Chairman of the Company also meets at least twice a year and, amongst other things, examines the effectiveness of the control systems. The Chairman of the Company is a member of this Committee to enable him to be kept fully informed of any issues which may arise. The terms of reference of this Committee are available on request and will also be available at each Annual General Meeting. The two planned meetings are held prior to the Board meeting to approve the interim and annual results, including the valuation of any unquoted investments. The Committee does not consider that as an investment trust company it needs to hold an additional meeting although this is kept under review. The Committee also reviews the interim and annual reports, receives information from the Investment Manager's corporate audit and compliance departments and regularly reviews the terms of the investment management and administration contracts. The Committee reviews the scope, results, cost effectiveness, independence and objectivity of the external auditor.

A fee of £15,000 was paid to Ernst & Young LLP for services provided in relation to the bonus issue of warrants made to shareholders on 26 March 2004. In addition non-audit fees of £14,000 were paid to Ernst & Young LLP, the majority of which related to the provision of taxation services. The Board considers the services provided are non-material and cost efficient. On an annual basis Ernst & Young LLP review the independence of their relationship with the Investment Manager and report to the Board, providing details of any other relationship with the Investment Manager. The Board has concluded that Ernst & Young LLP is independent of the Company and the Investment Manager.

The external auditor is invited to attend the Audit & Management Engagement Committee meeting at which the annual accounts

Corporate Governance & Directors' Responsibilities continued

are considered and, at which they have the opportunity to meet with the Committee without representatives of the Investment Manager being present.

Remuneration of Directors is determined by the Board, with the exception of Mr Barby, who is considered non-independent. The remuneration of the Chairman and directors is reviewed against the fees paid to directors of other specialist investment trusts and investment trusts of a comparable size, as well as taking account of any data published by the AITC.

Membership of the Board Committees

Audit & Management Engagement Committee

Andrew Buxton
(Chairman – retiring March 2005)
Oliver Baring
Colin Buchan
Gordon Sage
Peter Wilmot-Sitwell

Attendance record

Number of Meetings held	Number of Meetings attended	
	Board	Audit
	5	2
Peter Wilmot-Sitwell	5	2
Ian Barby	5	N/A
Oliver Baring (since appointment)	1	–
Colin Buchan	4	2
Andrew Buxton	5	2
Gordon Sage	5	2

Internal controls

The Board is responsible for the internal controls of the Company and for reviewing their effectiveness, for ensuring that financial information published or used within the business is reliable, and for regularly monitoring compliance with regulations governing the operation of investment trusts. The Board reviews the effectiveness of the internal control system, on an ongoing basis to identify, evaluate and manage the Company's significant risks. Control of the risks identified, covering financial, operational, compliance and risk management, is embedded in the operations of the Investment Manager and BNYE. There is a monitoring and reporting process

to review these controls, which has been in place throughout the year under review and up to the date of this report, carried out by the Investment Manager's corporate audit department. The Investment Manager reports to the Company on its review of internal controls, formally on a semi-annual basis and verbally at each Board and Audit Committee meeting. The Audit Committee also receives a report from BNYE on the internal controls of its custodial operations. The Company does not have its own internal audit function, as all the administration is delegated to the Investment Manager and its subsidiaries. This matter is kept under review.

The Board recognises that these control systems can only be designed to manage rather than eliminate the risk of failure to achieve business objectives, and to provide reasonable, but not absolute, assurance against material misstatement or loss, and relies on the operating controls established by the Investment Manager and BNYE.

The Investment Manager prepares revenue forecasts and management accounts which allow the Board to assess the Company's activities and review its performance.

The Board and the Investment Manager have agreed clearly defined investment criteria, specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, are submitted to the Board at each meeting.

Financial statements

The Board is also required to ensure that the financial statements give a true and fair view of the affairs of the Company as at the end of each financial year and of the profit of the Company for that period.

The Board considers that in preparing the financial statements on pages 28 to 41, the Company has used appropriate accounting policies, consistently applied (except as disclosed) and supported by reasonable and prudent judgements and estimates and that all accounting standards that it considers to be applicable have been followed.

It is the Board's intention to present, in response to European requirements, the 2005 financial statements under International Financial Reporting Standards. The Board does not anticipate that any restatement will be unduly significant but a reconciliation will be set out to show the differences.

Corporate Governance & Directors' Responsibilities continued

Socially Responsible Investment

The Company invests in mining companies around the world. The Investment Manager's evaluation procedure and financial analysis of the companies within the portfolio includes research and appraisal, and also takes into account environmental policies and other business issues. The Investment Manager's policies on Socially Responsible Investment and Corporate Governance in the UK are detailed on their website (www.mlim.co.uk/its), in the literature section.

Relations with shareholders

All ordinary shareholders have the opportunity to attend and vote at the AGM. The Notice of the AGM sets out the business of the Meeting and any item not of an entirely routine nature is explained in the directors' report. Separate resolutions are proposed for substantive issues.

In addition, the Investment Manager reviews the Company's activities at the AGM, where both the Board and representatives of the Investment Manager are available to answer shareholders' queries. Proxy voting figures are announced to the shareholders at the AGM.

The Board discusses with the Investment Manager at each Board meeting any feedback from meetings with shareholders, and it also receives reports from its corporate brokers.

There is a section within this report entitled "Shareholder Information", on pages 44 to 46, which provides an overview of useful information available to shareholders.

Report of the Independent Auditor

to the members of Merrill Lynch World Mining Trust plc

We have audited the Group's financial statements for the year ended 31 December 2004, which comprise the Consolidated Revenue Account and Statement of Total Return, Balance Sheets, Consolidated Cash Flow Statement and the related notes 1 to 24. These financial statements have been prepared on the basis of the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and the auditor

The directors are responsible for preparing the Annual Report, including the Directors' Remuneration Report and the financial statements which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. Their responsibilities are set out in the Statement on Corporate Governance & Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law or the Listing Rules regarding directors' remuneration and transactions with the Group is not disclosed.

We review whether the statement on Corporate Governance and Directors' Responsibilities reflects the Group's compliance with the nine provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statement on internal controls covers all risks and controls, or form an opinion on the effectiveness of either the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Performance Record, Chairman's Statement, Investment Manager's Report, Ten Largest Investments, Investments, Portfolio Analysis, Directors' Report, the unaudited part of the Directors' Remuneration Report, Corporate Governance & Directors' Responsibilities, Analysis of Ordinary Shareholders, Base Cost, Management & Administration, Shareholder Information, Notice of Annual General Meeting and Glossary. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- i) the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2004 and of the revenue of the Group for the year then ended; and
- ii) the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP
Registered Auditor
London
14 February 2005

Consolidated Revenue Account & Statement of Total Return for the year ended 31 December 2004

	Notes	Revenue 2004 £'000	Revenue 2003 £'000	Capital 2004 £'000	Capital 2003 £'000	Total 2004 £'000	Total 2003 £'000
Gains on investments	11	–	–	5,089	145,371	5,089	145,371
Gains on futures and currency contracts	19	–	–	500	475	500	475
Income	2	12,672	7,657	–	–	12,672	7,657
Investment management fees	3	(3,797)	(2,969)	–	–	(3,797)	(2,969)
Operating expenses	4	(697)	(705)	(305)	–	(1,002)	(705)
Net return before finance costs and taxation		8,178	3,983	5,284	145,846	13,462	149,829
Interest payable and similar charges	6	(1,817)	(495)	–	–	(1,817)	(495)
Return on ordinary activities before taxation		6,361	3,488	5,284	145,846	11,645	149,334
Taxation on ordinary activities	7	(1,462)	(672)	–	–	(1,462)	(672)
Return on ordinary activities after taxation		4,899	2,816	5,284	145,846	10,183	148,662
Dividends in respect of equity shares	8	(4,070)	(2,768)	–	–	(4,070)	(2,768)
Transfer to reserves		829	48	5,284	145,846	6,113	145,894
Consolidated return per ordinary share – basic	9	3.01p	1.73p	3.25p	89.58p	6.26p	91.31p
Dividends per ordinary share	8	2.50p	1.70p			2.50p	1.70p

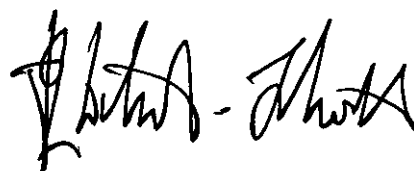
The revenue column of this statement is the profit and loss account of the Group.
All revenue and capital items in the above statement derive from continuing operations.
No operations were acquired or discontinued in the year.

Balance Sheets

as at 31 December 2004

	Notes	Group 2004 £'000	Company 2004 £'000	Group 2003 £'000	Company 2003 £'000
Fixed assets					
Listed investments at mid-market valuation		414,349	414,349	419,488	419,488
Unlisted investments at directors' valuation		3,769	5,269	4,042	5,542
	10	418,118	419,618	423,530	425,030
Current assets					
Investments of subsidiary undertakings	12	4,886	–	3,513	–
Debtors	13	2,145	2,143	1,254	1,156
		7,031	2,143	4,767	1,156
Creditors – amounts falling due within one year	15	(29,707)	(30,121)	(39,043)	(38,374)
Net current liabilities		(22,676)	(27,978)	(34,276)	(37,218)
Total assets less current liabilities		395,442	391,640	389,254	387,812
Provision for liabilities and charges	17	(85)	(85)	(10)	(10)
Net assets		395,357	391,555	389,244	387,802
Capital and reserves					
Share capital	18	8,140	8,140	8,140	8,140
Capital redemption reserve	19	22,779	22,779	22,779	22,779
Other capital reserves	19	154,776	154,776	149,492	149,492
		185,695	185,695	180,411	180,411
Special reserve	20	203,244	203,244	203,244	203,244
Revenue reserve	20	6,418	2,616	5,589	4,147
Total equity shareholders' funds	21	395,357	391,555	389,244	387,802
Net asset value per ordinary share – undiluted	9	242.85p	240.51p	239.09p	238.21p
Net asset value per ordinary share – diluted	9	238.87p	236.93p	n/a	n/a

The financial statements on pages 28 to 41 were approved by the Board of Directors on 14 February 2005 and signed on its behalf by Mr P S Wilmot-Sitwell, Chairman.



Consolidated Cash Flow Statement

for the year ended 31 December 2004

	Notes	Group 2004 £'000	Group 2003 £'000
Net cash flow from operating activities	4(b)	7,824	2,519
Returns on investments and servicing of finance			
Interest paid on overdraft facility		(1,817)	(495)
Taxation paid		(261)	(1,122)
Capital expenditure and financial investment			
Purchase of fixed asset investments		(121,186)	(127,945)
Proceeds from the sale of fixed asset investments		131,609	90,006
Exchange (loss)/gain on foreign currency transactions		(46)	1,035
Net cash inflow/(outflow) from capital expenditure and financial investment		10,377	(36,904)
Equity dividends paid		(2,768)	(3,419)
Cash inflow/(outflow) before financing		13,355	(39,421)
Financing			
Warrant issue costs		(305)	–
Net cash outflow from financing		(305)	–
Increase/(decrease) in cash in the period	14	13,050	(39,421)

The notes on pages 31 to 41 form part of these financial statements.

Notes to the Financial Statements

1. Accounting policies

(i) Basis of preparation

The accounts have been prepared under the historical cost convention, modified to include the revaluation of investments, and are in accordance with section 230 of, and schedule 4 to, the Companies Act 1985 and with applicable accounting standards and the Statement of Recommended Practice ("SORP") 'Financial Statements of Investment Trust Companies' issued in January 2003.

(ii) Income

Income from equity investments, including taxes deducted at source, is included in revenue by reference to the date on which the investment is quoted ex-dividend. Where the Company elects to receive dividends in the form of additional shares rather than cash, the equivalent of the cash dividend is recognised as income in the revenue statement and any excess in value of the shares received over the amount of the cash dividend is recognised in capital reserve – realised. Interest income and expenses are accounted for on an accruals basis.

(iii) Expenditure and finance costs

Expenses and finance costs are accounted for on an accruals basis and are charged wholly to the revenue statement.

(iv) Profits and losses in subsidiary undertakings

Profits and losses arising from investment dealing are dealt with in the revenue statement.

(v) Foreign currency translation

All transactions in foreign currencies are translated into sterling at the rates of exchange ruling on the dates of such transactions. Foreign currency assets and liabilities at the balance sheet date are translated into sterling at the exchange rates ruling at that date. Exchange differences arising on the revaluation of investments held as fixed assets are included in capital reserve – unrealised. Exchange differences arising on the translation of foreign currency assets and liabilities are taken to capital reserve – realised; such differences in the subsidiary undertakings are taken to the revenue statement.

(vi) Taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or right to pay less, tax in the future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences between the Group's taxable profits and its results, as stated in the financial statements, which are capable of reversal in one or more subsequent periods.

(vii) Investments

Listed investments are valued at closing middle market or last traded prices, where appropriate, on recognised stock exchanges ruling on the balance sheet date. The subsidiary undertakings are carried at the lower of cost or net realisable value. Unlisted investments are valued by the directors using primary valuation methodologies such as earnings multiples, recent transactions and net assets. Where fair value cannot reliably be measured the investment will be carried at the previous reporting date value unless there is evidence that the investment has since been impaired. In such a case the value will be reduced to reflect the estimated extent of impairment.

Notes to the Financial Statements continued

1. Accounting policies continued

(viii) Capital reserve – realised

The following are accounted for in this reserve:

- gains and losses on the realisation of investments;
- realised exchange differences of a capital nature; and
- realised exchange differences or valuation changes on transactions undertaken to hedge an exposure of a capital nature.

(ix) Capital reserve – unrealised

The following are accounted for in this reserve:

- increases and decreases in the valuation of investments held at the year end;
- unrealised exchange differences of a capital nature; and
- unrealised exchange differences or valuation changes on transactions undertaken to hedge an exposure of a capital nature.

2. Income

	2004 £'000	2003 £'000
Income from investments		
Dividends:		
UK listed	1,446	1,232
Overseas listed	7,367	5,836
	8,813	7,068
Interest receivable and other income:		
Deposit interest and other income	355	88
Profit on investments by subsidiary undertakings	3,504	501
	3,859	589
Total income	12,672	7,657

3. Investment management fees

	2004 £'000	2003 £'000
Investment management fees	3,631	2,821
Irrecoverable VAT thereon	166	148
	3,797	2,969

Details of the investment management and administration contracts are disclosed in the directors' report on page 19. The investment management fee is levied quarterly, based on the value of the gross assets on the last day of each quarter. All investment management fees are charged to revenue.

Notes to the Financial Statements continued

4. Operating activities

	2004 £'000	2003 £'000
(a) Operating expenses		
Custody fee	209	297
Administration fee	225	174
Auditors' remuneration:		
– audit services	17	17
– non-audit services	14	14
Registrar's fee	40	23
Directors' emoluments	74	70
Charitable donations	–	5
Other administrative costs	118	105
	697	705

Costs of £305,000 were charged to the capital account in relation to the bonus issue of warrants made to shareholders on 26 March 2004. This amount includes £15,000 paid to Ernst & Young LLP, the Company's auditor, for services provided in relation to the transaction.

The Company's total expense ratio, calculated as a percentage of average net assets and using expenses, excluding interest costs, after relief for taxation, was:

0.80% 0.81%

	2004 £'000	2003 £'000
(b) Reconciliation of net return before finance costs and taxation to net cash flow from operating activities		
Net return before finance costs and taxation	8,178	3,983
Net sales/(purchases) of investments by subsidiary undertakings	2,131	(1,035)
(Increase)/decrease in debtors	(382)	11
Increase in creditors	2,013	525
Tax on investment income included within gross income	(612)	(464)
Profit on investments by subsidiary undertakings	(3,504)	(501)
Net cash flow from operating activities	7,824	2,519

5. Directors' emoluments

The aggregate emoluments of the directors, excluding VAT, where applicable, for the year to 31 December 2004 were £73,600 (2003: £69,646). The emoluments of the Chairman, who was also the highest paid director, were £18,000 (2003: £18,000).

The Company does not have a share option scheme or any incentive scheme. No pension contributions were made in respect of the directors. There were no employees other than the directors.

6. Interest payable and similar charges

	2004 £'000	2003 £'000
Interest on overdrafts repayable within one year	1,817	495

Notes to the Financial Statements continued

7. Taxation on ordinary activities

	2004 £'000	2003 £'000
a) Analysis of charge in period		
Current tax:		
Corporation tax	1,372	700
Double taxation relief	(546)	(373)
	826	327
Overseas tax	569	371
Avoir fiscal	–	(26)
Prior year adjustment	(8)	7
Total current tax (note 7(b))	1,387	679
Deferred tax (note 17)	75	(7)
Total tax	1,462	672

b) Factors affecting current tax charge for the period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK for a large company (30%). The differences are explained below:

	2004 £'000	2003 £'000
Return on ordinary activities before taxation	6,361	3,488
Corporation tax at 30% thereon	1,908	1,046
Effects of:		
Non taxable UK dividends	(428)	(359)
Disallowed expenses	–	(3)
Movement in income accruals taxable on receipt	(108)	7
Overseas tax	569	371
Double taxation relief	(546)	(373)
Avoir fiscal	–	(17)
Prior year adjustment	(8)	7
	(521)	(367)
Current tax charge for the period (note 7(a))	1,387	679

Investment trusts are exempt from corporation tax on capital gains provided the company obtains agreement from the Inland Revenue that s842 ICTA tests have been met.

Notes to the Financial Statements continued

8. Dividends

	2004 £'000	2003 £'000
Dividends on equity shares:		
Proposed final ordinary dividend of 1.75p (2003: 1.70p)	2,849	2,768
Declared special dividend of 0.75p (2003: nil)	1,221	–
Total dividend for the year of 2.50p (2003: 1.70p) per share	4,070	2,768

9. Consolidated return and net asset value per ordinary share

Revenue and capital returns per share are shown below and have been calculated using the following:

	Group 2004			Group 2003		
Net revenue attributable to shareholders after taxation	£4,899,000			£2,816,000		
Net capital gains	£5,284,000			£145,846,000		
Equity shareholders' funds	£395,357,000			£389,244,000		
Weighted average number of shares in issue during the year	162,800,000			162,800,000		
Actual number of shares in issue at the year end for undiluted NAV	162,800,000			162,800,000		
Actual number of warrants in issue at year end	32,559,564			–		
Number of shares in issue at the year end for fully diluted NAV*	195,359,564			–		

	2004			2003		
	Revenue p	Capital p	Total p	Revenue p	Capital p	Total p
Group earnings per share:						
Basic (calculated on weighted shares)	3.01	3.25	6.26	1.73	89.58	91.31
Actual (based on number of shares in issue at the year end)	3.01	3.25	6.26	1.73	89.58	91.31
Net asset value per ordinary share: undiluted			242.85			239.09
Net asset value per ordinary share: fully diluted			238.87			n/a

The undiluted net asset value per share of 242.85p (2003: 239.09p) was calculated by dividing equity shareholders' funds of £395,357,000 (2003: £389,244,000) by the number of ordinary shares in issue at the year end. The fully diluted net asset value per share of 238.87p was calculated by adjusting equity shareholders' funds for consideration receivable on the exercise of all warrants and dividing by the total number of shares that would have been in issue at 31 December 2004 had all the warrants been exercised.

The calculation of the fully diluted revenue and capital returns per ordinary share are carried out in accordance with Financial Reporting Standard No. 14 Earnings per Share ("FRS14"). For the purposes of calculating diluted revenue and capital returns per ordinary share, the number of ordinary shares is the weighted average used in the basis calculation plus the number of ordinary shares deemed to be issued for no consideration on exercise of all warrants by reference to the average price of the ordinary shares during the year. No fully diluted revenue and capital returns have been disclosed as the calculations indicate that the warrants do not have a potentially dilutive effect for this year.

*The Company made a bonus issue of warrants on 26 March 2004, full details of which are given in Note 23.

Notes to the Financial Statements continued

10. Investments at valuation

	Group 2004 £'000	Company 2004 £'000	Group 2003 £'000	Company 2003 £'000
UK listed at mid-market valuation	99,842	99,842	29,465	29,465
Overseas listed at mid-market valuation	314,507	314,507	390,023	390,023
Unlisted at directors' valuation	3,769	5,269	4,042	5,542
	418,118	419,618	423,530	425,030
Opening valuation of equity investments	423,530	425,030	239,830	241,330
Opening unrealised appreciation	(173,865)	(173,865)	(42,953)	(42,953)
Opening cost of equity investments	249,665	251,165	196,877	198,377
Additions, at cost	120,997	120,997	129,853	129,853
Disposals, at cost	(94,987)	(94,987)	(77,065)	(77,065)
Closing cost of investments	275,675	277,175	249,665	251,165
Closing unrealised appreciation	142,443	142,443	173,865	173,865
Closing valuation of equity investments	418,118	419,618	423,530	425,030

11. Gains on investments

	Group 2004 £'000	Company 2004 £'000	Group 2003 £'000	Company 2003 £'000
Realised gains on sales	36,511	36,511	14,459	14,459
Change in unrealised appreciation	(31,422)	(31,422)	130,912	130,912
	5,089	5,089	145,371	145,371

12. Investments of subsidiary undertakings

	2004 £'000	2003 £'000
UK listed at mid-market valuation	2,258	1,470
Futures contracts at market value	2,027	—
Overseas listed at mid-market valuation	601	216
Palladium bullion	—	1,827
	4,886	3,513

Notes to the Financial Statements continued

13. Debtors

	Group 2004 £'000	Company 2004 £'000	Group 2003 £'000	Company 2003 £'000
Sales for future settlement	1,393	1,393	483	483
Taxation recoverable	411	409	267	169
Unrealised gain on forward foreign exchange contract	–	–	475	475
Prepayments and accrued income	341	341	29	29
	2,145	2,143	1,254	1,156

14. Movement in net (debt)/funds

	2004 £'000	2003 £'000	
(a) Reconciliation of net cash flow to movements in net (debt)/funds			
Net (debt)/funds at 1 January	(32,852)	6,569	
Increase/(decrease) in cash in the period	13,050	(39,421)	
At 31 December	(19,802)	(32,852)	
	At 1 January 2004 £'000	Cash flows £'000	At 31 December 2004 £'000
(b) Analysis of changes in net debt			
Bank overdraft	(32,852)	13,050	(19,802)

15. Creditors – amounts falling due within one year

	Group 2004 £'000	Company 2004 £'000	Group 2003 £'000	Company 2003 £'000
Purchases for future settlement	1,811	1,719	1,908	1,908
Bank overdraft	19,802	22,954	32,852	32,194
Derivative instruments	1,973	–	1	–
Taxation payable	673	–	85	75
Accrued expenditure	1,378	1,378	1,429	1,429
Proposed final and declared special dividends	4,070	4,070	2,768	2,768
	29,707	30,121	39,043	38,374

Notes to the Financial Statements continued

16. Derivatives and financial instruments

Background

The Group's financial instruments, other than derivative contracts, comprise securities and other investments, cash balances and debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement and debtors for accrued income, short term debtors and creditors.

The Group has little exposure to credit and cash flow risk. Any unquoted investments in the portfolio are subject to liquidity risk. This risk is taken into account by the directors when arriving at their valuation of these items.

The principal risks the Group faces in its portfolio management activities are:

- market price risk, i.e. movements in the value of investment holdings caused by factors other than interest rate and currency movements;
- foreign currency risk, use of derivatives; and
- interest rate risk

The Investment Manager's policies for managing these risks are summarised below and have been applied throughout the year.

Policy

(i) Market Price Risk

By the very nature of its activities, the Group's investments are exposed to market price fluctuations. Further information on the investment portfolio and investment policy is set out in the Investment Manager's report.

(ii) Foreign Currency Risk

A substantial proportion of the Group's portfolio is invested in overseas securities and their sterling value can be significantly affected by movements in foreign exchange rates. The Group does not normally hedge against foreign currency movements affecting the value of investment portfolio, but takes account of this risk when making investment decisions.

(iii) Interest Rate Risk

The Group is able to take advantage of a floating rate overdraft facility. At the year end the group had borrowings of £13,552,000 and US\$11,999,000 (£6,250,000).

(iv) Use of Derivatives contracts

The Group has entered into a variety of different derivative contracts during the year. Guidelines agreed with the Investment Manager limit any exposure to options, futures and contracts for differences to a maximum of 10% of the Group's gross assets.

Notes to the Financial Statements continued

16. Derivatives and financial instruments continued

Financial assets and liabilities

Financial assets are included in the balance sheet at market values, which represent fair values. The currency denomination of the Group's investment portfolio, debtors and creditors, is set out below.

	2004			2003		
	Floating rate £'000	Non-interest bearing £'000	Total £'000	Floating rate £'000	Non-interest bearing £'000	Total £'000
US dollar	(6,250)	91,965	85,715	(5,301)	12,682	7,381
Sterling	(13,552)	96,641	83,089	(27,551)	69,845	42,294
Canadian dollar	–	67,818	67,818	–	78,407	78,407
Australian dollar	–	58,128	58,128	–	40,569	40,569
South African rand	–	45,264	45,264	–	61,969	61,969
Euro	–	9,582	9,582	–	23,210	23,210
Other currencies	–	45,846	45,846	–	135,424	135,424
	(19,802)	415,244	395,442	(32,852)	422,106	389,254

Forward exchange contracts

During the year profits of £975,000 were realised from foreign exchange contracts (2003: Losses of £392,000). There were no forward exchange contracts outstanding at the year end.

Derivative contracts

During the year a number of option contracts have been written and physical metals futures contracts entered into. Details of these contracts are given in the Investment Manager's report on page 11.

17. Provision for liabilities and charges

	Group and Company 2004 £'000	Group and Company 2003 £'000
Deferred taxation in respect of timing differences		
At 1 January	10	17
Transfer during the year	75	(7)
At 31 December	85	10

There is no material amount of unprovided deferred tax.

Notes to the Financial Statements continued

18. Share capital

	Nominal 2004 Number '000	Company 2004 £'000
Authorised:		
Ordinary shares of 5p each	750,000	37,500
Ordinary shares of 5p each, issued and allotted, called up and fully paid:		
At 1 January and 31 December	162,800	8,140

19. Non distributable reserves – Group and Company

	Capital Redemption Reserve £'000	Capital Reserve – Realised £'000	Capital Reserve – Unrealised £'000
At 1 January 2004	22,779	(24,848)	174,340
Loss on foreign currency transactions	–	(1,021)	–
Movement in gains on forward currency contracts	–	975	(475)
Transfer on disposal of investments	–	48,505	(48,505)
Warrant issue expenses	–	(305)	–
Loss on realisation of investments during the year	–	(10,973)	–
Change in unrealised appreciation	–	–	17,083
At 31 December 2004	22,779	12,333	142,443

20. Distributable reserves

	Group £'000	Company £'000
Special reserve:		
At 1 January 2004 and at 31 December 2004	203,244	203,244
Revenue reserve:		
At 1 January 2004	5,589	4,147
Surplus/(deficit) for the year	829	(1,531)
At 31 December 2004	6,418	2,616

The net revenue before distributions dealt with in the accounts of the parent company, was £2,539,000 (2003: £2,446,000). As permitted under section 230 of the Companies Act 1985, the revenue statement of the parent company is not presented as part of these financial statements.

Notes to the Financial Statements continued

21. Reconciliation of movements in equity shareholders' funds

	Distributable £'000	Non- distributable £'000	Total £'000
At 1 January 2004	208,833	180,411	389,244
Net gains on investments for the year	–	5,284	5,284
Revenue profits available for distribution	4,899	–	4,899
Dividends proposed and declared	(4,070)	–	(4,070)
At 31 December 2004	209,662	185,695	395,357

22. Investment in subsidiary undertakings

At 31 December 2004, the Company had two wholly owned subsidiary undertakings, both of which are registered and operating in England and Wales.

	Description of shares	2004	Issued share capital 2003	Principal activity
Merrill Lynch Gold Limited	Ordinary share of £1	£2	£2	Investment dealing
World Mining Investment Company Limited	Ordinary share of £1	£100	£100	Investment dealing

The Company's investment in its subsidiary undertakings was valued by the directors at £1,500,000 (2003: £1,500,000).

23. Warrants

The Company made a bonus issue of warrants to its shareholders on 26 March 2004 on the basis of 1 warrant for every 5 shares held on 23 March 2004; exercisable on 29 April 2005 at 219p per warrant. At 31 December 2004 there were 32,559,564 warrants in issue. The warrants started trading at 12.5p each and at 31 December 2004 were priced at 9.25p.

24. Contingent liabilities

There were no contingent liabilities at 31 December 2004 (2003: nil).

Analysis of Ordinary Shareholders

31 December 2004

By type of holder

	Number of Shares	% of Total		Number of Holders	% of Total	
		2004	2003		2004	2003
Direct private investors	7,282,590	4.5	4.6	2,845	60.9	64.6
Nominee companies	148,258,573	91.1	90.7	1,650	35.3	32.5
Others	7,258,837	4.4	4.7	176	3.8	2.9
	162,800,000	100.0	100.0	4,671	100.0	100.0

By size of holding

	Number of Shares	% of Total		Number of Holders	% of Total	
		2004	2003		2004	2003
1-10,000	10,531,046	6.5	6.3	4,107	87.9	87.5
10,001-100,000	11,981,389	7.4	7.8	407	8.7	9.4
100,001-1,000,000	38,444,089	23.6	20.6	125	2.7	2.4
1,000,001-5,000,000	57,703,951	35.4	29.5	25	0.5	0.5
Over 5,000,000	44,139,525	27.1	35.8	7	0.2	0.2
	162,800,000	100.0	100.0	4,671	100.0	100.0

Base Cost

15 December 1993

The base cost for UK taxpayers who invested in the Company on its launch on 15 December 1993 (capitals gains tax prices on the first day of dealing) is as follows:

Ordinary shares (per share)	92.11p
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This figure has not been approved by the Inland Revenue and is subject to its agreement with investors on a case-by-case basis.

Management & Administration

Registered Office

(Registered in England, No. 2868209)
33 King William Street
London EC4R 9AS

Investment Manager

Merrill Lynch Investment Managers Limited*
33 King William Street
London EC4R 9AS

Secretary and Administrator

Merrill Lynch Investment Managers Group Services Limited
33 King William Street
London EC4R 9AS
Telephone: 020 7743 3000

Registrar

Computershare Investor Services PLC*
PO Box 82, The Pavilions
Bridgwater Road
Bristol BS99 7NH
Telephone: 0870 702 0131

Savings Plan, PEP and ISA Administrator

The Merrill Lynch Investment Trusts Administrator*
FREEPOST NAT6404
Basildon SS15 5ZZ
Telephone: 0800 445522

Stockbrokers

Cazenove & Co. Ltd*
20 Moorgate
London EC2P 6DA

UBS Limited*

1 Finsbury Avenue
London EC2M 2PP

Solicitors

Simmons & Simmons
City Point
One Ropemaker Street
London EC2Y 9SS

Custodian and Banker

The Bank of New York Europe Limited*
One Canada Square
London E14 5AL

Auditor

Ernst & Young LLP
1 More London Place
London SE1 2AF

*Authorised and regulated by the Financial Services Authority.

Shareholder Information

Financial calendar

The timing of the announcement and publication of the Company's results may normally be expected in the months shown below:

February

Preliminary results and final dividend for year announced.
Annual report and financial statements published.

March

Annual General Meeting.

March/April

Dividend paid.

August

Interim figures announced and interim report published.

Dividend – 2004

The proposed final dividend in respect of the year ended 31 December 2004 is 1.75p per share.

The Board has declared a special dividend of 0.75p per share payable on the same date as the final dividend.

Ex-dividend date (shares transferred without the dividend)	23 February 2005
Record date (last date for registering transfers to receive the dividend)	25 February 2005
Last date for registering DRIP instructions	16 March 2005
Dividend payment date	31 March 2005

Payment of dividends

Cash dividends will be sent by cheque to the first-named shareholder at their registered address, together with a tax voucher. Dividends may be paid direct into a shareholder's bank account via BACS (Bankers' Automated Clearing Service). This may be arranged by contacting the Company's registrar, Computershare Investor Services PLC, on 0870 702 0131. Tax vouchers will be sent to shareholders at their registered address, unless other instructions have been given, to arrive on the payment date.

Dividend reinvestment scheme ("DRIP")

Shareholders may request that their dividends be used to purchase further shares in the Company. Dividend reinvestment forms may be obtained from Computershare Investor

Services PLC on 0870 702 0131. Shareholders who have already opted for dividend reinvestment do not need to re-apply. The last date for registering for this service for the forthcoming dividends is 16 March 2005.

Share price

The Company's mid-market ordinary share price is quoted daily in The Financial Times under "Investment Companies" and in The Daily Telegraph and The Times under "Investment Trusts". The share price is also available on the Merrill Lynch Investment Managers website at www.mlim.co.uk/its

ISIN/SEDOL numbers

The ISIN/SEDOL numbers and mnemonic codes for the Company's shares are:

	Ordinary Shares
ISIN	GB0005774855
SEDOL	0577485
Reuters code	MLW.L
Bloomberg code	MLW N

Share dealing

Investors wishing to purchase more shares in the Company or sell all or part of their existing holding may do so through a stockbroker. Most banks also offer this service.

The Company's registrar, Computershare Investor Services PLC, has introduced a telephone share dealing service. This service is available on 0870 703 0084. To use this service, you will need your shareholder reference number, which is detailed on your certificate.

Uncertificated Securities Regulations 1995 – CREST

The Company's shares have joined CREST, an electronic system for uncertificated securities trading.

Private investors can continue to retain their share certificates and remain outside the CREST system. Private investors are able to buy and sell their holdings in the same way as they did prior to the introduction of CREST, although there may be differences in dealing charges.

Electronic communications

Computershare has introduced a service to enable shareholders to receive correspondence electronically (including annual and interim reports) if they wish. If a shareholder opts to receive

Shareholder Information continued

documents in this way, paper documents will only be available on request (unless electronic submission fails, in which case a hard copy will be mailed to the investor's last known address).

Shareholders who opt for this service would receive a Notice of Availability via e-mail from Computershare with a link to the relevant section of the Merrill Lynch Investment Managers' website where the documents can be viewed and printed.

For more information, to view the terms and conditions and to register for this service, please visit Computershare's internet site at www.computershare.com/register/uk (you will need your shareholder reference number, which is given on your share certificate).

Electronic proxy voting

Shareholders are able to submit their proxy votes electronically via Computershare's internet site at www-uk.computershare.com/proxy using a unique identification PIN which will be provided with voting instructions and the Notice of Annual General Meeting.

CREST members who wish to appoint one or more proxies or give an instruction through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST manual. More details are set out in the notes on the form of proxy and the Notice of Annual General Meeting.

Risk Factors

- As the Company invests worldwide, the value of its shares is also affected by changes in rates of exchange.
- The price at which the Company's shares trade on the London Stock Exchange is not the same as their net asset value (although they are related) and therefore you may realise returns which are lower or higher than NAV performance.
- A lack of growth in world industrial production may adversely affect metal prices.
- Deteriorating economic conditions in certain countries may lead to aggressive exporting of their metal and mineral production potentially leading to price reductions.
- There may be exposure to significant currency, political and nationalisation risks due to the location of the operation of companies in which the Company may invest.

- Shares of companies in the mining sector can prove volatile and this may be reflected in the Company's share price.
- Any investment in the Company will involve an above average risk and is suitable only for financially sophisticated investors.
- Past performance is not necessarily a guide to future performance. The value of your investment in the Company and the income from it can fluctuate as the value of the underlying investments fluctuates.

Duration of the Company

Shareholders are given an opportunity at each AGM to vote on an ordinary resolution to continue the life of the Company for a further twelve months.

Nominee Code

Where shares are held in a nominee company name, the Company undertakes:

- to provide the nominee company with multiple copies of shareholder communications, so long as an indication of quantities has been provided in advance;
- to allow investors holding shares through a nominee company to attend general meetings, provided the correct authority from the nominee company is available;
- that investors in the Merrill Lynch Investment Trusts Savings Plan are automatically sent shareholder communications, including details of general meetings, together with a form of direction to facilitate voting and to seek authority to attend; and
- that investors through the Merrill Lynch Investment Trusts ISA or PEP are able to receive the annual and interim reports, including details of annual general meetings, by request.

Nominee companies are encouraged to provide the necessary authority to underlying shareholders to attend the Company's general meetings.

Publication of net asset value/portfolio analysis

The net asset value ("NAV") per share of the Company is calculated daily, with details of the Company's investments and performance being published monthly.

Shareholder Information continued

The daily NAV per share and monthly information are released through the London Stock Exchange's Regulatory News Service and are available on the MLIM website at www.mlim.co.uk/its and through the Reuters News Service under the code "MLIMINDEX", on page 8800 on Topic 3 (ICV terminals) and under "MLIM" on Bloomberg (monthly information only).

Internet

Other details about the Company are also available on the MLIM website at www.mlim.co.uk/its and shareholders can check details of their holdings on Computershare's website at www-uk.computershare.com/investor

The financial statements and other literature is published on the MLIM website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in their jurisdiction.

Savings Plan

The Company participates in the Merrill Lynch Investment Trusts Savings Plan, which facilitates both regular monthly investments and occasional lump sum investments in the Company's ordinary shares. Shareholders who would like information on the Savings Plan should call MLIM free on 0800 445522.

Individual Savings Accounts ("ISA")

ISAs are a tax-efficient method of investment, introduced by the Government. The Company is a qualifying investment for the purposes of investment in the stocks and shares component of either a mini or maxi ISA. Investors may invest up to £7,000 in the stocks and shares component of a maxi ISA, or up to £3,000 in the stocks and shares component of a mini ISA.

The Company's shares are eligible investments within the stocks and shares component of the Merrill Lynch Investment Trusts ISA, which is a maxi ISA, details of which are available from MLIM by calling free on 0800 445522.

Personal Equity Plan ("PEP")

PEPs have been superseded by ISAs as the tax-efficient method of investment, but all PEP investments already in force by 5 April 1999 retained their tax-free status in line with ISAs. Existing PEPs with other fund managers may be transferred to MLIM for investment in the Company's ordinary shares without affecting any tax benefits.

For more information on PEP transfers, or an existing Merrill Lynch Investment Trusts PEP, call free on 0800 445522.

Shareholder enquiries

The Company's registrar is Computershare Investor Services PLC. In the event of queries regarding your holding of shares, please contact the registrar on 0870 702 0131. Changes of name or address must be notified in writing to the registrar at:

Computershare Investor Services PLC
PO Box 82, The Pavilions
Bridgwater Road
Bristol BS99 7NH

Certain details relating to your holding can also be checked through the Computershare website. As a security check, specific information needs to be input accurately to gain access to an individual's account. This includes your shareholder reference number, available from either your share certificate or tax voucher. The address of the Computershare website is www-uk.computershare.com/investor

General enquiries

Enquiries about the Company should be directed to:

The Secretary
Merrill Lynch World Mining Trust plc
33 King William Street
London EC4R 9AS
Telephone: 0800 445522.

Enquiries about the Savings Plan, ISA or PEP should be directed to:

The Merrill Lynch Investment Trusts Administrator
FREEPOST NAT 6404
Basildon SS15 5ZZ
Telephone: 0800 445522.

Notice of Annual General Meeting

Notice is hereby given that the eleventh Annual General Meeting of Merrill Lynch World Mining Trust plc will be held at 33 King William Street, London EC4R 9AS on Thursday, 17 March 2005 at 2.30 p.m. to transact the following business:

Ordinary business

1. To receive the report of the directors and the financial statements for the year ended 31 December 2004, together with the report of the auditor thereon.
2. To approve the directors' remuneration report.
3. To declare a final dividend of 1.75p per ordinary share.
4. To re-elect Mr P S Wilmot-Sitwell as a director.
5. To re-elect Mr G H Sage as a director.
6. To elect Mr O A G Baring as a director.
7. To reappoint Ernst & Young LLP as auditor to the Company.
8. To authorise the directors to determine the auditor's remuneration.

Special business

To consider and, if thought fit, pass the following resolution as an ordinary resolution.

9. That the Company shall continue in being as an investment trust.

To consider and, if thought fit, pass the following resolutions as special resolutions.

10. That, in addition to the power granted at the Extraordinary General Meeting on 25 March 2004, the directors of the Company be and are hereby empowered pursuant to section 95 of the Act to allot equity securities (as defined in section 94 of the Act) of the Company for cash, pursuant to the authority conferred by the resolution to allot relevant securities passed on 19 March 2003 and to sell equity securities (within the meaning of section 94 of the Act) which are held by the Company in treasury (as defined in Section 162A(3) of the Act), as if section 89(1) of the Act did not apply to any such allotments and sales, provided that this power shall be limited to the allotment and sale of equity securities:

- (a) in connection with an offer of such securities by way of rights, open offer or other offer of securities, to holders

of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements or any recognised regulatory body or stock exchange, or any other matter whatever;

- (b) otherwise than pursuant to sub-paragraph (a) above up to an aggregate nominal amount of £407,000;
- (c) at a price of not less than net asset value per share (plus costs of the relevant sale) as close as practicable to the allotment or sale;

and shall expire on 16 September 2006, except that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted or sold after such expiry and notwithstanding such expiry the Directors may allot or sell equity securities in pursuance of such offers or agreements.

11. That, in substitution for the Company's existing authority to make market purchases of ordinary shares of 5p in the Company ("ordinary shares"), the Company be and it is hereby authorised in accordance with section 166 of the Companies Act 1985 (the "Act") to make market purchases (within the meaning of section 163 of the Act) of ordinary shares provided that:

- (a) the maximum number of ordinary shares hereby authorised to be purchased is 24,400,000;
- (b) the minimum price which may be paid for an ordinary share is its nominal value (exclusive of expenses);
- (c) the maximum price which may be paid for an ordinary share shall be the lower of 5% above the average of the market values of the ordinary shares for the five business days immediately preceding the date of the purchase and the net asset value per ordinary share on the date of the purchase; and
- (d) unless renewed, the authority hereby conferred shall expire on 16 September 2006 save that the Company may, prior to such expiry, enter into a contract to purchase ordinary shares which will or may be completed or executed wholly or partly after such expiry.

Notice of Annual General Meeting continued

All ordinary shares purchased pursuant to the above authority shall be either:

- (a) cancelled immediately upon completion of the purchase;
or
- (b) held, sold, transferred or otherwise dealt with as treasury shares in accordance with the provisions of the Act.

By order of the Board

Merrill Lynch Investment Managers Group Services Limited

Secretary

14 February 2005

Registered Office:

33 King William Street

London EC4R 9AS

Notes:

1. A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. Proxy forms must reach the office of the Company's registrars in Bristol by 2.30 p.m. on 15 March 2005. A form of proxy is provided to shareholders with the annual report. Completion and return of the form of proxy will not prevent a member from attending the meeting and voting in person.
3. Proxy votes can be submitted electronically at www-uk.computershare.com/proxy by using the PIN and SRN numbers printed on the form of proxy. The latest time for the submission of proxy votes electronically is 2.30 p.m. on 15 March 2005.
4. If you are a CREST system user (including a CREST Personal member) you can appoint one or more proxies or give an instruction to a proxy by having an appropriate CREST message transmitted. To appoint a proxy or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, the CREST message must be received by Computershare (ID number 3RA50) not later than 48 hours before the time appointed for holding the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which Computershare is able to retrieve the message. CREST personal members or other CREST sponsored members should contact their CREST sponsor for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and system timings, please refer to the CREST manual. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
5. To be entitled to attend and vote at the meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members at 11.00 p.m. on 15 March 2005 ("the specified time"). If the meeting is adjourned to a time not more than 48 hours after the time applicable to the original meeting, the specified time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned meeting. If, however, the meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members at the time which is 48 hours before the time fixed for the adjourned meeting or, if the Company gives notice of the adjourned meeting, at any other time specified in that notice.
6. No service contracts exist between the Company and any of the directors, who hold office in accordance with letters of appointment and the Articles of Association.

Glossary

Net asset value per share ("NAV")

This is the value of the Company's assets attributable to one ordinary share. It is calculated by dividing shareholders' funds by the total number of shares in issue. For example, as at 31 December 2004 shareholders' funds were £395,357,000 and there were 162,800,000 ordinary shares in issue; the NAV was therefore 242.85p per share.

Shareholders' funds are calculated by deducting the Company's current and long-term liabilities and any provision for liabilities and charges from its total assets.

Discount

Investment trust shares can frequently trade at a discount to NAV. This occurs when the share price is less than the NAV and investors may therefore buy shares at less than the value attributable to them by reference to the underlying assets. The discount is the difference between the share price and the NAV, expressed as a percentage of the NAV. For example, if the share price were 80p and the NAV 100p, the discount would be 20%.

Premium

A premium occurs when the share price is more than the NAV and investors therefore would be paying more than the value attributable to the shares by reference to the underlying assets. For example, if the share price were 120p and the NAV were 110p, the premium would be 9.1%.

Discounts and premiums are mainly the consequence of supply and demand for the shares on the stock market.