



World Silver Survey 2010

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WORLD SILVER SURVEY 2010

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World Silver Survey 2010

- Prices

- Demand

- Supply

- Investment

- Outlook for 2010

The Silver Price



Source: Thomson Reuters

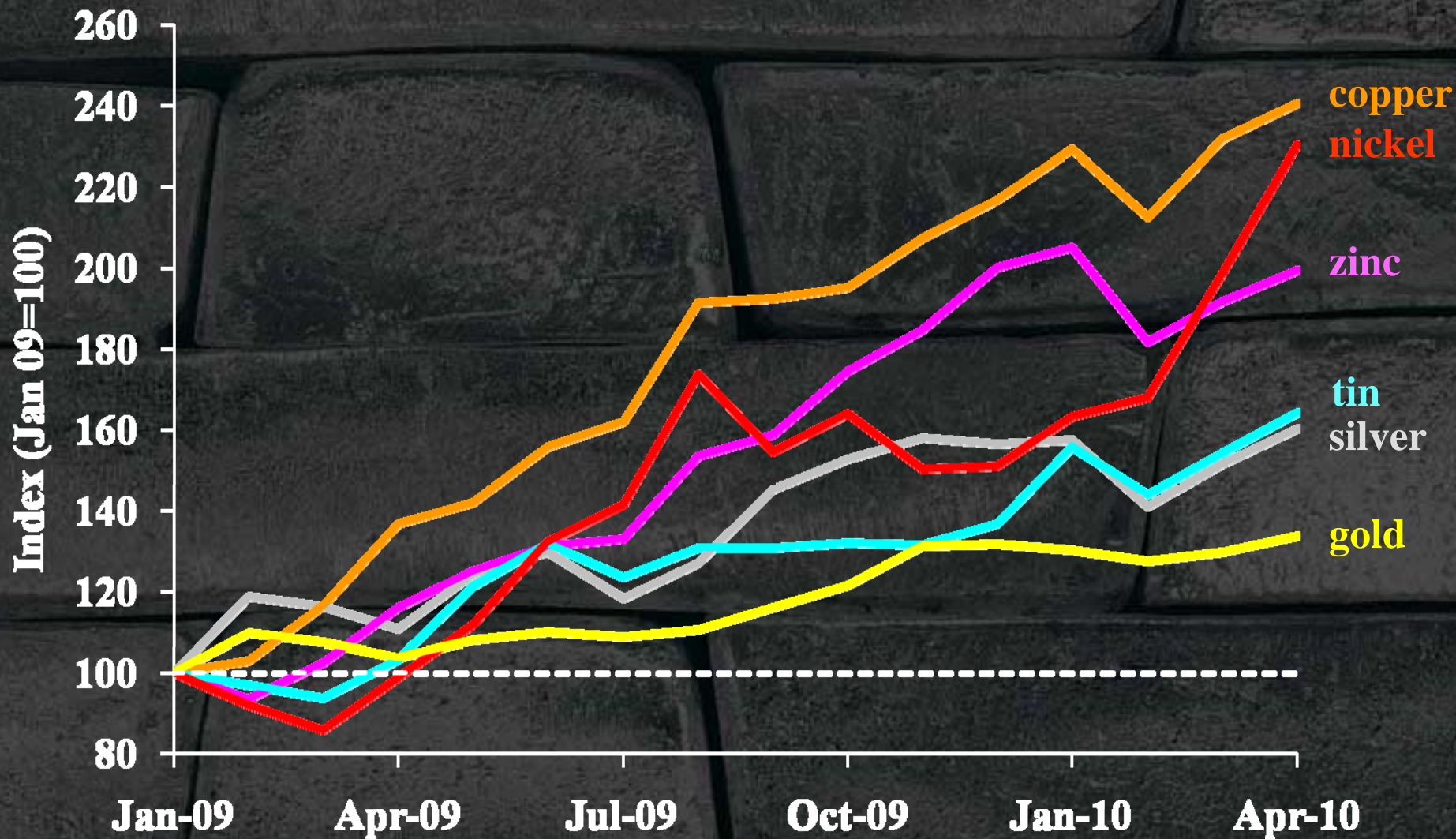


US Dollar and Euro Prices



Source: Thomson Reuters

Silver, Gold and Base Metals Prices

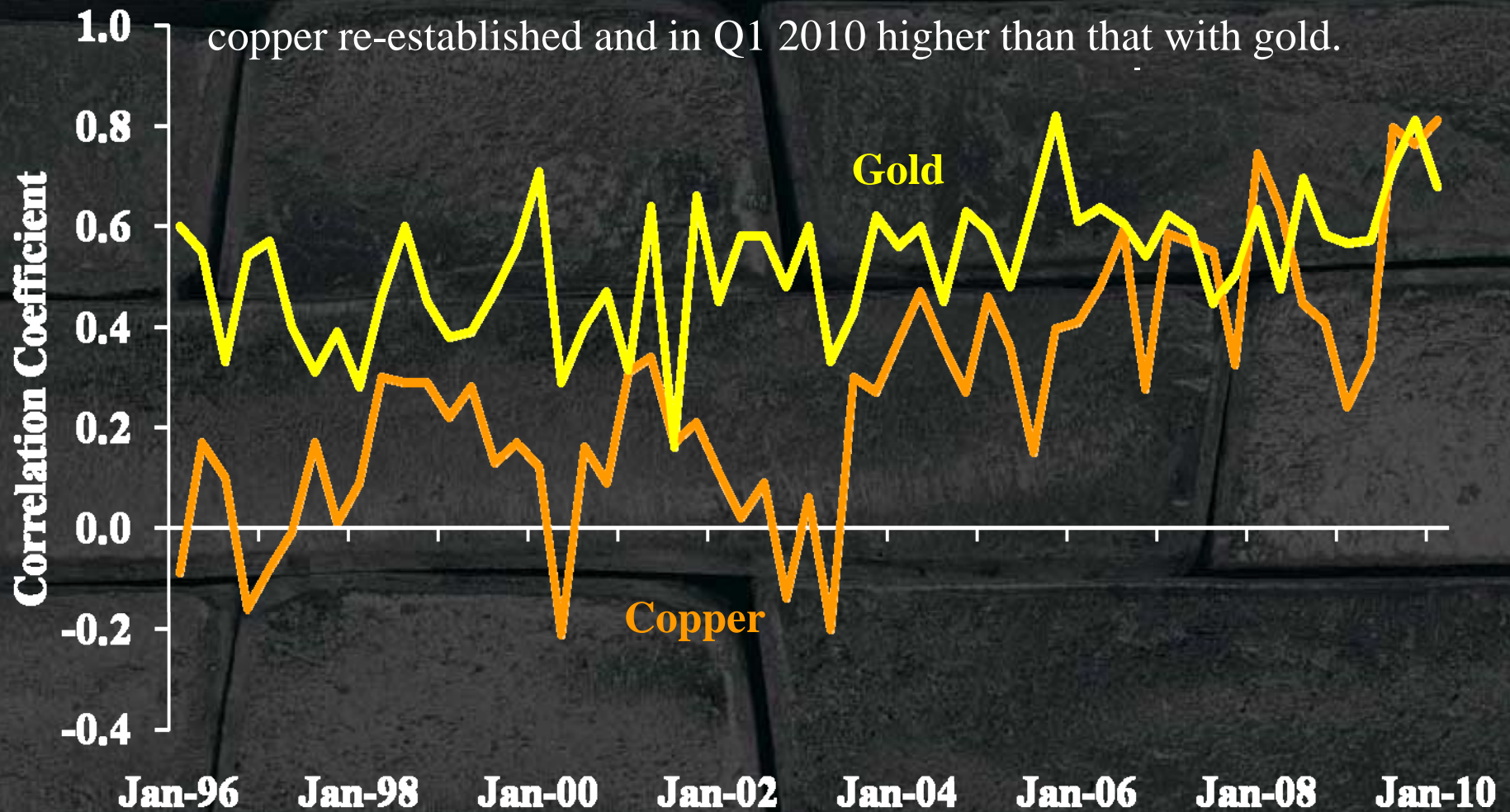


Source: GFMS, Thomson Reuters



Quarterly Correlation of Daily Silver Prices with Gold and Copper Prices

Correlation much stronger with gold in H1 2009 but since then link with copper re-established and in Q1 2010 higher than that with gold.



Source: GFMS



Real and Nominal Silver Prices

(real US\$ price in constant 2009 terms)



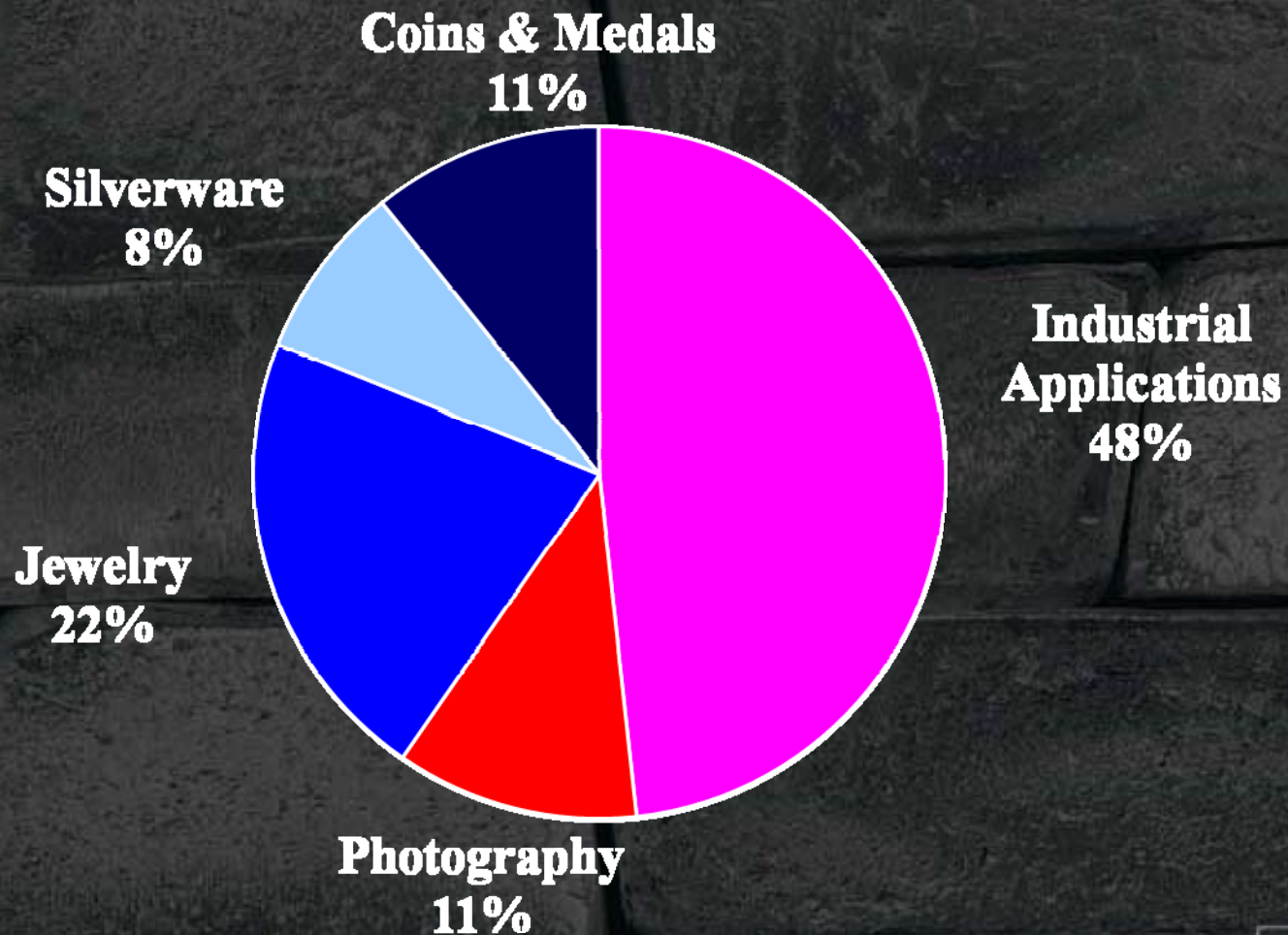
Source: GFMS, Thomson Reuters

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World Silver Fabrication Demand, 2009

Total Fabrication Demand in 2009: -11.9% to 729.8 Moz



Source: GFMS Ltd.



World Silver Fabrication

Annual Changes: 2009 less 2008

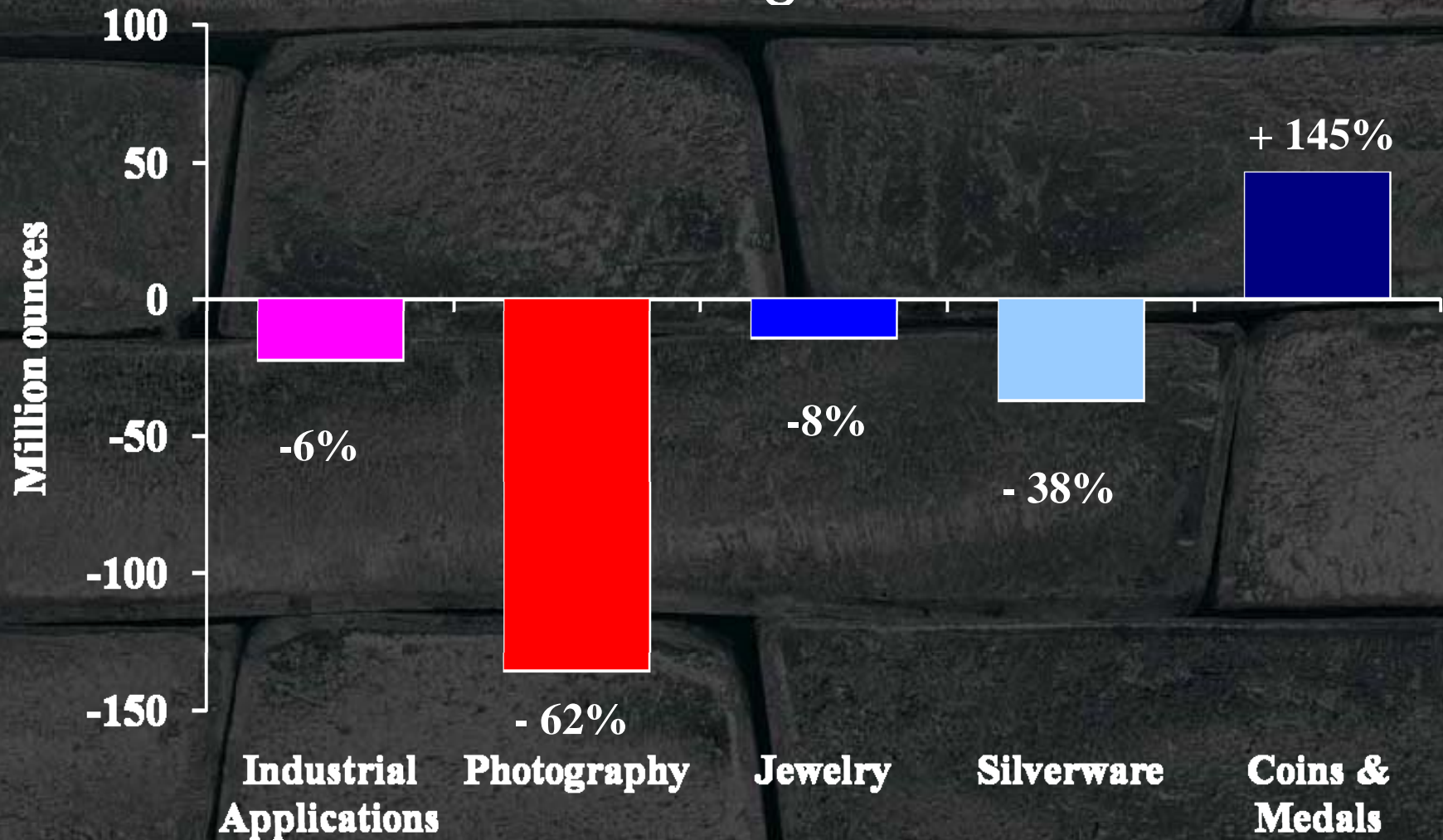


Source: GFMS Ltd.



World Silver Fabrication

10 Year Changes: 2000-2009



Source: GFMS Ltd.

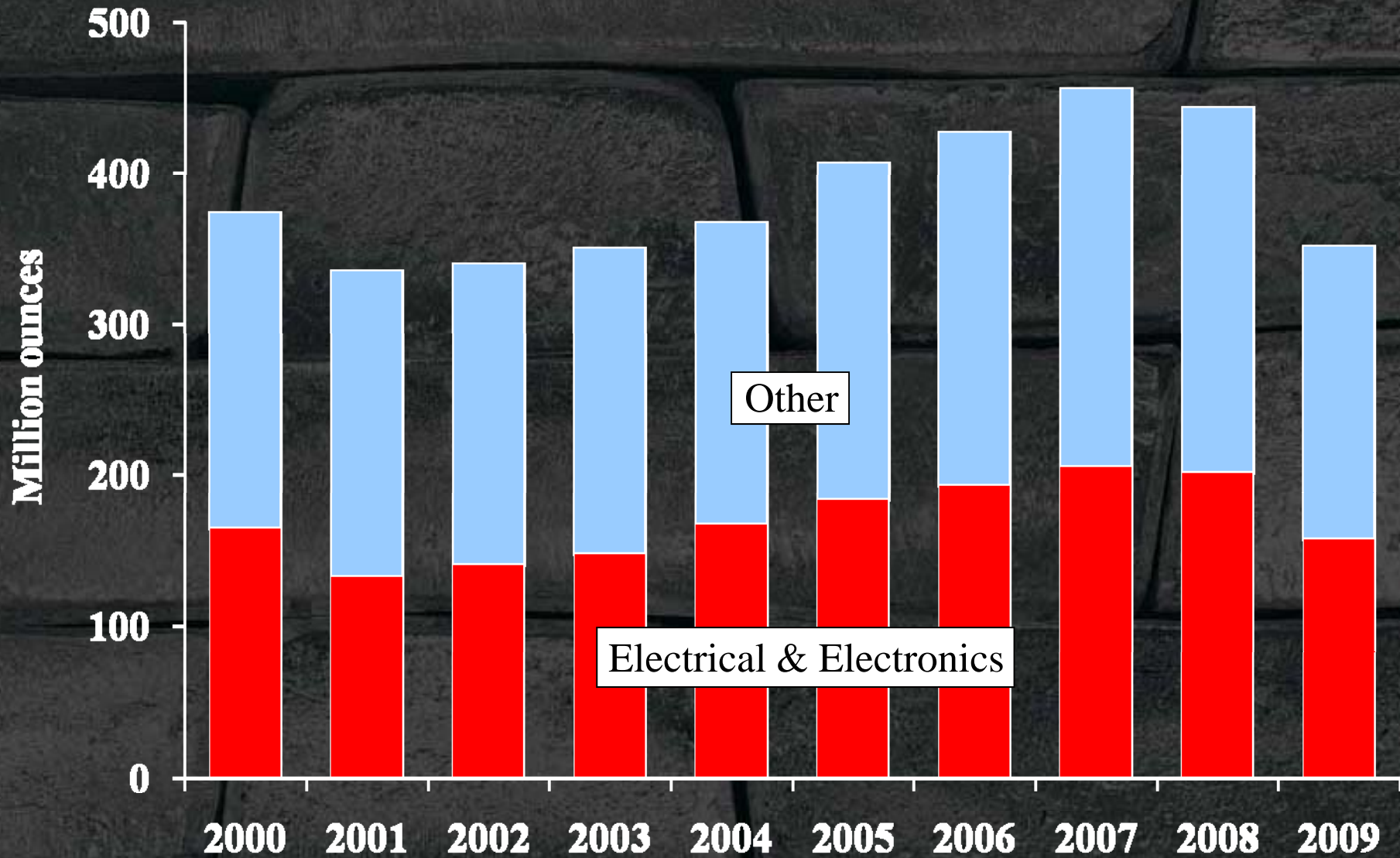


Economic Indicators



*Excluding construction
Source: IMF, OECD

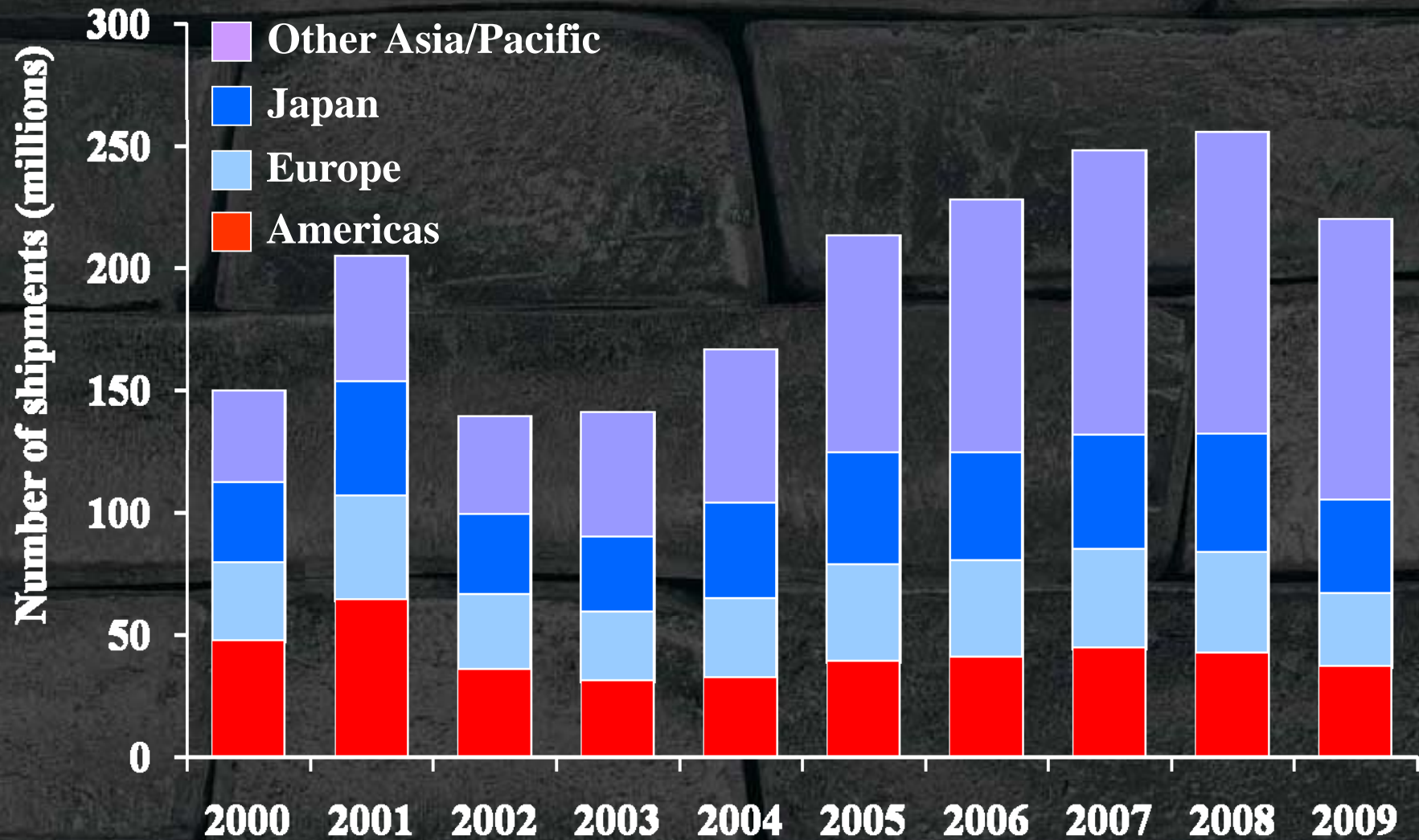
Industrial Fabrication



Source: GFMS Ltd.



Global Semiconductor Billings

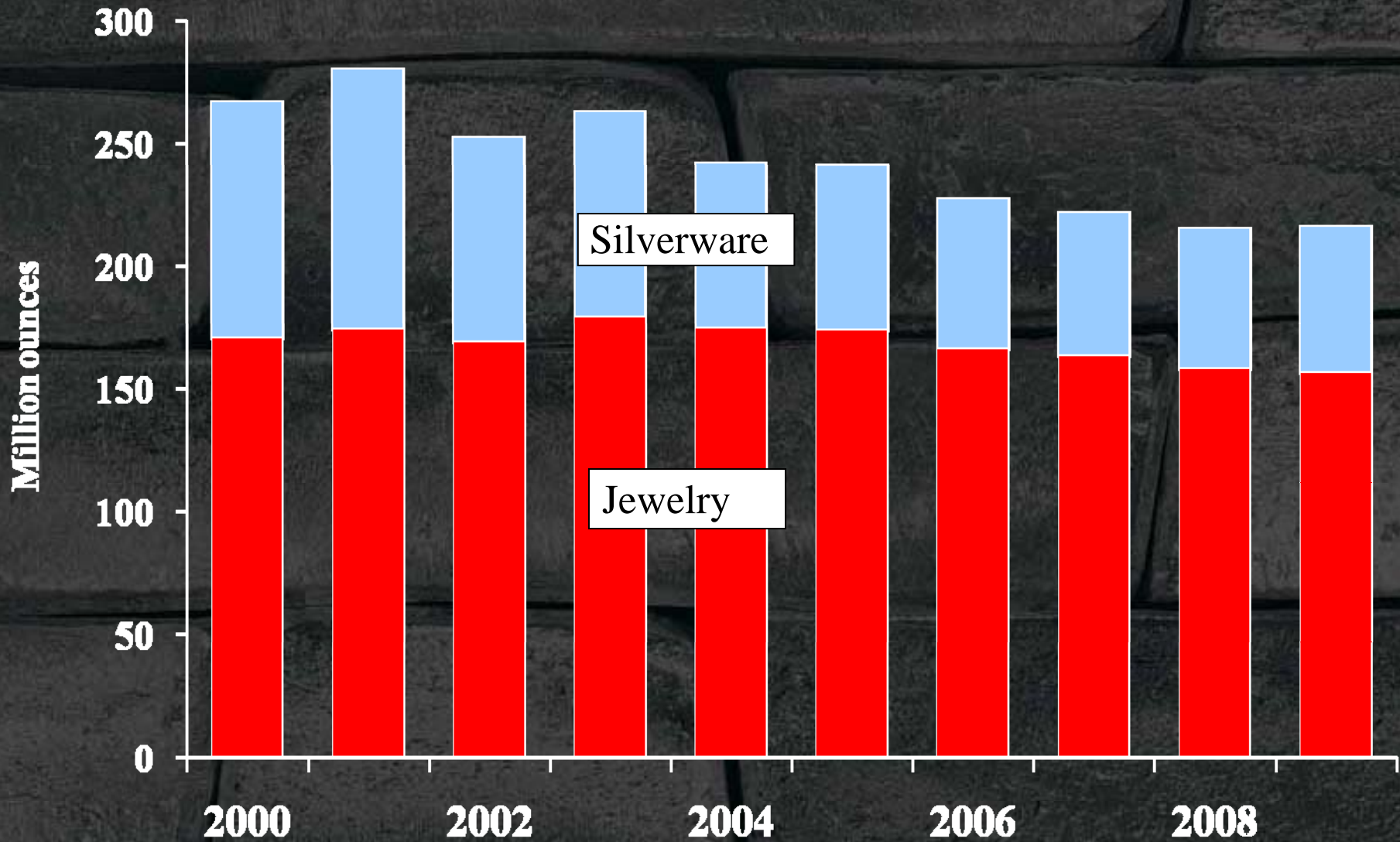


Source: SIA

Industrial Fabrication

- Industrial offtake fell by 20.6% to a six-year low of 352.2 Moz in 2009, mainly due to economic recession.
- The bulk of losses were concentrated in the first half, as demand improved significantly in the fourth quarter.
- All regions except the Indian Sub-Continent suffered double-digit losses, with the heaviest in percentage and absolute terms being East Asia's.
- Loss was apparent in most sectors of end use, although some, for example, photo voltaic cells and other more novel uses, continued to show growth.

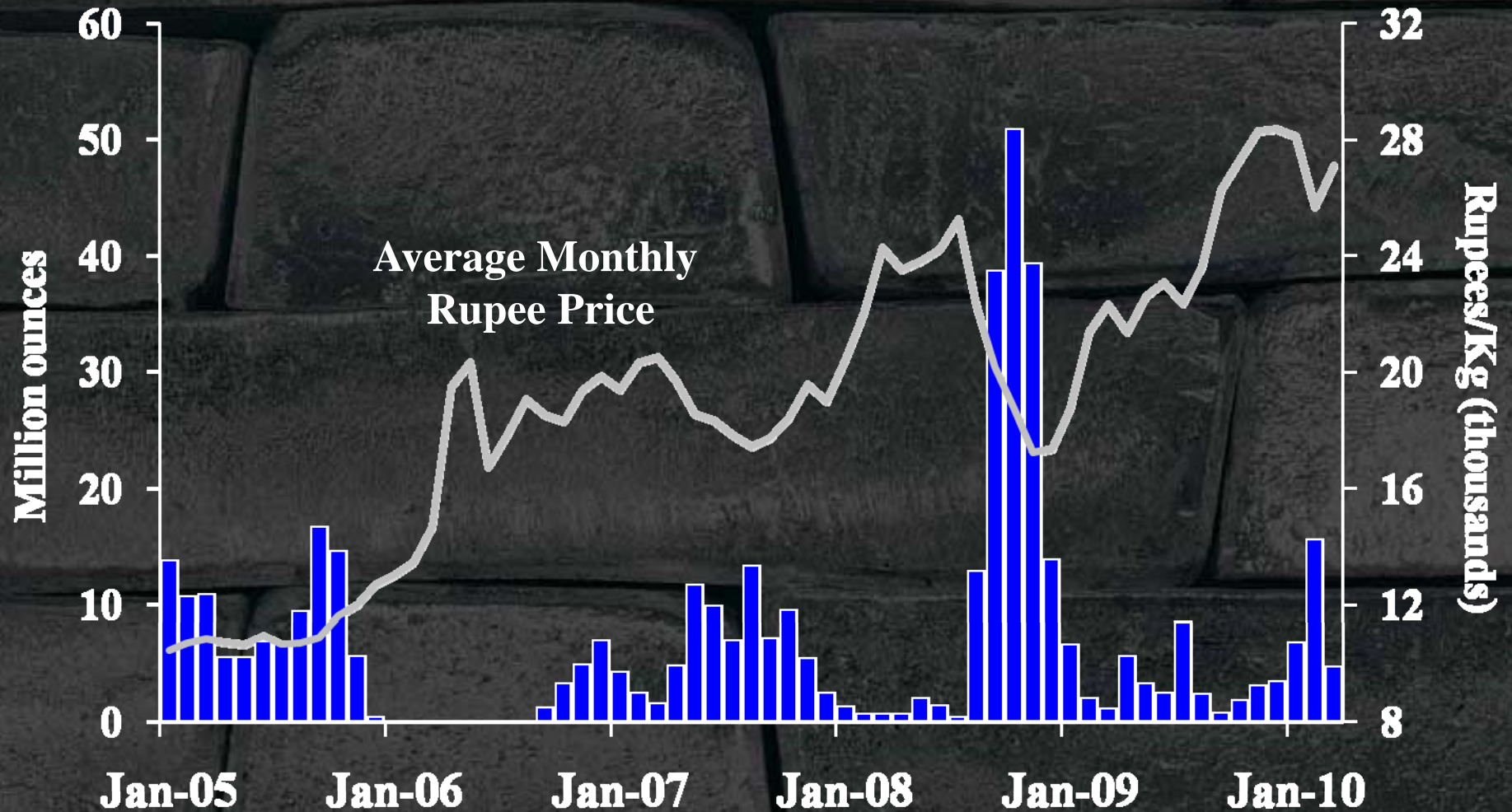
Jewelry & Silverware Fabrication



Source: GFMS Ltd.



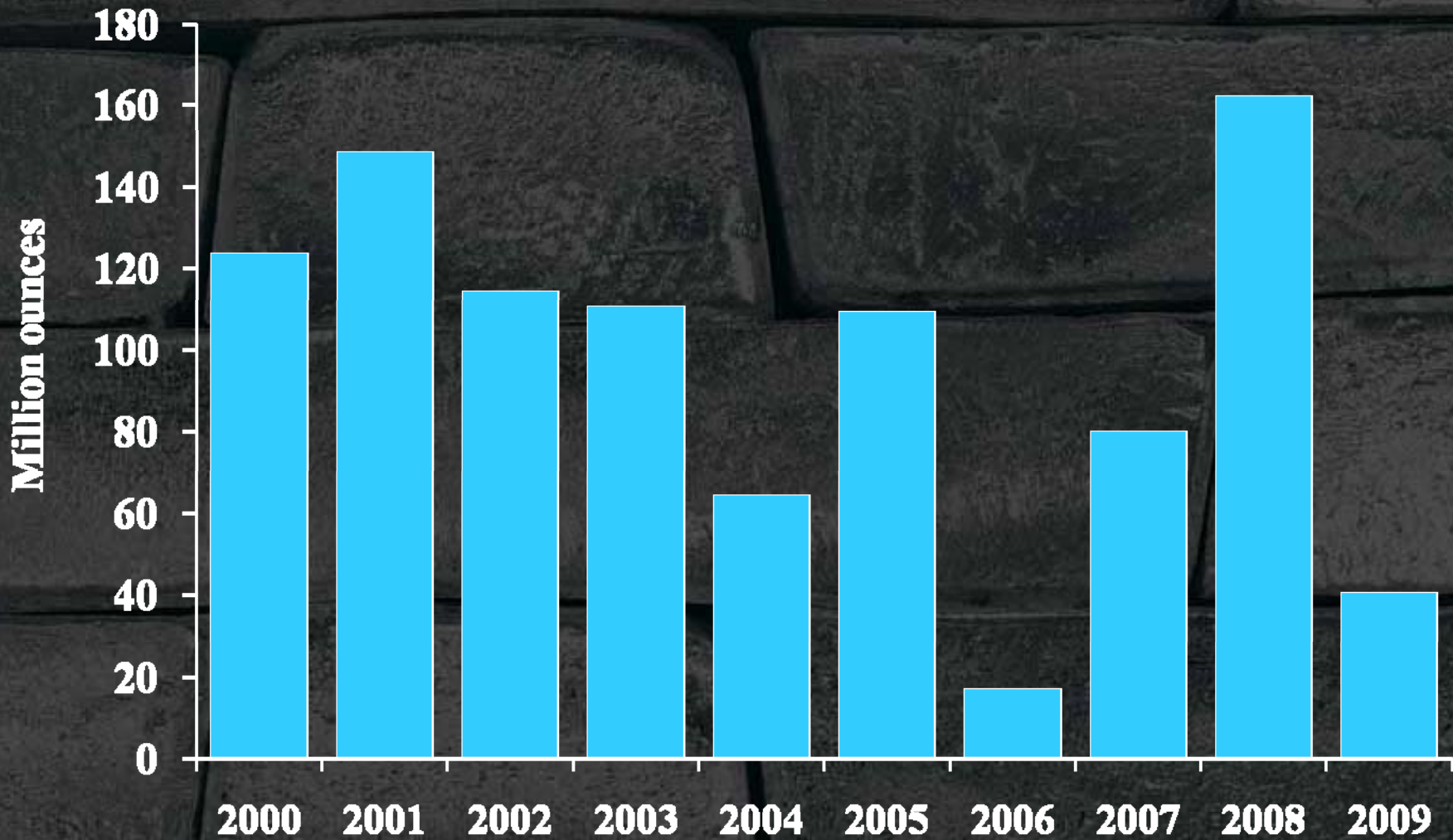
Indian Silver Bullion Imports January 2005 – March 2010



Source: GFMS Ltd.



Indian Silver Bullion Imports



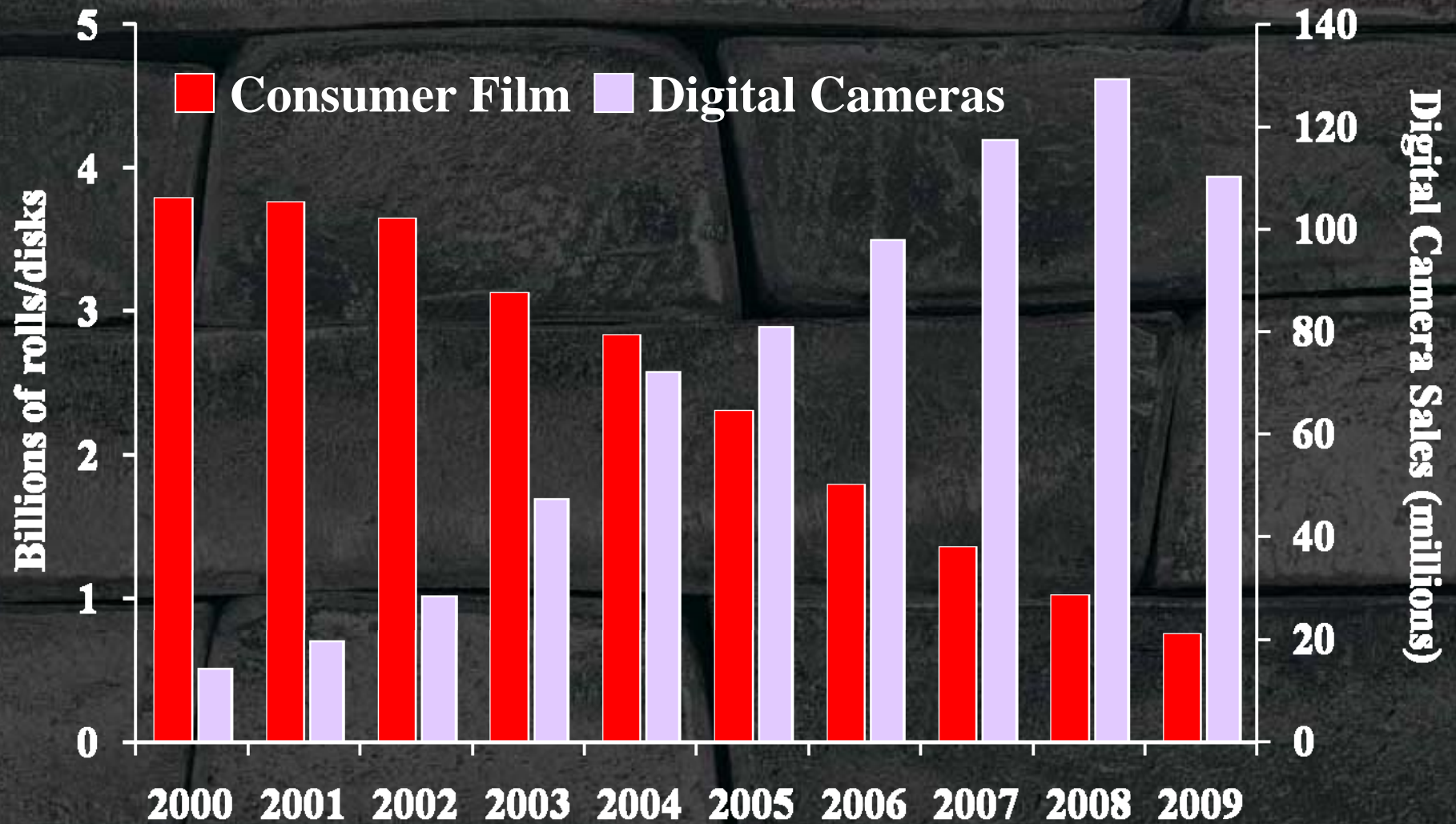
Source: GFMS Ltd.



Jewelry & Silverware

- Jewelry demand slipped a modest 1.1% to 156.6 Moz.
- The fall was primarily due to weaker consumption in western markets and destocking at the trade level. Demand saw some support from substitution away from gold.
- At a country level, the bulk of losses came from those dependent on exports, such as Italy and Thailand. In contrast, demand in India and China continued to rise.
- **Silverware:** Offtake rose 4.6% to 59.5 Moz after three consecutive years of decline, driven by trade stock-related gains in India. Excluding India, demand elsewhere fell 16%.

Consumer Film and Digital Camera Sales



Source: Photofinishing News Inc., Lyra Research Inc.

Photography

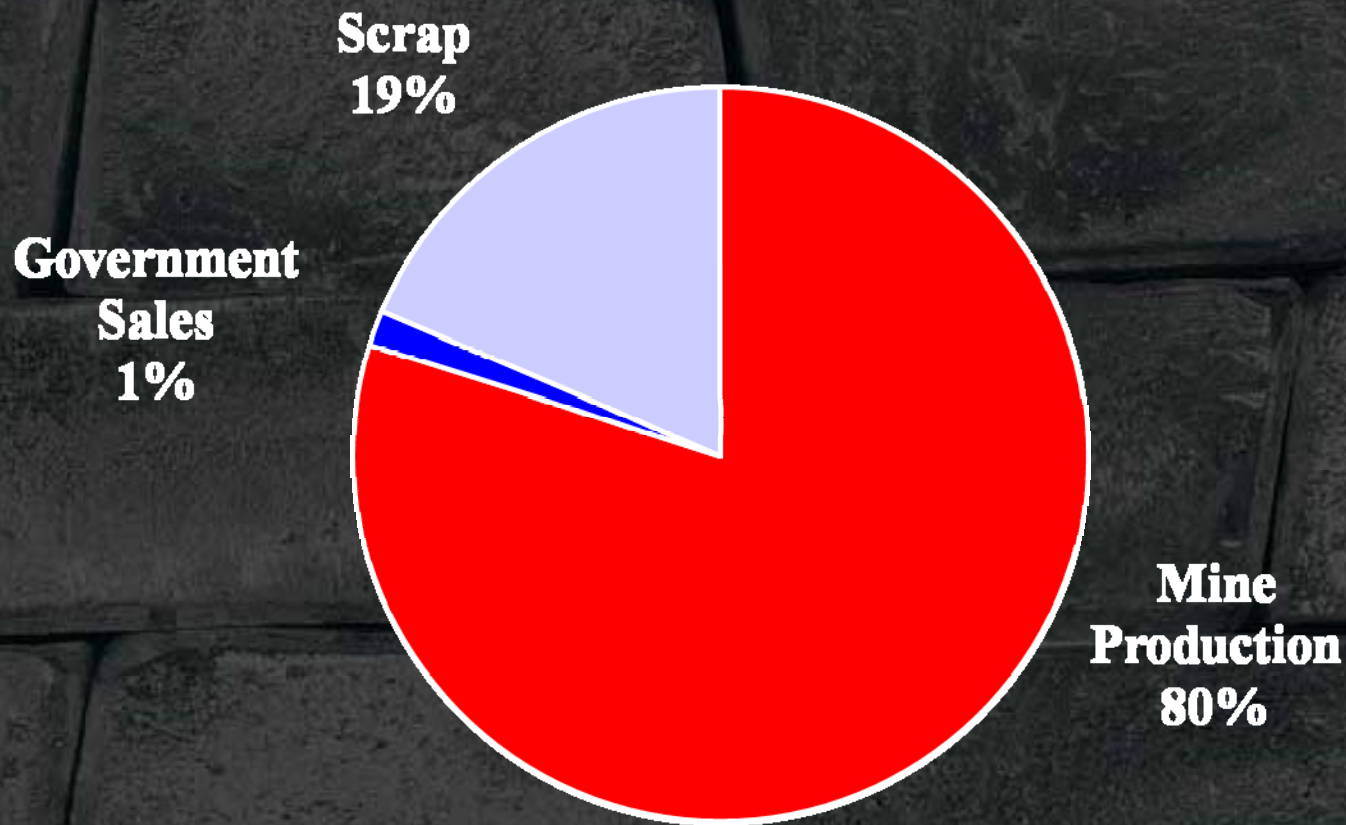
- Photographic demand for silver dropped 21% to 83 Moz in 2009.
- Its share of total fabrication demand fell to just 11%, compared to 25% in 2000.
- Losses were mainly in the consumer film and paper sectors due once again to the ongoing shift to digital technology, coupled last year with the global economic downturn.
- Silver use in the medical sector also fell, albeit only modestly.

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World Silver Supply, 2009

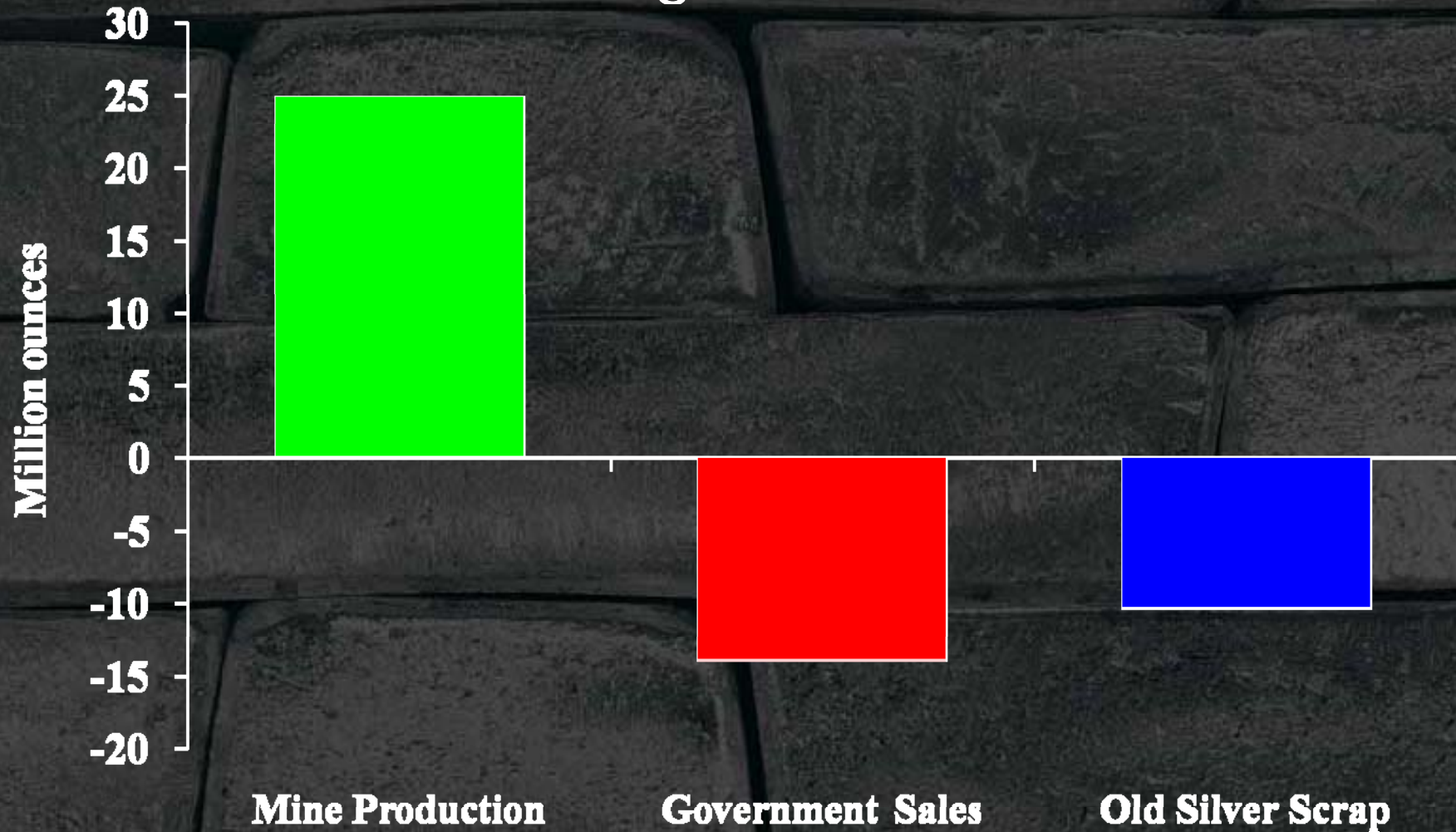
Total Supply in 2009: Up marginally at 888.9 Moz



Source: GFMS Ltd.

World Silver Supply

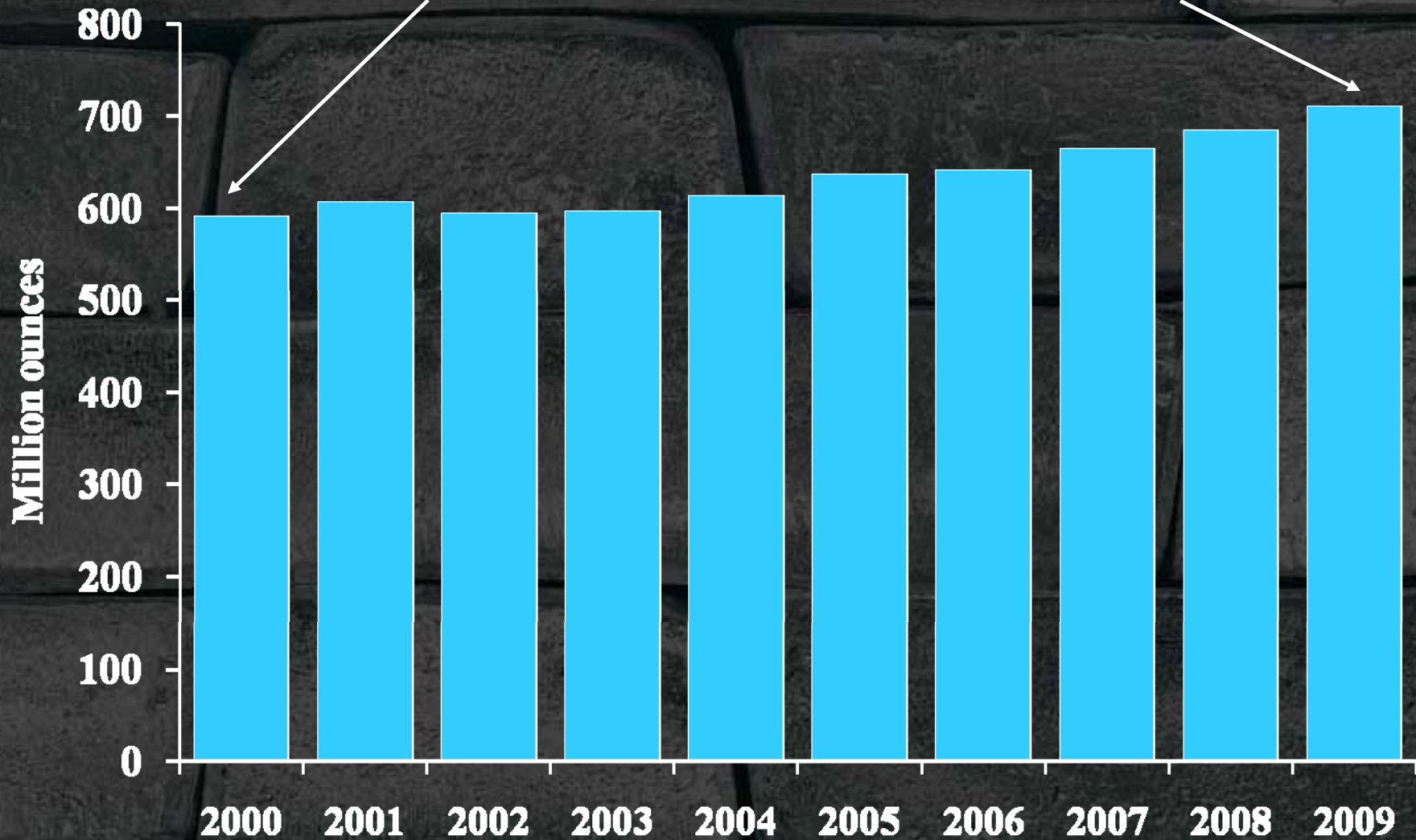
Annual Changes: 2009 less 2008



Source: GFMS Ltd.

World Silver Mine Production

Growth of 118.6 Moz or 20% in 2000-2009

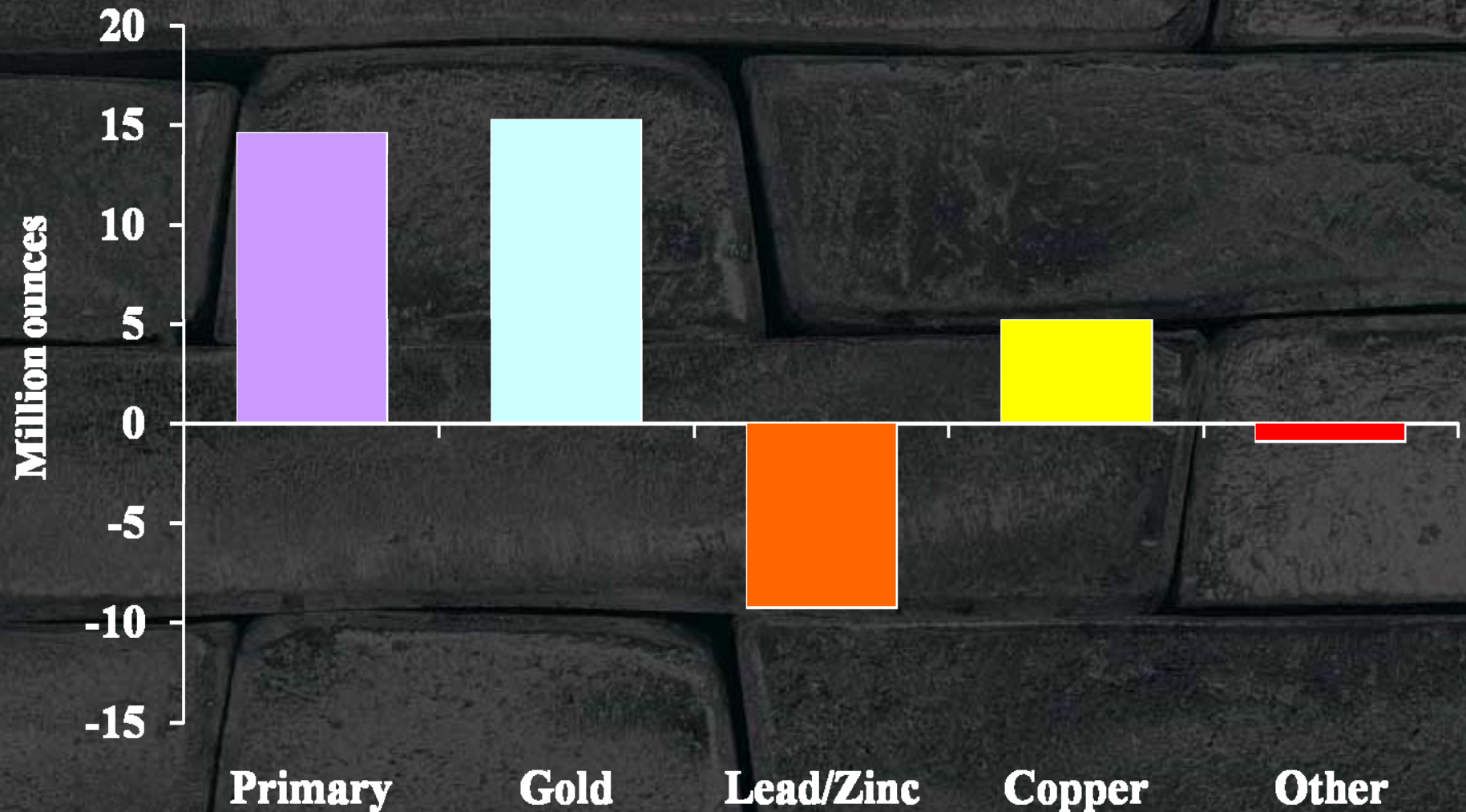


Source: GFMS Ltd.



Mine Production by Source Metal

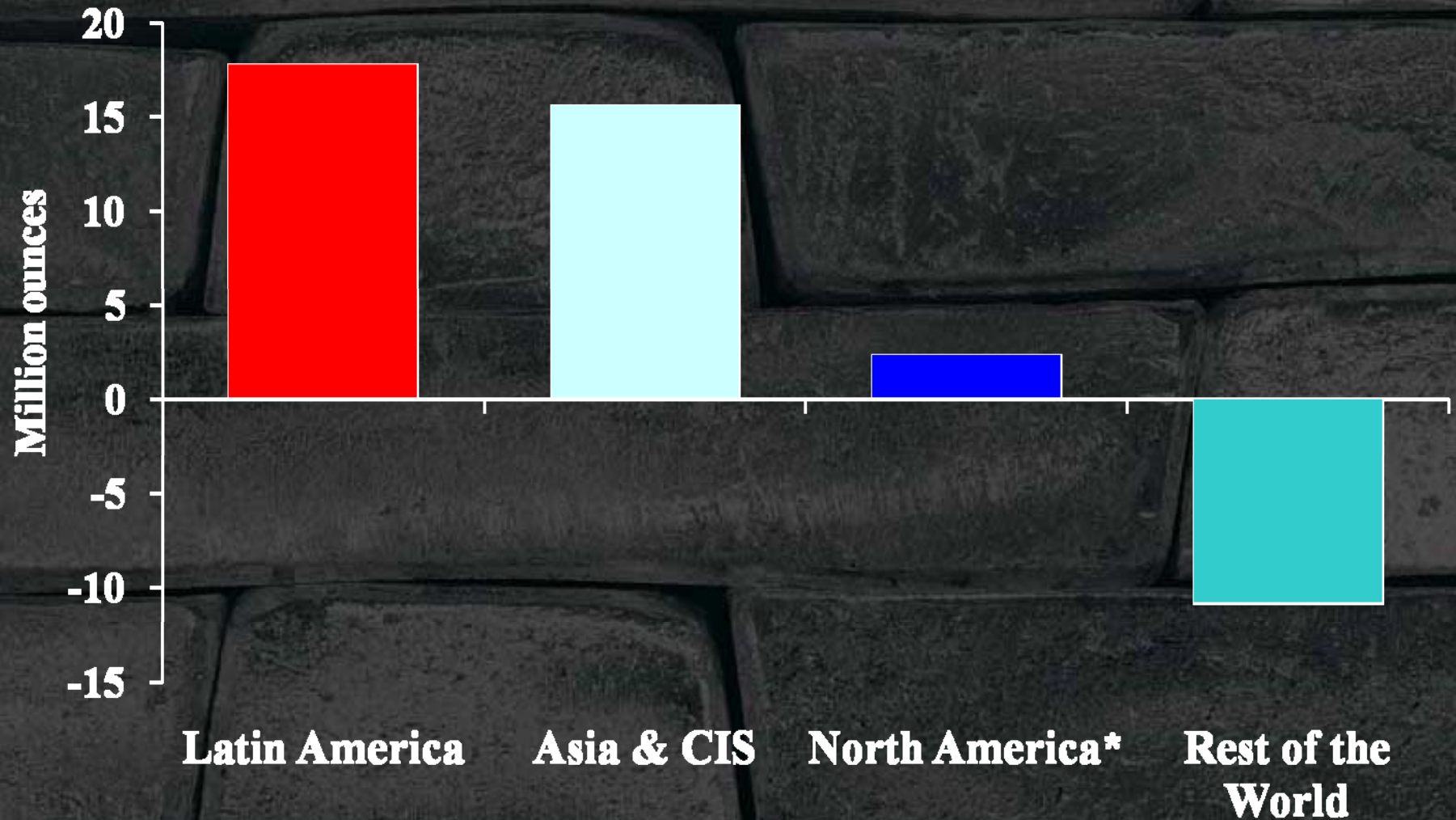
Winners and Losers: 2009 less 2008



Source: GFMS Ltd.

Mine Production by Region

Winners and Losers: 2009 less 2008



Source: GFMS Ltd.; *includes Mexico



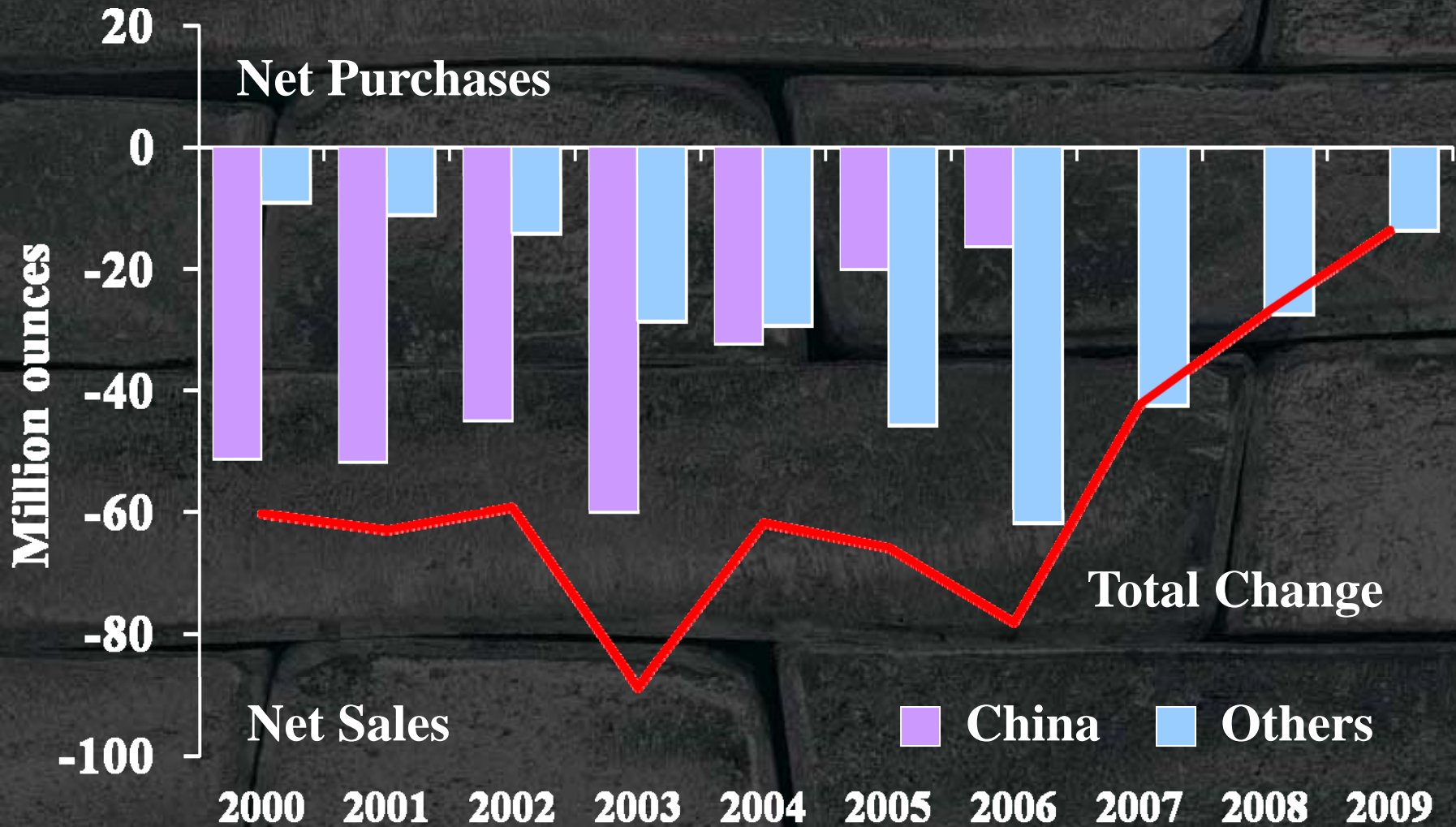
Mine Production

- World silver mine production grew by almost 4% or 24.9 Moz last year to a record 709.6 Moz.
- Higher mine output from primary silver and gold sectors drove the increase.
- Silver production from lead/zinc mines declined by 4% or 9.2 Moz in 2009.
- At a country level, most notable increases were seen in Bolivia and Argentina (both +6.8 Moz) with by far the largest single decline coming from Australia (-9.4 Moz).

Scrap Supply

- Scrap supply continued to fall, in 2009 by almost 6% to 165.7 Moz, despite a strong recovery in prices over the year.
- The long-term structural decline in photography and a drop in industrial-related scrap were the primary drivers for the fall last year.
- Elsewhere, jewelry and silverware scrap rose marginally, boosted primarily by India which reported a strong rise in recycling on higher silver prices in rupee terms.

Changes in Government Stocks

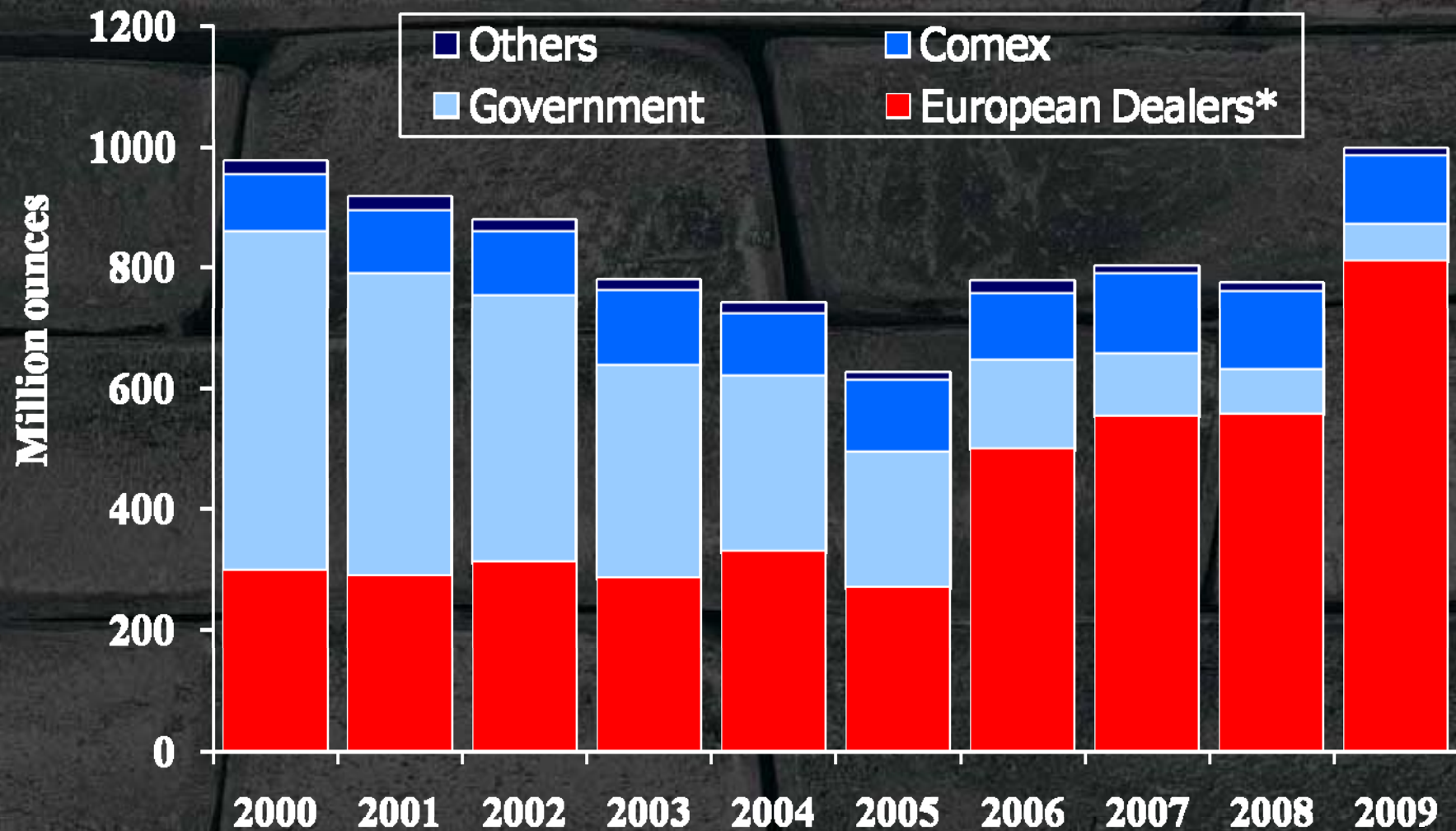


Source: GFMS Ltd.

Government Sales

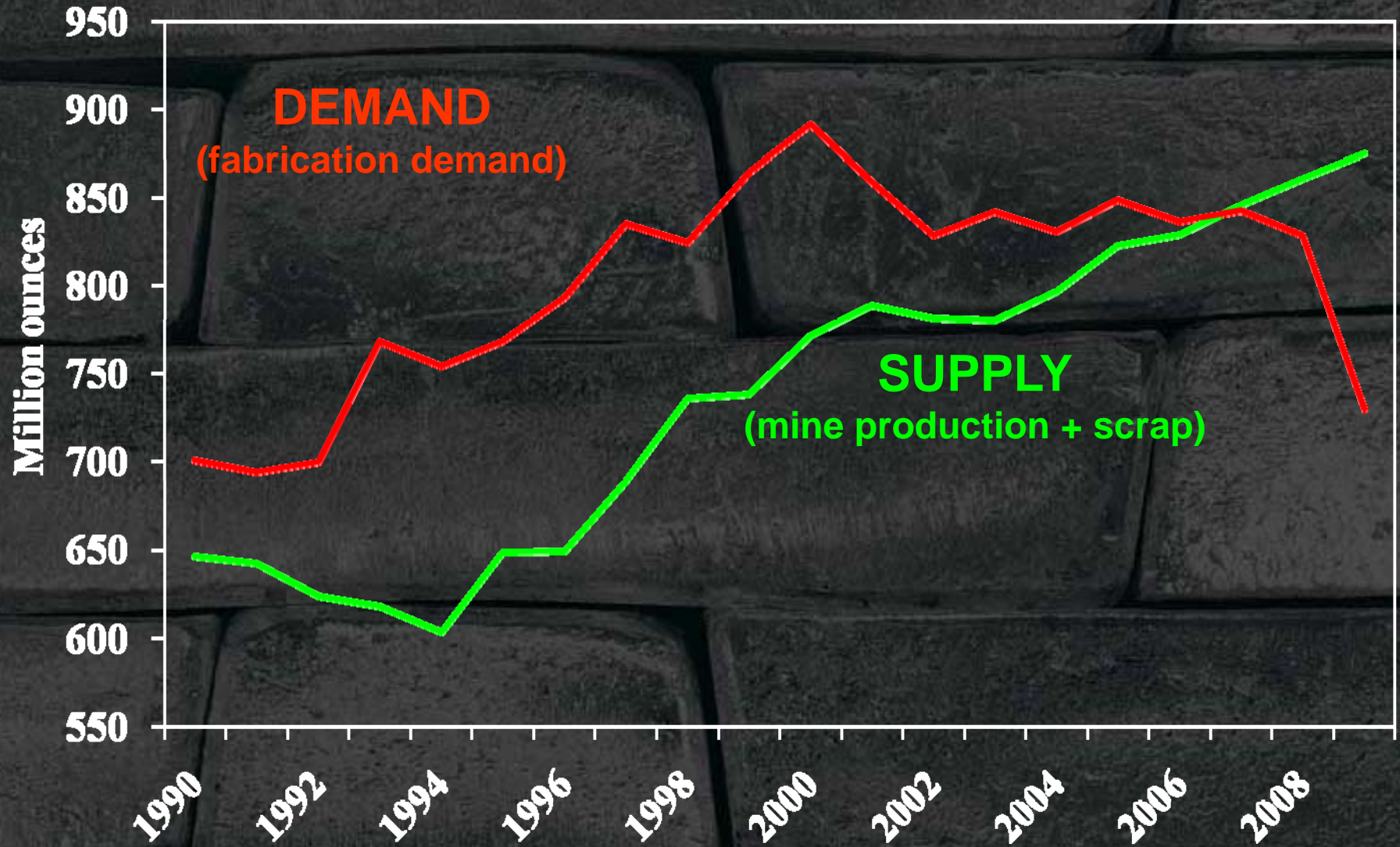
- Government sales estimated at around 14 Moz in 2009, down by a half on the previous year's level.
- Russia accounted for the bulk of government sales and apparent disposals from the country fell by 51% in 2009.
- Other official sales last year were small scale and related to the melting of old coins.
- Total government silver stocks conservatively estimated at 61 Moz at end-2009.

Identified Bullion Stocks (end-year)



Source: GFMS Ltd.; *includes ETF holdings

Market Shifts From "Deficit" to "Surplus"

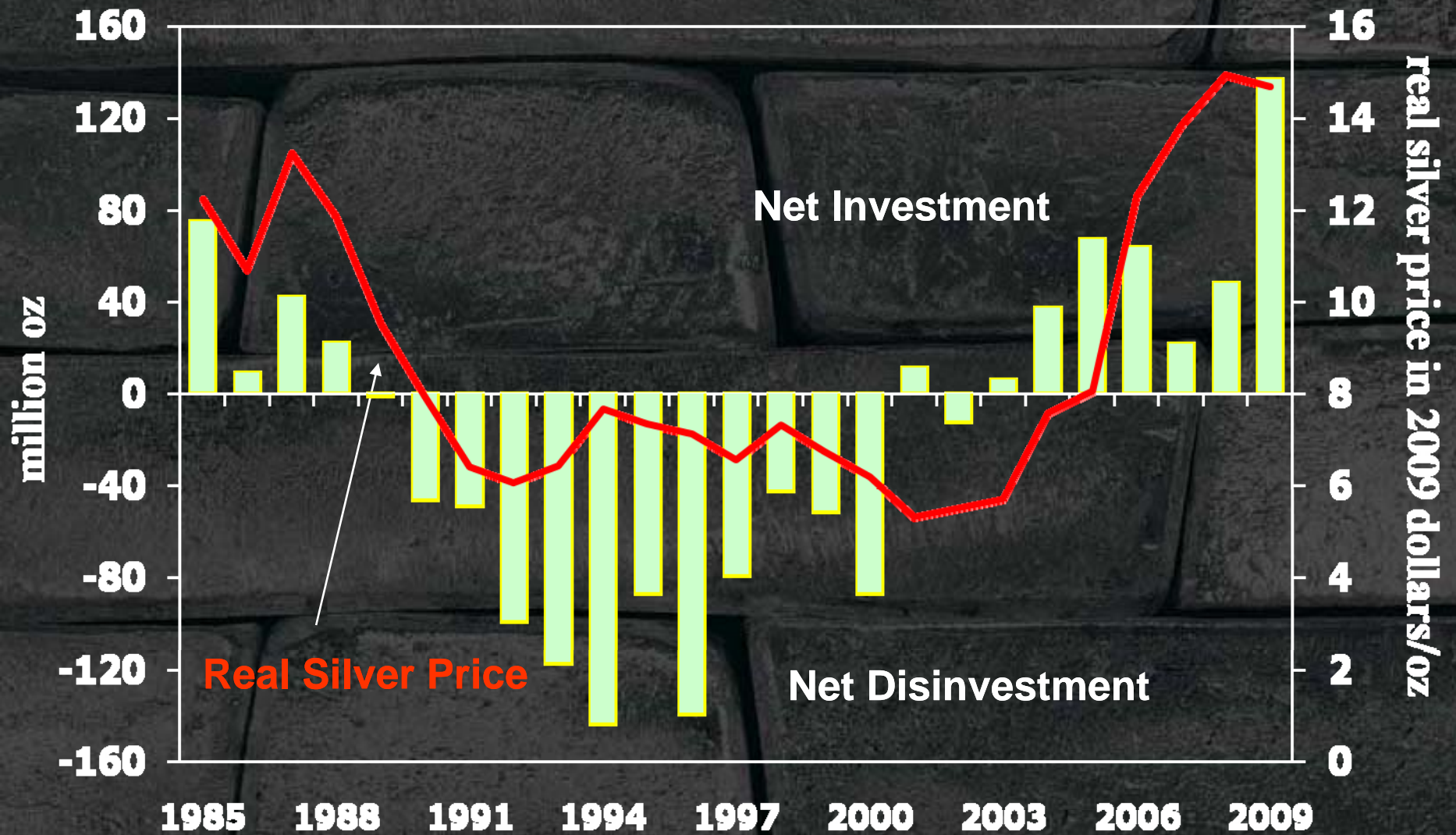


Source: GFMS

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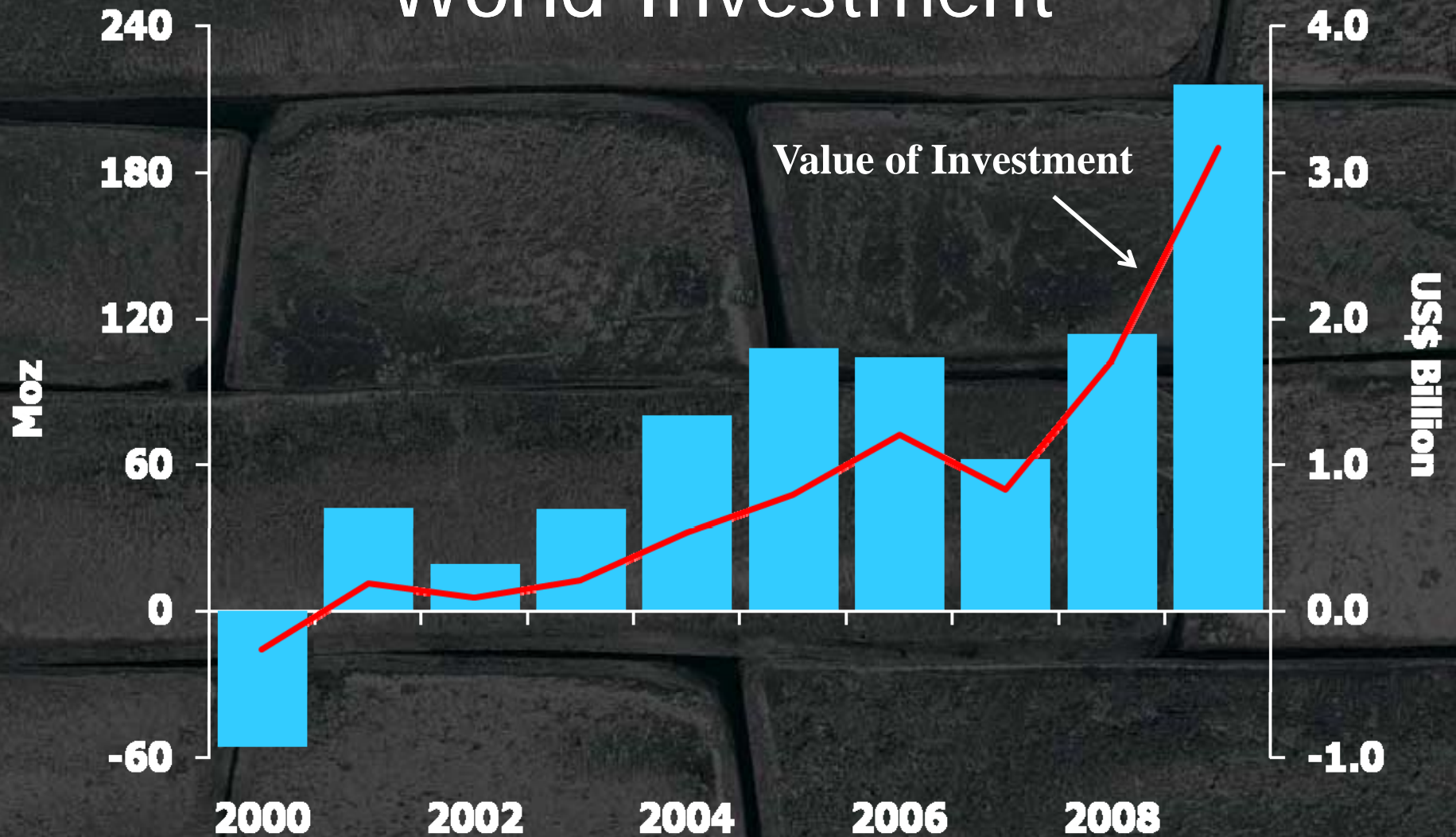
Silver (Dis)Investment and Real Price



Source: Silver Institute, GFMS Ltd. Investment refers to the Implied Net (Dis)Investment series only.



World Investment*

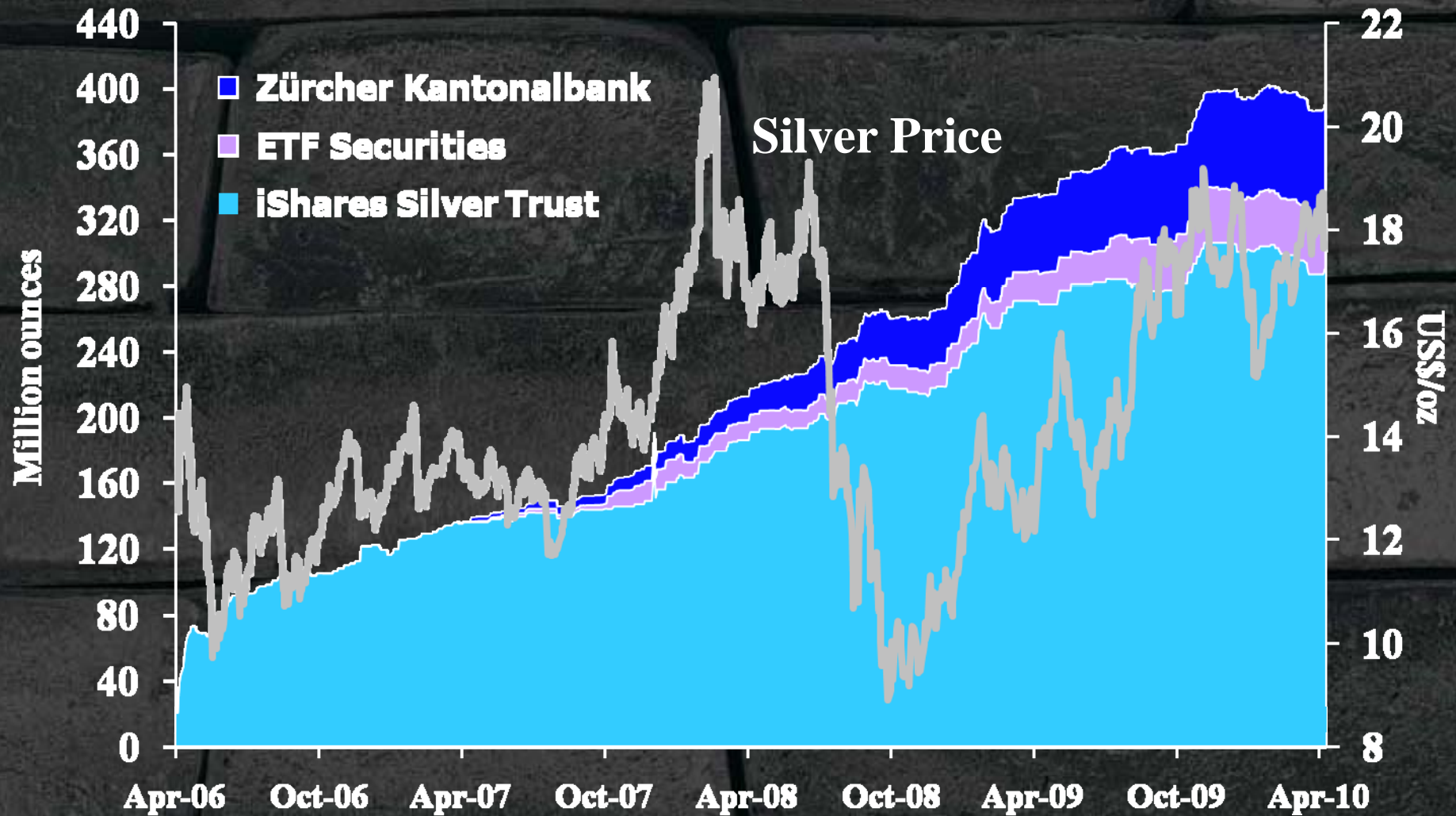


*World Investment is the sum of Implied Net (Dis)Investment and Coins & Medals.

Source: GFMS

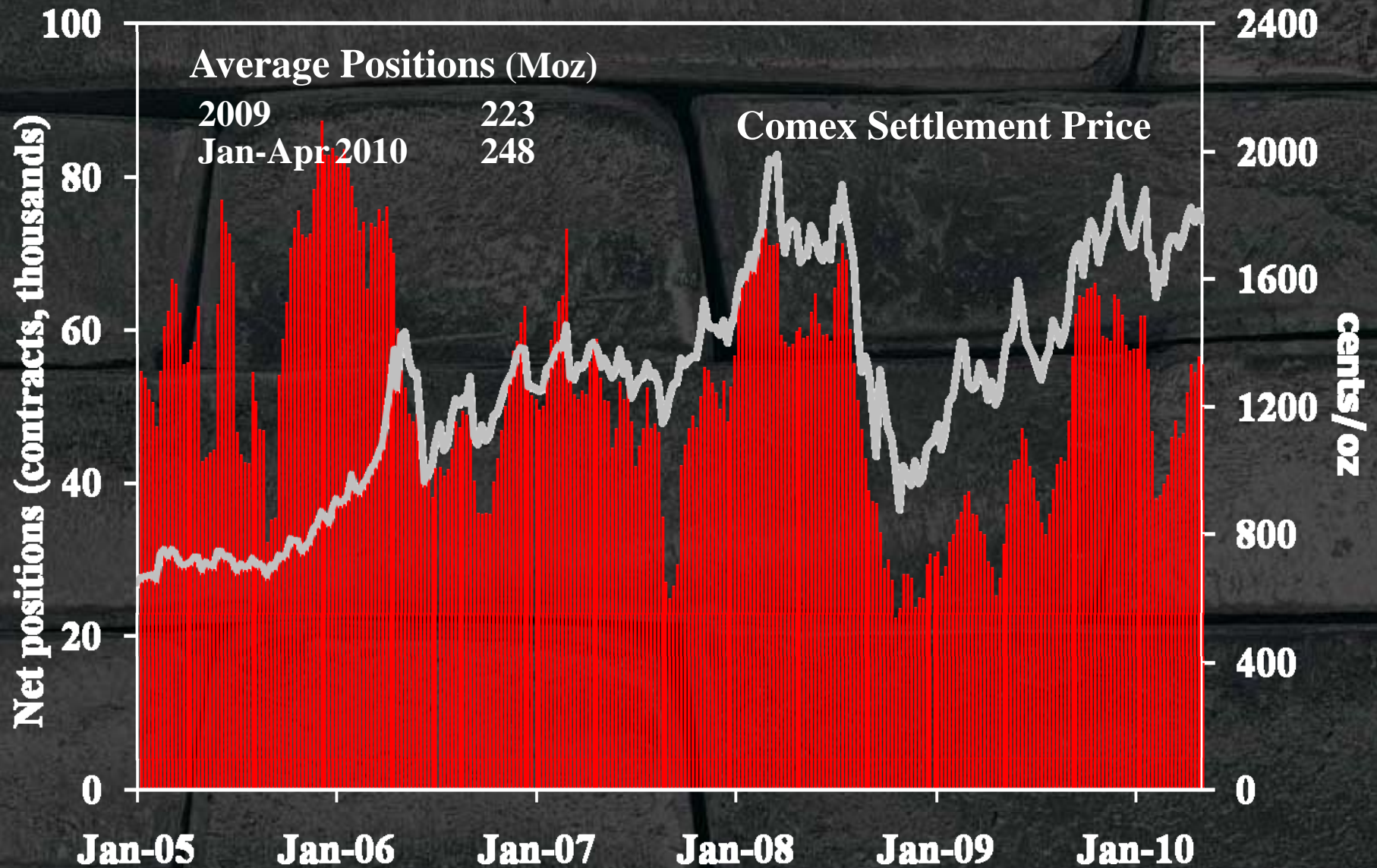
ETF Silver Holdings

Total end-April 2010 = 385.8 Moz



Source: Respective ETF issuers

Investors'* Net Positions in Comex Silver Futures



*Non-commercial & non-reportable net positions in futures taken as proxy for investors' positions.
Source: CFTC



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Outlook for 2010: Supply

- Mine production is expected to increase further in 2010, by +/- 3%, to reach another successive record high, with the bulk of the growth coming from the gold and the base metals mining sectors.
- Scrap supply will continue to fall this year, although the scale of losses is likely to be more modest.
- Government sales are set to remain at very low levels.
- Overall, supply projected to rise marginally this year.

Outlook for 2010: Demand

- Industrial demand seeing a strong recovery in 2010, reflecting stock replenishment and higher GDP growth.
- Photographic demand will drop again but decline in volume as opposed to percentage terms could moderate compared to 2009.
- Jewelry is likely to be down marginally in 2010, primarily due to losses in the Indian market.
- Silverware expected to drop, a result of ongoing secular shifts.
- Total fabrication demand in 2010 forecast to increase modestly.
- Despite some improvement in silver's supply & demand fundamentals, the silver market will remain in substantial surplus this year but this metal will be absorbed by investors.

Outlook for 2010: Silver Price

- Average spot price in 2010 from January to 25th May was \$17.41 basis the London 'fix'.
- This average was up no less than 36% year-on-year gain compared to the average price recorded in the first five months of 2009.
- So far this year the silver price has traded between a low of \$15.14 (8th February) and a high of \$19.64 (14th May).
- GFMS expect the price to remain volatile this year.
- The gold:silver ratio has varied between 60 and 71:1, with the 2010 year-to-date average 65:1.
- Investment will continue to be the main driver of the price, although firm support will be provided by the rebound in industrial demand.
- GFMS' short-term forecast is that through to July silver will trade between \$16.40-\$19.50, broadly shadowing gold.
- Before the end of 2010 a more decisive break-out to the upside is probable, with a fair chance that 2008's London-high of \$20.92 will be exceeded.

Thank you for your attention!

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