MEDIA ADVISORY

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until 20:30 hrs New York time on Wednesday, 16th November 2011

Release of Thomson Reuters GFMS Interim Silver Market Review

Silver Prices Forecast To Exceed $50 by end-2012
As Investment Demand Continues To Surge

***Fabrication demand** – forecast to grow by 4% in 2011. Industrial offtake is set to rise, in spite of the Japanese earthquake, weak economic growth in western economies and the end of stock replenishment. Jewellery demand is likely to edge higher despite stronger silver prices, while silverware and photography will weaken further. Demand for coins and medals, however, is set to establish a new record high, achieving the largest gain, in volume terms, of any category of fabrication demand in 2011.*
***Supply** – further, noteworthy gains are forecast for mine production and scrap in 2011, although these will be countered by a heavy fall in government sales and, to a lesser extent, producer hedging.*
***Investment** – The value of World Investment (on a net basis) is projected to reach a new high of $10 billion this year. Conditions in 2012 are likely to remain highly supportive of further growth in investment demand, underpinning additional price gains.*
***Prices** – Thomson Reuters GFMS forecast the annual average price in 2011 at $35.66, up by a noteworthy 77% year-on-year. The rally is expected to extend into next year, reaching an annual average, in terms of the consultancy's Base Case, of over $45 in 2012.*

This evening, at the annual New York Silver Dinner organised by The Silver Institute, Philip Klapwijk, Global Head of Metal Analytics at Thomson Reuters GFMS, presented their interim silver market review. This review included Thomson Reuters GFMS provisional supply and demand forecasts for 2011 and the consultancy's expectations for silver supply, demand and the price in 2012. The key points from this review are as follows:

Supply
• **Total supply** is expected to remain broadly stable in 2011, as growth in mine production and scrap offset lower government sales and producer hedging. Total supply is set to rise next year, thanks mainly to a lift in mine supply.

• **Mine production** is anticipated to grow by 4% in 2011, for the ninth year in succession. Gains are centred on Mexico (mainly from the ramp-up of Goldcorp's Peñasquito and the start of commercial production at Fresnillo's Saucito), China and Russia, while declines are limited, with Australia, Peru and the United States the only three of note. Globally, output from primary silver mines is expected to increase marginally year-on-year, with the majority of growth in 2011 driven by higher by-product silver production from gold and lead/zinc operations. Global silver mine supply is expected to maintain its upward trend in 2012, rising to an eighth consecutive all-time high.

• **Scrap supply** is forecast to rise by almost 10% this year, thanks to growing receipts from industrial and jewellery sources and despite the ongoing structural slide in recovery from photographic waste, the main source of silver recycling. Further losses from photographic waste will dampen the anticipated gains (in the global total) currently slated for 2012.

• **Government sales** are projected to fall sharply in 2011, chiefly due to falling sales by CIS countries. The full year total in 2011 will represent the lowest volume seen in over a decade.

Demand
• **Fabrication demand** is forecast to rise by almost 4% this year to a new record high, with further, albeit more modest growth predicted for 2012.

• **Industrial demand** will reach a new record high in 2011, with a near 4% gain. The percentage gain appears more noteworthy, given the adverse impact stemming from Japan's natural disaster and the generally weaker economic backdrop (compared with 2010). In addition, there was little sign of the substantial inventory build, which had benefited industrial silver fabrication in 2010. Next year, although further gains are forecast for global industrial demand these are likely to be modest, a reflection of the slowdown in world economic growth expected in 2012.

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• **Jewellery fabrication** is expected to edge slightly higher in 2011, partly as a result of substitution-led gains at the expense of gold. Further gains are forecast in 2012.

• **Silverware** demand is projected to fall by around 8% this year, extending its long-term trend of decline. This is expected to continue next year, particularly due to price-led losses in India.

• **Photographic** use of silver is forecast to continue its structural decline as digital technologies make further inroads, with the global total falling by some 10% this year, with further losses expected in 2012.

• **Coin minting** is set to rise by some 25% this year, taking the total to an all-time high basis Thomson Reuters GFMS data series.

• **Producer hedging** is expected to fall by around 30% this year. It is forecast to remain on the supply side next year, albeit at more modest levels.

Investment

• World Investment (including coins & medals) will reach a projected 278 Moz (8,600 t) in 2011, its second highest volume in Thomson Reuters GFMS data series. Although this represents a slight fall in ounces from 2010, it will set a new record high in value terms. Further gains are projected for 2012.

• Investor activity underpinned silver's moves this year, which saw it rally up to $50 in April before correcting sharply in both May and late September. The main factors driving these price moves were those impacting gold, namely the Eurozone sovereign debt crisis, inflationary fears, loose monetary policies and a weak US dollar.

Prices

• Silver prices so far this year (1st January-15th November) have averaged $35.70, a rise of 88% year-on-year. We now forecast a full year average price of $35.66 in 2011, and expect further price strength in 2012. The main driver of the price remains investment demand, which has absorbed the substantial market surplus (the difference between mine production and scrap and fabrication demand, excluding coins), that has characterised the silver market in 2011.

• Although silver's core fabrication demand (excluding coins) should rise next year, chiefly due to gains in industrial uses, it will nonetheless be exceeded by gains in mine production and recycling. The resultant silver market surplus is expected to once again be absorbed by investors, as the investment case for silver remains in play. However, downside risks remain, including the potential for the sovereign debt crisis to precipitate a liquidity crunch, impacting the "real economy". Nonetheless, we expect to see silver's bull run continue, with an annual average price, in terms of Thomson Reuters GFMS Base Case, in excess of $45/oz in 2012.

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