2021 INTERIM SILVER MARKET REVIEW

The Silver Institute

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Silver Institute Members

- A-Mark Precious Metals, Inc.
- Alexco Resource Corp.
- Asahi Refining USA, Inc.
- Avino Silver and Gold Mines Ltd
- Beijing G&S Digital Technology Co., Ltd.
- Brink’s Global Services USA Inc.
- Cia. de Minas Buenaventura, S.A.
- Coeur Mining, Inc.
- Dillon Gage Metals Division
- Dolly Varden Silver Corp.
- Endeavor Metals Group LLC
- Endeavour Silver Corp.
- First Majestic Silver Corp.
- Fresnillo Plc
- Gatos Silver
- Hecla Mining Company
- Hochschild Mining plc
- Industrias Peñoles S.A.B. de C.V.
- Kuya Silver
- MAG Silver Corp.
- Myanmar Metals Limited
- Pan American Silver Corp.
- Tanaka Kikinzoku Kogyo K.K.
- Tradewind Markets
- Valcambi sa
- Wheaton Precious Metals
Silver up sharply on both 2020 and 2019

Source: Bloomberg
gold-silver dynamic remains the principal driver
Links with base metals weakened recently

Source: Bloomberg
But a challenging intra-year performance
The gold:silver ratio has risen from its February low

Source: Bloomberg
Overall, it remains just above the long-term average
Silver ETPs: the social media effect

Source: Bloomberg, various ETF issuers
ETP holdings have broadly stabilized; still near record highs

Source: Bloomberg, various ETF issuers
Investor positioning has improved, but remains subdued

Source: Bloomberg
Silver production recovers after COVID-19 disruption in 2020

Mined silver production is expected to rise by 6% y/y in 2021 as most mines have been able to operate at full capacity throughout the year following COVID-19 stoppages in 2020. Output is expected to reach 829Moz, returning close to 2019 levels.
Mexican output hits a new high while Peruvian production remains low despite y/y rise.

Primary silver mines will account for 30% of total production this year.

Source: Metals Focus
Costs declined year-on-year in H1.21

Average AISC for primary silver mines in H1.21 was down by 5% y/y to $10.63/oz due to a rise in by-product credits. Higher prices y/y have meant only 5% of the cost curve was operating with AISC above the silver price compared with 17% in H1.20.

Note: costed production = c.80% of primary silver supply
Source: Metals Focus – Silver Mine Cost Service
Local currency weakness to the US dollar has constrained costs in some countries.

Base metal prices have been rising throughout the year pushing by-product credits higher.

Note: AUD - Australian dollar, RUB - Russian ruble, MXN - Mexican peso, PEN - Peruvian sol
Source: Bloomberg, Metals Focus
Increasing by-product credits have been constraining costs and their influence is likely to increase in H2.21 driven by rising base metal prices. This, combined with strong silver prices, will ensure margins remain healthy for primary silver miners.

Notes: All-in Sustaining Costs (AISC) are net of by-product credits. On-site cost = Mining cost + Ore treatment cost + Mine site general & administration cost

Source: Metals Focus – Silver Mine Cost Service
Global supply summary

Source: Metals Focus
Industrial demand, setting a new high

Moz


Source: Metals Focus
Jump in Indian imports, helps explain recent tightness

Source: India Customs
Jewelry & silverware partially recover
Bar and coin investment enjoys a strong recovery

Source: Metals Focus
Market moves into a deficit

Source: Metals Focus
The macro environment remains pivotal

US headline inflation surged to 31-year highs of 6.2% in October

Source: Bloomberg
The macro environment remains pivotal

5Y forward inflation expectation has surged above 3%, raising doubts whether current inflationary pressure will be transitory

Source: Bloomberg
The macro environment remains pivotal

Record low yields in real terms keep the cost of carrying silver minimal

Source: Bloomberg
Gold Forecast, 2021: $1,805, +2%

Source: Metals Focus
Silver Forecast, 2021: $25.40, +24%

Source: Metals Focus
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