



The Silver Market in 2009

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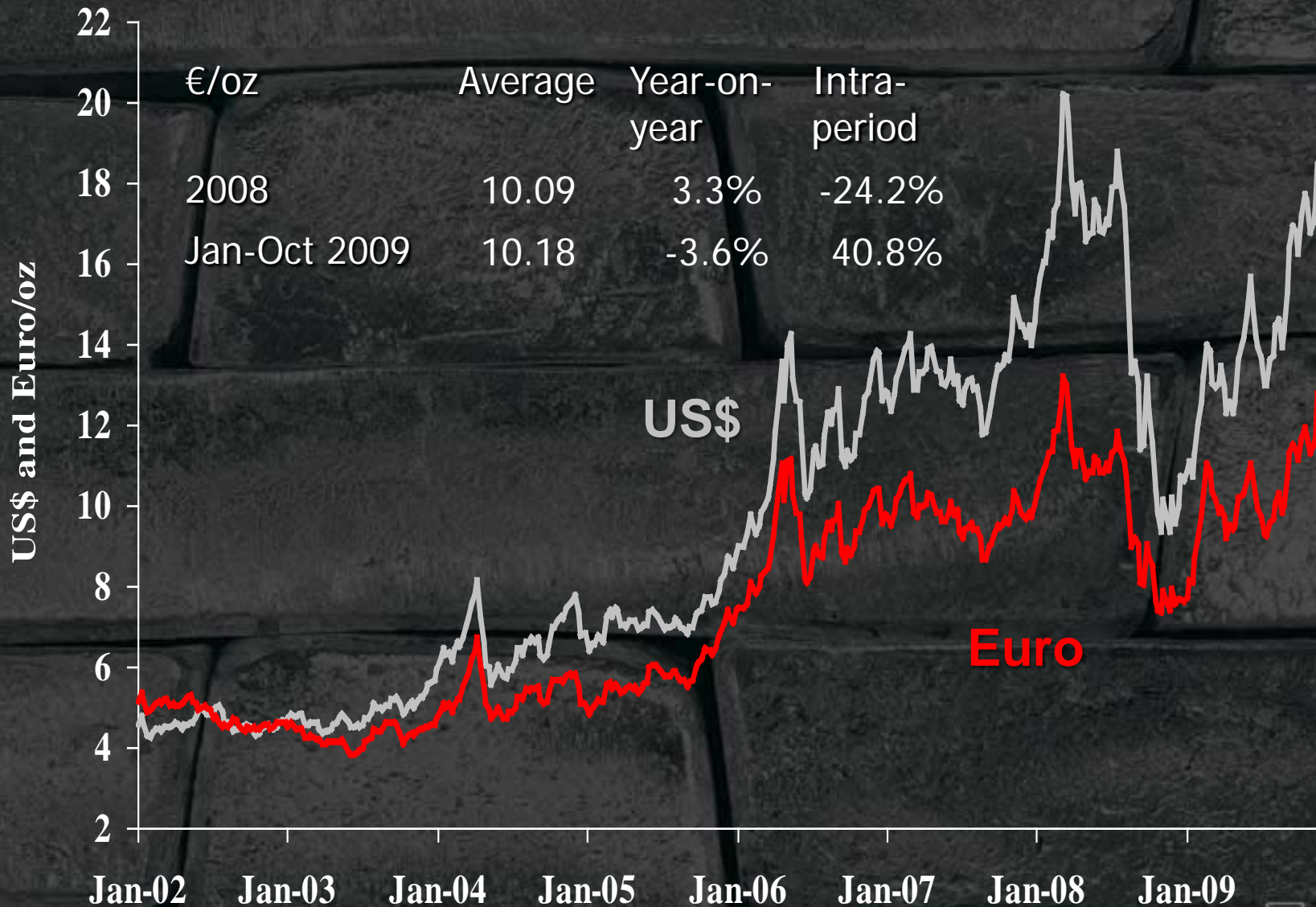
Silver: Presentation Outline

- Silver Prices
- Demand
- Supply
- Investment
- Price Outlook

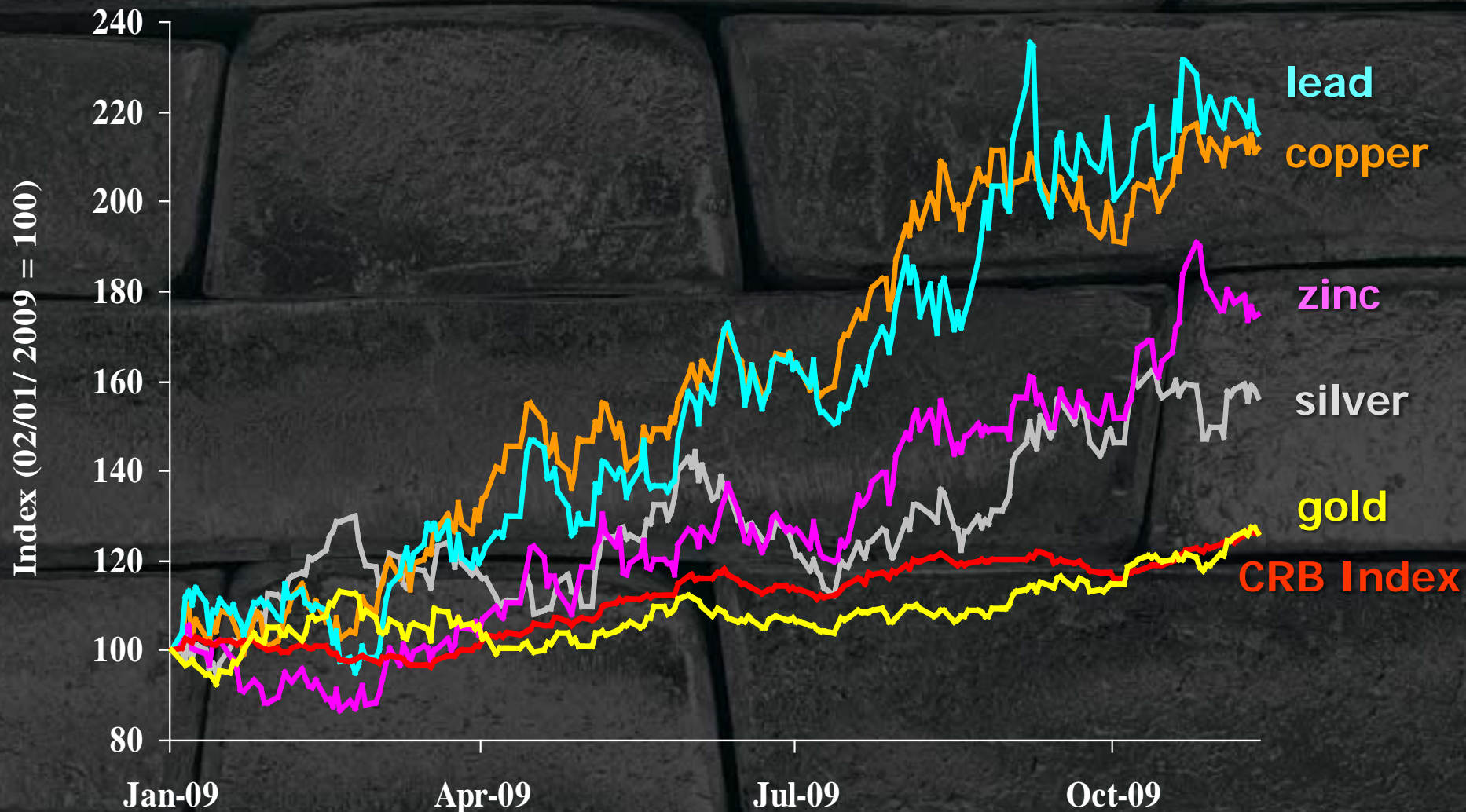
The Silver Price – US\$/oz



US Dollar and Euro Prices



Silver, Gold and Base Metals Prices



Quarterly Correlation of Daily Silver Price with Gold and Copper Prices

Correlation against copper has increased recently; in Q1-Q2 2009 notably weaker than that with gold but stronger in Q3.



Gold / Silver Ratio 2001-2009 to-date (basis weekly average prices)

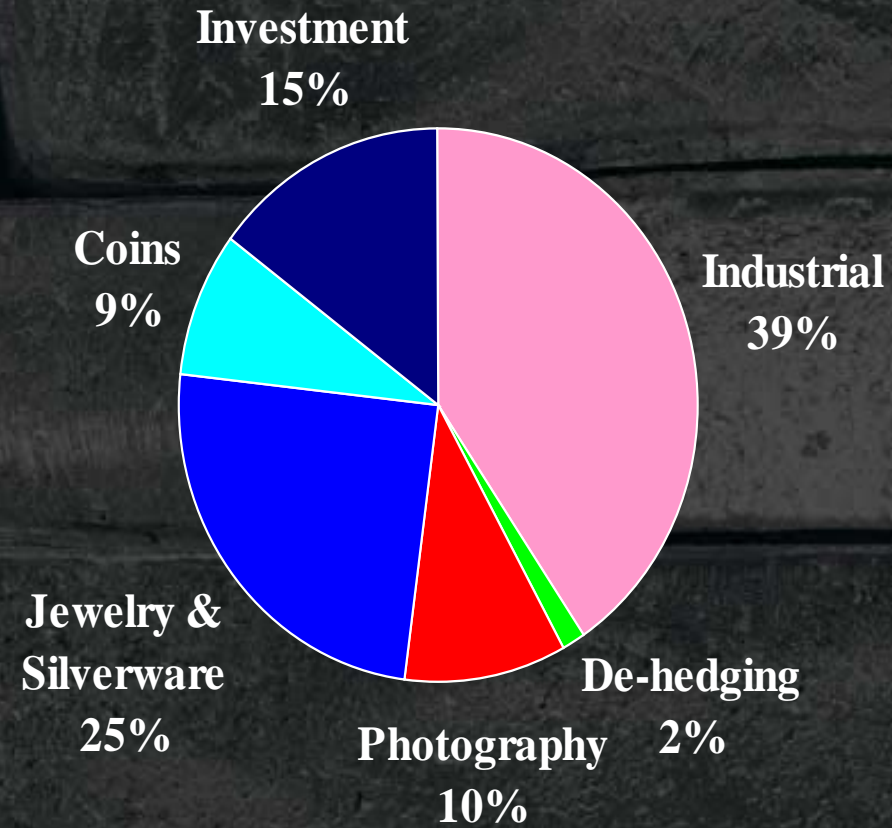
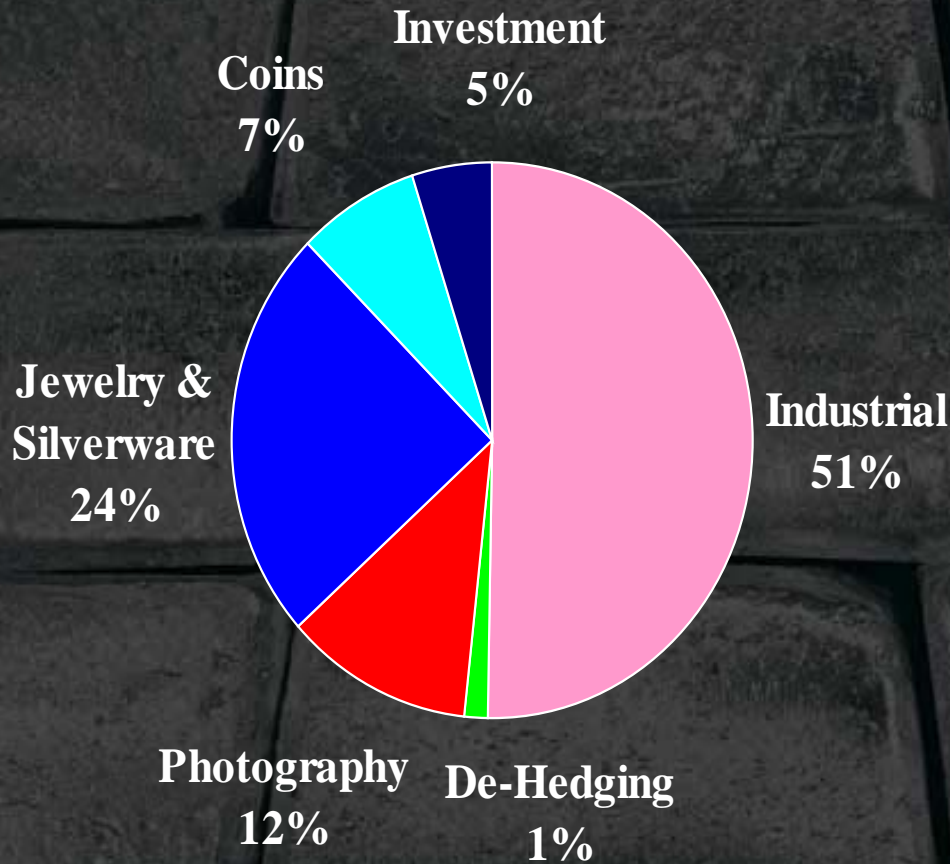


Silver Demand

World Silver Demand

2008 Actual

2009 Forecast

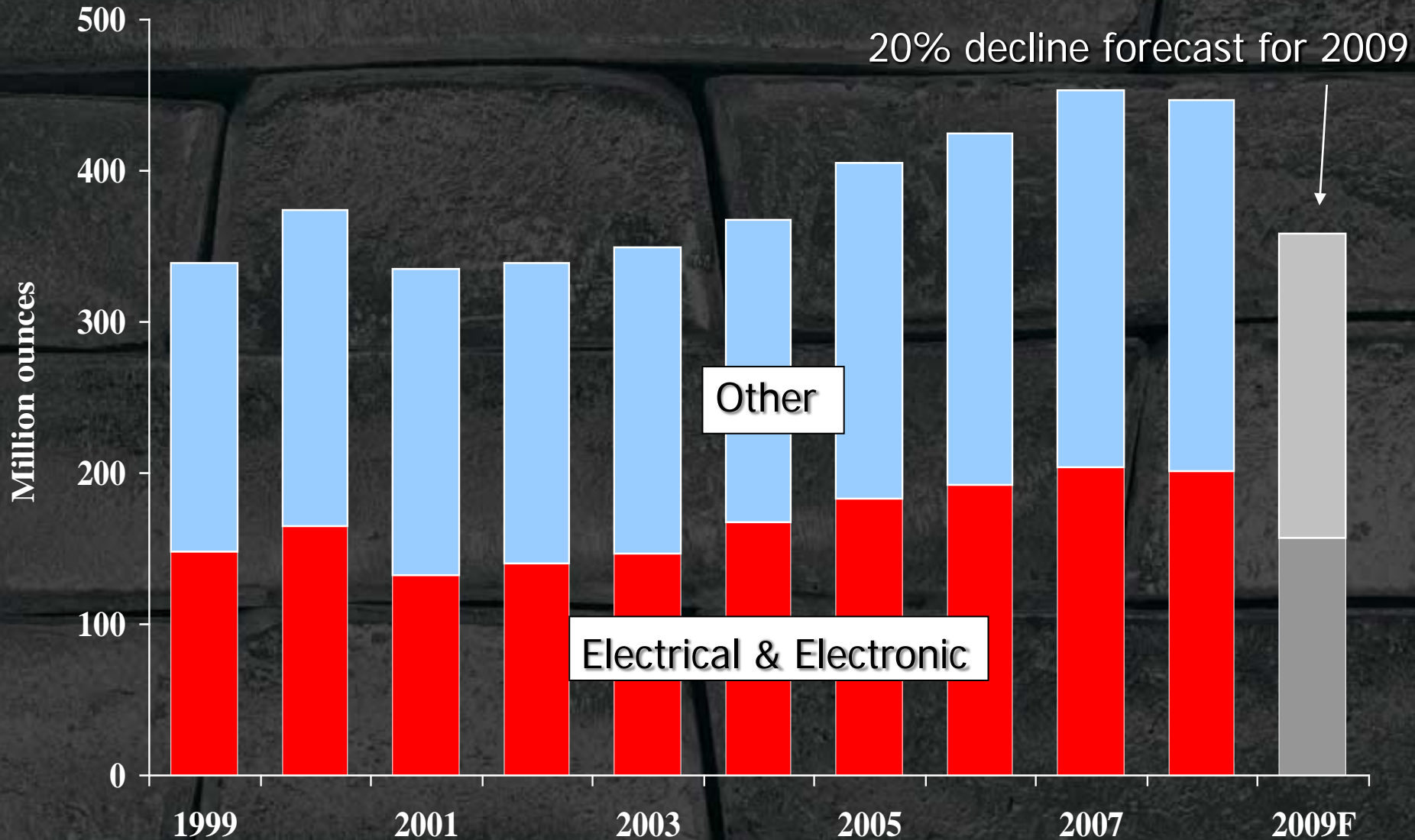


World Silver Fabrication

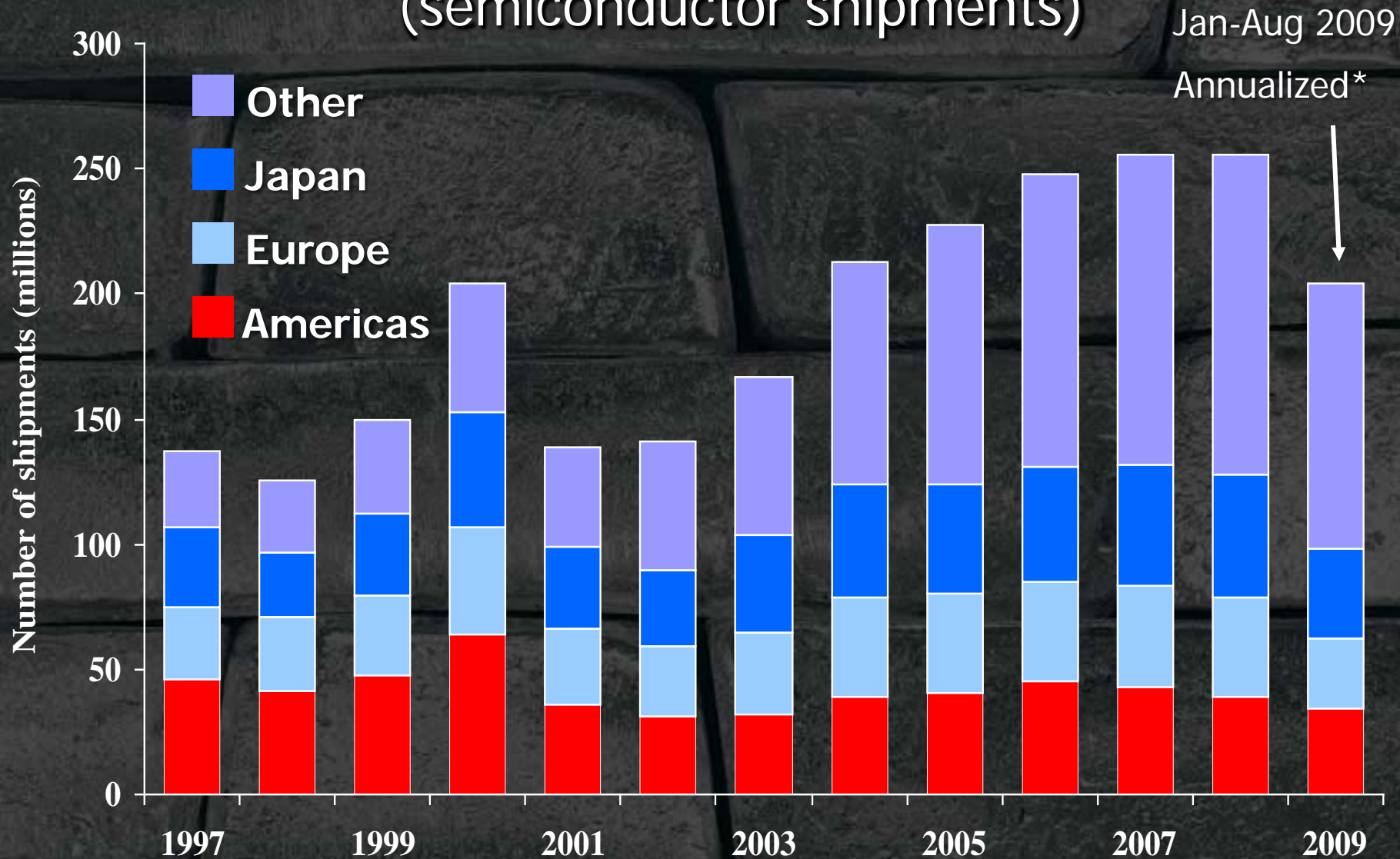
Forecast Annual Changes: 2009 less 2008



Industrial Fabrication



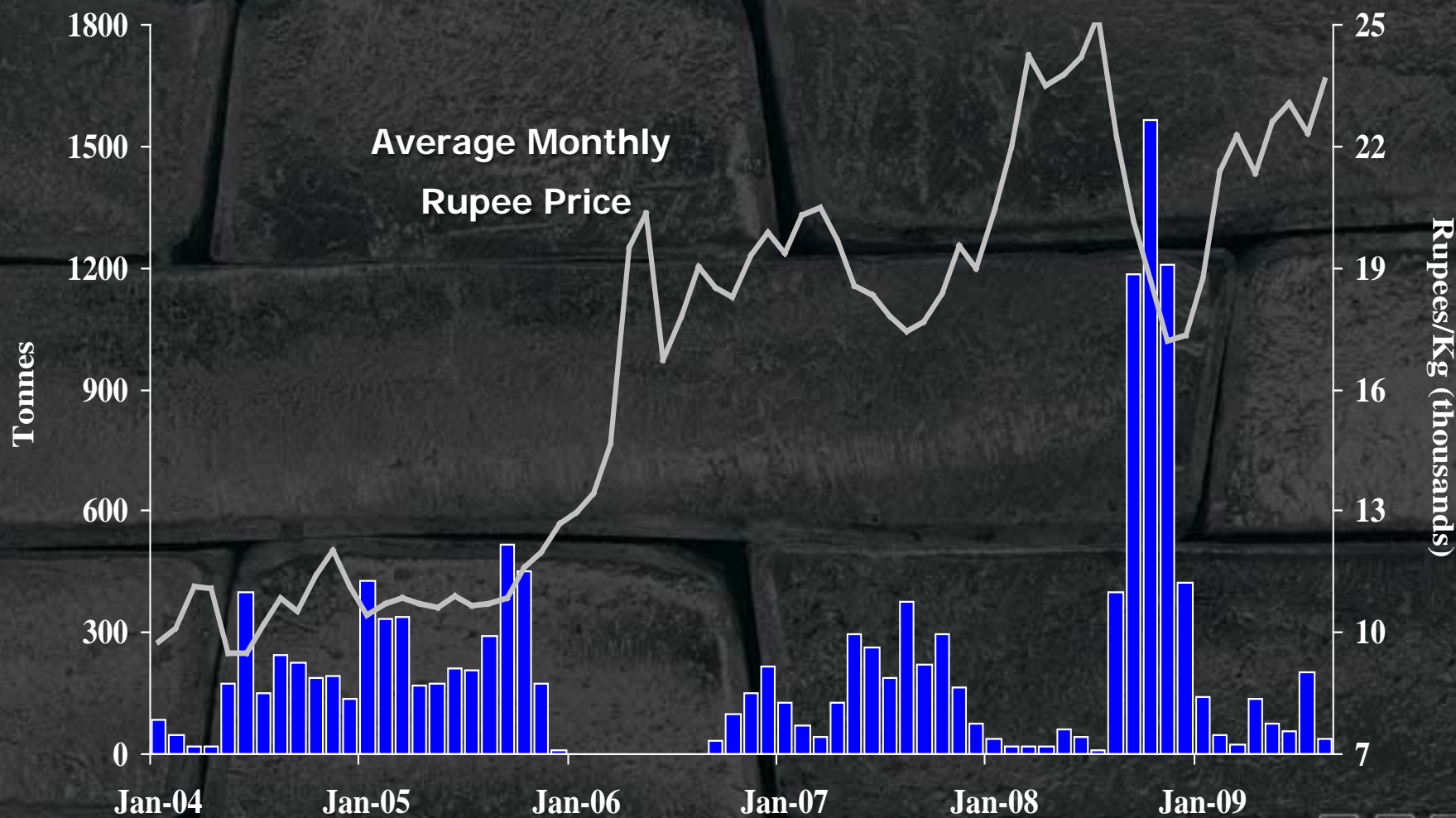
Global Billings (semiconductor shipments)



Source: SIA; * Jan-Aug annualized using weightings derived from average monthly and annual figures over the 2000-2008 period

Indian Silver Bullion Imports (Jan 2004 – Aug 2009)

Imports have fallen sharply in 2009 to-date due to impact of high local prices plus stocks carried over from Q4 2008



Photographic Fabrication



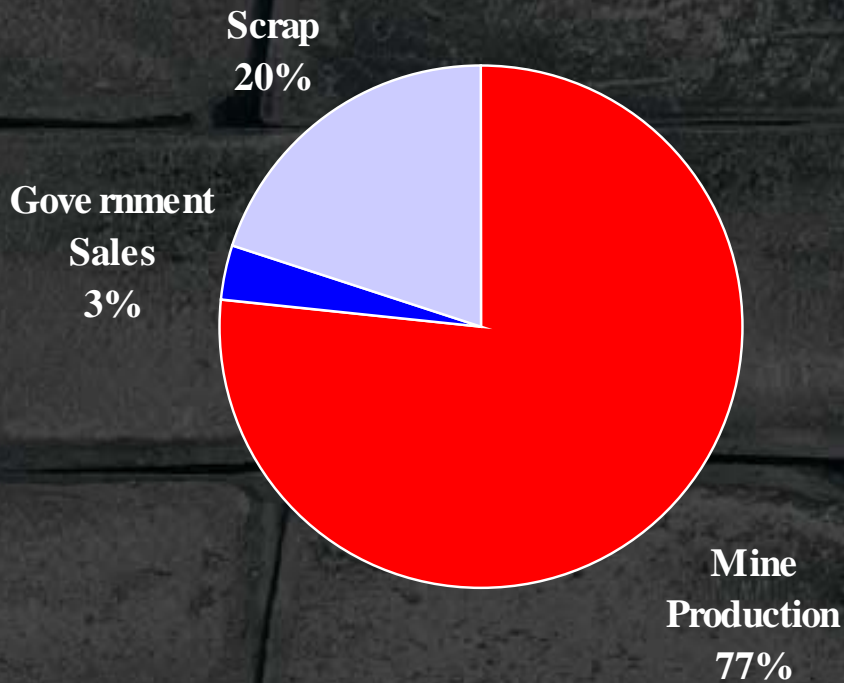
Demand Summary

- Total fabrication demand forecast to be around 11% lower year-on-year in 2009.
- Industrial demand forecast to fall by more than 88 Moz for full year 2009, although it has shown some improvement in recent months. A double digit recovery is expected in 2010.
- Photographic demand is falling rapidly due to impact of digital technology and the economic downturn.
- Jewelry & Silverware demand will increase slightly year-on-year.
- Coin demand continues to rise.
- Investment demand has increased strongly in 2009.

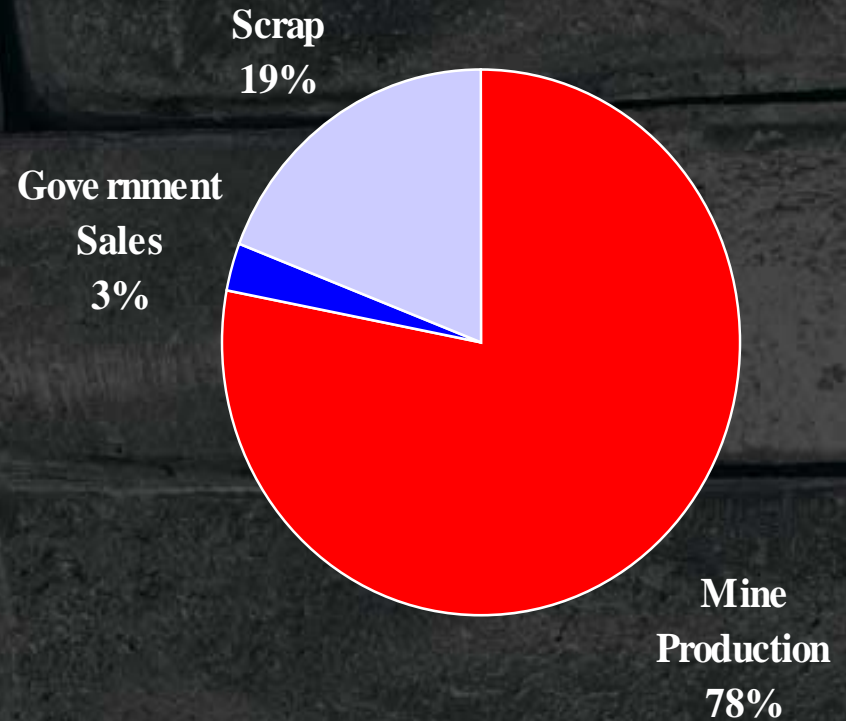
Silver Supply

World Silver Supply

2008 Actual



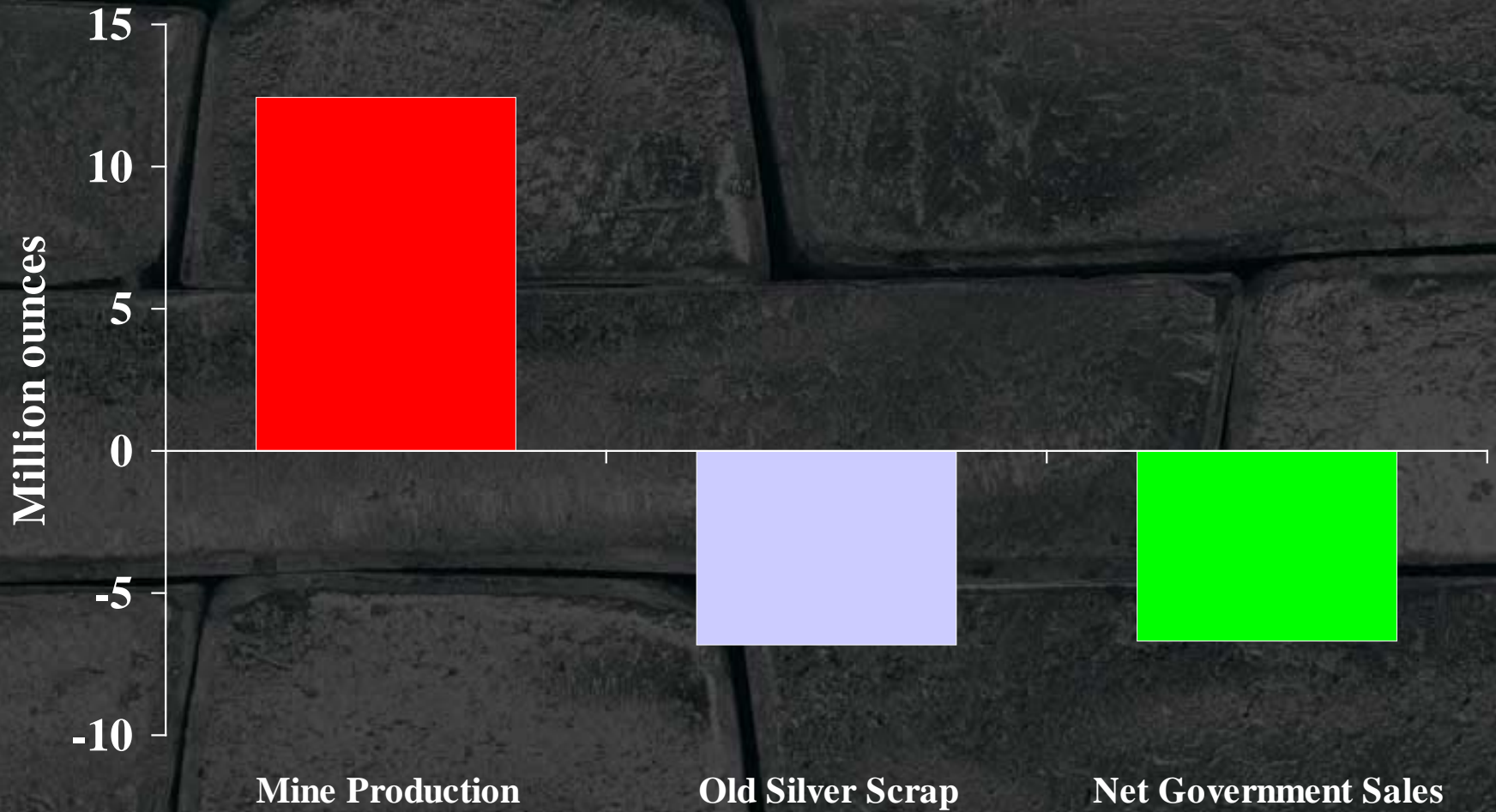
2009 Forecast



Source: GFMS Ltd.

World Silver Supply

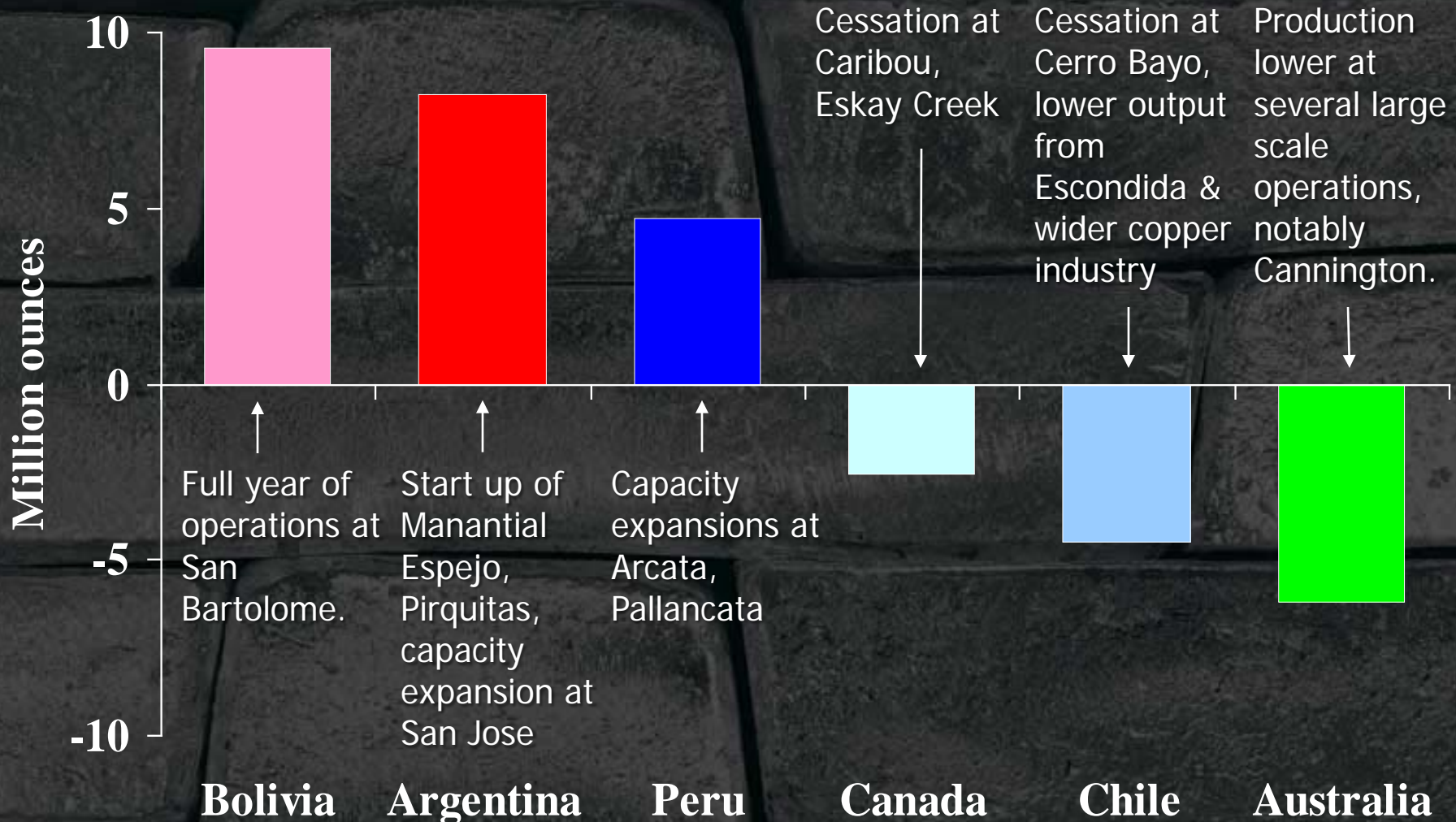
Forecast Annual Changes: 2009 less 2008



Source: GFMS Ltd.

World Silver Mine Production

Winners & Losers: 2008-2009F*



Source: GFMS Ltd; *forecast mid-November

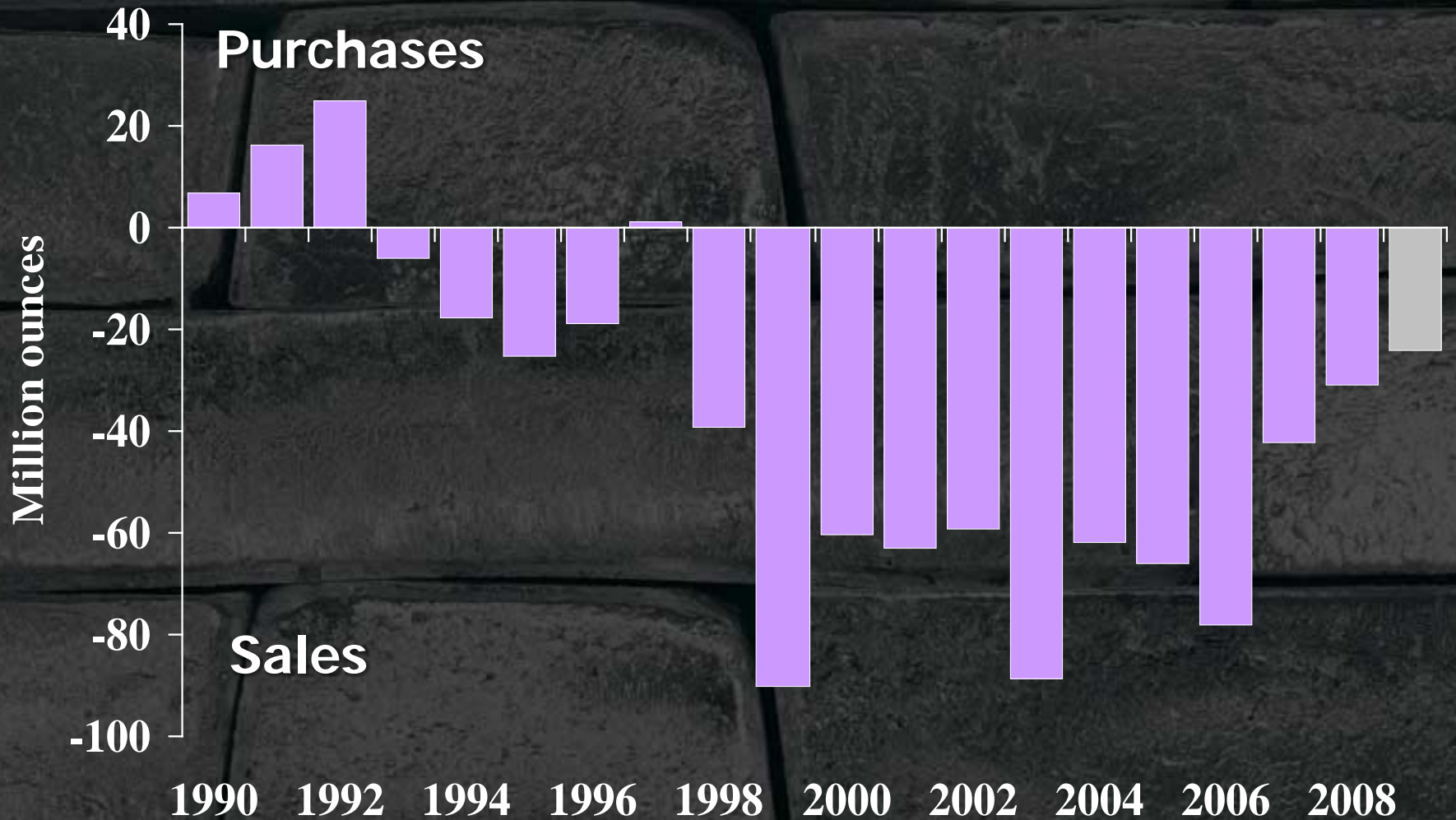
Mine Production + Hedging

- World silver mine production expected to come in 2% higher than in 2008. Disruptions to base metal sector overcome by new projects and mine expansions.
- Growth in 2010 silver mine production expected to be maintained, to push past 700 Moz. Growth will be driven from Palmarejo, Peñasquito, Pirquitas, Dolores, Dukat and Manantial Espejo.
- Moderate increase in producer de-hedging in 2009.
- Forward sales buy-backs and options delta effects behind the larger hedge book cut this year.

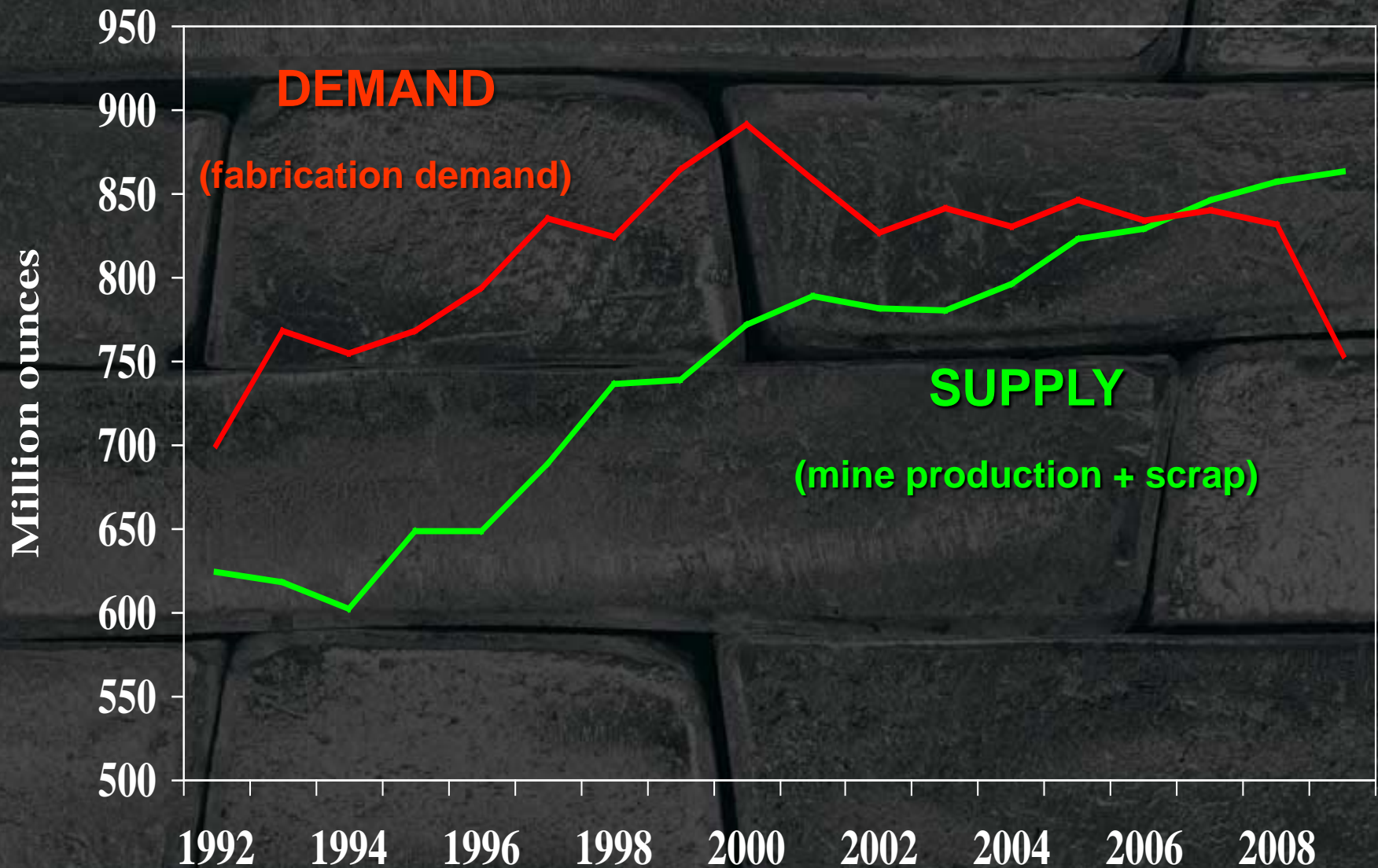
Scrap Supply

- Scrap expected to slip by just under 4% in 2009 due to the structural decline in the photographic use of silver.
- Price not high enough to stimulate much scrapping of jewelry and silverware.
- Scrap supply for silver far less price-sensitive than for gold due to different composition of above-ground stock of fabricated products and much higher margins over metal value on silver than gold jewelry.

Changes in Government Stocks



From "Deficit" to "Surplus"



Silver Investment

Silver (Dis)Investment and Real Price



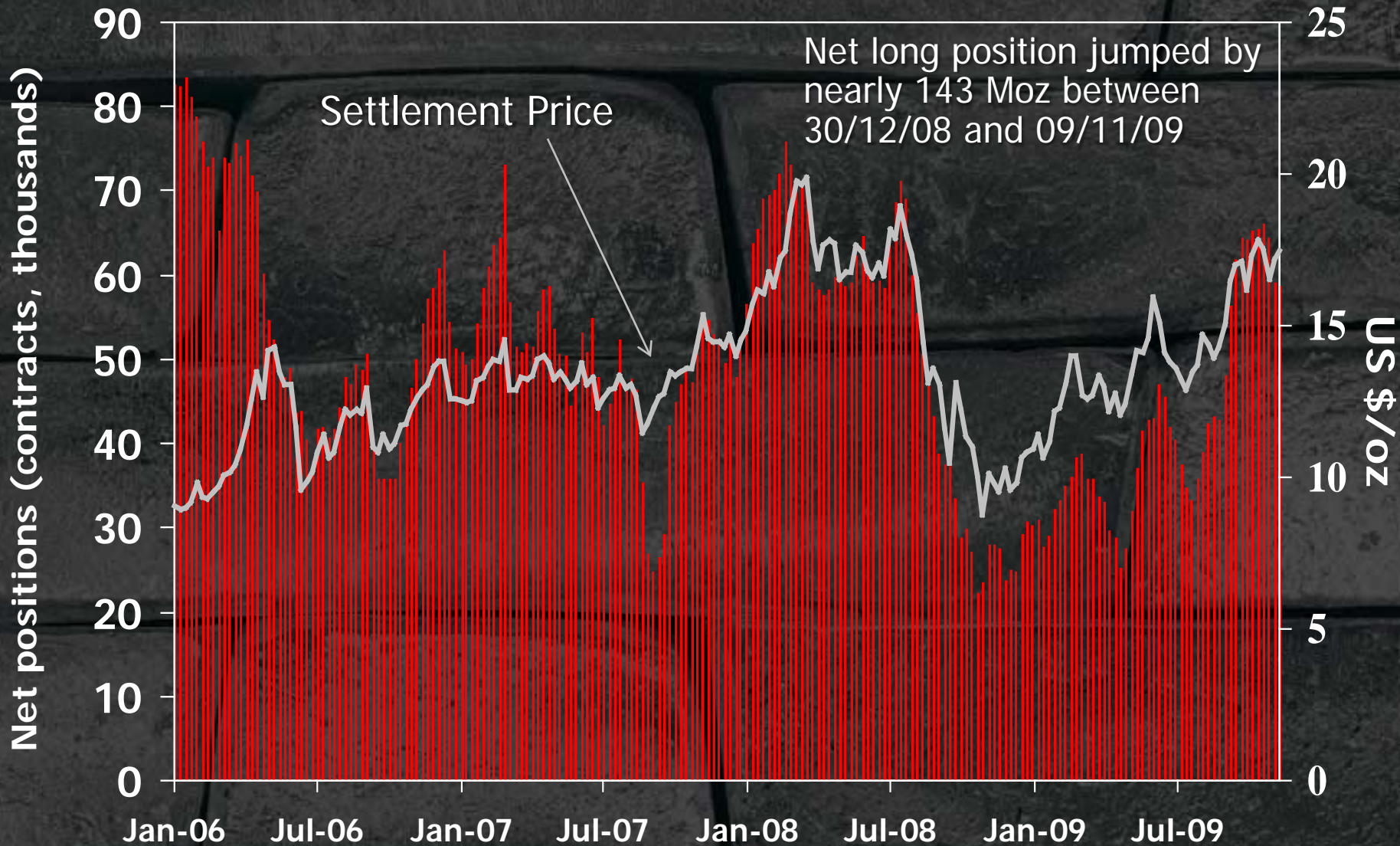
Source: Silver Institute, GFMS Ltd.

ETF Silver Holdings

Total end-October 2009 = 375 Moz



Investors'* Net Positions in Comex Silver Futures



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

Source: CFTC



Investment - Summary

- Investment a key factor since Q4 2003 (n.b. two years after gold) and particularly relevant to the drive into double-digits.
- Silver generally led by gold and also to some extent base metals.
- Similar factors have been at work to those driving gold investment: US\$ devaluation, credit market crisis, inflation fears, growth in commodities as an asset class, etc.
- Trends largely positive in January-October 2009: Rise of over 100 Moz in ETF holdings and over 140 Moz in investors' net long positions on the Comex. Strong demand for physical bullion too.
- Key issues for sustainability of investment demand relate to inflation expectations and foreign exchange value of the US dollar. How these factors develop over the course of 2010 will be critical.

Silver Price Outlook

Silver Price Outlook

Supply

- Total supply now expected to be little changed year-on-year: Lower scrap and government sales will be largely offset by a modest increase in mine production.
- Mine production forecast to increase by nearly 2% this year, with similar growth expected in 2010.
- Supply from scrap and government sales unlikely to grow and may well drop next year.

Silver Price Outlook

Demand

- Total fabrication demand forecast to fall heavily in 2009.
- Overall, price is less of an issue than slowdown in GDP growth.
- Industrial demand has been hard hit this year by the downturn in the global economy.
- Jewelry & Silverware: slightly higher demand, benefit from some substitution gains at gold's expense.
- Photography: continued secular decline.
- Coin demand has risen, reflecting growing investor interest.
- Fabrication demand set to recover in 2010, basis rebound in industrial offtake.

Silver Price Outlook

Conclusion

- Silver's supply/demand fundamentals (excluding investment) will provide some support for prices in 2010, mainly due to the recovery expected in fabrication demand.
- The silver market will still remain in substantial surplus, albeit of a smaller magnitude compared with 2009. This surplus will be absorbed by investors.
- GFMS now forecast an average price of \$14.78/oz in 2009. A spike to \$20 or higher before year-end is likely.
- Silver prices will be volatile but tend to fall from current levels next year, especially in the second half. GFMS' current forecast under its 'base case' scenario is for a calendar 2010 average in the mid-\$14s/oz.

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