



World Silver Survey 2008

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WORLD SILVER SURVEY 2008

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World Silver Survey 2008

- Prices

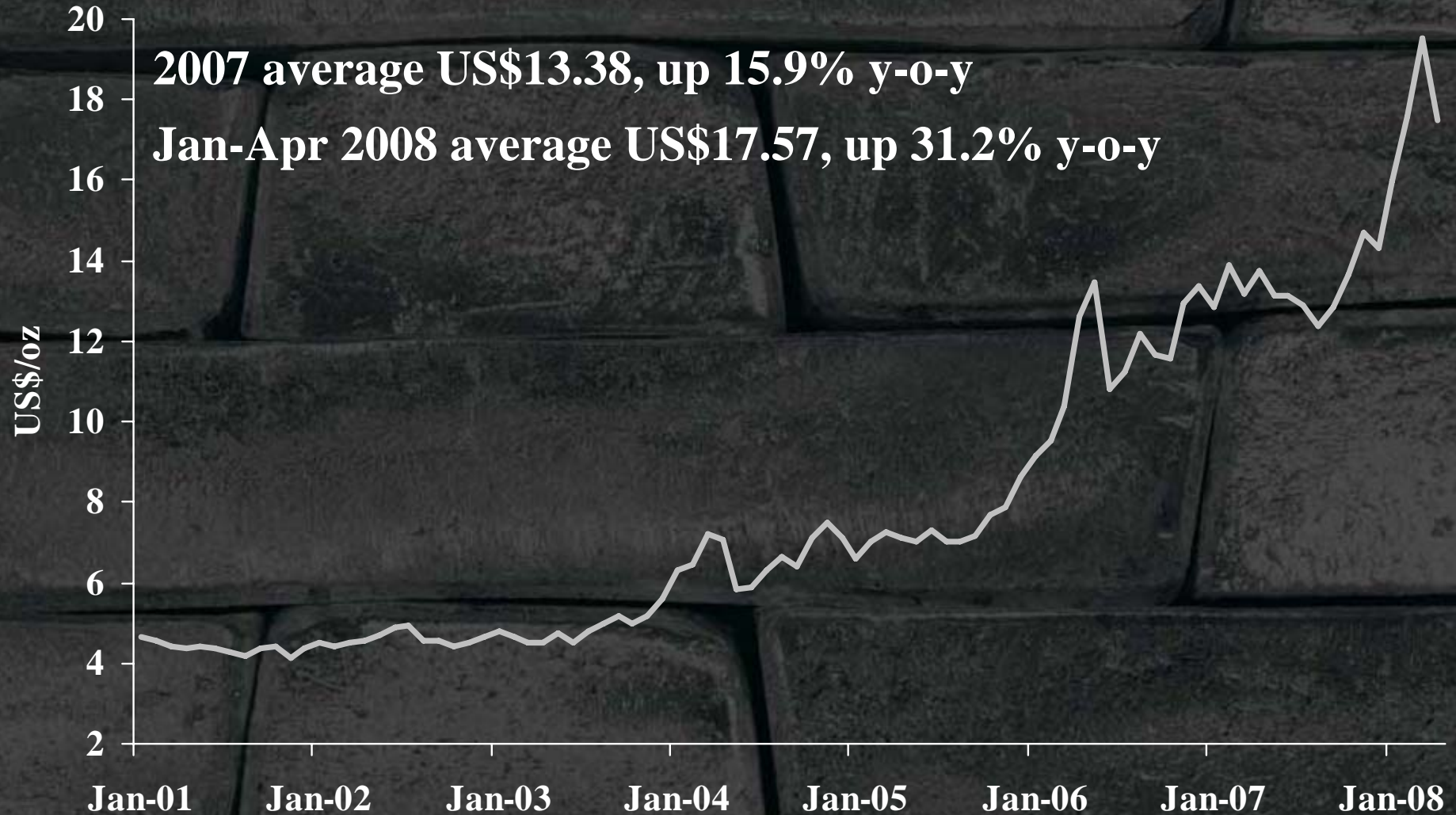
- Demand

- Supply

- Investment

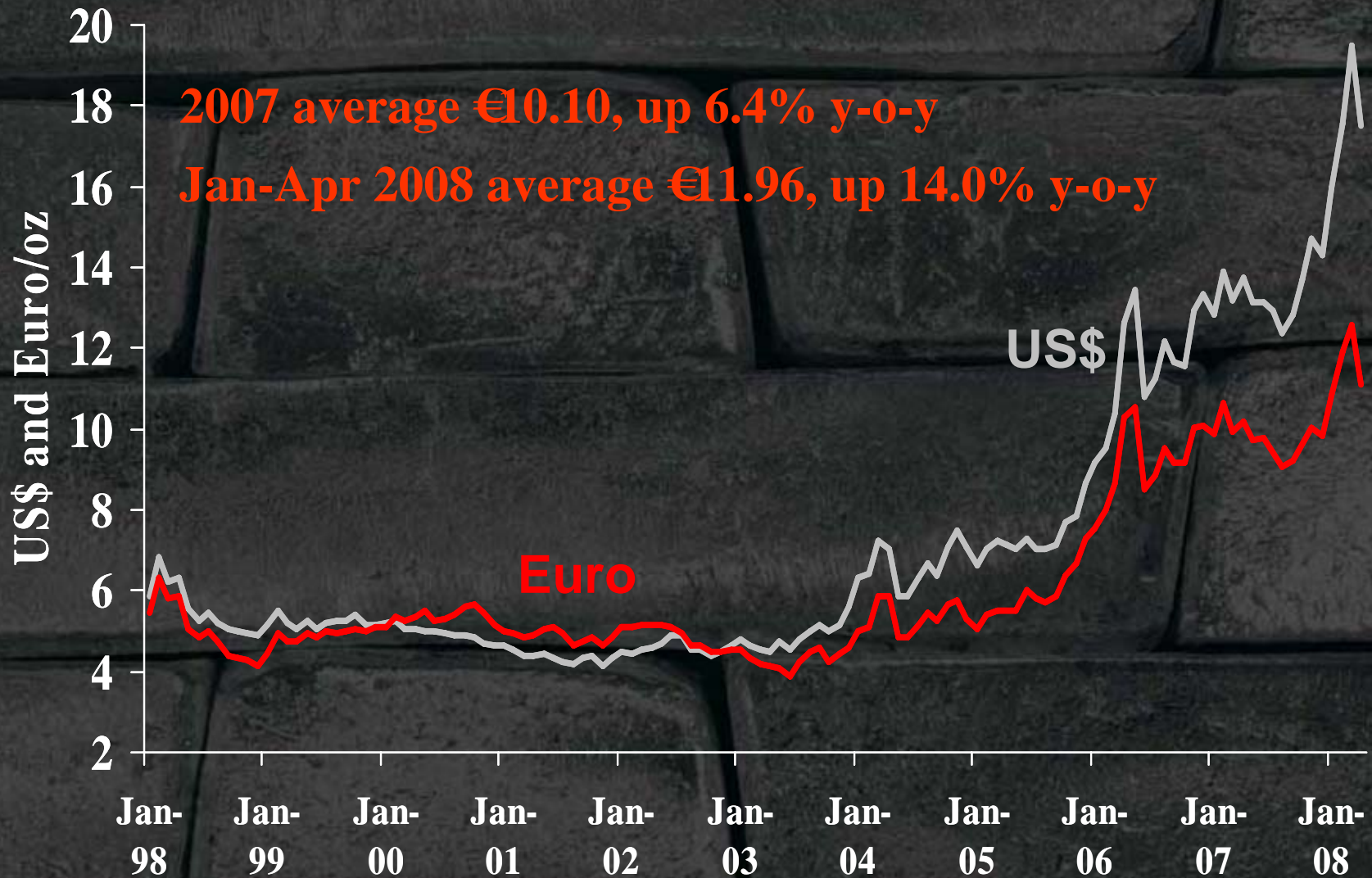
- Outlook for 2008

The Silver Price



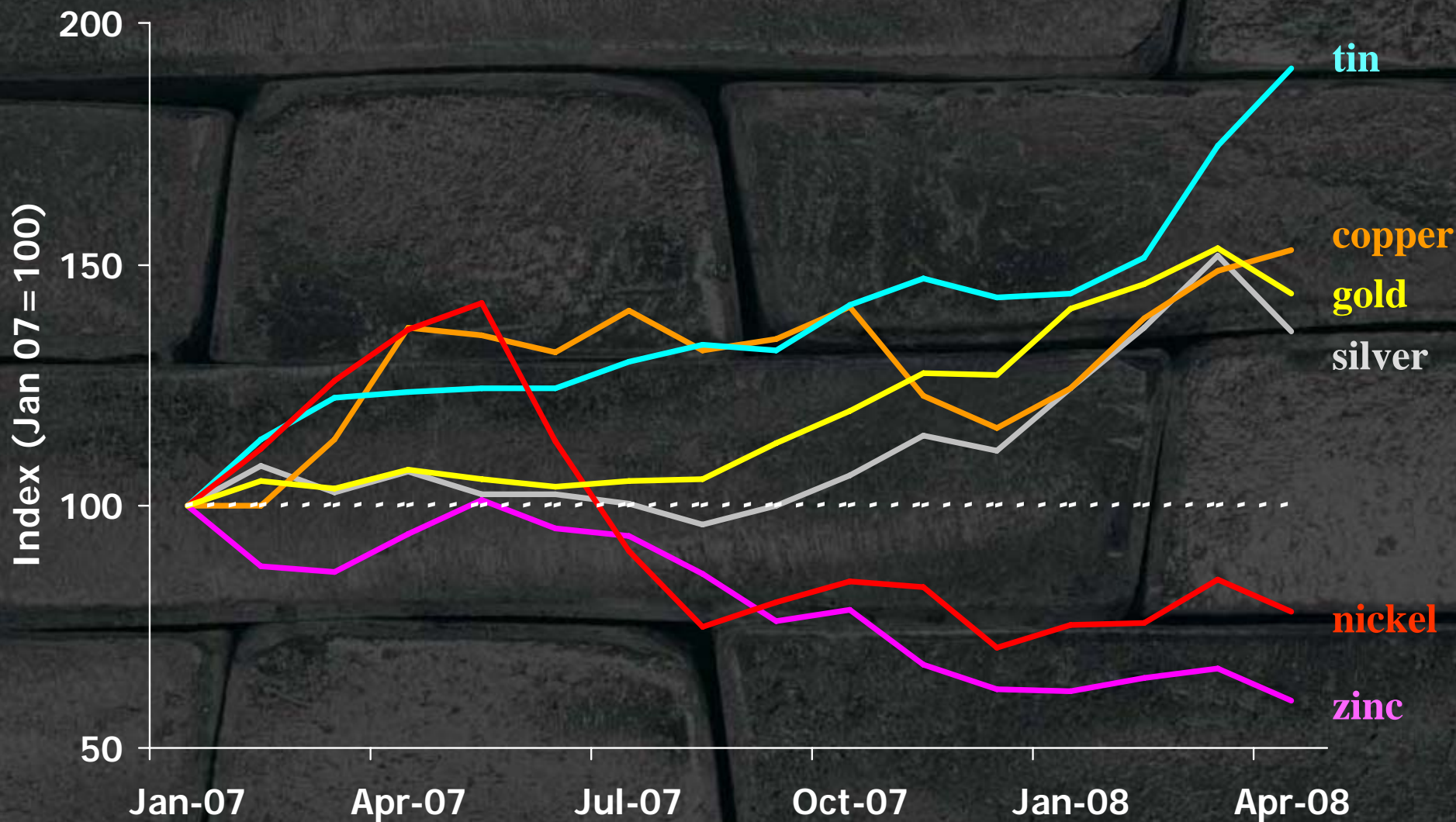
Source: Reuters EcoWin

US Dollar and Euro Prices



Source: Reuters EcoWin

Silver, Gold and Base Metals Prices

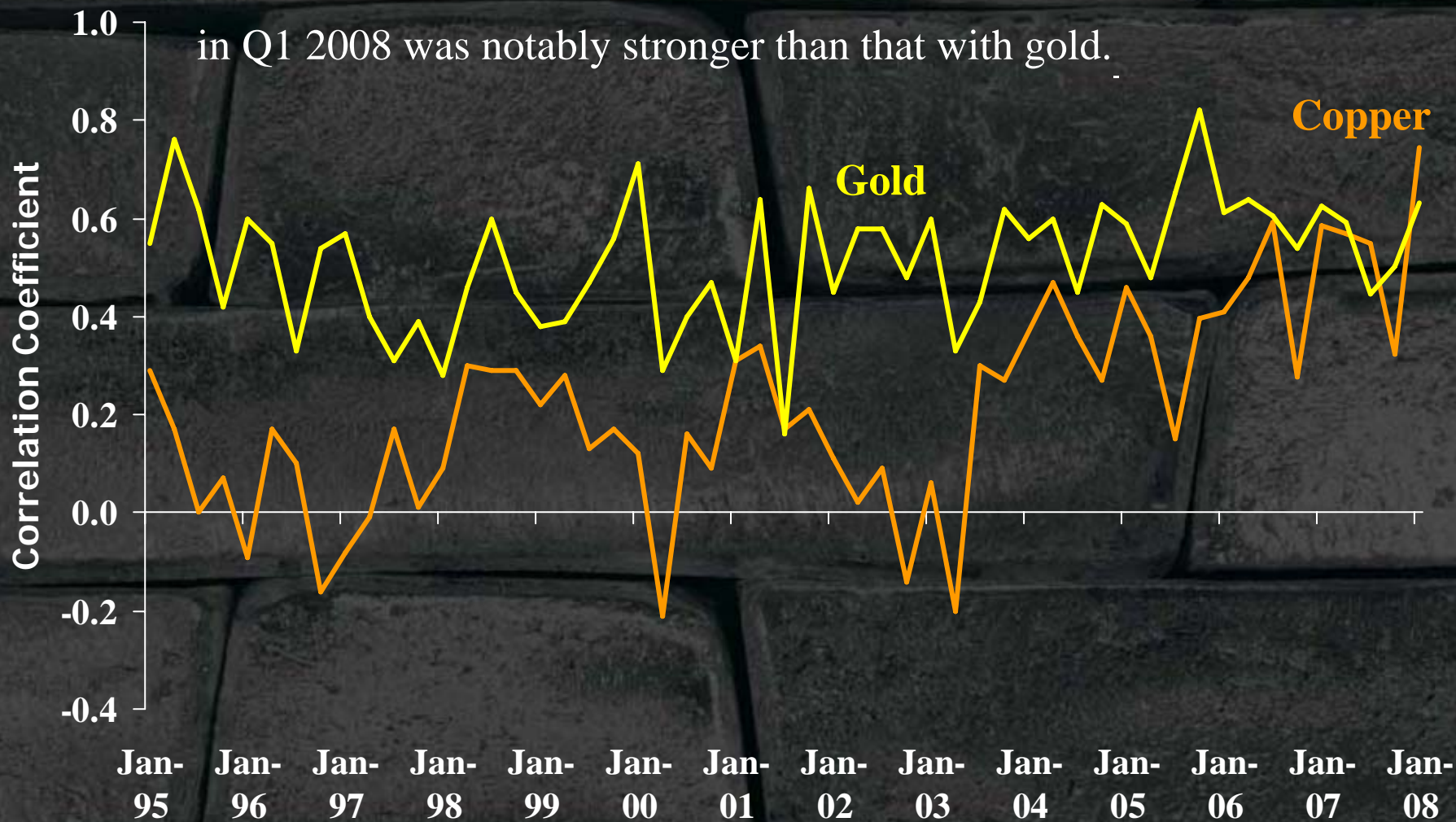


Source: Reuters EcoWin



Quarterly Correlation of Daily Silver Price with Gold and Copper Prices

Correlation against copper has increased during rally-to date and in Q1 2008 was notably stronger than that with gold.



Source: GFMS Ltd.



World Silver Survey 2008

■ Prices

■ Demand

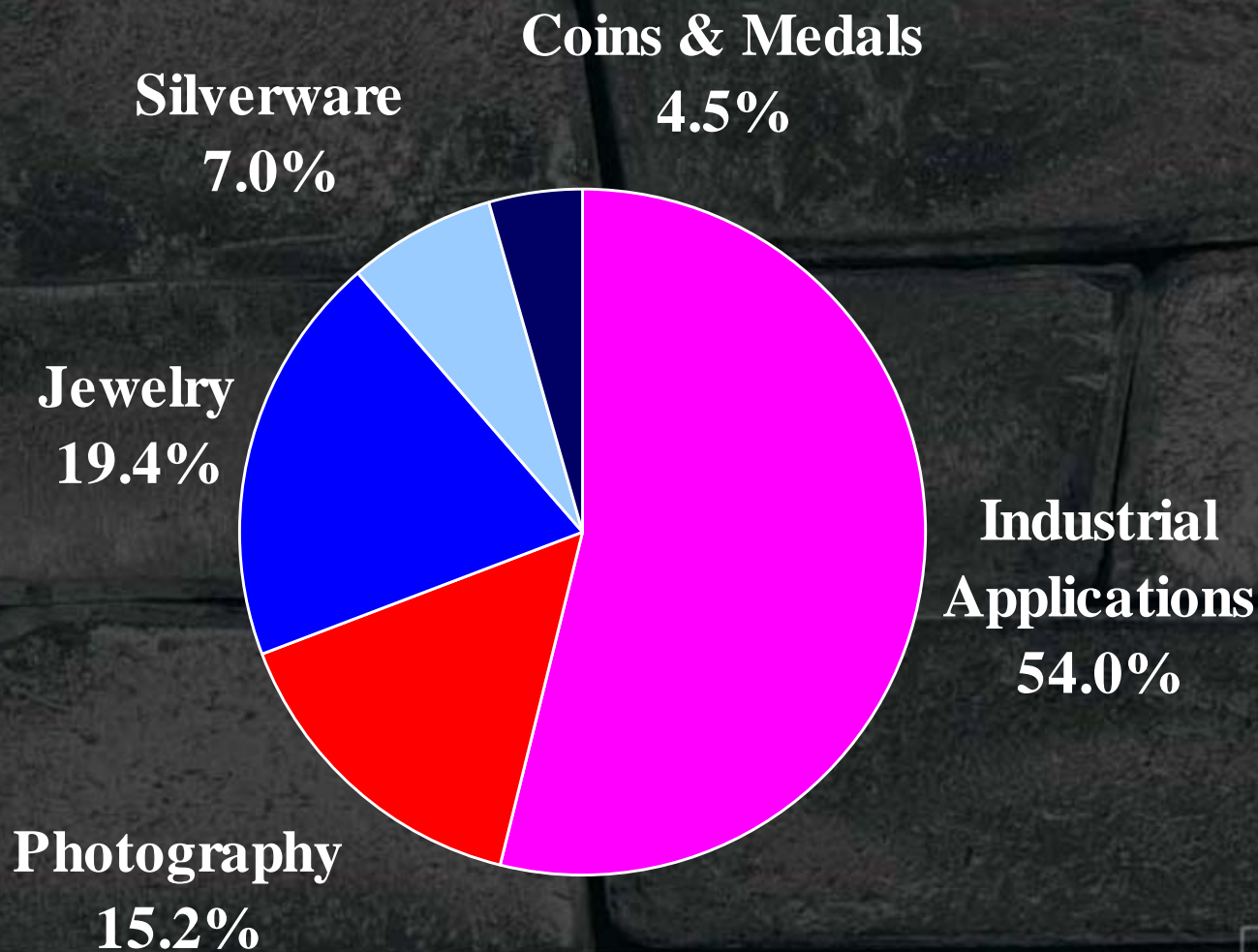
■ Supply

■ Investment

■ Outlook for 2008

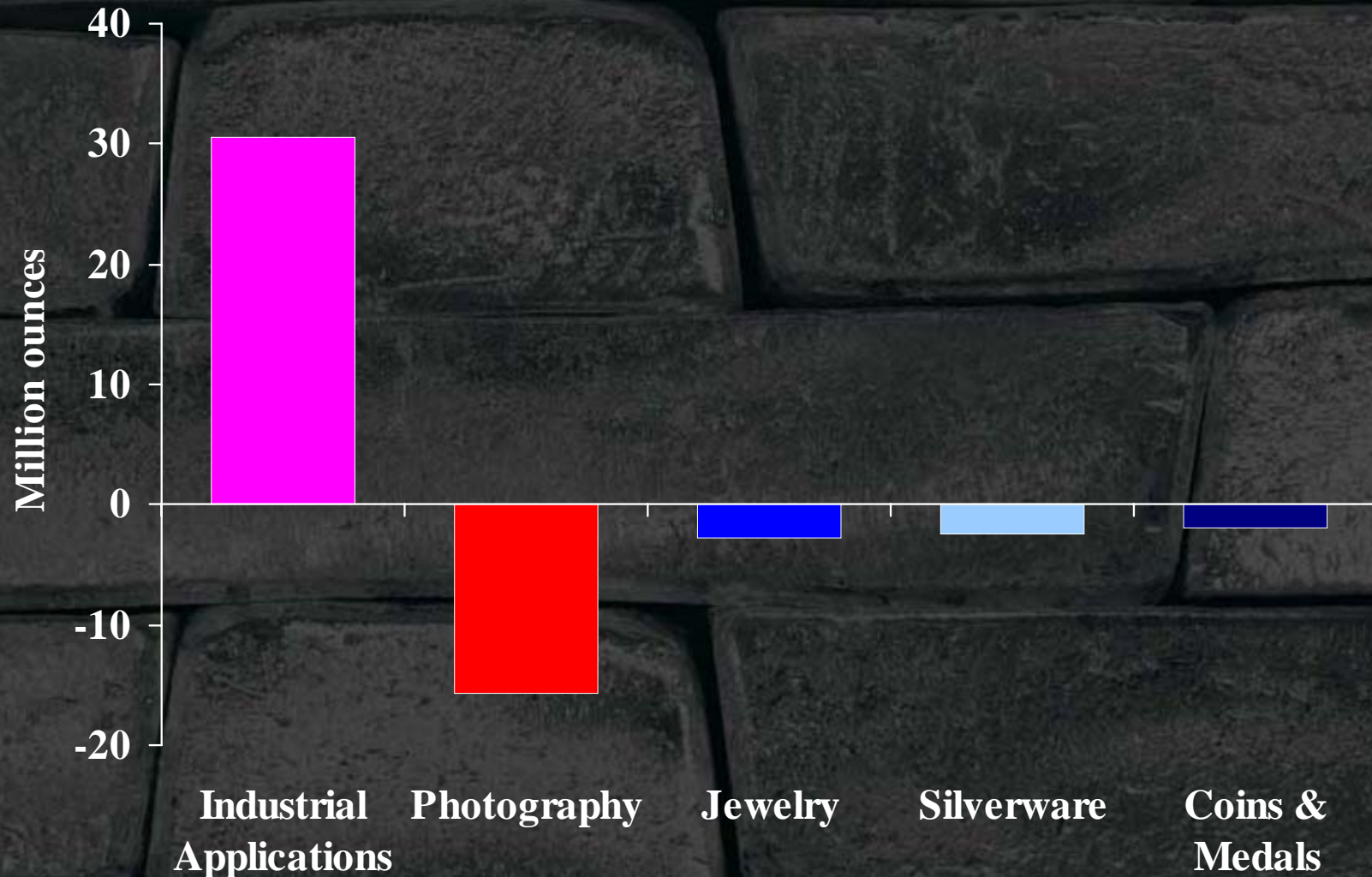
World Silver Fabrication Demand, 2007

Total Fabrication Demand in 2007: +0.9% to 843.7 Moz



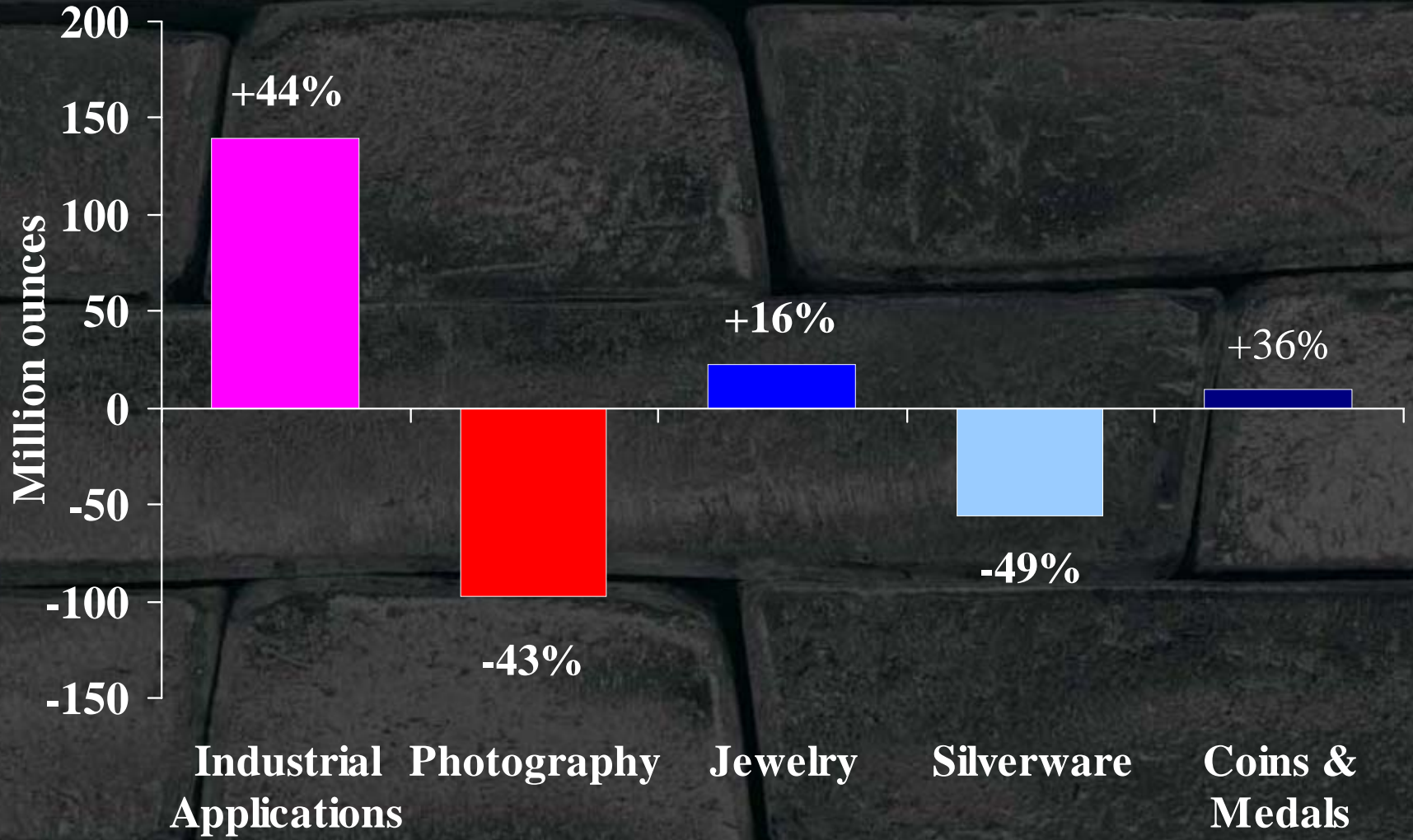
World Silver Fabrication

Annual Changes: 2007 less 2006



World Silver Fabrication

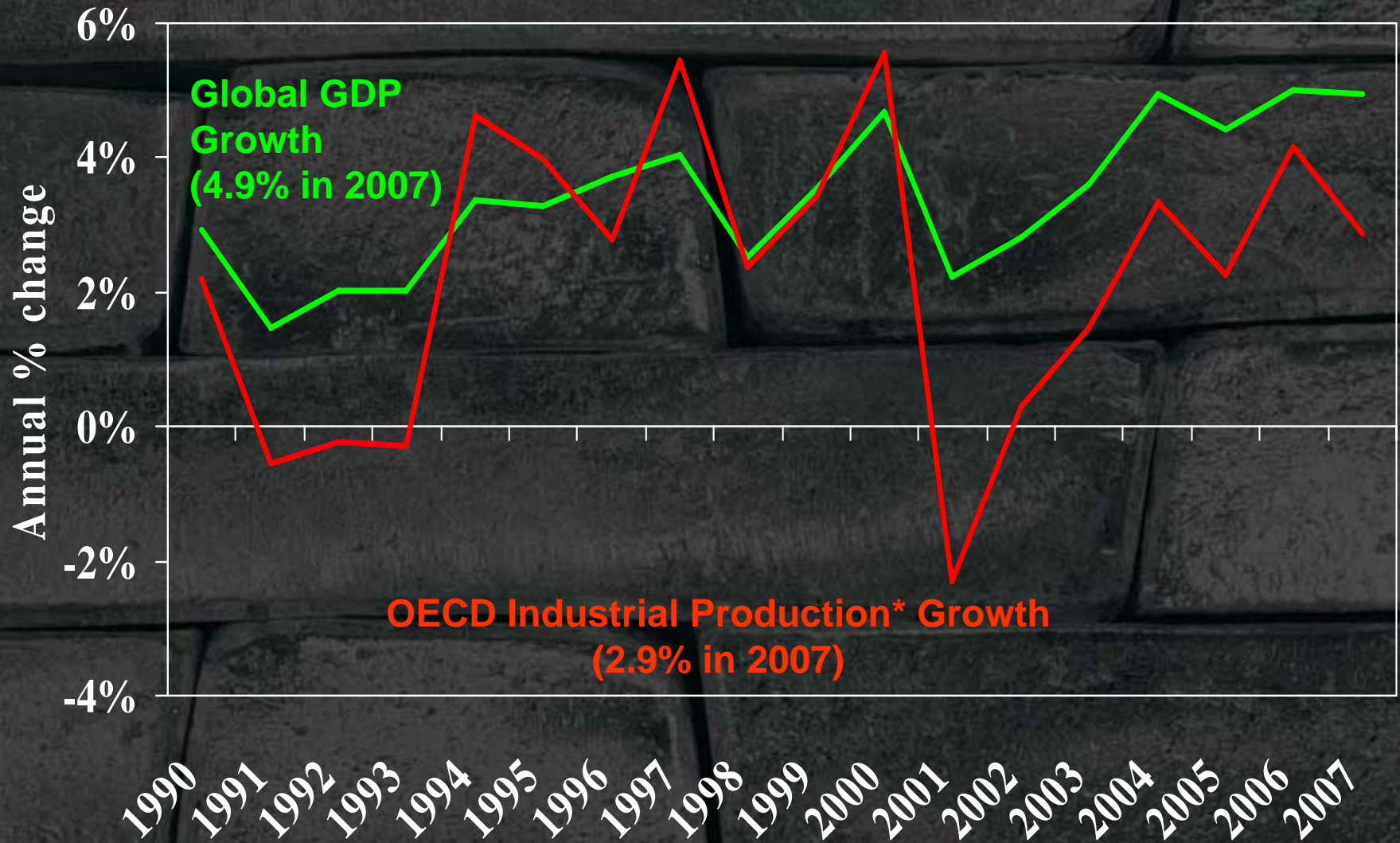
10-Year Changes: 1998-2007



Source: GFMS Ltd.



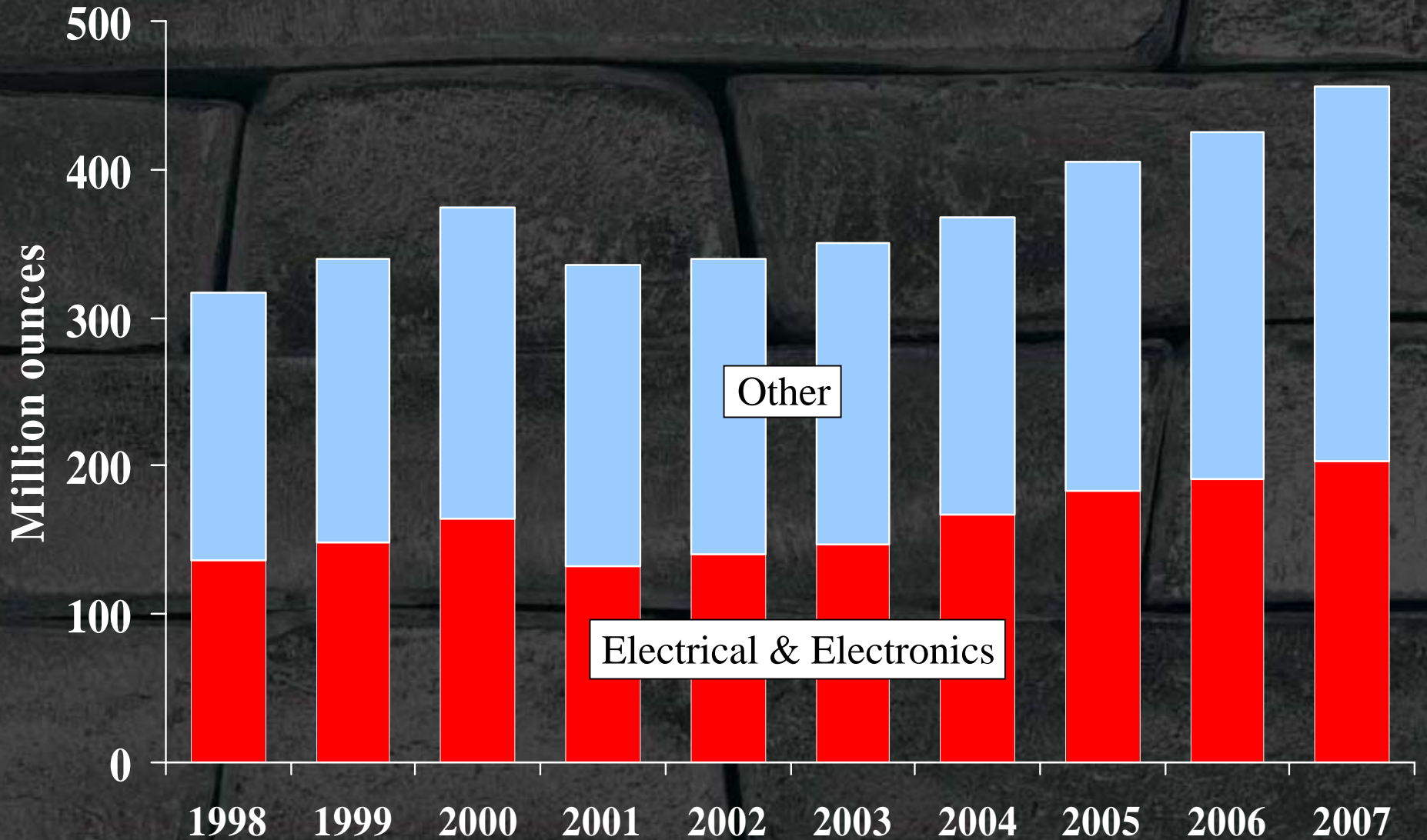
Economic Indicators



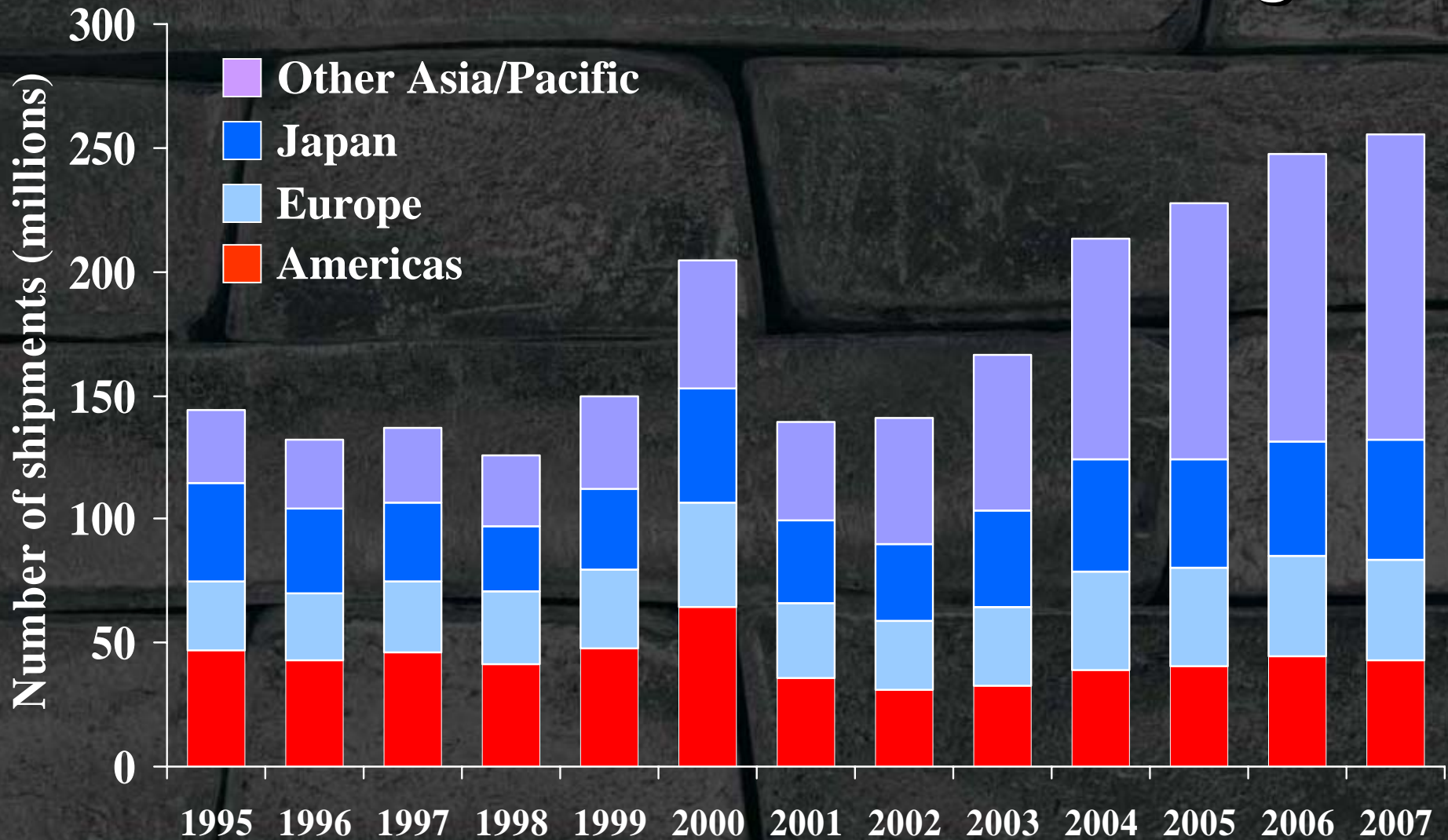
*Excluding construction

Source: IMF, OECD

Industrial Fabrication



Global Semiconductor Billings



Source: SIA

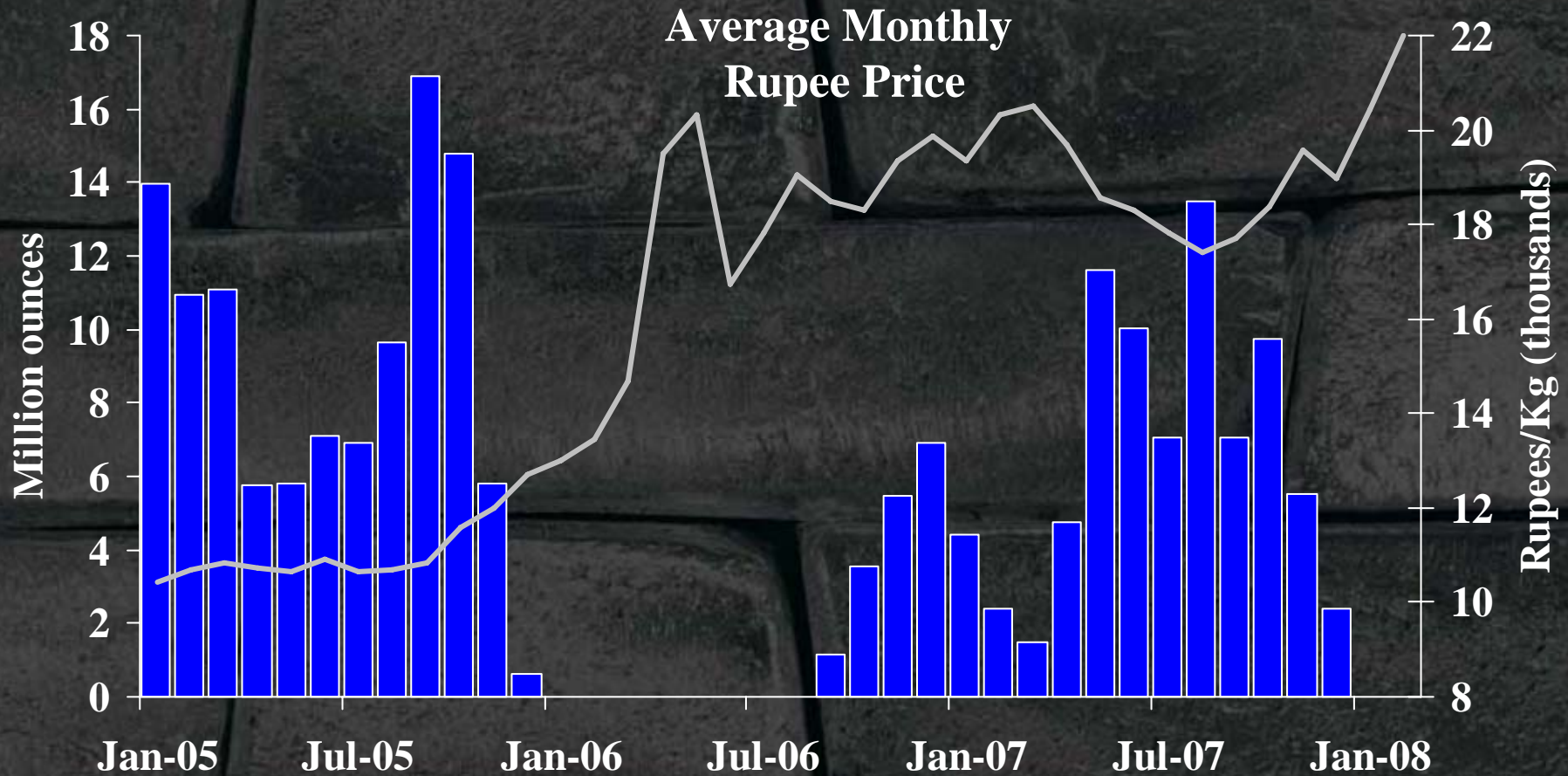
Industrial Fabrication

- Healthy GDP and Industrial Production growth led to further gains in silver demand across a wide variety of industrial applications.
- In 2007 industrial uses accounted for 54% of global fabrication demand and 51% of total silver demand.
- All regions gained, although India, the United States and China drove much of the increase.

Jewelry & Silverware

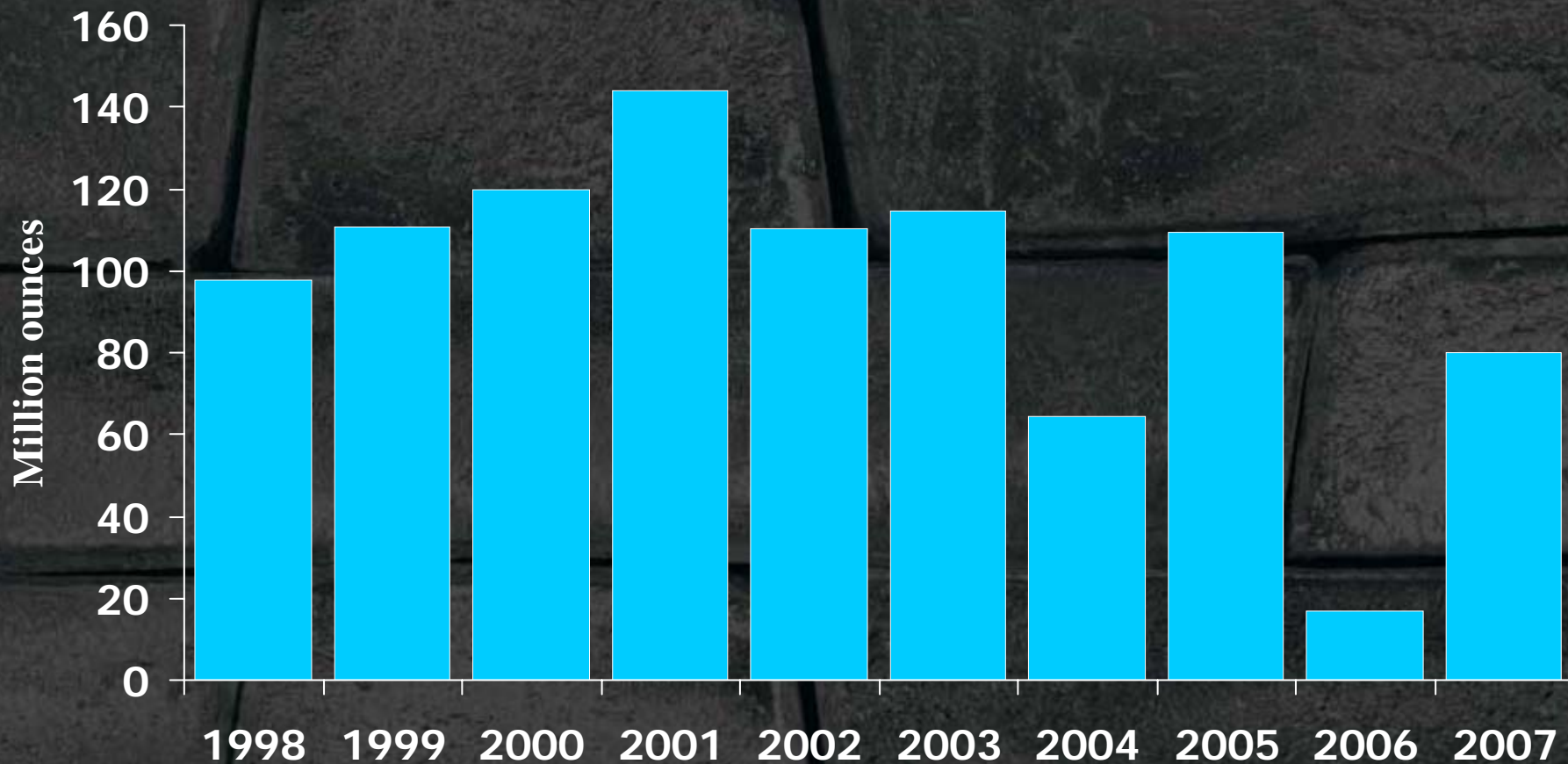
- Jewelry demand declined by less than 2% year-on-year in spite of the large price rise.
- Silver jewelry gaining from gold in some markets but also facing pressure from non-precious alternatives, such as steel.
- Silverware: Demand in India and some other countries hit by jump in price. Silverware demand, especially tableware, still in a secular decline in most, though not all markets.

Indian Silver Bullion Imports January 2005 – February 2008



Indian Silver Bullion Imports

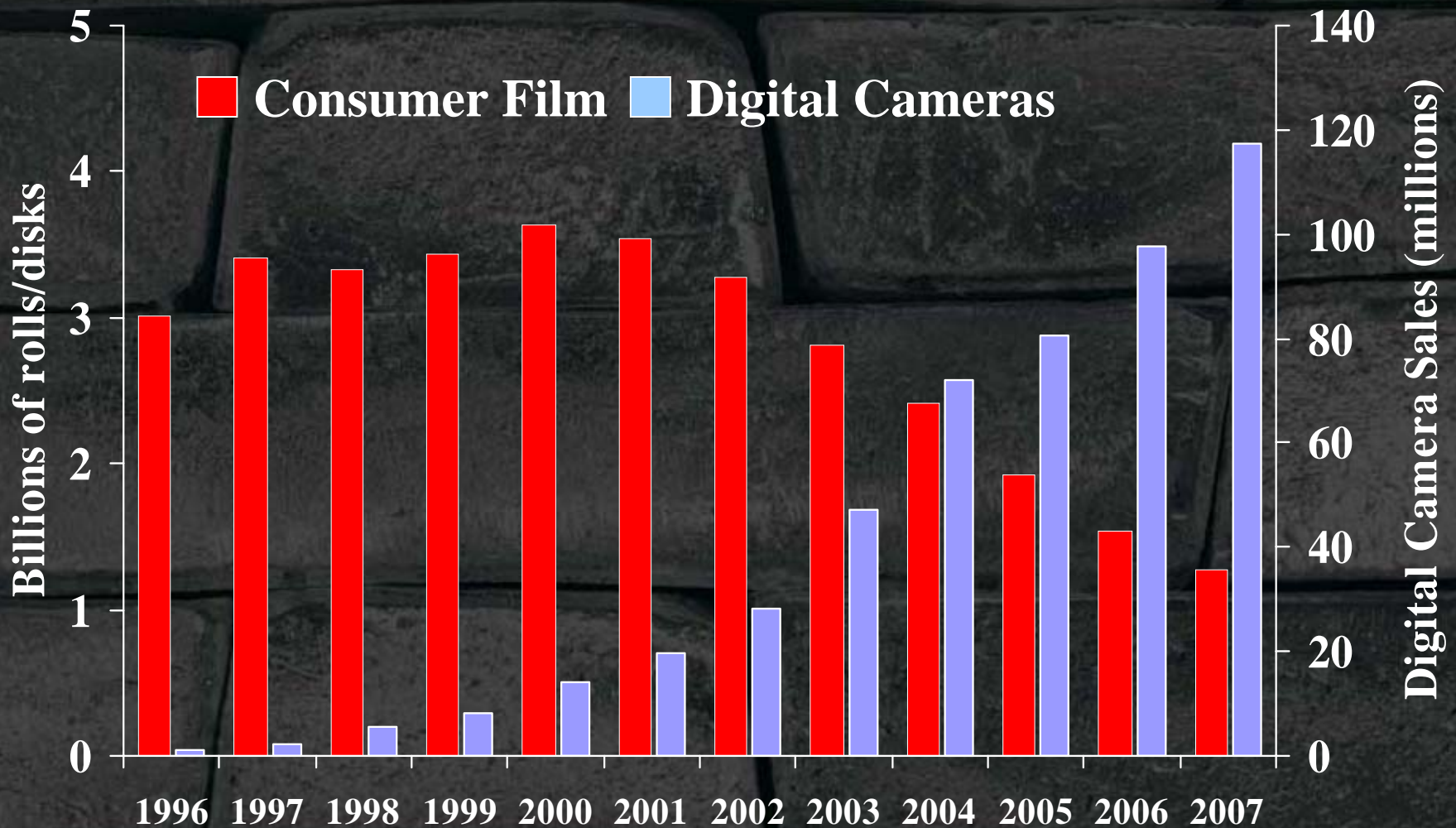
Up more than four-fold year-on-year in 2007



Photography

- Photographic demand dropped by 11% in 2007.
- Regional variations largely explained by corporate decisions regarding location of production (repatriation still a theme).
- Bulk of the losses from consumer color film, which has to-date been the demand segment most affected by digital technology.

Consumer Film and Digital Camera Sales



Source: Lyra Research, Photofinishing News Inc

World Silver Survey 2008

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- Demand

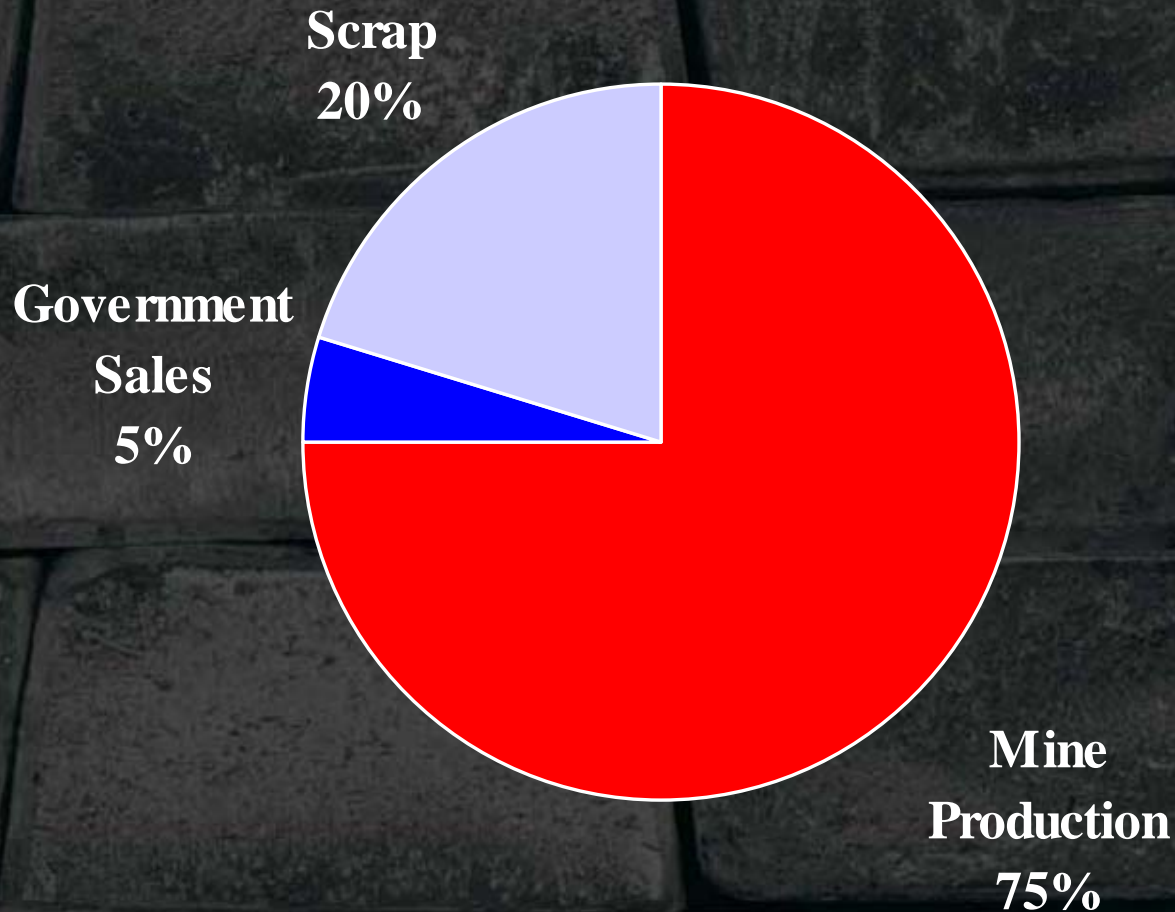
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- Outlook for 2008

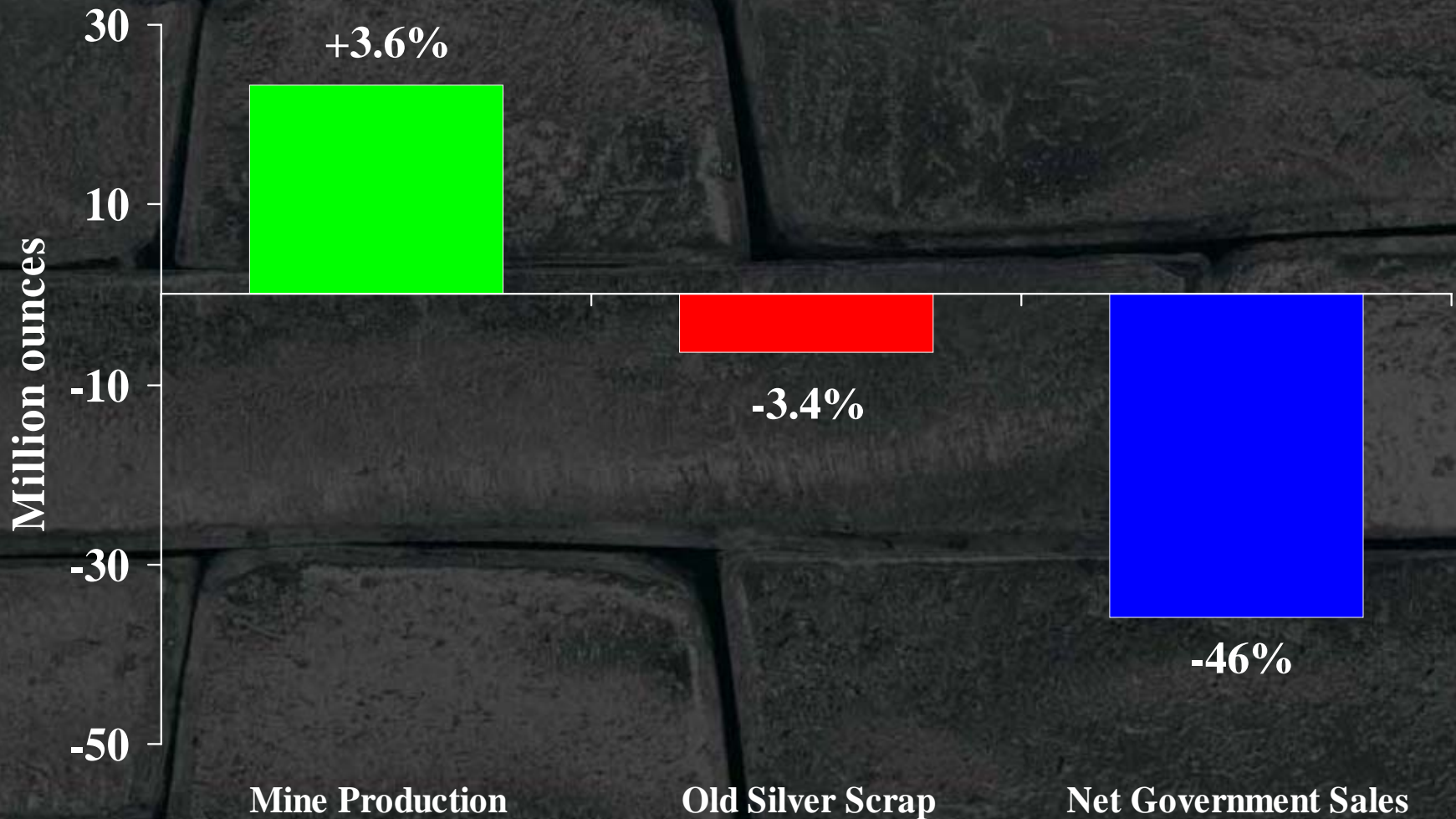
World Silver Supply, 2007

Total Supply in 2007: -2.1% to 894.5 Moz



World Silver Supply

Annual Changes: 2007 less 2006



Mine Production

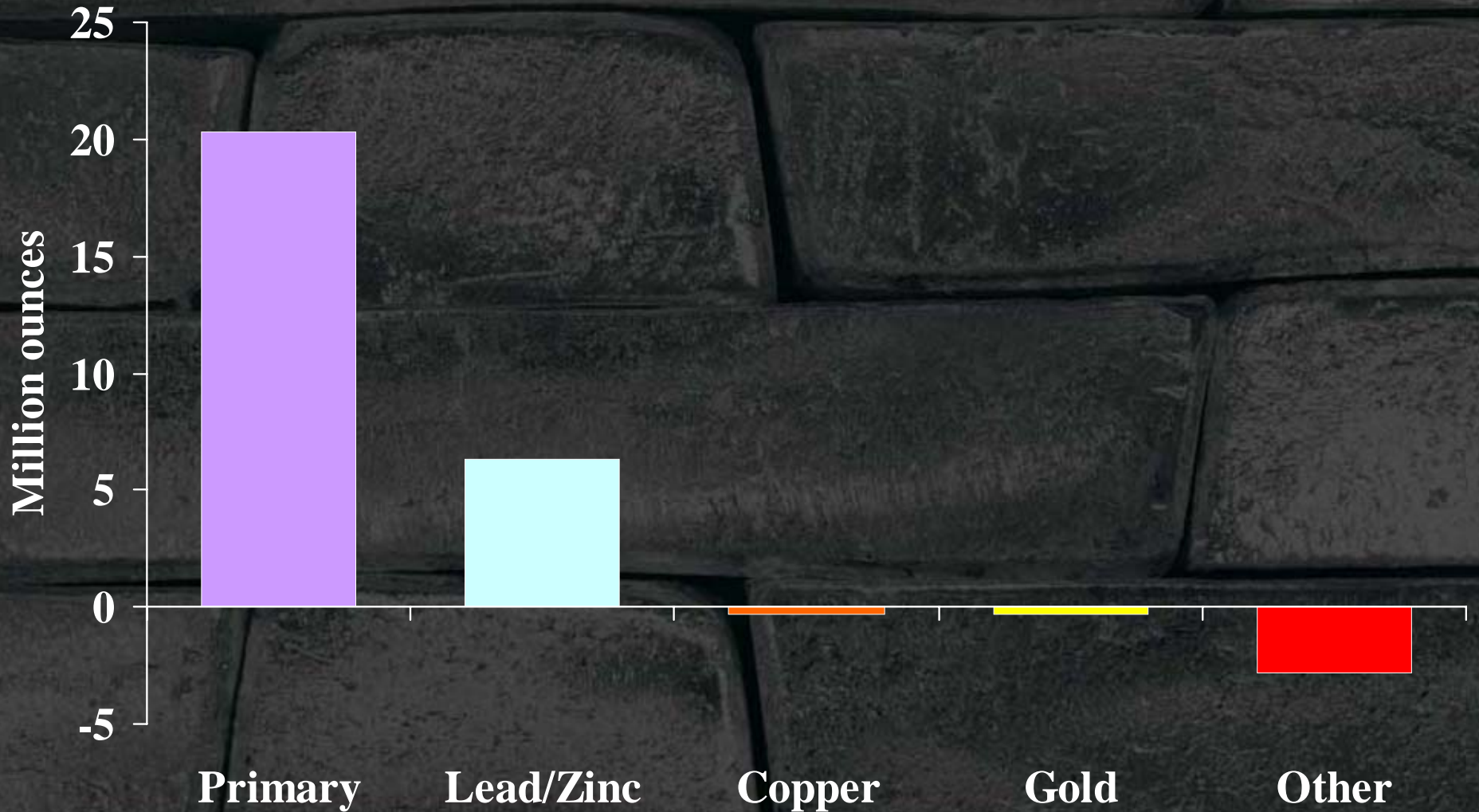
- World silver mine production grew by nearly 4% or around 23 Moz last year to a record 670.6 Moz.
- Higher primary silver mine output drove the increase, this category gaining by 11% year-on-year.
- Collectively, by-product silver production gained 1% in 2007.
- At a country level, most notable increases seen in Chile, China and Australia, with by far the largest single decline coming from Canada.

World Silver Mine Production 1998-2007



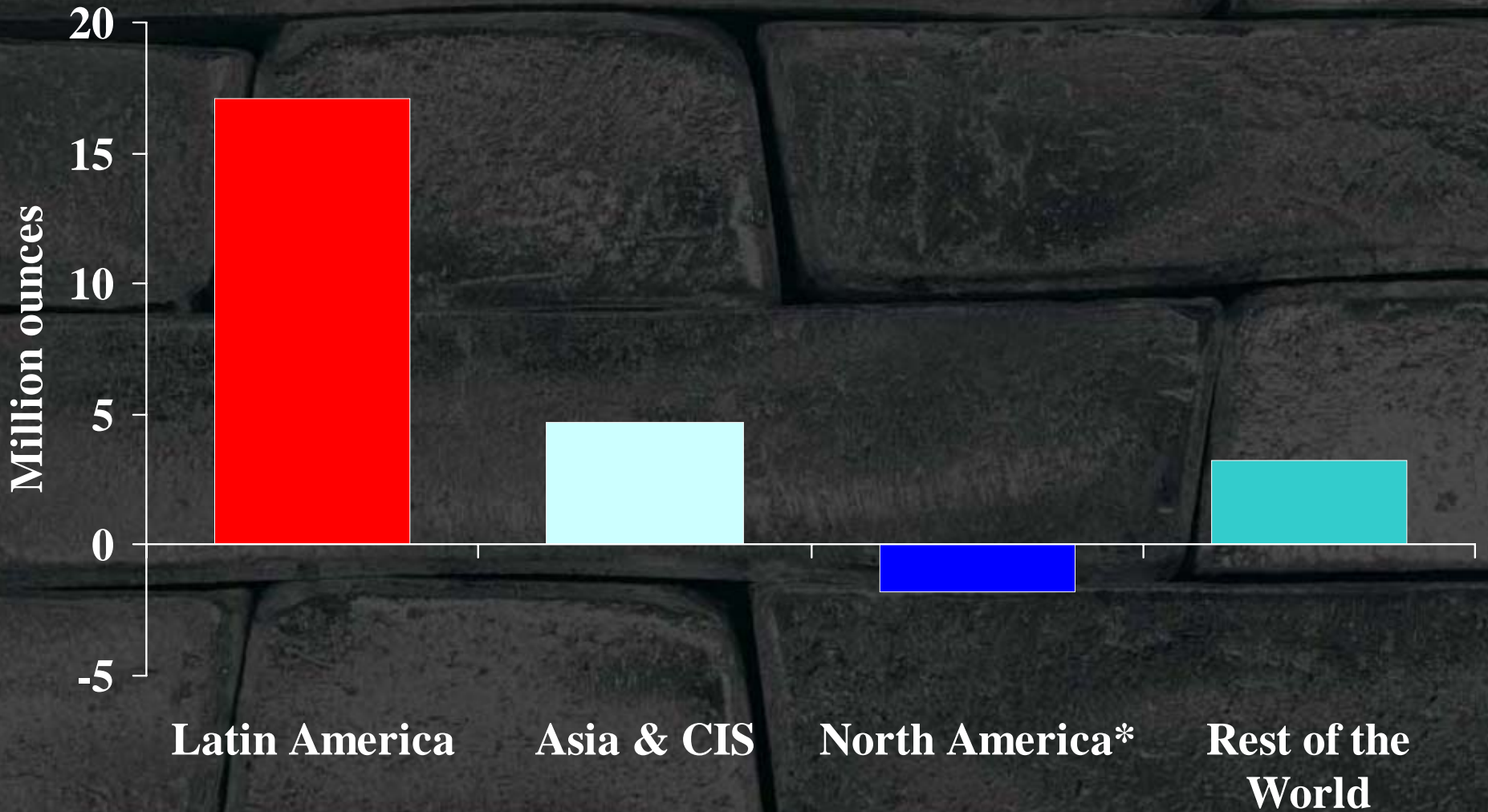
Mine Production by Source Metal

Winners and Losers: 2007 less 2006



Mine Production by Region

Winners and Losers: 2007 less 2006



Source: GFMS Ltd.; *includes Mexico

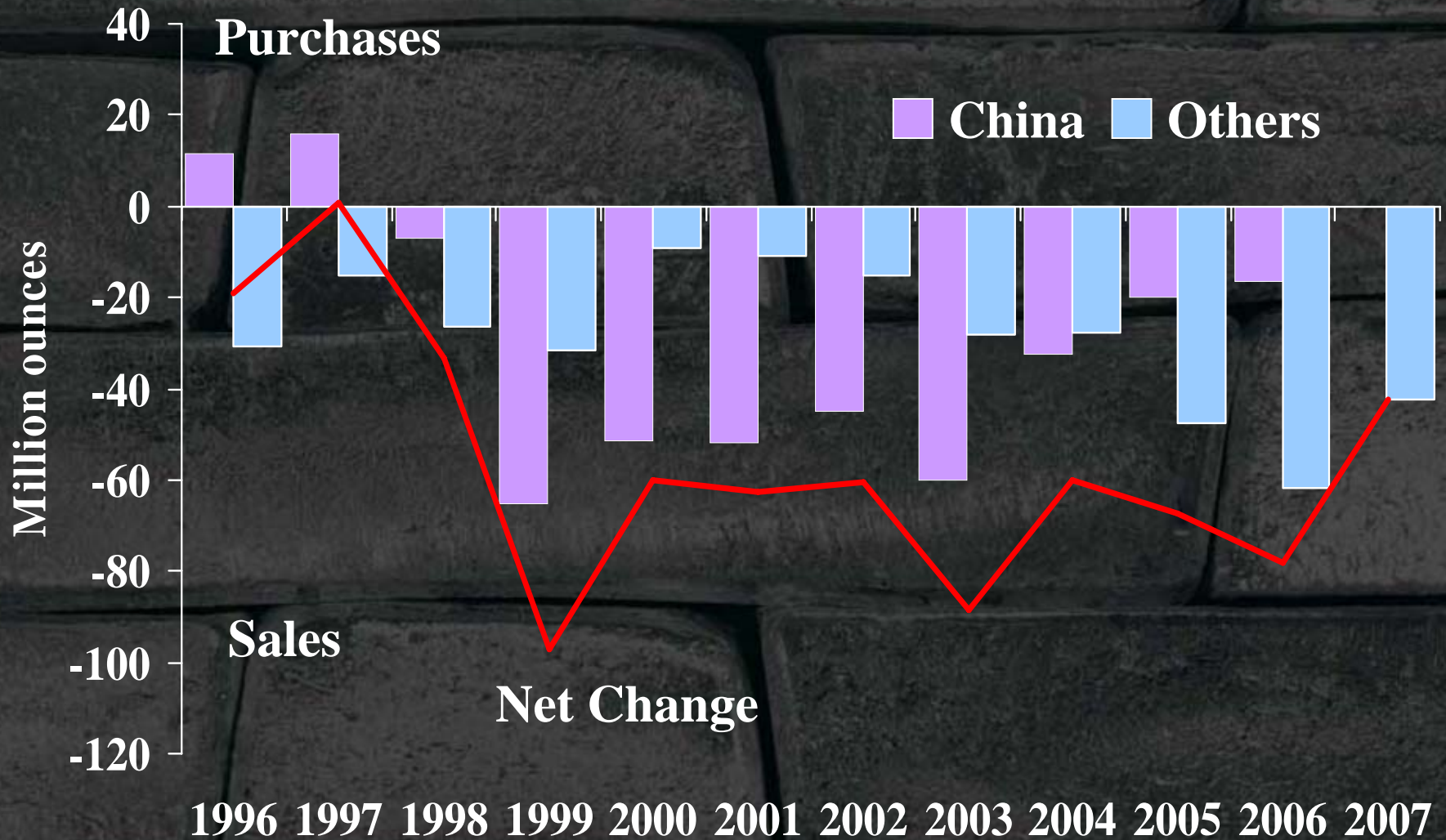
Scrap Supply

- Scrap supply fell by just over 3% last year in spite of the 16% rise in the dollar silver price.
- Recycling fell by 30% in India, partly due to much near-market jewelry stocks having already been scrapped in 2006.
- Elsewhere, photographic scrap's decline was moderated by steady flow of old X-rays in some markets.
- Notable rise in recovery of industrial products in 2007, especially Ethylene Oxide catalysts.

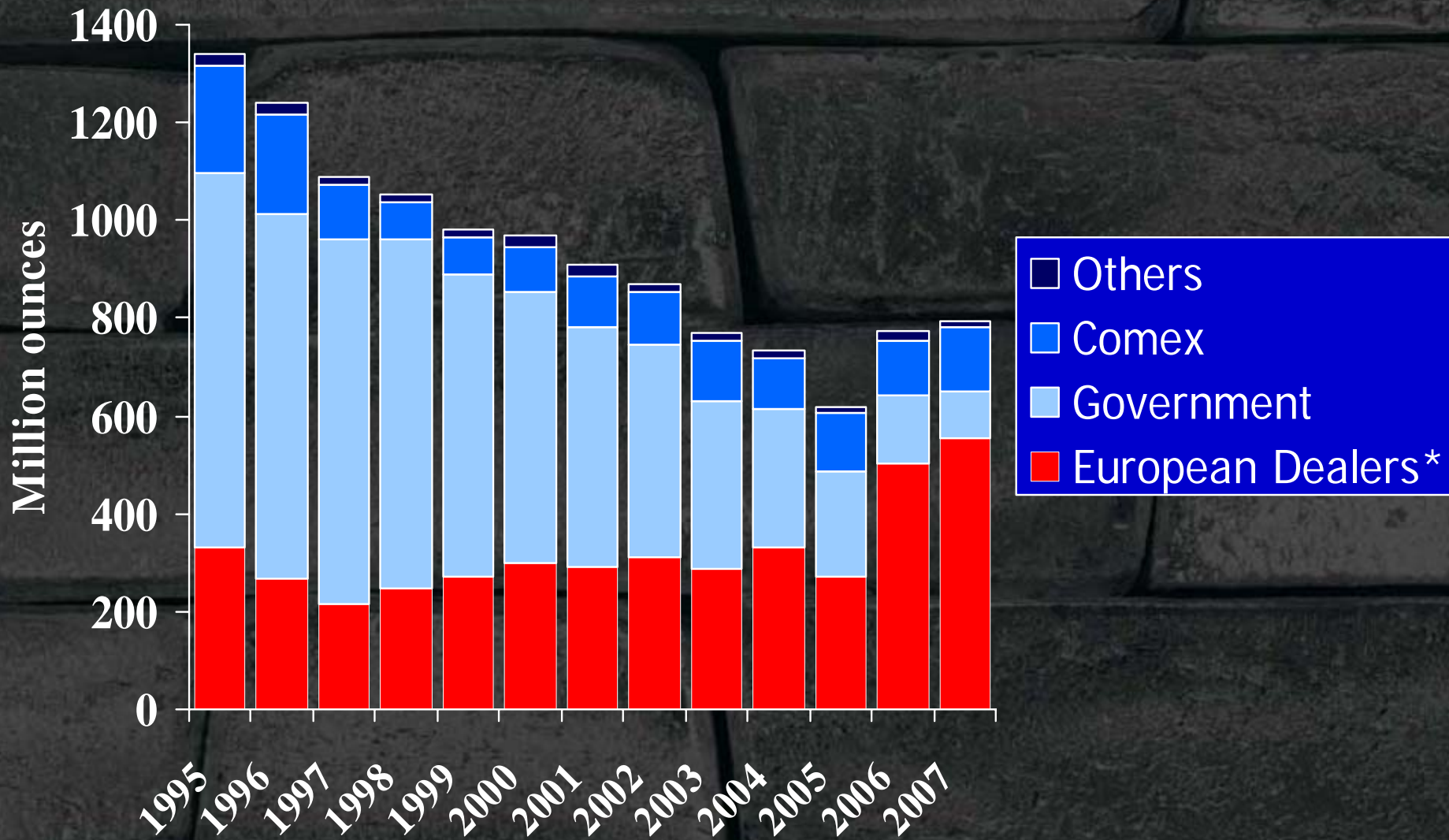
Government Sales

- Government sales estimated at 42 Moz in 2007, substantially down on previous years' levels.
- Absence of Indian and Chinese official selling.
- Russia accounted for bulk of government sales last year.
- Total government silver stocks conservatively estimated at 96 Moz at end-2007.

Changes in Government Stocks

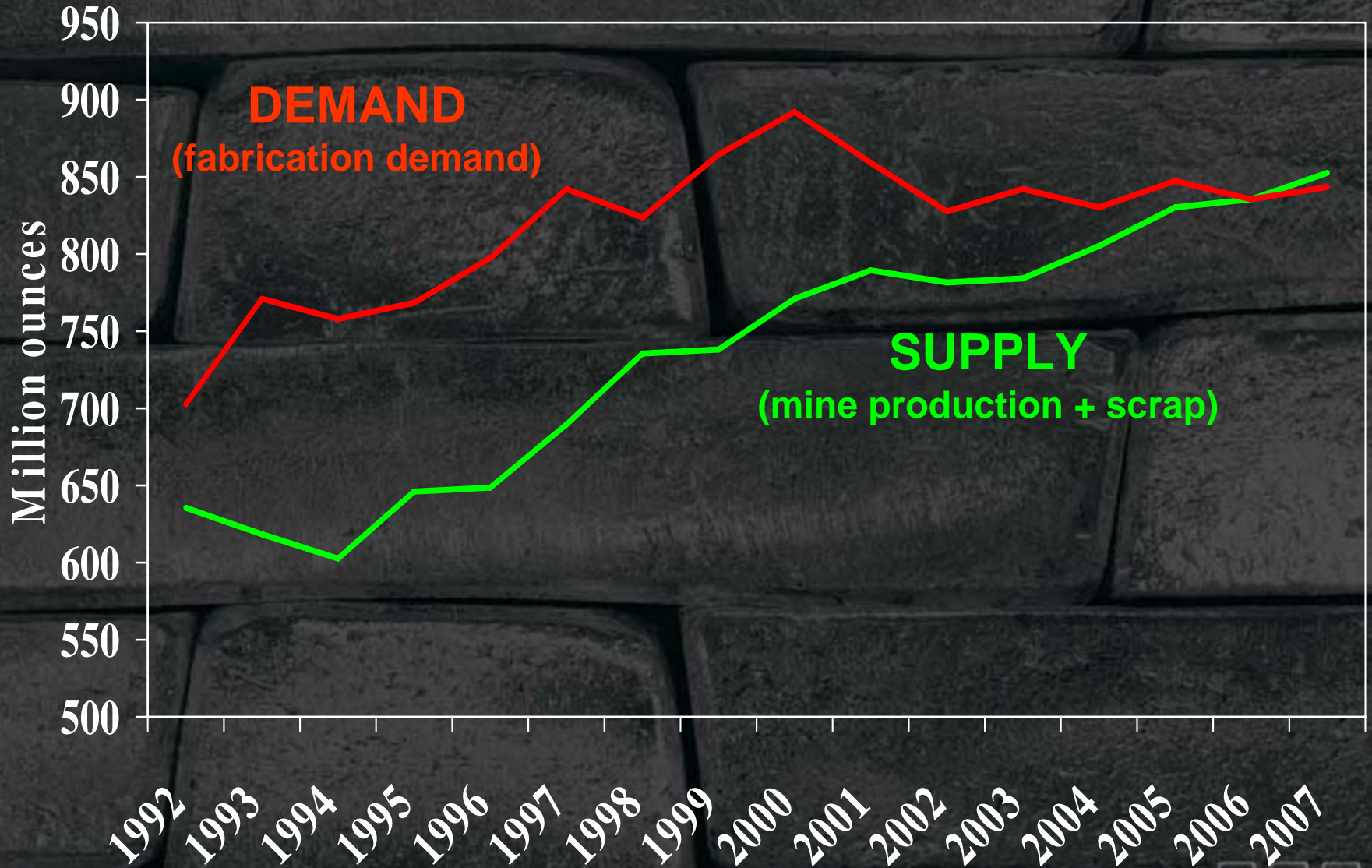


Identified Bullion Stocks (end-year)



Source: GFMS Ltd.; *includes ETF holdings

From "Deficit" to a Balanced Market



Source: GFMS

World Silver Survey 2008

■ Prices

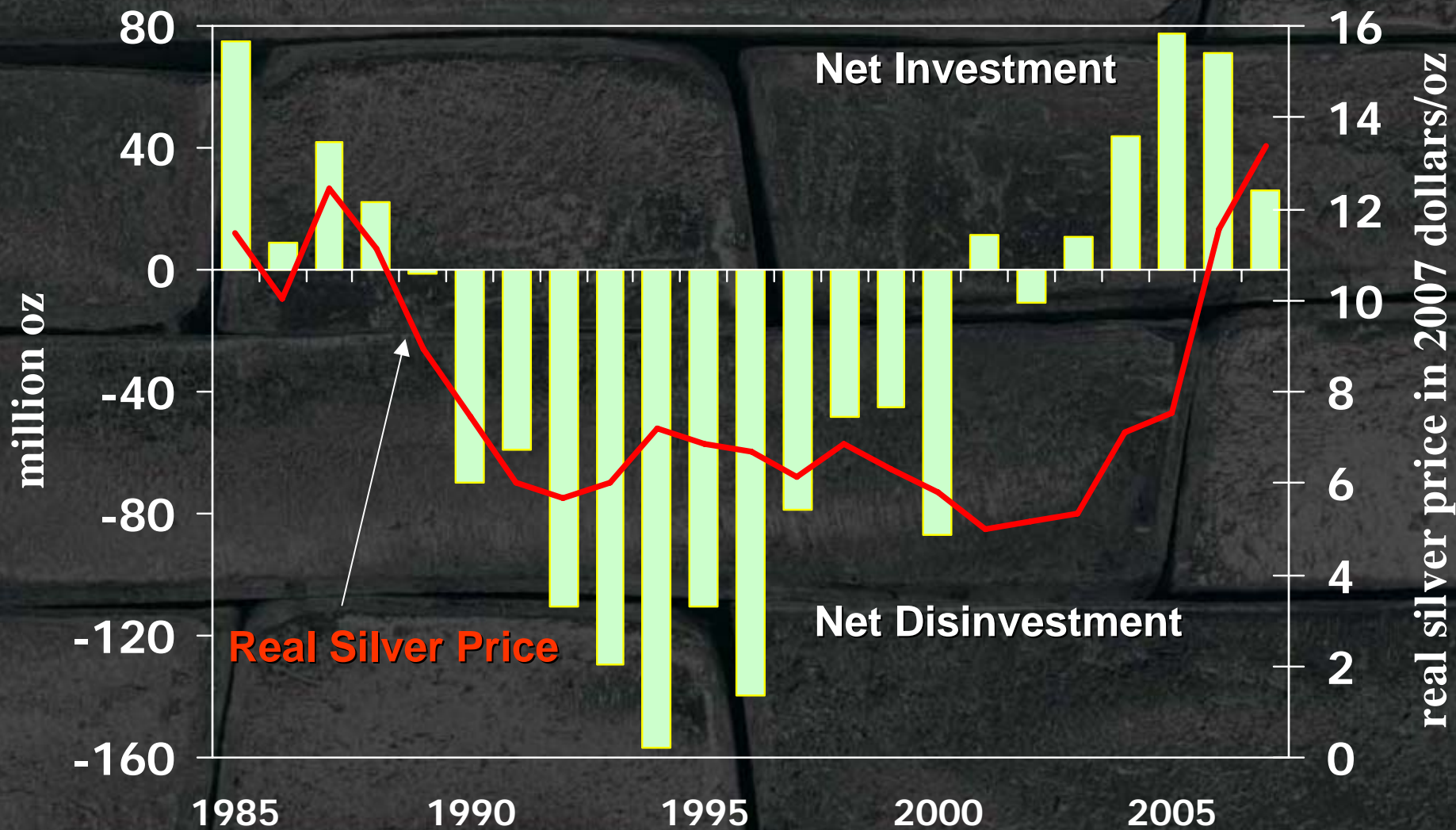
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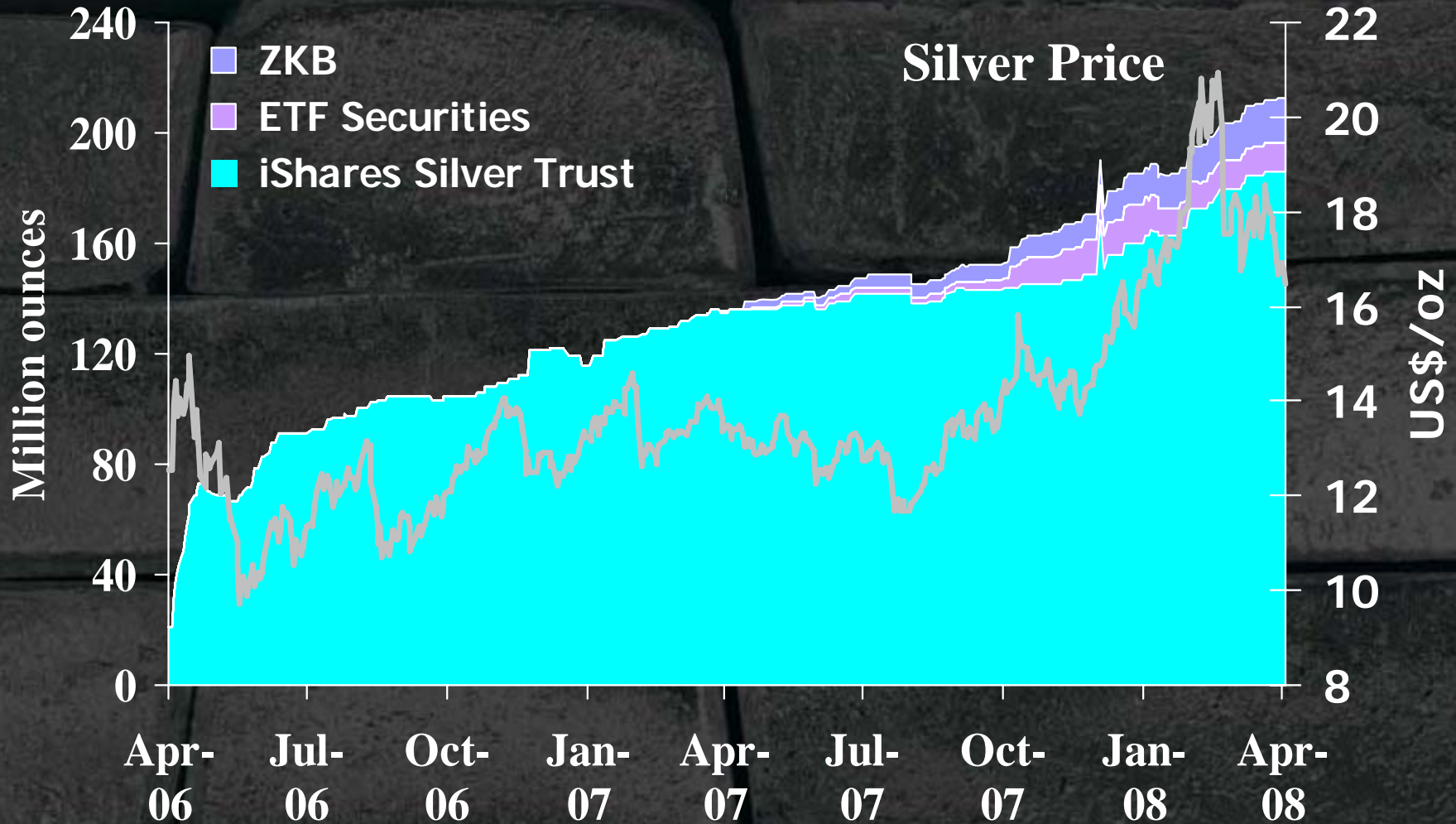
■ Outlook for 2008

Silver (Dis)Investment and Real Price



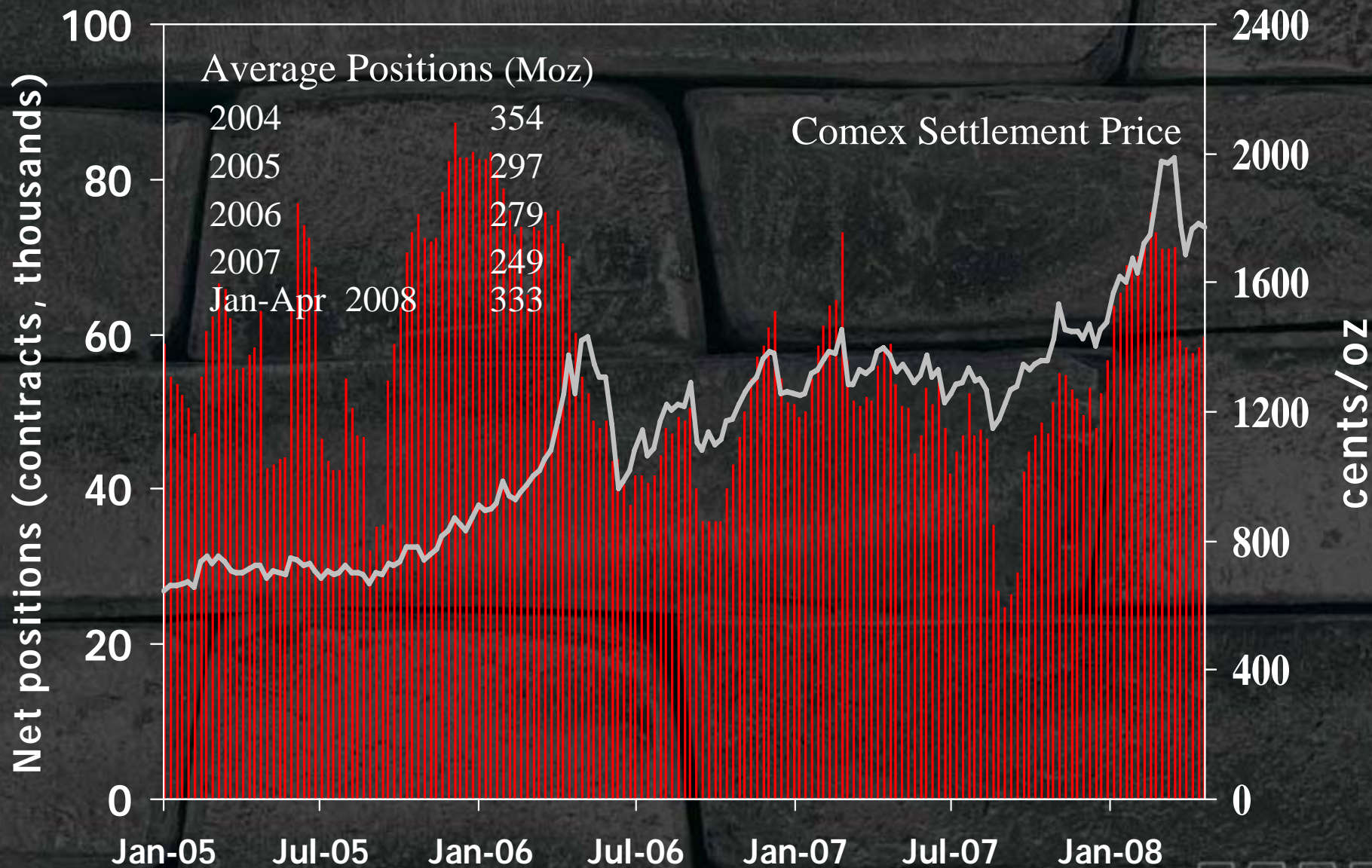
ETF Silver Holdings

Total end-April 2008 = 212 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 2008: Supply

- Mine production forecast to increase by +/- 40 Moz or 6%. Growth in Mexico (e.g Alamo Dorado, Cerro San Pedro), Bolivia (San Cristobal, San Bartolome), Argentina (Pirquitas, Manantial Espejo) and Russia (Kupol).
- Scrap supply forecast to be flat year-on-year in 2008.
- Government sales more likely to decline than increase.
- Producer hedging? At this stage a further fall in the book more probable than a net rise in positions.
- Overall, supply set to rise by perhaps +/- 2% this year.

Outlook for 2008: Demand

- Industrial demand 'should' fall sharply in 2008 due to economic slowdown but to-date it has been surprisingly resilient. 'De-coupling' of developing country economies may partly explain this but can it last?
- Electronics industry may be on verge of cyclical downturn even if not as acute as in 2001.
- Photographic demand will fall again but decline in volume as opposed to percentage terms could moderate compared to 2007.
- Jewelry expected to be flat-to modestly down in 2008. Consumption (as opposed to fabrication) remains skewed towards OECD countries where discretionary spending will be under pressure this year.
- Silverware forecast to drop: Secular trend still negative plus price impact.
- Total fabrication demand in 2008 forecast by GFMS to fall by around 8%.
- Investment in Jan-Apr 2008 has been strong. Some reversal very recently that could be extended. However, swing to sustained net disinvestment most unlikely as long as investment case remains highly positive (i.e. weak US dollar, negative real interest rates in US, ongoing credit market crisis, inflation fears, general strength of commodity prices, especially gold).
- Investors should drive silver back towards \$20 later this year.

Thank you for your attention!

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