



World Silver Survey 2009

Philip Klapwijk
Chairman, GFMS Limited

New York, 13th May 2009



The background of the entire image is a close-up, high-angle photograph of numerous silver bars. The bars are arranged in a grid-like pattern, with their surfaces reflecting light and showing some texture and imperfections. The bars are oriented diagonally across the frame.

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WORLD SILVER SURVEY 2009

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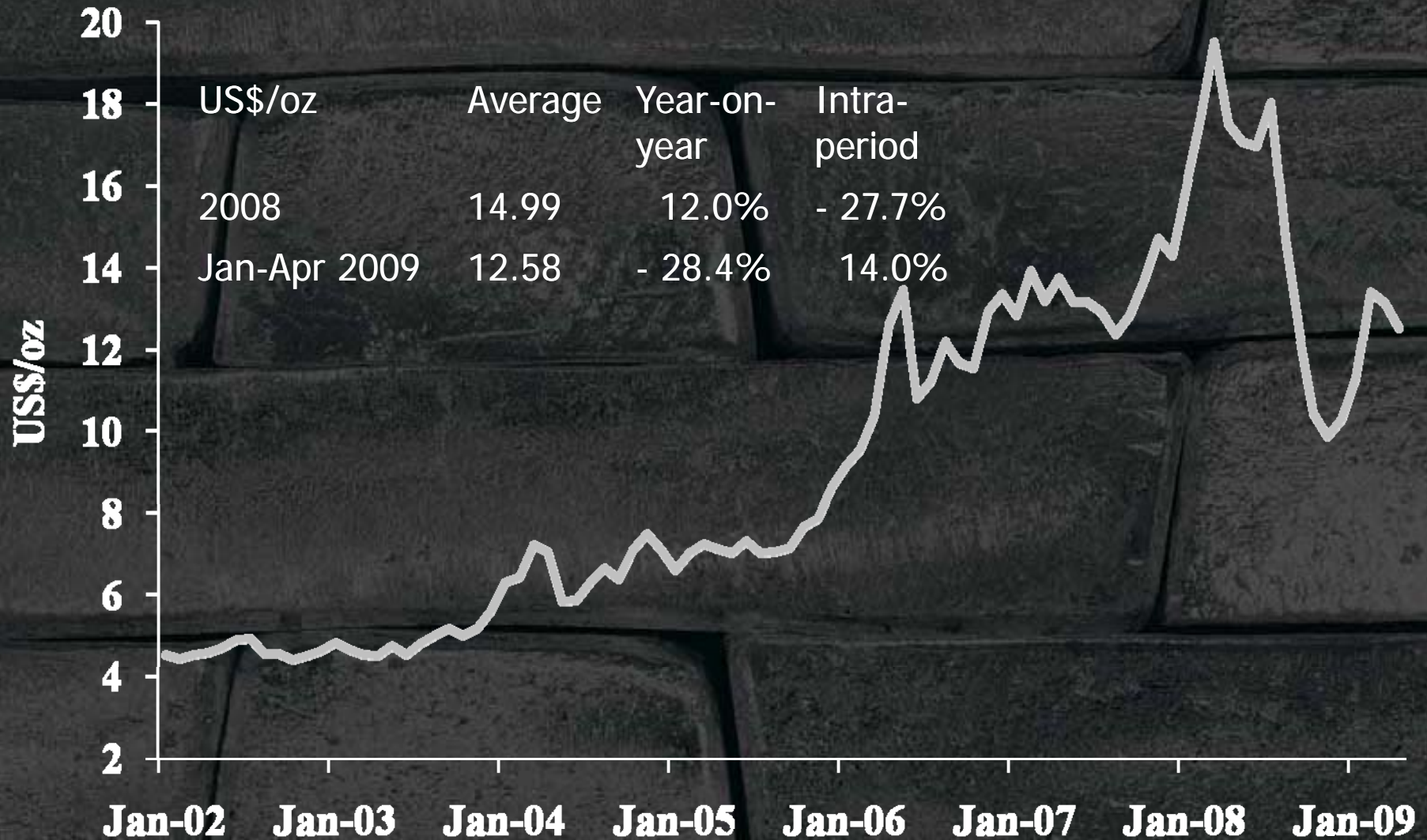
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- Supply
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The Silver Price



Source: Thomson Reuters EcoWin

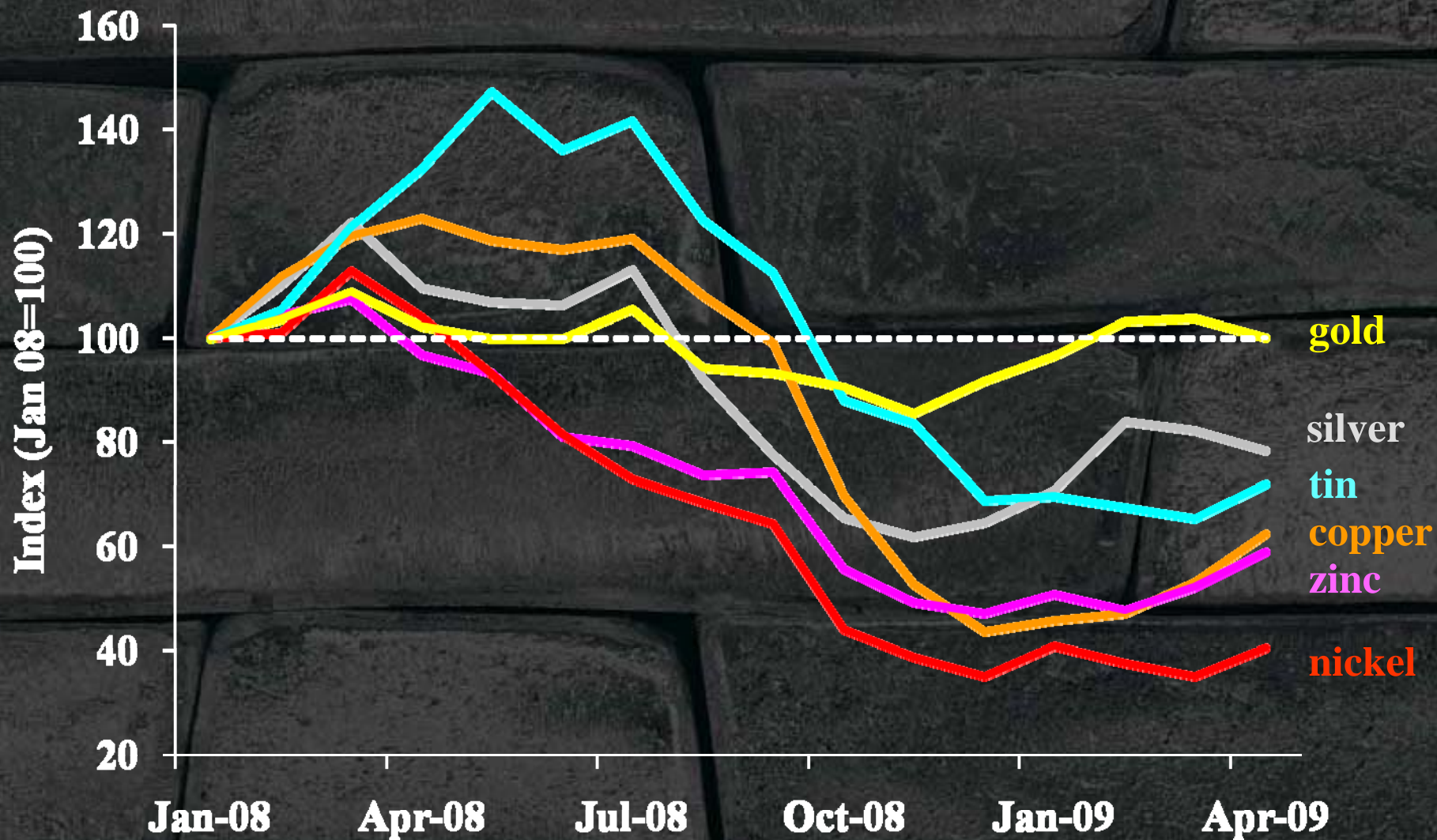


US Dollar and Euro Prices



Source: Thomson Reuters EcoWin

Silver, Gold and Base Metals Prices

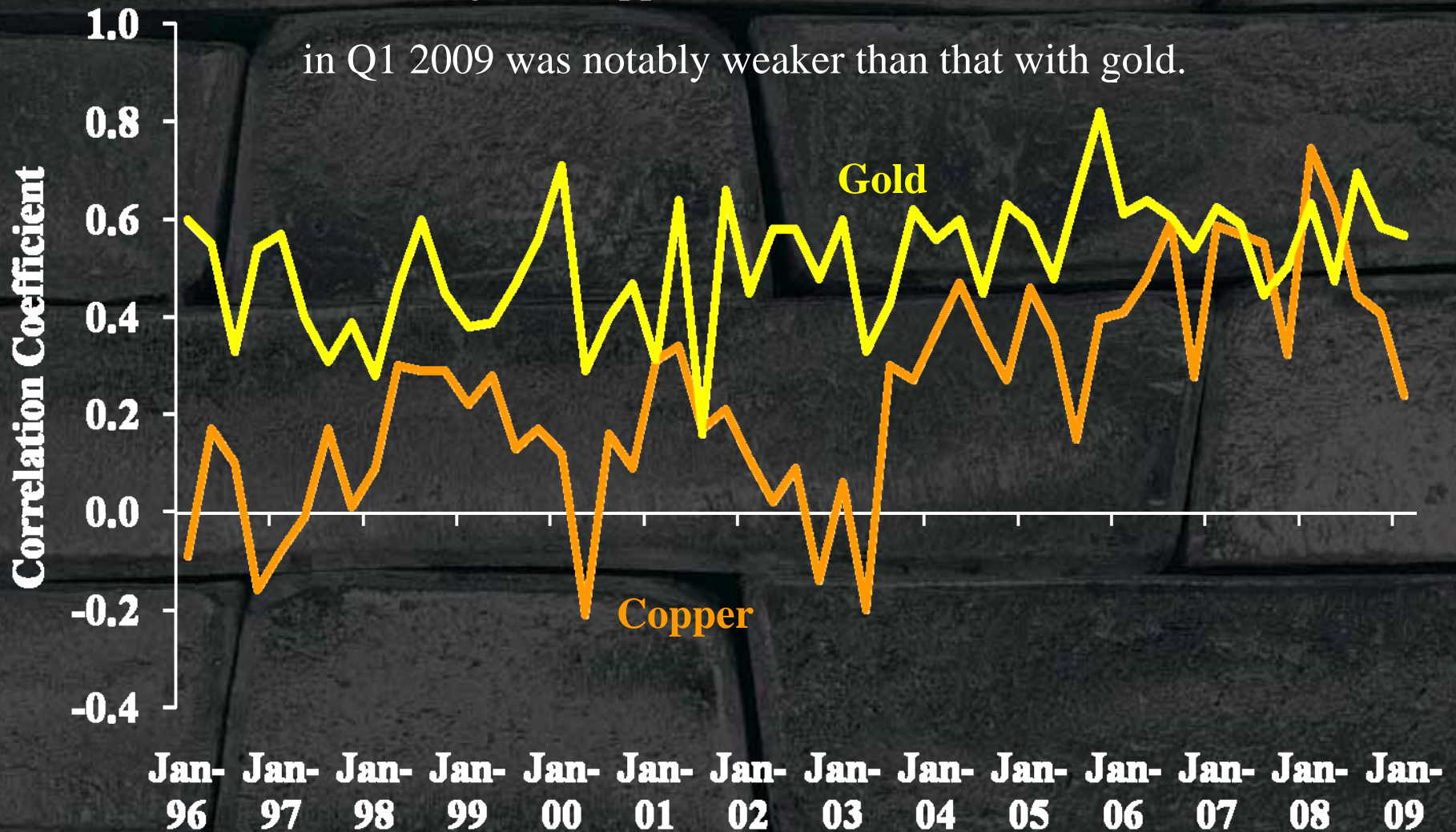


Source: Thomson Reuters EcoWin



Quarterly Correlation of Daily Silver Prices with Gold and Copper Prices

Correlation against copper has declined since Q3 2008 and in Q1 2009 was notably weaker than that with gold.



Source: GFMS Ltd.



Real and Nominal Silver Prices

(real US\$ price in constant 2008 terms)



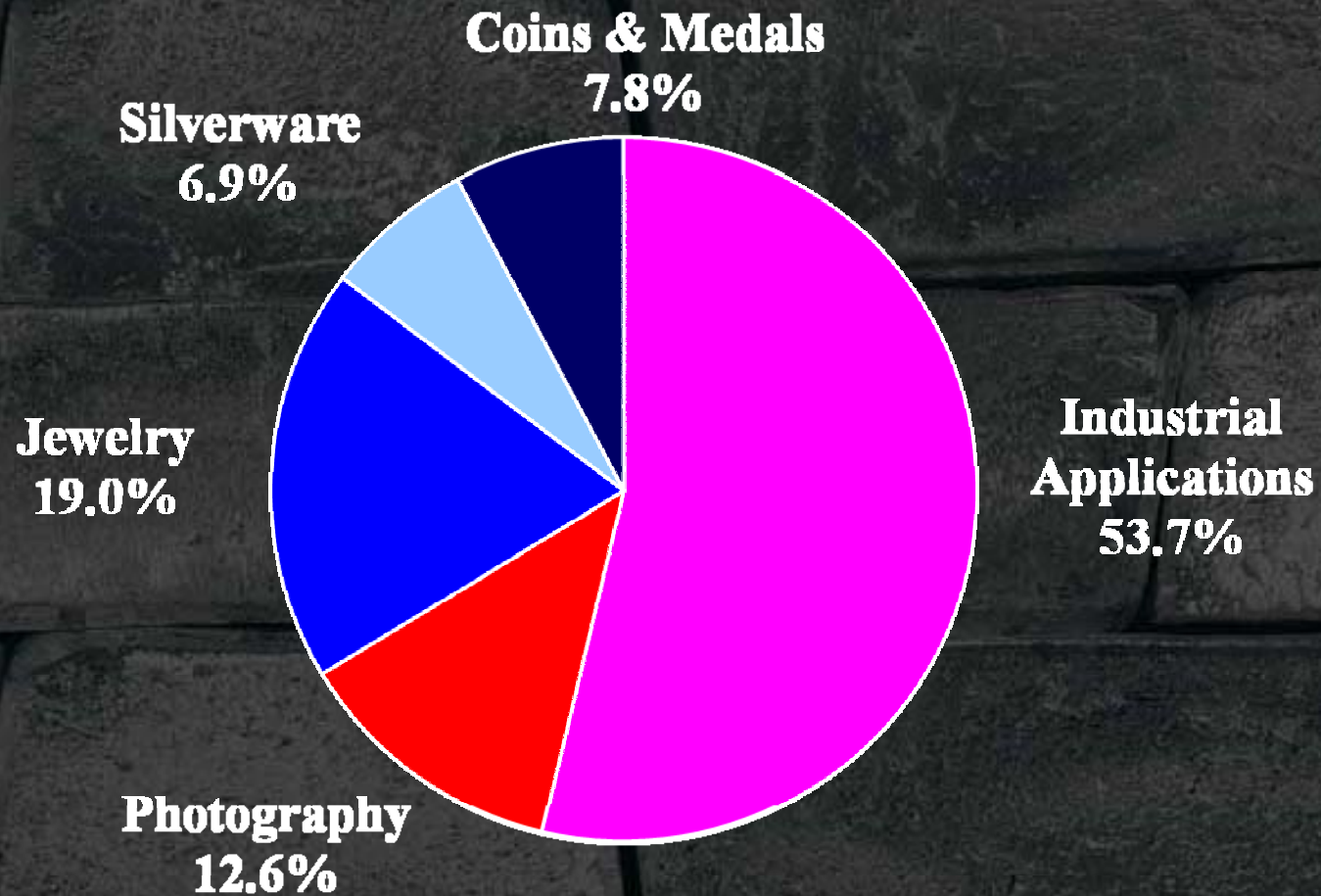
Source: GFMS, Thomson Reuters EcoWin

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World Silver Fabrication Demand, 2008

Total Fabrication Demand in 2008: -0.9% to 832.6 Moz



Source: GFMS Ltd.



World Silver Fabrication

Annual Changes: 2008 less 2007

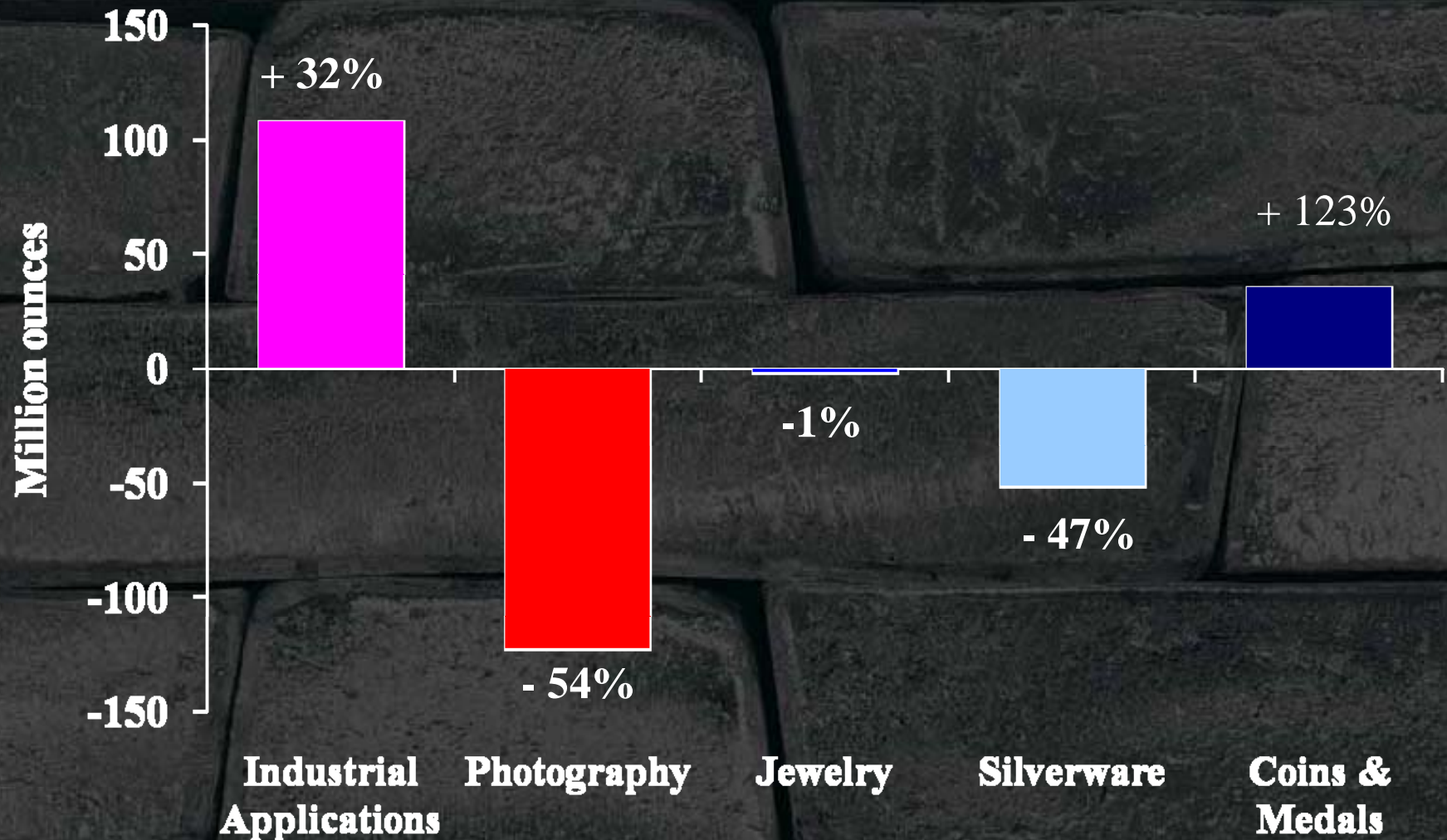


Source: GFMS Ltd.



World Silver Fabrication

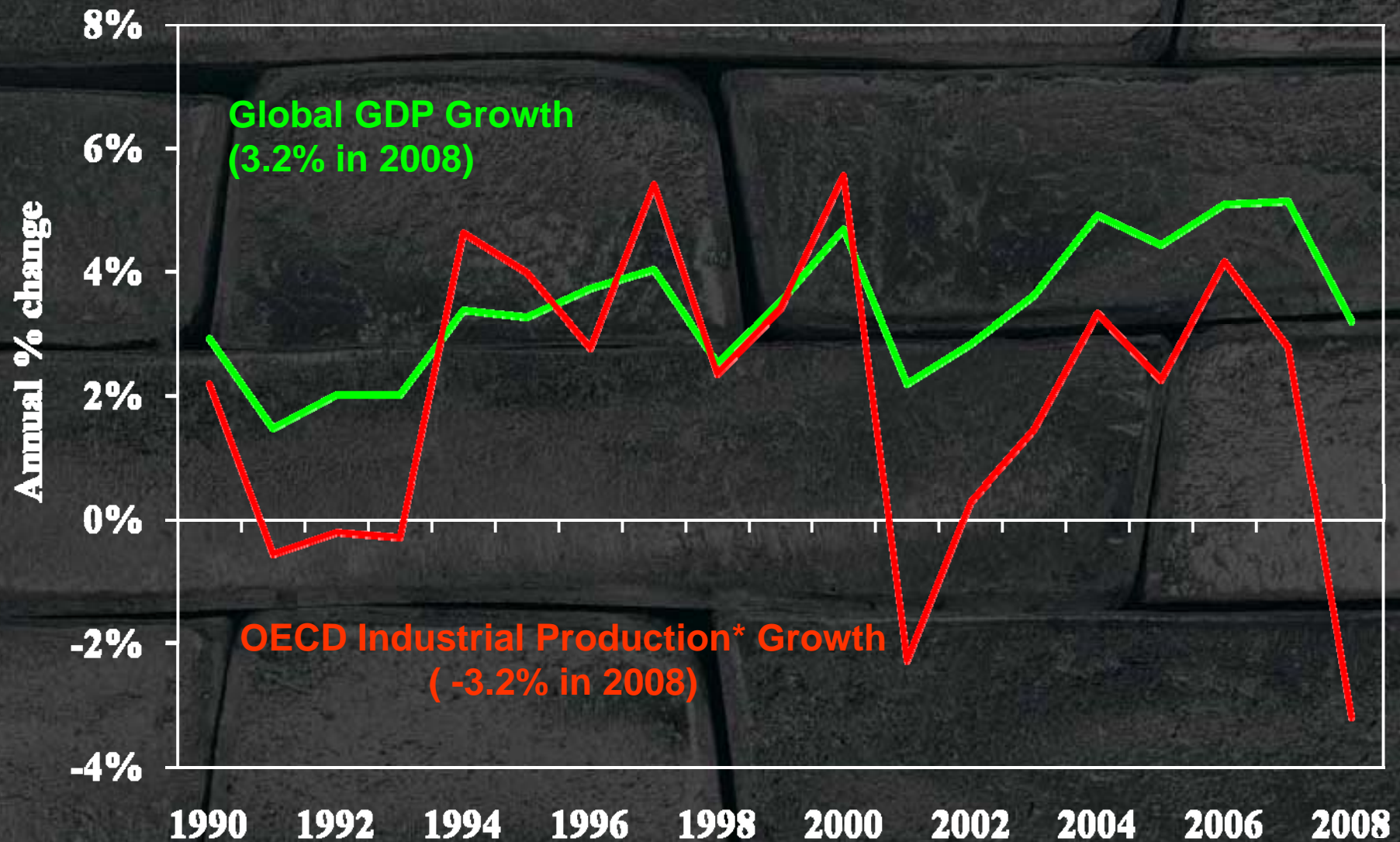
10 Year Changes: 1999 2008



Source: GFMS Ltd.

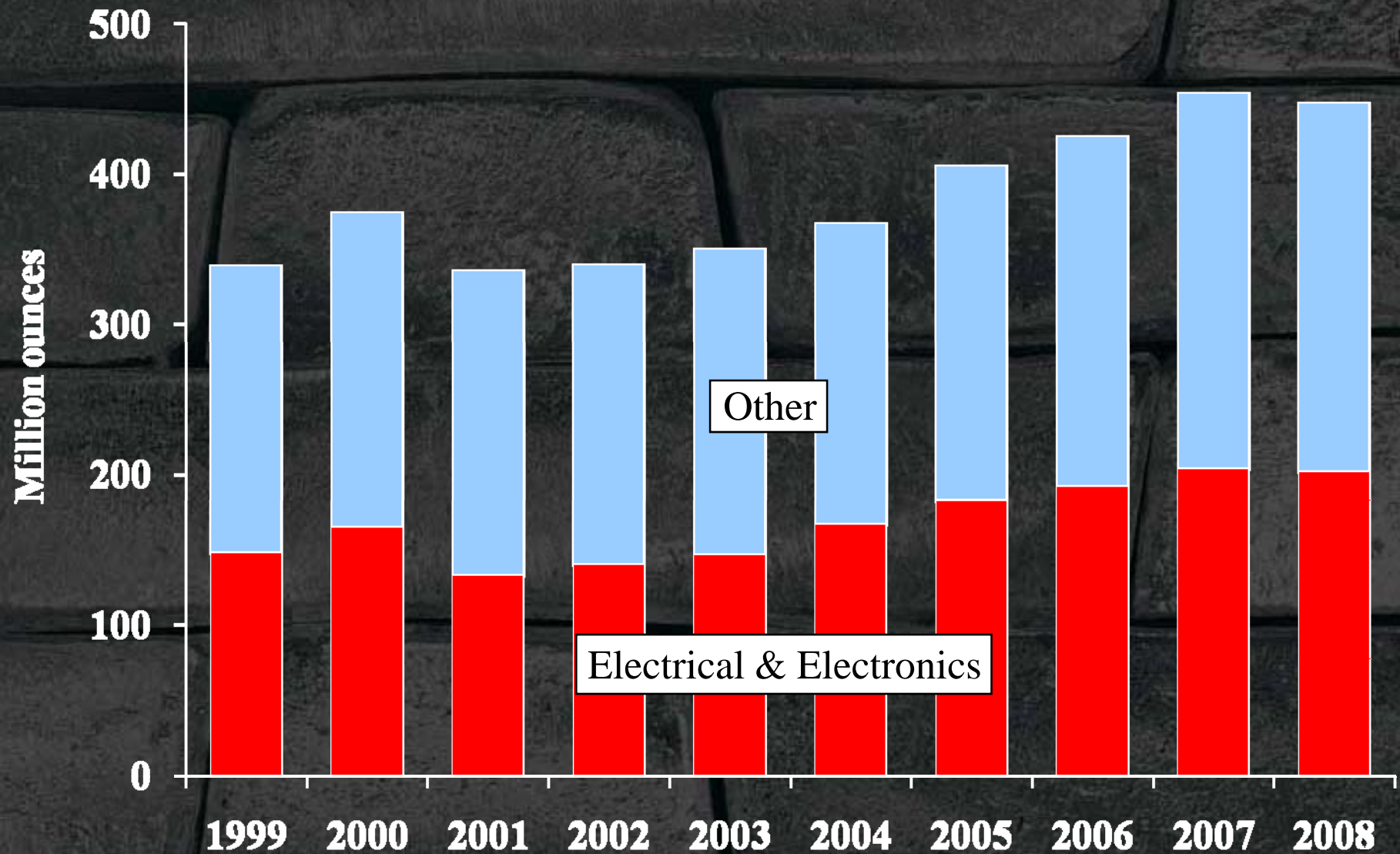


Economic Indicators



*Excluding construction
Source: IMF, OECD

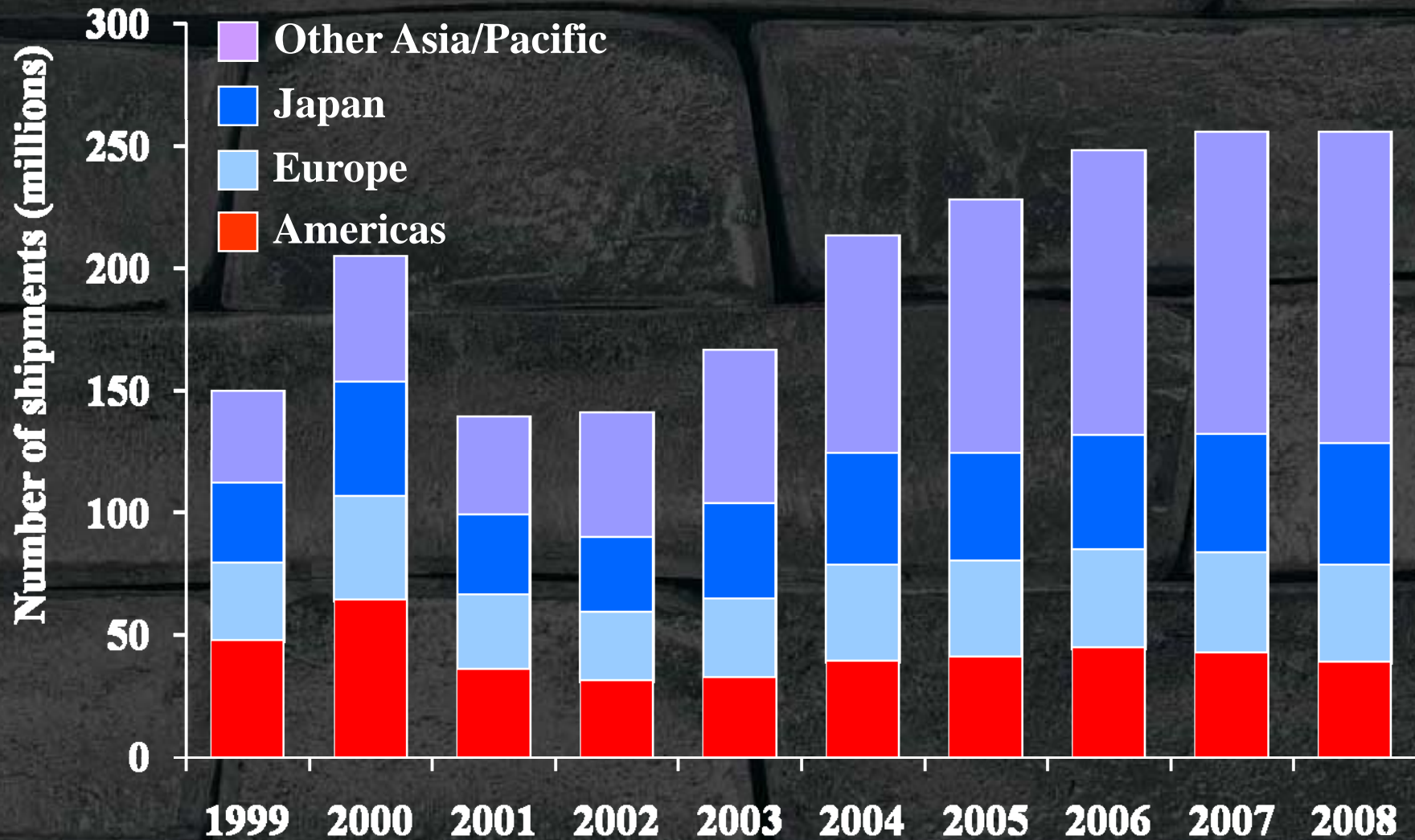
Industrial Fabrication



Source: GFMS Ltd.



Global Semiconductor Billings



Source: SIA

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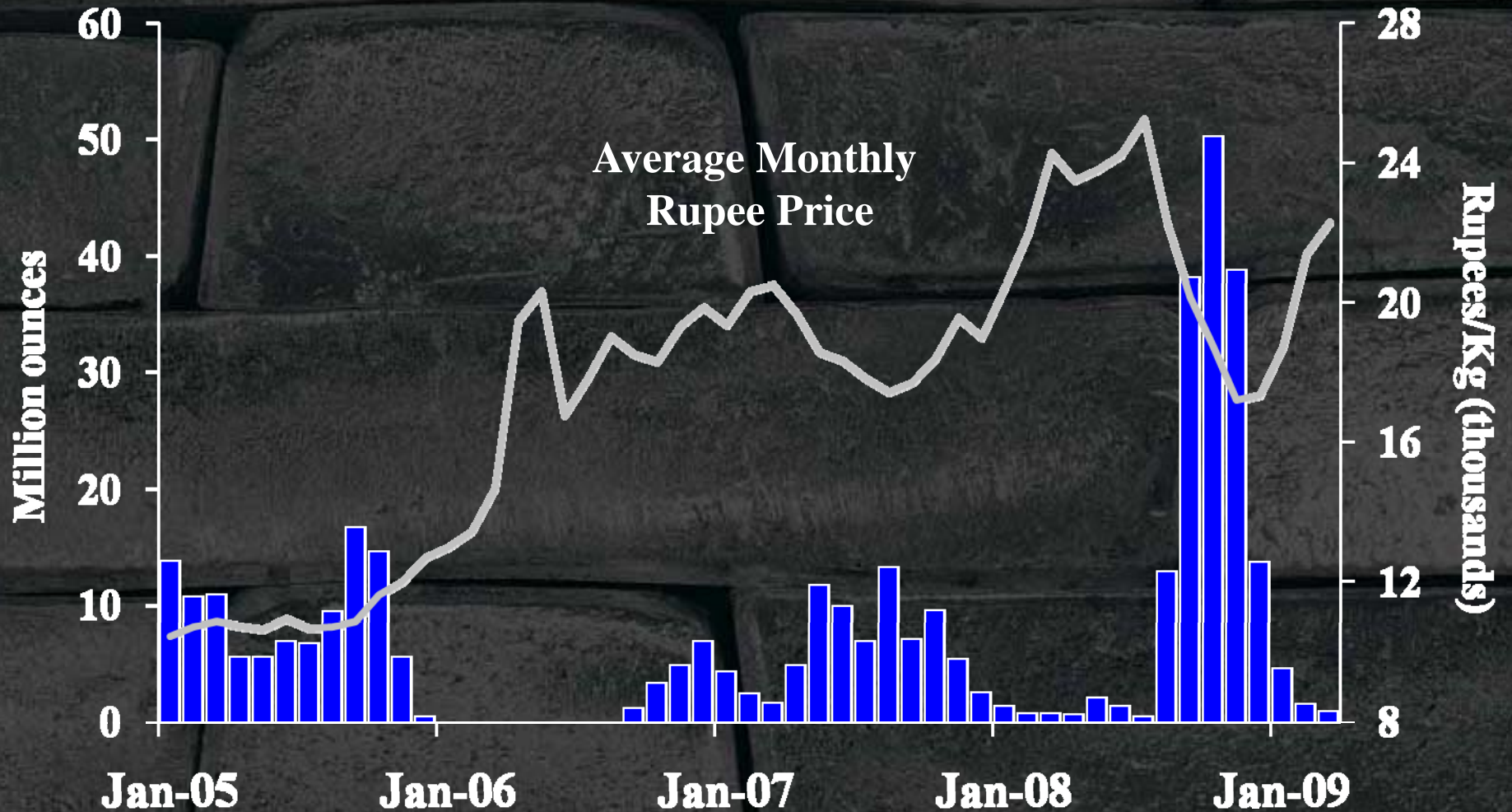
Industrial Fabrication

- Demand dropped for the first time since 2001, falling by a modest 1.4% to 447 Moz in 2008.
- Gains in the first half were fully offset by a fourth quarter collapse, mainly due to the abrupt slowdown in GDP growth.
- In 2008 industrial uses accounted for 54% of global fabrication demand and 50% of total silver demand.
- Loss was apparent in most sectors of end use, although some, for example, photo voltaic cells, continued to show growth.

Jewelry & Silverware

- Jewelry demand fell for the fifth consecutive year by just above 3% year-on-year to 158.3 Moz.
- Italy and Thailand accounted for around 75% of the gross losses, as exports were hit by lower consumption in major western markets.
- Demand in India, China and Russia rose, driven by the fast growing modern silver jewelry segment in local markets.
- Silverware: Offtake fell slightly by 2%. The decline in western markets, a result of secular trends, higher prices and the economic crisis, was broadly offset by higher demand in India, mainly due to stock replenishment.

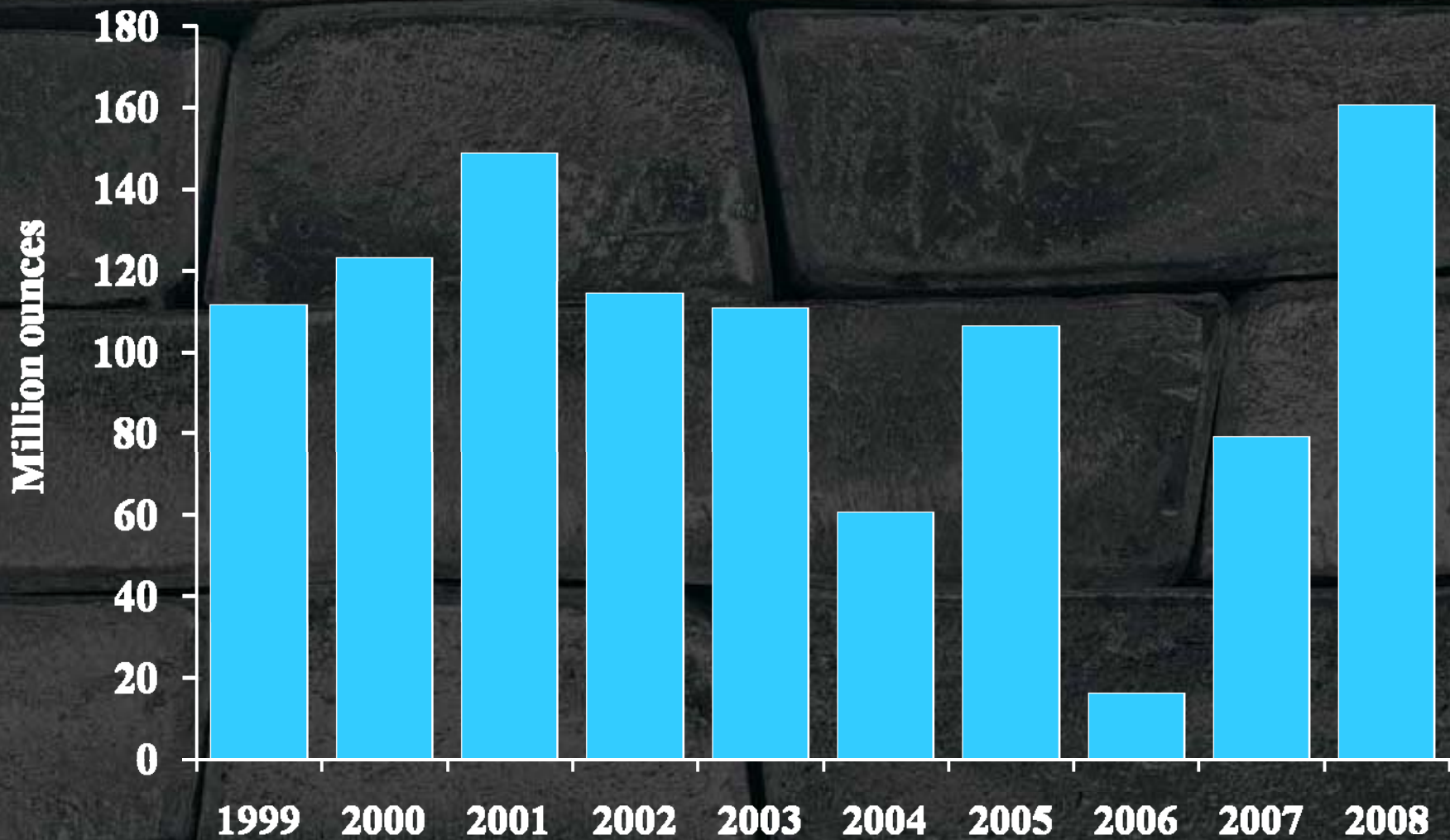
Indian Silver Bullion Imports January 2005 – March 2009



Source: GFMS Ltd.



Indian Silver Bullion Imports



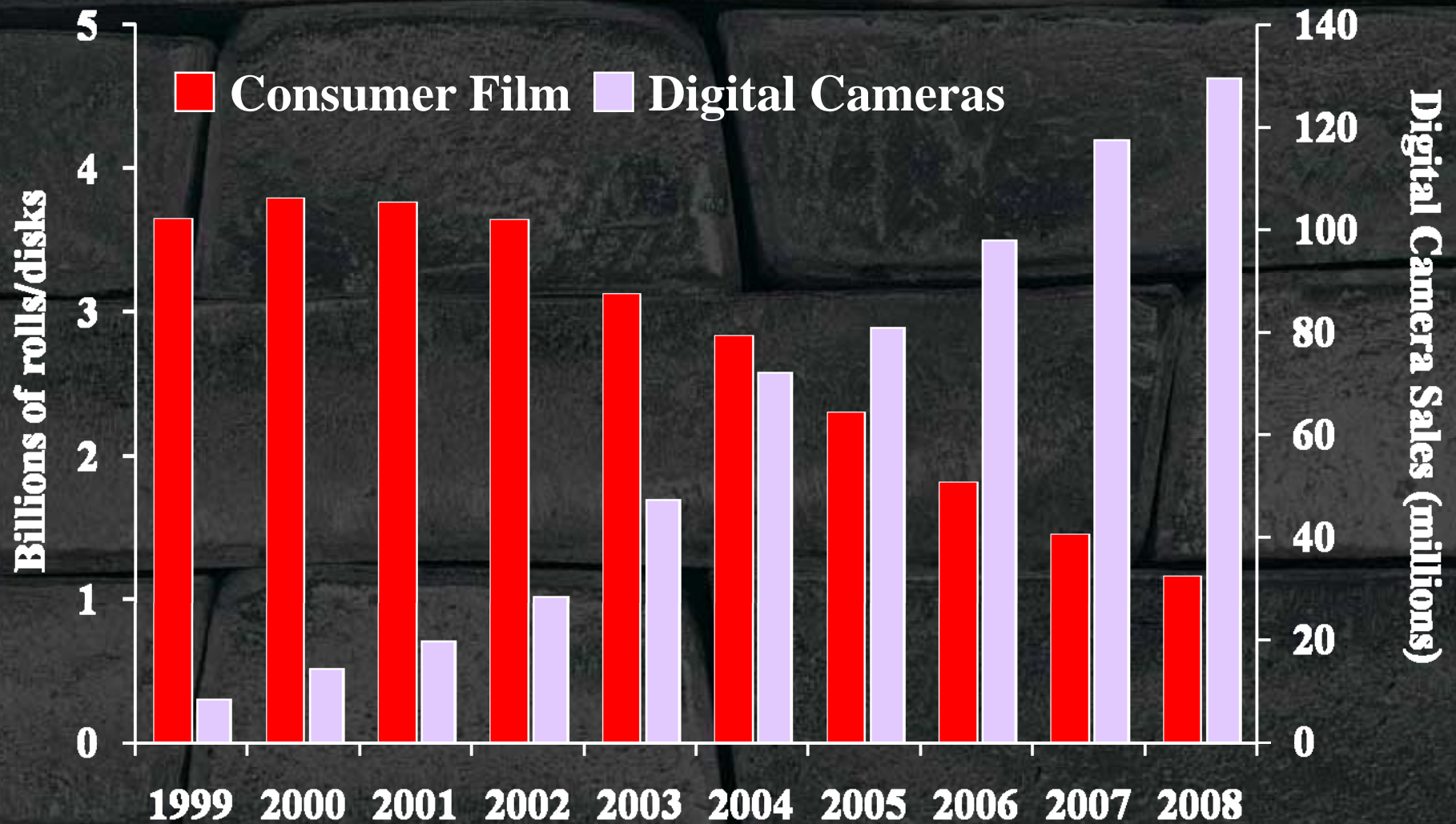
Source: GFMS Ltd.



Photography

- Photographic demand declined by 16% in 2008, the largest annual drop on record in percentage terms.
- Photography's share of total fabrication demand fell to 13% in 2008 compared to 26% in 1999.
- Bulk of the losses came from consumer color film, due once again to ongoing shift to digital technology. Sales of color negative paper also dropped, albeit by less than film.
- Silver use in medical radiography and motion picture film remained comparatively resilient.

Consumer Film and Digital Camera Sales



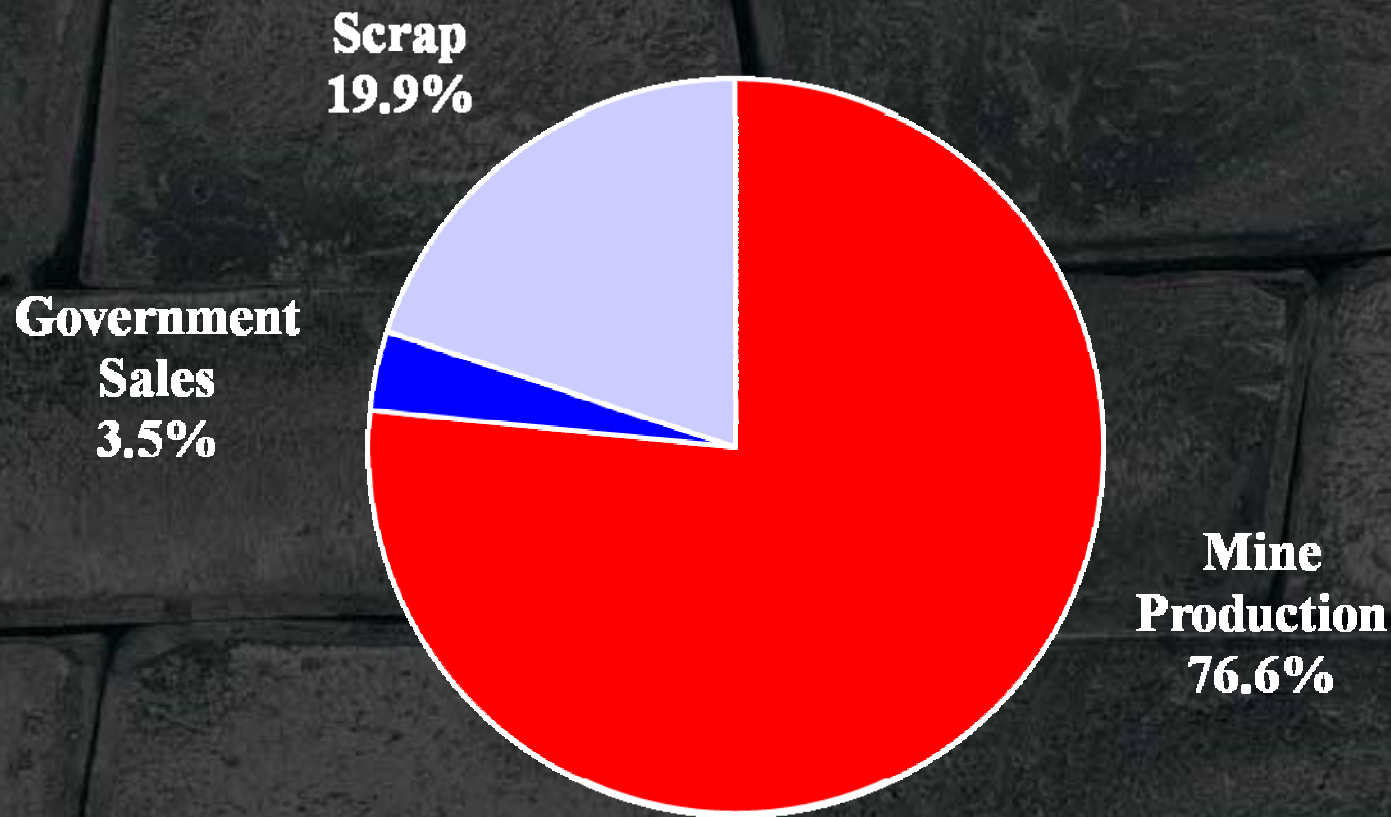
Source: Photofinishing News Inc., Lyra Research Inc.

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World Silver Supply, 2008

Total Supply in 2008: Remained 'flat' at 888.4 Moz



Source: GFMS Ltd.



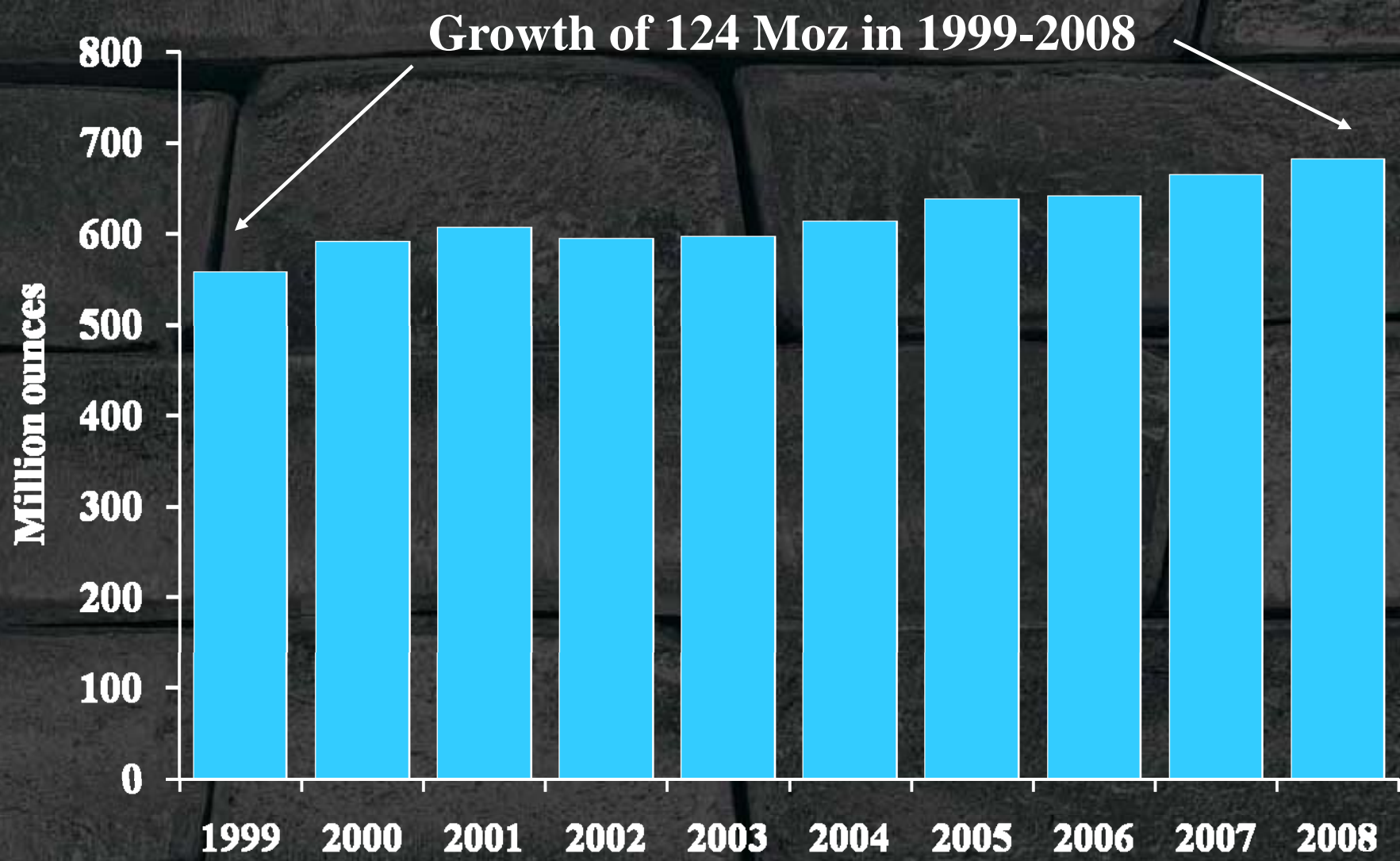
World Silver Supply

Annual Changes: 2008 less 2007



Source: GFMS Ltd.

World Silver Mine Production 1999-2008

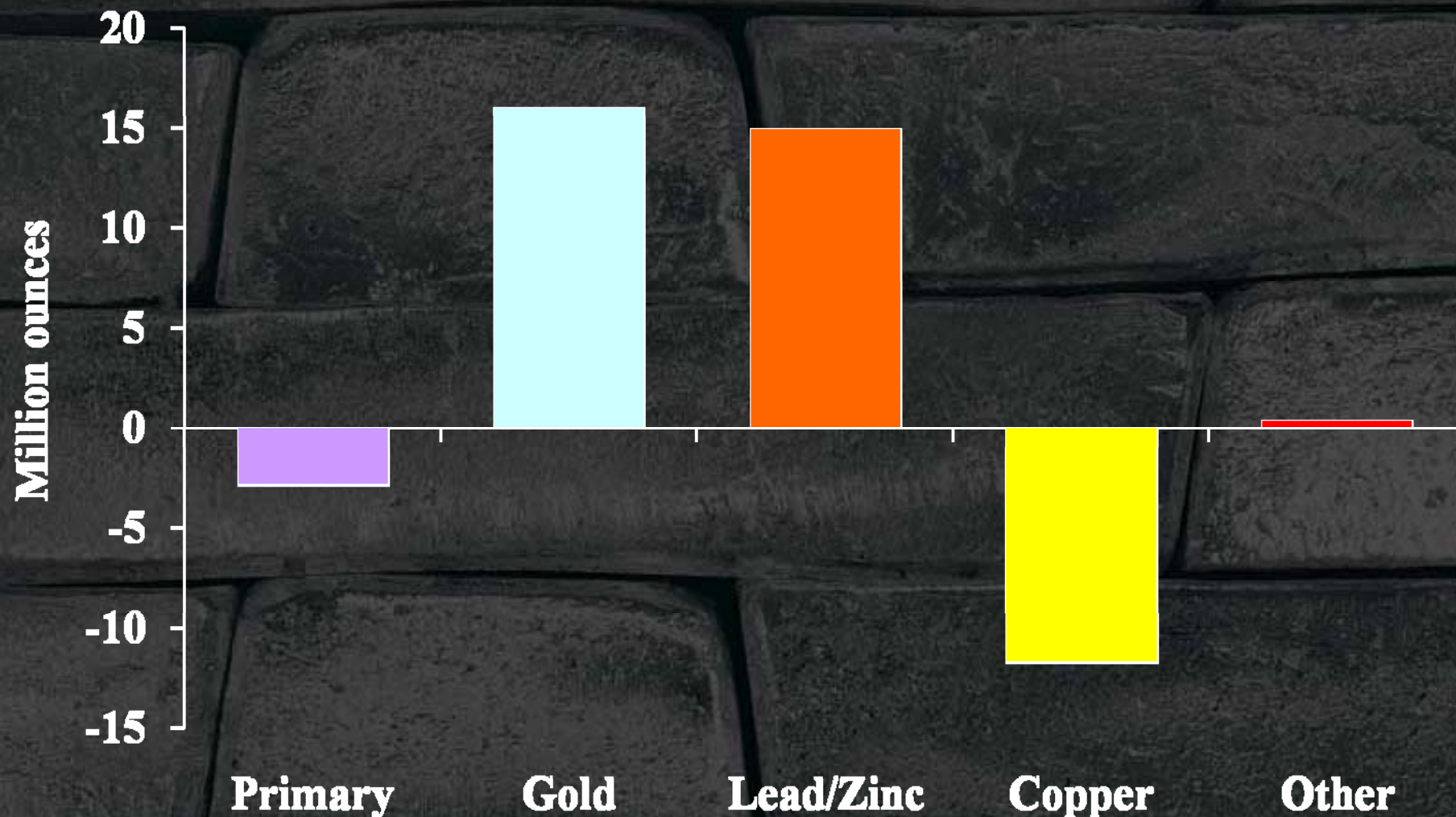


Source: GFMS Ltd.



Mine Production by Source Metal

Winners and Losers: 2008 less 2007

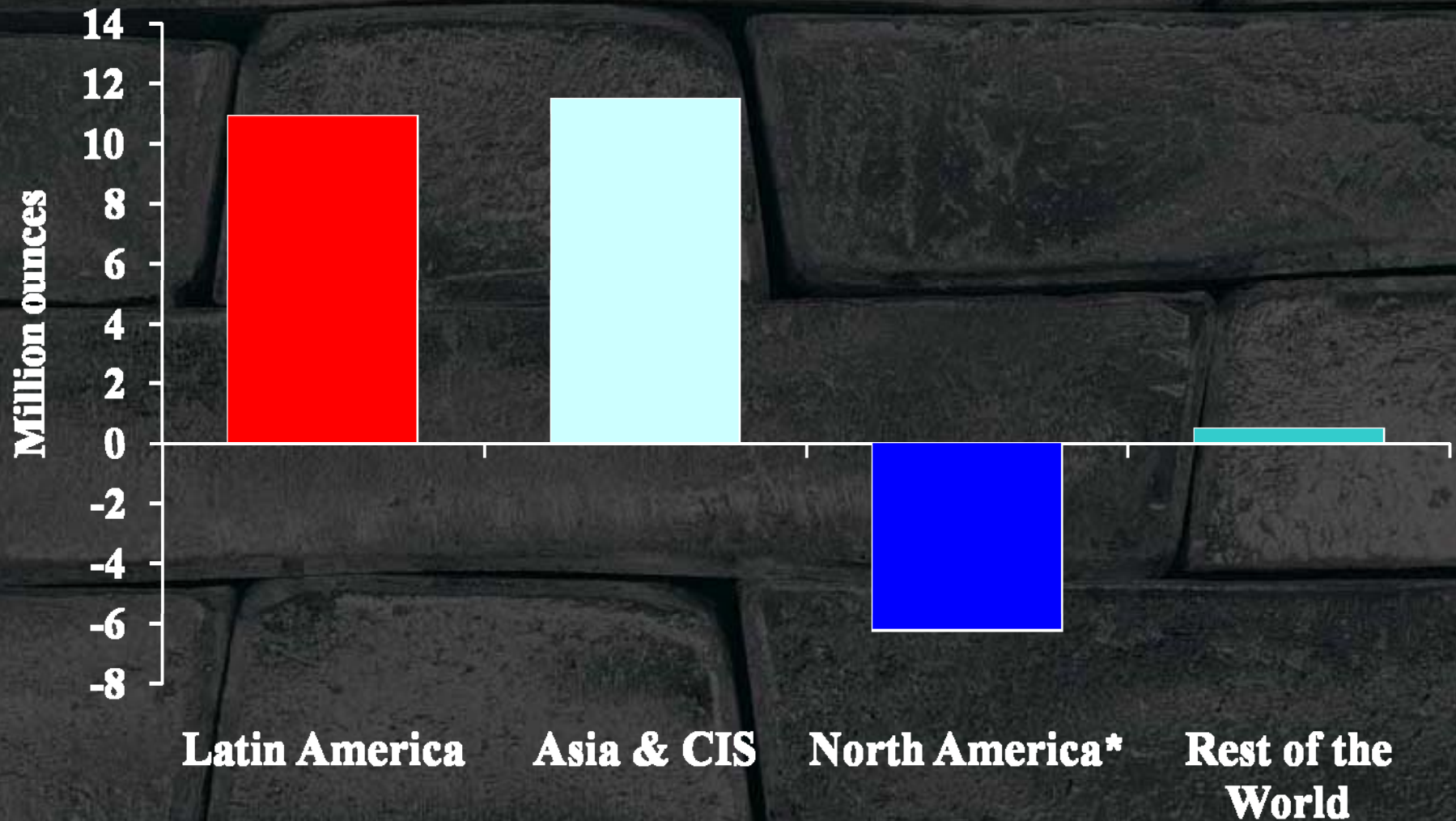


Source: GFMS Ltd.



Mine Production by Region

Winners and Losers: 2008 less 2007



Source: GFMS Ltd.; *includes Mexico

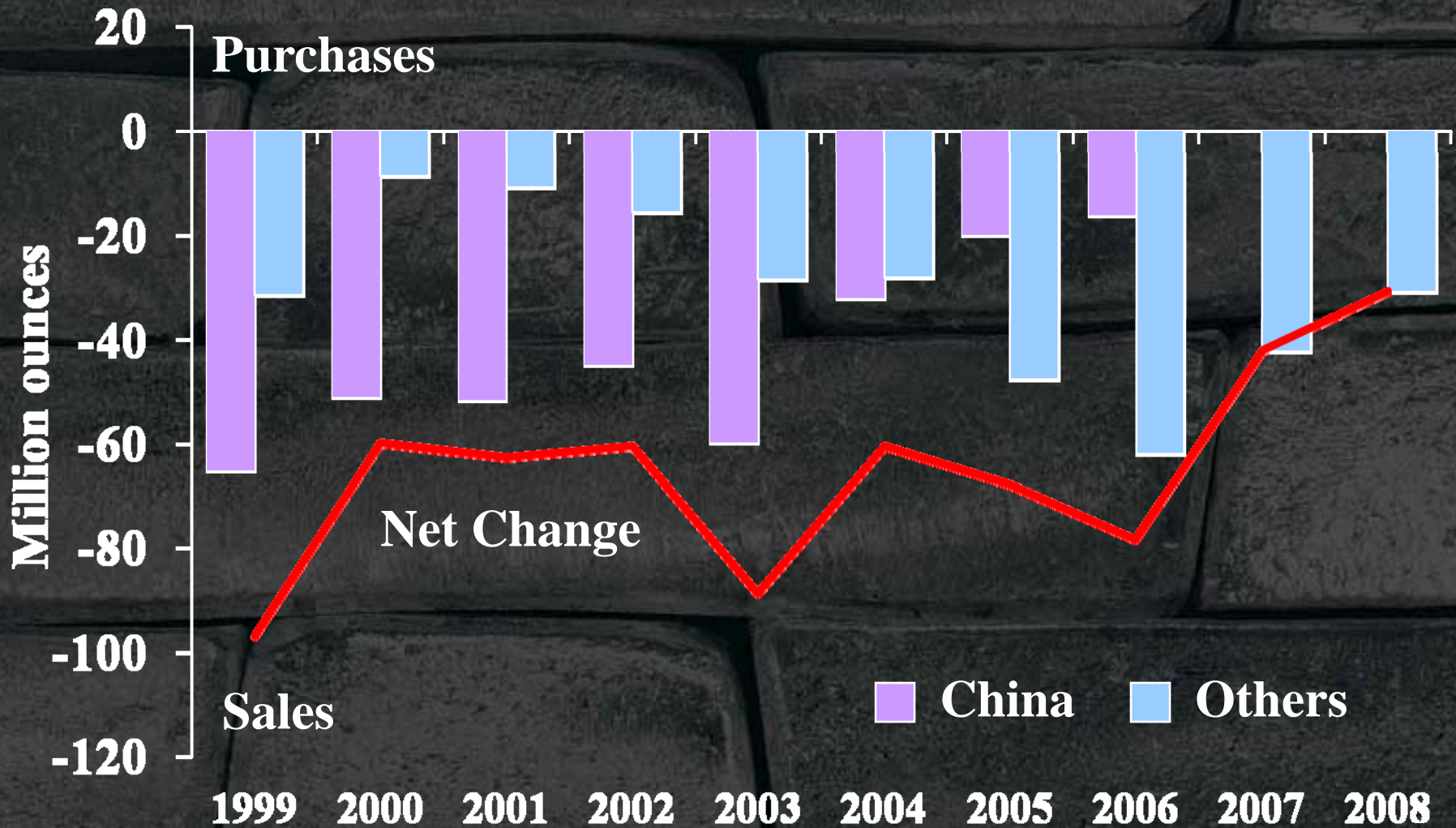
Mine Production

- World silver mine production grew by almost 3% or 16.7 Moz last year to a record 670.6 Moz.
- Higher silver mine output from gold and lead/zinc sectors drove the increase.
- Silver production from primary silver mines declined by 1% in 2008.
- At a country level, most notable increases seen in Bolivia (+18.9 Moz) and Russia (+6.9 Moz) with by far the largest single decline coming from Chile (-17.1 Moz).

Scrap Supply

- Scrap supply dropped by nearly 3% in 2008 in spite of a 12% increase in average dollar silver prices.
- Indian jewelry scrap fell last year, partly due to higher price expectations in the first half and the price weakness towards year-end. In a number of other countries more silverware and jewelry scrap seen, especially when price at peaks.
- Elsewhere, decline in photographic recycling concentrated in liquids and the consumer film segments.
- Modest growth in recycling of electronic products, although recovery from Ethylene Oxide catalysts remained flat.

Changes in Government Stocks



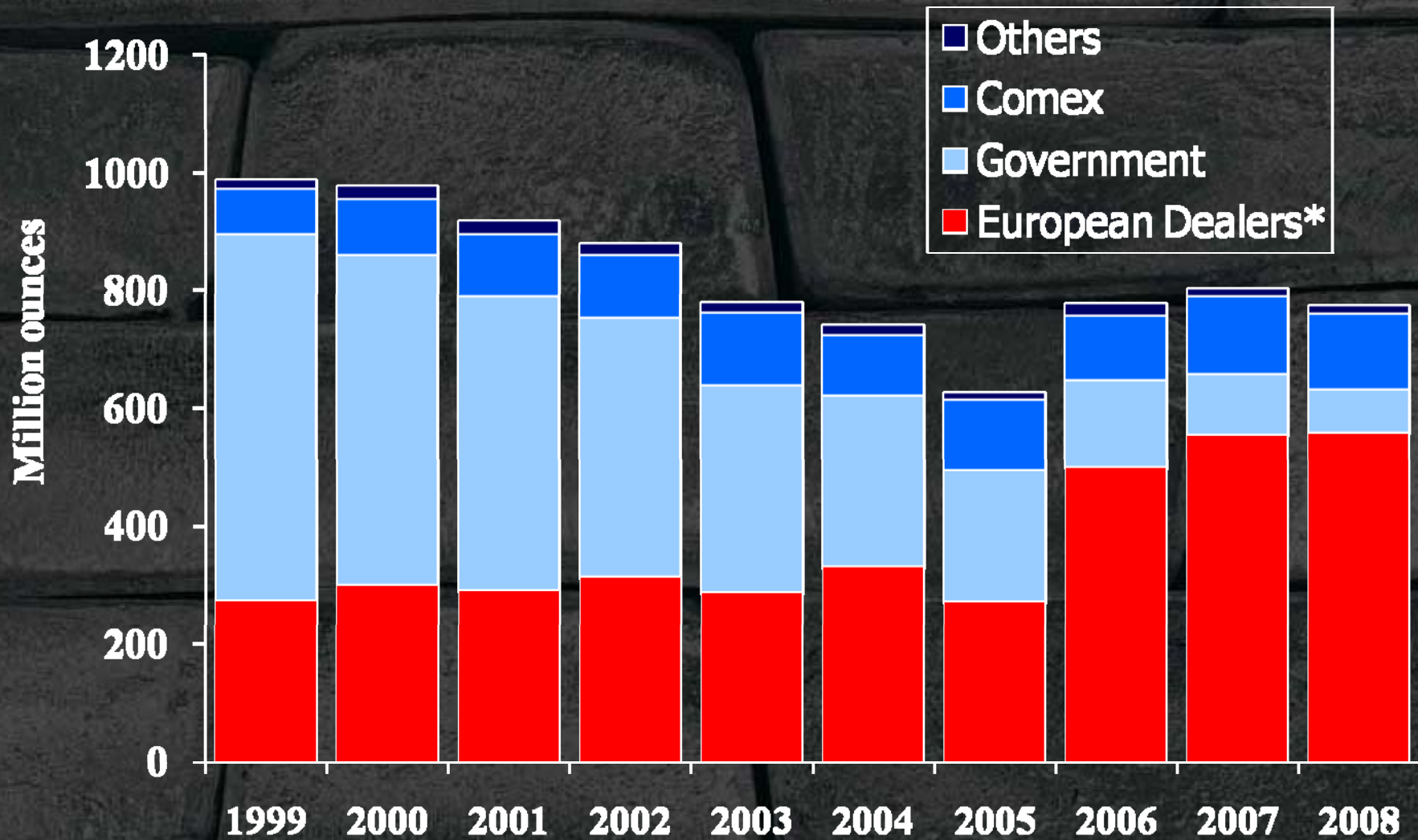
Source: GFMS Ltd.



Government Sales

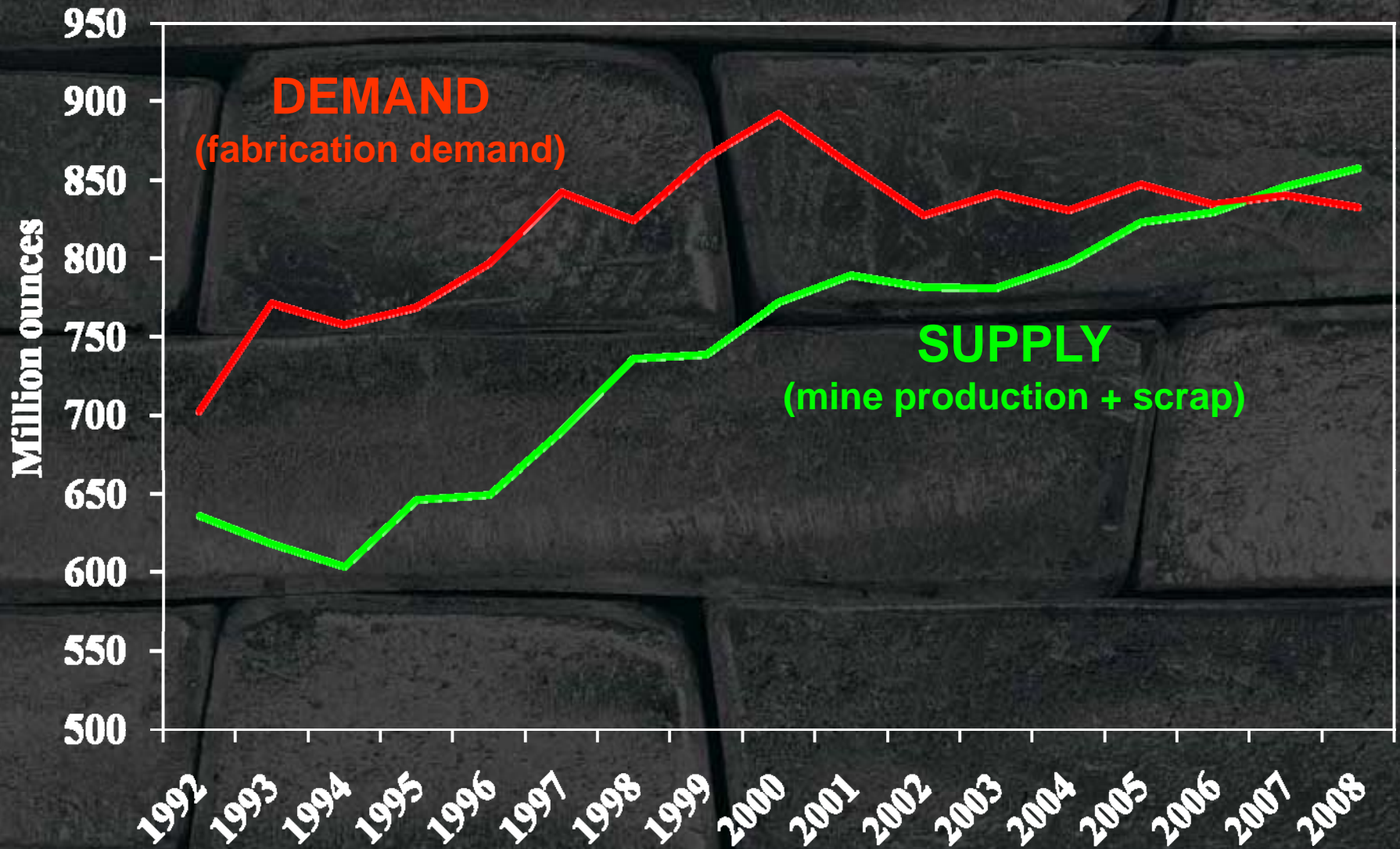
- Government sales estimated at 31 Moz in 2008, down by 27% on previous years' levels.
- Russia accounted for the bulk of government sales and disposals from the country fell by nearly a third in 2008.
- Other official sales last year both small scale and related to melting of old coins.
- Total government silver stocks conservatively estimated at 72 Moz at end-2008.

Identified Bullion Stocks (end-year)



Source: GFMS Ltd.; *includes ETF holdings

Market Shifts From "Deficit" to "Surplus"



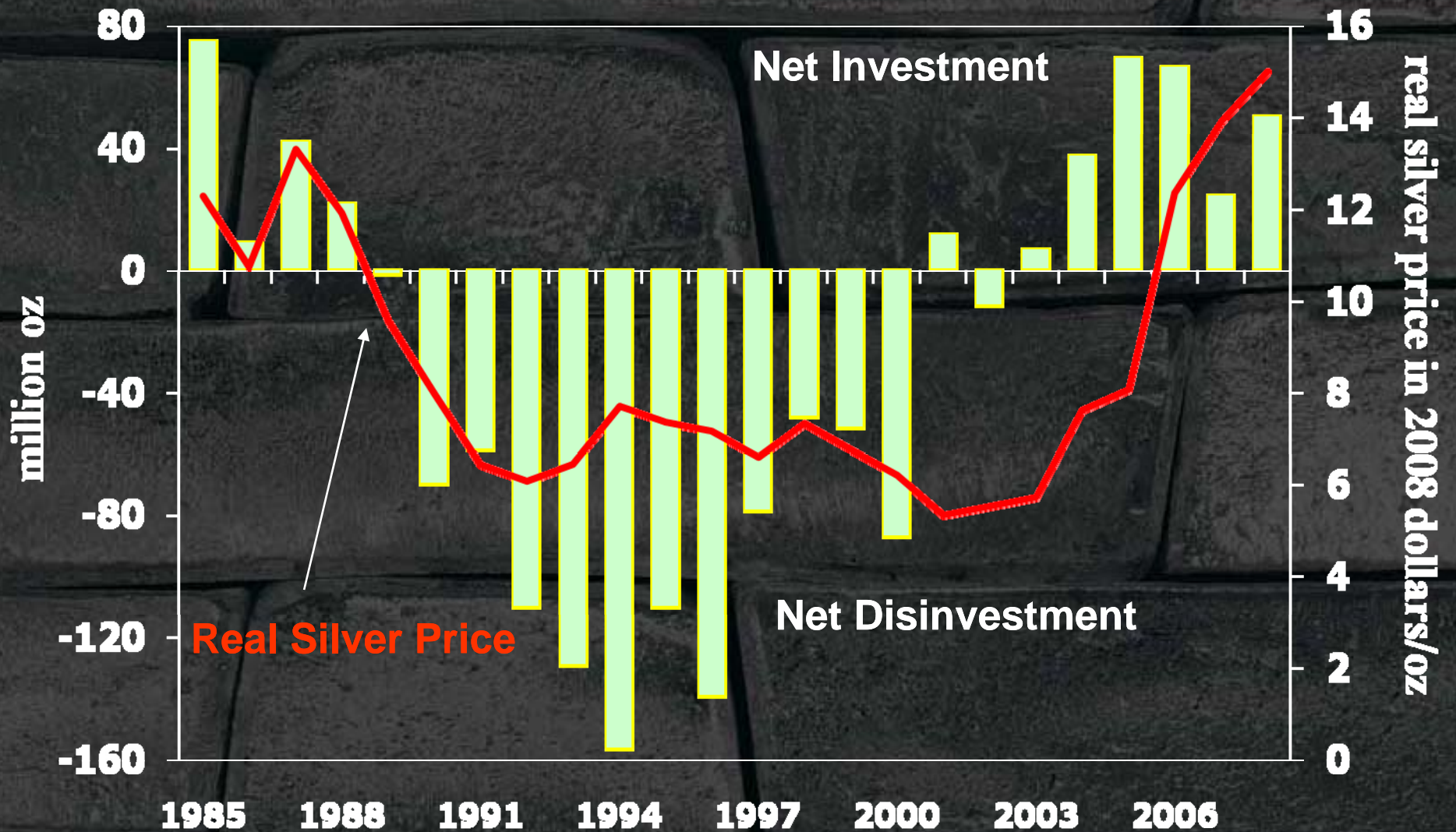
Source: GFMS



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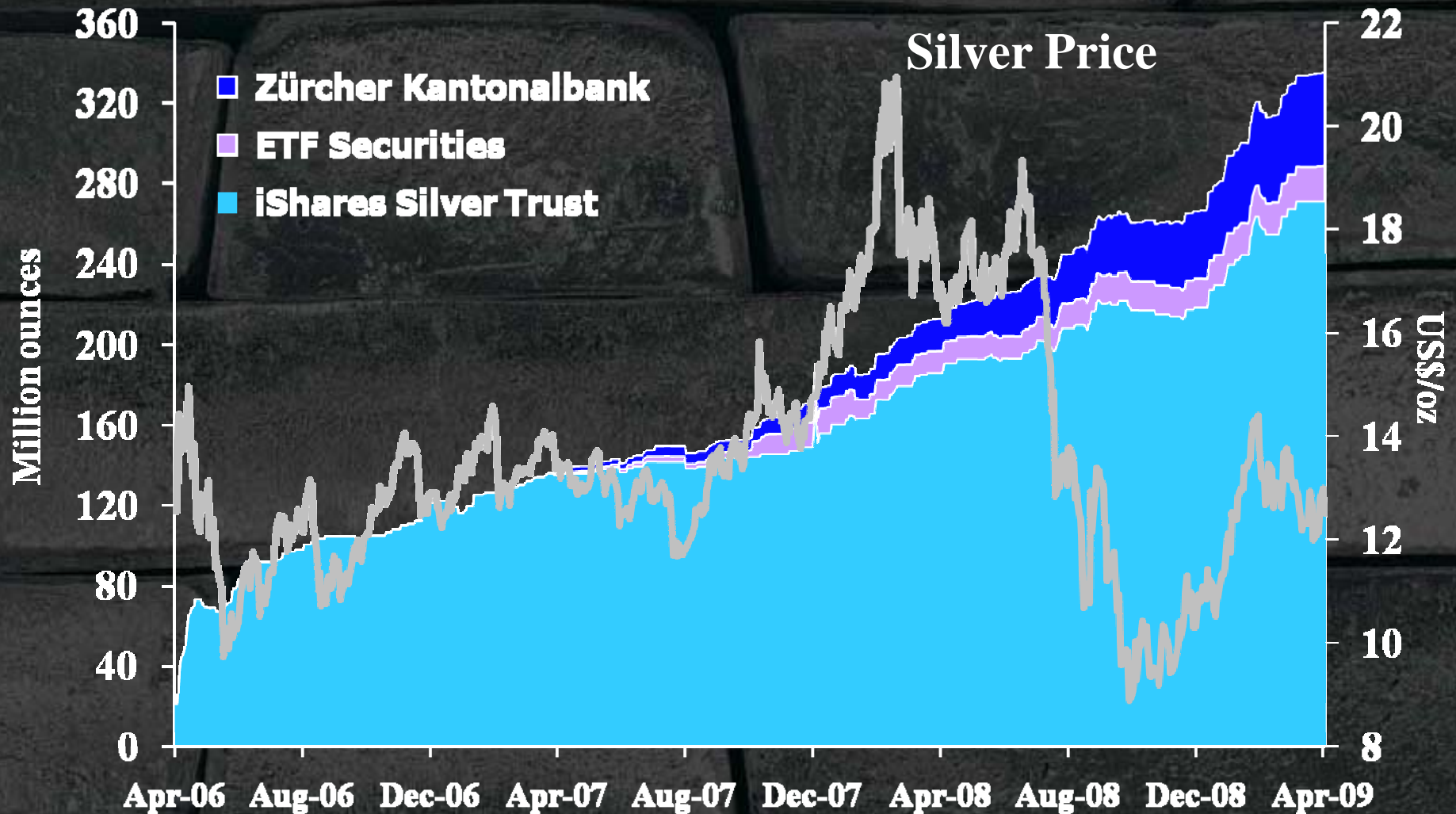
Silver (Dis)Investment and Real Price



Source: Silver Institute, GFMS Ltd.

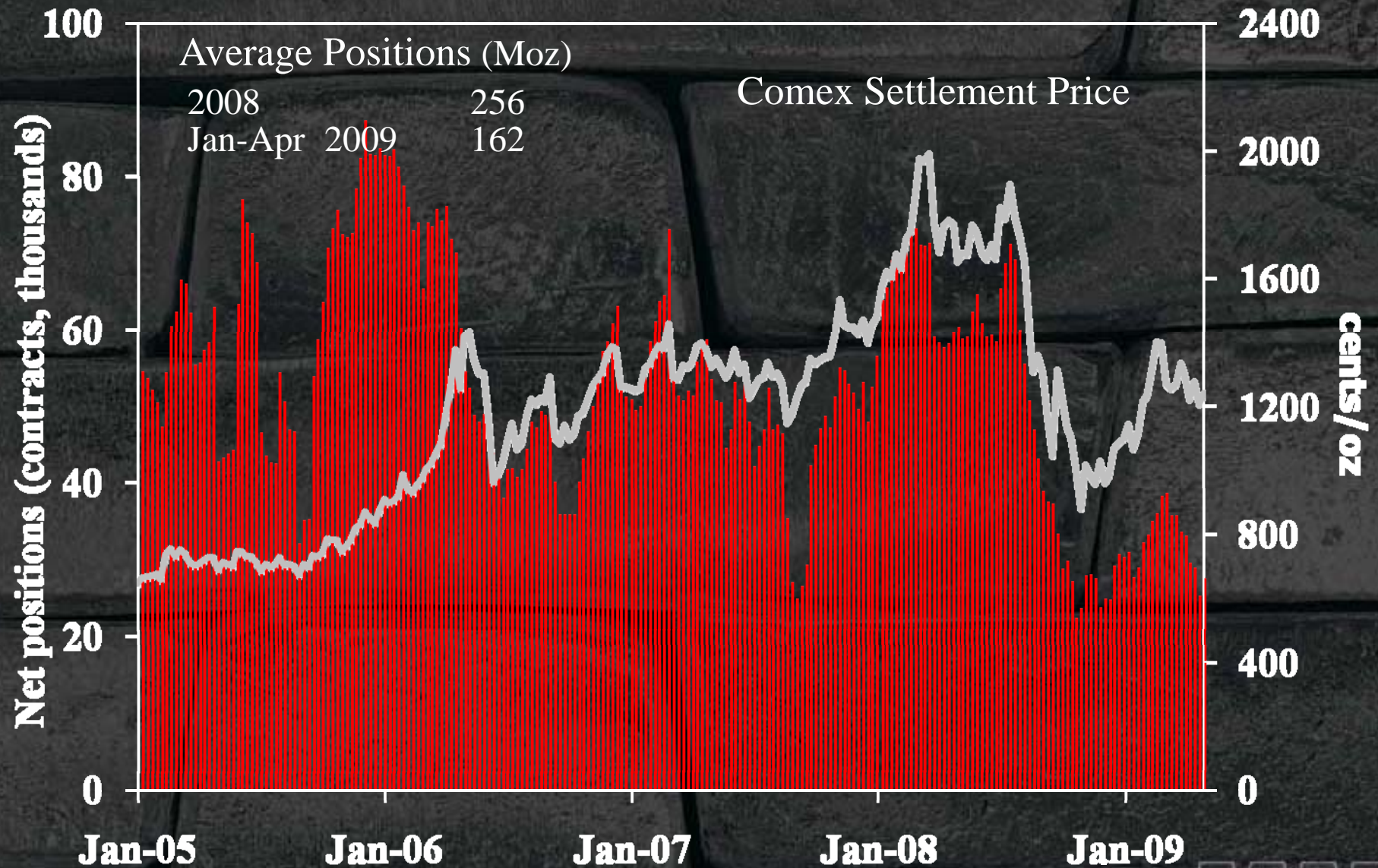
ETF Silver Holdings

Total end-April 2009 = 334 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 2009: Supply

- Mine production forecast to fall slightly in 2009, with output expected to decline from all by-product sectors except gold.
- Scrap supply is expected to fall this year, due to the ongoing downward trend in recovery from photographic products.
- Government sales more likely to decline than increase.
- Overall, supply set to decline by around 2% this year.

Outlook for 2009: Demand

- Industrial demand will see a sharp fall in 2009, particularly in the electrical and electronic sector, reflecting the weak outlook for the global economy.
- Photographic demand will drop again but decline in volume as opposed to percentage terms could moderate compared to 2008.
- Jewelry forecast to be down modestly in 2009. Losses in western markets are expected to accelerate this year due mainly to the weak economy.
- Silverware expected to drop: Secular shifts plus poor economic prospects.
- Total fabrication demand in 2009 forecast by GFMS to fall by some 10%.
- Investment in Jan-Apr 2009 has been strong. Much of the investment centered on ETFs and bullion products. Given that silver's supply & demand fundamentals will turn negative this year, a substantial surplus will have to be absorbed by investors.
- Price will remain volatile this year and investors will become even more important to its level and direction. GFMS forecast silver over the next three months will trade between \$11.50-\$14.30, broadly shadowing gold. Later in 2009 a break-out to the upside is probable.

Thank you for your attention!

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