

# THE SILVER INSTITUTE

A WORLDWIDE ASSOCIATION OF MINERS, REFINERS, FABRICATORS AND MANUFACTURERS

Suite 800  
1200 G Street, NW  
Washington, D.C. 20005

Telephone: (202) 835-0185  
Facsimile: (202) 835-0155  
Web: <http://www.silverinstitute.org>

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Contact: Michael DiRienzo (202) 835-0185, Andy Edson (516) 850-3195 or  
Philip Klapwijk 011-44-7803-232531 (cell)

## Silver Takes Top Prize for Average Price in 2007

### *Total Silver Fabrication Rises, Led by Strong Industrial Applications Demand*

NEW YORK (May 7, 2008) – The annual silver price, led by continued strong investor and industrial applications demand, averaged an impressive US\$13.38 in 2007. This resulted in a 16 percent price increase over 2006, and on a percentage basis was stronger than that enjoyed by gold, platinum and palladium last year. Simultaneously, industrial demand for silver saw a sixth consecutive year of growth despite the higher silver price, according to *World Silver Survey 2008*, released here today by the Silver Institute and GFMS Limited, the authors of the report.

### Silver Price and Investment

When looking at the 2007 silver price, the white metal posted a very solid performance to averages not seen since 1980. A key development in silver's recent fortune has been the pronounced shift in investor behavior, witnessed by the continued presence of investors on the demand side of the equation since 2004. Much of the surge in investment demand can be attributed to the successful launch of the Barclays Global Investors iShares Silver Trust Exchange Traded Fund (ETF), which was introduced in 2006 and to date holds over 180 million ounces (Moz) of silver. This year investors have driven silver to fresh highs, with the metal's price in March 2008 exceeding the \$20 level over several days.

### Fabrication Demand

Total global silver fabrication grew 1 percent in 2007 to 843.7 Moz. Most notably, industrial applications, a key constituent of the overall demand complex, posted an impressive 7 percent gain to 455.3 Moz, recording the sixth consecutive year of growth in this category. In fact, in the period since the technology related slump in 2001, industrial applications have added an impressive 120.1 Moz to silver demand. A key factor behind the increase last year was the more than 6 percent rise in the electrical and electronics sector, which broke the 200 Moz mark for the first time. India, China and the United States accounted for 70 percent of the world rise in all industrial uses, while Germany, Italy and France also posted gains. Total industrial demand reached 54 percent of total global silver fabrication demand in 2007.

### **World Silver Supply and Demand (million ounces)** (totals may not add due to rounding)

	<b>2006</b>	<b>2007</b>
<b>Supply</b>		
Mine Production	647.4	670.6
Net Government Sales	78.2	42.3
Old Silver Scrap	188.0	181.6
Producer Hedging	-	-
Implied Net Disinvestment	-	-
<b>Total Supply</b>	<b>913.7</b>	<b>894.5</b>
<b>Demand</b>		
Fabrication		
Industrial Applications	424.8	455.3
Photography	144.0	128.3
Jewelry	166.3	163.4
Silverware	61.2	58.8
Coins & Medals	39.8	37.8
<b>Total Fabrication</b>	<b>836.0</b>	<b>843.7</b>
Producer De-Hedging	6.8	25.0
Implied Net Investment	70.8	25.8
<b>Total Demand</b>	<b>913.7</b>	<b>894.5</b>

Jewelry fabrication coped well with high and volatile silver prices, slipping by only 2 percent in 2007, the product of weaker offtake in Europe and the Indian Sub-Continent, which offset growth in East Asia, where Chinese jewelry fabrication grew by a noteworthy 13 percent in 2007. Silverware demand fell by a modest 4 percent in 2007 to 58.8 Moz, as losses in India, Europe and Mexico were partially countered by gains for Russia and China.

Photographic demand continued to decrease, falling by 11 percent in 2007 to 128.3 Moz. The bulk of the decline was accounted for by lower consumer demand for color film, this sector being most affected by further inroads from digital photography.

### **Mine Supply and Costs, Above-Ground Stocks, Scrap Supply and Government Sales**

Global silver mine production rose by 4 percent in 2007, with particularly solid gains from Chile, China and Mexico. Total silver mine production reached 670.6 Moz last year. Peru was the world's biggest silver mining country in 2007, followed in the rankings by Mexico, China, Chile and Australia. Last year, silver generated at primary mines drove global totals higher, increasing by 11 percent to account for 30 percent of all silver mined. Cash costs at primary silver mines rose to a weighted average of US\$1.52 per ounce, driven by a combination of labor, consumables and energy cost rises.

The net supply of silver from above-ground stocks dropped by 8 percent in 2007 to 173.1 Moz. The decline was mainly the product of lower net government sales and rising producer de-hedging, although scrap supply was also trimmed. De-hedging reduced the overall producer hedge position by a sizable 30 percent last year, the global book declining by 25.0 Moz. Despite higher silver prices, scrap volumes fell in 2007 by 3 percent, to 181.6 Moz, the result of falling Indian recycling with the rest of the world virtually flat on a net basis.

Net government sales took a steep downturn in 2007, plummeting by 46 percent to 42.3 Moz. The decline was the result of two major sellers in 2006, namely China and India, being essentially absent in 2007. In contrast, Russian government sales, which comprised the bulk of net sales in 2006, rose, partly offsetting the others' declines.

### **About the World Silver Survey, the Silver Institute and Ordering Information**

The 2008 edition of the *World Silver Survey* was independently researched and compiled by London-based GFMS Limited, the leading metals research company. The Silver Institute has published this annual report on the global silver market since 1990, to bring reliable supply and demand statistics to market participants and the public at large.

The *World Silver Survey 2008* was sponsored by 20 companies and organizations from North and South America, Europe, Australia and Asia. These firms are involved in most aspects of the global silver industry, from mining and refining to trading and manufacturing.

#### **WORLD SILVER SURVEY 2008 SPONSORS**

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##### **CONTRIBUTORS**

Avino Silver & Gold Mines Ltd.  
Excellon Resources Inc.  
Goldcorp Inc.  
Johnson Matthey Inc.  
MAG Silver Corp.  
Mitsui Global Precious Metals  
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Founded in 1971, the Silver Institute is an international industry association. Its members include the leading silver producers, refiners, manufacturers and dealers.

Copies of *World Silver Survey 2008* are available to the media upon request and can be purchased for US\$225 from the Silver Institute, 1200 G Street, NW, Suite 800, Washington, DC 20005, tel 202/835-0185; fax 202/835-0155, or from the Institute's web site [www.silverinstitute.org](http://www.silverinstitute.org). For copies outside North America, please contact GFMS by tel +44 (0) 20 7478-1750; fax +44 (0) 20 7478-1779, or via the web at [www.gfms.co.uk](http://www.gfms.co.uk). You can also email your request to the Silver Institute at [info@silverinstitute.org](mailto:info@silverinstitute.org) and GFMS at [info@gfms.co.uk](mailto:info@gfms.co.uk).