



Overview of the Silver Market

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The supply/demand balance

- | | |
|------------------------------|------------------------|
| ■ Supply | ■ Demand |
| Primary Mine | Jewellery |
| Recycling - Photographic | Photography |
| Recycling - Jewellery | Brazing Alloys |
| Recycling - Coin Melt | Electrical/Electronics |
| Recycling – Other Industrial | Batteries |
| Govt sales | Bearings |
| | Catalysts |
| | Other Industrial |
| | Investment |



Weakness

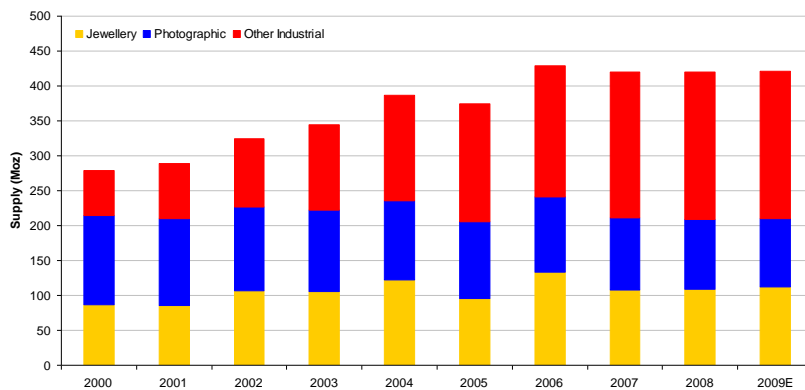
- 65% of all silver mining is by-product to base metal and gold
- difficult to calculate the direct cost of mining silver
- renders null and void the theory that in the long term the price of metal will tend towards the cost of its marginal producers
- virtually irrespective of the price, the mines continue producing silver



Weakness

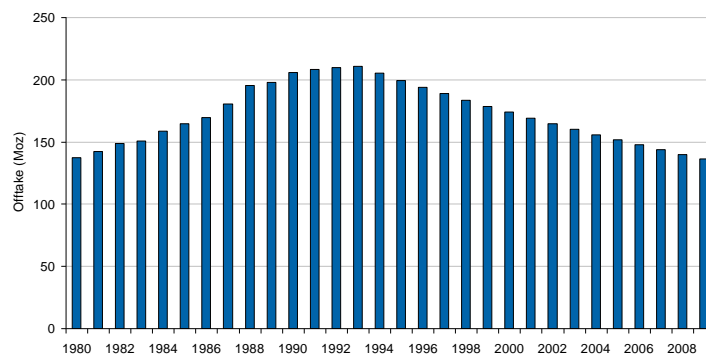
- silver end uses are in general not smoke stack industries
- generation of large amounts of secondary
- photography major consumer of metal but generates recycling

Recycling



Weakness

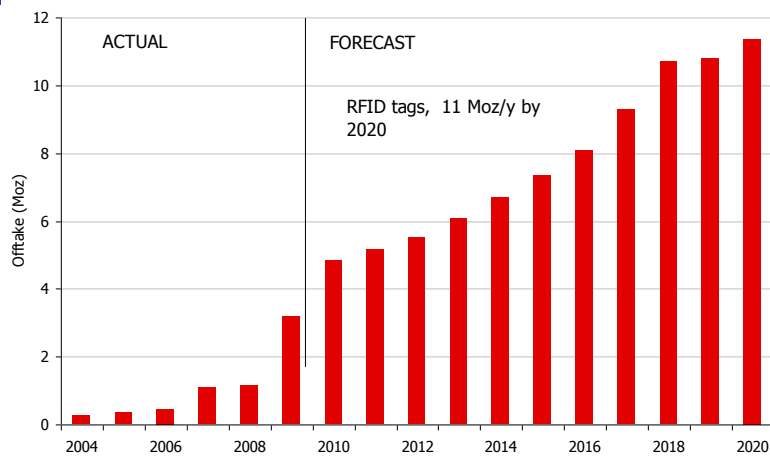
- digital photography has greatly reduced the tonnages of silver used in the sector



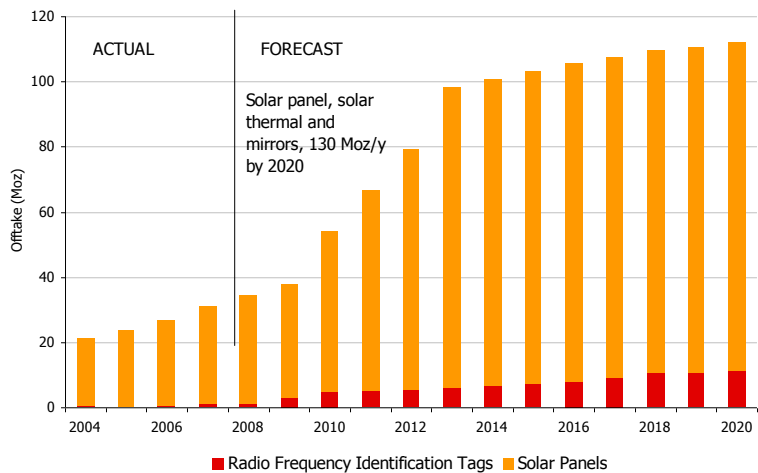
Times are a-changin'

- many of the world worries and woes are playing right into the hands of silver
- security issues, Western World obesity, health care, need to perfect cleaner sources of power and heating, call for energy efficiencies and sources of cleaner water and cleaning up the world in general
- silver is there and is a front runner

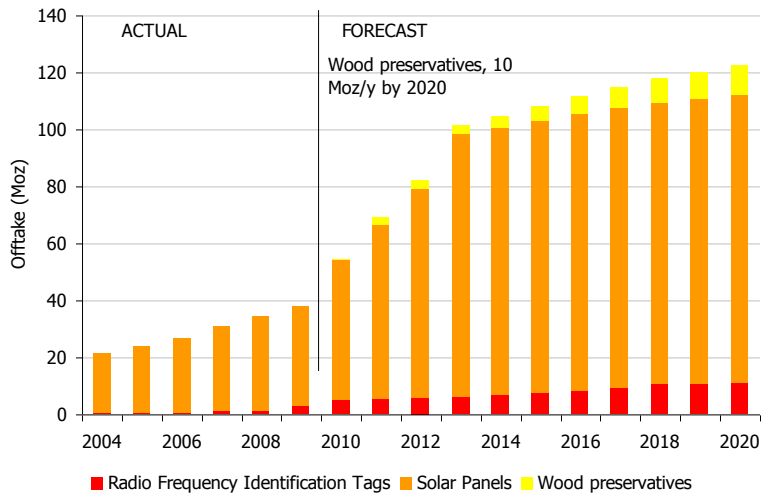
Radio frequency identification devices



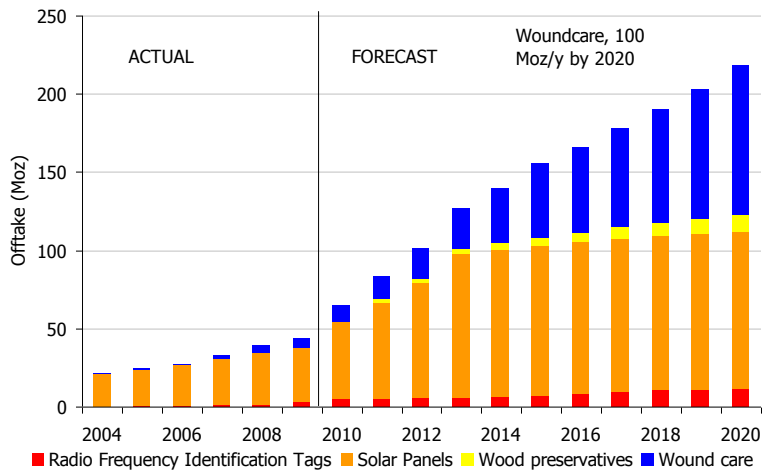
Solar and mirrors



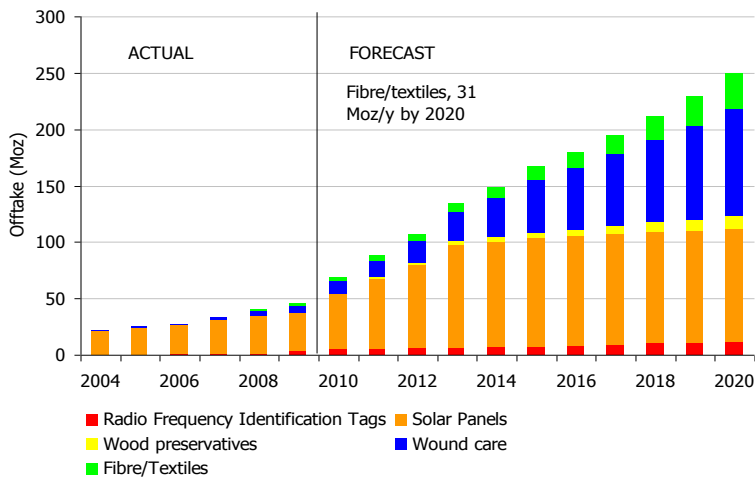
Wood preservatives



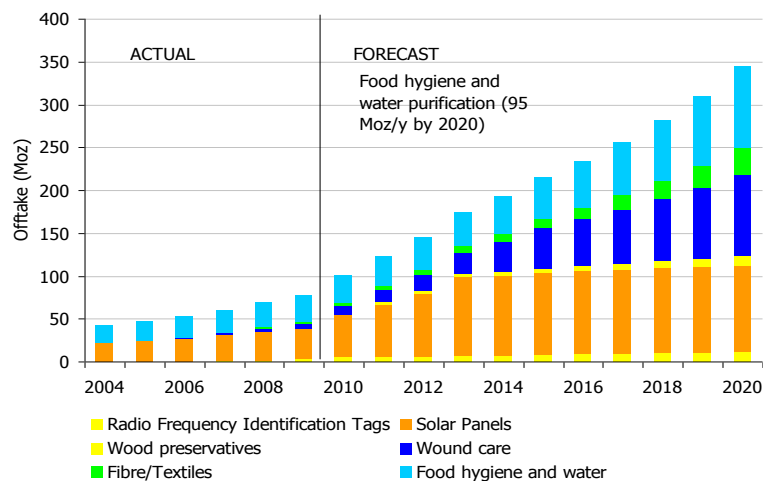
Wound care and medical



Fibre and textiles



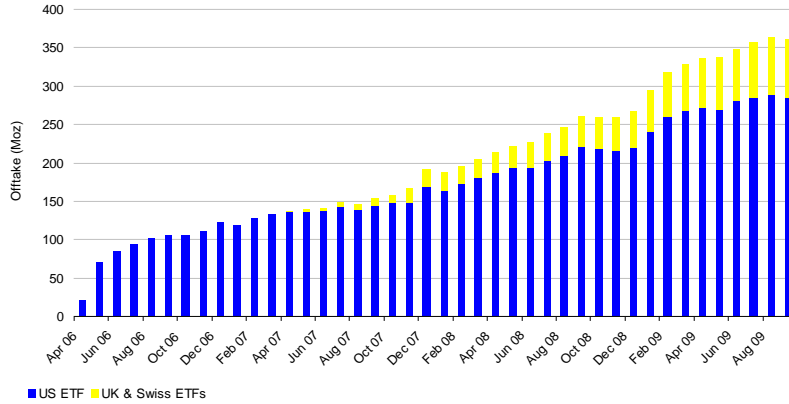
Food hygiene and water purification



Strengths

- new industrial end uses are unlikely to become sources of large amounts of recycling
- they are replacing silver on the demand side but not the supply side of the s/d balance

Silver ETF



Price



Source: Reuters EcoWin



The future?

- much healthier supply/demand balance than in the past
- robust industrial offtake emerging that does not generate vast amounts of scrap
- re-emerging as an asset class in the minds of investors
- expect gold/silver price ratio to narrow
- expect price rise to be sustainable