

THE SILVER INSTITUTE

A WORLDWIDE ASSOCIATION OF MINERS, REFINERS, FABRICATORS AND MANUFACTURERS

Suite 303
888 16th Street, NW
Washington, D.C. 20006

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

2009 -- A Sterling Year for Silver

Silver Posted its Second Highest Price Average Since 1980

NEW YORK (May 27, 2010) – Strong investor demand and a recovery in industrial demand during the course of the year were key factors in a strong performance for silver prices in 2009, according to *World Silver Survey 2010*, released here today by the Silver Institute. The white metal's price has continued to make gains as Europe now battles a sovereign debt crisis that threatens to undermine a still fragile global economy.

While the global recession caused fabrication demand to fall sharply in the early months of 2009, a rebound began in the latter half of the year, which has continued into 2010. Flat supply is expected in 2010, says the report's authors, and solid gains in fabrication demand are anticipated, which should buoy prices this year.

Silver Price and Investment

Silver posted an average price of \$14.67 in 2009, the second highest average since the high reached in 1980. Strong gains in investment and a recovery in demand later in the year, were the prime reasons for the 53 percent intra-year rise.

Much of 2009's strength in investment can be attributed to soaring demand for silver exchange traded funds (ETFs) as well as physical retail investment. This occurred on the heels of 2008's previous record ETF inflow of 265.3 million ounces (Moz) of silver. Total ETF holdings rose by 132.5 Moz over the course of 2009, ending the year at an impressive 397.8 Moz as new funds entered the marketplace from Australia and the United States.

In 2009, coins and medals fabrication rose by an impressive 21 percent to post a new record of 78.7 Moz, driven by a jump in retail demand, principally in the United States, although western European demand was also stronger in 2009. In the United States, the increase in its bullion coin sales was also accompanied by a surge in bar demand. Of note, demand for the U.S. Silver Eagle bullion coin reached record highs in 2009, with over 28 million Eagles sold. To put last year's performance into context, over the 1986-2008 period, U.S. Eagle minting averaged 7.7 Moz per year.

Silver Demand

The bulk of the 11.9 percent decrease in 2009's total fabrication demand was primarily driven by the global financial crises, reflected mostly in a sharp drop in industrial offtake, to its lowest level since 2003. Total fabrication demand totaled 729.8 Moz and industrial demand posted 352.2 Moz in consumption.

Significant inventory cuts in the industrial supply pipeline, combined with a protracted decline in end-user orders, for example from a far weaker automotive industry, were the primary reason for lower industrial demand last year. While demand was noticeably weaker in the first quarter of 2009, it gradually improved as the year progressed. Overall, the losses were concentrated in East Asia, North America and Europe.

Implied net silver investment increased by a staggering 184 percent to 136.9 Moz last year, recording its highest level in the past 20 years. While overall jewelry demand dipped slightly by only 1.1 percent in 2009 to 156.6 Moz, India and China posted increases in jewelry demand last year, offsetting losses in most other markets. Silverware demand reversed the trend of the last decade rising by a respectable 4.6 percent to 59.5 Moz, largely due to a surge in Indian fabrication.

Photographic demand was not immune to the global recession, as consumers took fewer pictures, with the continued inroads made by digital photography pushing silver photographic demand down to 82.9 Moz. Producer de-hedging of silver contracts rose substantially in 2009 to 22.3 Moz as several large silver hedge books were wound up.

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

Silver mine production rose by 4 percent to 709.6 Moz in 2009. Gains came both from primary silver mines and as a by-product of gold mining. Regionally, the strongest growth stemmed from Latin America, where silver output increased by 8 percent, with the most visible gains recorded in Argentina and Bolivia. Peru was the world's largest silver producing country in 2009, followed by Mexico, China, Australia and Bolivia. All of these countries saw increases last year except for Australia, where output from the lead/zinc sector declined markedly. Global primary silver supply recorded a 7 percent increase to account for 30 percent of total mine production in 2009.

Primary silver mine cash costs remained relatively stable year-on-year, rising by less than 1 percent to \$5.23/oz.

Net silver supply from above-ground stocks dropped by 86 percent to 20.2 Moz in 2009, driven mostly by the surge in net investment, higher de-hedging, lower government sales and a drop in scrap supply. With respect to scrap supply, 2009 saw a 6 percent decrease over 2008's figure to a 13-year low of 165.7 Moz. This represented the third consecutive year of losses in the scrap category.

Government stocks of silver are estimated to have fallen by 13.7 Moz over the course of last year, to reach their lowest levels in more than a decade. Russia again accounted for the bulk of government sales, with China and India essentially absent from the market in 2009. Regarding China, GFMS states that after years of heavy sales, its silver stocks have been reduced significantly.

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

The 2010 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

World Silver Supply & Demand (million ounces)		
<i>(totals may not add due to rounding)</i>		
	2008	2009
Supply		
Mine Production	684.7	709.6
Net Government Sales	27.6	13.7
Old Silver Scrap	176	165.7
Producer Hedging	-	-
Implied Net Disinvestment	-	-
Total Supply	888.3	889.0
Demand		
Fabrication		
Industrial Applications	443.4	352.2
Photography	104.9	82.9
Jewelry	158.3	156.6
Silverware	56.9	59.5
Coins & Medals	65.2	78.7
Total Fabrication	828.6	729.8
Producer De-Hedging	11.6	22.3
Implied Net Investment	48.2	136.9
Total Demand	888.3	889.0

annual report on the global silver market since 1990, to bring reliable supply and demand statistics to market participants and the public at large.

World Silver Survey 2010 was sponsored by 18 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.

Founded in 1971, the Silver Institute is an international industry association. Its members include leading silver producers, refiners, manufacturers and dealers.

Copies of *World Silver Survey 2010* are available to the media upon request and can be purchased for US\$225 from the Silver Institute, 888 16th Street, Suite 303, Washington, DC 20006, tel +1 202/835-0185; fax +1 202/835-0155, or from the Institute's web site 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. You can also email your request to the Silver Institute at info@silverinstitute.org and GFMS at info@gfms.co.uk.

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