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THE SILVER INSTITUTE

Silver Survey Update 2017

15 November 2017

Johann Wiebe, Lead Analyst, Precious Metals Demand

THE SILVER MARKET IN 2017

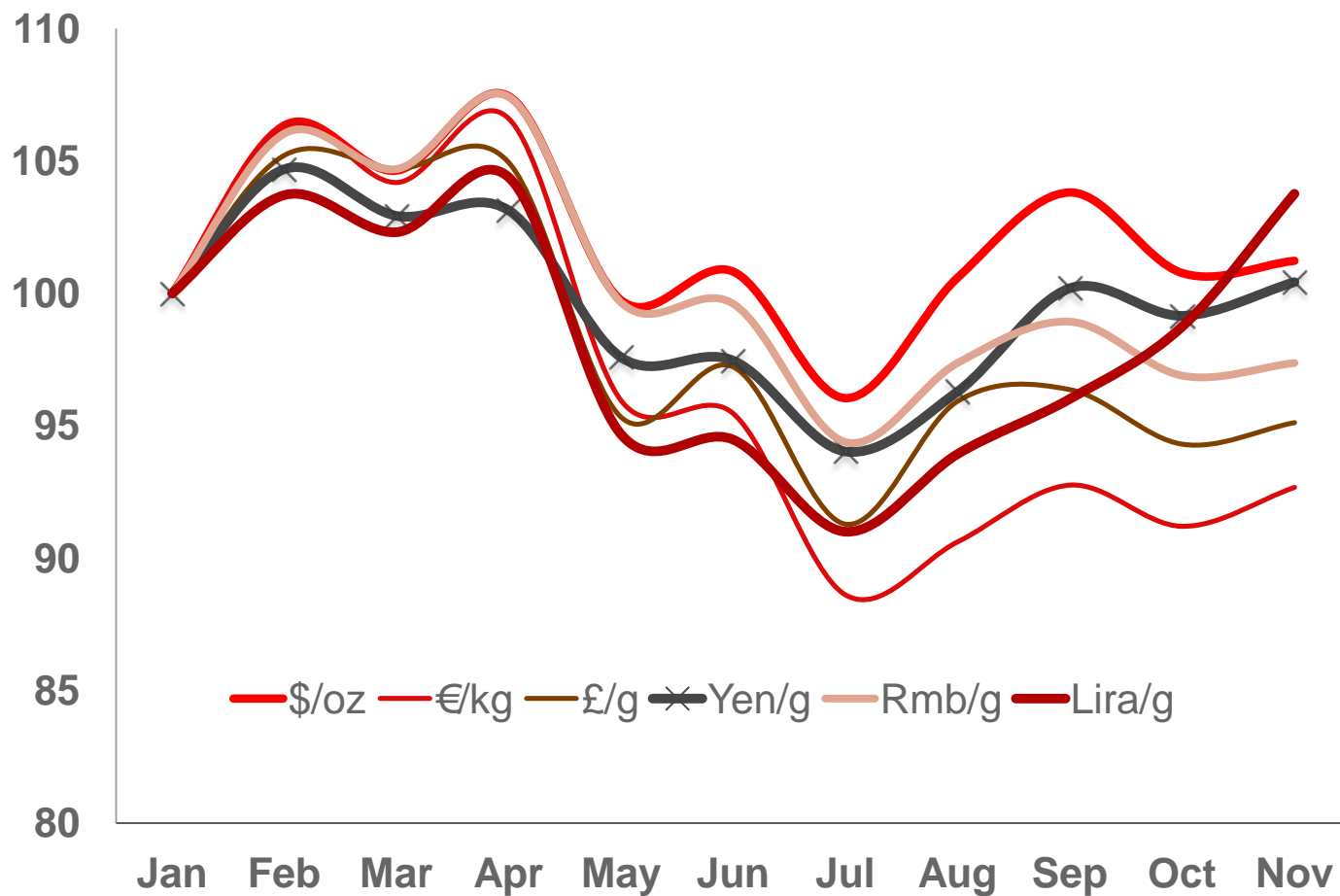
- SILVER PRICES
- DEMAND
- SUPPLY
- INVESTMENT
- PRICE OUTLOOK

SILVER PRICE IN DIFFERENT CURRENCIES IN 2017

Silver Price in different currencies

Prices in different currencies on an intra year basis: Silver in...

- Lira: + 4%
- US\$: + 1%
- GBP: - 5%
- EUR: - 7%



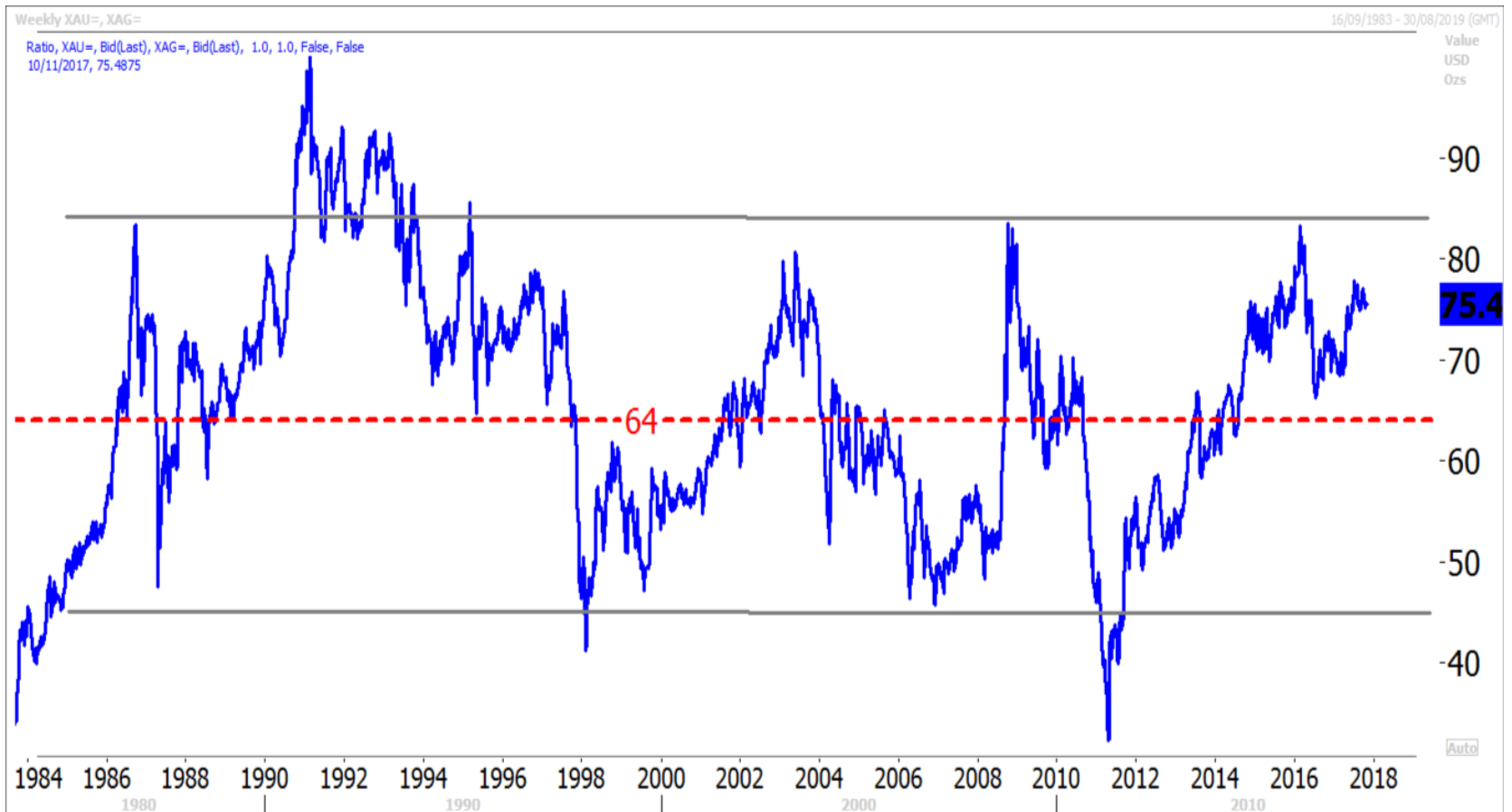
Source: Thomson Reuters Eikon

SILVER PRICE RANGE, US\$/OZ



Source: Thomson Reuters Eikon

LONG TERM GOLD/SILVER RATIO (BASIS MONTHLY AVERAGE PRICES)



Source: Thomson Reuters Eikon

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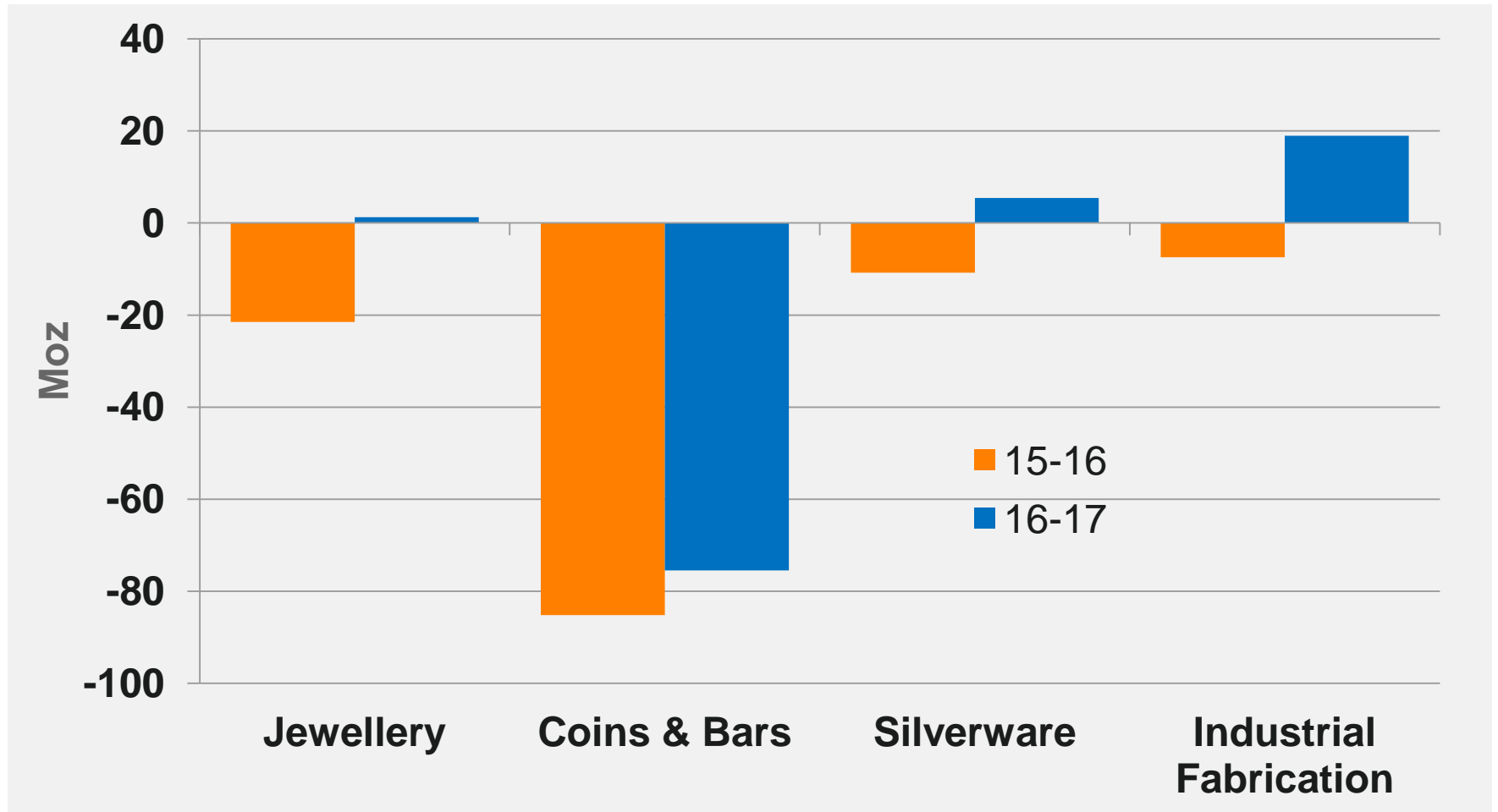
WORLD SILVER SUPPLY AND DEMAND

Moz	2013	2014	2015	2016	2017e	% Δ - 2016	% Δ - 2013
Mine Production	824	869	894	886	870	-1.8%	6%
Total Supply	988	1,051	1,043	1,007	1,008	0.1%	2%
Jewelry & Silverware	280	288	290	258	265	2.6%	-5%
Coins & Bars	240	233	291	206	130	-37%	-46%
Industrial Fabrication	605	596	570	562	581	3%	-4%
Physical Demand	1,124	1,117	1,151	1,026	976	-5%	-13%
Physical Surplus/Deficit	-136	-66	-108	-19	32		
Annual Average Silver Price \$/oz	23.79	19.08	15.68	17.14	17.13	-0.1%	-28%

Source: GFMS, Thomson Reuters

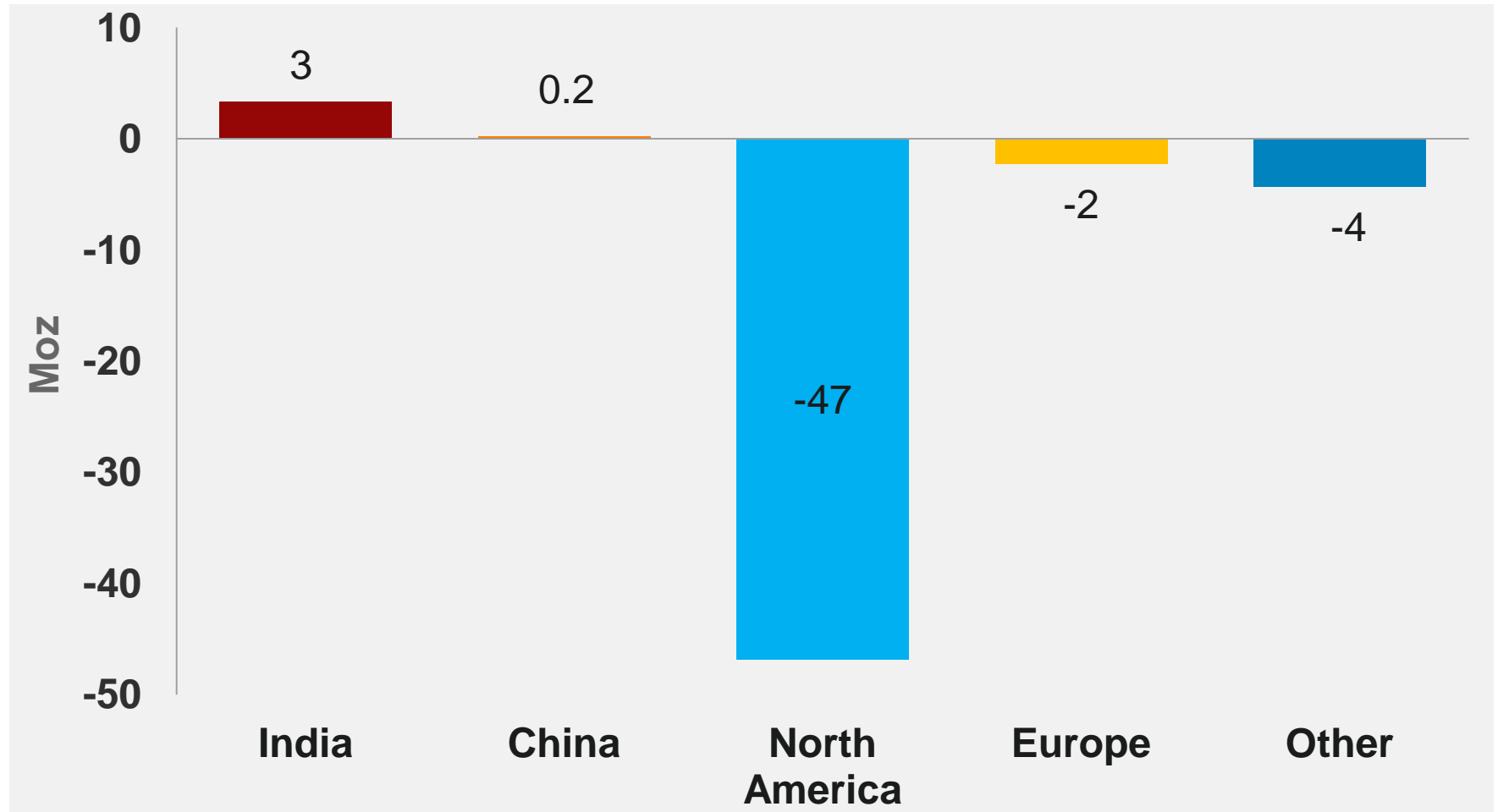
WORLD PHYSICAL SILVER DEMAND

ANNUAL CHANGES: 2015-2016 vs 2016-2017 (Moz)



REGIONAL WORLD PHYSICAL SILVER DEMAND

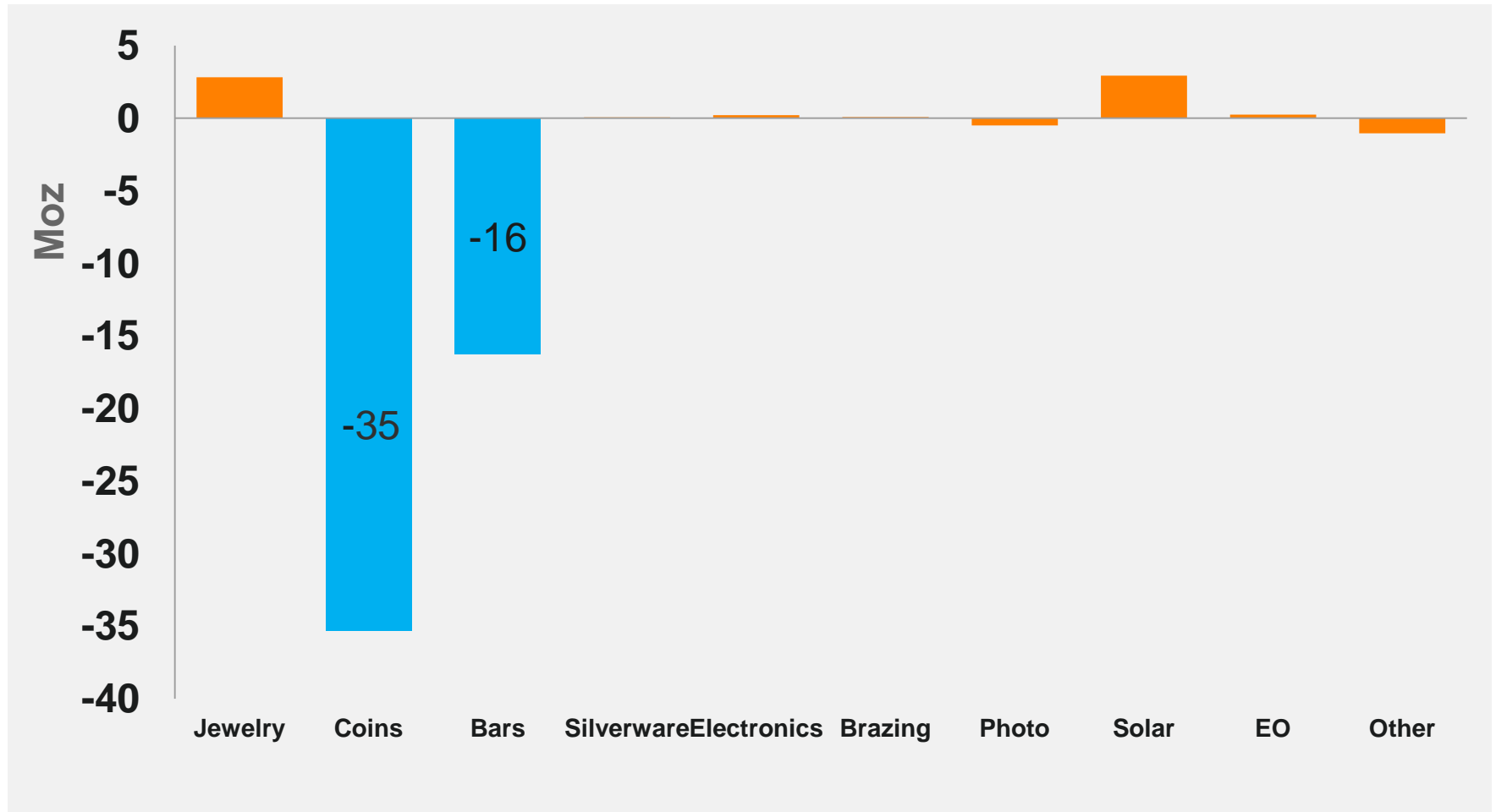
FORECAST ANNUAL CHANGES: 2016-2017 (Moz)



Source: GFMS, Thomson Reuters

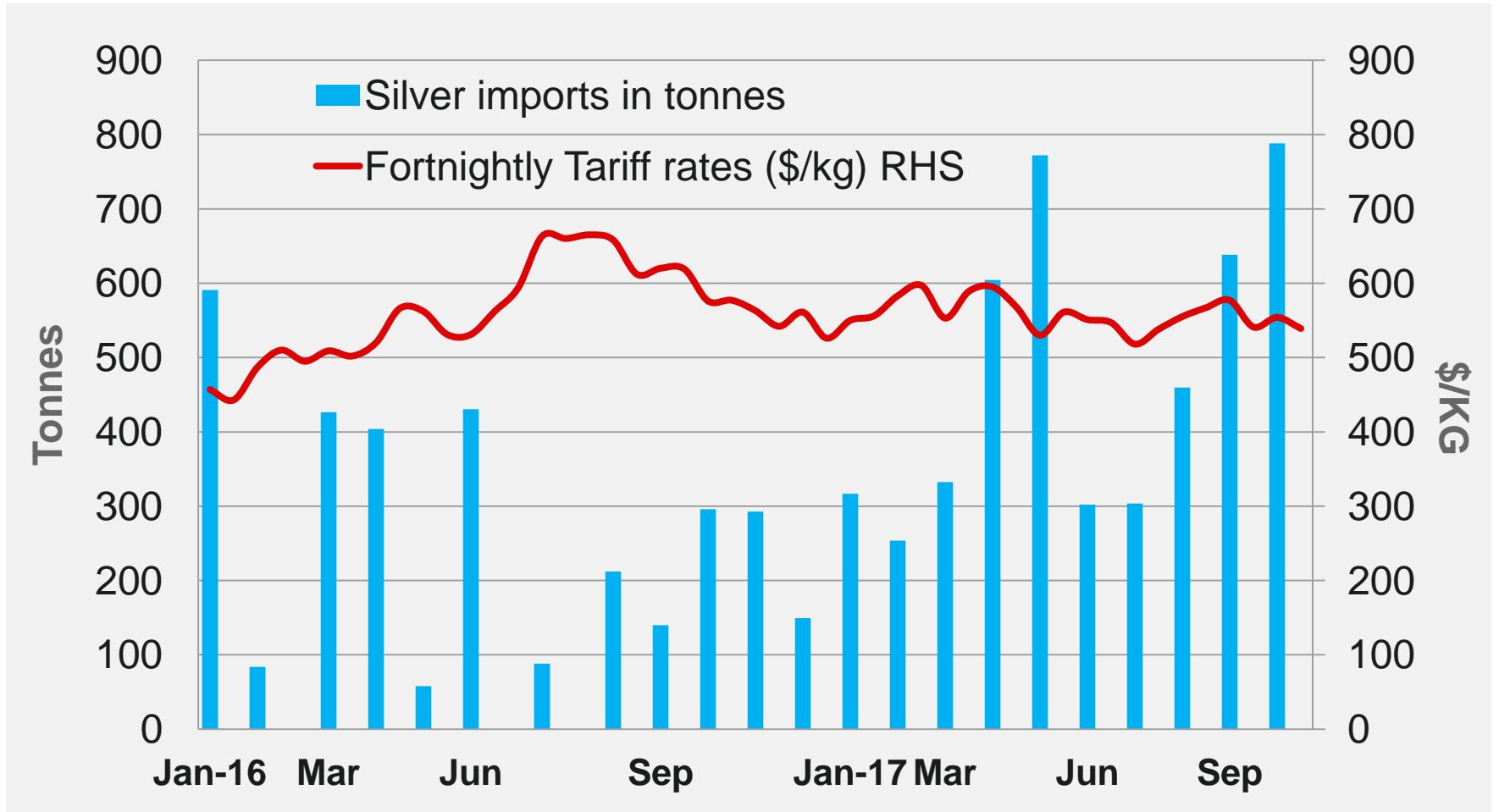
NORTH AMERICAN SILVER DEMAND

FORECAST ANNUAL CHANGES: 2016-2017 (Moz)



Source: GFMS, Thomson Reuters

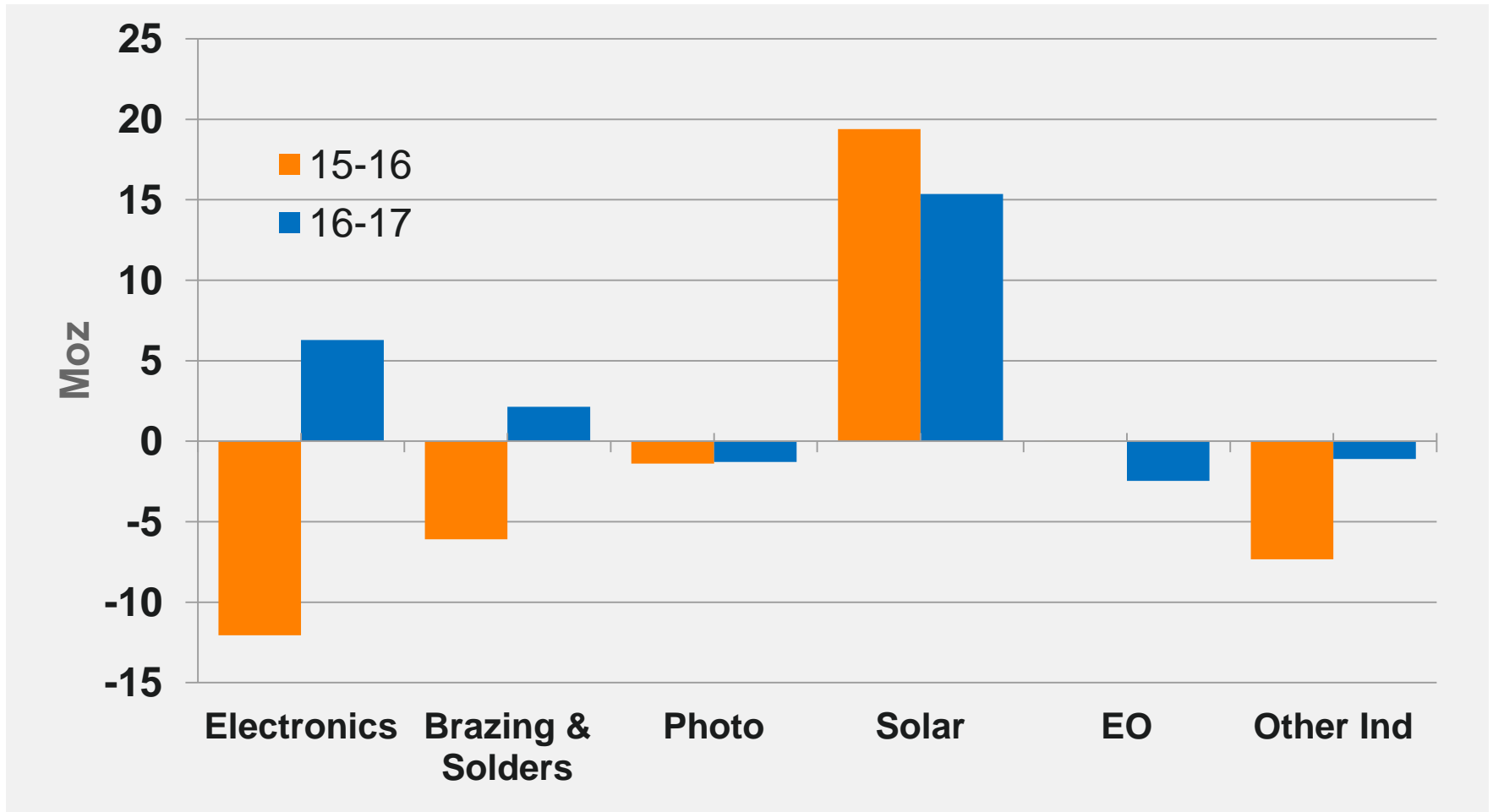
INDIAN SILVER IMPORTS



Source: GFMS, Thomson Reuters

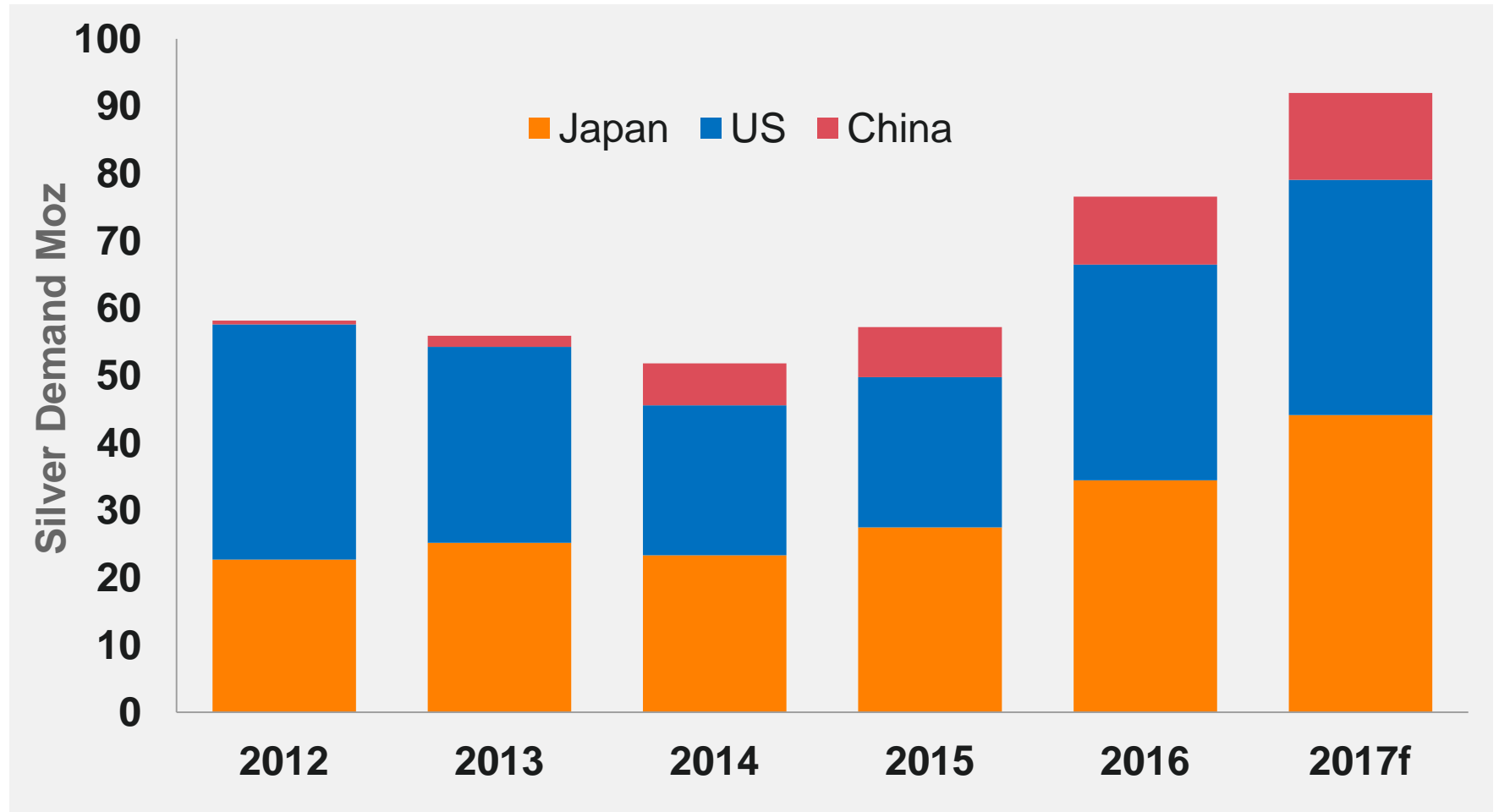
INDUSTRIAL FABRICATION FORECAST

ANNUAL CHANGES: 2015-2016 vs 2016-2017 (Moz)



Source: GFMS, Thomson Reuters

SOLAR DEMAND - SILVER POWDER FABRICATION



Source: GFMS, Thomson Reuters

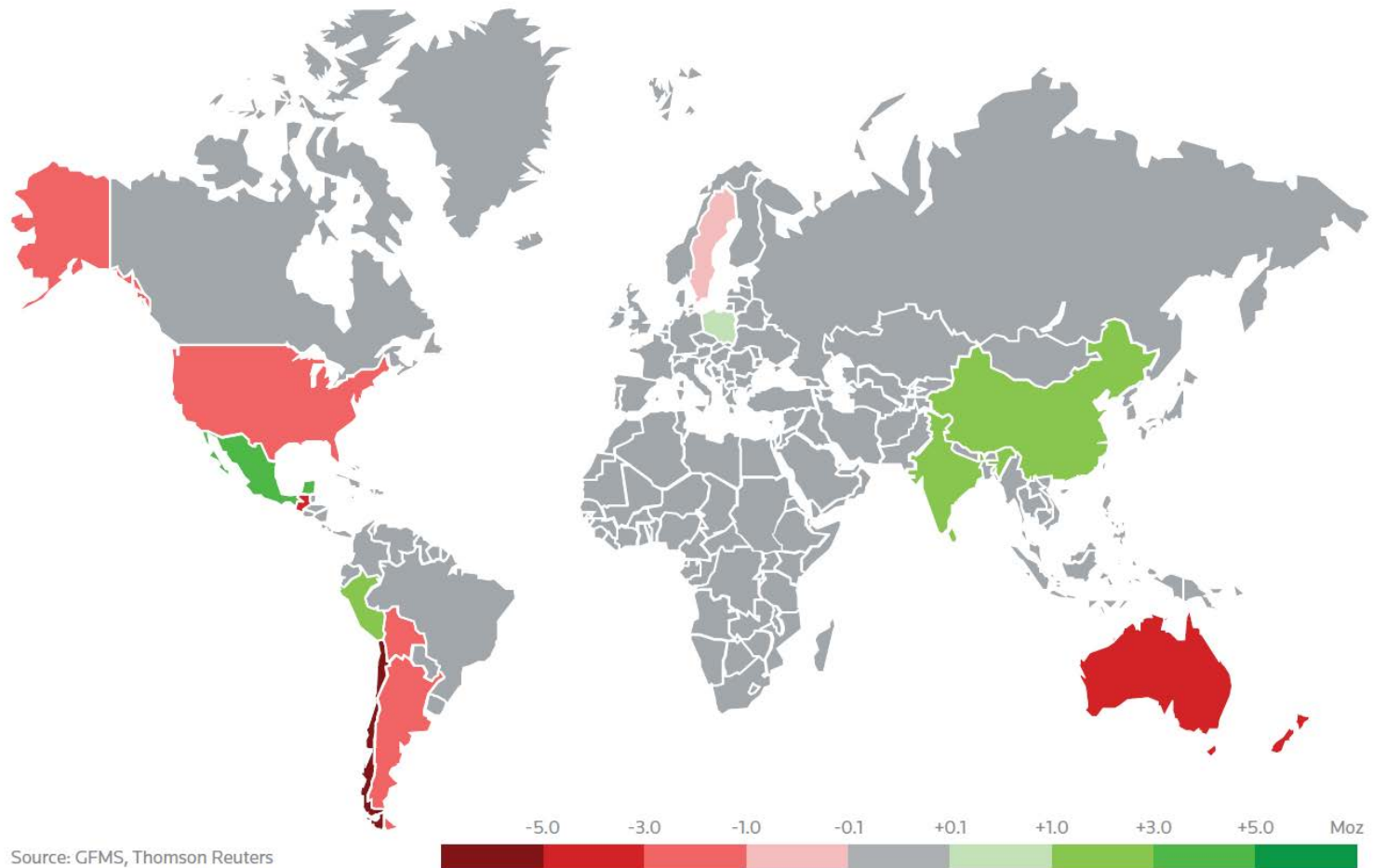
DEMAND SUMMARY

- Physical silver demand expected to decline 5% to below 1bn ounces for first time since 2012.
- Strong decline in physical bar and coin demand which has been particularly driven by very weak sentiment in North America.
- Jewelry fabrication switched marginally positive from the weak sentiment last year.
- Solar demand remained again a positive outlier this year driven in large by capacity expansions in China and a triple growth in installations.
- Thrifting continued to weigh on electronics demand countered by increased electrification in industries such as automotive.

THE SILVER MARKET IN 2017

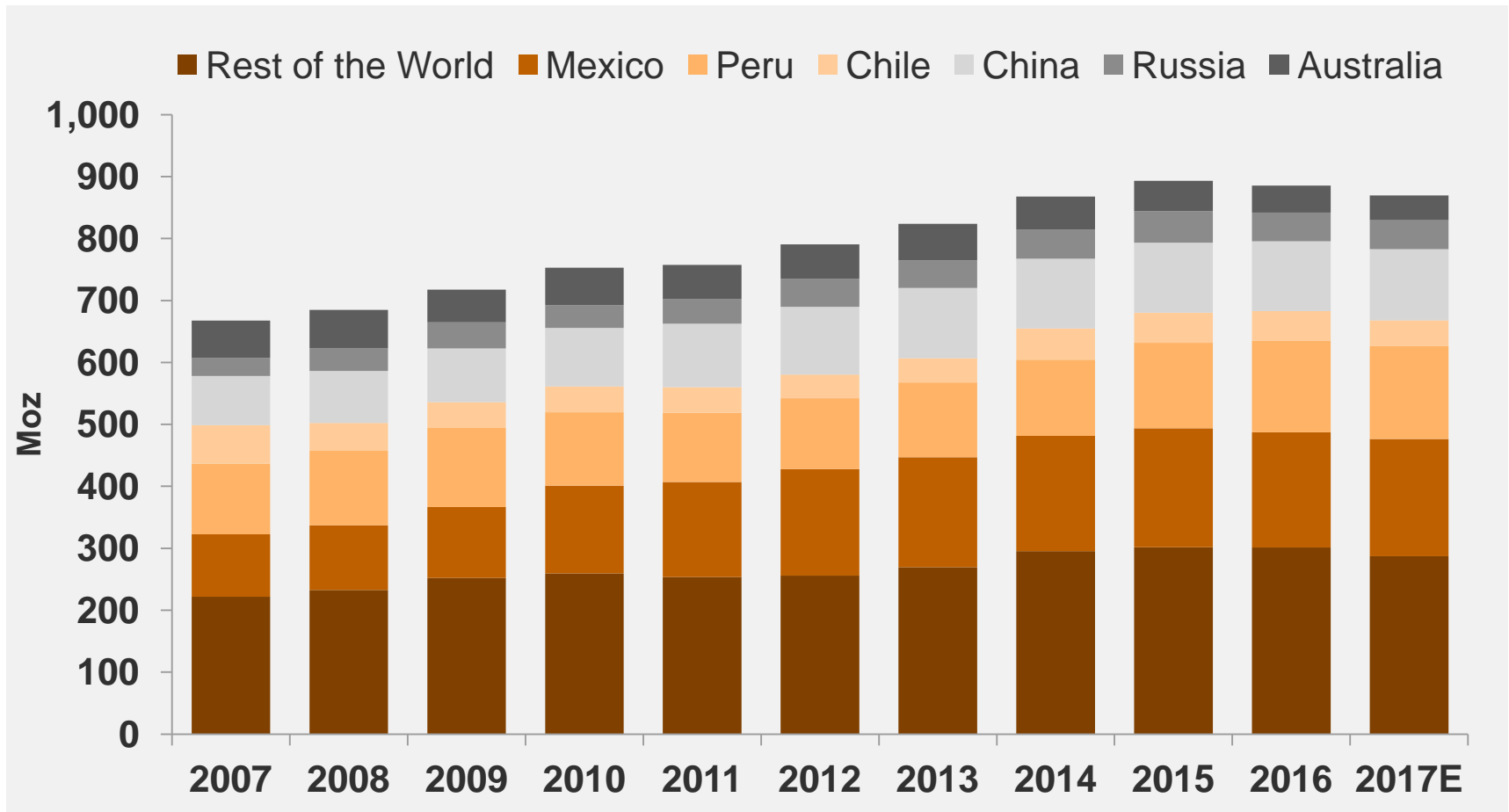
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MINE PRODUCTION WINNERS AND LOSERS H1 2016 VERSUS H1 2017



Source: GFMS, Thomson Reuters

SILVER MINE PRODUCTION BY REGION



Source: GFMS, Thomson Reuters

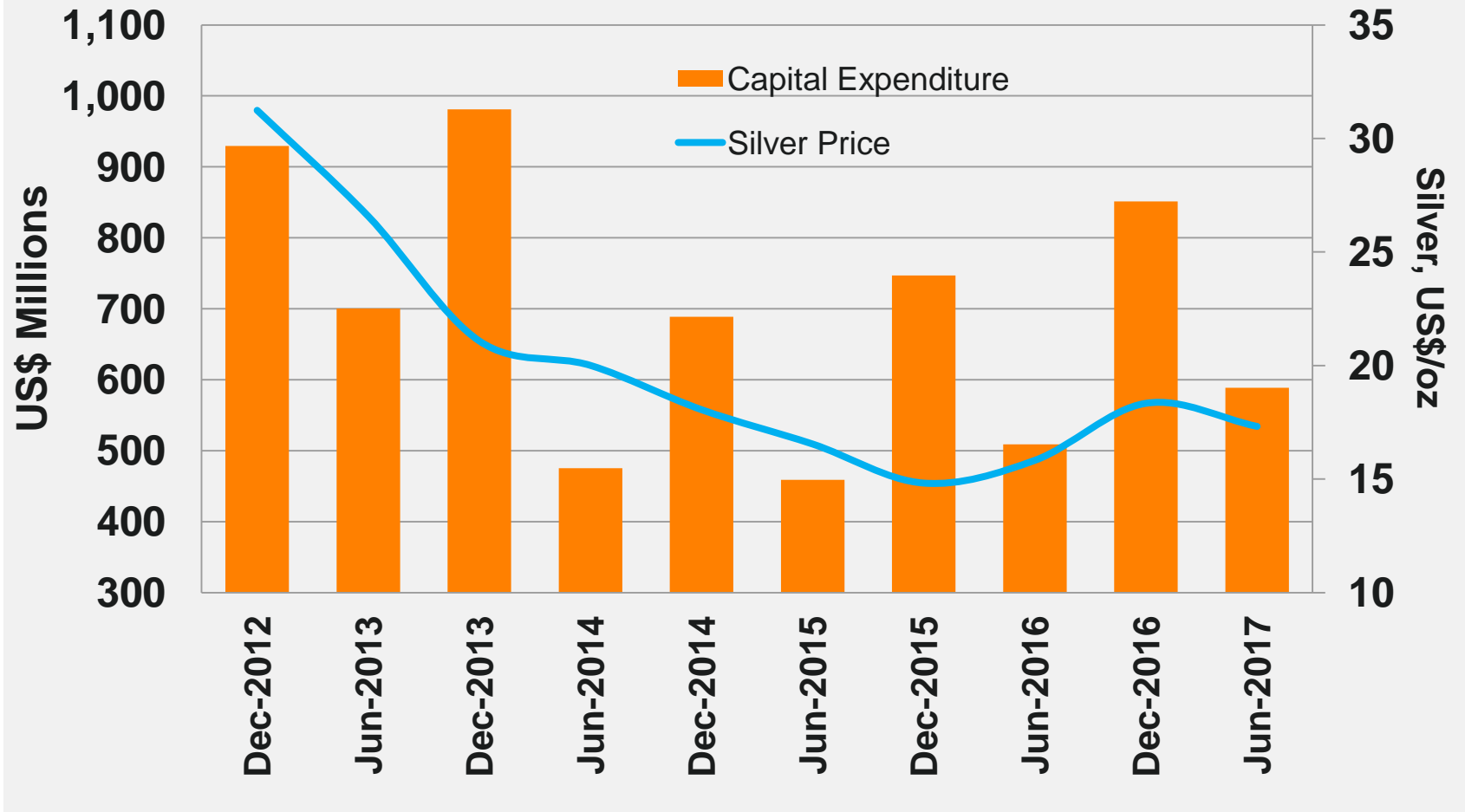
TOP 20 SILVER PRODUCERS

Top 20 Silver Producing Companies		Output (Moz)	
Rank	Company Name	H1 2016	H1 2017
1	Fresnillo plc. ^{1,2}	22.8	25.8
2	Glencore plc. ³	18.8	19.5
3	KGHM Polska Miedz S.A. Group ⁴	18.5	19.3
4	Goldcorp Inc.	13.0	14.5
5	Cia De Minas Buenaventura S.A.A. ³	12.2	12.9
6	Polymetal International plc.	14.2	12.8
7	Pan American Silver Corp. ²	12.8	12.5
8	Corp Nacional del Cobre de Chile ⁵	10.5	9.8
9	Tahoe Resources Inc. ²	11.5	9.8
10	Hochschild Mining plc. ⁶	8.2	8.9
11	Volcan Cia. Minera S.A.A. ³	11.6	8.3
12	Sumitomo Corp. ⁵	9.8	8.2
13	Hindustan Zinc Ltd. ⁷	6.8	8.2
14	Coeur Mining, Inc.	7.4	7.9
15	Southern Copper Corp. ⁸	8.1	7.9
16	Boliden A.B. ⁹	7.1	6.9
17	Hecla Mining Company ²	8.2	6.9
18	South 32 Ltd.	9.5	6.9
19	Industrias Peñoles S.A.B. De C.V. ¹⁰	6.2	6.1
20	First Majestic Silver Corp. ²	5.9	5.0

Total	222.9	218.0
<small>1 Including 100% of Penmont mines, excluding silverstream; 2 Primary silver producer; 3 Includes minority partners; 4 Reported metallic silver production; 5 Estimate; 6 Includes 100% from Pallancata, includes Moris; 7 Integrated refined metal; 8 Mined silver; 9 Metal in concentrate; 10 Excludes 100% of Fresnillo plc.</small>		
Source: GFMS, Thomson Reuters; Company Reports		

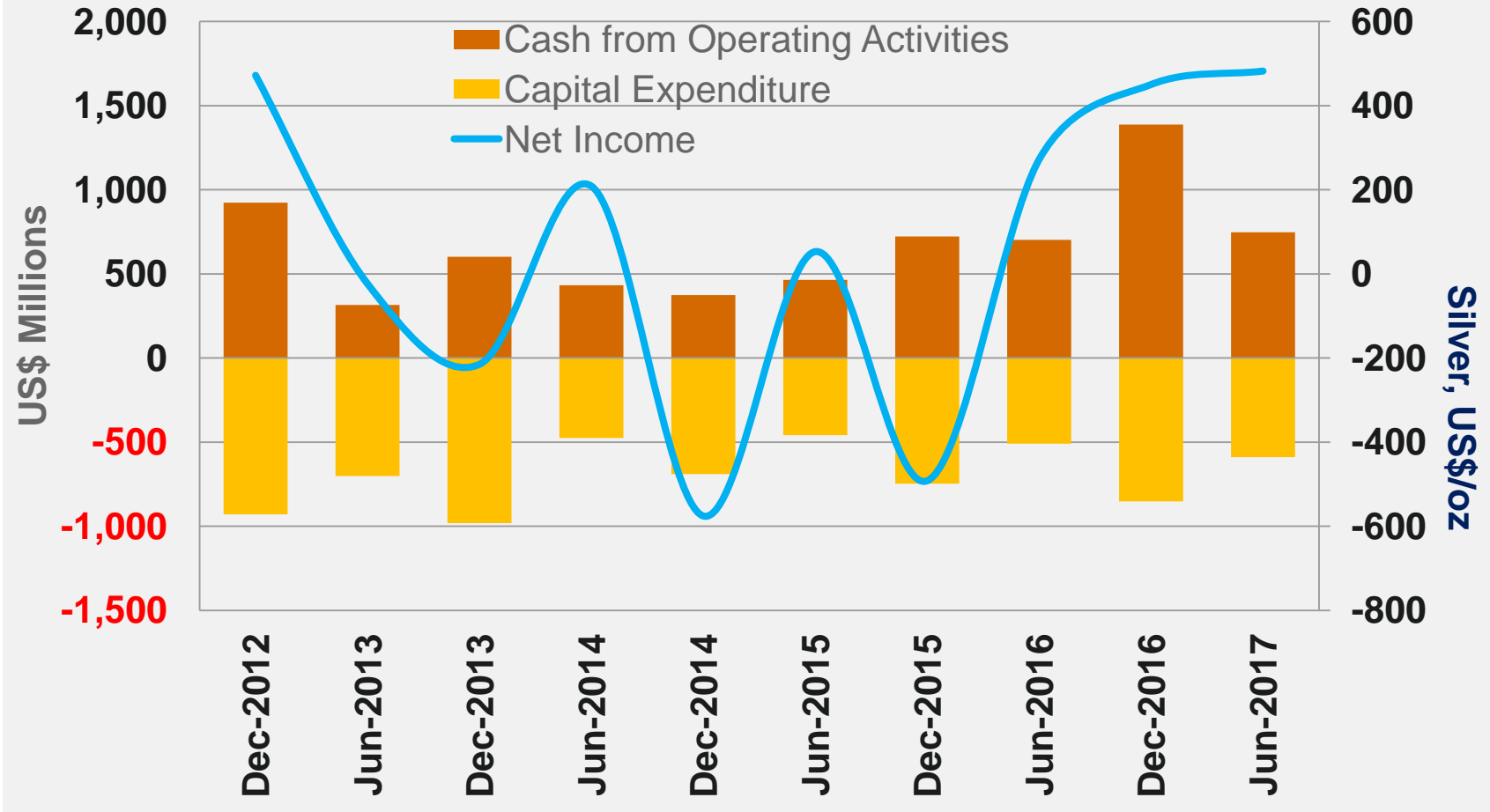
Source: GFMS, Thomson Reuters

CAPITAL EXPENDITURE



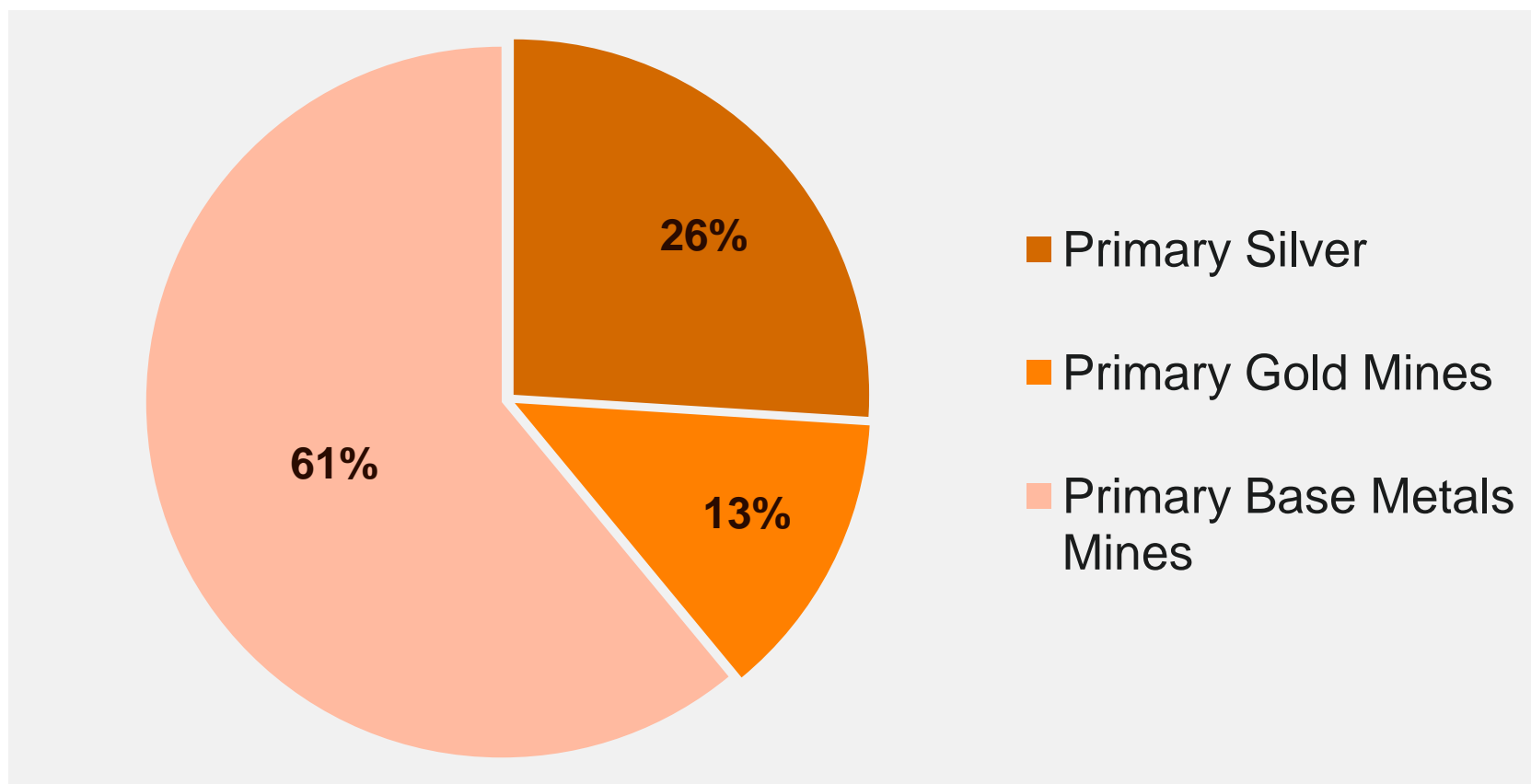
Source: GFMS, Thomson Reuters

FCF PROGRESSION



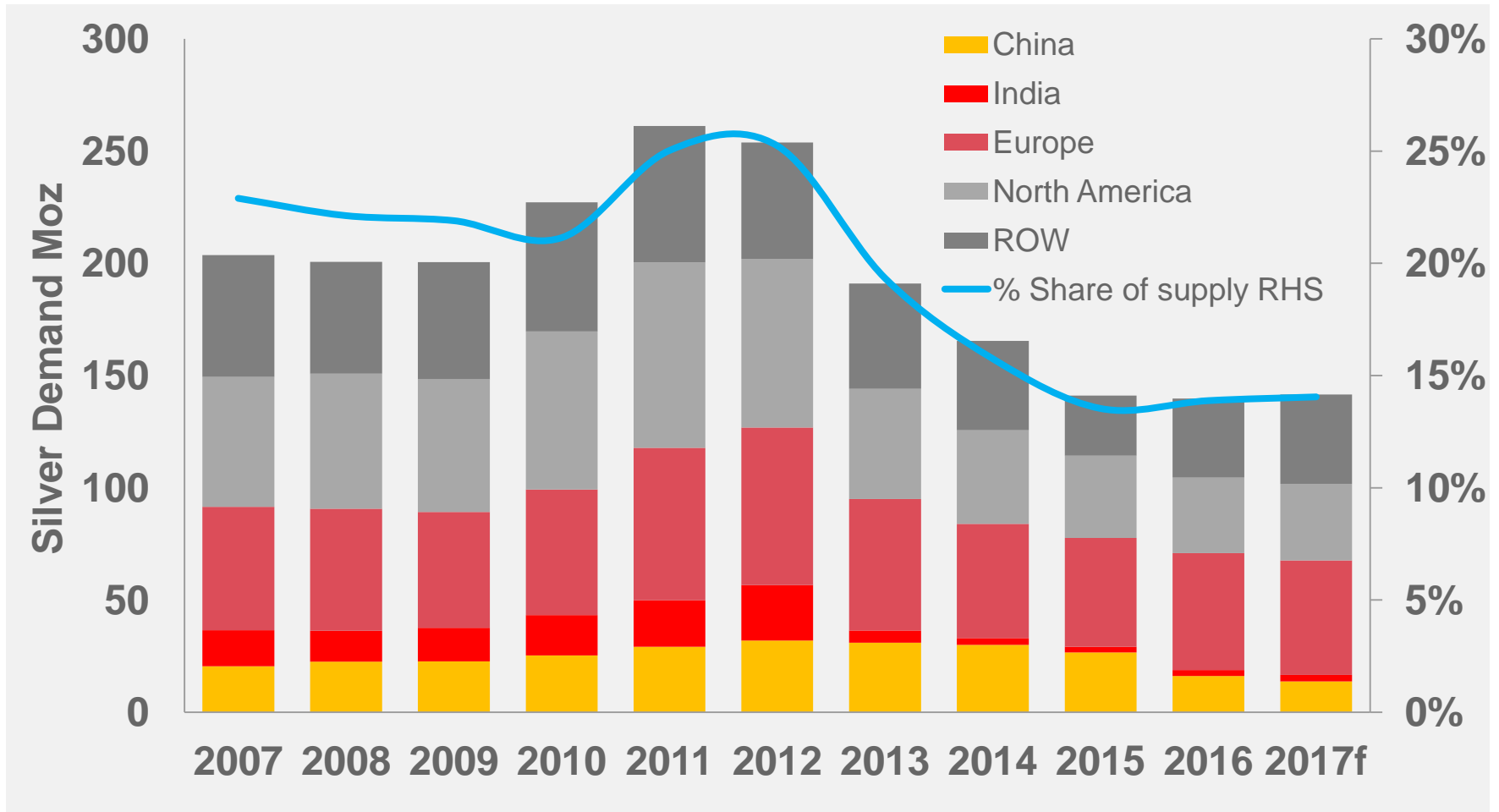
Source: GFMS, Thomson Reuters

SILVER MINE PRODUCTION BY SOURCE METAL



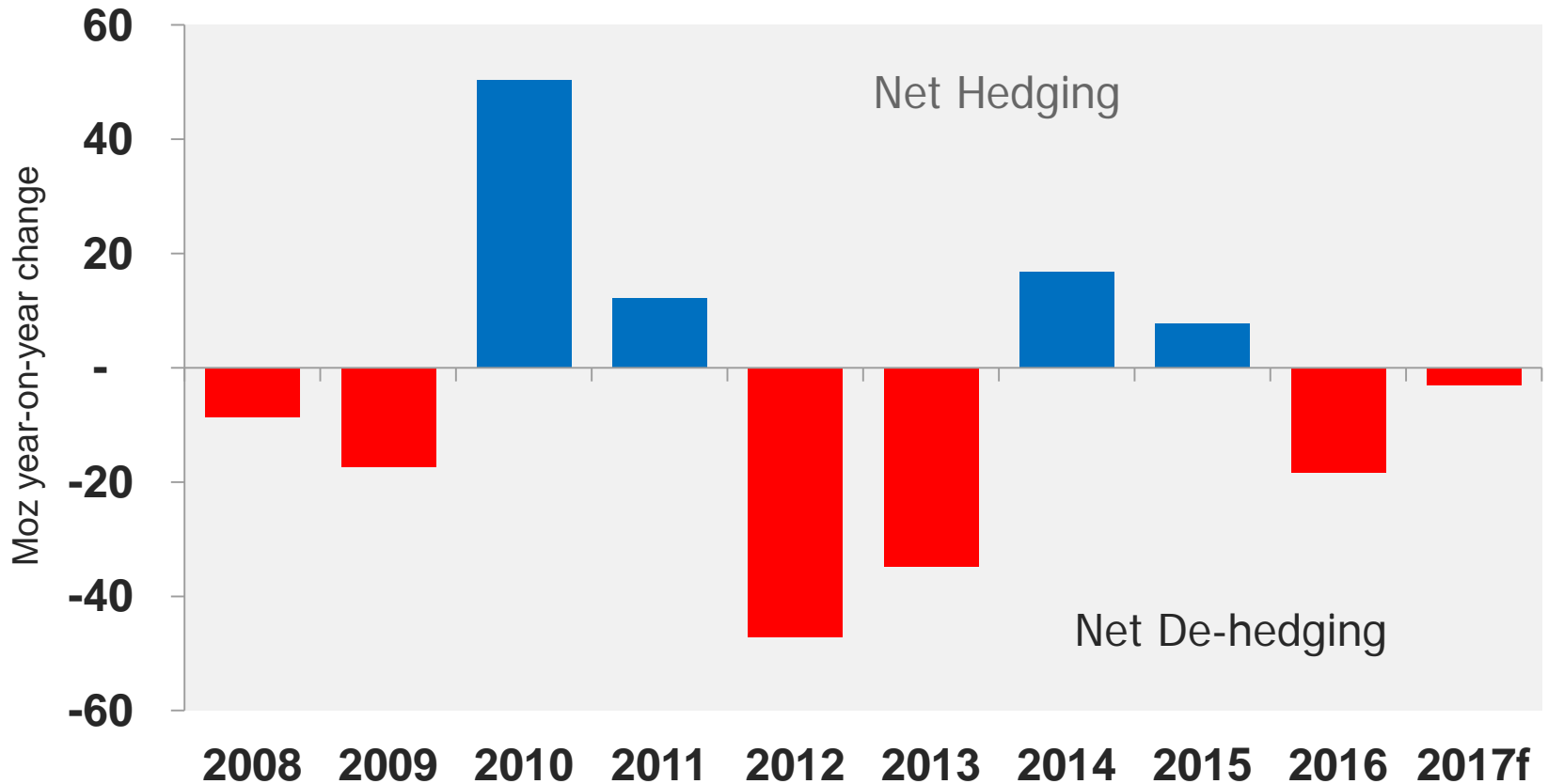
Source: GFMS, Thomson Reuters

WORLD SILVER SCRAP SUPPLY



Source: GFMS, Thomson Reuters

OUTSTANDING DELTA ADJUSTED PRODUCERS HEDGE POSITION



Source: GFMS, Thomson Reuters

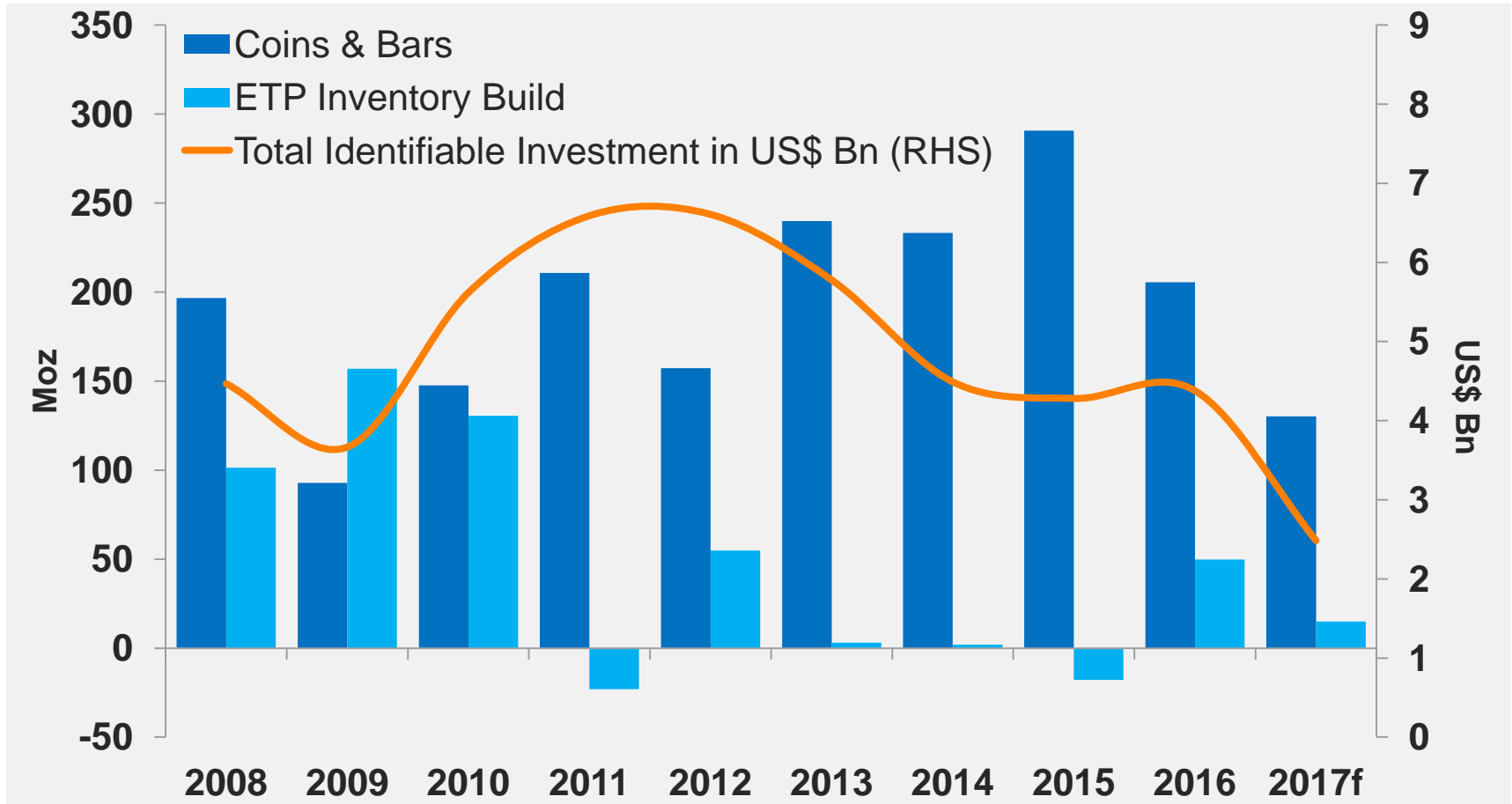
SUPPLY SUMMARY

- Following a drop in mine production for the first time in 14 years, mine supply is set to fall another 2% this year.
- Supply from scrap marginally up this year mainly due to a rise in industrial generated waste.
- The hedge book is expected to contract by 3 Moz. Many players are at the side lines at current silver prices.
- Costs have risen slightly due to higher oil prices, production disruptions, lower grades and strong domestic currencies.
- Despite large fluctuations, primary silver miners are FCF positive indicating room for stronger capex further out.

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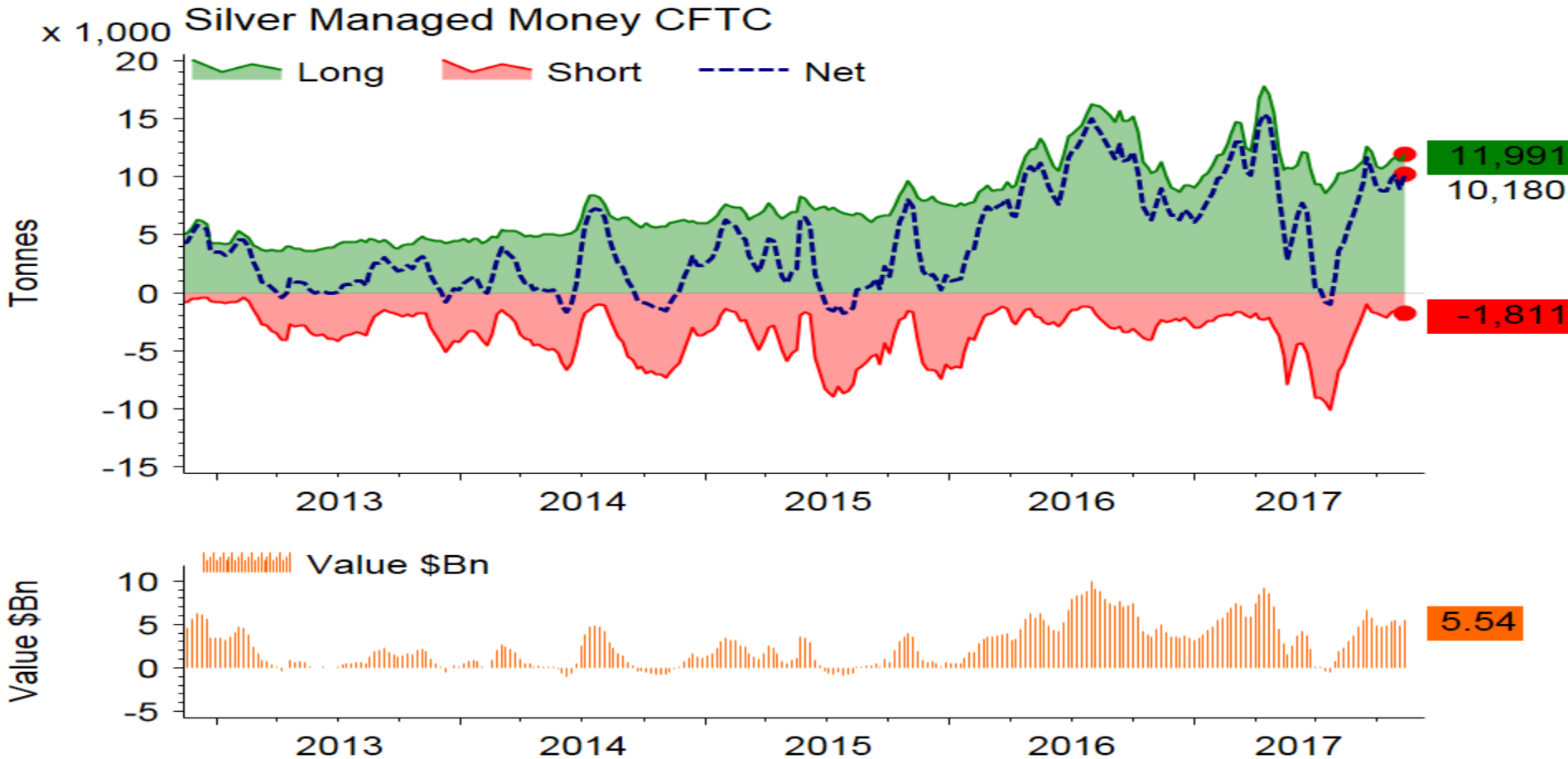
WORLD SILVER IDENTIFIABLE INVESTMENT VOLUME AND VALUE



Identifiable Investment is the sum of bars, coins and ETPs.

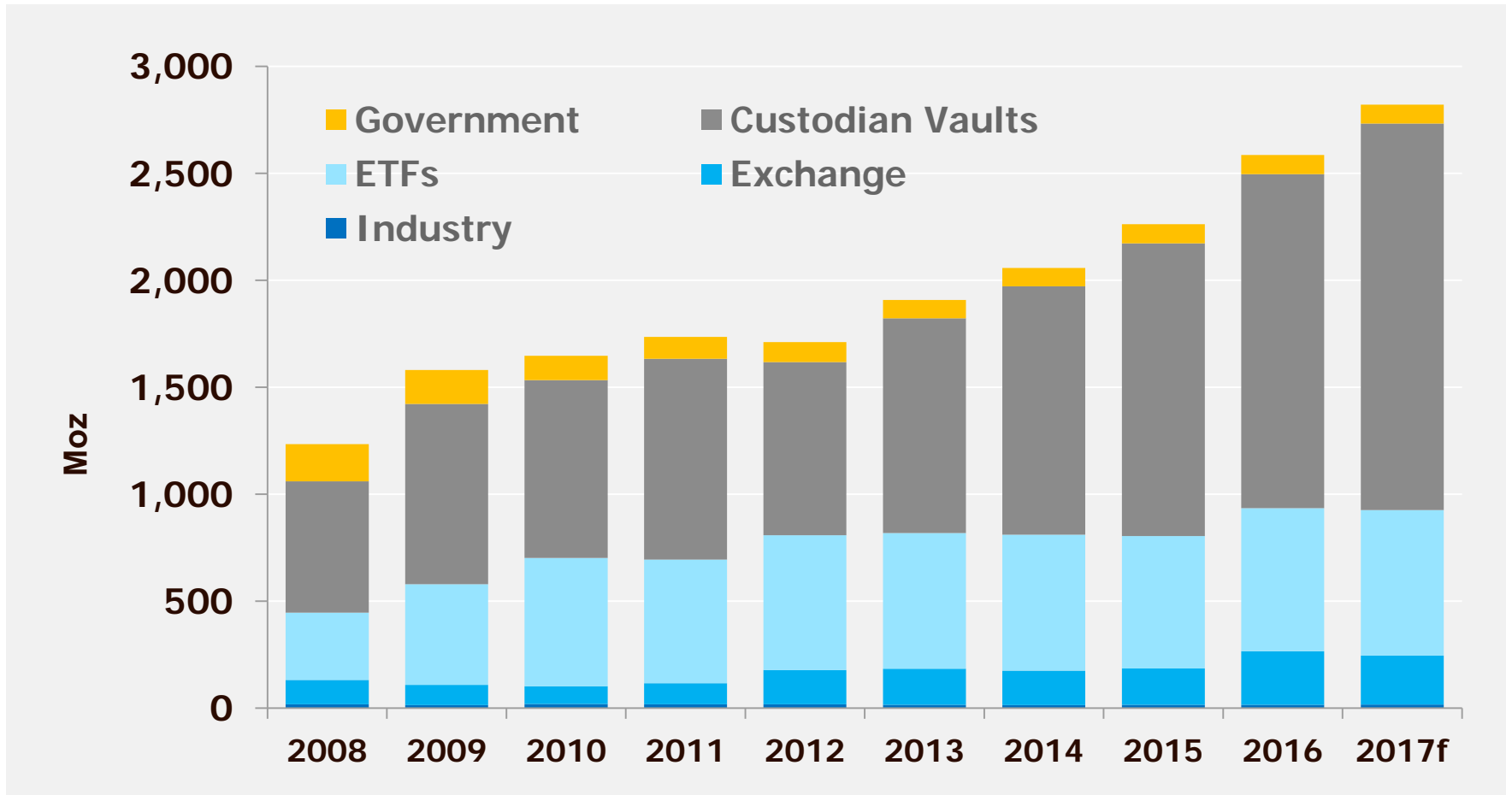
Source: GFMS, Thomson Reuters

INVESTORS' POSITIONS IN COMEX SILVER FUTURES & OPTIONS



Source: Thomson Reuters Datastream, GFMS

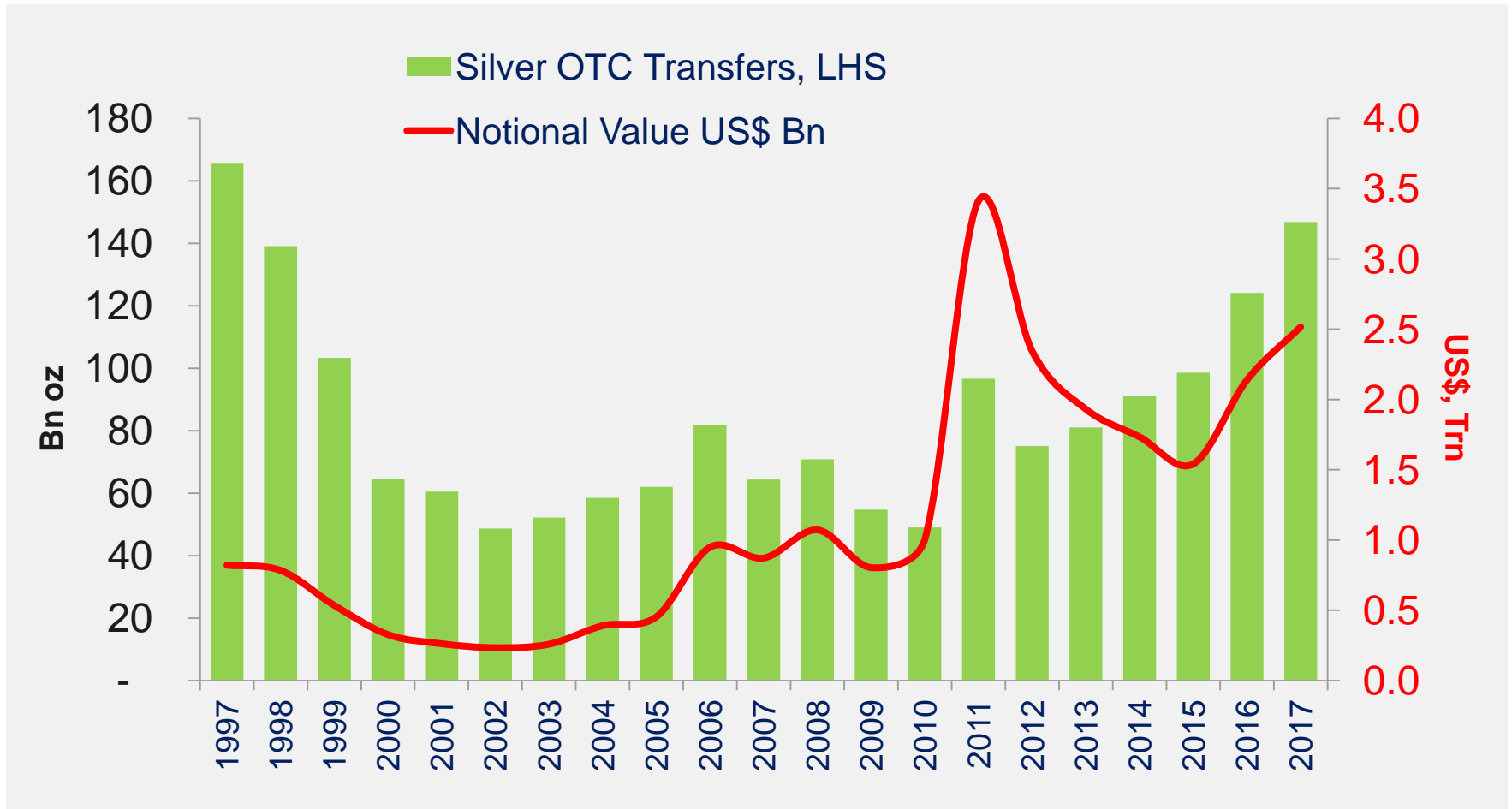
ABOVE GROUND STOCKS



As of end-Q3. Custodian vault figures exclude ETF holdings

Source: GFMS, Thomson Reuters

GLOBAL SILVER OTC TRANSFERS

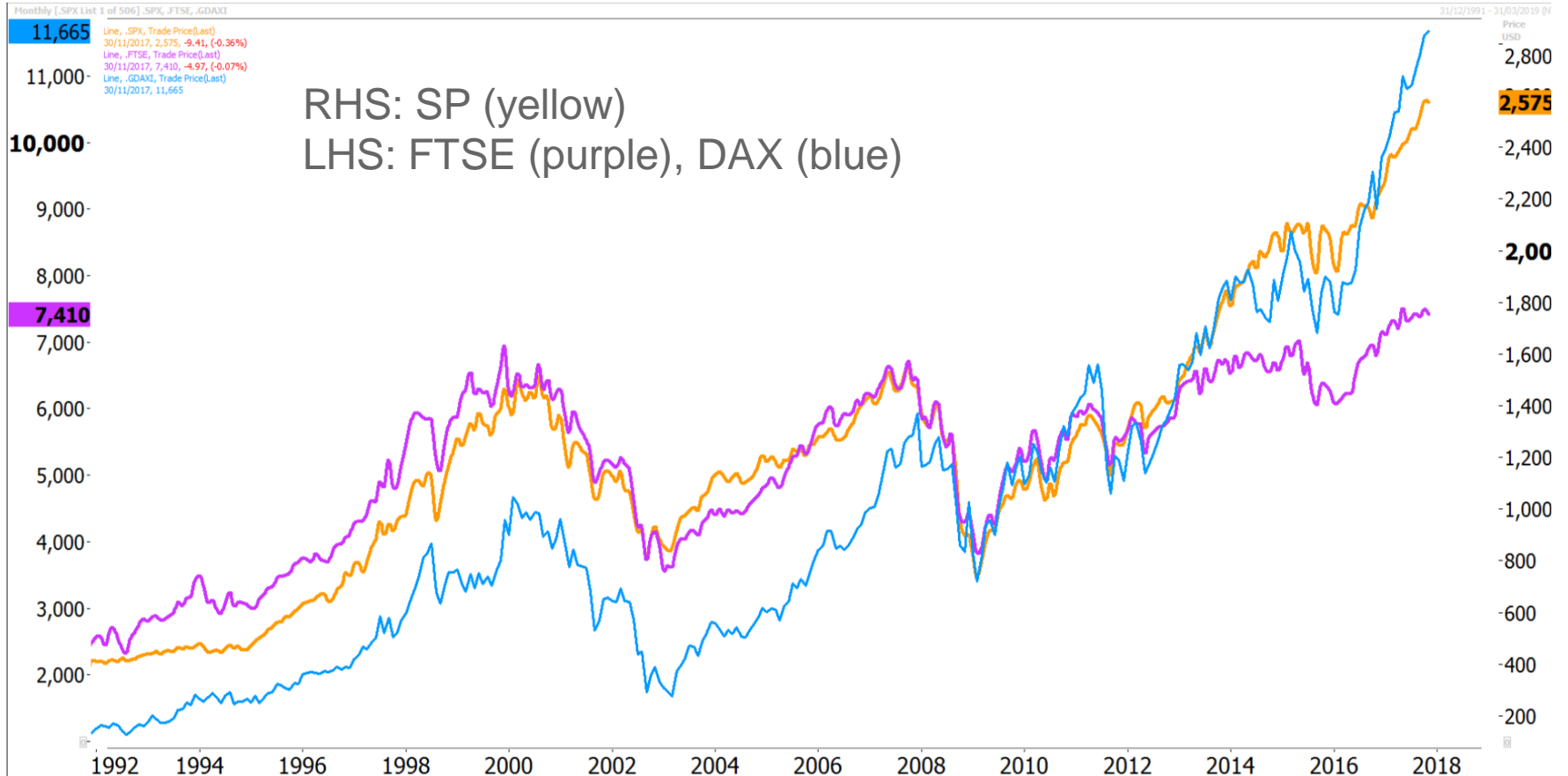


Source: LBMA; GFMS, Thomson Reuters

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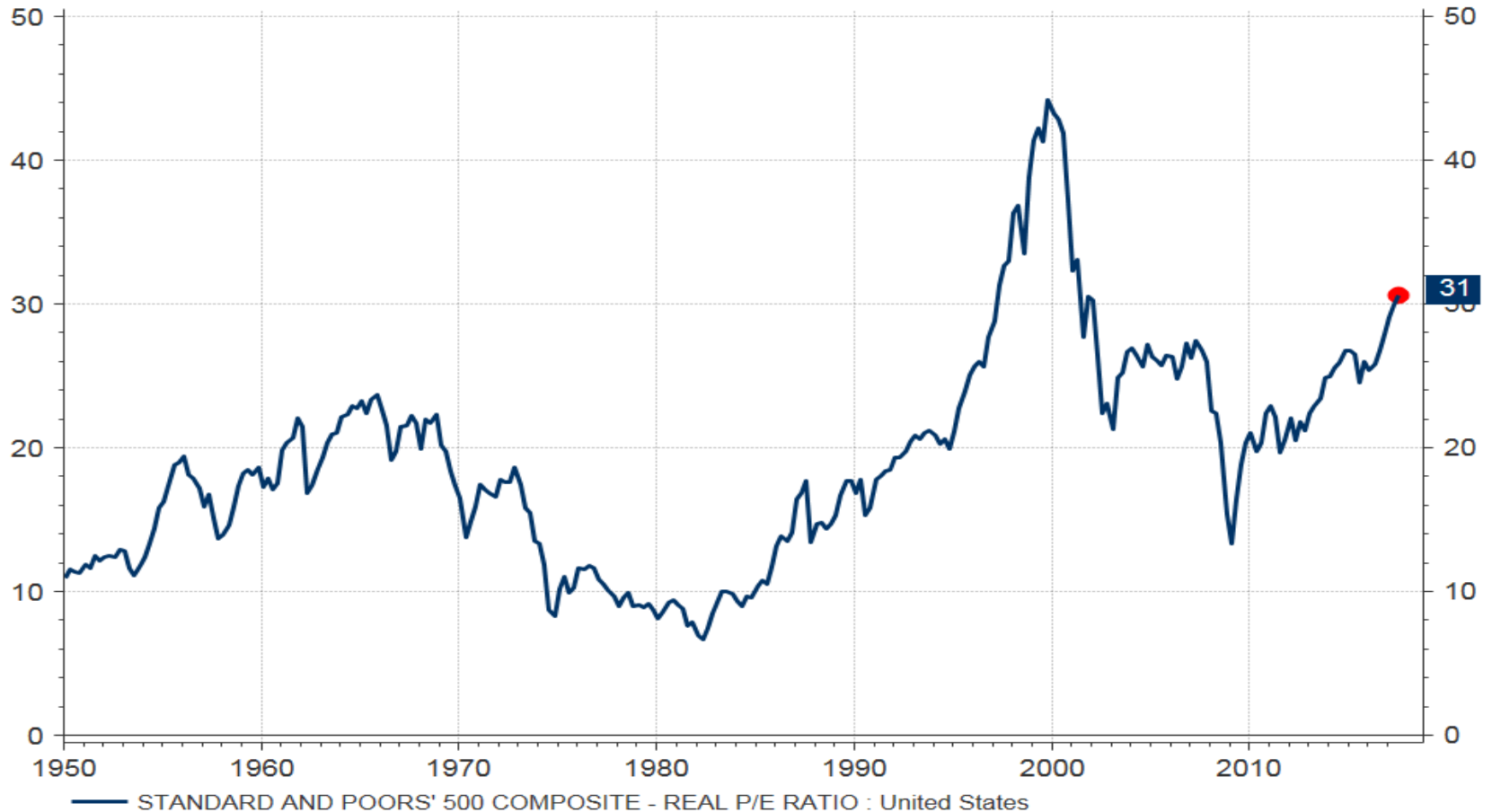
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EQUITIES BULL RUN



Source: Thomson Reuters Eikon

EQUITIES P/E, STOCKS LOOK EXPENSIVE



Source: Thomson Reuters Datastream

OUTLOOK

- In terms of prices we remain moderately optimistic and forecast average price \$18.80/oz next year.
- Investment demand expected to show signs of recovery, although the next boom will be dependent on economic backdrop.
- PV demand in the solar sector is expected to continue to be the star performer of industrial offtake. Electronics will also be a positive driver.
- Mine supply is expected to decline in the long run and we believe that 2016 was the beginning of this protracted decline. Meanwhile, scrap will stabilise if not increase marginally on rising IP.
- Above ground stocks are likely to continue to grow particularly those held in custodian vaults. In the case of lack in significant demand increases, this could dampen sustainable price rises in the next years.

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johann.wiebe@tr.com

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