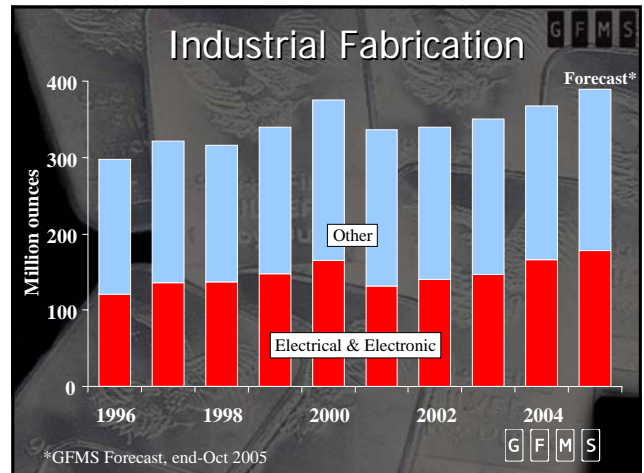
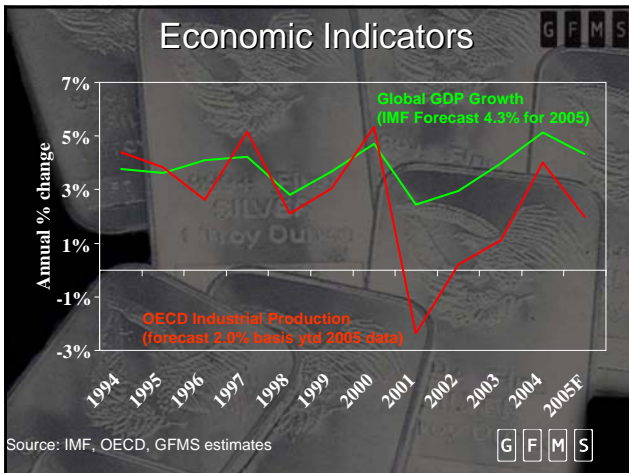
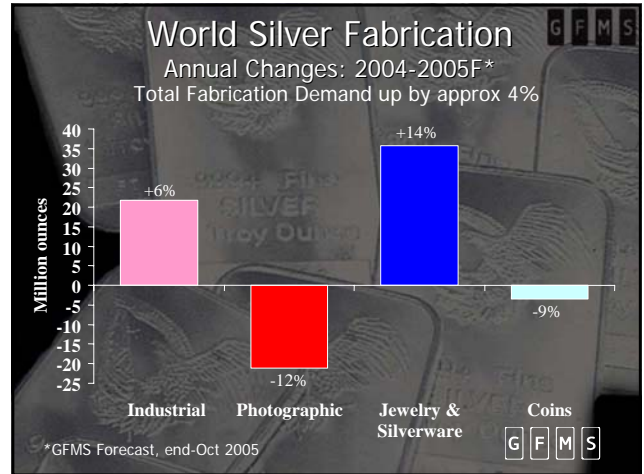
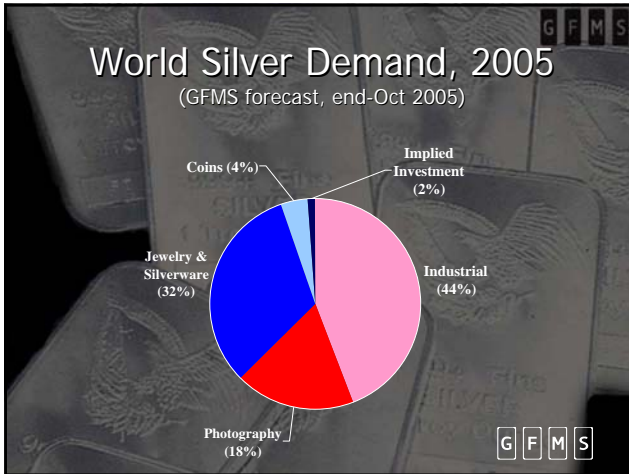
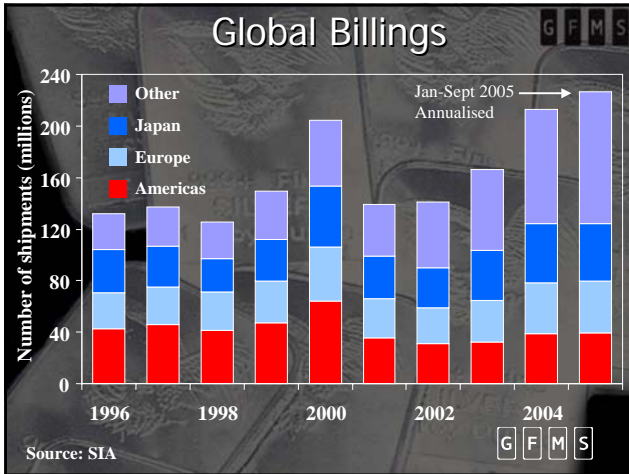


The Silver Market in 2005

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GFMS



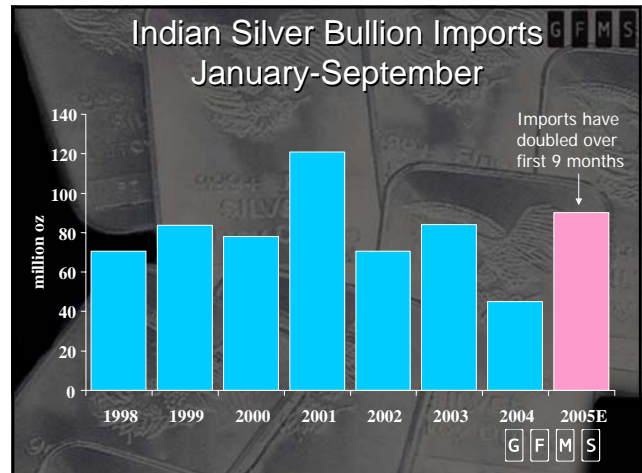


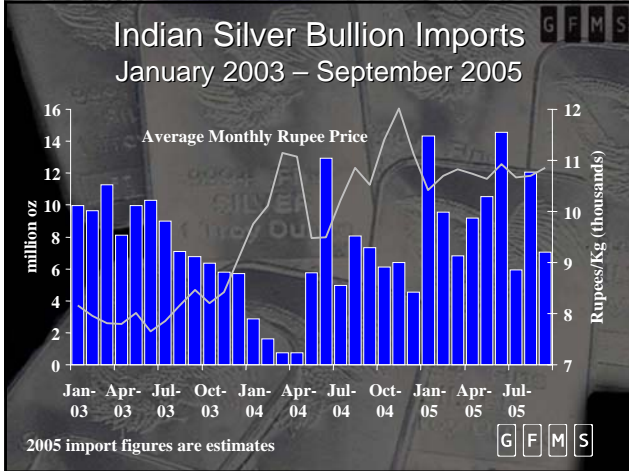
Industrial Fabrication

- GFMS forecast end-Oct-05 for Industrial Fabrication to rise by about 6% y-o-y in 2005.
- Demand growth driven by rise in global GDP and industrial production. Continued strength of electronics has helped.
- In the short run almost all industrial demand categories show very little price elasticity (\$7/oz not problematic).
- Growth expected to moderate in 2006. Next year could even see some decline if global economy slows plus electronics cycle turns down.

Jewelry & Silverware

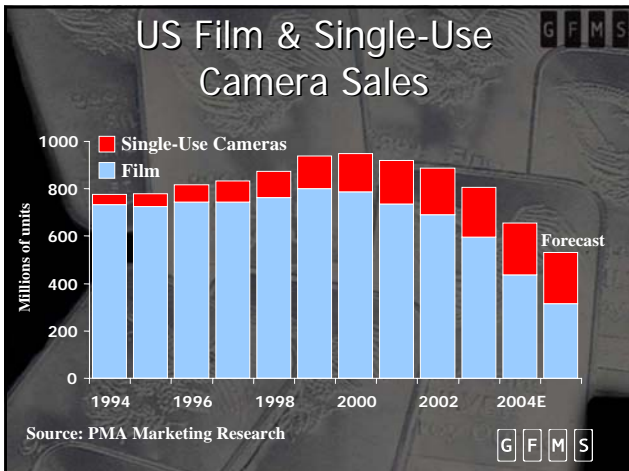
- GFMS forecasting a rise of about 14% y-o-y in 2005.
- Impact of higher raw material prices far less important for silver than e.g. gold or platinum jewelry.
- Fabrication this year stable in Italy and Thailand; higher in Mexico, China and, especially, India.
- Indian demand has recovered strongly in 2005 from very weak 2004 level.
- Indian bullion imports have surged on dips below \$7/oz.
- Through to September 2005 Indian bullion imports are estimated to have doubled.





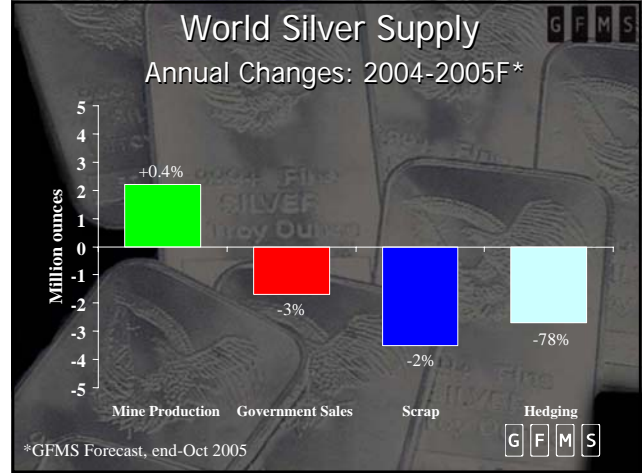
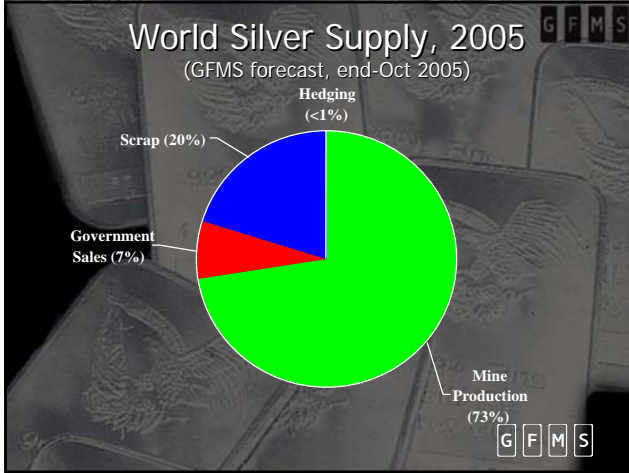
Photography

- Forecast by GFMS at end-Oct 05 to be down about 12% year-on-year.
- Weakness in silver demand mainly due to impact of digital technology.
- Consumer film: Sales have slumped in N. America, Europe and Japan. Chinese demand not growing as fast as expected. Single use camera sales may have peaked.
- Consumer paper: Some degree of erosion. Many digital camera users not printing images on photographic paper.
- Radiography: Demand largely holding up though some attrition at the margin.
- Graphic arts: Signs of stability at lower level.
- Motion picture film: Stable.



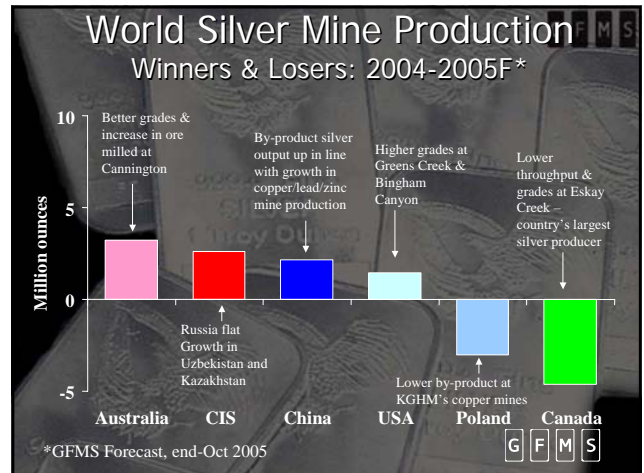
The Silver Market in 2005

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Mine Production

- GFMS forecast end-Oct 05 for world mine production to rise by 0.4% y-o-y (+ 2 Moz) in 2005.
- This follows strong growth in 2004 when the increase was concentrated in the primary sector though also boosted by higher by-product from lead/zinc and copper mining.
- Globally in 2005 by source: Primary, copper, lead-zinc all up by roughly 1%, gold down by less than 3%.
- World base metal production estimate for 2005 – copper (+3.7%), lead (+4.7%) and zinc (+4.6%).
- Outlook for silver in 2006 is for a further modest increase of around 2 Moz with stronger growth forecast in 2007.



Scrap Supply

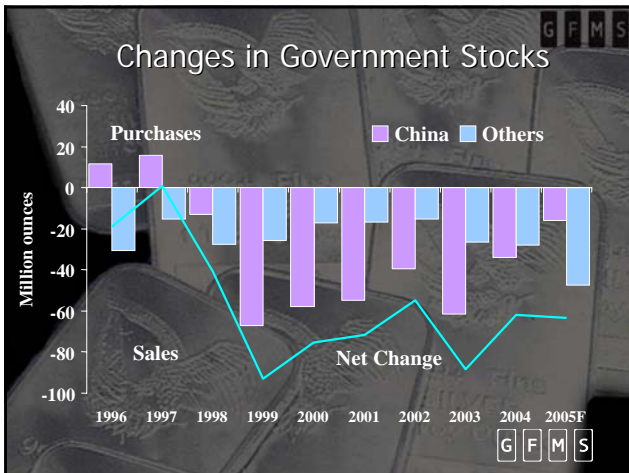
- Close to 2% year-on-year fall in volume forecast by GFMS at end-Oct 05.
- Decline in photographic recovery in developed countries from spent fixer solutions and x-ray film.
- Scrap supply for silver has shown little reaction to \$7 plus prices.
- Low margin jewelry in India could come into play on e.g. double-digit prices. Other potential sources not price sensitive.

GFMS

Government Sales

- GFMS forecast these to be down in total by about 3% in 2005.
- Chinese official sales have fallen sharply in 2005.
- Government sales from Russia have continued in 2005.
- India a seller this year.
- Low level of net sales in aggregate from other countries.

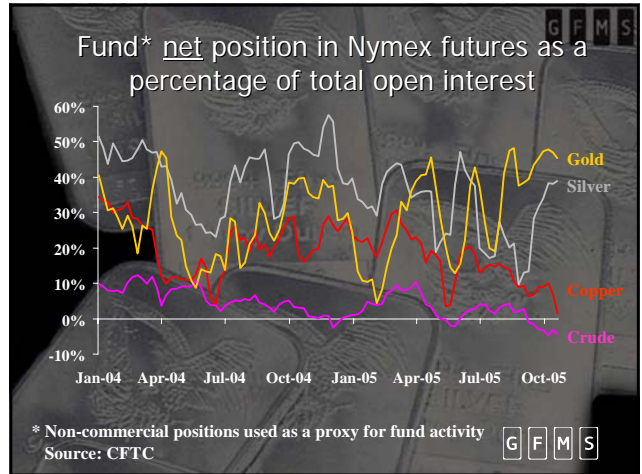
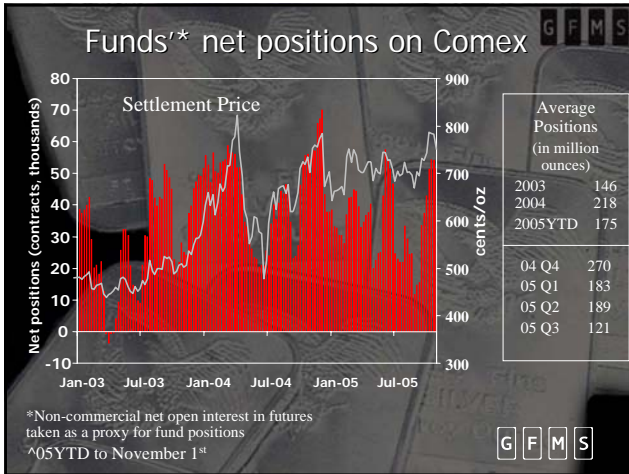
GFMS



The Silver Market in 2005

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Investment/Speculation

- Through to September investment demand for silver was spotty, with some tendency for long positions to fall.
- Strong pick-up in speculative interest in Q4-to date from funds on Comex and in the Over-The-Counter market.
- Main driver has been the price (trend following), with support for silver from higher base metals and gold prices.
- Retail investor interest very limited, particularly outside the United States.
- Significant selling from - much depleted in the 1990s - existing private sector bullion stocks would require considerably higher prices than those seen to-date.

The Silver Market in 2005

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Conclusion

- Fabrication: Up this year in spite of higher average silver prices. Growth in industrial demand and jewelry & silverware has more than offset a substantial fall in photography.
- Mine production: Less than 1% higher this year. Little impact to-date or expected in 2006 from higher silver price.
- Government Sales: A bit lower in 2005. Chinese sales have fallen but largely compensated by Indian and Russian sales.
- Scrap: Supply down due to decline in photography.
- Investment/Speculation: Demand a little softer until recently. Resurgent in Q4-to date as new highs achieved and on back of strong base metals and gold prices.
- 2006 Price Outlook?

Price Outlook

- Under current market conditions very strong support for the price in the \$6.80s-\$6.90s (especially industrial and Indian buying).
- Price floor and demand could be undermined by any significant slowdown in World GDP/Industrial Production growth.
- Supply stable, with little scope for a shock in 2006 from higher mine production, scrap or government sales.
- Investment/speculation: At present some risk of a correction back to the \$7-plus level basis liquidation of large speculative long positions but core investor interest probably solid unless price falls very sharply.
- Correction in base metals prices would be a negative for silver but this could be more than offset by gold rallying to the \$500 level. (Historical correlation closer to gold than e.g. copper.)



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- **From prevailing levels GFMS see more upside than downside to the silver price in 2006.**

