

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>

Contact: Michael DiRienzo (202) 835-0185 or Andy Edson (516) 850-3195

EMBARGOED UNTIL 9:00 AM (NYC) EDT, MAY 24, 2006

Silver Market Shines in 2005

Silver Fabrication and Investment Demand Sharply Up

NEW YORK (May 24, 2006) – Total silver fabrication demand, led by surging industrial demand, rose in 2005 to the highest level since 2001. This occurred in tandem with an increasingly higher silver price, according to *World Silver Survey 2006*, released here today by the Silver Institute and GFMS Limited, the authors of the report.

Fabrication Demand

Total silver fabrication rose by 3 percent in 2005, to 864.4 million ounces (Moz), its highest total since 2001. Industrial fabrication contributed the most to the increase, with its sharp 11 percent rise (41 Moz) to record levels of 409.3 Moz – growth that has taken its share of total fabrication to 47 percent from 37 percent ten years prior. Indian offtake in industrial fabrication rose an outstanding 58 percent last year, while Japan experienced a 15 percent increase in 2005. China posted an impressive 6 percent increase in industrial demand to reach 31.8 Moz. The United States topped 100 Moz. Electrical and electronics demand, with its 10 percent rise globally, accounted for much of the industrial category's growth.

Despite higher silver prices, jewelry and silverware fabrication posted a modest increase in 2005, to 249.6 Moz. Much of the growth occurred in China and India. Chinese silver jewelry and silverware demand rose by a stunning 20 percent in 2005, to 16.4 Moz. Indian fabrication for this category rose by 8.5 percent to 48.9 Moz in 2005, while North America experienced its fourth successive year of growth.

Photographic demand decreased by 9 percent, or just over 16 Moz last year, to 164.8 Moz. The bulk of the decline came from a reduction in the output of color film. Photographic demand accounted for just 19 percent of fabrication demand in 2005.

Despite higher fabrication in the U.S. and Germany, coins and medals fabrication demand decreased by 4 percent in 2005. Lower minting in a number of European countries, together with some weakness in China, accounted for the slip.

| World Silver Supply and Demand (million ounces) (totals may not add due to rounding) | | |
|--|--------------|--------------|
| | 2004 | 2005 |
| Supply | | |
| Mine Production | 620.4 | 641.6 |
| Net Government Sales | 66.5 | 68.0 |
| Old Silver Scrap | 181.2 | 187.3 |
| Producer Hedging | 10.0 | 15.1 |
| Implied Net Disinvestment | - | - |
| Total Supply | 878.1 | 911.9 |
| Demand | | |
| Fabrication | | |
| Industrial Applications | 368.3 | 409.3 |
| Photography | 181.0 | 164.8 |
| Jewelry & Silverware | 247.8 | 249.6 |
| Coins & Medals | 42.3 | 40.6 |
| Total Fabrication | 839.4 | 864.4 |
| Net Government Purchases | - | - |
| Producer De-hedging | - | - |
| Implied Net Investment | 38.7 | 47.5 |
| Total Demand | 878.1 | 911.9 |

Mine Supply, Above-ground Stocks and Government Sales

Strong growth in Mexico and Australia pushed global silver mine production to a record high in 2005, reaching 641.6 Moz, with Peru, Mexico, Australia, China and Chile the top five silver mining countries in 2005. Last year, silver generated at primary mines increased by 8 percent, to reach 188.2 Moz, representing 29 percent of global silver production.

Supply of silver from above-ground stocks rose marginally to 222.8 Moz in 2005. The rise was due to higher producer hedging, scrap supply and government sales. Total scrap supply is estimated to have provided the market with 187.3 Moz of silver in 2005, inching up only 3 percent from 2004, despite the much stronger silver price. Net government sales crept up to 68.0 Moz in 2005, a 1.5 Moz increase over 2004. The share of total supply from government sales stood at 7 percent in 2005. The marginal growth of government sales in 2005 was the result of sales from India, which announced in 2004 that it would commence sales from its government stocks in 2005. Sales from China and Russia continued in 2005, however, last year was the first year since 1999 when China did not account for the bulk in government sales.

Structural Deficit

For the 17th consecutive year, a structural deficit was recorded in the silver market. This gap between fabrication demand and conventional supply (mine production and recycled scrap) was 35.5 Moz in 2005.

Silver Price and Investment

Last year the silver price experienced a 10 percent increase over the average 2004 price of \$6.65 per ounce, to an average of \$7.31 per ounce. In 2006, the silver price has reached levels not seen since February, 1983. The primary factor driving the stronger silver price is the reawakening of investment demand. There has been a structural shift in silver investment over the last decade. The sustained net disinvestment that characterized the market in the 1990s gave way to a more neutral situation in 2001-03, and has been followed by a more substantial net investment in 2004-05. Estimated net investment in silver stood at 47.5 Moz in 2005.

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

The 2006 edition of the *World Silver Survey* was independently researched and compiled by London-based GFMS Limited, the 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 2006* was sponsored by 21 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 2006 SPONSORS

MAJOR

Coeur d'Alene Mines Corporation
Falconbridge Limited
Industrias Peñoles, S.A. de C.V.
Silver Wheaton Corp.

GENERAL

Apex Silver Mines Limited
Barrick Gold Corporation
Cia. de Minas Buenaventura S.A.A.
Hecla Mining Company
IBK Capital Corp.
KGHM Polska Miedź S.A.
Pan American Silver Corp.
Silver Standard Resources Inc.
Sterling Mining Company

CONTRIBUTORS

Avino Silver & Gold Mines Ltd.
Esperanza Silver Corporation
Johnson Matthey, Inc.
Luismin, S.A. de C.V.
Mitsui Global Precious Metals
New York Mercantile Exchange
Tanaka Kikinokogyo K.K.
Zinifex Limited

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 2006* are available to the media upon request, and may be purchased by the public for US\$195 from the Silver Institute, 1200 G Street, NW, Suite 800, Washington, DC 20005, 202/835-0185; fax 202/835-0155, or from the Institute's web site at www.silverinstitute.org. For copies outside North America, please contact GFMS by fax at +44 (0) 20 7478-1777, or 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.

#