

THE SILVER INSTITUTE

A WORLDWIDE ASSOCIATION OF MINERS, REFINERS, FABRICATORS AND MANUFACTURERS

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Silver Price Rises Dramatically in 2006

Annual Silver Price Average Posts a 58 Percent Gain – Level Not Seen in 26 Years

NEW YORK (May 23, 2007) – The annual silver price, led by growing investor demand, averaged a remarkable US\$11.55 in 2006. At the same time, industrial demand for silver saw a fifth consecutive year of growth, despite the higher silver price, according to *World Silver Survey 2007*, released here today by the Silver Institute and GFMS Limited, the authors of the report.

Silver Price and Investment

Last year, the silver price experienced a 58 percent increase over the average 2005 price of \$7.31 per ounce. In 2006, the silver price reached levels not seen in 26 years and was the leader when compared with gold (36 percent increase) and platinum (27 percent increase). The primary factor driving the stronger silver price was the continued strength of investment demand, which returned in earnest in 2005, was sustained in 2006 and has remained resilient in 2007. Much of the investment demand last year can be attributed to the successful launch of Barclays' Global Investors iShares Silver Trust Exchange Traded Fund (ETF), which was introduced in late April 2006 and now holds over 135 million ounces (Moz) of silver.

Fabrication Demand

Total global silver fabrication dipped by a little under 1 percent in 2006 to 840.5 Moz, in spite of a trend toward significantly higher and more volatile silver prices. Most notably, industrial applications, a key component of the demand complex, posted a 6 percent gain to 430.0 Moz, recording the fifth consecutive year of growth in this category. China posted strong industrial demand growth at 10.4 percent, and Japan recorded an equally impressive 10 percent increase in 2006. Last year represented a record for the United States with respect to total industrial silver use, posting a 6 percent increase to 106.8 Moz. Total industrial demand exceeded 50 percent of total global fabrication demand for the first time in 2006.

World Silver Supply and Demand (million ounces) (totals may not add due to rounding)

	2005	2006
Supply		
Mine Production	645.7	646.1
Net Government Sales	65.9	77.7
Old Silver Scrap	186.4	188.0
Producer Hedging	27.6	-
Implied Net Disinvestment	-	-
Total Supply	925.6	911.8
Demand		
Fabrication		
Industrial Applications	405.8	430.0
Photography	162.1	145.8
Jewelry	173.8	165.8
Silverware	66.6	59.1
Coins & Medals	40.0	39.8
Total Fabrication	848.3	840.5
Net Government Purchases	-	-
Producer De-Hedging	-	6.8
Implied Net Investment	77.2	64.5
Total Demand	925.6	911.8

Jewelry fabrication posted a nearly 5 percent loss in 2006, largely due to price-related losses in India. Indonesian and Chinese jewelry fabrication, however, grew by an impressive 18 and 16 percent. Lower fabrication in price sensitive countries and structural taste shifts accounted for the 7.5 Moz dip in global silverware demand in 2006. About 60 percent of the silverware decline was due to India, where the price rise was evident in rupee terms.

Photographic demand continued to fall, decreasing by 10 percent in 2006 to 145.8 Moz. The bulk of the decline was the result of lower consumer film demand due to growth of digital imaging technology.

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

Global silver mine production edged up fractionally in 2006, with notable gains in Latin America and Asia. Total silver mine production reached 646.1 Moz last year, with Peru, Mexico, China, Australia and Chile the top five silver mining countries. Last year, silver generated at primary mines fell by 10 percent to 161.4 Moz, representing 25 percent of global silver production. Cash costs at primary silver mines contracted last year by 16 percent to average US\$2.74 per ounce.

The supply of silver from above-ground stocks on a net basis dropped by 4 percent in 2006 to 194.4 Moz. The decline was the result of a shift of net producer hedging to the demand side. Total scrap supply provided the market with 188.0 Moz of silver in 2006, virtually unchanged from 2005.

Net government sales crept up to 77.7 Moz in 2006. The increase in government sales in 2006 was the result of marked increases in Russian sales, coupled with ongoing sales from Indian government silver stocks. Elsewhere, a decline in sales from China partly offset these increases.

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

The 2007 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 2007* was sponsored by 23 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 the leading silver producers, refiners, manufacturers and dealers.

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Copies of *World Silver Survey 2007* are available to the media upon request and can 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.

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