INTERIM SILVER MARKET REVIEW

Philip Newman and Sarah Tomlinson, Metals Focus

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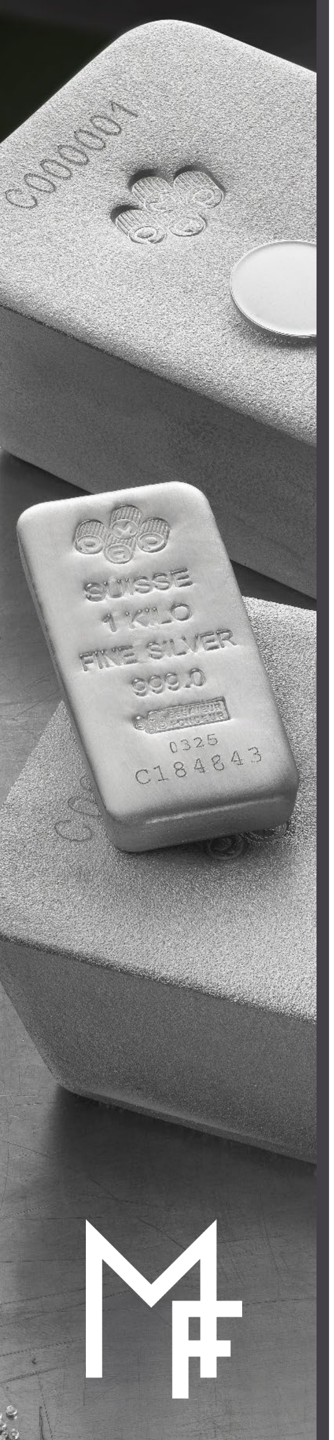
The Global Source
THE SILVER INSTITUTE

METALS FOCUS

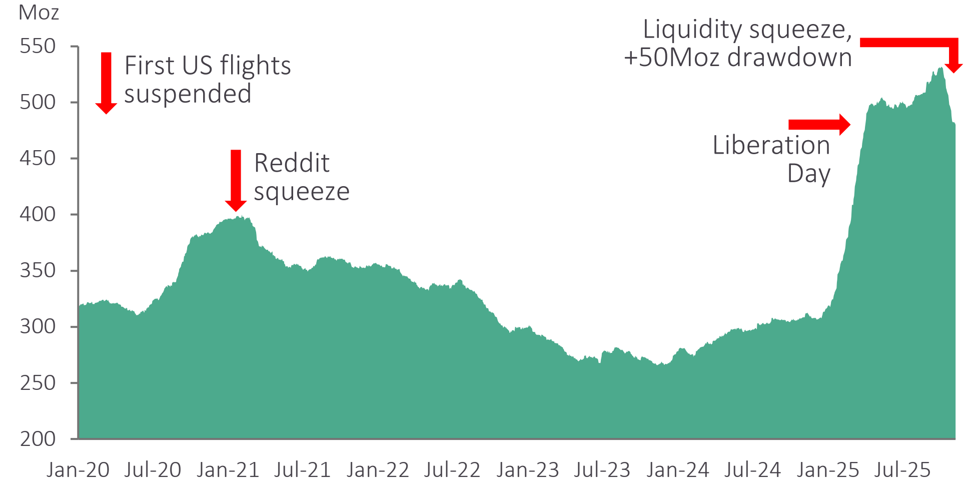


One of the most dramatic years for silver in living memory

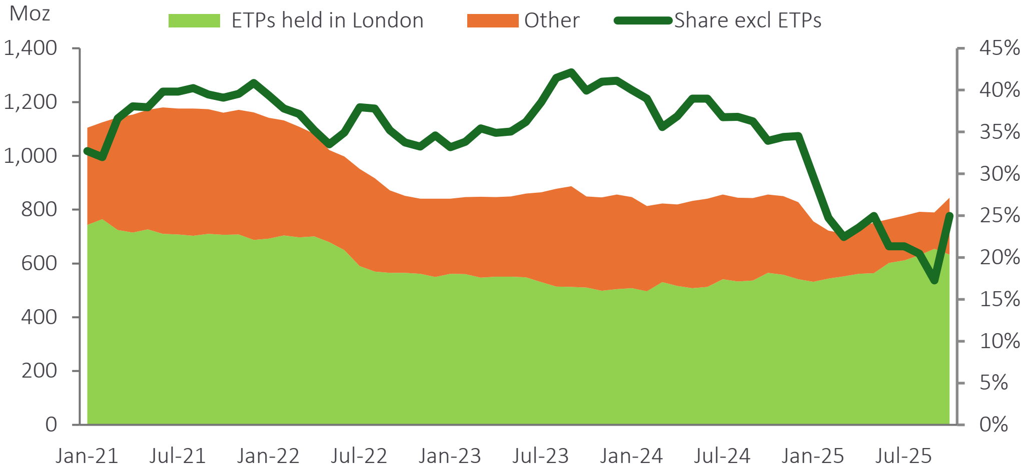
A brief summary of 2025

- Tariff concerns lead to surge in CME deliveries
- EFP surge eclipses that of COVID
- Liquidity squeeze develops in London, lease rates at unprecedented highs
- Silver price at record high
- Resilience of physical demand

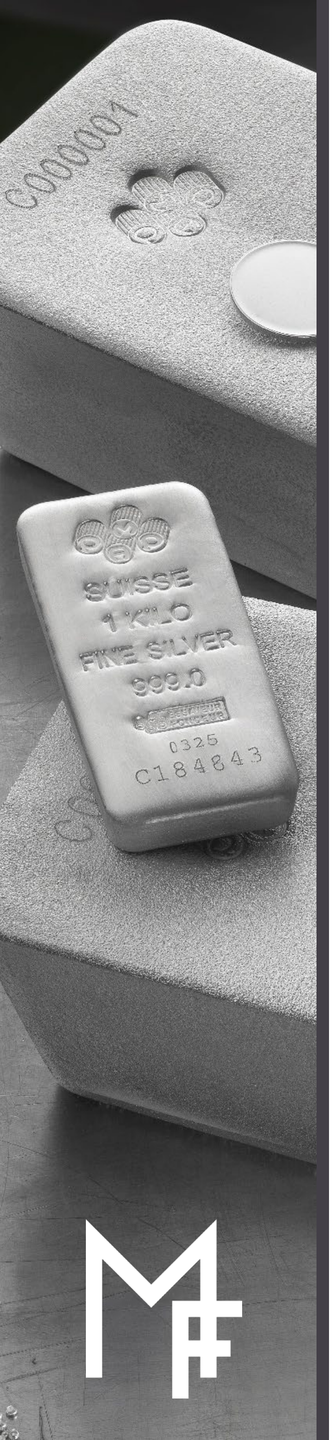
CME warehouse stocks off from record highs



London vault holdings were increasingly allocated to ETPs



Source: Bloomberg, LBMA, Metals Focus



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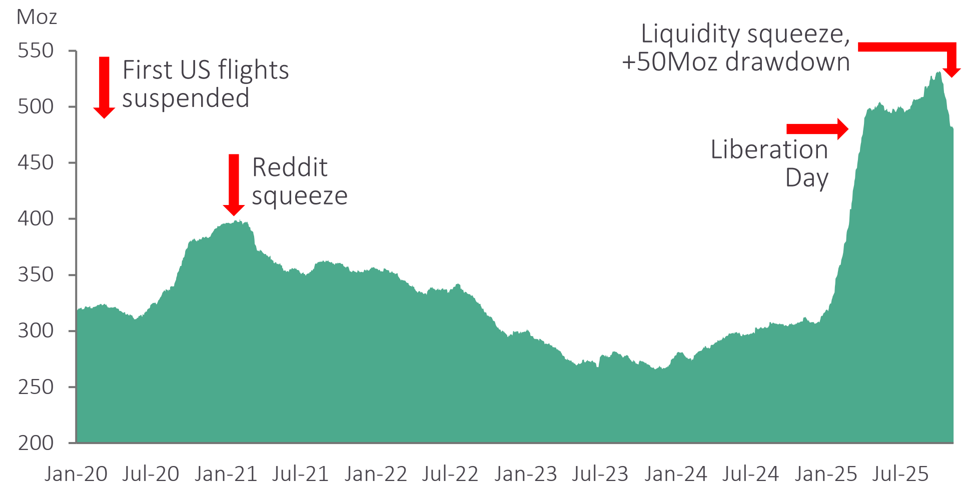
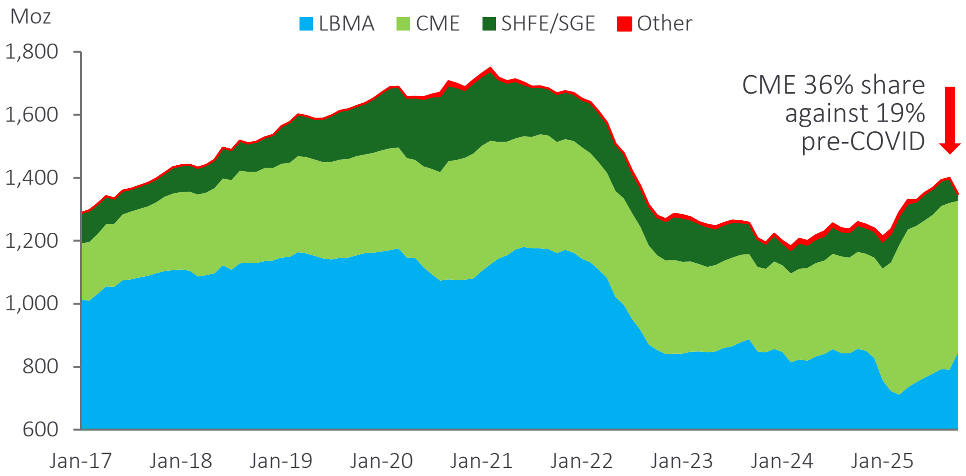


Identifiable stocks – growing importance of CME



Source: Bloomberg, LBMA, Metals Focus

Signs of a tighter market had been building

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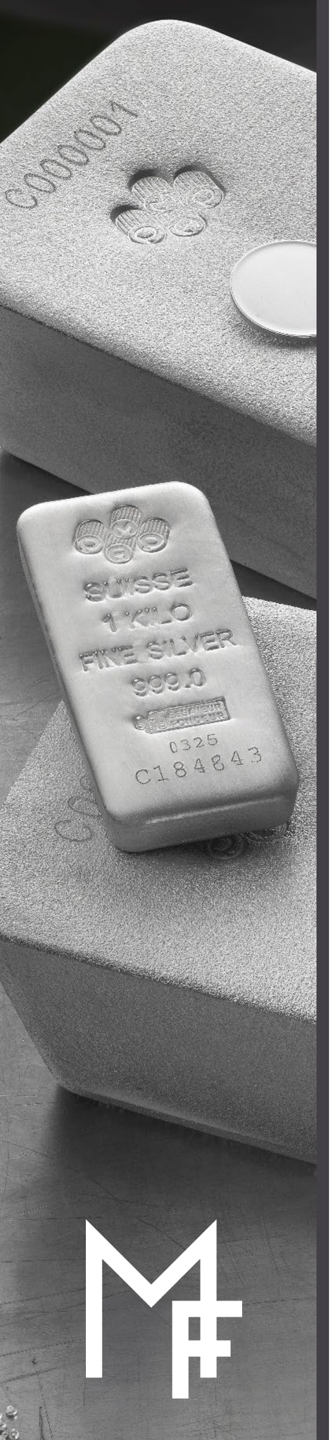
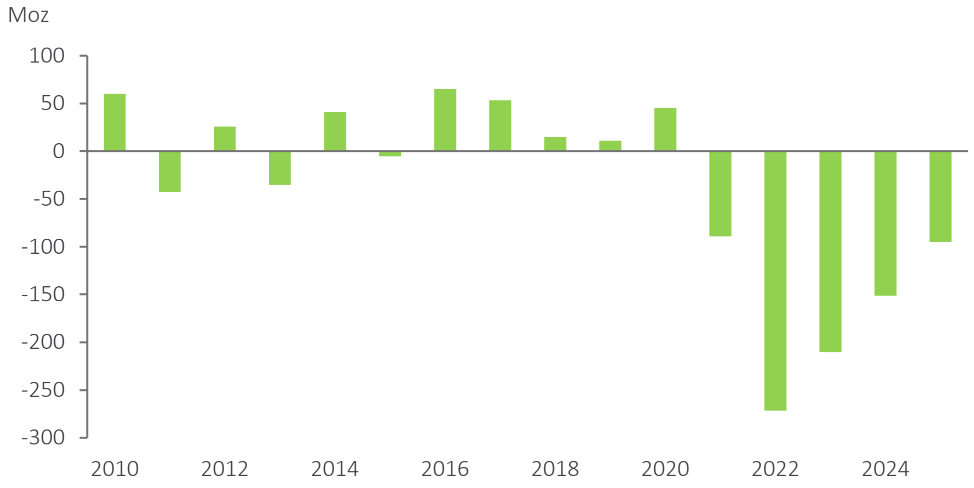
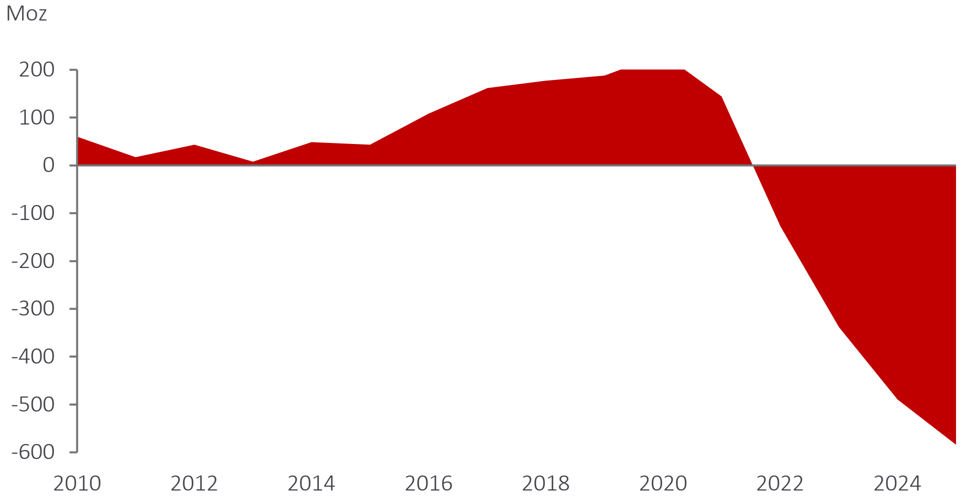


Five years of sizeable, uninterrupted deficits



Cumulative stock drawdown of ~580Moz during 2010-2025

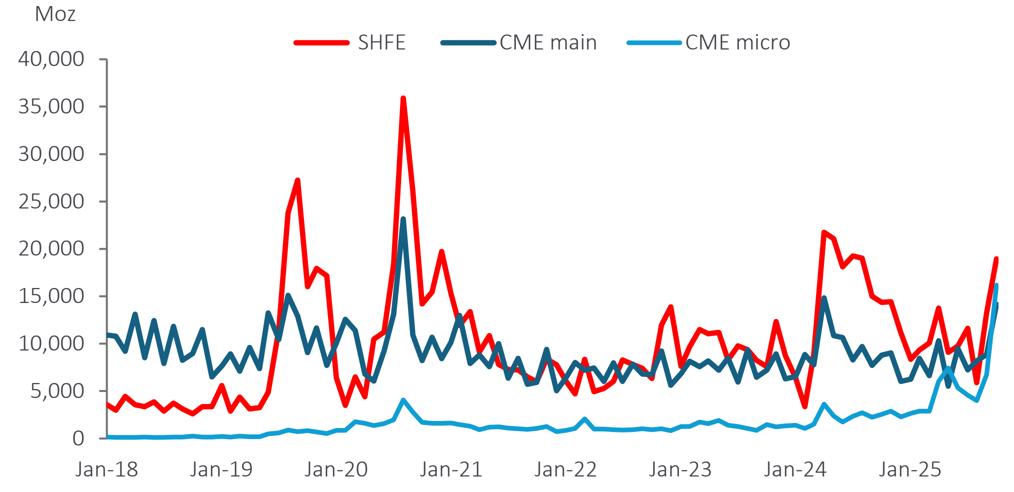


Source: Metals Focus

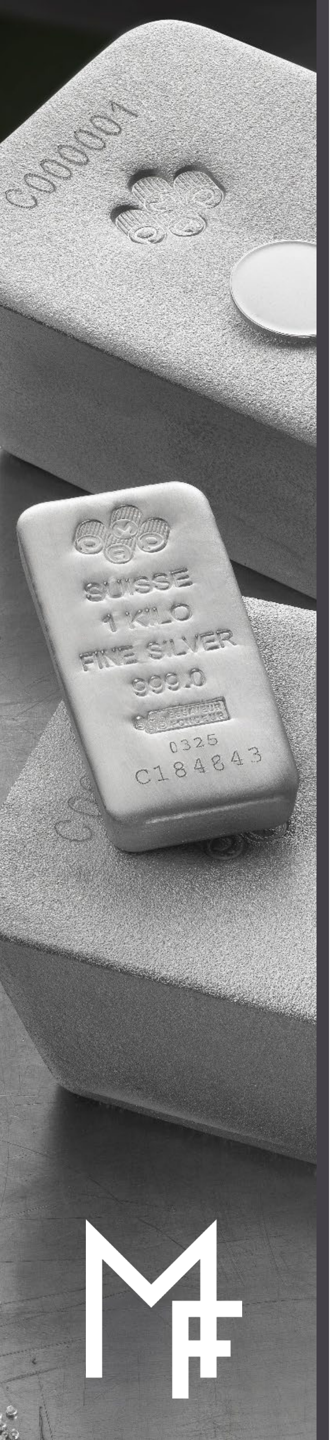
SHFE & CME futures activity strengthens

- SHFE/ CME investor interest started to improve notably from late summer
  - interest from retail investors has been particularly strong since then
- Beforehand, silver's underperformance weighed on investor interest.
- As gold prices surged, more capital required for trading gold, which to some extent has affected silver.
- The CME micro (1,000oz) driven by retail and professional investors, still bigger than contracts traded on most exchanges.

SHFE and CME futures trading at healthy levels



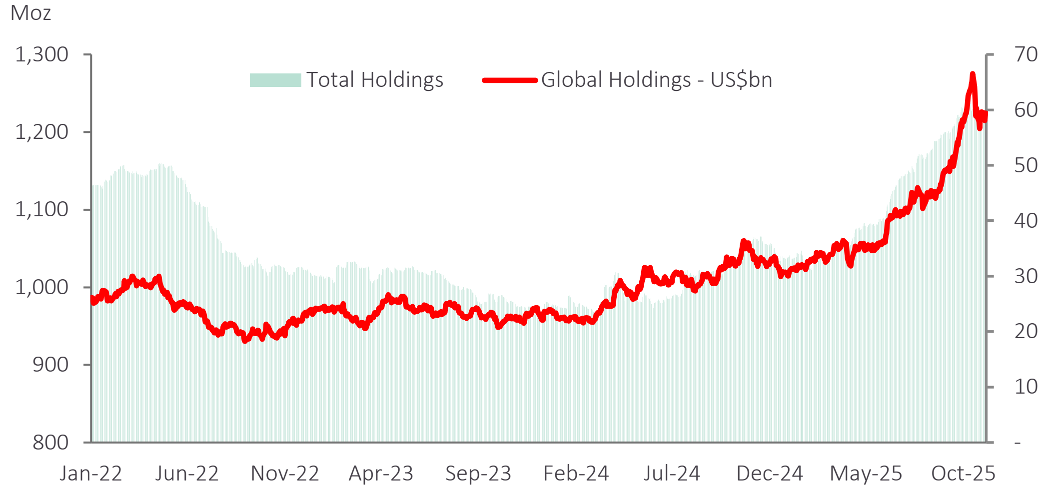
Source: CME, SHFE, Bloomberg



Comfortable record ETP highs, in volume and value terms

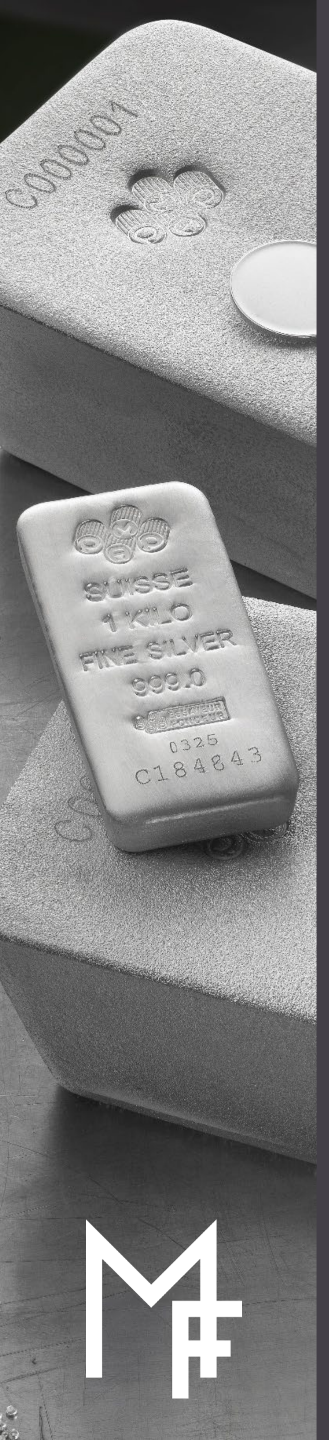
- October 17 – record ETP valuation: $67bn
- October 20 – record ETP volume: 1.25bn ounces
- Gold ETP holdings remain ~10% below-all-time peak, in volume terms.
- ETP gains this year led by:
  - iShares Europe & N. America: +51Moz
  - India: +43Moz
  - Aberdeen: +23Moz
  - Sprott: +22Moz

ETP holdings up 18% ytd; value up 98%



Strength across both gold and silver ETPs

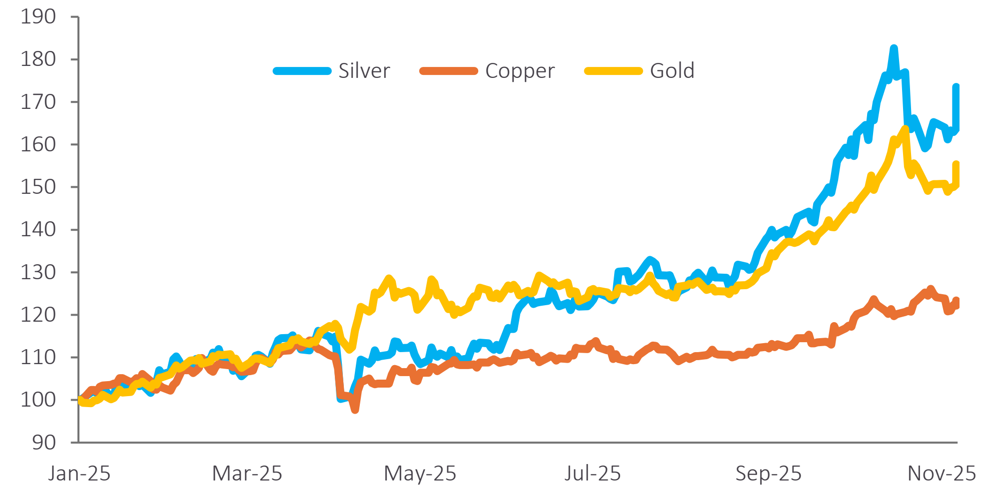
Source: Bloomberg



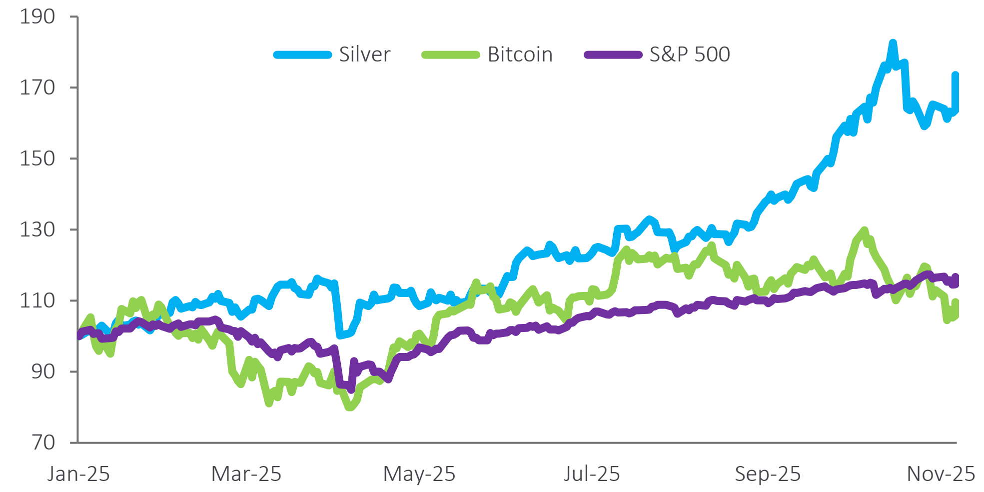
Liquidity constraints & strong investment led to record prices

- Silver up 74% this ytd to November 11th
- Gold 55% higher
- Copper up 24%
- Bitcoin up just 6%
- S&P 500 17% firmer

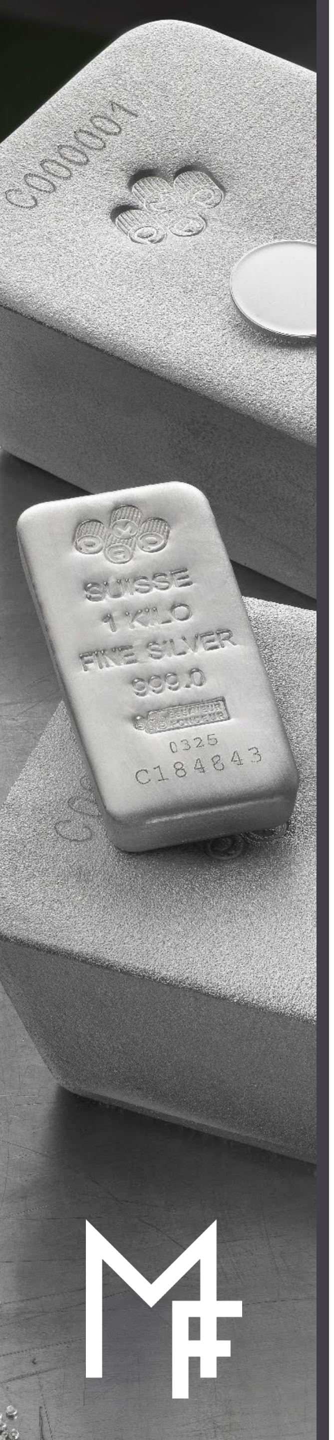
Outperforming precious and some base metals



And outperforming some equities and cryptocurrencies



Source: Bloomberg, Metals Focus

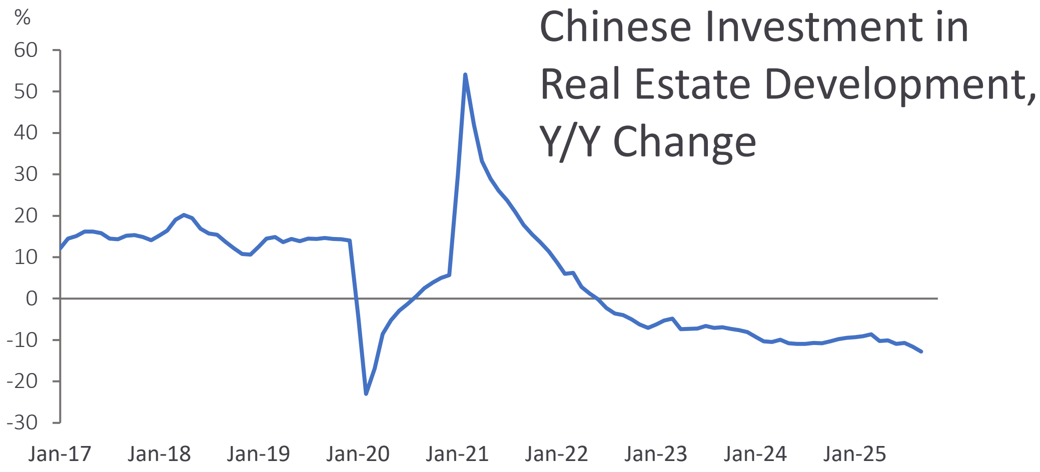


Outperformance has driven down the gold:silver ratio

- Previously, a weak Chinese economy had weighed on the silver price
- Now, silver an outperformer despite ongoing Chinese headwinds

The ratio has now fallen below 80:1

Despite concerns about a weak Chiense economy



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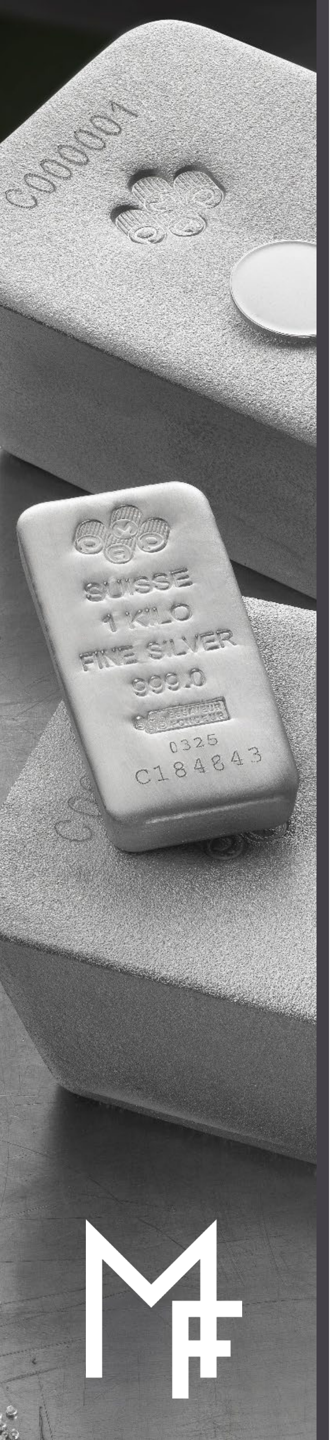
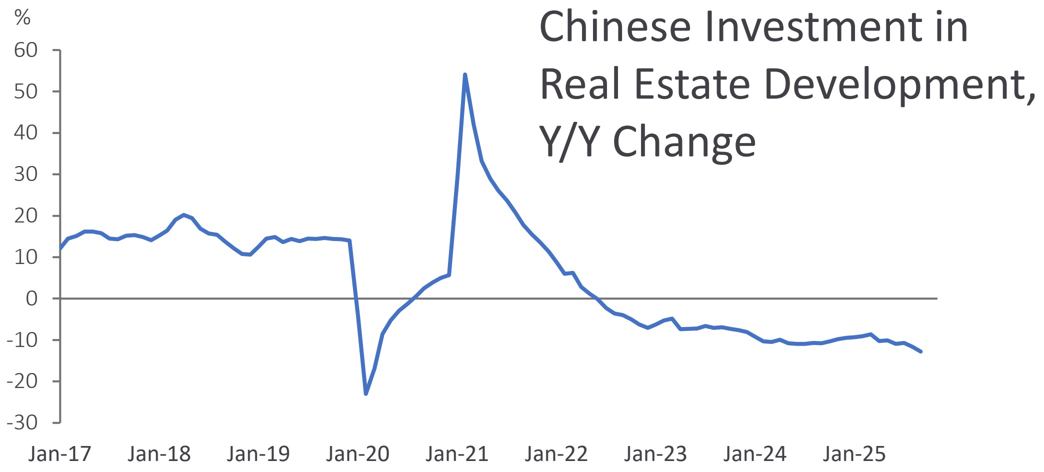


Outperformance has driven down the gold:silver ratio

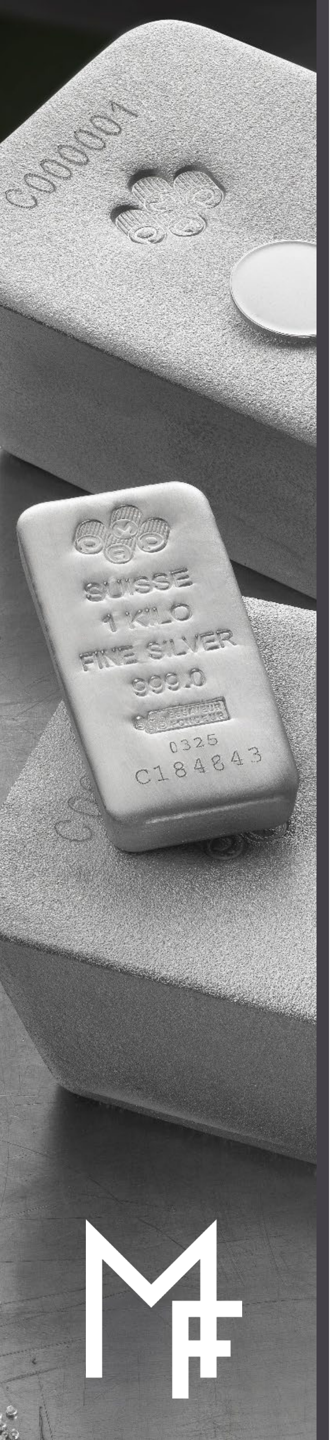
- Approaching a new high (at the time of preparing this presentation)
- The rally has been quite different to 2011.
- That run-up was ultimately unstainable
- In 2025, silver has largely held at higher, key price points
- With corrections often quickly bought in to

The rally has built credibility at key price thresholds

Despite concerns about a weak Chiense economy

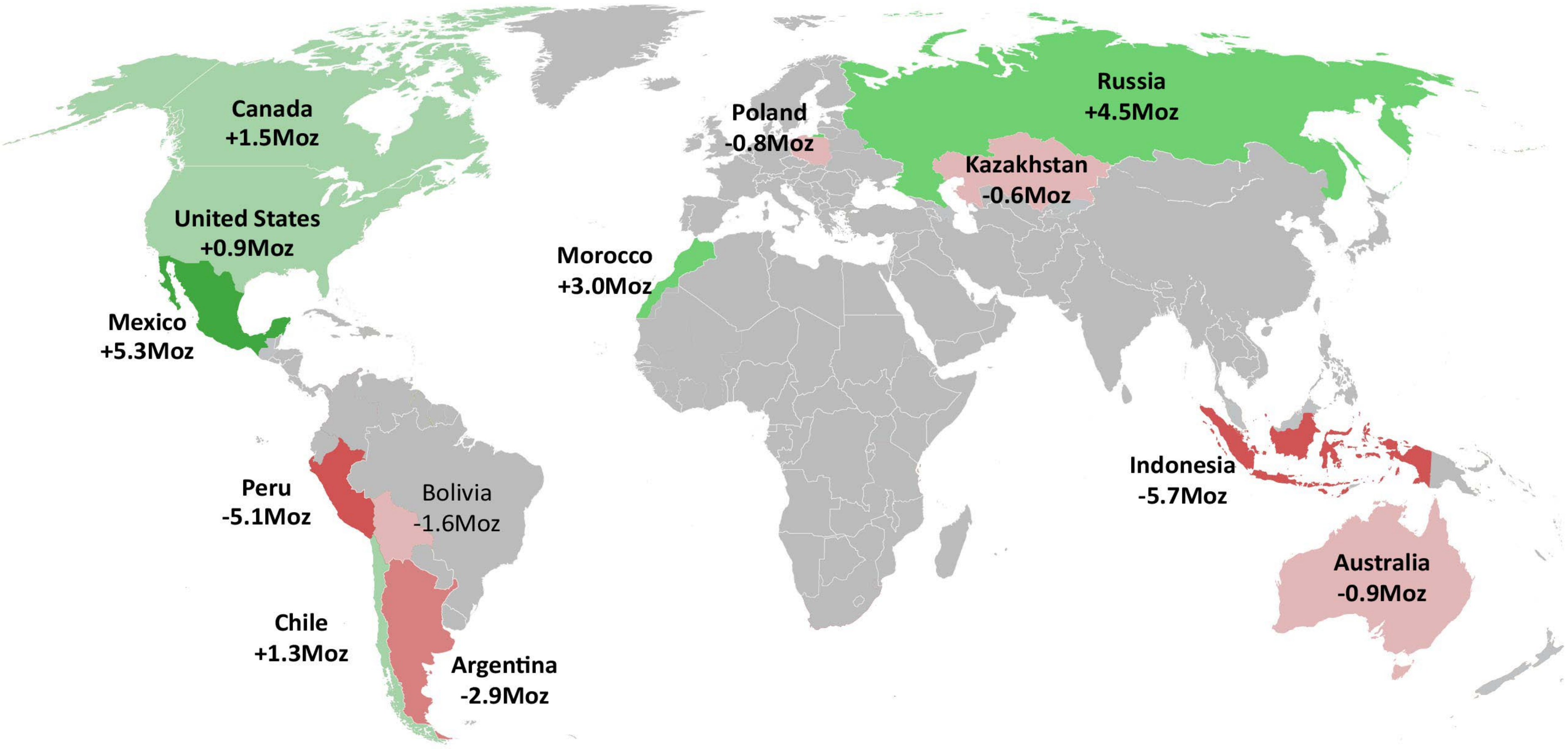


Source: Bloomberg, Metals Focus



Mined silver production to remain flat in 2025 at 813Moz

Global mine supply is expected to remain flat year-on-year, as growth in North America and Russia is outweighed by lower output from South America, Australia and Indonesia



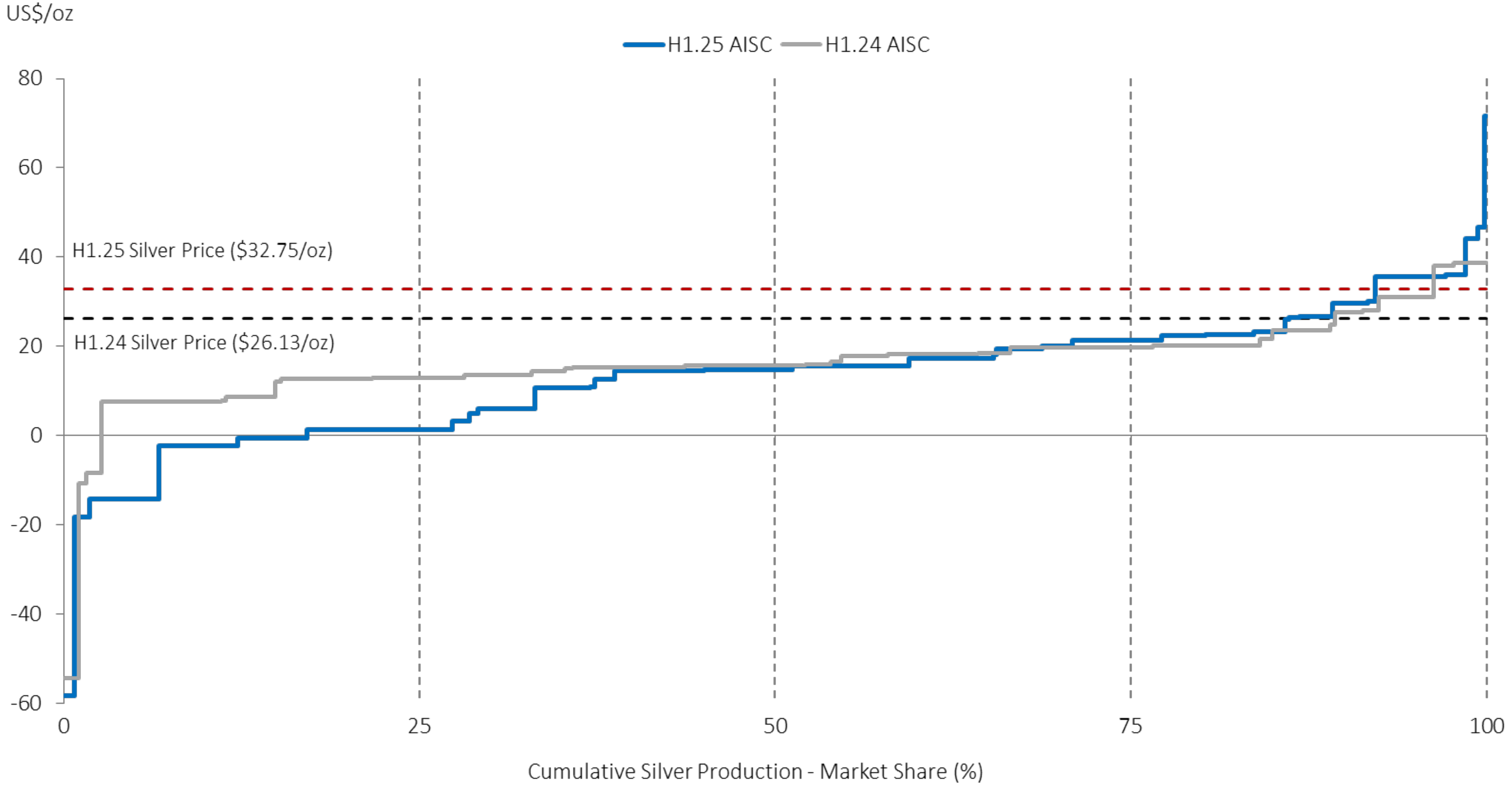
Year-on-year change Moz

-10.0 -7.5 -5.0 -2.5 -0.5 +0.5 +2.5 +5.0 +7.5 +10.0

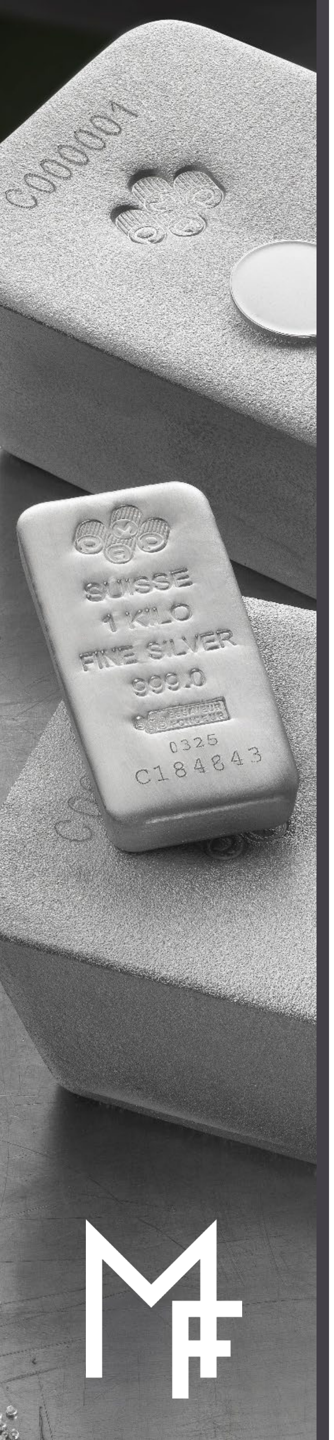
Source: Metals Focus

Primary silver miners' AISC fell by 7% y/y in H1.25

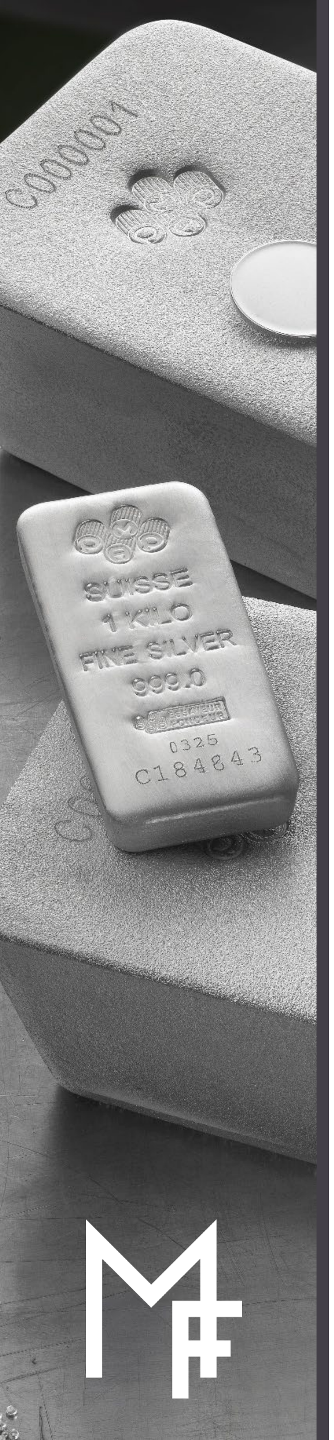
By-product credits, particularly gold, underpinned the drop in primary miners' AISC



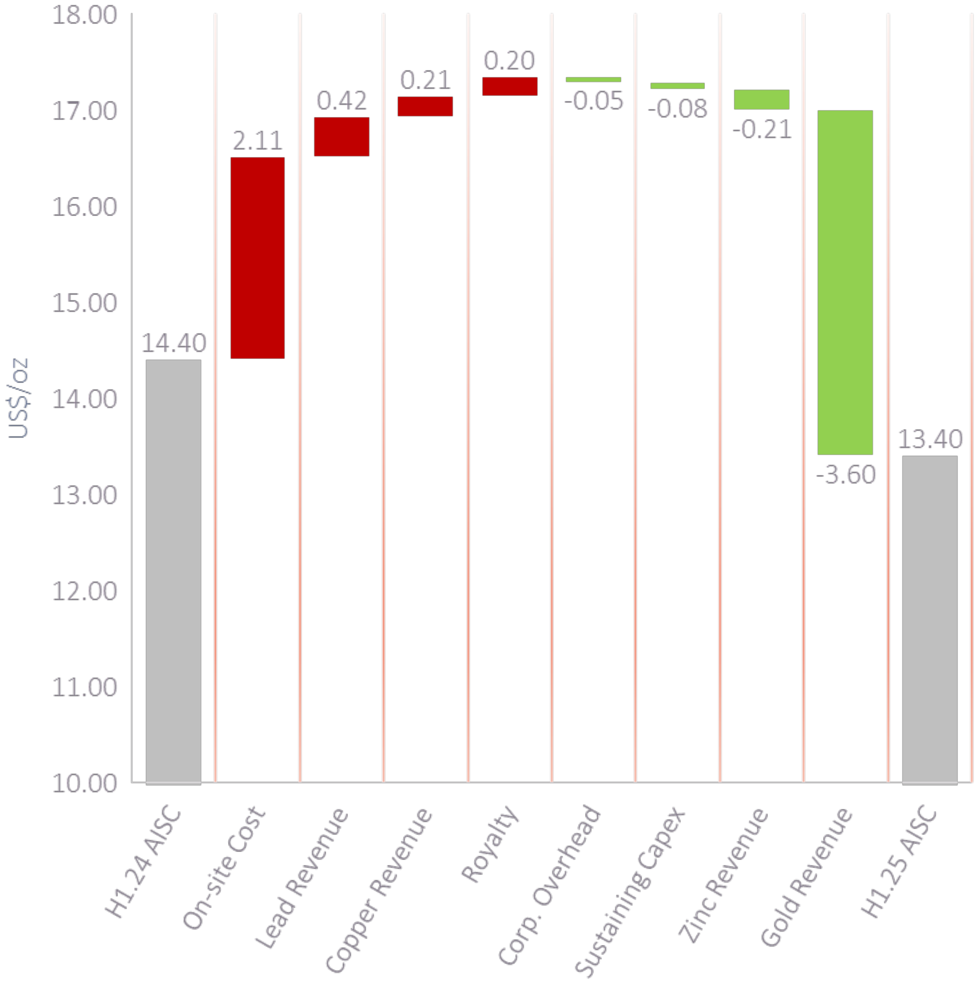
Source: Metals Focus – Silver Mine Cost Service



Average AISC margins climbed to $19.4/oz in H1.25

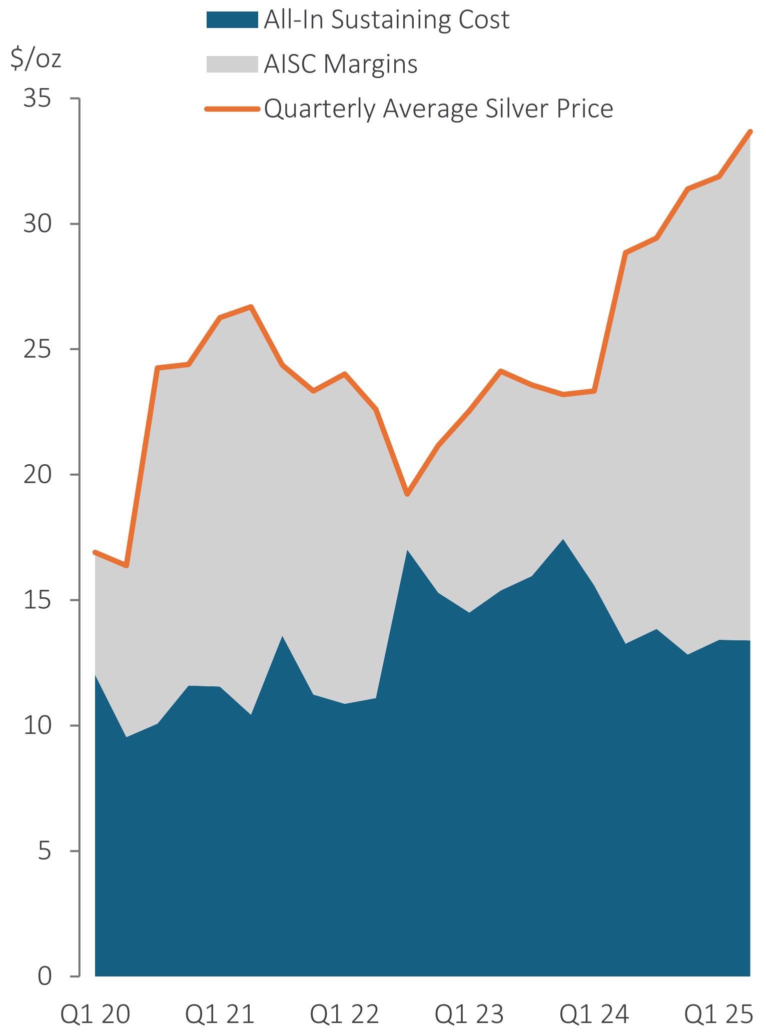


By-product credits outweigh rising on-site costs

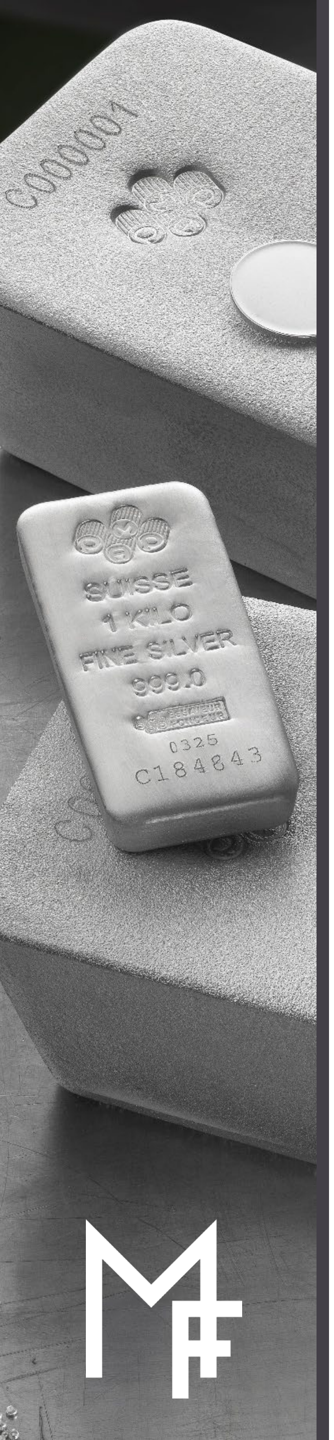


Source: Metals Focus Silver Mine Cost Service

AISC margins reach highest point in over a decade

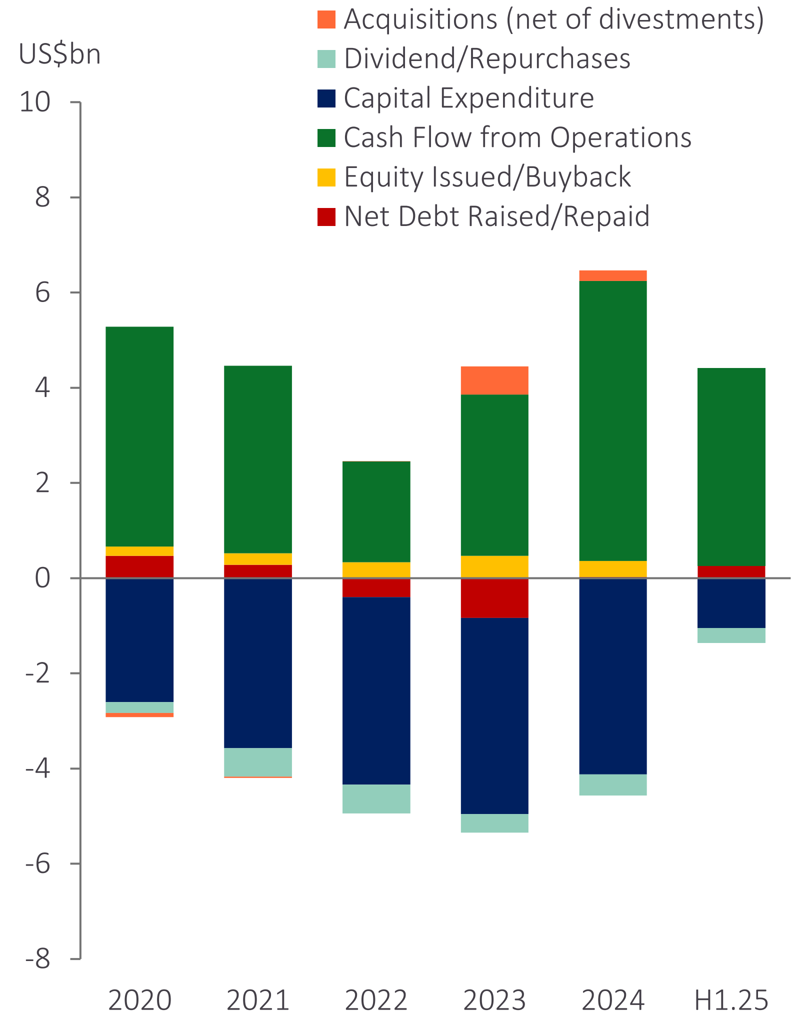


Source: Bloomberg, Metals Focus Silver Mine Cost Service



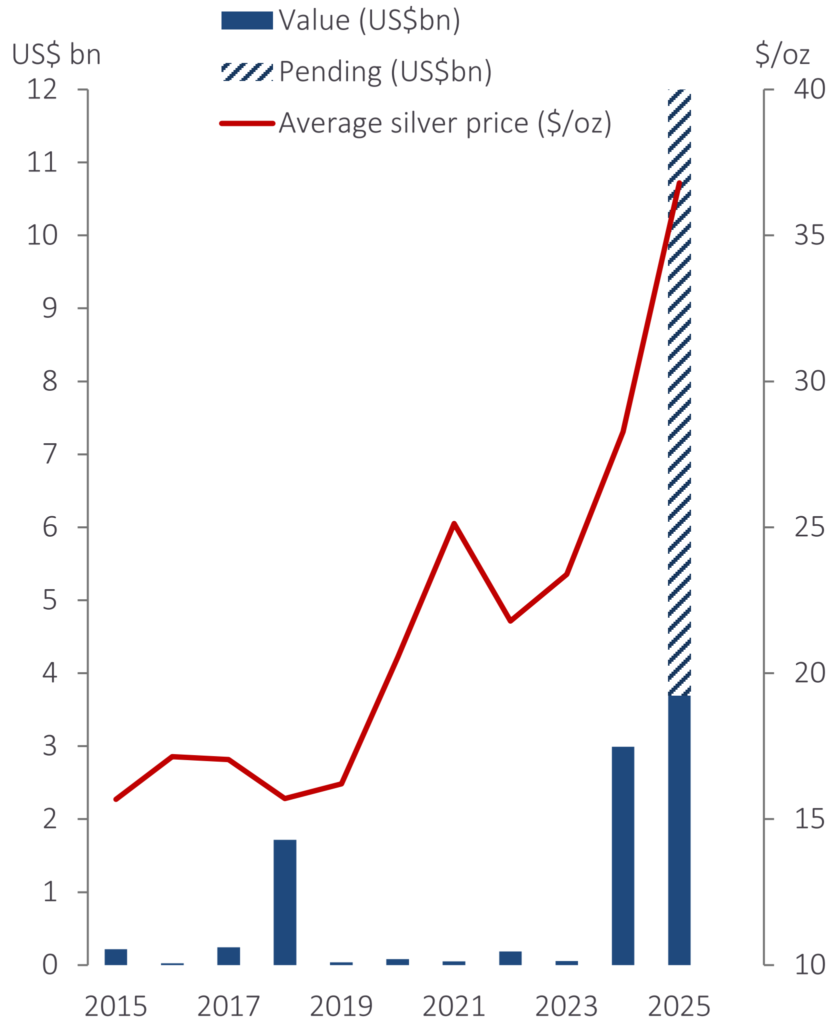
Value of M&A activity at a multi-decade high

Cash flow from operations looks set to rise significantly in 2025



Source: Bloomberg, Metals Focus

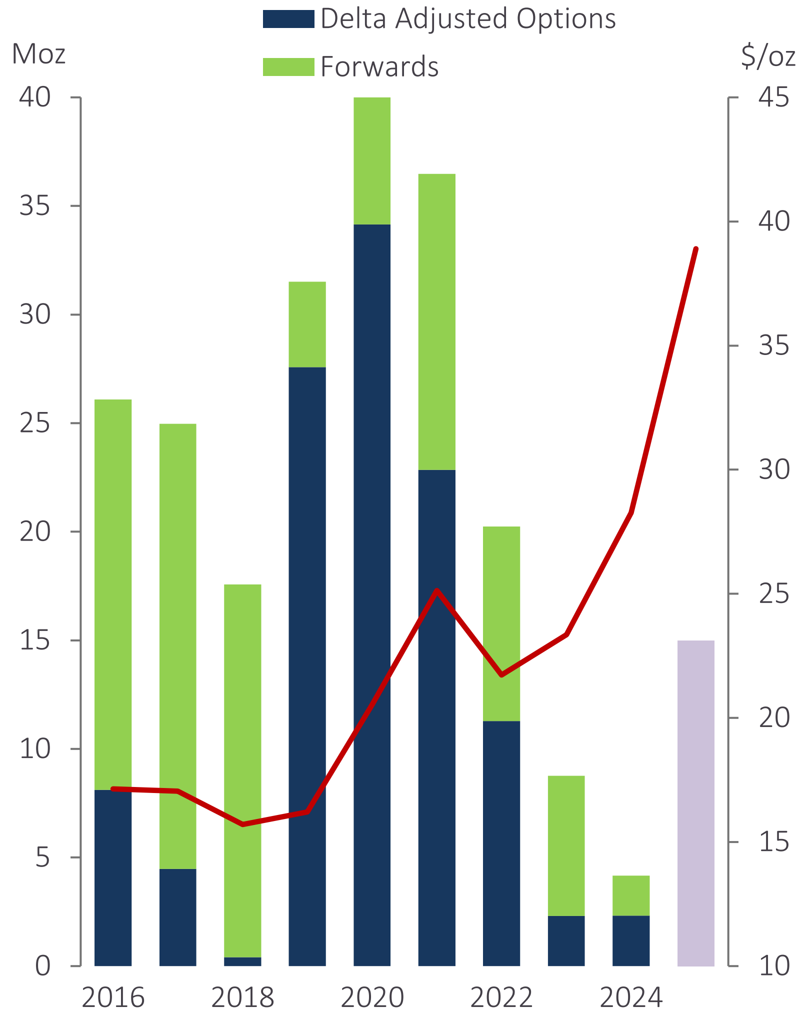
M&A activity remains buoyant



Source: Bloomberg, Metals Focus

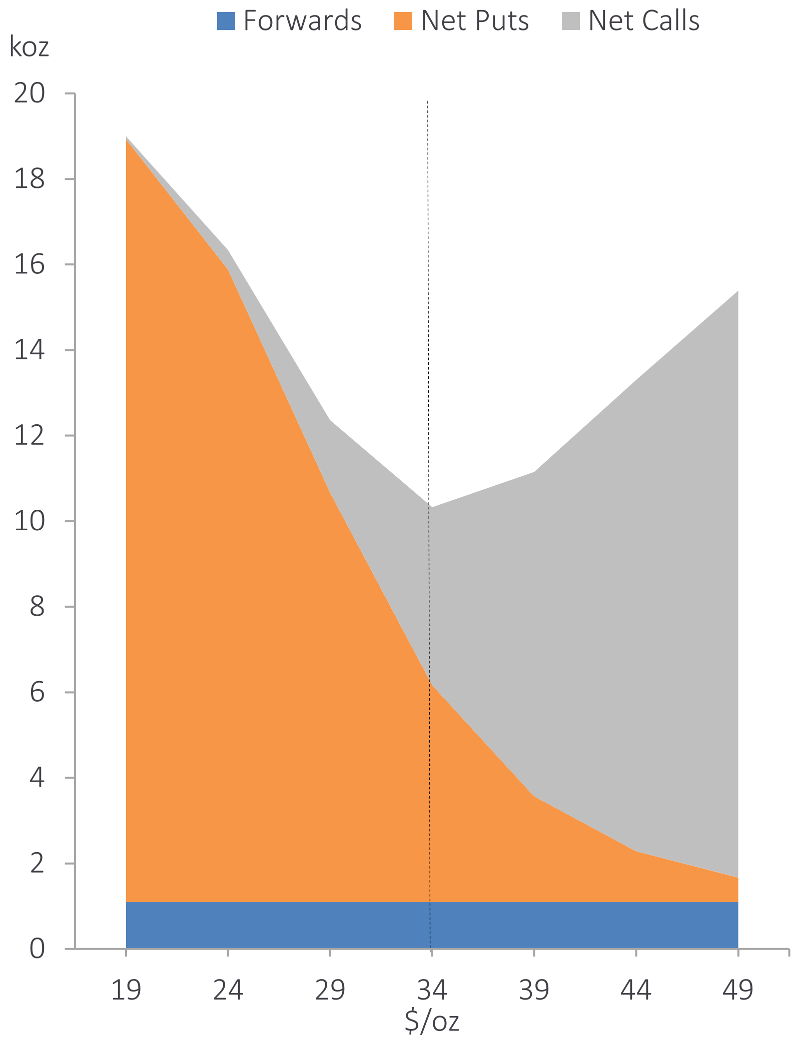
Net hedging for the first time since 2021

By end-H1.25, options accounted for 89% of the hedge book



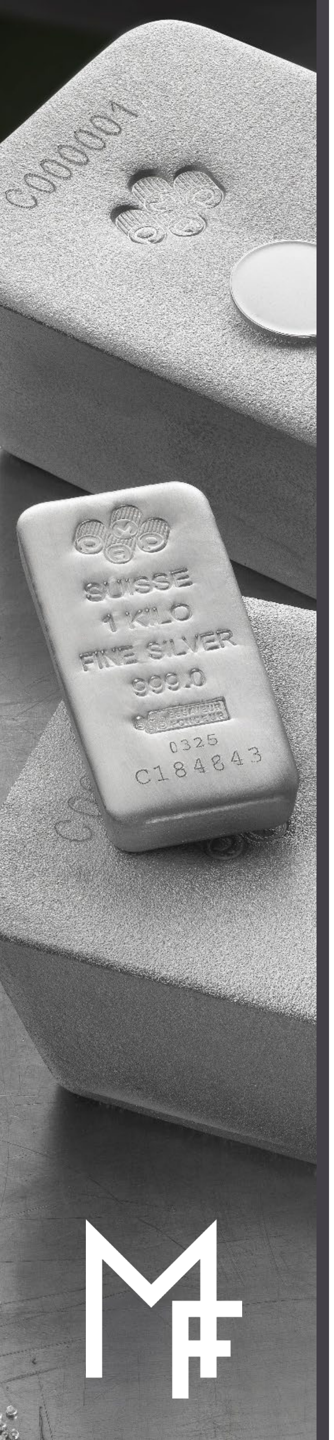
Source: Bloomberg, Metals Focus

At the current spot price all options are out of the money



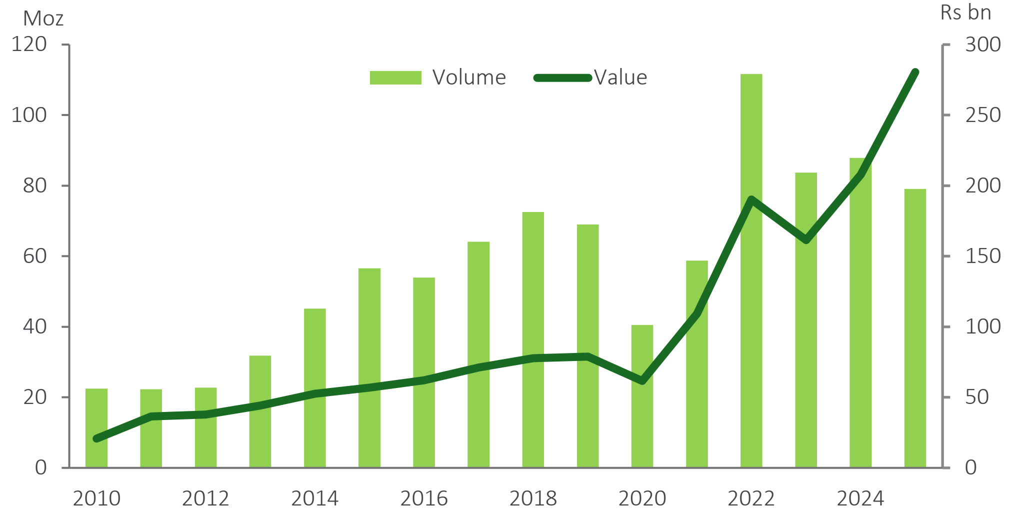
Source: Bloomberg, Metals Focus

Price impact on demand: Resilience in India

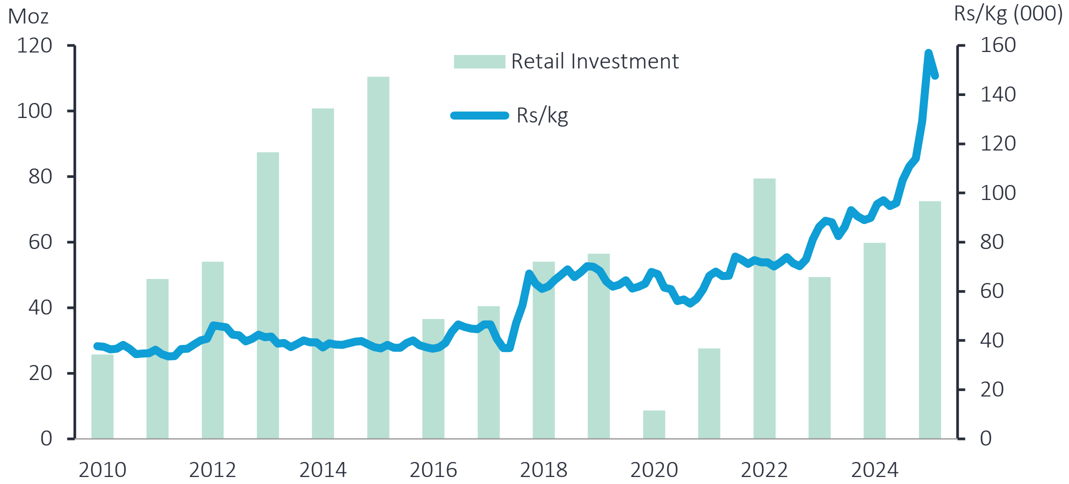


- Indian silver bullion imports exceed 170Moz over first 10 months
- Down 20% y/y, but have surged in recent months
- Air freighting silver in, in response to elevated premiums
- Urgency of demand sees FTZ by-passed

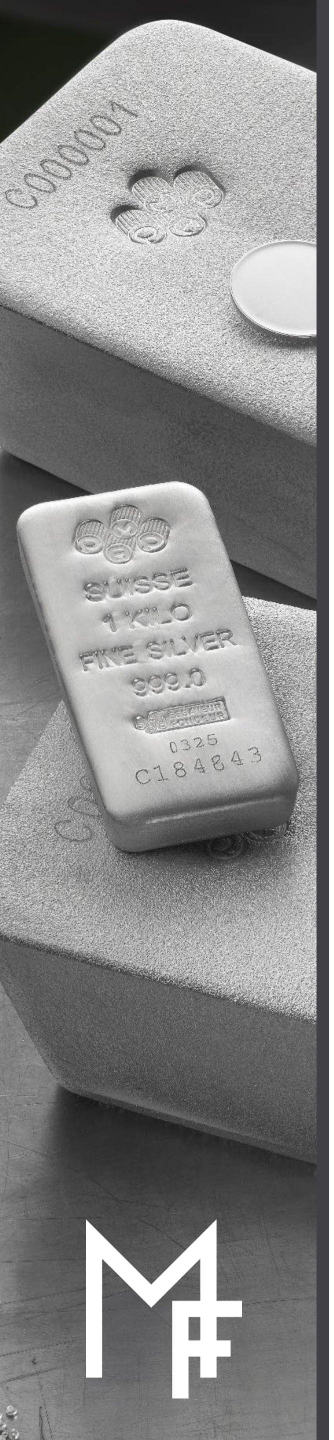
Growing commitment by Indian consumers to jewelry



Indian retail investors respond positively to price gains



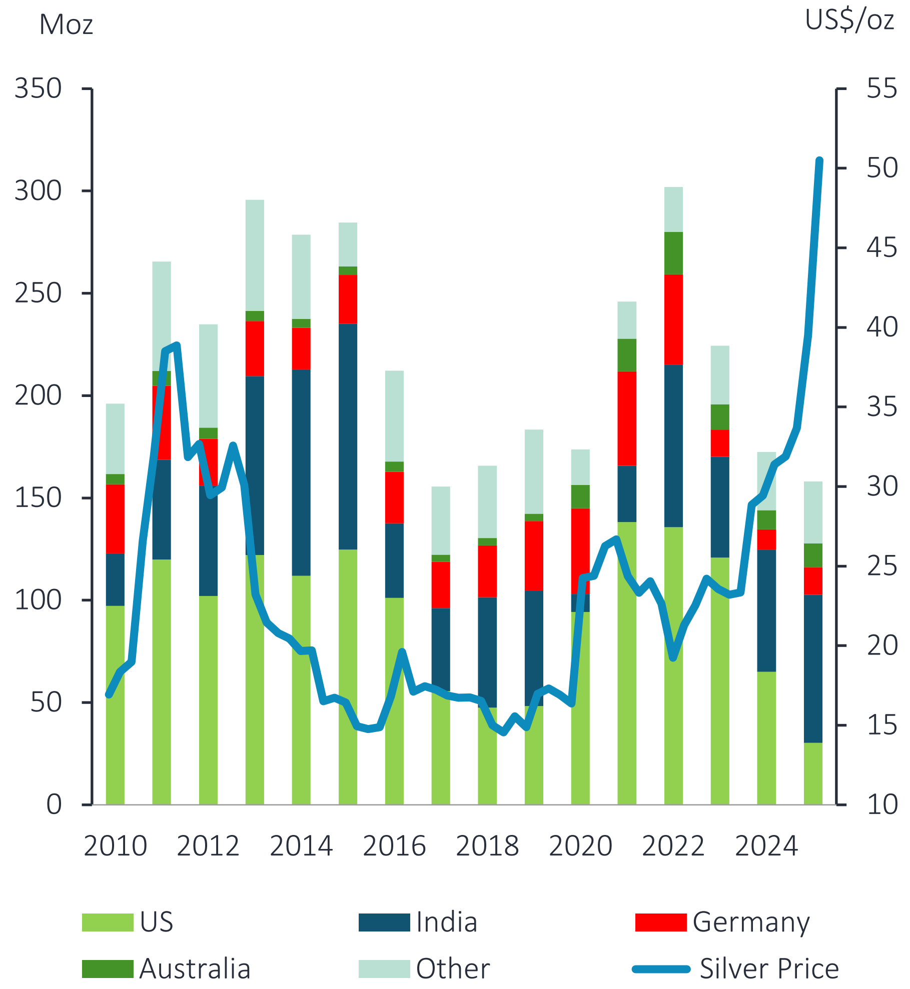
Source: Metals Focus



Physical investment: US slide nearly offset by other markets

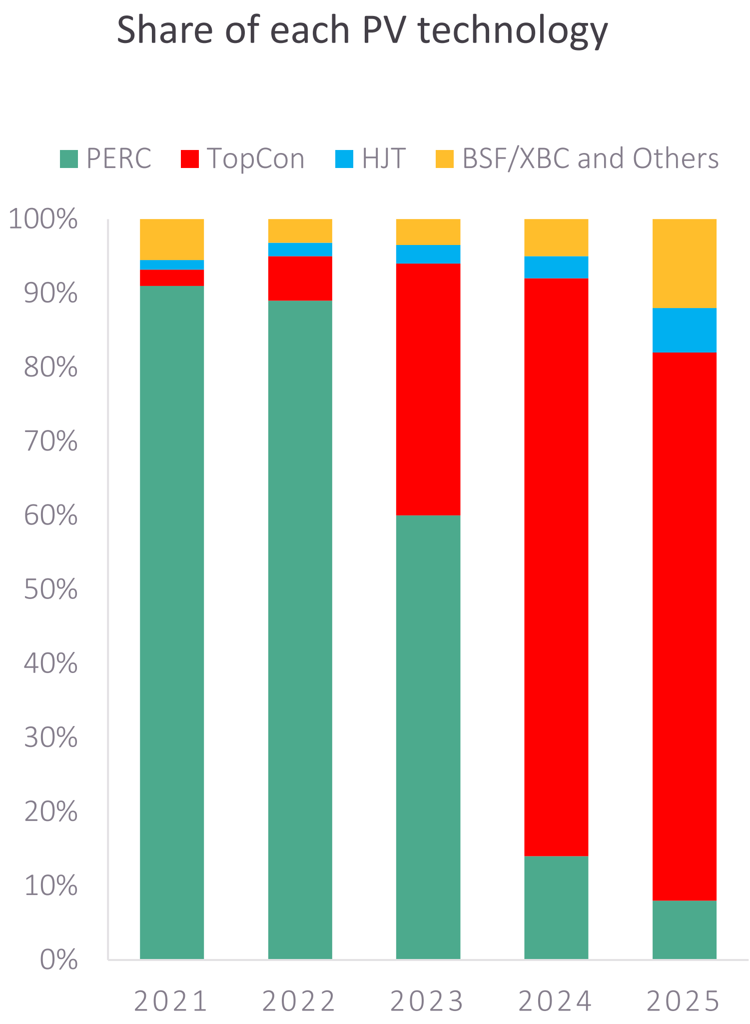
- India becomes the largest silver retail investment market in 2025, last seen in 2019
- Germany and Australia also seeing gains this year
- US continues to struggle, despite recent uplift in demand

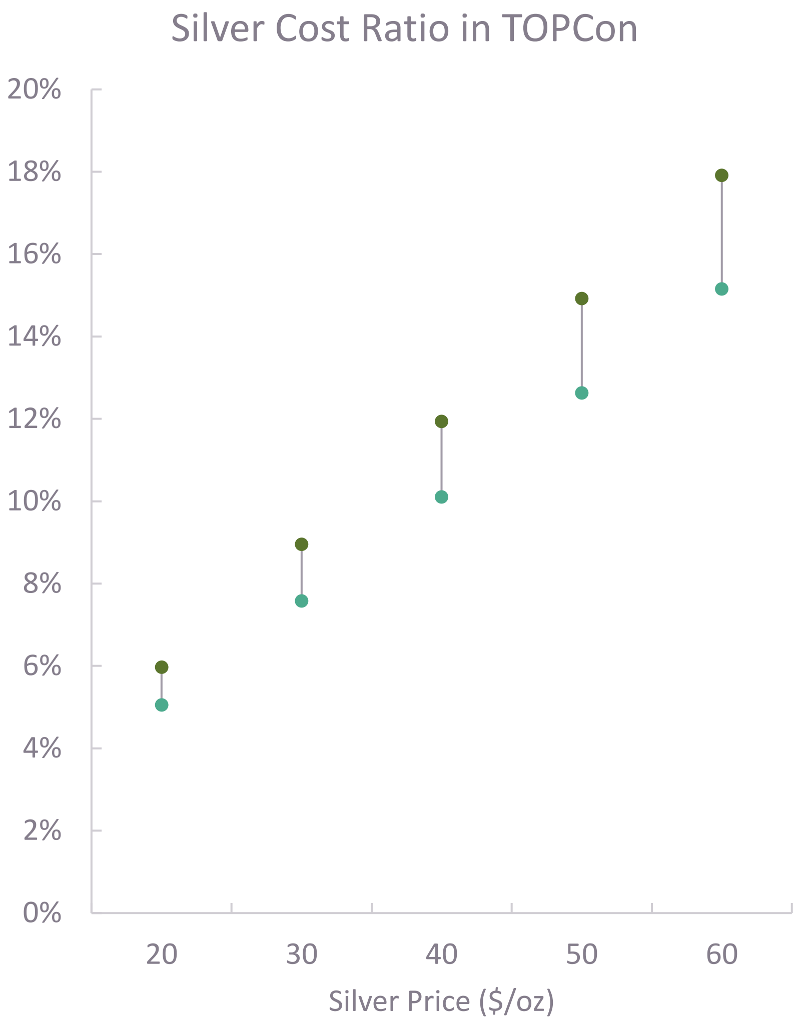
Global total in volume terms edges lower in 2025



Source: Metals Focus, Bloomberg

Reduced silver loadings across various PV technologies





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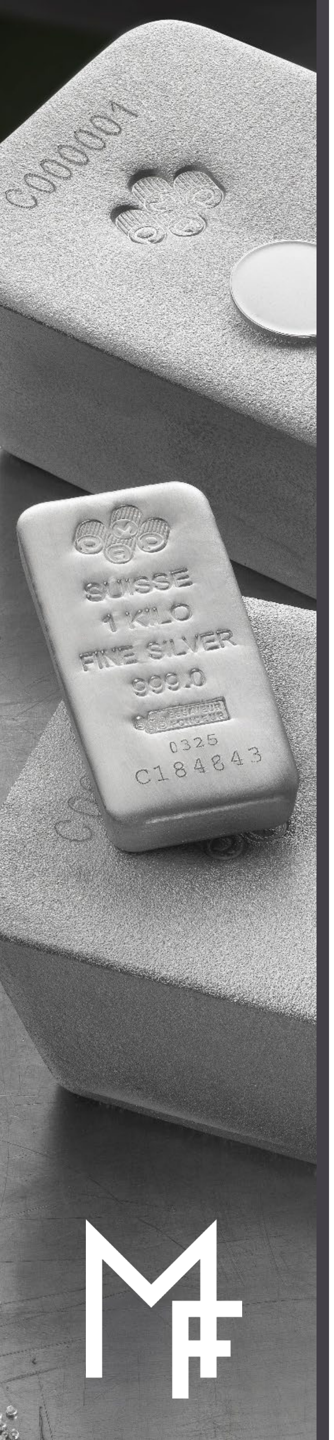
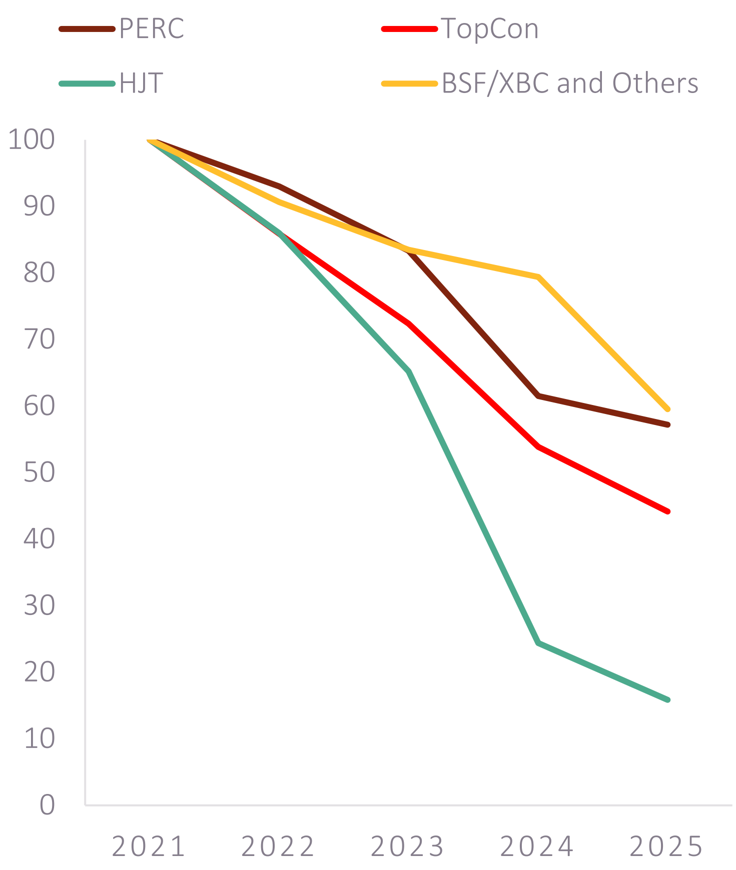


PV cost pressures driving those silver loadings lower

Indexed silver loading per watt, by technology



Note: Index is based on silver loadings per cell, 2021 = 100%

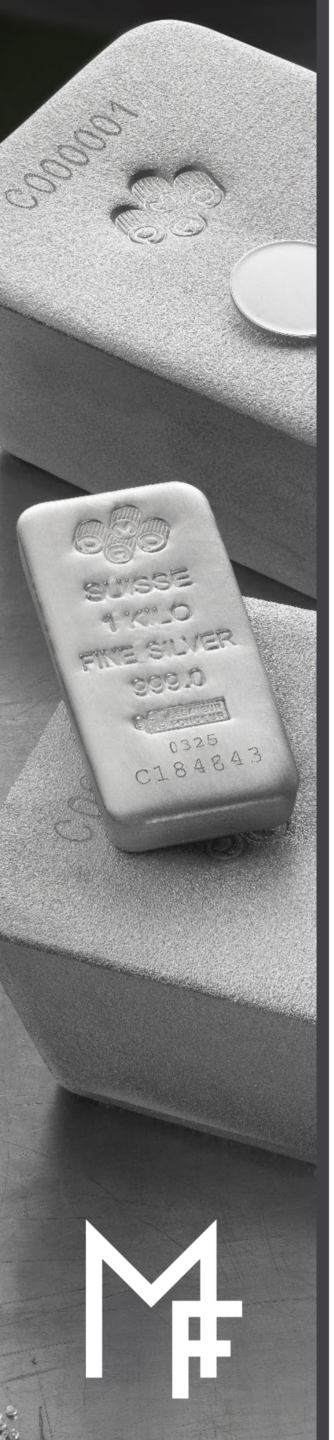
Progressive thrifting: optimizing silver usage through grid-line design, process enhancement and material innovation.

- Grid-line design:
  - SMBB to 0BB (Zero Busbar)
- Process enhancement:
  - Laser enhanced contact optimization (LECO)
  - Fine-line printing technology
- Material Innovation:
  - Ag-Cu Paste

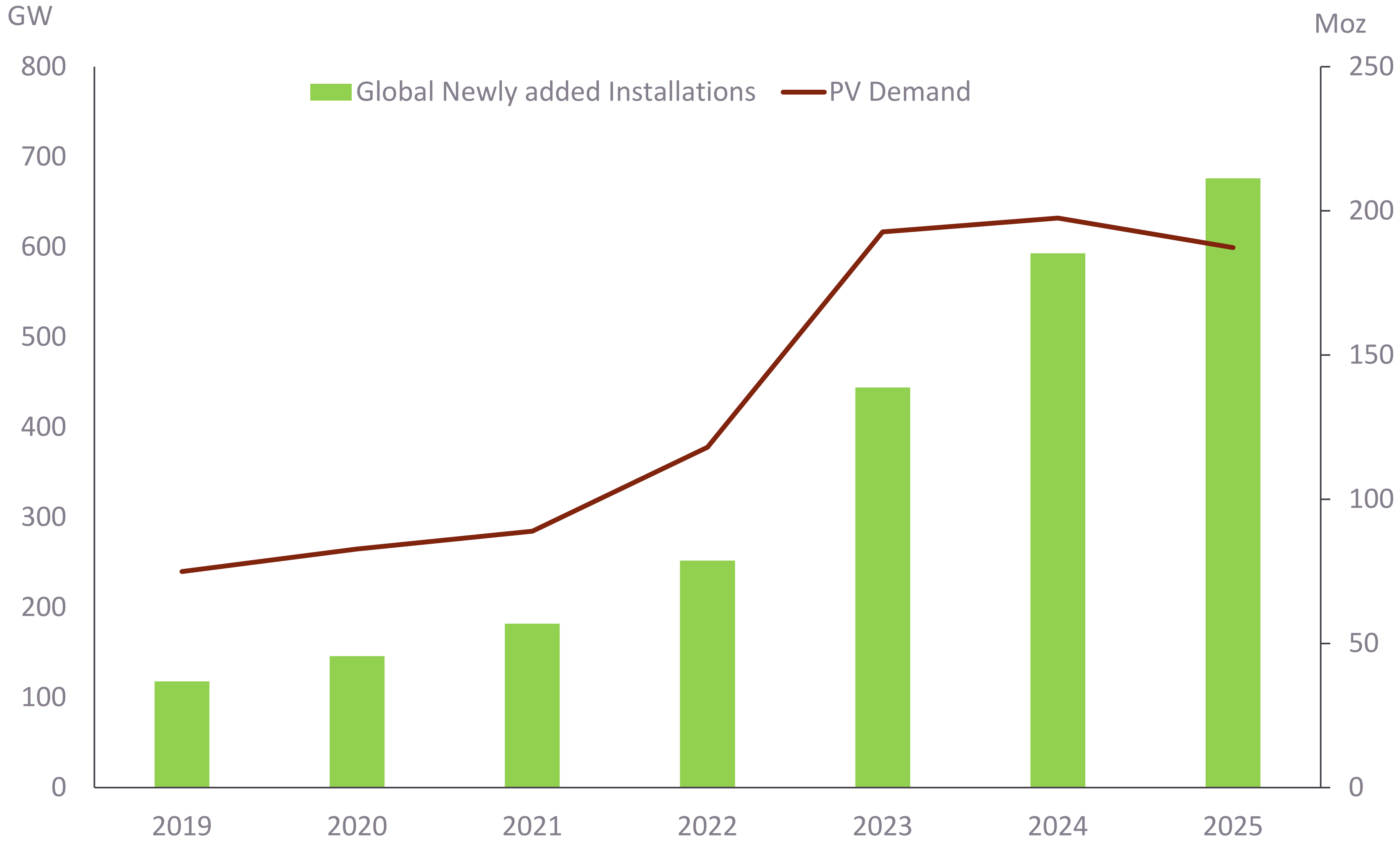
Substitution: using copper as a viable pathway to eliminate silver usage.

- Copper plating
- Silver-Free Pastes

Source: Metals Focus



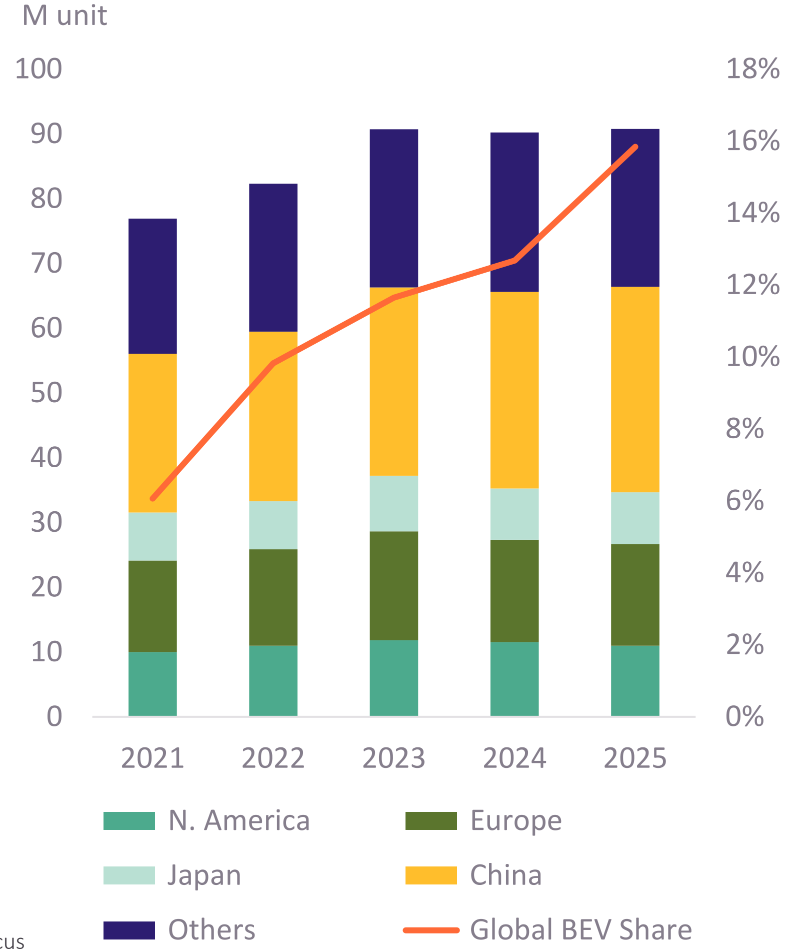
PV silver demand to ease back from record high



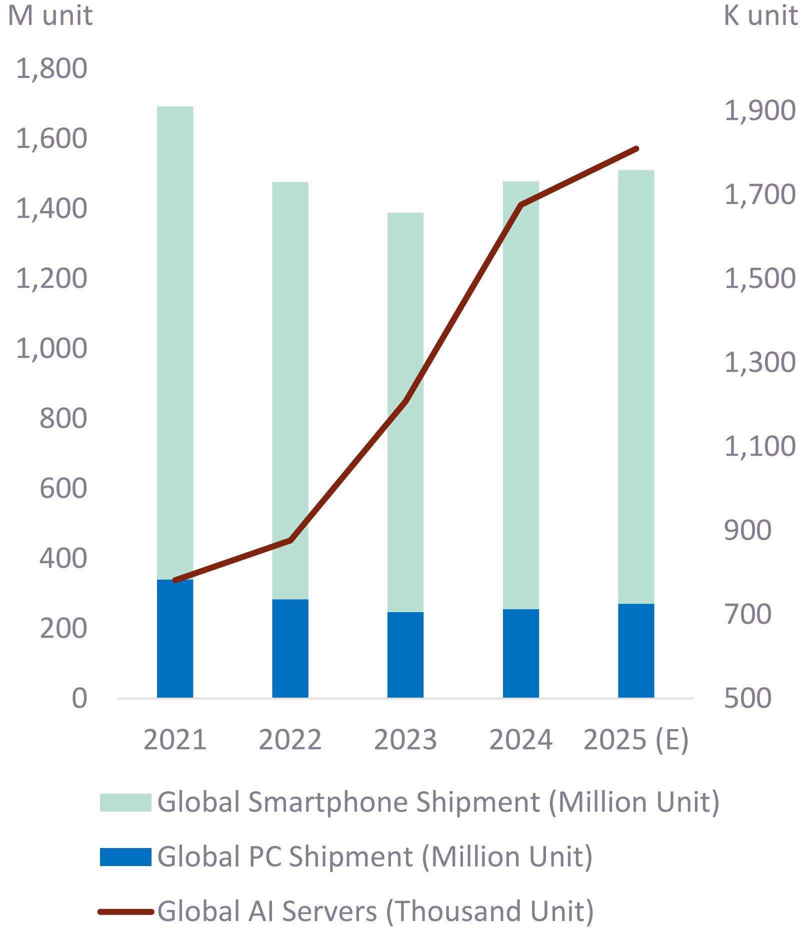
Source: Metals Focus, various PV capacity forecasts

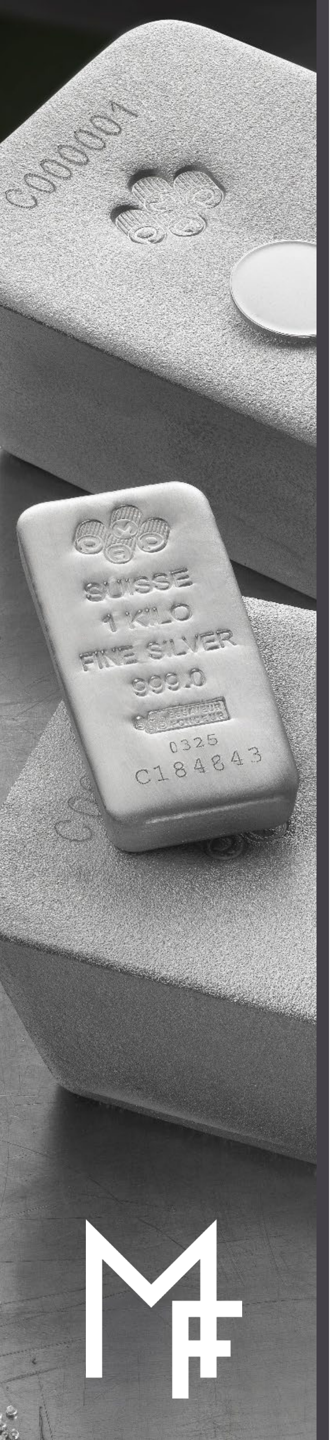
Automotive and AI investment underpinning demand

Automotive:
increasing electrification and rising BEV penetration



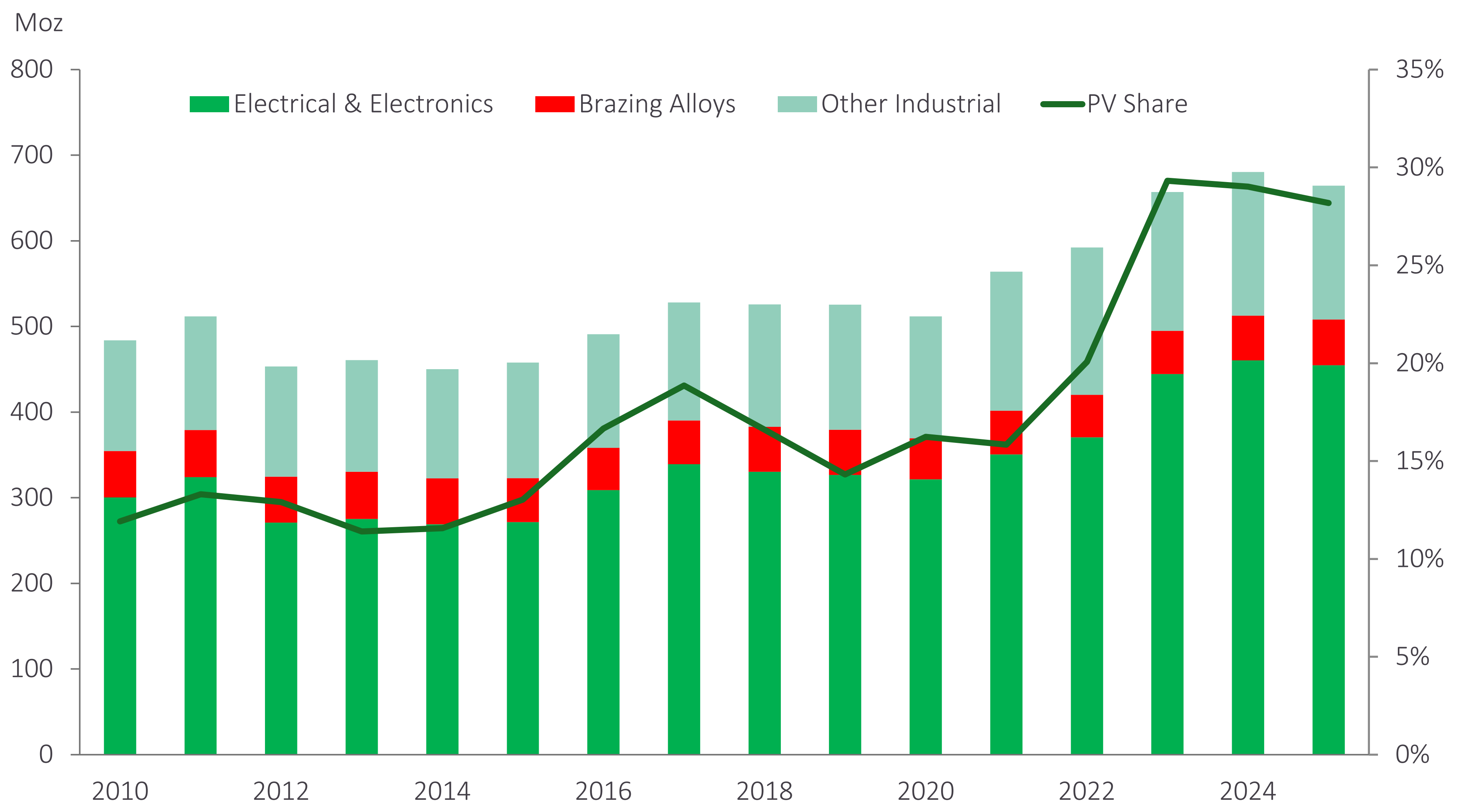
AI investment:
supporting the recovery of consumer electronics





Source: Metals Focus

Industrial demand in 2025 the second highest on record



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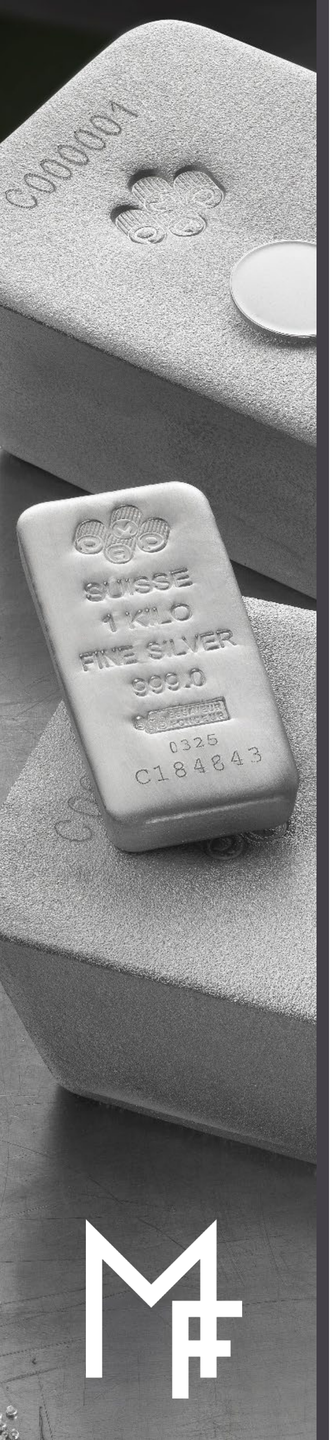
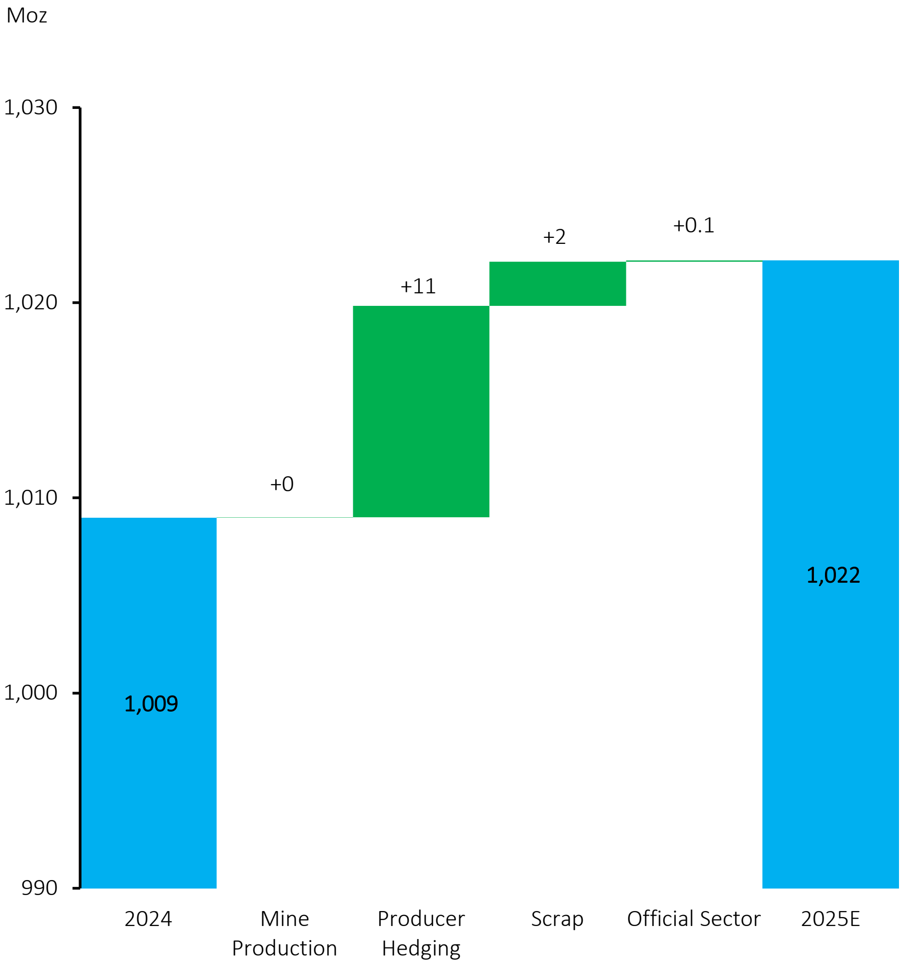
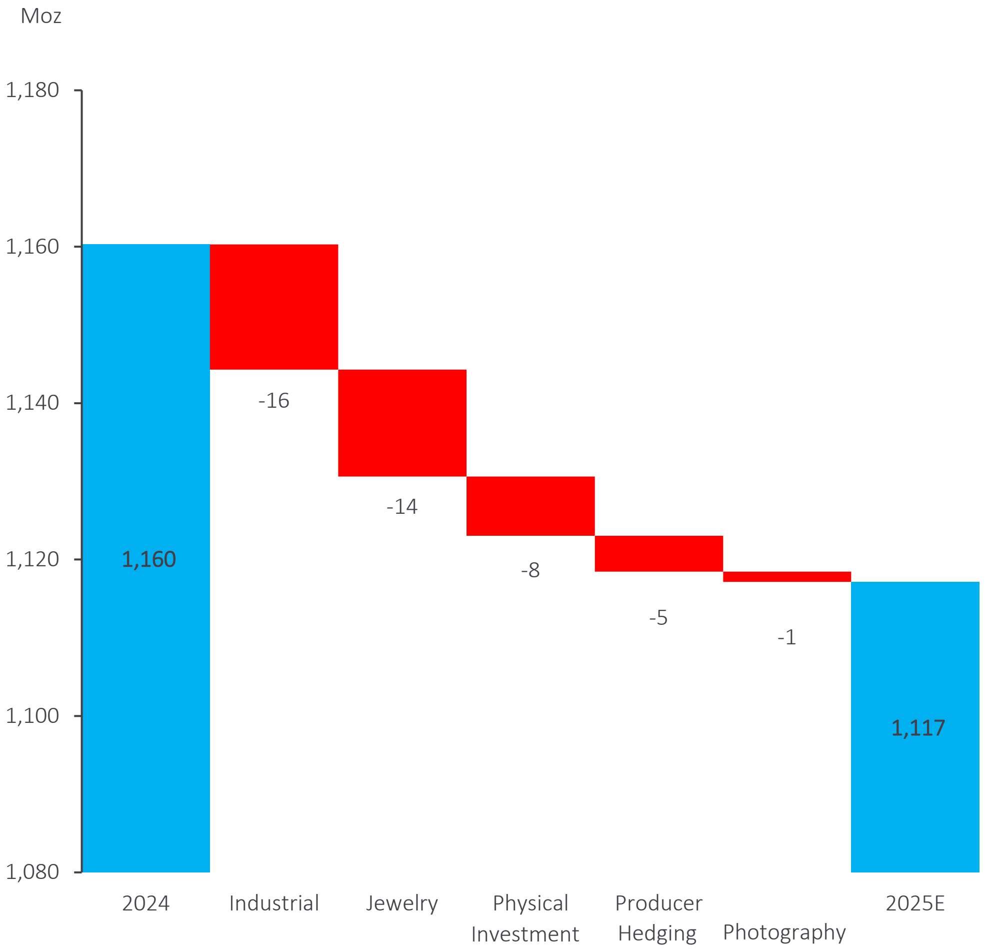


2025 supply/demand estimates

Global Supply: Edges up 1% in 2025 to a three-year high



Global Demand: 2025 slips 4% to a four-year low



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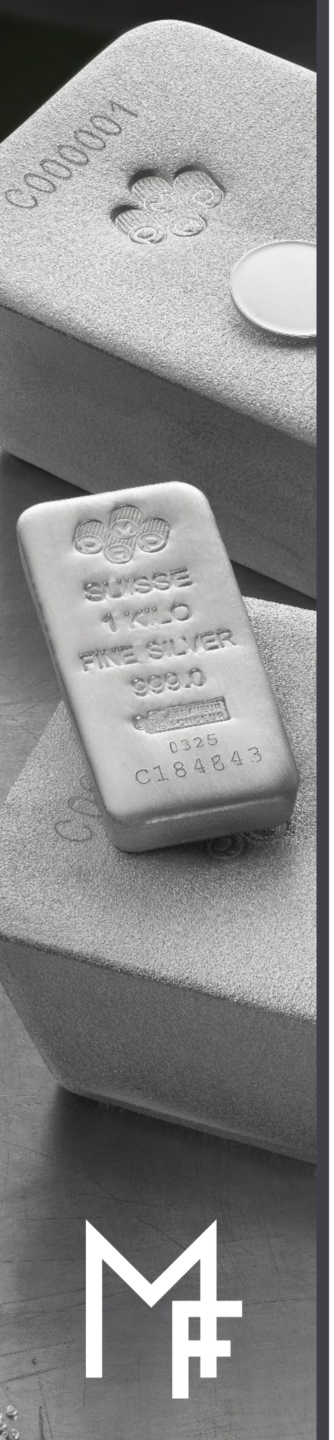
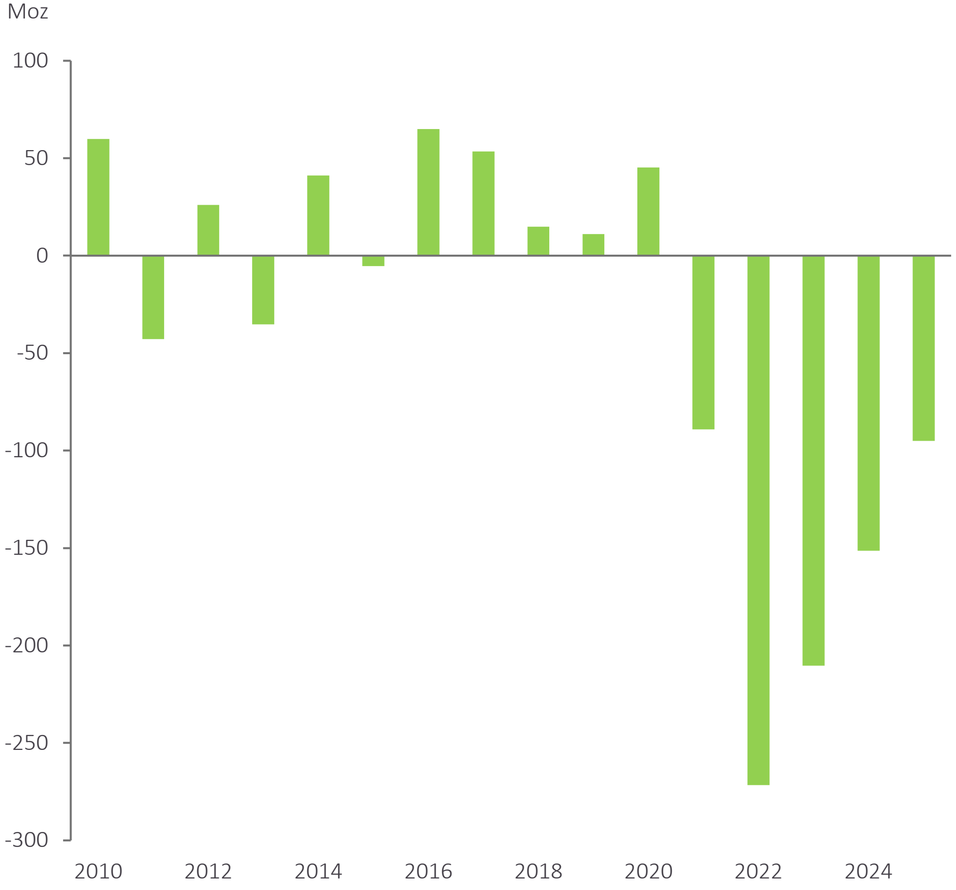
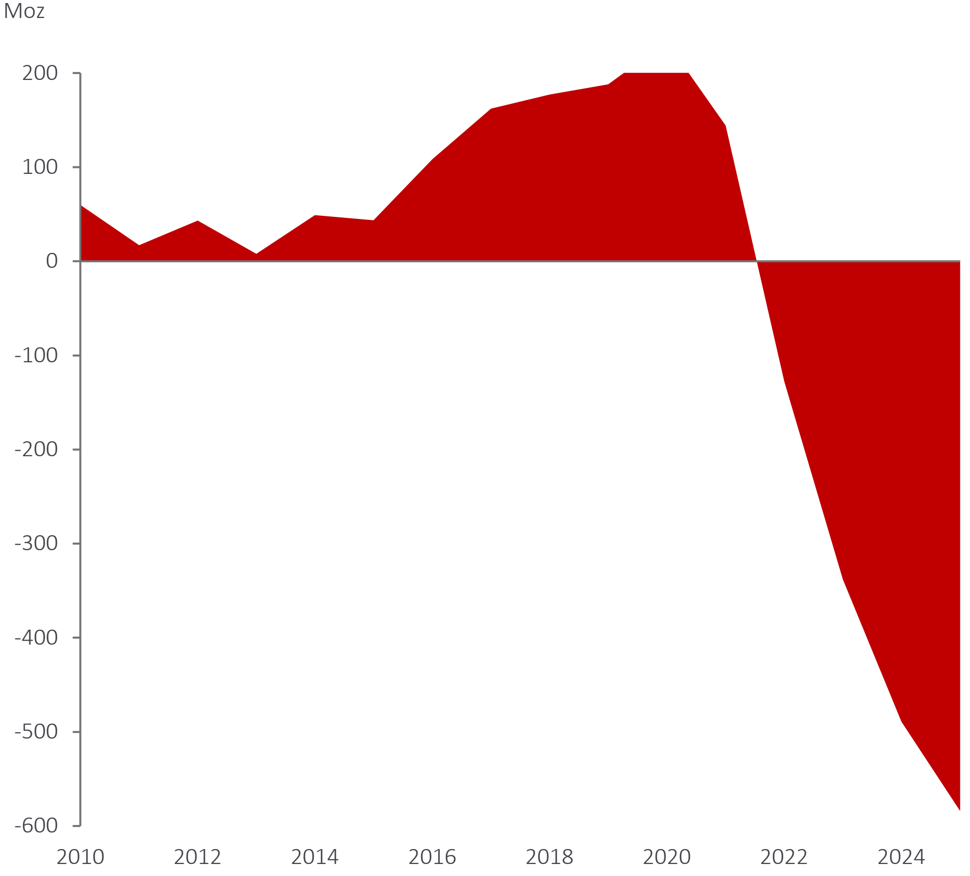


The fifth year of a sizeable deficit

95Moz 2025 deficit, contributing to tight market conditions



Bullion stock drawn down remains a feature of the silver market



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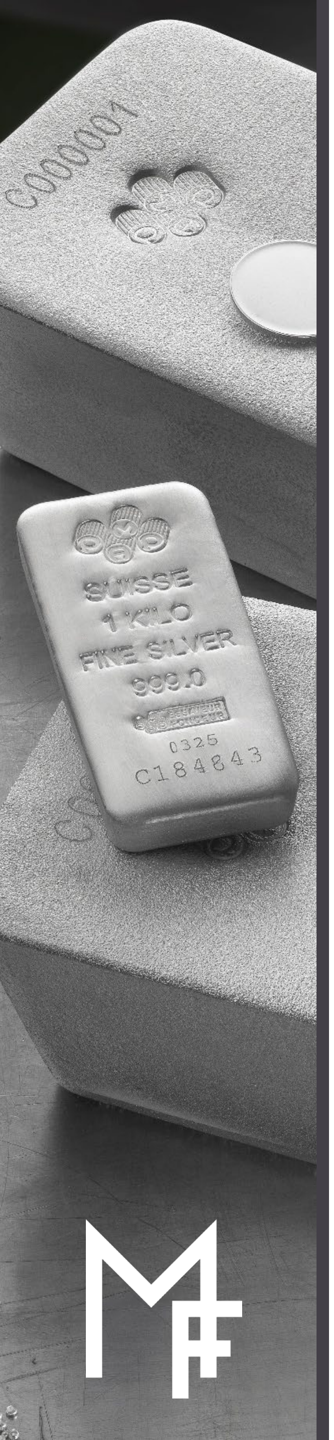

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Harshal Barot, *Senior Consultant – Mumbai*
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