



INTERIM SILVER MARKET REVIEW

Philip Newman and Sarah Tomlinson, Metals Focus

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METALS FOCUS



Another exceptional year in the silver market

Some key highlights

- A record high, then a sharp correction
- Unprecedented retail interest early in the year
- Weak institutional investment, but strong price support
- October's squeeze still resonates; refining bottlenecks persist
- Record Chinese silver imports; upheaval in India
- Demand at its lowest since Covid, but a sixth successive deficit

From record high to steep correction, prices still remain elevated



And clearly far more noteworthy with a historical lens



Source: Bloomberg



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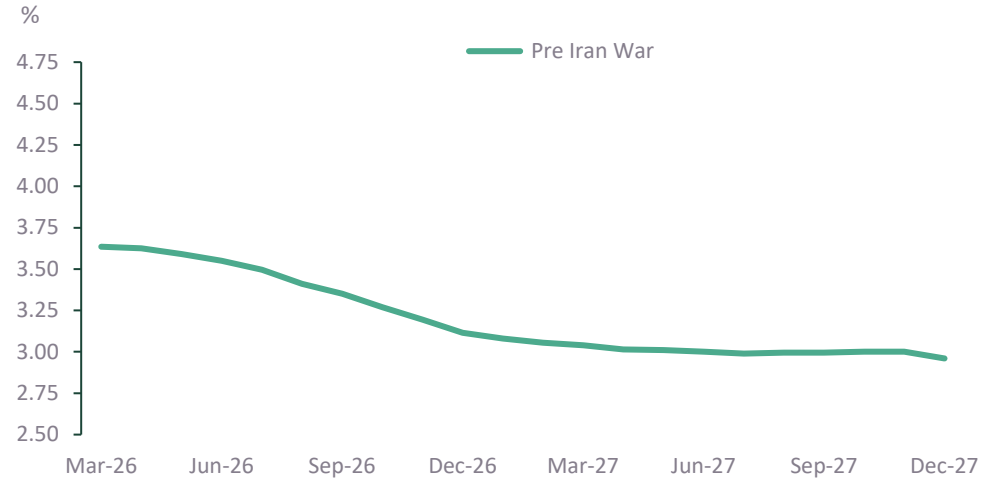
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Increasingly hawkish Fed rate expectations



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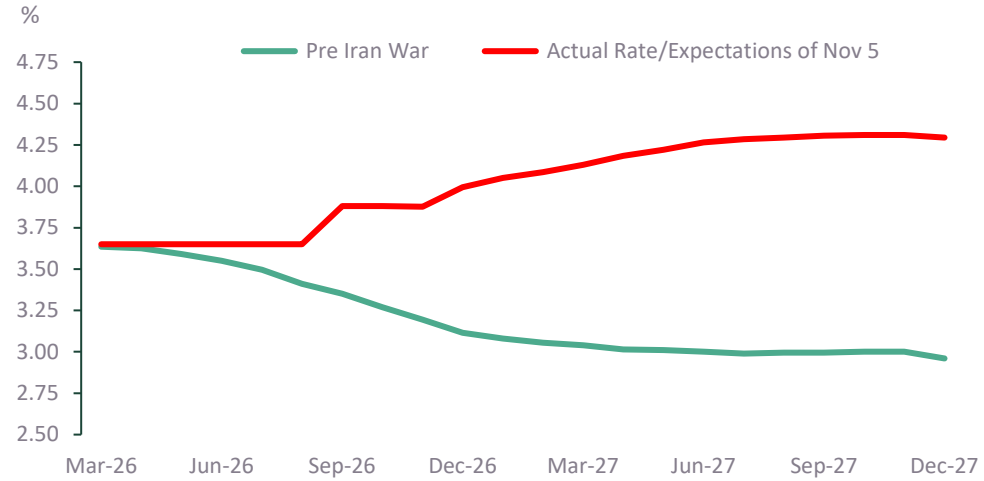
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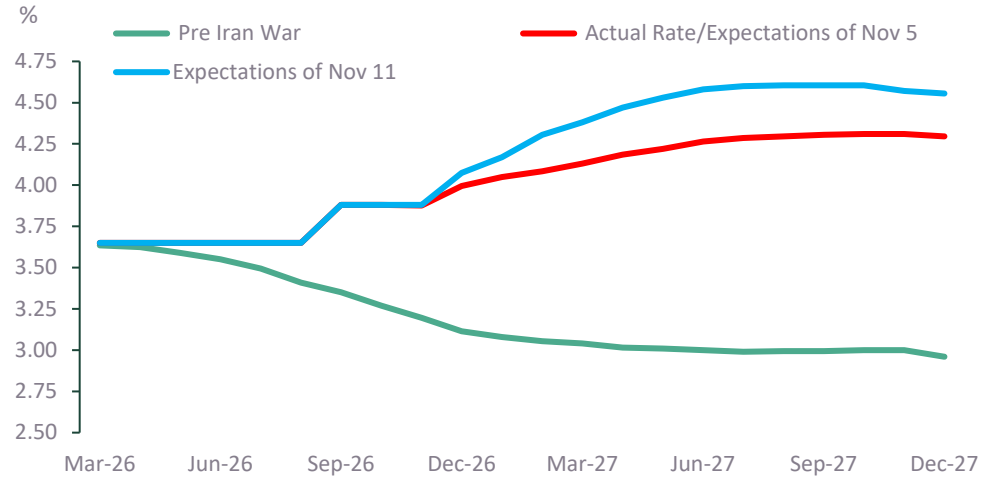
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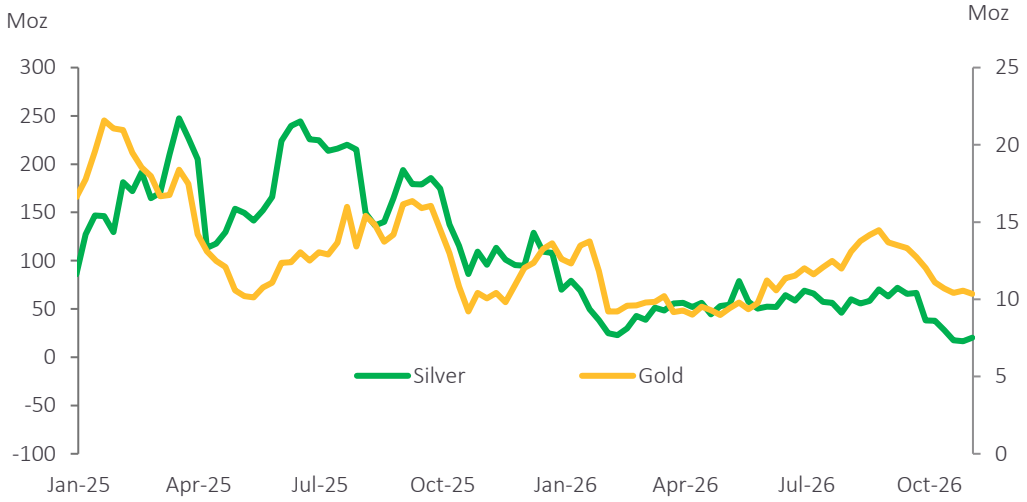
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Despite far weaker futures activity

- January's price correction has since weighed on institutional activity
- CME futures positioning for gold down 16% this ytd
- For silver the decline is a far steeper 74%
- Net silver positioning in New York recently its lowest since February 2024

Futures positioning far weaker this year in the US



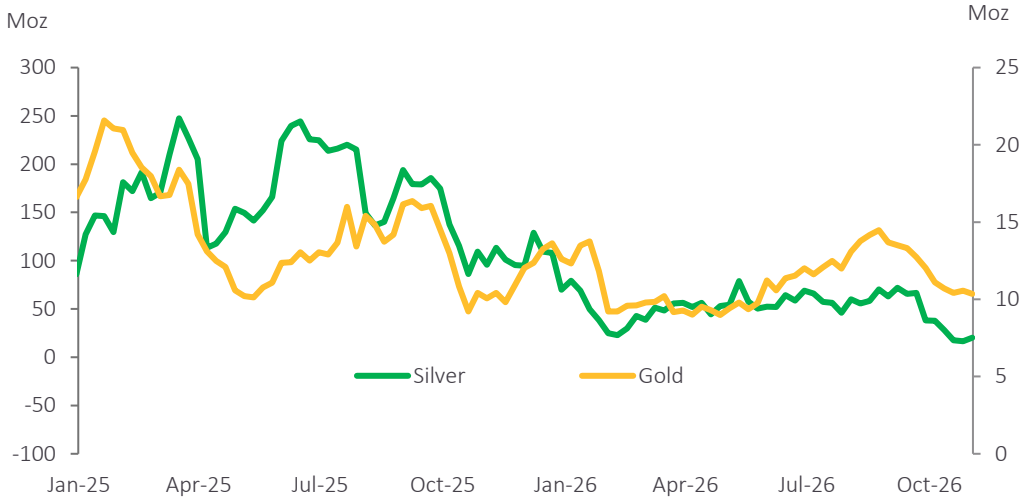
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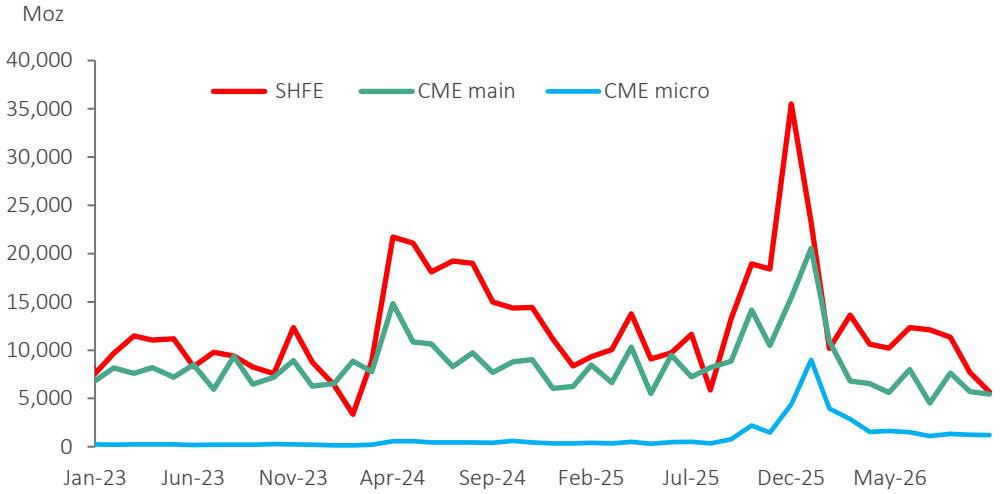
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- On the SHFE, silver trading volumes peaked in late 2025 (ahead of the January 2026 rally),
- Followed introduction of tighter trading rules (higher margins & trading limits).
- Decline accelerated from February, as momentum trading by retail investors eased in response to falling silver prices.
- Rotated into base metals, then local equities.

Even steeper declines in China



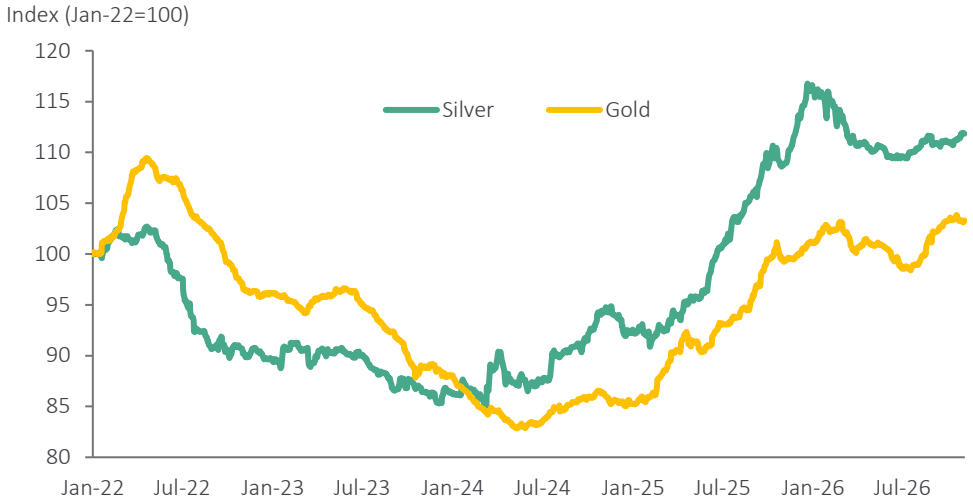
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But only modest losses for ETPs

- Global holdings down 4%, or 53Moz, this ytd
- Gold ETP holdings up 4% this ytd
- ETP changes this year led by:
  - iShares Europe & N. America: -34Moz
  - India: +13Moz
  - Aberdeen: -6Moz
  - Sprott: -12Moz

Contrasting with silver ETPs' relative strength



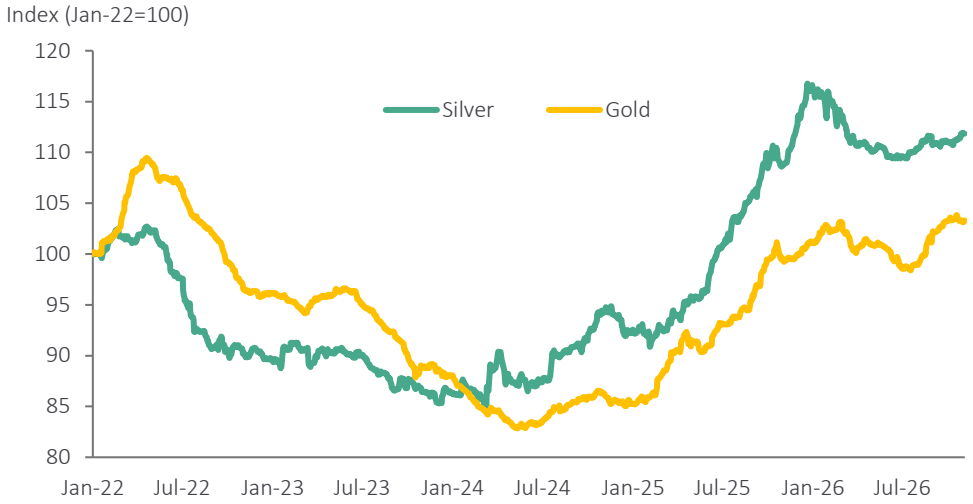
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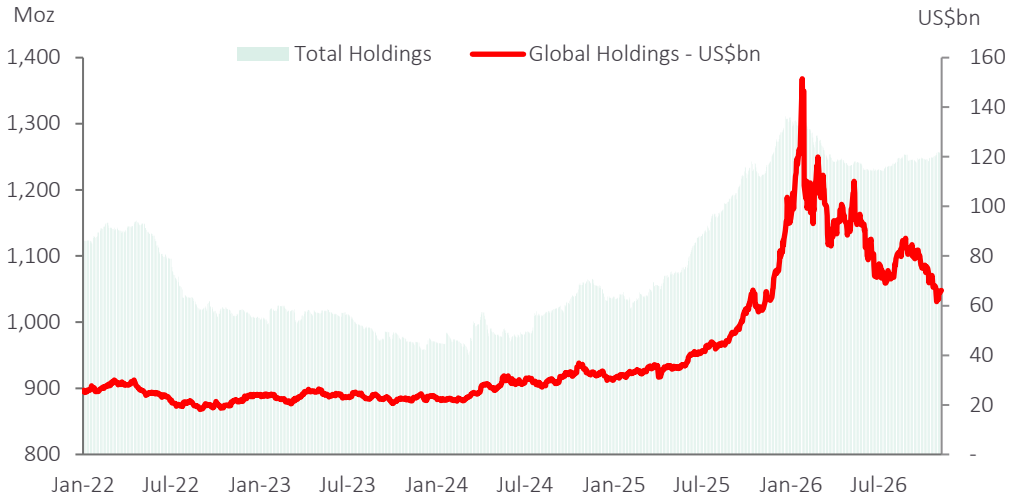
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Value of ETP exposure down sharply



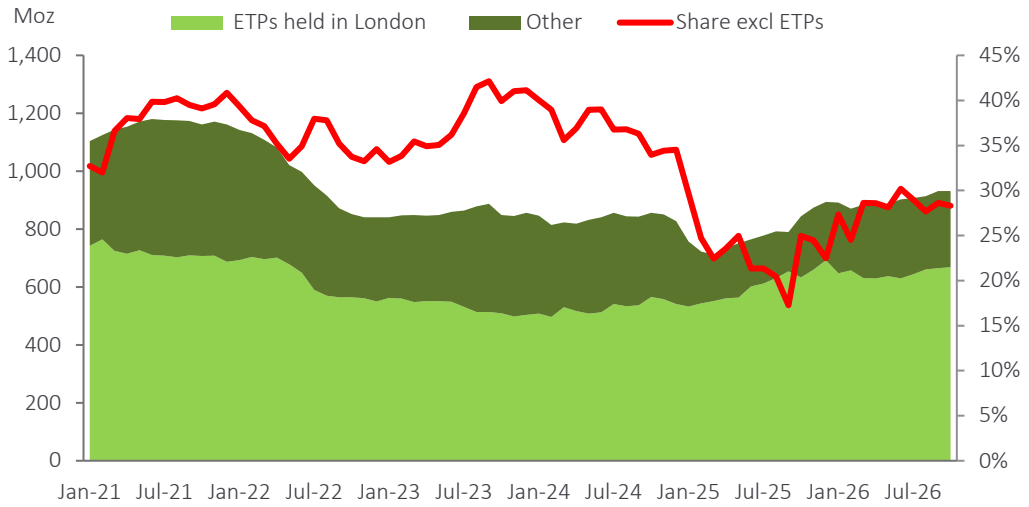
Source: Bloomberg



Liquidity has improved noticeably

- End-October, global ETP holdings 1.26bn oz
- Of this, 673Moz held in London
- These account for 72% of total London stocks
- At end-September 2025, ETPs' share was a reporting high of 83%

London vault stocks close to their highest since July 2022



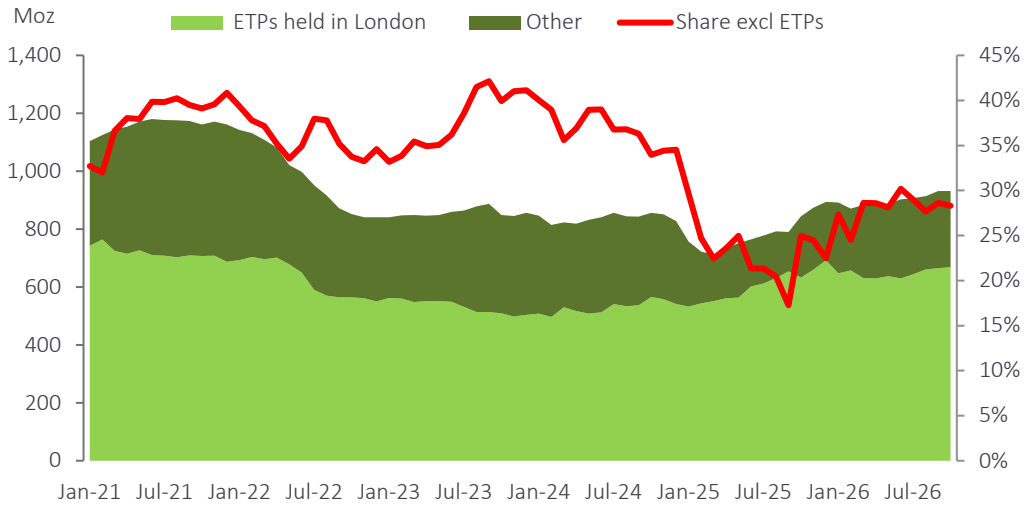
Source: Bloomberg, LBMA, Metals Focus



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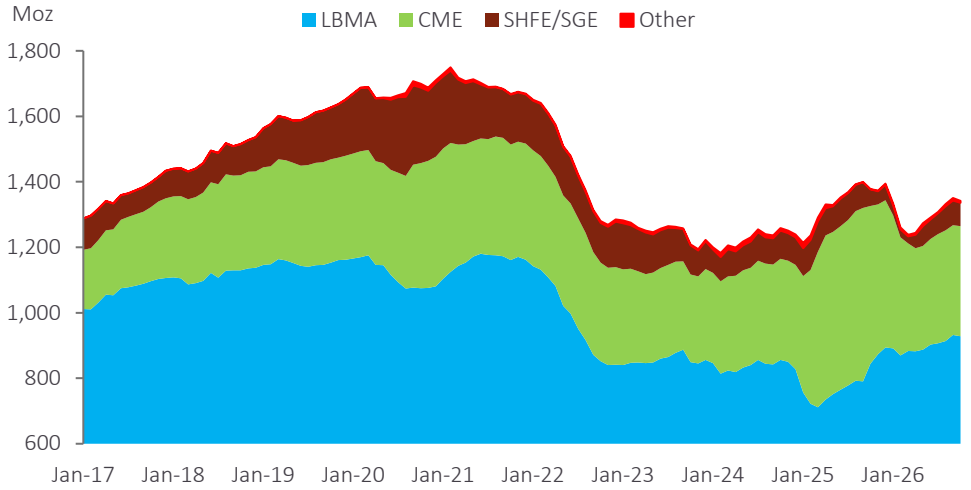
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London vault stocks close to their highest since July 2022



- End-October 2026 global holdings: 1.34bn oz
- Down marginally from 1.38bn oz a year ago
- Key changes:
  - LBMA: +85Moz
  - CME: -147Moz
  - SHFE/SGE: +21Moz

But identifiable stocks actually a little below October 2025 levels

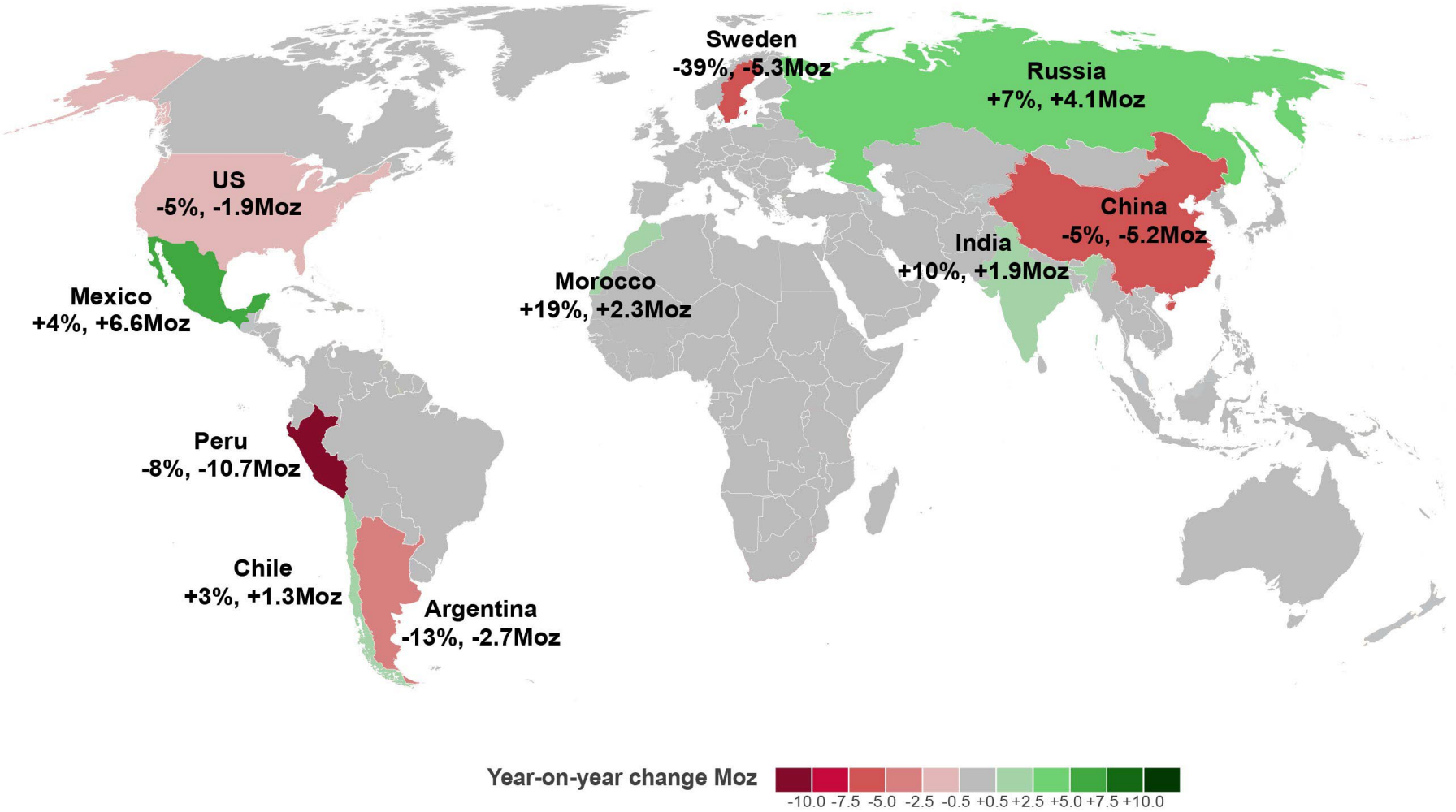


Source: Bloomberg, LBMA, Metals Focus



Mine supply edges down to 834Moz in 2026

Gains from Mexico, Russia and Morocco expected to be offset by losses in China, Sweden, Peru and Argentina.

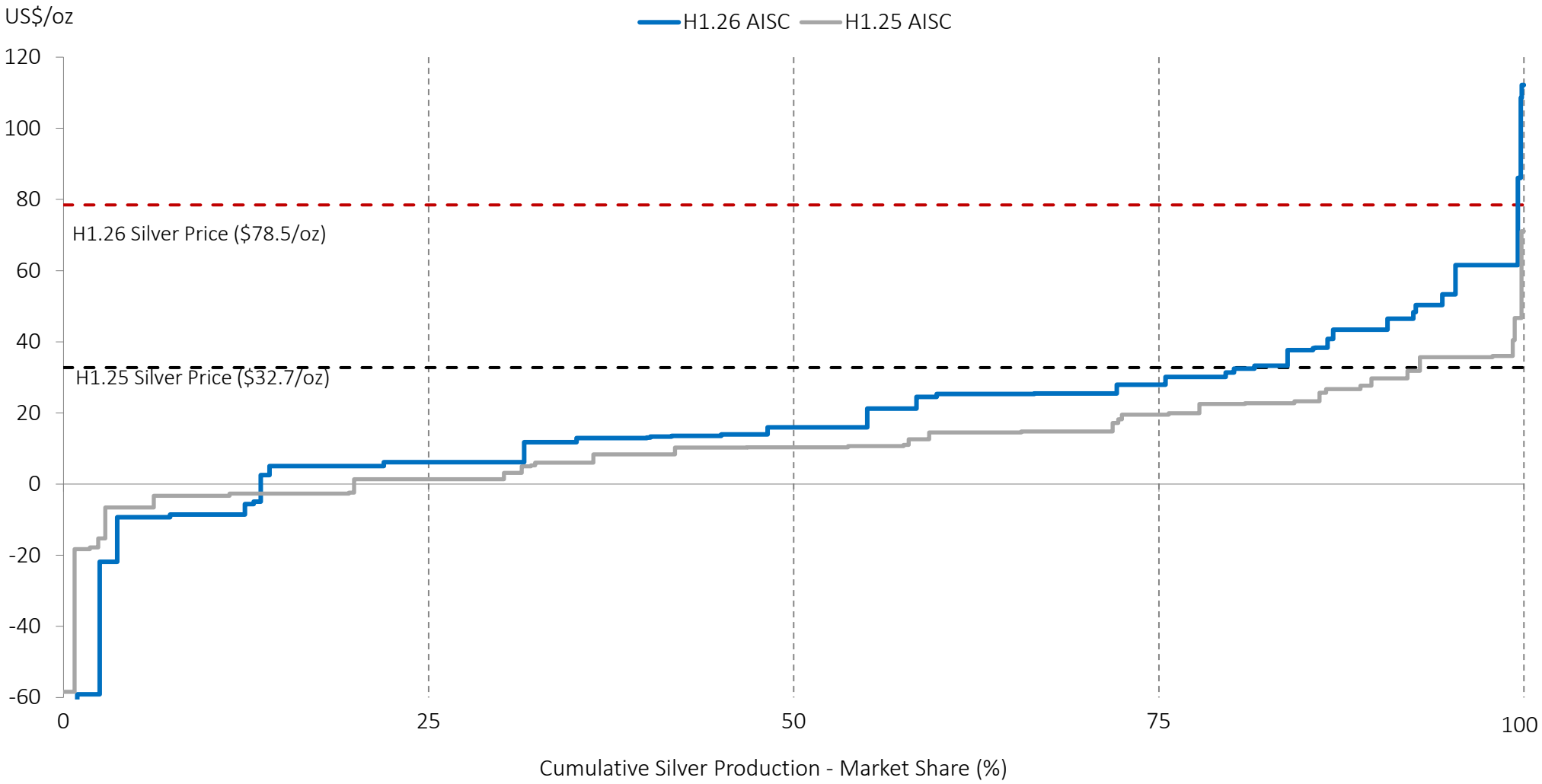


Source: Metals Focus



Primary silver miners' AISC rose 47% y/y in H1.26

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

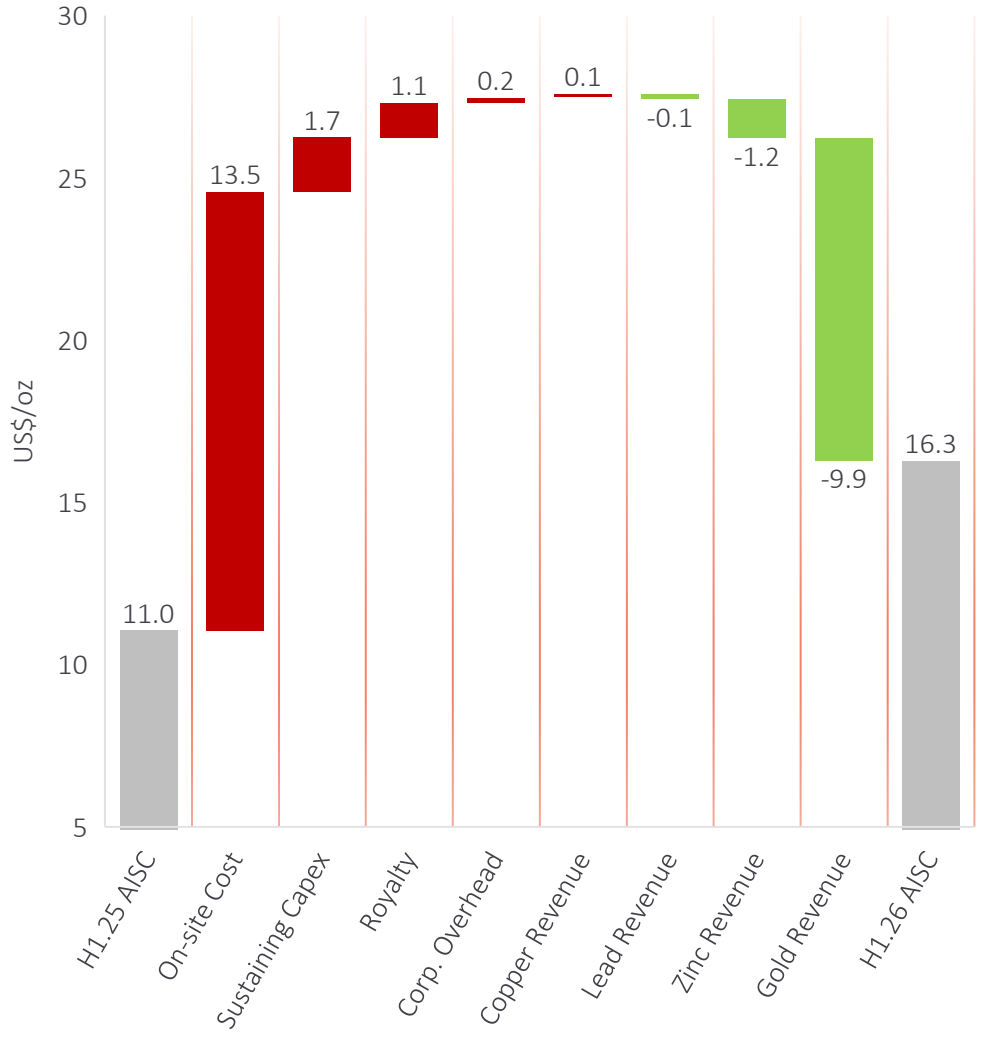


Source: Metals Focus Silver Mine Cost Service



By-product credits contain the rise in AISC

By-product credits outweigh rising on-site costs

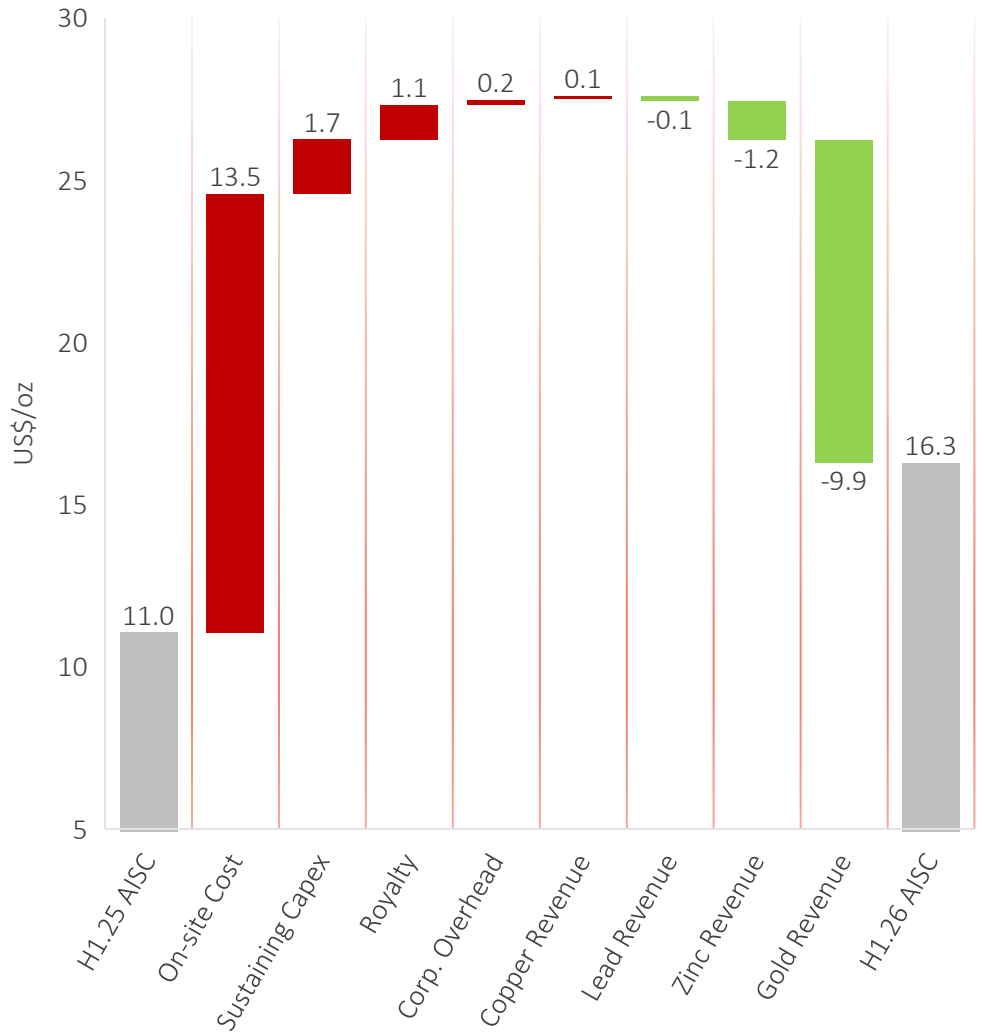


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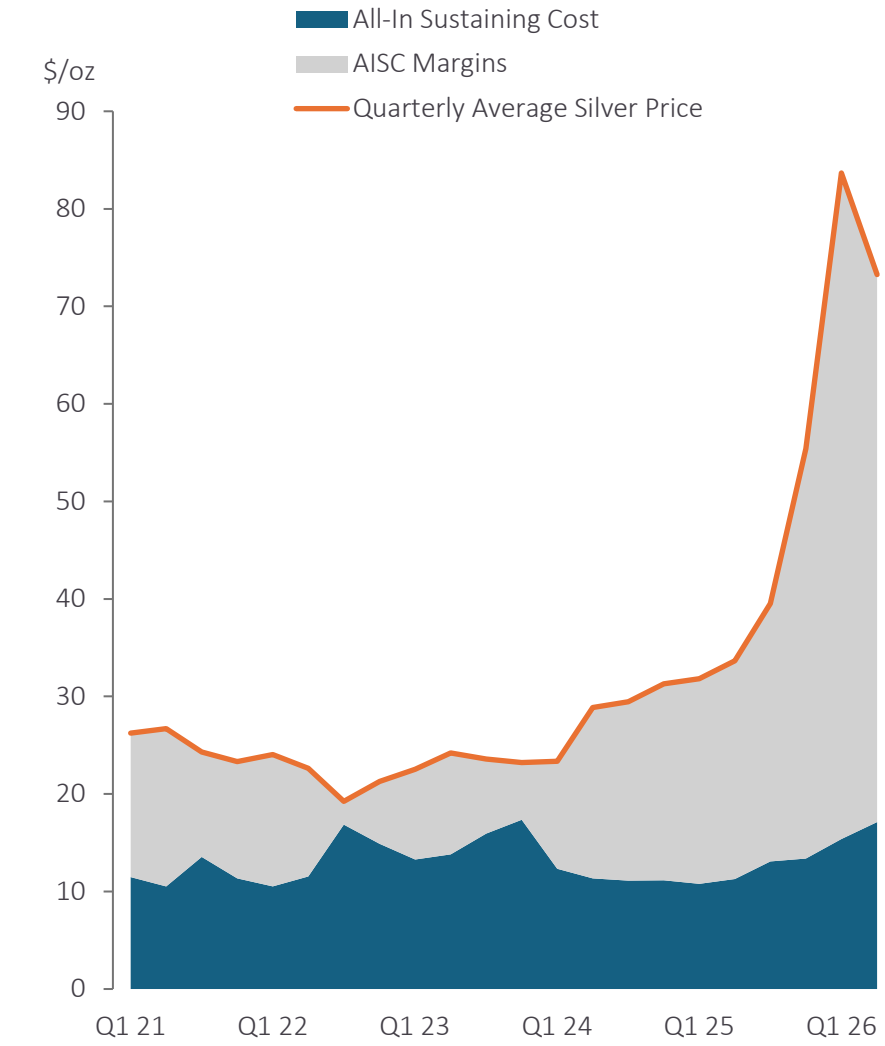
Average AISC margins soared to $62.2/oz in H1.26

By-product credits outweigh rising on-site costs



Source: Metals Focus Silver Mine Cost Service

AISC margins reach highest point in over a decade

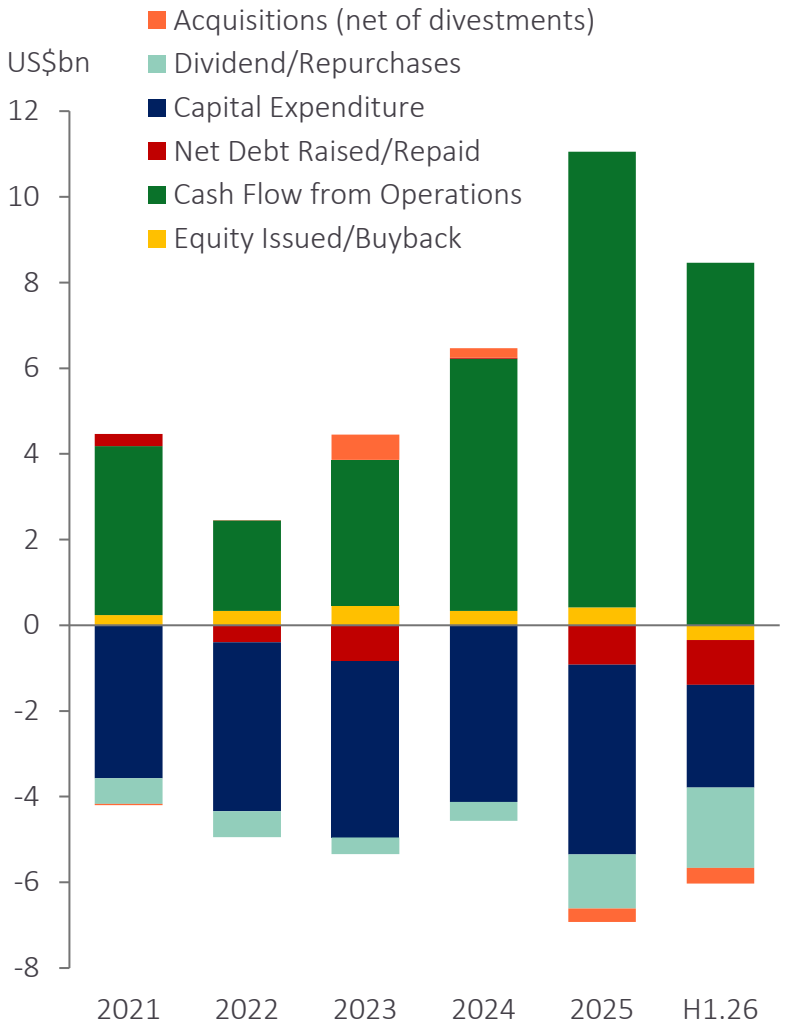


Source: Bloomberg, Metals Focus Silver Mine Cost Service



Cash flow continues to climb

Cash flow from operations in 2026 expected to outstrip 2025

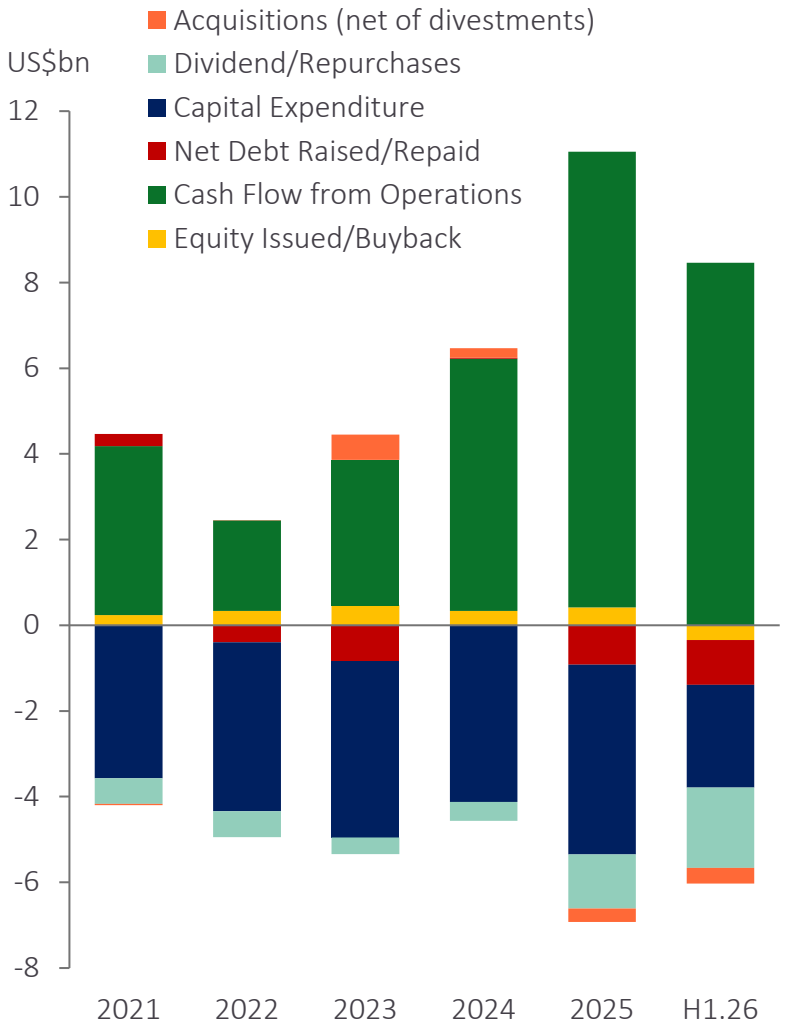


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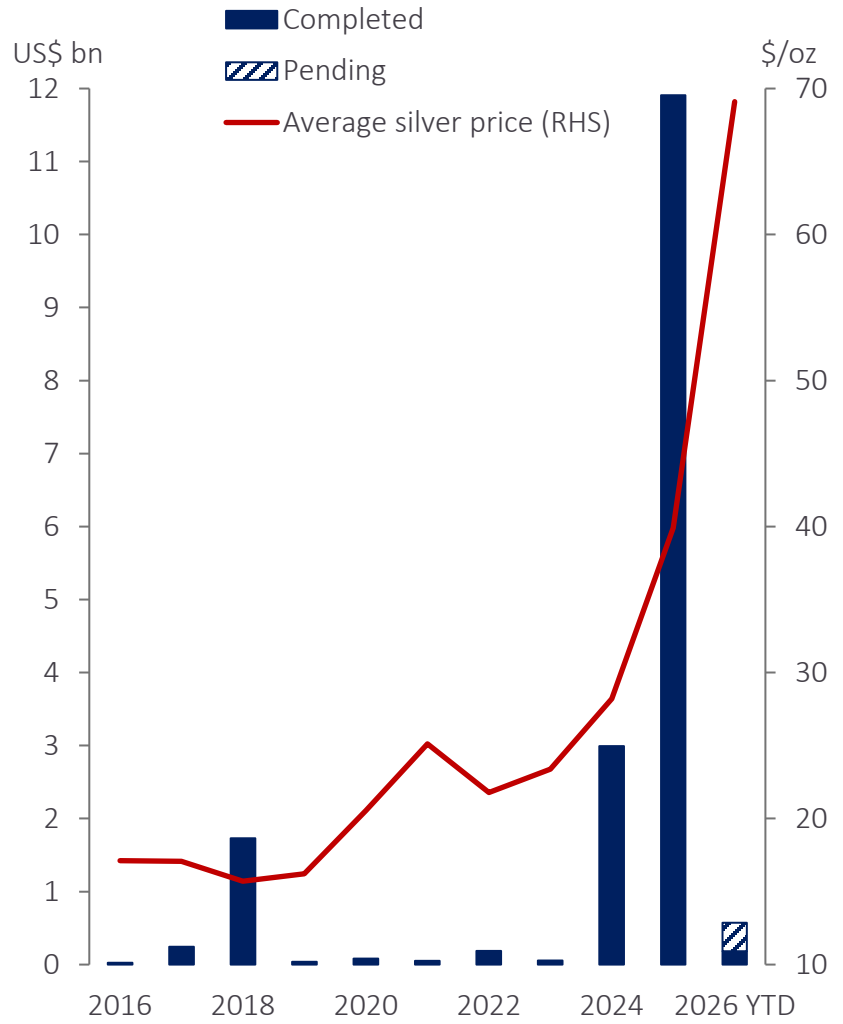
Cash flow continues to climb but M&A drops significantly

Cash flow from operations expected to outstrip 2025



Source: Bloomberg, Metals Focus

M&A activity falls to a fraction of 2025 activity



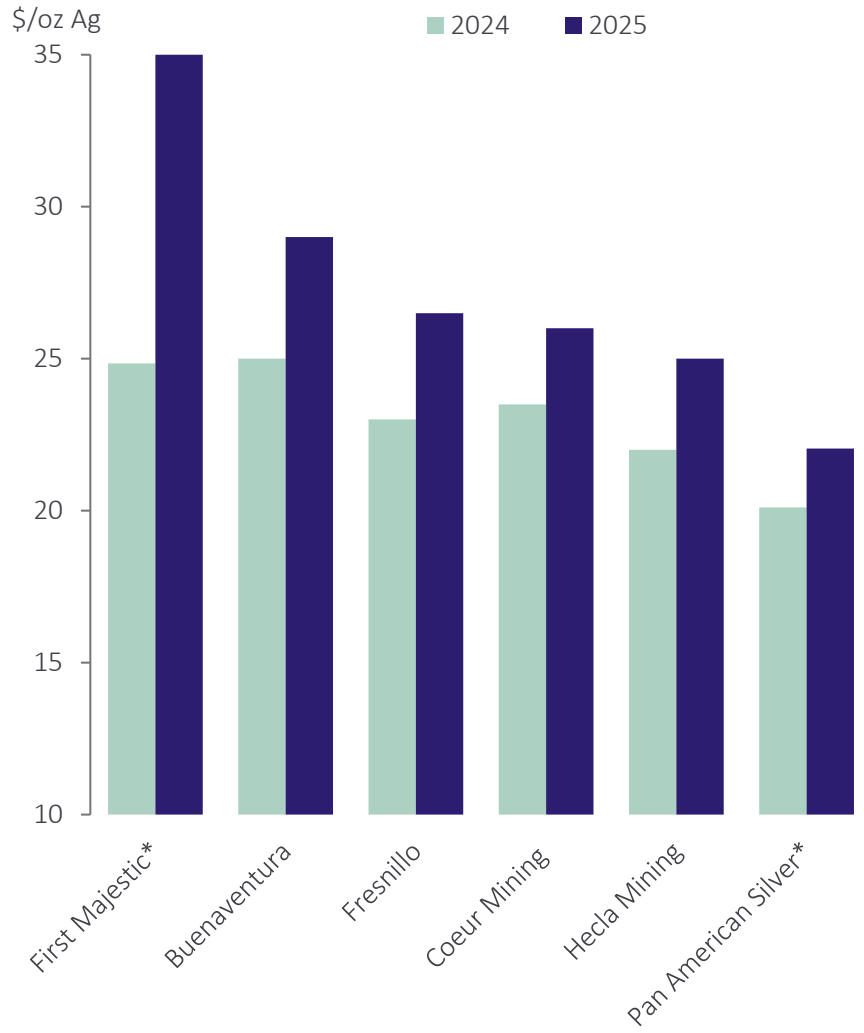
Source: Bloomberg, Metals Focus



Reserve cut-off prices raised again

- Higher silver prices led producers to raise their long-term price assumptions, lowering economic cut-off grades and increasing delineation of previously uneconomic resources.
- The average silver price assumption by the six leading silver miners rose from $23.1/oz to $27.6/oz.
- All companies have raised their reserve cut-off prices with First Majestic having the largest increase, followed by Buenaventura and Fresnillo.

Change in reserve prices 2025 vs. 2024

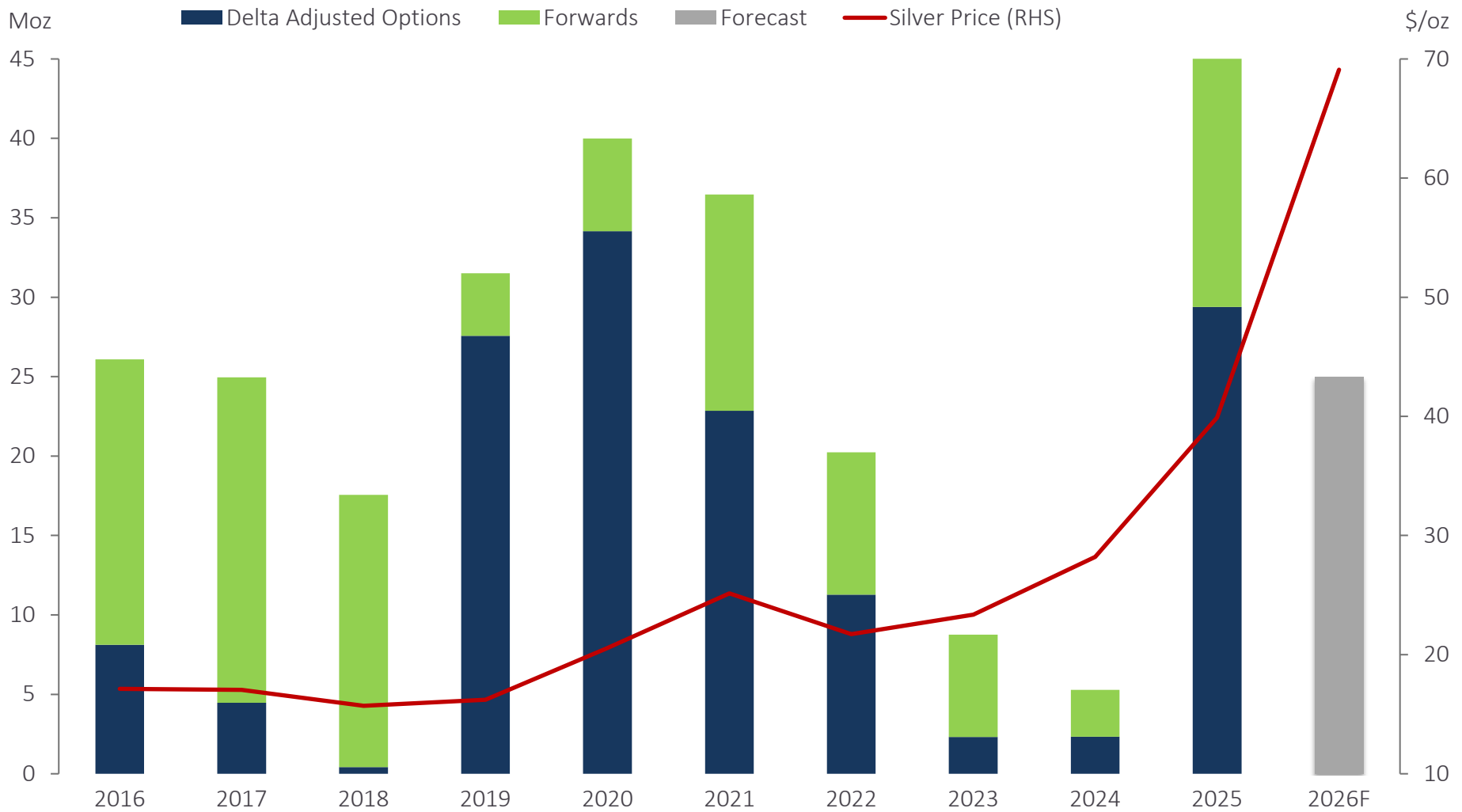


*Calculated
Source: Bloomberg, Metals Focus



Return to net de-hedging

Hedging activity remains dominated by KGHM



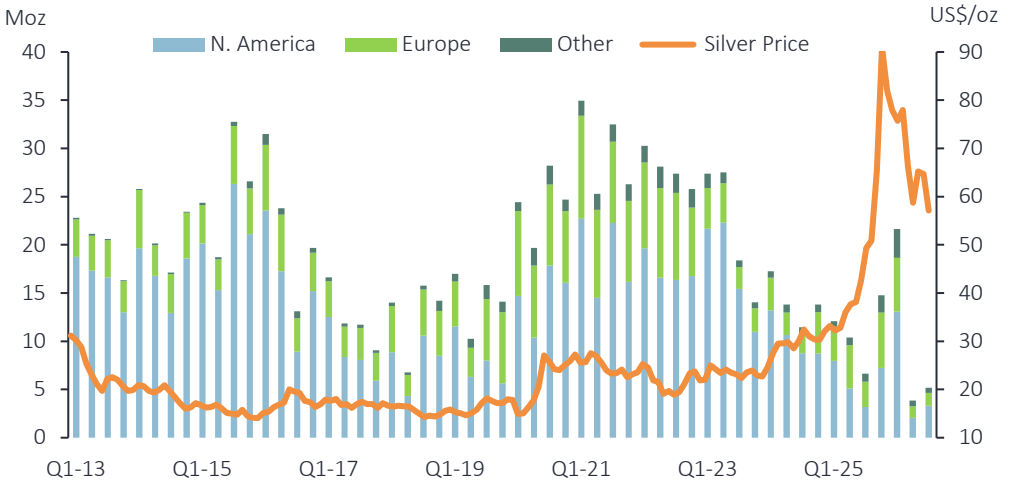
Source: Bloomberg, Metals Focus



Bar/coin demand: subdued US nearly offset by other markets

- Jump in Q1.26 silver bullion coin sales part of wider buying frenzy
  - Q1.26 sales up 76% y/y.
  - Combined Q2-Q3.26 almost halved y/y
  - Combined Q1-Q3.26 up 5%
- By contrast, Q1.26 gold coins sales down 1% y/y.
  - Combined Q2-Q3.26 “only” down 26% y/y
  - Combined Q1-Q3.26 down 15%

Coin sales fall back after late-2025/early 2026 buying surge



Source: Metals Focus, Bloomberg

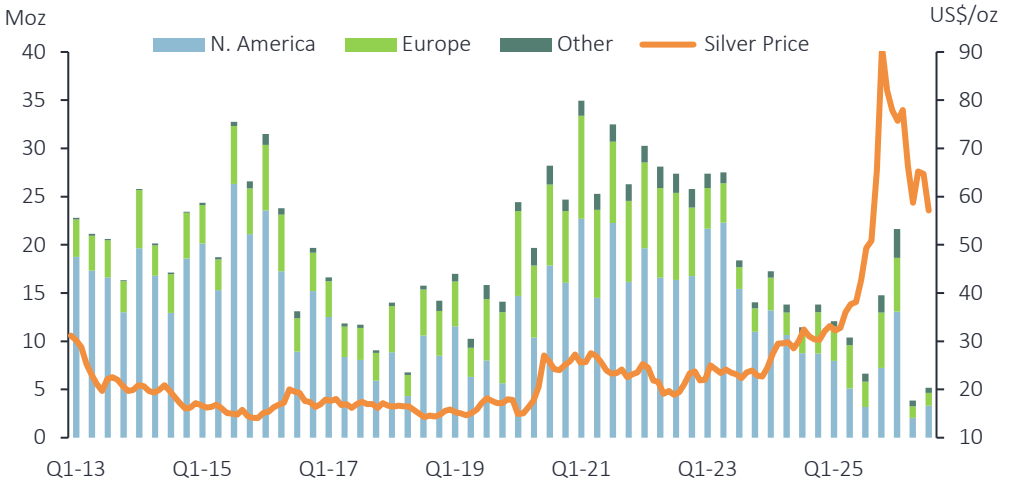


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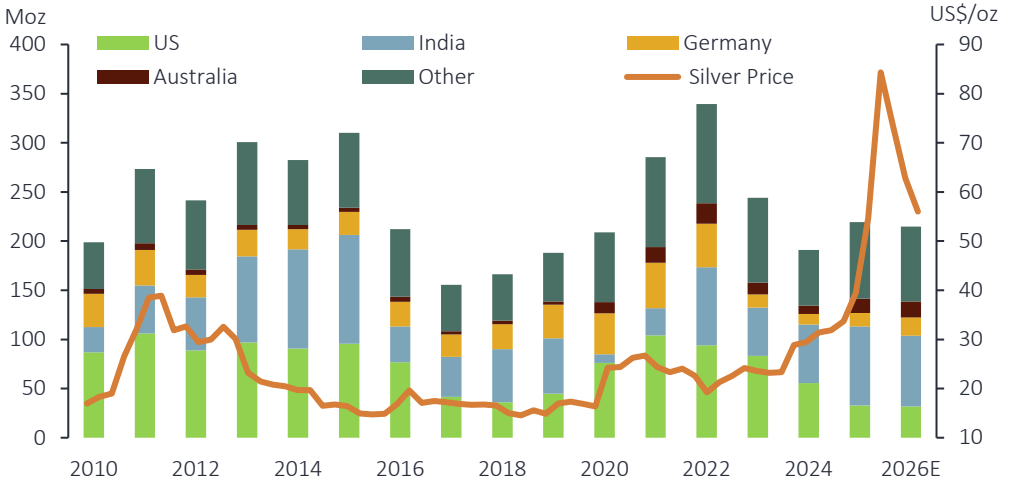
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- Overall, coin & net bar demand little changed y/y
- India still the largest market
- Germany and Australia seeing modest gains this year
- US continues to struggle, affected by still high liquidations, that have been a feature since late-2023

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Overall, global total shows resilience this year



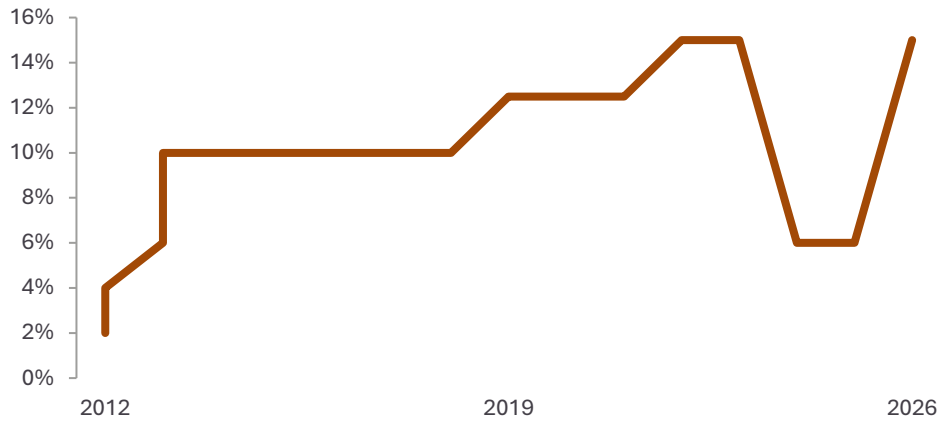
Source: Metals Focus, Bloomberg



Upheaval in India

- Prime Minister ask citizens to not buy gold; also affected silver.
- Import duty on gold & silver lifted from 6% to 15% on May 13th.
- Created an arbitrage for silver from the UAE at a preferential 6% duty.
- Silver put into a ‘restricted’ category - import license required.
- The preferential “UAE” duty no longer allowed.
- Certificate of Origin (COO) requirements introduced.

Unexpected jump in silver and gold import duties



Source: Metals Focus

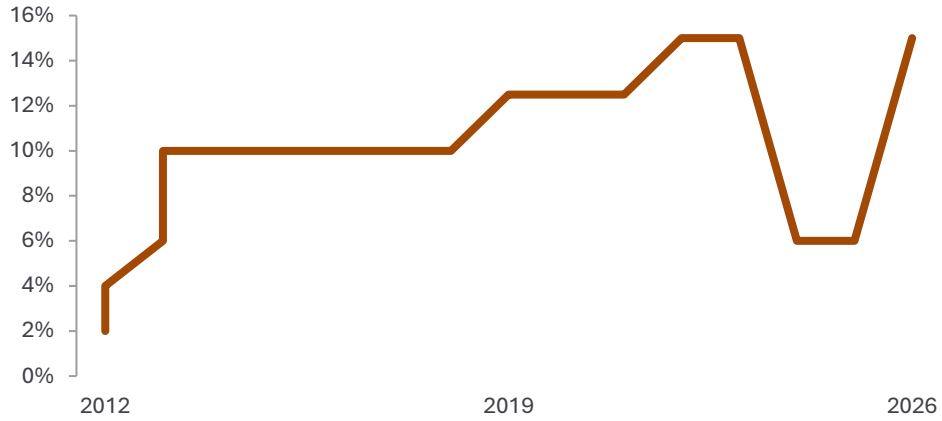


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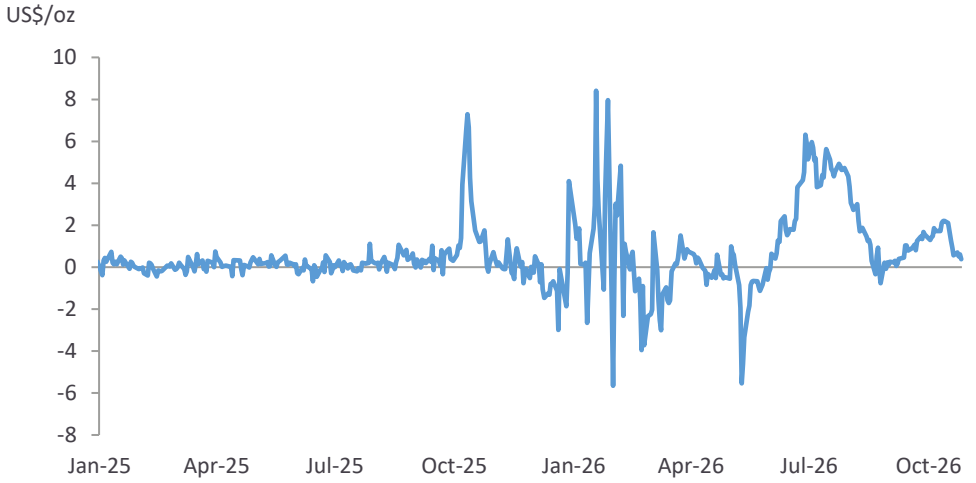
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- Huge premium emerged of ~10% in July ($6.5/oz).
- Import quotas +10,000t now issued.
- COO requirements withdrawn.
- Premiums dropped to ~$0.50/oz by end-October.

Unexpected jump in silver and gold import duties



Local silver premiums have been high & volatile since last October



Source: Metals Focus



Indian consumers devoting growing budget to silver

- Indian imports of just 90Moz over first nine months
- Down 35% y/y, now improving
- Decline concentrated in May-July, collapsed by 85% y/y to 6Moz.
- Price correction hit sentiment across the market.
- Rupee price down ~60% from its peak, to below Rs.200,000/kg.

20-25% drop estimated for 2026 bullion imports



Source: Metals Focus, MCX



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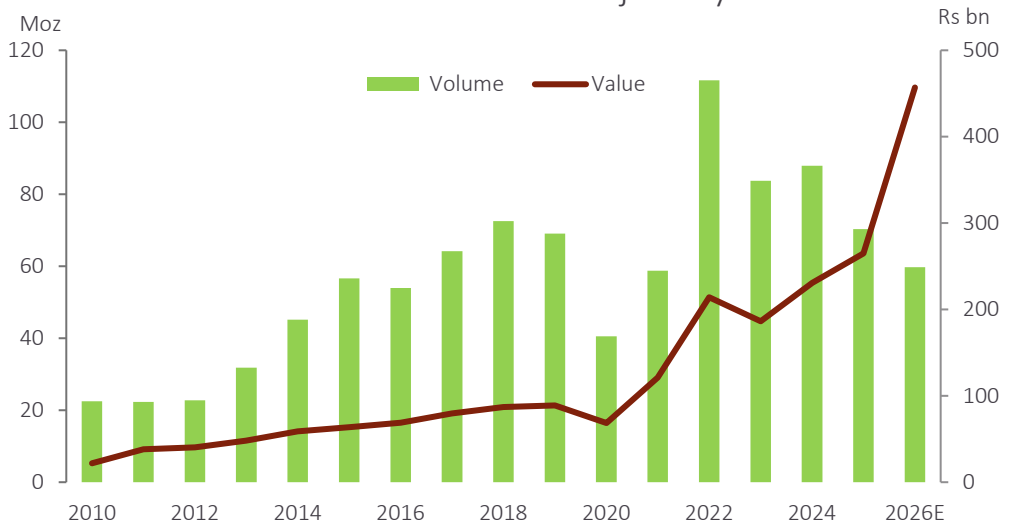
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- Festive demand has improved , but still below expectations.
- Full year imports estimated to fall by 20-25%.
- Even so, a 20-25% drop in demand, despite prices rising by 2-3 times, suggests that underlying demand is resilient.
- Consumers' willingness to spend on silver has strengthened.

20-25% drop estimated for 2026 bullion imports



Indian consumers' commitment to their jewelry market



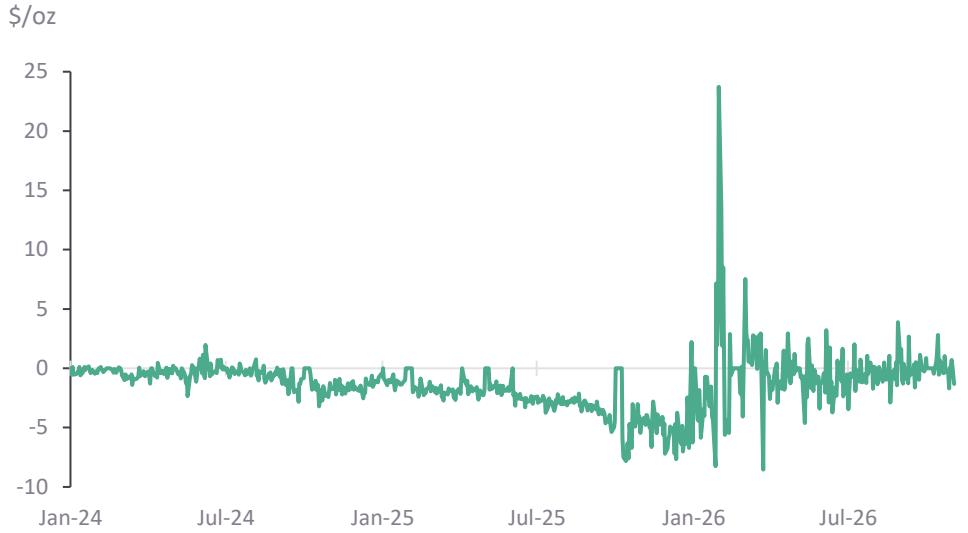
Source: Metals Focus, MCX



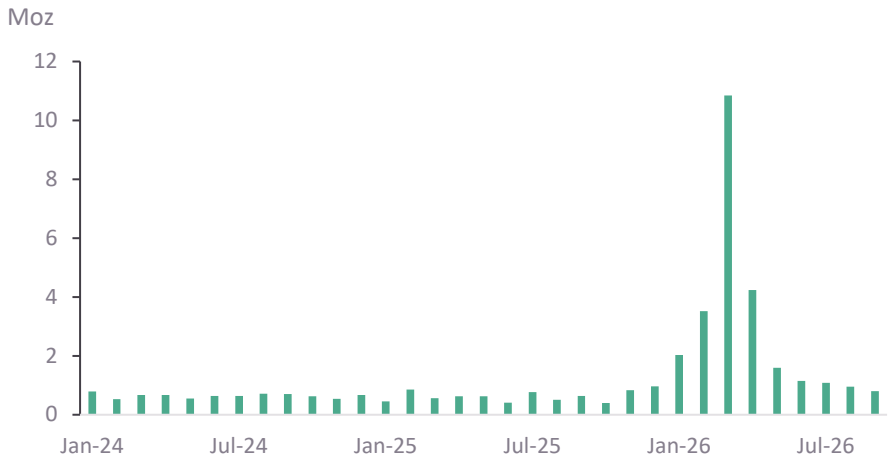
Q1.26 Chinese imports, a multi-year high

- Chinese bullion imports face 13% import VAT. Viable when domestic ex-VAT prices trade at a premium - a condition met in early 2026, which opened an import arbitrage window.
- The Q1 surge in silver demand led to short-term tightness, pushing up local silver prices:
  - January-February: Strong investment pushed local ex-VAT prices to a premium in late January (peaking at $24/oz), elevated for most of February.
  - March: Investment eased m/m, but strong industrial demand, before the removal of export tax rebates on April 1st, with already low stocks (combined SHFE/SGE at 21Moz), saw the premium stay high
  - Imports reached 16Moz in Q1.26, driven by March at 11Moz.
  - Premiums eased from April. Imports for the first nine months surpassed 26Moz, more than three times 2025 total.

Premium/discount (excl VAT) briefly surges



Gross silver imports surge in Q1



Source: Metals Focus, Bloomberg, S&P Global



Chinese exports a record high in 2025, still healthy in 2026

- China traditionally a net exporter of silver due to the metal's structural oversupply locally.
- Exports from mainland China rose by 19% in 2025 to a record high of 162Moz.
- Down 8% this ytd, but still the second highest total on record
- Strong global silver demand, increasing local refinery capacity, and silver's robust price encouraged local refineries import more silver concentrates.

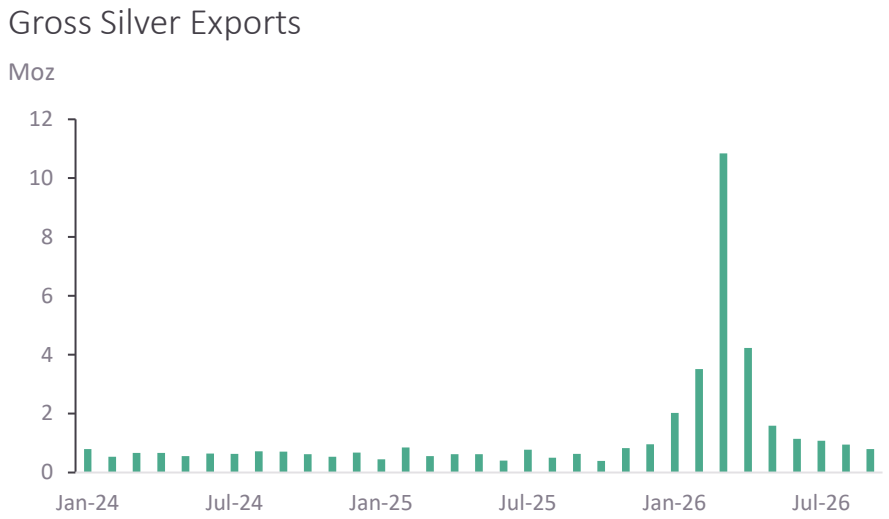


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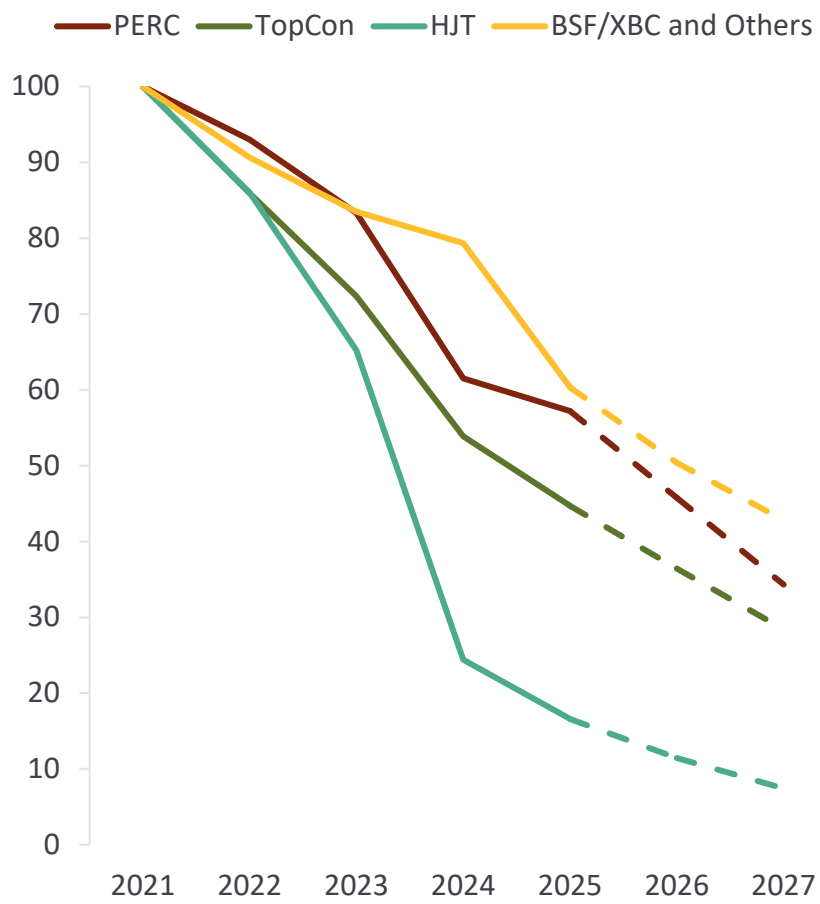
- Mis-information about export rules: Exporting silver needs a license; export quota system abolished a few years ago.
- 44 approved silver exporters for 2026-27 (42 for 2024-25).
  - Existing qualified exporters: exported silver in every single year from 2022 to 2024.
  - New applicants: annual silver production of over 2.5Moz in 2024 (threshold may be lowered to 1.3Moz for refineries located in western regions).

Source: S&P Global

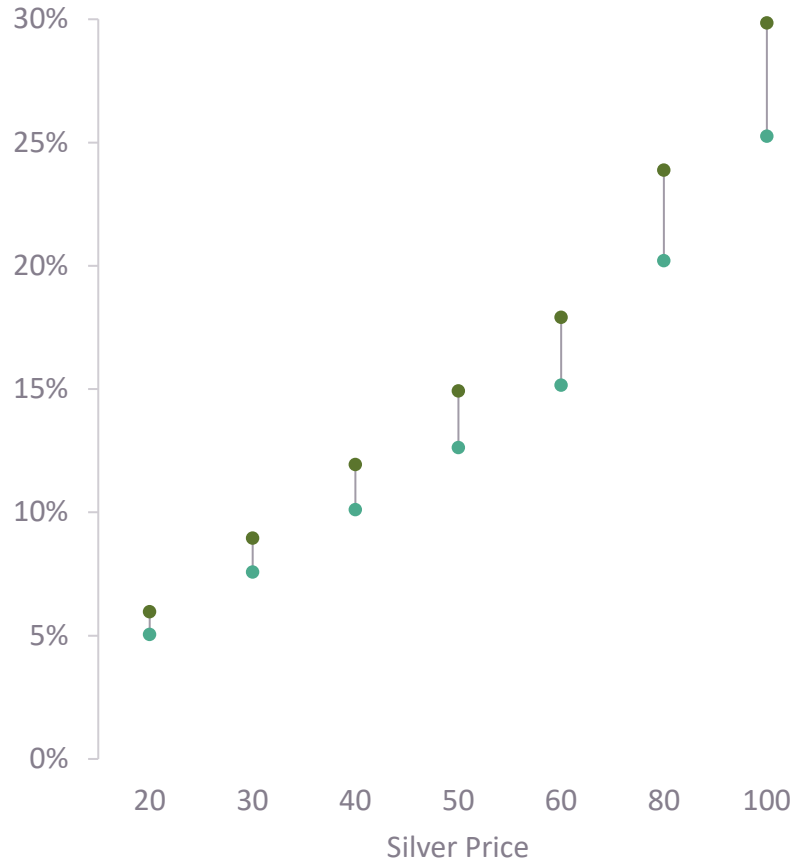


Reduced silver loadings across PV technologies

No apparent let-up in thrifting



Cost pressures ease, but RnD continues



Source: Metals Focus



PV thrifting – technology options & customer adoption

Thrifting and Substitution:

- ➢ Material Innovation (Ag-Cu Paste)
  - Widespread adoption of silver-coated copper (Ag-Cu) paste in HJT cells.
  - Some TOPCon designs combine a thin silver seed layer with a silver-coated copper conductive layer.
- ➢ Copper plating
  - Adoption remains limited by high upfront investment and process qualification requirements.
- ➢ Copper pastes and other base-metal routes
  - HJT designs using silver-free copper pastes could achieve total cell silver loadings of around 0.5 mg/W.
  - Selected back-contact (BC) designs use copper and nickel in rear-side metallisation to reduce or replace silver.

Manufacturers' dual-track strategy:

- Silver thrifting continues regardless of silver price movements.
- Leading manufacturers offer conventional silver-paste options alongside lower-silver or copper-based alternatives.
- Customers choose according to price, reliability requirements and qualification status.

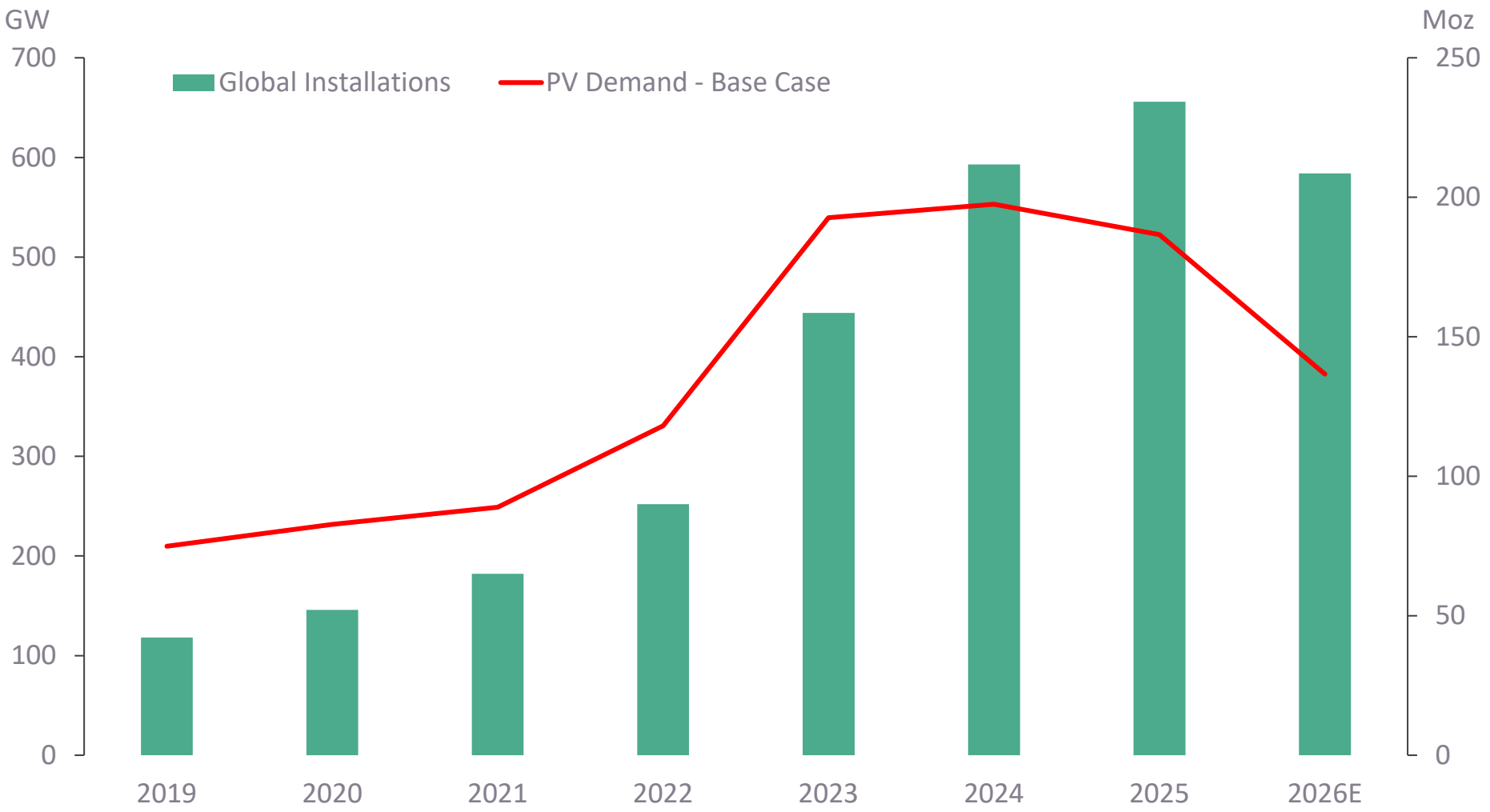
➢ Technology availability enables substitution; customer adoption shapes its pace

➢ Lower silver prices unlikely to reverse thrifting efforts

Source: Metals Focus



PV installations see first decline in two decades



Source: Metals Focus, various PV capacity forecasts



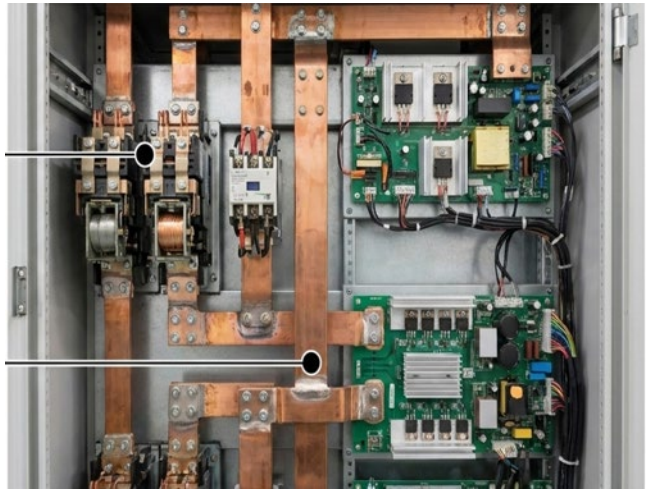
AI silver demand spans equipment and infrastructure



External power infrastructure

Grid connections, network reinforcement and dedicated generation.

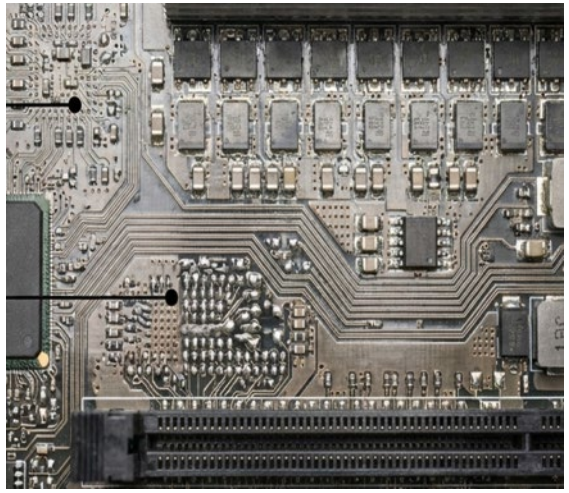
Switchgear contacts, specified silver-plated connections and power conversion equipment.



Facility electrical and cooling infrastructure

UPS, switchgear, power distribution and cooling systems.

Relay and circuit-breaker contacts, selected brazed joints and power assemblies.



IT equipment

Servers, storage, networking and rack power supplies.

Selected contacts, silver-containing solders and conductive materials.

Data center silver use is already captured across E&E and brazing alloys

Source: Metals Focus

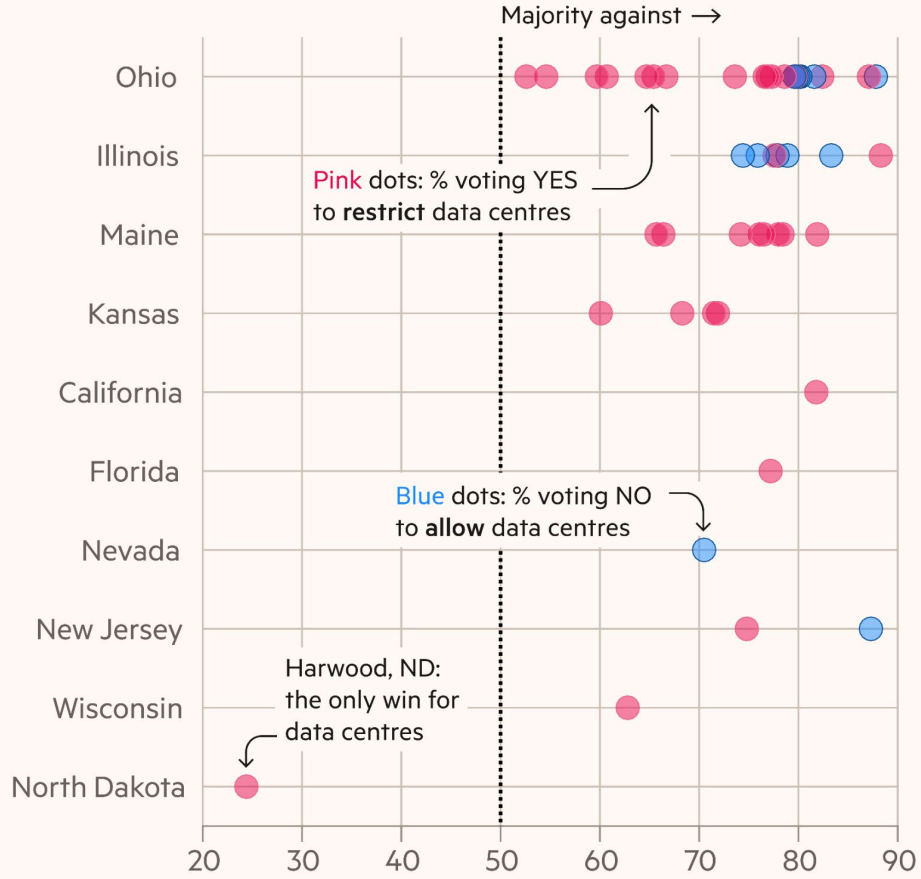


Data-center expansion: growth prospects and constraints

- Strong AI investment supports a substantial construction pipeline
- Power availability and local opposition can delay projects
- On-site generation offers a partial workaround
- Power and land constraints also affect alternative locations

Data centres lost 46 out of 47 local ballots in the midterms

Share of votes **against** data centres on November 3* (%)



*Unofficial results as of November 6. Brownfield, Maine: approximate figure.
Sources: Redbud Consulting, datacentersontheballot.com; county and municipal election offices.

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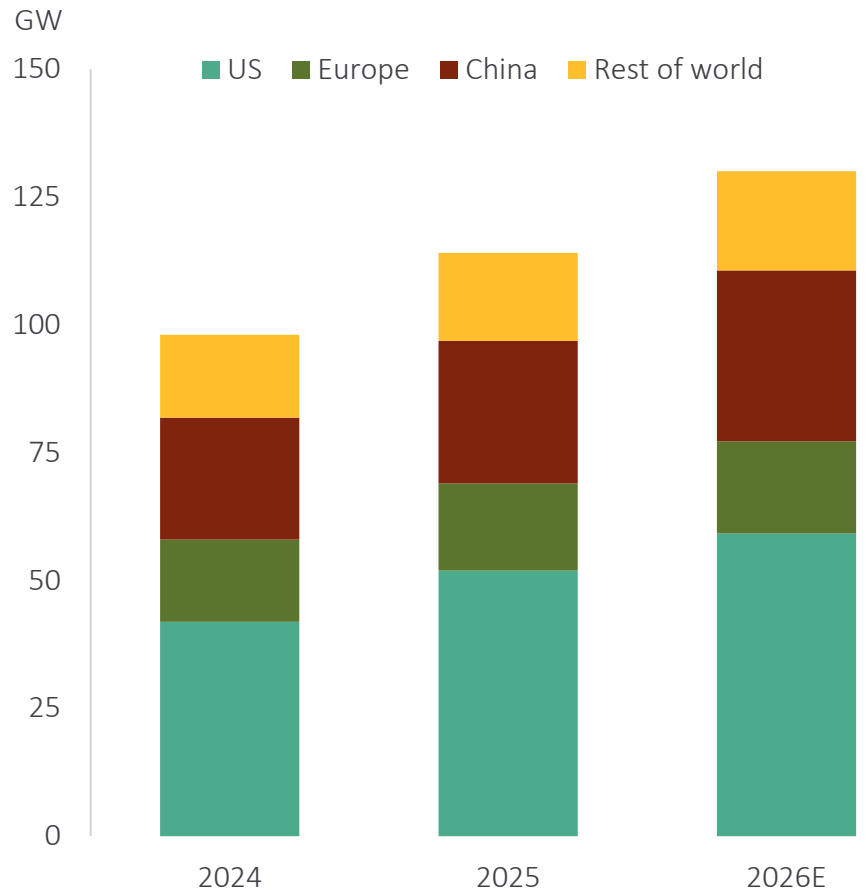
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Data centers: expansion and silver demand

- Global capacity forecast at 130GW in 2026, up one-third from 2024
- Expansion in AI infrastructure favors more silver-intensive equipment
- These gains help cushion the larger losses in PV

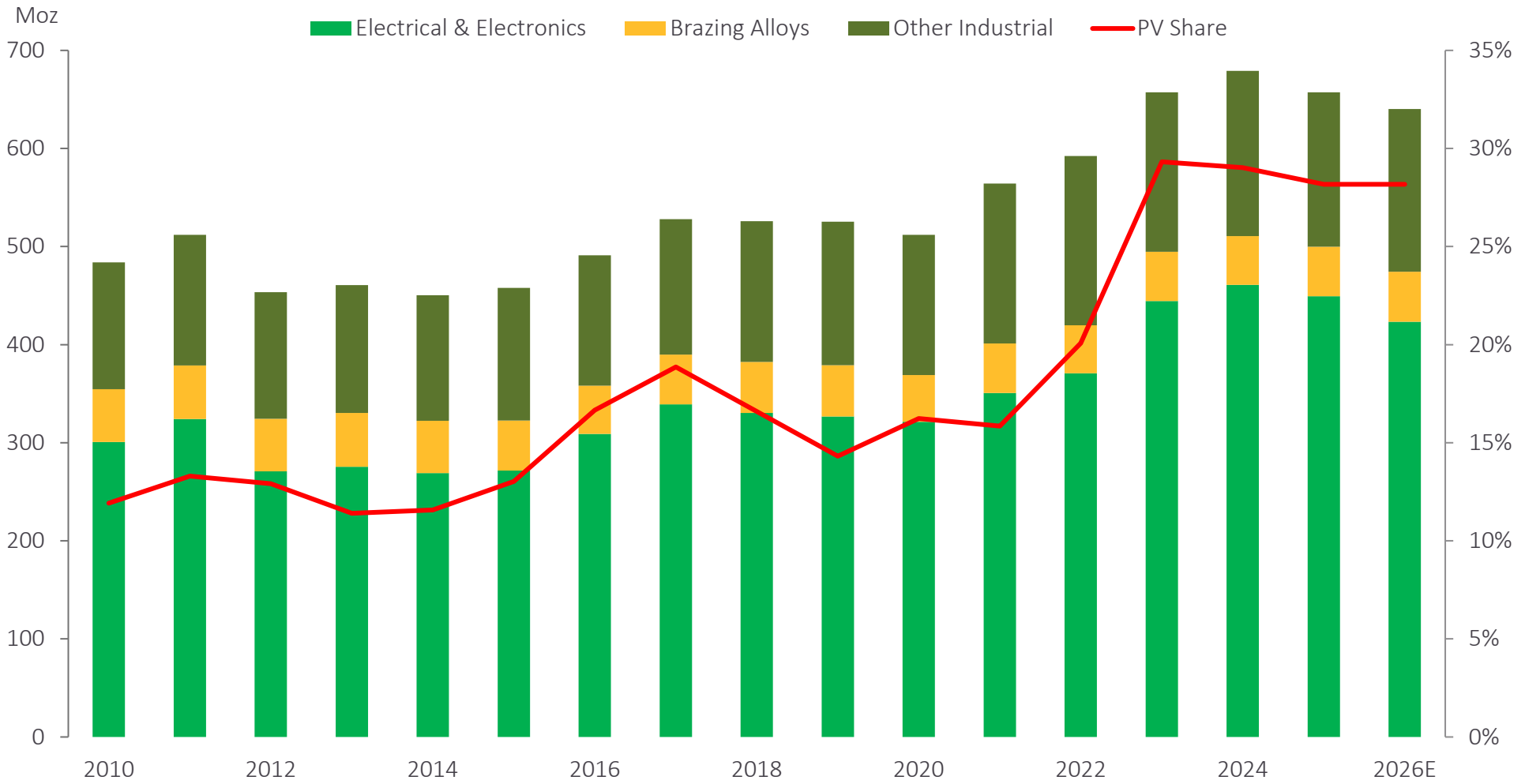
Global data center capacity



Source: IEA, S&P, BNEF, BofA Global Research



Industrial demand eases back, but still historically high

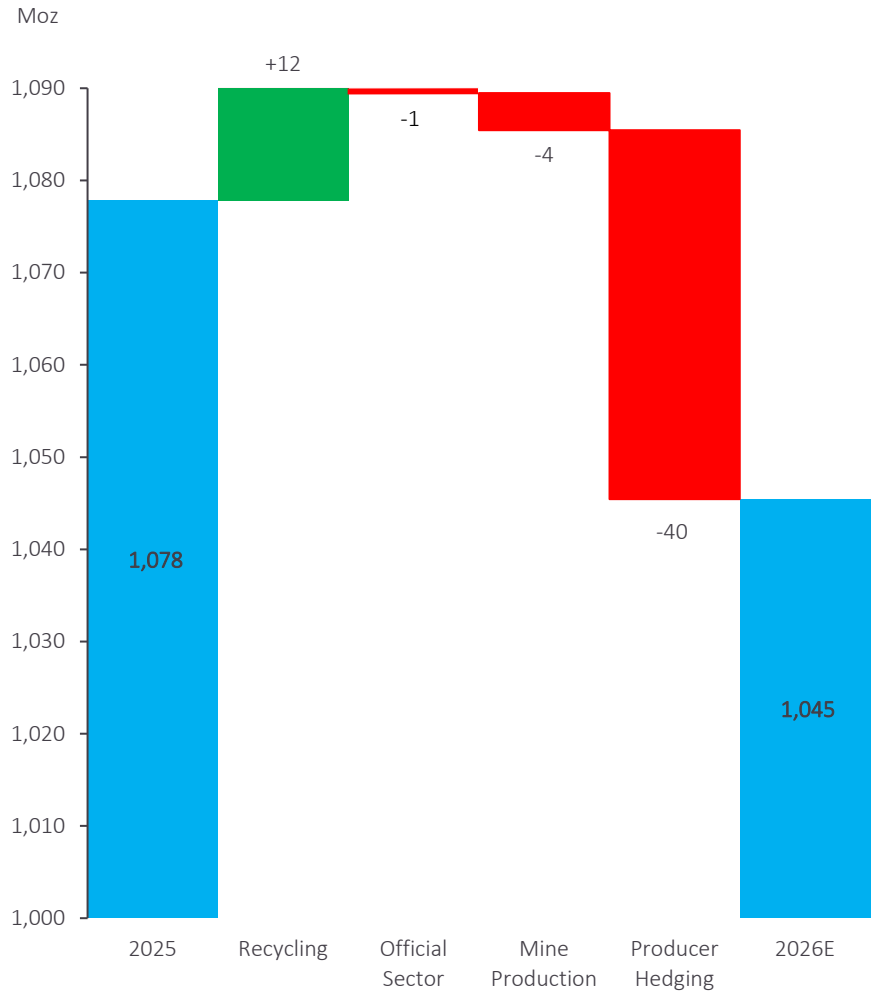


Source: Metals Focus



2026 supply/demand estimates

Global Supply: down 3%, but only to a two-year low

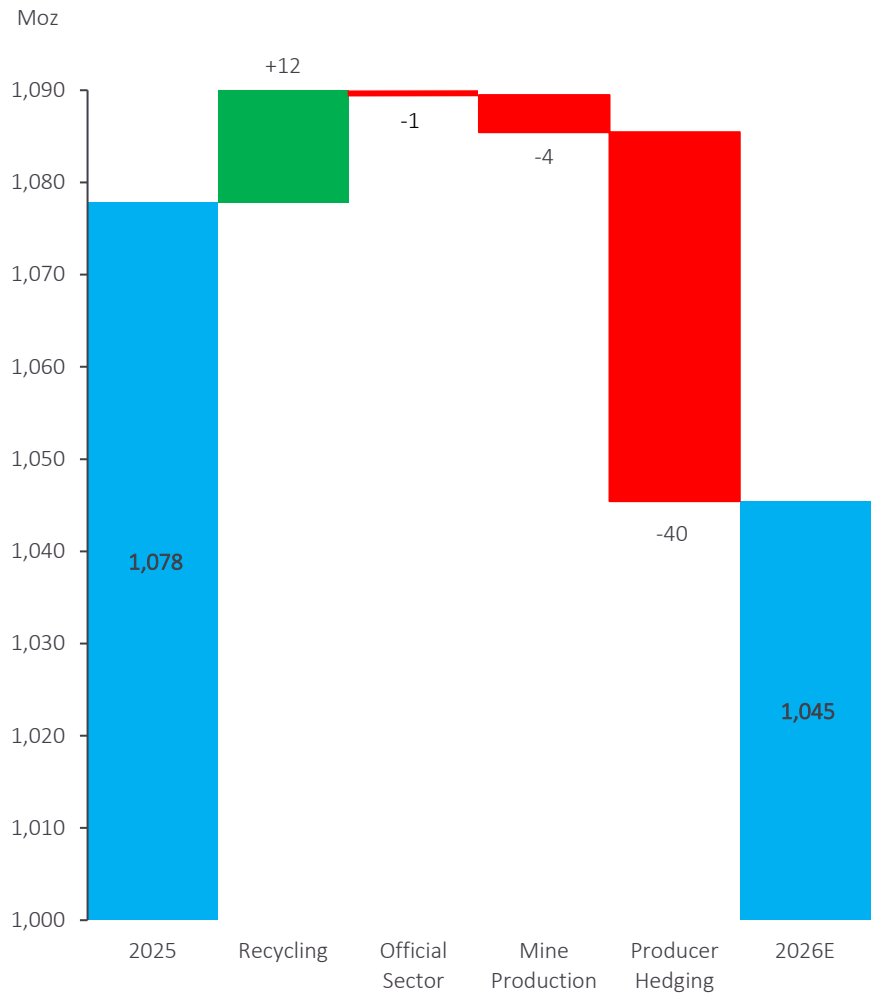


Source: Metals Focus

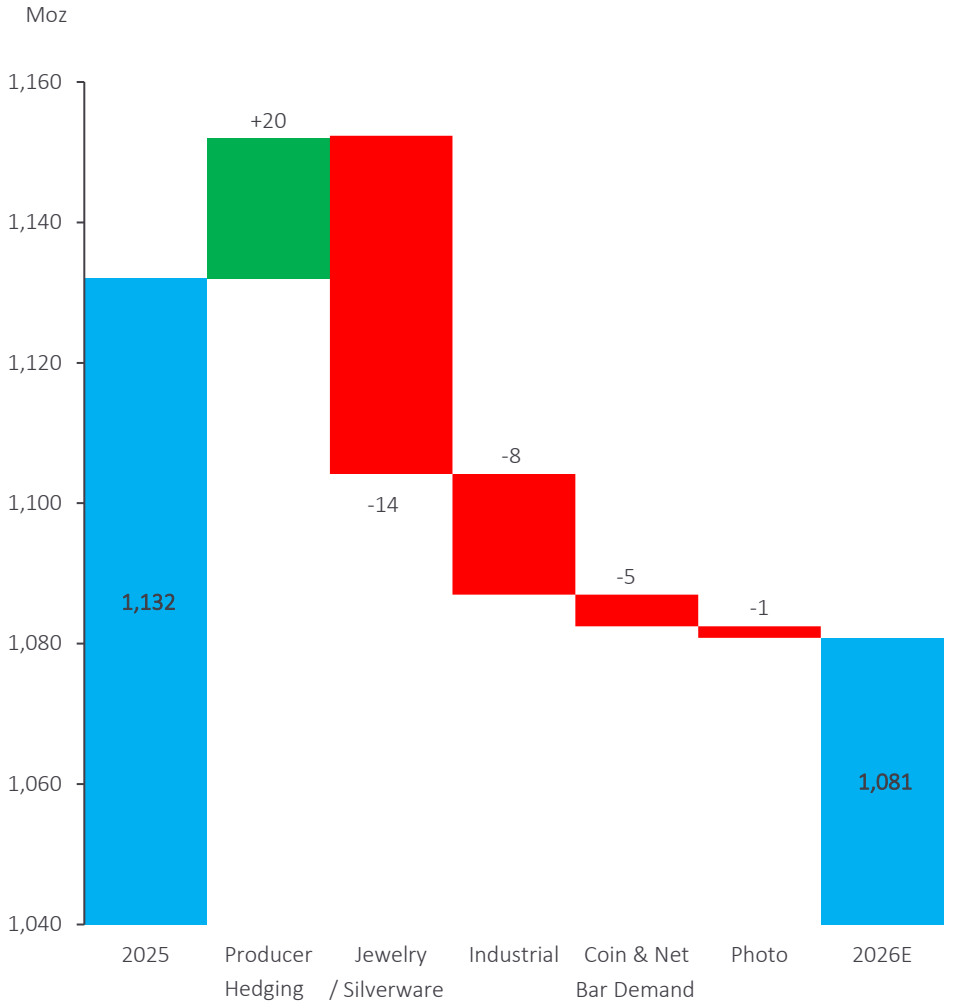


2026 supply/demand estimates

Global Supply: down 3%, but only to a two-year low



Global Demand: eases 5% to its lowest since a COVID-hit 2020

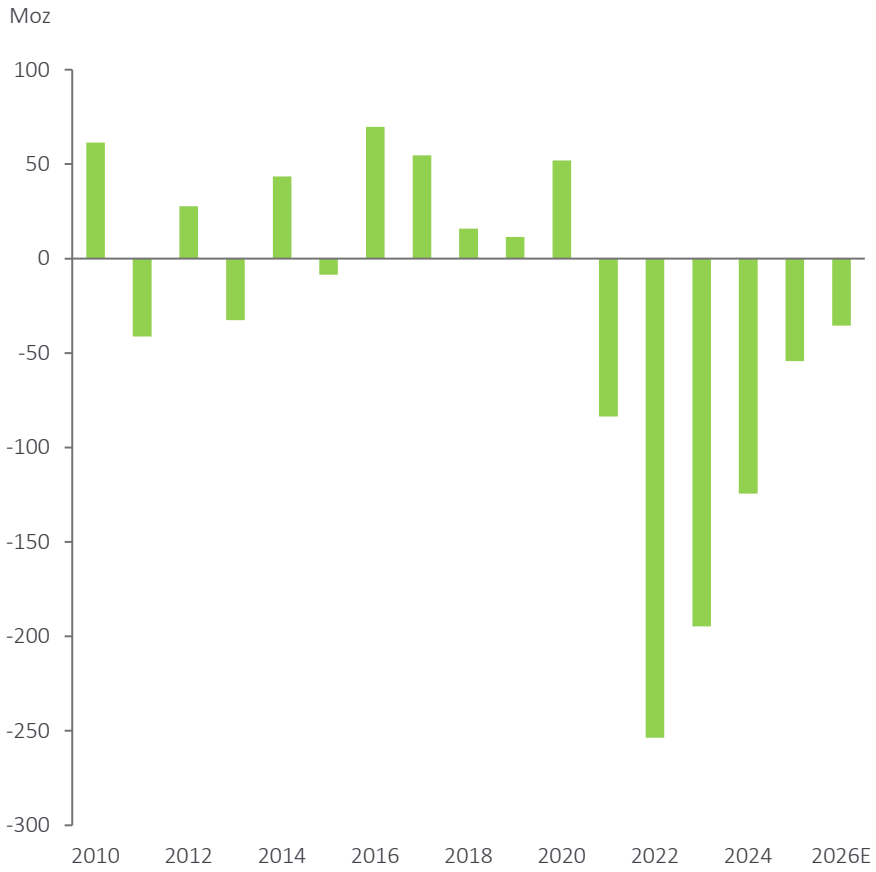


Source: Metals Focus



The sixth, successive deficit in the silver market

An unprecedented sixth deficit

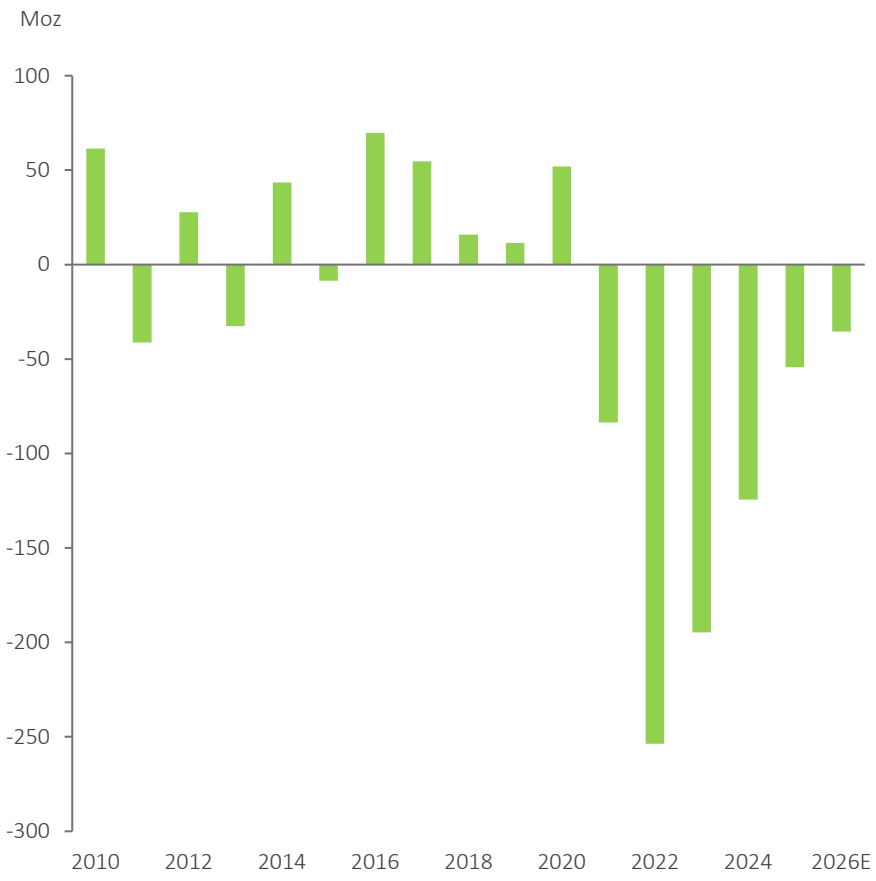


Source: Metals Focus

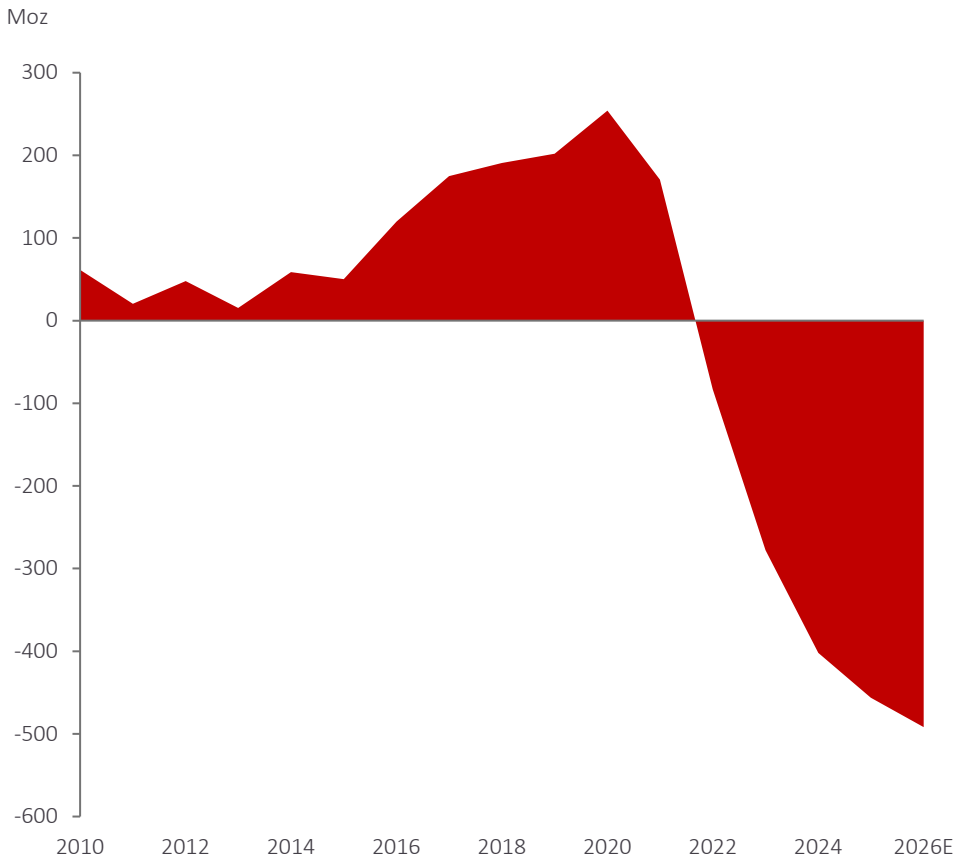


The sixth, successive deficit in the silver market

An unprecedented sixth deficit



Cumulative drawdown of ~745Moz during 2021-26



Source: Metals Focus



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