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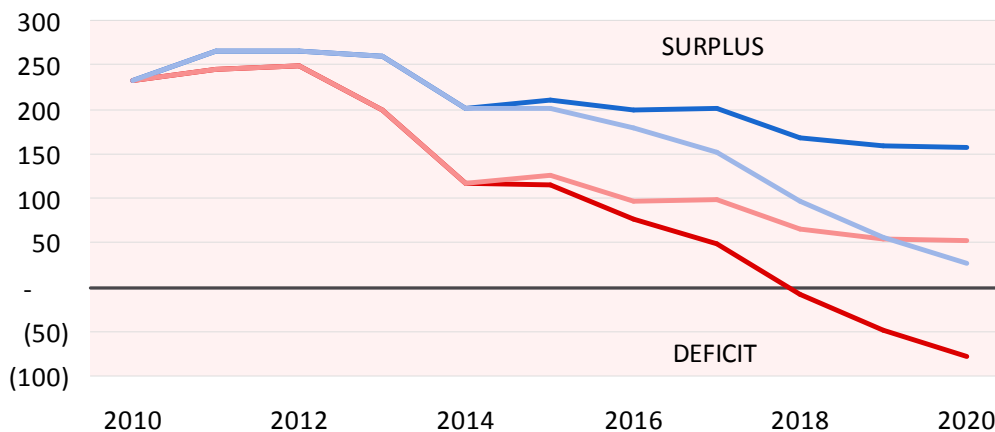
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FORTIS BANK NEDERLAND/VM Group: Silver Book

The silver market is heading for structural change; that is the theme of the Silver Book June 2010. New and emerging end uses that depend on silver's unique conductive and antimicrobial properties will see the huge surplus that has been present in the silver market for many years erode significantly from now to 2020. Our examination of these new markets and projected increase in silver mine supply point to either a halving of the current surplus of more than 7,000t or even to an acute deficit by 2020. Obviously many factors will determine the final outcome, but the trend is clear and that is tighter market conditions are ahead and prices, we believe, will begin to reflect this fact.

In the short to medium term however we estimate another large silver surplus this year and next as supply appears more than sufficient to meet demand. We expect mine supply at more than 22,700t this year, from 22,000t in 2009, while demand for silver jewellery will remain anaemic and photographic offtake continues to fall. ETF demand will also fail to live up to 2009 levels of more than 4,000t, with holdings growing by just 321t in from the start of this year to 15 June, compared with 2,581t in the comparable period in 2009. However, we anticipate a rise in investment demand later on this year.

Silver market balance projections to 2020 based on certain scenarios, Moz



The Silver Book is open-access and available directly from the VM Group at www.virtualmetals.co.uk. If you have not received a copy of this report, or should you require further details or commentary, please contact in the first instance:

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