

# Silver mine supply – Strategy for growth



## Silver Investment Conference

London Stock Exchange – 9th June 2010

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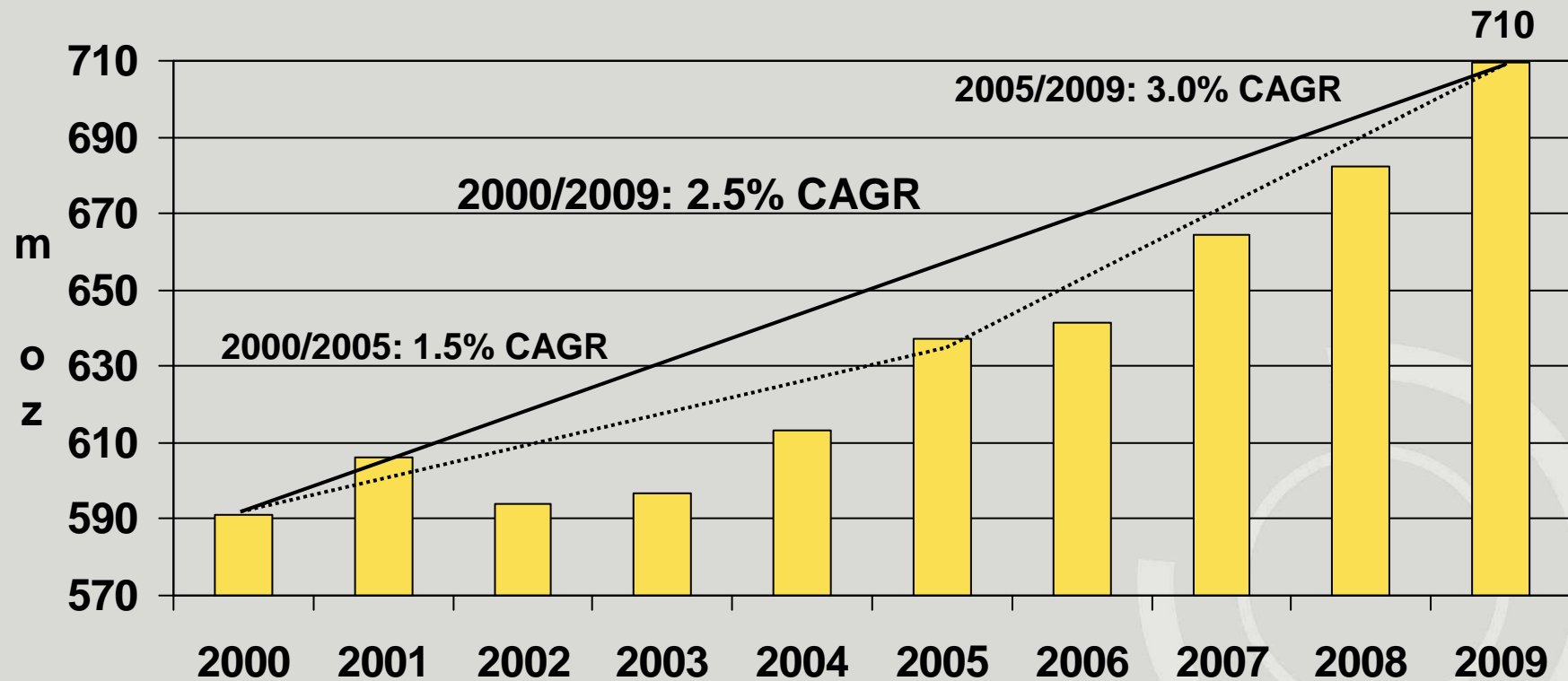


# Agenda

- ➔ Silver mine production 2000 - 2009
- ➔ Primary production
- ➔ World supply
- ➔ Production forecast
- ➔ Growth strategies
- ➔ The Fresnillo experience
- ➔ Conclusion



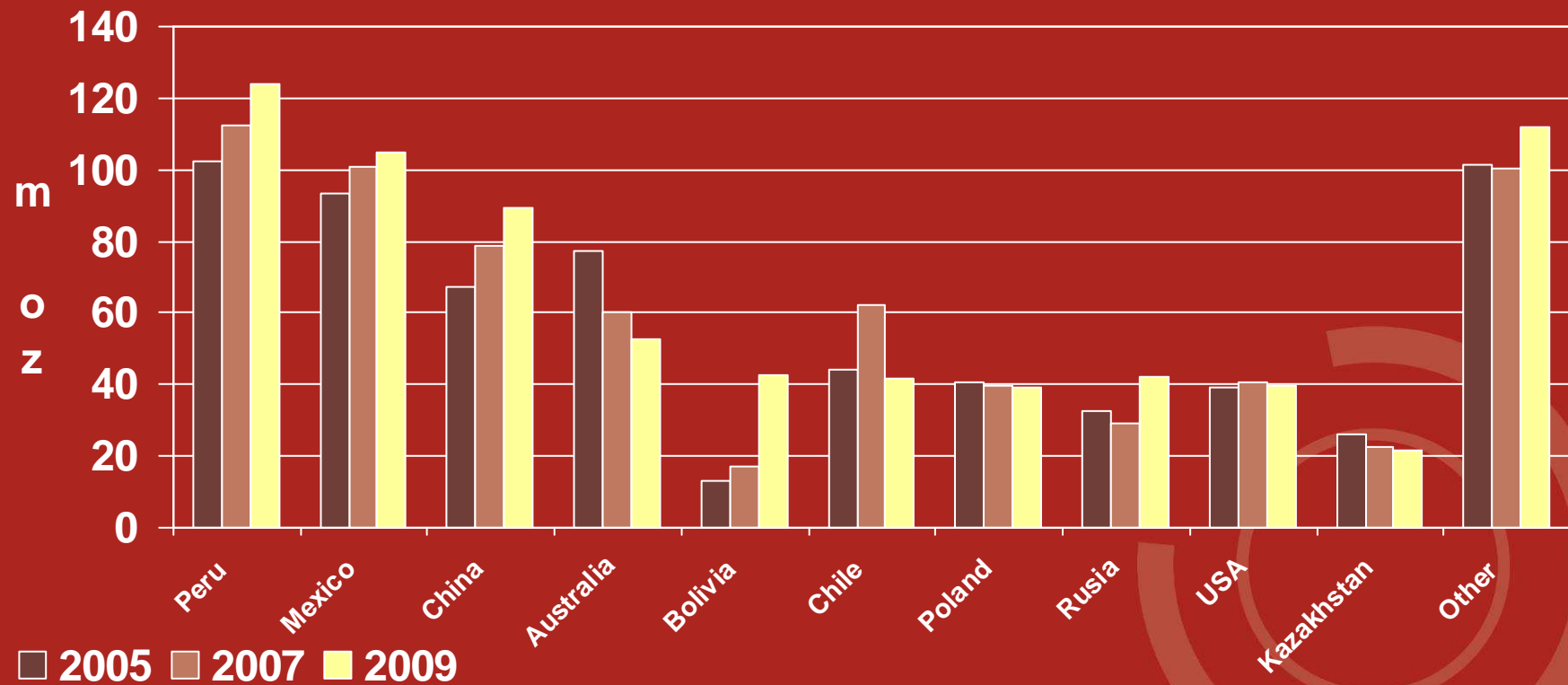
## Growth in production illustrates silver's adaptability



Source: GFMS, Silver Survey 1999-2010.



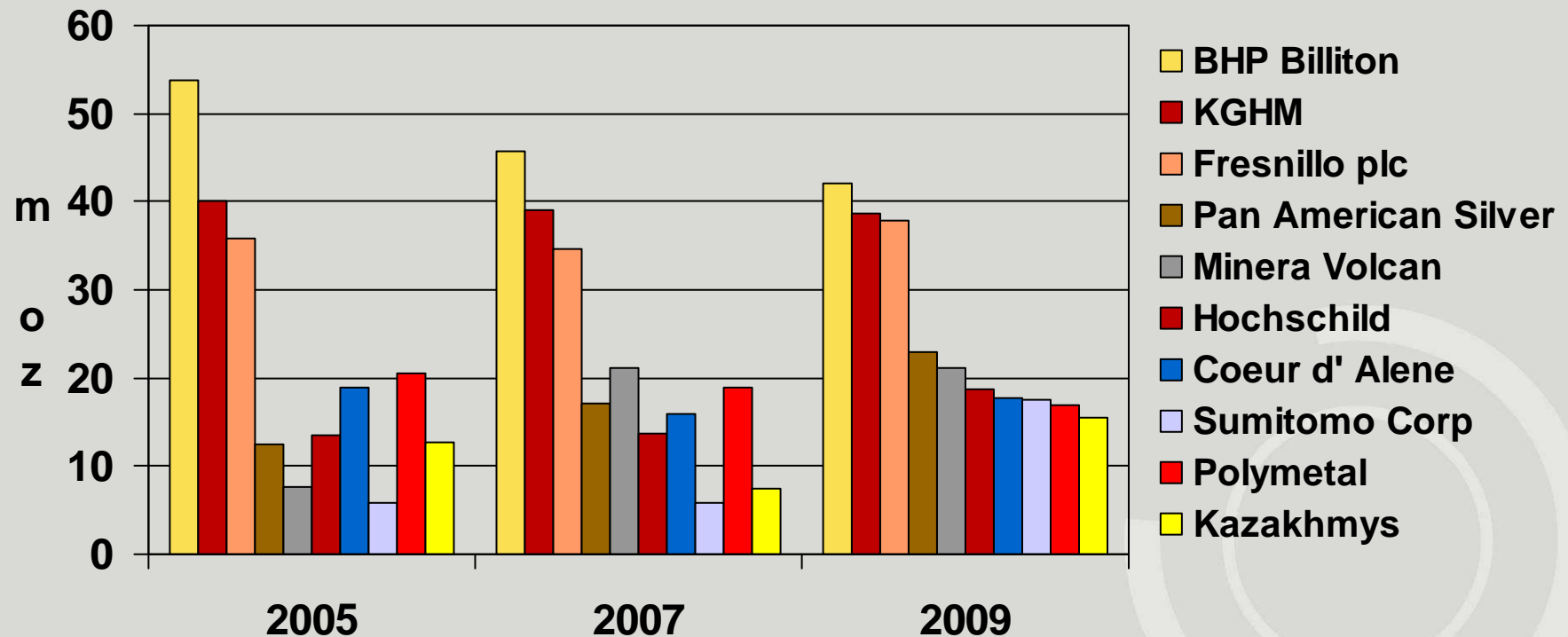
# Where is all the silver coming from?



Source: GFMS, Silver Survey 1999-2010.



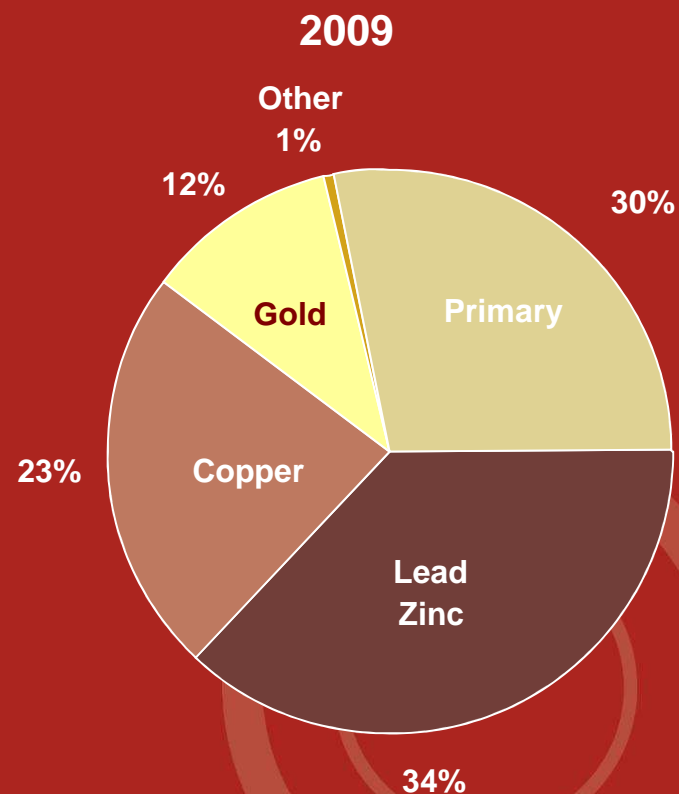
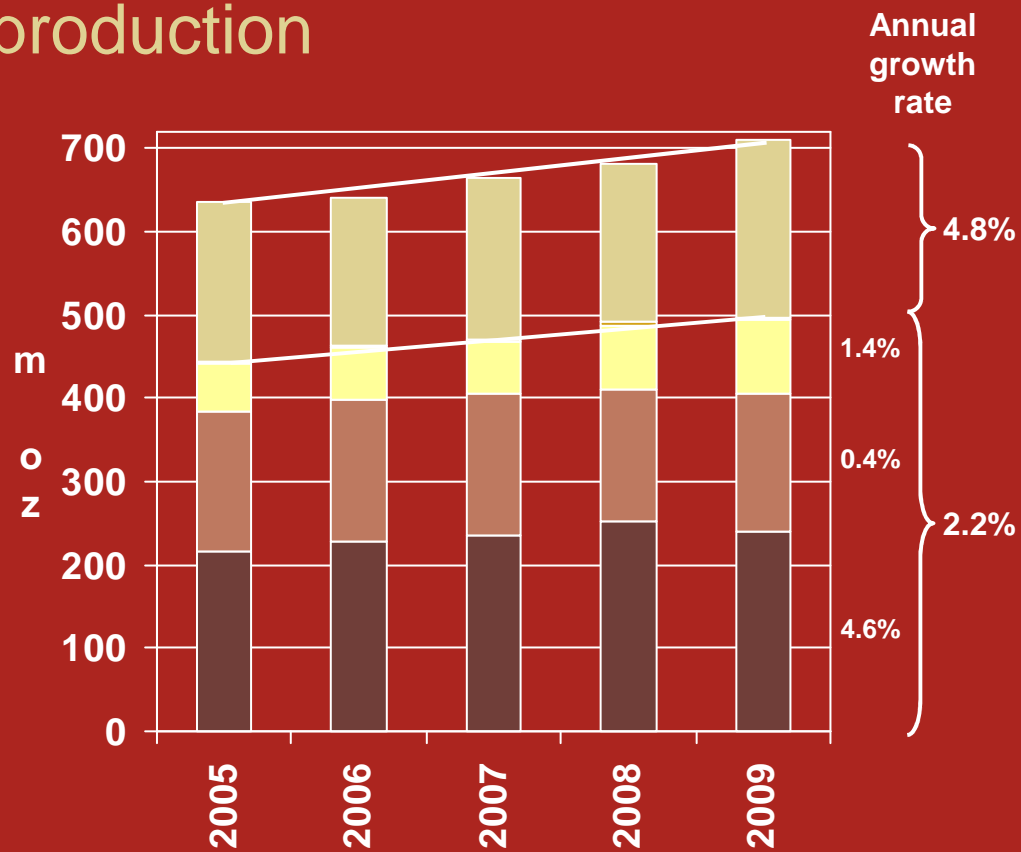
## Companies producing from primary and secondary sources



Source: GFMS, Silver Survey 1999-2010 and Companies Reports



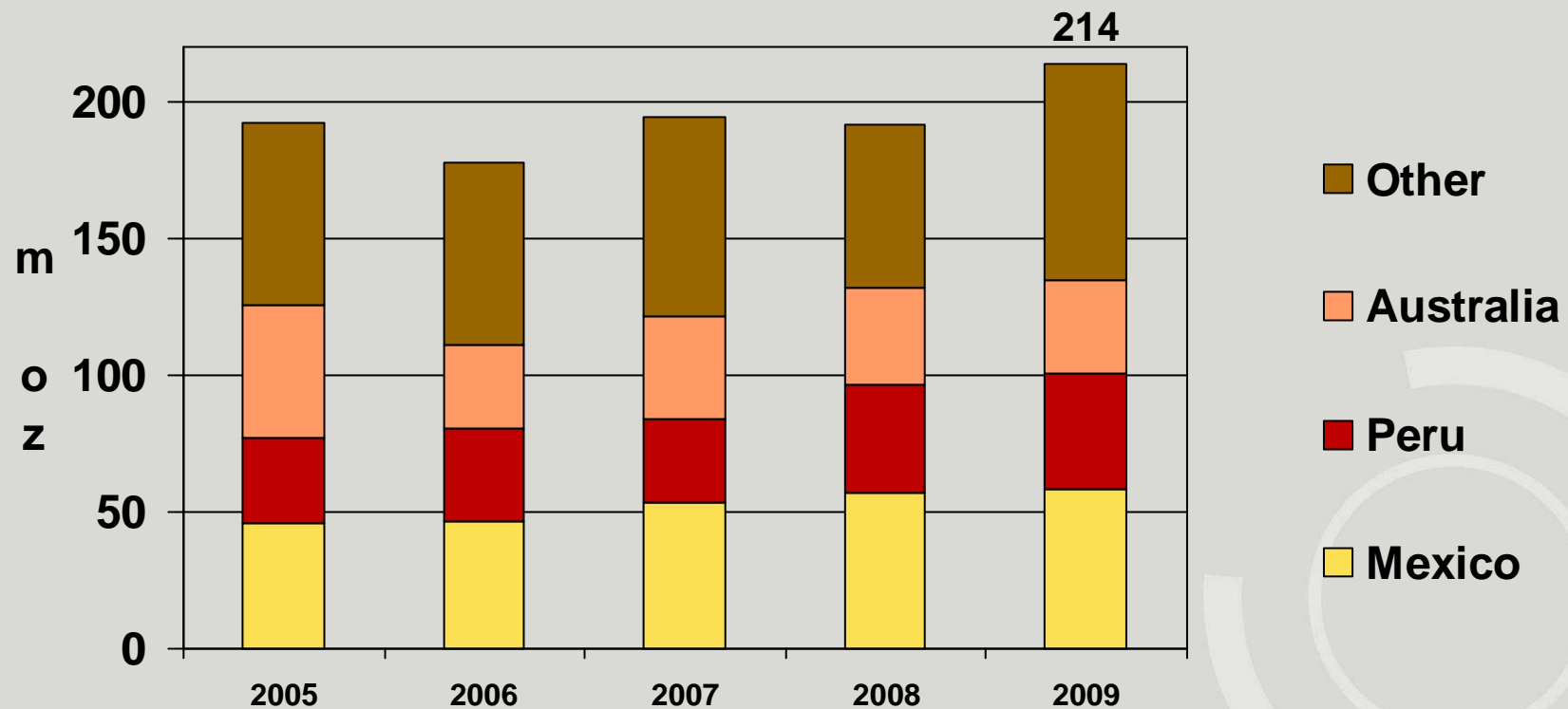
# Primary producers have greater scope to increase production



Source: GFMS, Silver Survey 1999-2010.



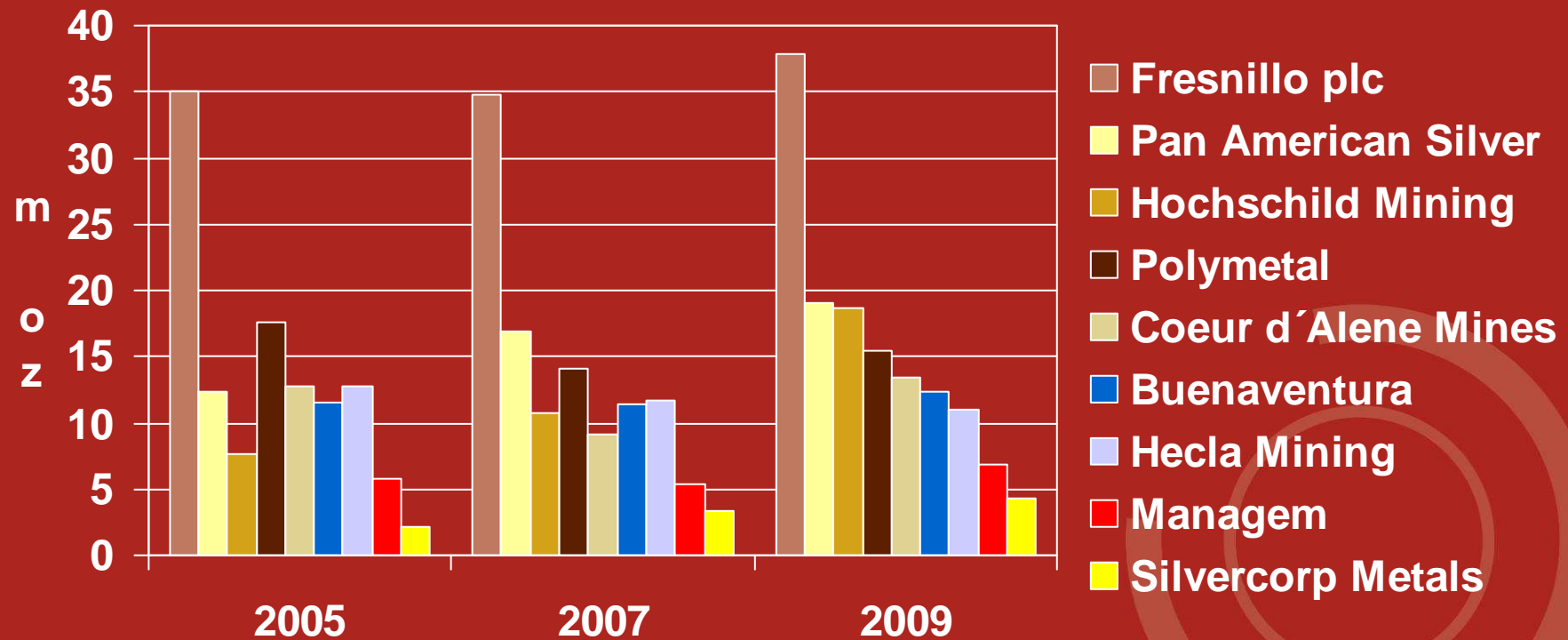
## Latin America is the home to most of the world's primary silver



Source: GFMS, Silver Survey 1999-2010.



## ... And these are the producers...

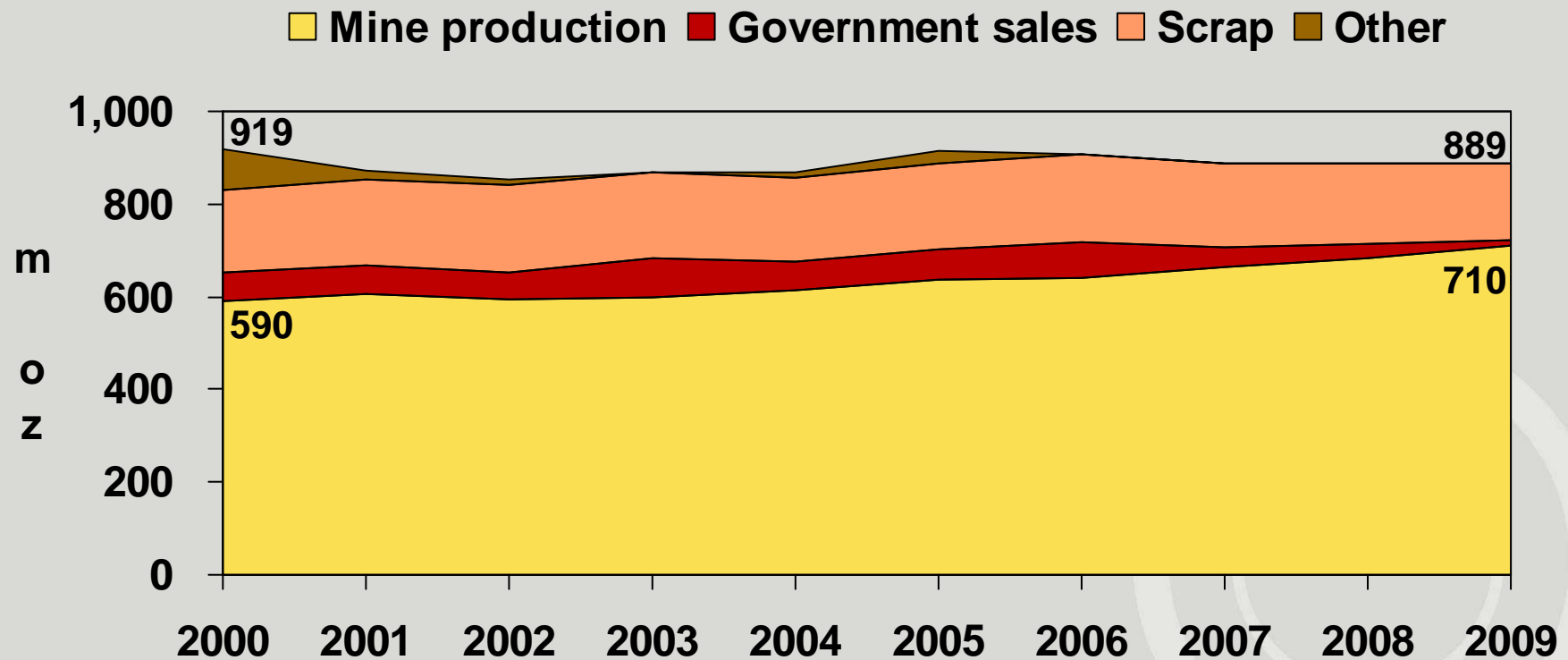


Source: GFMS, Silver Survey 1999-2010 and Company Reports





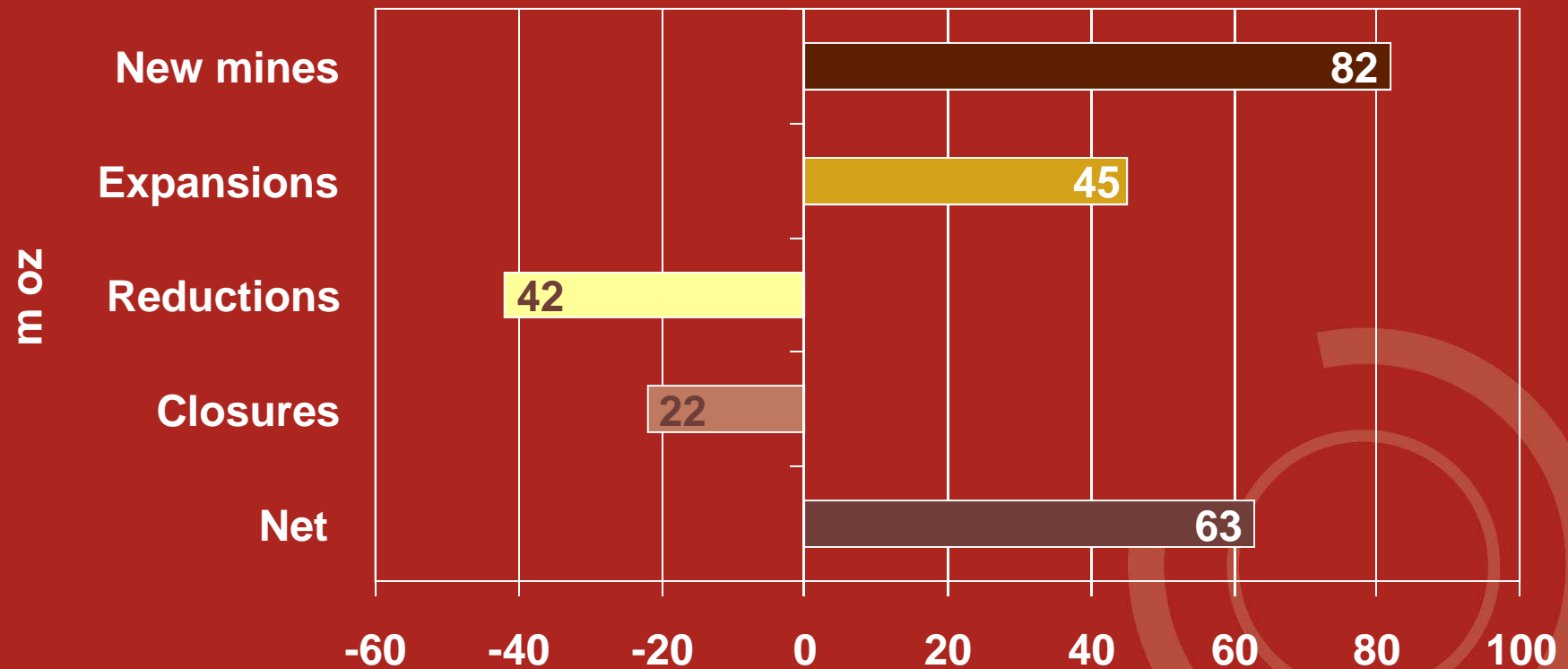
## Mine production is an increasingly important source of supply



Source: GFMS, Silver Survey 1999-2010



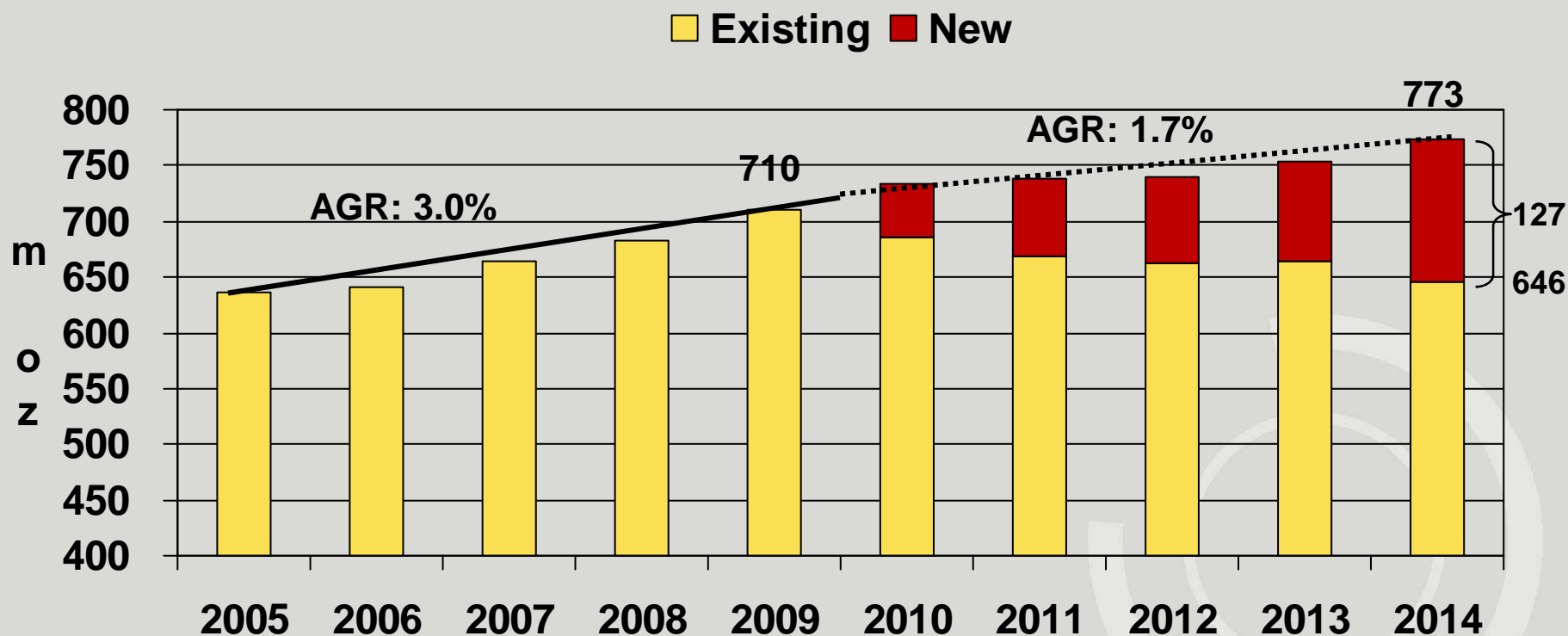
## Mine capacity expected to increase between 2009-2014



Source: GFMS, Brook Hunt, CRU, Company estimates.



## Most new silver production will come from Latin America



Source: GFMS, Brook Hun, CRU, Company estimates.

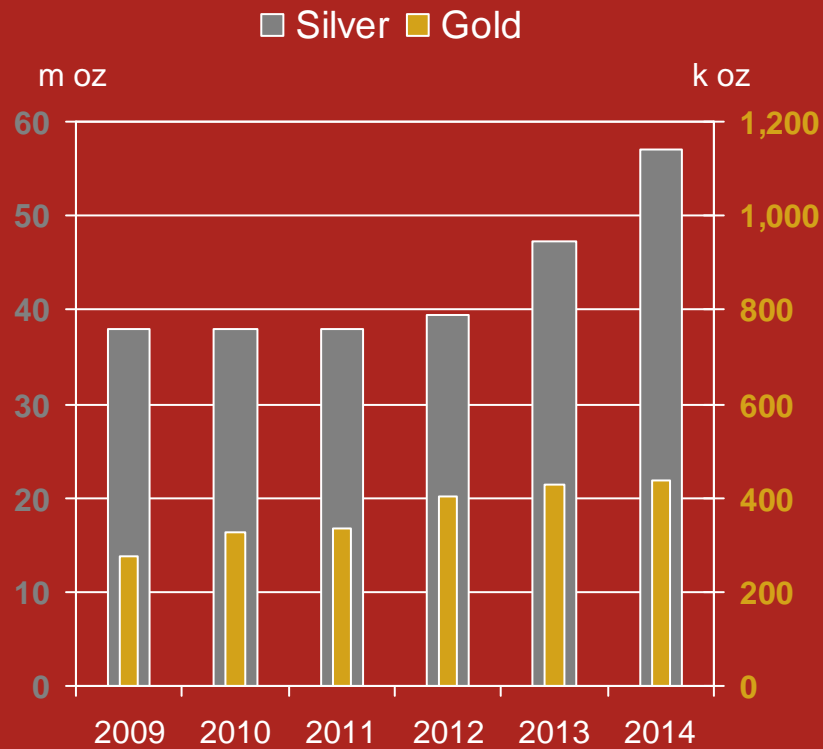


## Strategies for production growth

- ➔ Invest in exploration through cycles
  - ➔ Existing mines
    - ➔ Replenishment and growth of reserves and resources through exploration
    - ➔ Regional exploration and district consolidation
    - ➔ Optimize production and de-bottlenecking
  - ➔ Greenfield projects
    - ➔ Countries and areas with geological potential
    - ➔ Countries friendly to mining



# The Fresnillo strategy



Project	2010	2011	2012	2013	2014
Soledad - Dipolos	Production	Expansion	Expanded Production		
Ciénega	Expansion	Expanded Production			
Saucito	Reserve Definition	Production		Expansion	Expanded Production
Nochebuena	M&I Resources	Pre - Feasibility	Production		
San Julián	M&I Resources	Pre - Feasibility	Reserve Definition	Construction	Production
Orisyvo	M&I Resources				



## Conclusion

- ➔ Silver is one of the most versatile metals with a wide variety of industrial applications and investment appeal
- ➔ Latin America is at the centre of production growth
- ➔ Primary producers are increasingly important and are better able to respond to market conditions
- ➔ Supply is growing at 1.7% per annum but will not be able to meet the expected demand
- ➔ Demand is being driven by industrial recovery and investment interest
- ➔ With the market expected to remain firm, the future is bright for companies with a low cash cost of production