

THE SILVER SERIES

PART 1 2 3

SILVER SETTING UP
FOR A PERFECT STORM

A NEW GOLD- SILVER CYCLE



SUPPLY AND DEMAND

In addition to the investment thesis for silver as a monetary metal, silver is also special for its industrial uses:

Silver is produced primarily as a by-product of non-precious metals mining.



With base metals currently in a bear market, there is a dwindling supply of silver.



But silver is a green metal which supports rising industrial demand.



This is placing upward pressure on the price of silver —potentially indicating the start of a new gold-silver cycle.



INVESTMENT DEMAND

Silver is a precious metal.

Just like gold, silver has functioned as money for centuries—and its role as a store of value and a hedge against monetary inflation is growing.

Currency debasement is not new; governments throughout history have "printed" money, while silver retains its value relative to these paper assets.





But the average investor today does not own physical silver. Rather, they invest in financial instruments that track the performance of the physical commodity itself, such as **silver exchange-traded funds (ETFs)**.

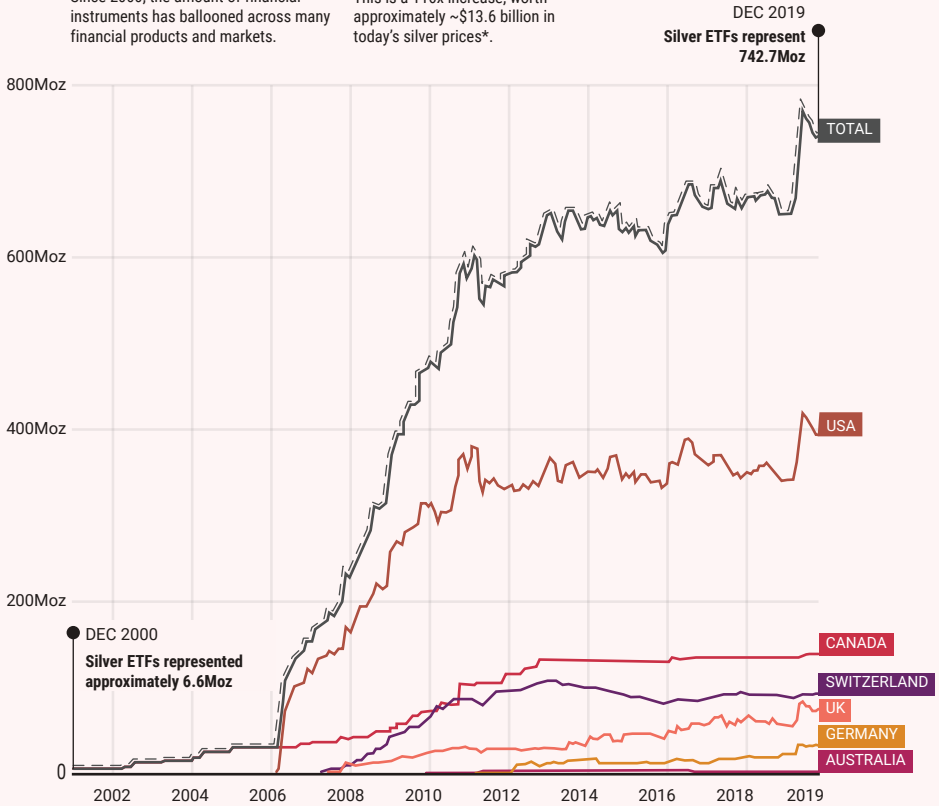
There are two types of silver ETFs:

- #1 A **Direct Silver ETF** owns the silver bullion and acts as a custodian on behalf of the buyer.
- #2 An **Equity Silver ETF** buys stocks of silver mining companies and tracks an equity index.

SILVER OUNCES IN ETFs BY COUNTRY

Since 2000, the amount of financial instruments has ballooned across many financial products and markets.

This is a 116x increase, worth approximately ~\$13.6 billion in today's silver prices*.



*US\$17.95 per oz. Source: CPM Group

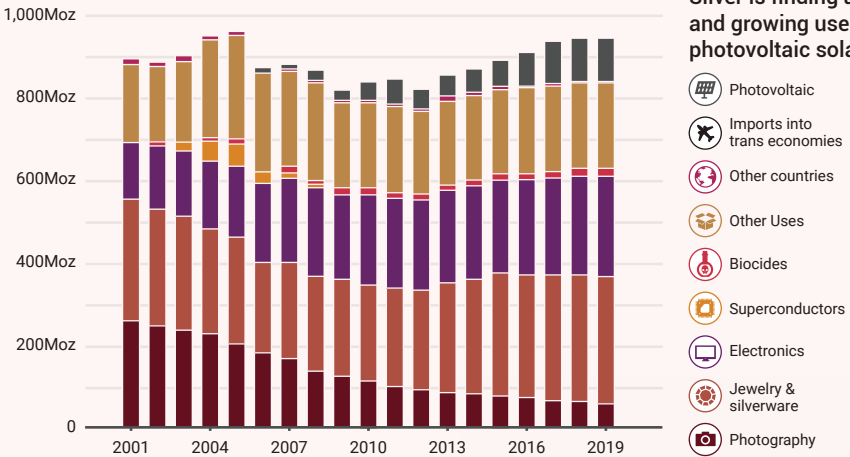
Until recently, ETF investment has been relatively flat, but there has been a surge in the price of silver. Meanwhile, demand for silver-backed financial products has increased the demand for physical silver.

INDUSTRIAL DEMAND

Silver is not just an investment, but also a green metal with many industrial applications.



ANNUAL FABRICATION DEMAND



Source: Silver Institute

In fact, silver is powering the green revolution.

Silver is the best natural conductor of electricity and heat. It's used in:



Electronics



Batteries



Solar panels



Alloys & coatings



LED & RFID chips



Semiconductors



Electric vehicles



A silver paste is used in the solar PV cell which collects electrons and subsequently forms an electric current. Silver then helps conduct electricity out of the cell. Without silver, solar panels could not be as efficient in turning sunlight into usable energy.

As investments and the green revolution are demanding more and more silver, **where is the precious metal coming from?**

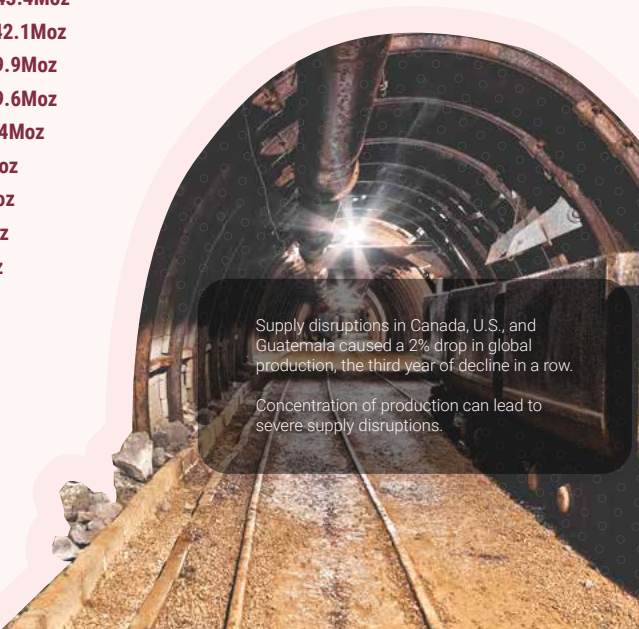
SILVER MINE SUPPLY

Silver production is highly concentrated in several countries.

GLOBAL SILVER MINE PRODUCTION BY COUNTRY, 2018



Source: Silver Institute



Supply disruptions in Canada, U.S., and Guatemala caused a 2% drop in global production, the third year of decline in a row.

Concentration of production can lead to severe supply disruptions.

The bulk of silver production comes as a by-product of other metal mines.

SOURCE OF SILVER IN MINE PRODUCTION

% of Total Mine Supply 2018

Type of Mine



Source: CPM Group

As silver is not the primary metal emerging from some of these mines, it faces a supply crunch now.

SILVER SUPPLY CRUNCH

Silver supply is falling for 3 reasons:



#1 Declining production

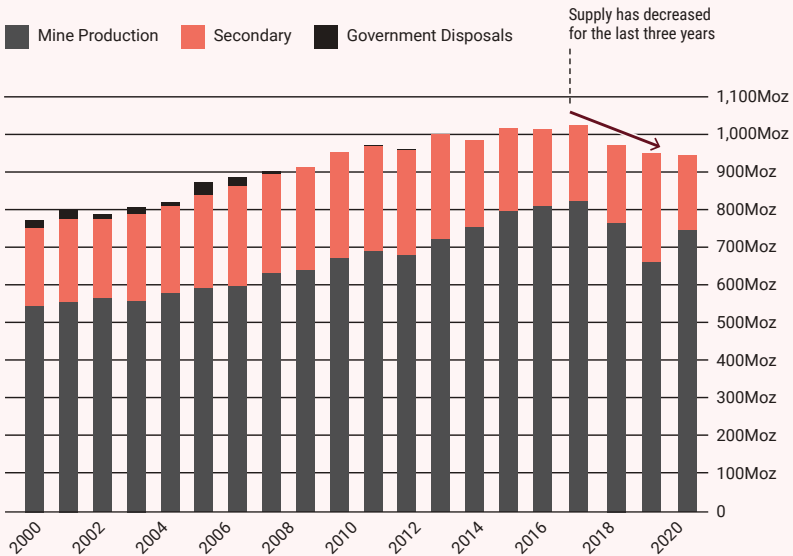


#2 Declining silver mine capacity



#3 Declining reserves of silver

#1 SILVER SUPPLY BY SOURCE

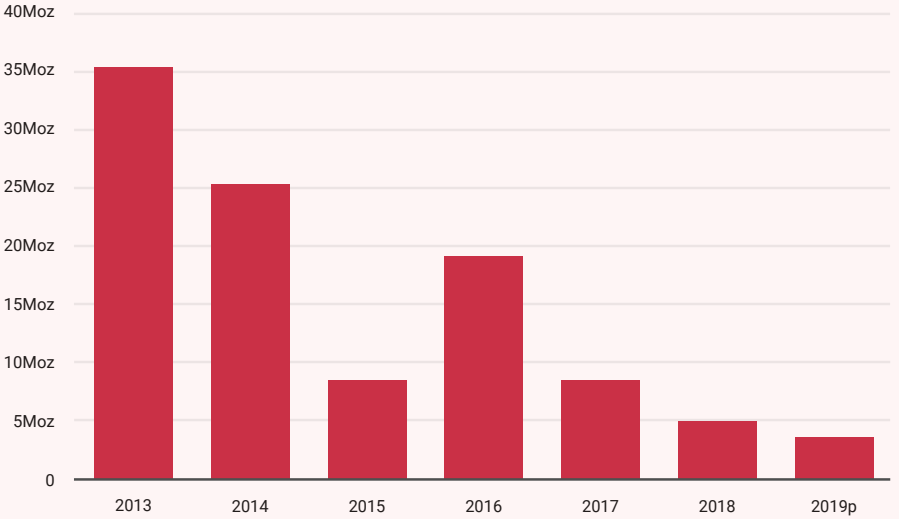


Source: GFMS

Prolonged weakness in price provides little incentive for primary silver producers to increase output through expansions or build new mines.

#2 ANNUAL ADDITIONS OF SILVER MINE CAPACITY

New silver mine capacity increased due to run up in prices between 2010-2011 followed by a sharp decline from 2013 onwards.

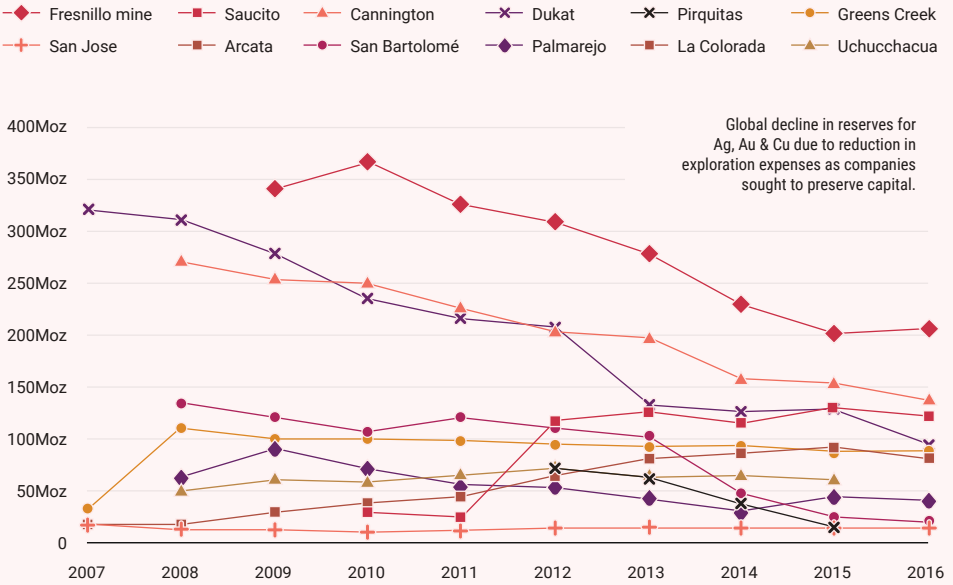


Source: GFMS

While “above-ground” supply is dwindling, so is silver in the ground. Nearly all reserves at the largest silver mines have been in decline.



#3 "LIFE OF MINE" (LOM) SILVER RESERVE DECLINES



Source: USGS, 2018

There are fewer high grade, world scale deposits.

Silver miners who make new discoveries could prove to be the next great opportunity. Declining supply and rising silver demand is setting silver up for the perfect storm.



TSE: EDR NYSE: EXK

Endeavour Silver finds, builds, and operates quality silver mines in a sustainable way to create real value for stakeholders.

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