



SILVERCORP METALS INC.

CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED JUNE 30, 2007 AND 2006

(Expressed in Canadian Dollars, unless otherwise stated)

**Notice to Reader of the Unaudited Interim Consolidated Financial Statements
For the three months ended June 30, 2007**

The unaudited interim consolidated financial statements of Silvercorp Metals Inc. (the “Company”) for the three months ended June 30, 2007 (“Financial Statements”) have been prepared by management. The Financial Statements should be read in conjunction with the Company’s audited consolidated financial statements for the twelve months ended March 31, 2007 which are available at the SEDAR website at www.sedar.com. The Financial Statements are stated in terms of Canadian dollars, unless otherwise indicated, and are prepared in accordance with Canadian generally accepted accounting principles.

SILVERCORP METALS INC.
CONSOLIDATED BALANCE SHEETS
As at June 30, 2007 and March 31 2007
(Unaudited - Express in Canadian Dollars)

		June 30, 2007		March 31, 2007
ASSETS				
Current Assets				
Cash and cash equivalents	Note 4	\$ 53,432,735	\$	61,484,697
Short term investments	Note 5	23,807,704		6,282,426
Accounts receivable and prepaids	Note 6	1,974,174		1,470,820
Inventories	Note 7	1,550,885		2,077,954
		80,765,498		71,315,897
Long term prepaids	Note 8	3,433,406		1,769,852
Long term investments	Note 9	9,701,384		7,557,083
Property, plant and equipment	Note 10	8,773,372		9,071,817
Mineral rights and properties	Note 11	22,955,865		18,822,299
Reclamation deposits		10,000		10,000
		\$ 125,639,525	\$	108,546,948
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities		\$ 4,972,369	\$	3,599,126
Deposits received from customers		2,562,705		1,599,376
Income tax payable		-		1,678,446
Current portion of asset retirement obligation	Note 12	237,397		337,115
Amount due to related parties	Note 16	1,135,400		1,536,722
		8,907,871		8,750,785
Future income tax liabilities		2,460,498		1,620,042
Asset retirement obligation	Note 12	784,024		772,438
		12,152,393		11,143,265
Non-controlling interests	Note 14	8,759,262		8,010,333
SHAREHOLDERS' EQUITY				
Share capital	Note 13	87,999,422		86,326,581
Contributed surplus		1,211,840		1,195,340
Reserves	Note 15	2,365,587		-
Accumulated other comprehensive income (loss)		(1,009,930)		1,232,387
Retained earnings		14,160,951		639,042
		104,727,870		89,393,350
		\$ 125,639,525	\$	108,546,948
Commitments and Contingencies		Note 9(c), 11(d), 20, and 21		

Approved on behalf of the Board:

(Signed) Greg Hall

Director

(Signed) Rui Feng

Director

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

SILVERCORP METALS INC.
CONSOLIDATED STATEMENTS OF INCOME AND DEFICIT
(Unaudited - expressed in Canadian dollars except for share figures)

		Three months ended June 30,	
		2007	2006
Sales	Note 19 (c)	\$ 24,436,333	\$ 4,333,050
Cost of goods sold		5,341,424	920,336
Earnings from mine operations		19,094,909	3,412,714
Expenses			
Accretion of asset retirement obligation	Note 12	16,643	-
Amortization		99,247	20,697
Foreign exchange loss		451,213	39,707
General exploration and property investigation expenses		253,374	275,931
Investor relations		63,324	114,776
Office, administration and miscellaneous	Note 16	858,385	542,807
Professional fees	Note 16	104,696	169,391
Stock-based compensation expenses	Note 13(d)	669,967	135,286
		2,516,849	1,298,595
Earnings before other income and expenses		16,578,060	2,114,119
Other income and expenses			
Equity loss in investment	Note 9(b)	(131,792)	(7,177)
Loss on disposal of property, plant and equipment	Note 10	(52,852)	-
Loss on disposal of long term investments	Note 9(a)	-	(12,400)
Mineral property option income	Note 9(b)	2,050,623	565,834
Interest income		517,109	400,414
Other income		585	-
		2,383,673	946,671
Income before income taxes and non-controlling interests		18,961,733	3,060,790
Income tax expense (recovery)			
Current	Note 17	(1,610,903)	-
Future		17,022	-
		(1,593,881)	-
Income before non-controlling interests		20,555,614	3,060,790
Non-controlling interests		(4,668,118)	(703,210)
Net income		15,887,496	2,357,580
Basic earnings per share		\$ 0.33	\$ 0.05
Diluted earnings per share		\$ 0.32	\$ 0.05
Weighted Average Number of Shares Outstanding - Basic		48,813,765	47,012,138
Weighted Average Number of Shares Outstanding - Diluted		50,078,344	49,560,078

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

SILVERCORP METALS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited - expressed in Canadian dollars)

	Three months ended June 30,	
	2007	2006
Cash provided by (used for)		
Operating activities		
Net income for the period	\$ 15,887,496	\$ 2,357,580
Add (deduct) items not affecting cash :		
Accretion of asset retirement obligation	16,643	-
Amortization	742,792	126,362
Equity investment loss	131,792	7,177
Loss on disposal of long term investments	-	12,400
Loss on disposal of property, plant, and equipment	52,852	-
Mineral property option income	(2,050,623)	(565,834)
Non-controlling interests	4,668,118	703,210
Future income tax	17,022	-
Stock-based compensation	669,967	135,286
	20,136,059	2,776,181
Net change in non-cash working capital		
Accounts receivable and prepaids	(520,137)	(773,248)
Inventory	535,520	(748,666)
Accounts payable and accrued liabilities	1,377,125	51,301
Asset retirement obligation discharged upon payment	(104,775)	-
Income tax payable	(1,678,446)	-
Deposits received from customers	989,009	555,781
Cash provided by operating activities	20,734,355	1,861,349
Investing activities		
Purchase of mineral rights and properties	(3,101,238)	(1,260,888)
Purchase of property, plant, and equipment	(1,579,248)	(532,111)
Purchase of long term investments	(143,100)	-
Advances to related parties	(401,322)	(17,813)
Purchase of short term investments	(17,610,039)	(37,800,000)
Decreased (increased) in of long term prepaids	(1,659,265)	84,695
Proceeds from disposal of long term investments	-	237,600
Proceeds from disposal of property, plant, and equipment	162,419	-
Distribution to non controlling subsidiary shareholder (note 14)	(3,598,898)	-
Cash used in investing activities	(27,930,691)	(39,288,517)
Financing activities		
Advance from (to) related parties	(401,322)	-
Advances to joint venture parties	-	(289,689)
Share subscriptions for cash, net of commission and expenses	1,019,374	44,685,868
Cash provided by financing activities	618,052	44,396,179
Effect of exchange rate changes on cash	(1,473,678)	(103,774)
Increase (Decrease) in cash	(8,051,962)	6,865,237
Cash and cash equivalents, beginning of period	61,484,697	3,899,812
Cash and cash equivalents, end of period	\$ 53,432,735	\$ 10,765,049
Supplemental information:		
Interest paid	\$ -	\$ -
Non-cash investing activities:		
Common shares of New Pacific Metals Corp. received as partial consideration for the Option Agreement in relation to the Kang Dian Project	\$ 2,050,623	\$ 565,834

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

SILVERCORP METALS INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) AND OTHER ACCUMULATED OTHER
COMPREHENSIVE INCOME (LOSS)
(Unaudited - expressed in Canadian dollars)

	Three months ended June 30,	
	2007	2006
Net income for the period	\$ 15,887,496	\$ 2,357,580
Other comprehensive income (loss), net of tax:		
Transition adjustment to the opening balance of investment in Dajin Resources Corp. as per the initial adoption of new standards (note 3(a))	10,000	-
Transition adjustment to reallocate cumulative foreign translation adjustment to other comprehensive income as initial adoption of new standards (note 3(a))	1,232,387	46,168
Unrealized gain on available for sale securities	80,000	-
Unrealized exchange loss on translation of self-sustaining foreign operations	(2,332,317)	(159,685)
Other comprehensive loss	(1,009,930)	(113,517)
Comprehensive income, end of period	\$ 14,877,566	\$ 2,244,063

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

SILVERCORP METALS INC
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited - expressed in Canadian dollars except for share figures)

	Share capital		Contributed surplus	Reserve funds	Accumulated other comprehensive income (loss)	Retained earnings (deficit)	Total shareholders' equity
	Number of shares	Amount					
Balances, March 31, 2006	45,062,157	\$ 38,130,910	\$ 4,886,735	\$ -	\$ 46,168	\$ (24,469,766)	\$ 18,594,047
Options exercised	987,239	889,160	-	-	-	-	889,160
Warrants exercised	522,500	2,403,500	-	-	-	-	2,403,500
Private placement, net of issuance cost	2,501,250	44,484,295	-	-	-	-	44,484,295
Value of options transferred upon exercised	-	1,151,459	(1,151,459)	-	-	-	-
Contributed surplus transferred as per share cancellation	-	4,766,361	(4,766,361)	-	-	-	-
Share cancellation under the Normal Course Issuer Bid	(420,500)	(5,499,104)	-	-	-	-	(5,499,104)
Stock based compensation	-	-	2,226,425	-	-	-	2,226,425
Earning of the year	-	-	-	-	-	25,108,808	25,108,808
Foreign currency translation	-	-	-	-	1,186,219	-	1,186,219
Balance, March 31, 2007	48,652,646	\$ 86,326,581	\$ 1,195,340	\$ -	\$ 1,232,387	\$ 639,042	\$ 89,393,350
Transition adjustments to opening balance (note 3(a))	-	-	-	-	10,000	-	10,000
Options exercised	292,628	1,019,374	-	-	-	-	1,019,374
Value of options transferred upon exercised	-	653,467	(653,467)	-	-	-	-
Stock based compensation (note 13(d))	-	-	669,967	-	-	-	669,967
Unrealized gain on available for sale securities (note 9(a))	-	-	-	-	80,000	-	80,000
Appropriation to reserves (note 15)	-	-	-	2,365,587	-	(2,365,587)	-
Net income for the period	-	-	-	-	-	15,887,496	15,887,496
Unrealized loss on translation of self-sustaining operation	-	-	-	-	(2,332,317)	-	(2,332,317)
Balance, June 30, 2007	48,945,274	\$ 87,999,422	\$ 1,211,840	\$ 2,365,587	\$ (1,009,930)	\$ 14,160,951	\$ 104,727,870

The accompanying notes are an integral part of these unaudited interim consolidated financial statements

SILVERCORP METALS INC.
Notes to the Consolidated Financial Statements
For three months ended June 30, 2007 and 2006
(Expressed in Canadian dollars, unless otherwise stated)

1. NATURE OF OPERATIONS

Silvercorp Metals Inc. along with its subsidiary companies and joint ventures (collectively the “Company”) are engaged in the acquisition, exploration, development, and mining of precious and base metal mineral properties in the People’s Republic of China (“China”). The Company exited from the exploration stage effective April 1, 2006 pursuant to AcG-11 “Enterprises in the Development Stage”. The Company is a reporting issuer in British Columbia, Alberta, Ontario, Nova Scotia, New Brunswick, Manitoba, and Saskatchewan and trades on the TSX Exchange under the symbol “SVM”.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation and principles of consolidation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”), and presented in Canadian dollars, but they do not contain all disclosures required by Canadian GAAP for annual financial statements and, accordingly, they should be read in conjunction with the most recently prepared annual financial statements for the year ended March 31, 2007. They include the accounts of the Company and its directly and indirectly owned subsidiaries Silvercorp Metals China Inc., Fortune Mining Limited, Fortune Copper Limited, Fortress Mining Inc., Fortune Gold Mining Limited, Lachlan Gold Ltd., Victor Resources Ltd., Victor Mining Ltd., Yunnan Jin Chang Jiang Mining Co. Ltd. (“YJCJM”), 70% (March 31, 2007 – 60%) owned subsidiary, Henan Huawei Mining Co. Ltd. (Huawei), and 77.5% owned subsidiary, Henan Found Mining Co. Ltd. (“Henan Found”).

These unaudited interim consolidated financial statements reflect, in the opinion of management, all adjustments necessary to present fairly the consolidated financial position as at June 30, 2007 and the consolidated statement of income and consolidated cash flows for the three months period presented. Operating results of the interim period are not necessarily indicative of the result that may be expected for the full fiscal year ending March 31, 2008.

All significant inter-company transactions and accounts have been eliminated upon consolidation.

(b) Use of estimates

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates include assumptions and estimates relating to determining defined ore bodies, reserves value beyond proven and probable mine life, fair values for purposes of impairment analysis, reclamation obligations, non-cash stock-based compensation and warrants, valuation allowances for future income tax assets, and future income tax liabilities. Actual results could differ from these estimates.

SILVERCORP METALS INC.
Notes to the Consolidated Financial Statements
For three months ended June 30, 2007 and 2006
(Expressed in Canadian dollars, unless otherwise stated)

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash and highly liquid investments having maturity dates of three months or less from the date of acquisition that are readily convertible to cash.

(d) Inventories

Inventories include metals contained in concentrates, stockpile ores and operating materials and supplies. The classification of inventory is determined by the stage at which the ore is in the production process. Inventories of ore are sampled for metal content and are valued based on the lower of actual production costs incurred or estimated net realizable value based upon the period ending prices of contained metal. Material that does not contain a minimum quantity of metal to cover estimated processing expense to recover the contained metal is not classified as inventory and is assigned no value. All metal inventories are stated at the lower of cost or market, with cost being determined using the moving average method. Supplies inventories are valued at the lower of average cost, net of obsolescence, or market. Concentrate inventories are valued at lower of cost or market.

(e) Long-term investments

Long-term investments over which the Company has no control or for which it does not have significant influence or control are valued at cost. Investments in financial instruments are measured under the new financial instrument standards (note 3 (b)).

Investments in which the Company has a significant influence are accounted for by the equity method, whereby the Company records its proportionate share of the investee's income or loss.

(f) Property, plant and equipment

Property, plant and equipment are recorded at cost. Depreciation is computed using the straight-line method at the following rates, calculated to amortize the cost of the assets less their residual values over their estimated useful lives.

Building	5%
Computer equipment	20% - 50%
Computer software	20% - 50%
Equipment and furniture	20% - 50%
Machinery	10% - 20%
Mining equipment	10%
Motor vehicle	20%
Leasehold improvement	20%

(g) Mineral rights and properties

Mineral rights and properties include the acquisition costs, direct exploration and development expenditures.

SILVERCORP METALS INC.
Notes to the Consolidated Financial Statements
For three months ended June 30, 2007 and 2006
(Expressed in Canadian dollars, unless otherwise stated)

Upon commencement of commercial production, mineral properties and capitalized expenditures are amortized over the mine's estimated life using the units of production method calculated on the basis of estimated reserves.

The Company reviews the carrying value of each property that is in the exploration/development stage by reference to the project economics including the timing of the exploration and/or development work, the work programs and the exploration results experienced by the Company and others. The review of the carrying value of each producing property will be made by reference to the estimated future operating results and net cash flows. When the carrying value of a property exceeds its estimated net realizable amount, provision will be made for the decline in value. The carrying amount will be written off if the Company decides to abandon the property.

The recoverability of the amounts capitalized for the undeveloped mineral properties and deferred exploration costs is dependent upon the determination of economically recoverable ore resources, confirmation of the Company's interest in the underlying mineral claims, the ability to obtain the necessary financing to complete their exploration and development and future profitable production or proceeds from the disposition thereof.

(h) Asset retirement obligations

Asset retirement obligations ("ARO") represent the estimated discounted net present value of statutory, contractual or other legal obligations relating to site reclamation and restoration costs that the Company will incur on the retirement of assets and abandonment of mine and exploration sites. ARO are added to the carrying value of mineral rights and properties as such expenditures are incurred and amortized against income over the useful life of the related asset. ARO are determined in compliance with recognized standards for site closure and mine reclamation established by governmental regulation.

Over the life of the asset, imputed interest on the ARO liability is charged to operations as accretion of asset retirement obligations on the consolidated statements of income (loss) using the discount rate used to establish the ARO. The offset of accretion expense is added to the balance of the ARO.

Where information becomes available that indicates a recorded ARO is not sufficient to meet, or exceeds, anticipated obligations, the obligation is adjusted accordingly and added to, or deducted from, the ARO.

(i) Foreign currency translation

All subsidiaries, except its 77.5% owned subsidiary Henan Found and 70% owned subsidiary Huawei are considered to be integrated foreign operation and their financial statements are translated to Canadian dollars under temporal method. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the balance sheet date and non-monetary assets and liabilities at historical exchange rate. Revenues and expenses are translated at the average exchange rate in effect during the period. Realized and unrealized foreign exchange gains and losses are included in earnings.

SILVERCORP METALS INC.
Notes to the Consolidated Financial Statements
For three months ended June 30, 2007 and 2006
(Expressed in Canadian dollars, unless otherwise stated)

Henan Found is considered to be a self-sustaining operation. Effective April 1, 2007, Huawei was reclassified as self-sustaining operation from integrated foreign operation and its financial statements are translated using the current rate method from temporal method because of the significant changes in the economic facts and circumstances of Huawei, such as mine production commenced since April 2007 and the cash generated from sales to the local Chinese customers is sufficient to cover its further exploration expenditure and other operation costs. The assets and liabilities of Henan Found and Huawei, which are dominated in Chinese Yuan (“RMB¥”), are translated into Canadian dollars using the current rate method at period-end exchange rates and resulting translation adjustments are reflected in comprehensive income. Revenues and expenses of Henan Found and Huawei are translated at average exchange rates for the period.

(j) Revenue Recognition

Revenue is recognized upon delivery when title and risk of ownership of metals or metals bearing concentrate passes to the buyer and when collection is reasonably assured. The passing of title to the customer is based on the terms of the sales contract. Product selling price is referenced to the active and freely traded commodity markets.

(k) Stock-based compensation plan

The Company accounts for stock options using the fair value method. Under this method, compensation expense for stock options granted to employees, officers, and directors is measured at fair value at the date of the grant using the Black-Scholes valuation model and is expensed in the statement of income (loss) over the vesting period of the options granted. Stock options granted to consultants are measured at their fair value using the Black-Scholes valuation method.

Upon the exercise of the stock option, consideration received and the related amount transfer from contributed surplus are recorded as share capital.

(l) Impairment of long-lived assets

Management of the Company regularly reviews the net carrying value of each long-lived asset. Where information is available and conditions suggest impairment, estimated future net cash flows are calculated using estimated future prices, proven and probable reserves, selling prices for mineral ores and concentrates, and operating, capital and reclamation costs on an undiscounted basis. Reductions in the carrying value of long-lived assets would be recorded to the extent the net book value of the related assets exceeds the estimated undiscounted future cash flows. The impairment amount would correspond to the excess of the carrying value over the fair value.

Where estimates of future net cash flows are not available and where other conditions suggest impairment, management assesses if carrying value can be recovered. Management’s estimates of mineral prices, recoverable proven and probable reserves, selling prices for ores and concentrates, and operating, capital and reclamation costs are subject to certain risks and uncertainties which may affect the recoverability of long-lived assets. Although management has made its best estimate of these factors, it is possible that changes could occur in the near term, which could adversely affect management’s estimate of the net cash flow to be generated from its assets.

SILVERCORP METALS INC.
Notes to the Consolidated Financial Statements
For three months ended June 30, 2007 and 2006
(Expressed in Canadian dollars, unless otherwise stated)

(m) Income taxes

The Company uses the liability method of accounting for income taxes. Future income taxes are recognized for the future income tax consequences attributable to differences between the carrying values of assets and liabilities and their respective income tax bases on the balance sheet date. Future income tax assets and liabilities are measured using substantively enacted income tax rates expected to apply in the years in which temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in substantively enacted rates is included in operations. A future income tax asset is recorded when the probability of the realization is more likely than not.

(n) Earnings per share

Basic earnings per share is computed by dividing net income by the weighted average number of outstanding common shares for the year.

The computation of diluted earnings per share reflects the dilutive effect of the exercise of stock options and warrants outstanding as at year-end using the treasury stock method whereby the assumed proceeds upon the exercise of stock options and warrants are used to purchase common shares at the average market price during the year.

(o) Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

3. CHANGES IN ACCOUNTING POLICIES

(a) Financial instrument standards

On April 01, 2007, the Company retroactively adopted the recommendations included in the following Sections of the Canadian Institute of Chartered Accountants Handbook: Section 1530, "Comprehensive Income"; Section 3855, "Financial Instruments – Recognition and Measurement"; Section 3865, "Hedges"; Section 3861, "Financial Instruments – Disclosure and Presentation", and Section 3251, "Equity". As we have not previously undertaken hedging activities, adoption of Section 3865 currently has no impact on us.

Section 3855 prescribes when a financial asset, financial liability or non-financial derivative is to be recognized on the balance sheet and at what amount, requiring fair value or cost-based measures under different circumstances. Under Section 3855, financial instruments must be classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. Held-for-trading financial assets and financial liabilities are financial assets and financial liabilities which are acquired for resale prior to maturity or are financial assets and liabilities designated as such by the Company. Held-to-maturity financial assets are non-derivative financial assets with a fixed maturity which the Company intends to hold until maturity. Available-for-sale financial

SILVERCORP METALS INC.
Notes to the Consolidated Financial Statements
For three months ended June 30, 2007 and 2006
(Expressed in Canadian dollars, unless otherwise stated)

assets are those non-derivative financial assets which are so designated by the Company or that do not fall into another category.

CICA 3855 requires that all financial assets, except those classified as held to maturity, and loans and receivables, must be measured at fair value. All financial liabilities must be measured at fair value when they are classified as held-for trading; otherwise, they are measured at amortized cost. Investments classified as available-for-sale are reported at fair market value based on quoted market prices with unrealized gains or losses excluded from earnings and reported as other comprehensive income or loss. Those instruments classified as held-for-trading, have gains or losses included in earnings in the period in which they arise.

Comprehensive income is the change in our net assets that results from transactions, events and circumstances from sources other than our shareholders and includes items that would not normally be included in net earnings such as unrealized gains or losses on available-for-sale investments. Other comprehensive income includes the holding of gains and losses from available-for-sale securities which are not included in net income (loss) until realized and foreign currency translation gains or losses arising from the translation of the Company's self-sustaining foreign operations.

The Company has made the following classifications:

- Term deposits and bank notes, which are included in cash and cash equivalents and short term investments, are classified as held-to-maturity investments. Accounts receivable and prepaids long term prepaids, and long term investment in Luoning Smelter are classified as "Loans and Receivables". Held-to-maturity investments and loans and receivable are initially measured at fair value.
- The long term investment in the common shares of Dajin Resources Corp. is classified as "Available for sale securities". Available for sale securities are initially recorded at cost, which upon their initial measurement is equal to their fair value by reference to market price. Subsequent changes in the market value of securities are recorded as changes to other comprehensive income (loss). The investment in New Pacific Metals Corp. is excluded from Section 3855 as it is accounted for using the equity method.
- Accounts payable and accrued liabilities as well as deposits received from customers are classified as other financial liabilities. They are initially measured at their fair value and subsequent measurements are recorded at amortized cost using the effective interest method.

Transaction costs are included in the initial carrying amount of financial instruments except for held-for- trading items in which case they are expensed as incurred.

Section 3855 also requires that the embedded derivatives to be identified and separated from the related host contract and be measured at fair value. Subsequent changes in fair value of embedded derivatives are recognized in the consolidated statement of operations in the period the change occurs.

Upon the adoption of these new standards as at April 01, 2007, the Company remeasured its financial assets and liabilities. The investment in Dajin Resources Corp. was classified as available for sale securities and its carrying value was adjusted to \$260,000 with a credit of \$10,000 to the opening accumulated other comprehensive income. The cumulative foreign

SILVERCORP METALS INC.
Notes to the Consolidated Financial Statements
For three months ended June 30, 2007 and 2006
(Expressed in Canadian dollars, unless otherwise stated)

translation adjustment of \$1,232,387 for the year ended March 31, 2007 was restated as a component of accumulated other comprehensive income. For the three months ended June 30, 2007, the unrealized gain on the available for sale securities was \$80,000 and the unrealized loss on the translation of self-sustaining foreign operation was \$2,332,317. The adoption of these new standards has no impact on the Company's cash flow.

(b) Accounting changes

On April 1, 2007, the Company adopted the CICA revised Section 1506, "Accounting Changes", which requires that: (a) a voluntary change in accounting principles can be made if, and only if, it is required by a primary source of GAAP, or the changes result in more reliable and relevant information, (b) changes in accounting policies are accompanied with disclosures of prior period amounts and justification for the change, and (c) for changes in estimates, the nature and amount of the change should be disclosed. The adoption of this standard has no impact on the company's financial statements for the period ended June 30, 2007.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at June 30, 2007 of \$53,432,735 (March 31, 2007 - \$61,484,697) consist of cash, bank notes, and term deposits maturing within three months of the initial investment date. As at June 30, 2007, the Company holds a bank discount note with a market value of \$23,178,097 (March 31, 2007 - \$37,265,319) and a face value of \$23,272,000 (March 31, 2007 - \$37,403,000) yielding 4.48% (March 31, 2007 - 4.31%) per annum to maturity on August 01, 2007. The Company's term deposits total \$4,195,827 (RMB¥30,034,555) (March 31, 2007 - \$8,851,017 (RMB¥59,362,955)), bear interests ranging from 1.80% to 1.98% (March 31, 2007 - 1.80%) per annum, with maturity dates to September 1, 2007.

5. SHORT TERM INVESTMENTS

Short term investments as at June 30, 2007 of \$23,807,704 (March 31, 2007 - \$6,282,426) are made up of bank notes of \$14,440,515 (March 31, 2007 - \$nil) and term deposits of \$9,367,189 (RMB¥67,052,175) (March 31, 2007 - \$6,282,426 (RMB¥42,135,656)) with maturity dates beyond three months. The face value of the bank notes are \$15,000,000 yielding 4.81% per annum to maturity on April 18, 2008. The term deposits bear interests ranging from 2.07% to 2.43% (March 31, 2007 - 2.07% to 2.43%) with maturity dates to October 27, 2007.

6. ACCOUNTS RECEIVABLE AND PREPAIDS

Accounts receivable and prepaids consist of the following:

As at	June 30, 2007	March 31, 2007
Interest receivable	\$ 77,051	\$ 45,818
Prepaid expenses and deposits	1,841,206	1,425,002
Other receivables	55,917	-
	\$ 1,974,174	\$ 1,470,820

SILVERCORP METALS INC.
Notes to the Consolidated Financial Statements
For three months ended June 30, 2007 and 2006
(Expressed in Canadian dollars, unless otherwise stated)

7. INVENTORIES

Inventories consist of the following:

As at	June 30, 2007	March 31, 2007
Direct smelting ore and stockpile ore	\$ 642,189	\$ 1,185,427
Concentrate inventory	472,074	603,064
Total stockpile	1,114,263	1,788,491
Material and supplies	436,622	289,463
\$	1,550,885	\$ 2,077,954

8. LONG TERM PREPAIDS

Long term prepaids as at June 30, 2007 of \$3,433,406 (March 31, 2007 - \$1,769,852) is comprised of: \$1,037,551 (March 31, 2007 - \$1,250,002) of advances or loans to contractors to purchase equipment to work on the Ying Project or construct mill facilities for the Company and prepayments to suppliers to acquire fixed assets; and \$2,353,945 (March 31, 2007 - \$519,850) of advances to third parties to assist the Company in the exploration of potential mineral properties in other parts of China.

9. LONG TERM INVESTMENTS

	June 30, 2007	March 31, 2007
Dajin Resources Corp. (a)		
1,000,000 (March 31, 2007 - 1,000,000) common shares	\$ 340,000	\$ 250,000
New Pacific Metals Inc. (b)	9,158,819	7,239,988
Investment in Luoning County Smelter (c)	202,565	67,095
\$	9,701,384	\$ 7,557,083

(a) Dajin Resources Corp.

As a result of the adoption of CICA 3855 Financial Instruments – Recognition and Measurement on April 1, 2007, the Company's investment in Dajin Resources Corp., which was classified as available for sale securities, its carrying value was adjusted to \$260,000 with a credit of \$10,000 to the opening accumulated other comprehensive income. As at June 30, 2007, the investment is carried at its estimated fair value of \$340,000 by reference to market price and an unrealized gain of \$80,000 was recognized as other comprehensive income.

For the three months ended June 30, 2007, shares disposed were nil (2007- 1,000,000) and no loss (2007 - \$12,400) was recorded.

(b) New Pacific Metals Inc.

In November 2003, the Company, through a wholly owned subsidiary SKN Nickel & Platinum Ltd. ("SNP"), entered into a letter agreement with the holder of the permits and permit applications comprising the Kang Dian Project, located in Sichuan Province, China, thereby

SILVERCORP METALS INC.
Notes to the Consolidated Financial Statements
For three months ended June 30, 2007 and 2006
(Expressed in Canadian dollars, unless otherwise stated)

obtaining the rights to acquire a 75% interest in the exploration permits by contributing \$3,024,000 (US\$2,500,000) to fund the exploration and development of the Project over a period of four years and paying \$96,768 (US\$80,000) to a Chinese party within 10 days after obtaining the approvals from the China government. After SNP has earned its 75% interest, contributions to fund the exploration and development of the Project will be made pro rata. The interest of the Chinese property owners can be diluted to not less than 10% if they elect not to make cash contributions.

On March 4, 2004, the Company entered into a letter agreement with New Pacific Metals Corp. ("NUX"), a related party by way of a common director, whereby NUX has the option to acquire SNP, by meeting the required capital commitment of SNP under the joint venture contract, and thereby the Kang Dian Project through the issuance of a total of 6,500,000 common shares at market price on the date of release. The common shares were issuable on the basis of 2,500,000 common shares on issuance of a Bulletin by the TSX Venture Exchange accepting the transaction (issued); a further 2,000,000 shares were to be issued upon successful completion of the \$452,390 (US\$374,000) work program recommended under the Technical Report that has been completed on the Project (issued); and 2,000,000 shares were to be issued upon completion of \$1,209,600 (US\$1,000,000) in funding obligations by SNP under the agreement (issued). The initial 2,500,000 common shares are subject to escrow with 650,000 common shares released upon receipt of Exchange approval and 154,167 every quarter over the 3 year escrow period. The first and second tranches of 2,000,000 common shares issued are subject to escrow with a release of 250,000 common shares every three months. The common shares remaining in escrow are subject to cancellation in the event NUX determines not to continue contributing to the joint venture company to be created. The Company placed a representative on the NUX Board of Directors pursuant to the terms of the agreement.

During the year ended March 31, 2007, NUX exercised its option to acquire SNP and issued an additional 2,000,000 common shares into escrow. The Company is entitled to the voting rights attached to the escrow shares. As at June 30, 2007, a total of 4,891,667 (March 31, 2007 - 4,087,501) NUX's common shares were released to the Company from escrow. The mineral property option income was \$2,050,623 representing the market value of 804,166 common shares (2007 - \$565,834 on 404,167 common shares) released from escrow in the three months ended June 30, 2007.

In March 2007, the Company participated in NUX's private placement and subscribed for a total of 900,000 units at \$2.50 per unit. Each unit was comprised of one common share and one-half of one share purchase warrant. Each whole warrant entitles the Company to acquire on additional common share at \$3.00 for a period of one year until March 15, 2008.

Although the Company does not exercise control over NUX as the decision making process requires majority board members' approval, the Company has been considered to have the ability to exercise significant influence on NUX. The Company thus accounts for its investment in NUX on the equity basis, which is carried at cost, adjusted for the Company's proportionate share of their undistributed earnings or losses. For the three months ended June 30, 2007, a total of \$131,792 (2007 - \$7,177) of equity loss had been recorded.

SILVERCORP METALS INC.
Notes to the Consolidated Financial Statements
For three months ended June 30, 2007 and 2006
(Expressed in Canadian dollars, unless otherwise stated)

As at June 30, 2007, the Company owns 5,791,667 common shares of NUX and the following is the summary of the investment in NUX:

	June 30, 2007	March 31, 2007
Cost of 5,791,667 (March 31, 2007 - 4,987,501) shares of NUX	\$ 9,572,080	\$ 7,521,457
Equity in loss of investee company	(413,261)	(281,469)
Investment in NUX on equity basis	\$ 9,158,819	\$ 7,239,988

(c) Investment in Luoning Country Smelter

During the 2007 fiscal year, Henan Found entered into a joint venture agreement, for a 22.5% participation interest, in a custom built 150,000-tonne/year lead-silver-gold smelter in Luoning County, Luoyang City, Henan Province, China. Henan Found's share, 22.5% of the cost, will be \$6.71 million (RMB¥45 million) for the first phase and is expected to be financed by cash flow from its Ying Silver Mine. The construction of the smelter has received preliminary approval from the Henan provincial government and is subject to further approval by related Chinese governmental authorities. As of June 30, 2007, Henan Found contributed \$202,565 (RMB¥1,450,000) (March 31, 2007 - \$67,095 (RMB¥450,000)) to set up the joint venture.

10. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of:

As at	June 30, 2007			March 31, 2007		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Building	\$ 3,922,897	\$ 68,214	\$ 3,854,683	\$ 3,262,007	\$ 34,845	\$ 3,227,162
Computer equipment	433,564	126,582	306,982	330,149	114,113	216,036
Computer software	151,486	17,717	133,769	122,089	13,750	108,339
Equipment and furniture	516,398	59,174	457,224	480,571	38,130	442,441
Machinery	1,567,235	67,797	1,499,438	1,214,037	42,651	1,171,386
Mining equipment	492,106	128,053	364,053	492,106	116,981	375,125
Motor vehicle	854,134	151,326	702,808	968,586	123,479	845,107
Leasehold improvement	116,845	12,444	104,401	116,936	6,724	110,212
Construction in process	1,350,014	-	1,350,014	2,576,009	-	2,576,009
	\$ 9,404,679	\$ 631,307	\$ 8,773,372	\$ 9,562,490	\$ 490,673	\$ 9,071,817

During the three months ended June 30, 2007, the Company disposed of motor vehicles with net book value of \$210,156 (RMB¥1,504,339) (2007 - \$nil) and a loss of \$52,852 (RMB¥369,339) (2007 - \$nil) was recorded. A total of \$1,381,182 construction in process was removed to mineral rights and properties during the three months ended June 30, 2007.

SILVERCORP METALS INC.
Notes to the Consolidated Financial Statements
For three months ended June 30, 2007 and 2006
(Expressed in Canadian dollars, unless otherwise stated)

11. MINERAL RIGHTS AND PROPERTIES

Mineral rights and properties are comprised of the following:

	Ying	HPG	NZ	Total
Balance, March 31, 2006	\$ 3,721,801	\$ -	\$ -	\$ 3,721,801
Additions during the year:				
Acquisition of mineral rights and properties	2,878,838	6,494,306	1,762,940	11,136,084
Capitalized asset retirement obligation	1,300,000	-	-	1,300,000
Capitalized exploration and development costs				
Consulting and management fees	259,415	-	-	259,415
Drilling, assay fee and reporting	1,246,445	-	-	1,246,445
Office and miscellaneous	6,825	-	-	6,825
Tunneling and trenching	2,452,885	-	-	2,452,885
Amortization	(1,301,156)	-	-	(1,301,156)
Balance, March 31, 2007	\$ 10,565,053	\$ 6,494,306	\$ 1,762,940	\$ 18,822,299
Additions during the period:				
Acquisition of mineral rights and properties	-	742,703	-	742,703
Future income tax on acquisition	-	823,434	-	823,434
Capitalized asset retirement obligation	-	100,584	-	100,584
Capitalized exploration and development costs				
Drilling, assay fee and reporting	693,532	-	-	693,532
Tunneling and trenching	878,169	461,937	135,458	1,475,564
Shaft development	1,381,182	-	-	1,381,182
Foreign exchange impact	(285,539)	(112,800)	(79,900)	(478,239)
Amortization	(404,233)	(200,961)	-	(605,194)
Balance, June 30, 2007	\$ 12,828,164	\$ 8,309,203	\$ 1,818,498	\$ 22,955,865

Although the Company has taken steps to verify title to the mineral properties in which it, through its subsidiaries, has an interest, in accordance with industry standards for the stage of exploration of such properties, those procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

(a) Ying Property

Since the production of ore commenced on April 1, 2006, the Ying Property has become the major revenue and profit contributor of the Company.

During the year ended March 31, 2007, Henan Found acquired two additional exploration permits adjacent to the existing boundary of the Ying Project for cash consideration of \$509,400 (RMB¥3,416,500), which was paid and capitalized as acquisition cost of mineral rights and properties. The exploration permits were transferred to Henan Found during the year ended March 31, 2007.

In July 2006, Henan Found reached a settlement with a third party by paying the third party a total of \$1,051,155 (RMB¥7.05 million), of which \$1,013,880 (RMB¥6.8 million) was paid, to

SILVERCORP METALS INC.
Notes to the Consolidated Financial Statements
For three months ended June 30, 2007 and 2006
(Expressed in Canadian dollars, unless otherwise stated)

stop its unauthorized mining activities on the Ying Property. The payment made by Henan Found had been capitalized as acquisition cost of mineral rights and properties.

Henan Found is in the process of completing construction of the Ying Mine according to its approved design plan, especially completing the connection of three mine shafts for safety reason. While government authorities allow Henan Found to test run the mill and mine, it is subject to final inspection by authorities for environmental and safety qualifications and it is subject to receive environmental and safety production permits.

The land usage right for Henan Found's mine and mill has been purchased from the local owners, rezoning of these lands from agricultural to industrial use has been approved by Henan Provincial government, and transfer of the land title to Henan Found's name has been submitted to the government authorities and is pending final approval.

(b) HPG Silver-Gold-Lead Property

In May 2006, the Company, through its indirectly wholly owned subsidiary, Victor Resources Ltd., entered into an agreement to acquire a 60% interest of the HPG silver-gold-lead operating mine and property within the Ying Silver Project, Henan Province, China. The HPG gold-silver-lead property consists of two adjacent mining licenses surrounded by one exploration permit of approximately 6.4 square kilometers in total within the Ying Silver Project area in Henan, and a 200 tonne per day flotation mill and associated facilities. A joint venture company, Henan Huawei Mining Co. Ltd. ("Huawei"), was established, with all necessary governmental approvals, including approvals from the Ministry of Commerce, and issuance of the business license, being received on January 15, 2007.

In January 2007, the parties agreed to increase the contributed capital of Huawei by \$301,800 (RMB¥2 million) to \$2,112,600 (RMB¥14 million) and as a result the total payments required by the Company total \$6,522,493 (RMB¥43.2 million). In January 2007, the Company paid a total of \$6,206,826 (US\$5,271,286 or RMB¥41.1 million) resulting in total payment of \$6,839,600 (RMB¥45.3 million), under the HPG Project, of which an overpayment of \$317,107 (RMB¥2.1 million) was returned to the Company. The Company has made all required payments to the vendor and has contributed the required investment to Huawei, to earn a 60% interest in Huawei, which is the operator and 100% interest holder of HPG properties. Transfer of the mining licenses and exploration permit from the vendor to the Huawei are currently in process.

On May 11, 2007, the Company, through its indirectly wholly owned subsidiary, Victor Resources Ltd., signed an agreement to acquire a further 20% interest in Huawei from the other party to the joint venture, in which 10% interest will be held in trust for a shareholder of the joint venture partner. Total consideration for the 20% interest is \$1,983,030 million (RMB¥13.3 million) with the Company's share of approximately \$991,515 (RMB¥6.65 million) paid in full. A total of \$742,703 was capitalized as the acquisition cost of mineral rights and properties after offsetting against non-controlling interest. While government approval is expected to be received shortly, the Company is entitled to a 70% (March 31, 2007: 60%) interest in any future profits and funding requirements of Huawei.

SILVERCORP METALS INC.
Notes to the Consolidated Financial Statements
For three months ended June 30, 2007 and 2006
(Expressed in Canadian dollars, unless otherwise stated)

(c) NZ Gold- Silver Property

In October 2006, the Company, through its 77.5% owned subsidiary company, Henan Found, entered into an agreement (the "Agreement") with a third party, related by common control, to acquire a 100% interest in the NZ Gold-Silver property (the "Property"), on its behalf.

As at March 31, 2007, the third party has completed its acquisition of the Property, by payment of \$1,267,350 (RMB¥8,500,000), and is in the process of transferring the ownership of the Property to Henan Found.

(d) Qinghai Project

On June 30, 2007, the Company entered into a joint venture contract with a Chinese party to form Qinghai Found Mining Company Ltd. ("Qinghai Found"), a Sino-foreign cooperate joint venture company, to explore and develop the Na-Bao silver-polymetallic Project ("Na-Bao Project") in Qinghai Province, China. Under the joint venture contract, the Company can earn an 82% interest in Qinghai Found by investing approximately US\$4.0 million. The Chinese party will retain an 18% interest in Qinghai Found in exchange for transferring the three Na-Bao permits to Qinghai Found.

The Company has also signed a letter of intent with the same Chinese party to jointly explore the XG silver polymetallic project ("XG Project"), which consists of two exploration permits (the XGE and XR Permits) owned by the Chinese party. With the establishment of Qinghai Found, the XG project permits will also be transferred to Qinghai Found in exchange for a cash payment to the Chinese party.

The Na-Ba Project and XG Project are collectively referred to as the Qinghai Project and are subject to receive final approvals from regulatory authorities. During the three months ended June 30, 2007, a total of \$698,500, which is included in the long term prepaids, was advanced to the Chinese party to carry out the preliminary exploration activities on the Qinghai Project.

SILVERCORP METALS INC.
Notes to the Consolidated Financial Statements
For three months ended June 30, 2007 and 2006
(Expressed in Canadian dollars, unless otherwise stated)

12. ASSET RETIREMENT OBLIGATIONS

The Company's assets retirement obligations relate to the reclamation cost of the Ying property and were calculated using a credit-adjusted risk-free discount rate of 6.0%. The total undiscounted amount of cash flows required to settle the obligations is estimated at approximately \$1.56 million and is expected to be settled over the estimated mine life of 6 years. These obligations will be funded from the Company's resources upon local government's fee payment request.

The following table presented the reconciliation of the beginning and ending obligations associated with the retirement of the properties:

	Current portion	Long term portion	Total
Balance, March 31, 2006	\$ -	\$ -	\$ -
Obligations incurred during the year	-	1,300,000	1,300,000
Obligations discharged upon payments to local government	-	(260,925)	(260,925)
Accretion of asset retirement obligations	-	70,478	70,478
Reclassification of current portion of the obligations	337,115	(337,115)	-
Balance, March 31, 2007	\$ 337,115	\$ 772,438	\$ 1,109,553
Obligations incurred during the period	100,584	-	100,584
Obligations discharged upon payments to local government	(205,359)	-	(205,359)
Accretion of asset retirement obligations	5,057	11,586	16,643
Balance, June 30, 2007	\$ 237,397	\$ 784,024	\$ 1,021,421

13. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued and outstanding

On April 26, 2006, the Company completed a short form prospectus financing which raised gross proceeds of \$47,773,875 through the sale of 2,501,250 units at a price of \$19.10 per Unit. Each Unit is comprised of one common share of the Company and one half share purchase warrant. Each whole warrant is exercisable up to October 25, 2007 at a strike price of \$24 per common share.

On June 13, 2006, the Board of Directors approved another Normal Course Issuer Bid to acquire up to 1,000,000 of its common shares, over a one year period. Purchases were made at the discretion of the Directors at prevailing market prices, through the facilities of the TSX Exchange. The Company intends to hold for cancellation all shares acquired under the Normal Course Issuer Bid. As at March 31, 2007, a total of 420,500 of its common shares were acquired and cancelled under the Normal Course Issuer Bid at a cost of \$5,499,104 and a total of \$4,766,361 was transferred from contributed surplus upon the share cancellations. For the three months ended June 30, 2007, no shares were acquired under the Normal Course Issuer Bid and it expired during the period.

SILVERCORP METALS INC.
Notes to the Consolidated Financial Statements
For three months ended June 30, 2007 and 2006
(Expressed in Canadian dollars, unless otherwise stated)

(c) *Share Purchase Warrants*

The Company adopted the Residual Approach in valuing the share purchase warrants attached to private placement units issued. Under this approach, proceeds up to the Company's share market value are allocated to the shares and only the excess above the market value is allocated to the attached share purchase warrants. No value has been allocated to these warrants as determined under the Residual Approach.

The following is a summary of warrant transactions:

Number of Warrants Outstanding as at March 31, 2007	Issued during the period	Number of Warrants Exercised during the period	Balance of Warrants Outstanding as at June 30, 2007	Exercised Price Per Warrant	Expiry Date
1,250,623	-	-	1,250,623	24.00	October 25, 2007

(d) *Stock Options*

The Company is able to grant stock options to acquire up to 6,500,000 shares. The options are exercisable for a period of up to ten years from the date of grant, as determined by the Board of Directors. The exercise price cannot be less than the last price on the TSX Exchange immediately preceding the grant of the option. Options vest over a minimum period of eighteen months from the date of grant.

The following is a summary of option transactions:

	Number of Shares	Weighted Average Exercise Price Per Share
Balance, March 31, 2006	2,636,625	\$ 1.07
Options granted	433,500	13.33
Options exercised	(987,239)	0.90
Options cancelled	(26,250)	13.05
Balance, March 31, 2007	2,056,636	\$ 3.58
Options granted	260,900	20.21
Options exercised	(292,628)	3.48
Options forfeited	(162,509)	7.93
Balance, June 30, 2007	1,862,399	\$ 5.55

During the year ended March 31, 2007, the Company granted incentive stock options to directors, employees, and consultants for 433,500 shares at a price ranging from \$12.95 to \$16.97 per share and exercisable for five years. 200,000 options granted in the year were 8.333% vested on grant date and 8.333% of the options are vested every three months after the date of grant for three

SILVERCORP METALS INC.
Notes to the Consolidated Financial Statements
For three months ended June 30, 2007 and 2006
(Expressed in Canadian dollars, unless otherwise stated)

years while the remaining 233,500 options were 8.333% vested between one to four months from the grant date and 8.333% of the options are vested every three months thereafter for three years.

During the three months ended June 30, 2007, a total of 260,900 options were granted to directors, officers, employees, and consultants exercisable at \$20.21 per share for five years with a vesting period of: 8.333% of options are vested in six months from the grant date and 8.333% of options are vested every three months thereafter for three years. A total of 162,509 options were forfeited and cancelled during the three months ended June 30, 2007.

The following is the summary assumptions to estimate the fair value of each option granted using the Black-Scholes option pricing model. No options were granted during the three months ended June 30, 2006.

Three months ended June 30, 2007	
Risk free interest rate	3.94% to 4.55%
Expected life of options in years	1 to 3 years
Expected volatility	70% to 94%
Dividend per share	\$0

The weighted average grant date fair value of options granted during the period was \$12.13. For the three months ended June 30, 2007, a total of \$669,967 (2006 - \$135,286) were recorded as stock-based compensation expenses on the consolidated statements of income.

The following table summarizes information about stock options outstanding at June 30, 2007:

Exercise Prices	Number Outstanding at June 30 2007	Weighted		Exercise Price	Number Exercisable at June 30 2007	Weighted	
		Average Remaining Contractual Life (Years)	Average			Average	Average Exercise Price
\$ 0.35	200,000	0.46	\$	0.35	200,000	\$	0.35
0.40	20,000	0.24		0.40	20,000		0.40
0.50	200,000	1.04		0.50	200,000		0.50
0.55	550,000	2.29		0.55	550,000		0.55
1.90	300,000	2.67		1.90	300,000		1.90
2.25	29,699	0.94		2.25	29,699		2.25
12.95	195,600	4.04		12.95	65,767		12.95
13.28	82,000	4.13		13.28	14,667		13.28
13.40	24,200	4.17		13.40	575		13.40
20.21	260,900	4.87		20.21	-		20.21
\$0.35 - \$20.21	1,862,399	1.95	\$	5.55	1,380,708	\$	1.57

Subsequent to June 30, 2007, a total of 8,824 options were exercised at strike prices of \$2.25 for total proceeds of \$19,854.

SILVERCORP METALS INC.
Notes to the Consolidated Financial Statements
For three months ended June 30, 2007 and 2006
(Expressed in Canadian dollars, unless otherwise stated)

14. NON-CONTROLLING INTERESTS

During the three months ended June 30, 2007, Henan Found's Board of Directors has decided to distribute C\$15,995,100 (RMB¥111,000,000) as dividends to its shareholders. The Company wholly owned subsidiary, Victor Mining Ltd., received its share (77.5%) of dividend payment of \$12,396,202 (RMB¥86,025,000), and a total of \$3,598,898 (RMB¥24,975,000) was distributed to its non-controlling subsidiary shareholder.

15. RESERVES

Pursuant to Chinese regulations, Henan Found may make appropriations to reserves funds, comprising the Enterprise Reserve Fund, Enterprise Expansion Fund, and Employee Welfare Fund at a percentage, at the discretion of the Board of Directors of Henan Found, of its after tax net income.

The Enterprise Reserve Fund is established for covering potential losses and could be used to increase the registered capital if approved by the relevant Chinese authorities. The Enterprise Expansion Fund is for expanding business operation. Both Enterprise Reserve Fund and Enterprise Expansion Fund are recorded as part of shareholders' equity but are not available for distribution to shareholders other than in liquidation. Employee Welfare Fund is established for the purpose of providing employee facilities and other collective benefits to employees and is recorded as an expense.

During the three months ended June 30, 2007, the Board of Directors of Henan Found appropriated reserves of \$2,365,587 (RMB¥16,418,499) from its retained earning for the calendar year ended December 31, 2006. Of the reserves, a total of \$473,181 (RMB¥3,283,700) was appropriated as Enterprise Reserve Fund and \$1,892,406 (RMB¥13,134,799) as Enterprise Expansion Fund. Henan Found also contributed a total of \$18,349 (RMB¥131,348) to the Employee Welfare Fund. The contribution to Employee Welfare Fund was recorded as accrued liabilities on the consolidated balance sheet and expensed on the consolidated statement of income.

16. RELATED PARTY TRANSACTIONS

In addition to related party transactions disclosed elsewhere in the financial statements, the Company had the following related party transactions during the period:

(a) During the three months ended June 30, 2007, the Company incurred:

- (i) consulting fees of \$41,250 (three months ended June 30, 2006 - \$52,500) payable to a company owned by an officer and director of the Company and to an officer of the Company;*
- (ii) legal fees of \$nil (three months ended June 30, 2006 - \$73,624) payable to a law firm controlled by a director of the Company;*
- (iii) management fees of \$42,546 (three months ended June 30, 2006 - \$34,203) payable to a company owned by an officer and director of the Company, and to an officer and director of the Company;*

SILVERCORP METALS INC.
Notes to the Consolidated Financial Statements
For three months ended June 30, 2007 and 2006
(Expressed in Canadian dollars, unless otherwise stated)

- (iv) accounting fees of \$nil (three months ended June 30, 2006 - \$31,797) payable to an accounting firm controlled by a former officer of the Company;
- (v) directors' fees of \$16,970 (three months ended June 30, 2006 - \$nil); and,
- (vi) expenses and exploration costs recovery of \$285,593 (three months ended June 30, 2006 - \$nil) from NUX.

(b) As of June 30, 2007, the related transaction balances included the following:

- (i) \$nil (March 31, 2007 - \$39,750) due to a company controlled by a director of the Company for its services provided;
- (ii) \$11,667 (March 31, 2007 - \$nil) due to a company controlled by a director of the Company and the director for services provided;
- (iii) \$4,290 (March 31, 2007 - \$nil) due to a director as his director fee for the period;
- (iv) \$12,091 due from the joint venture partner of Huawei for funds advanced to the partner for services provided. As at March 31, 2007, the Company has a balance of \$151,769 due to the joint venture partner;
- (v) \$33,564 (March 31, 2007 - \$32,660) due from a Chinese company related by common control; and
- (vi) \$1,165,098 (March 31, 2007 - \$1,377,863) due to NUX for funds advanced from NUX and services rendered and costs incurred on behalf of NUX by the Company.

On December 8, 2006, NUX entered into a Declaration of Trust Agreement (the "Trust Agreement") with Yunnan Jin Chang Jiang Mining Co. Ltd. ("YJCJM" and the "Trustee"), an indirectly wholly owned subsidiary of the Company, to hold in trust for NUX, two exploration permits ("Guangdong Project") located in Guangdong Province, China. Pursuant to the agreement, NUX paid \$35,331 (US\$30,000) to the Company as the handling fee and NUX is responsible for all costs in relation to the exploration permits.

On January 25, 2007, NUX advanced \$1,461,092 (US\$1,240,000) to the Company. The loan is unsecured, non-interest bearing, and due on demand. The loan will be paid by offsetting the Guangdong Project exploration expenditures incurred by YJCJM on behalf of NUX.

On March 15, 2007, the Company participated in NUX's private placement and acquired 900,000 units at \$2.50 per unit with warrants to acquire a further 450,000 units at \$3.00 per unit per a period of one year to expire on March 15, 2008. As at June 30, 2007, the Company owns 5,791,667 common shares of NUX representing an equity interest of 19.4%.

The transactions with related parties during the year are measured at the exchange amount, which is the amount of consideration established and agreed by the parties. The balances with related parties are unsecured, non-interest bearing, and due on demand.

SILVERCORP METALS INC.
Notes to the Consolidated Financial Statements
For three months ended June 30, 2007 and 2006
(Expressed in Canadian dollars, unless otherwise stated)

17. INCOME TAXES

(a) Income tax expense

Income tax expense (recovery)	Three months ended June 30,	
	2007	2006
- Current	\$ (1,610,903)	\$ -
- Future	17,022	-
	<u>\$ (1,593,881)</u>	<u>\$ -</u>

The Company's wholly-owned subsidiary, YJCJM, 77.5% owned subsidiary, Henan Found, and 70% owned subsidiary, Huawei, are considered as Foreign Investment Enterprises (a "FIE") in China. Under current Chinese income taxes laws, a qualified FIE is entitled to tax incentives of a five-year tax holiday (year one and two are tax exempt with years three to five at a reduced tax rate of 15%) commencing with the first year the FIE records a net profit or commencing January 1, 2008 for FIE that have not yet achieved a profit.

YJCJM has not yet recorded a net profit to date and thereby have not filed for any tax exemptions.

During the three months ended June 30, 2007, the Company received a notification from the Chinese tax authorities which confirms that Henan Found is a qualified FIE. The Chinese tax authorities have also accepted the annual income tax filing by Henan Found that 2006 calendar year is the first year of its profitability. Accordingly, Henan Found's income tax holiday starts from the 2006 calendar year. As a result, Henan Found will continue to be eligible for tax exemption in calendar year 2007.

Based on the current operation of Huawei, currently no tax installment is required by the local tax authority and management also believes that Huawei is a qualified FIE and will be tax exempt for its expected first profitable calendar year 2007. Based on the Chinese regulation, Huawei will submit its tax exemption application to the local tax authority for their review and approval in early 2008. Consequently, no tax provision was provided for the income arising from the operations of Huawei.

18. FINANCIAL INSTRUMENTS

The Company undertakes transactions denominated in foreign currencies and as such is exposed to risk due to fluctuations in foreign exchange rates. The Company does not use derivative instruments to reduce its exposure to foreign currency and metal price volatility risks.

Credit risks may potentially arise if counterparty fails to perform its obligations. The Company invests its cash balances in money market instruments with financial institutions that enjoy high credit standing.

The majority of the Company's assets, liabilities, revenues and expenses are denominated in Chinese Yuan ("RMB¥" or "yuan"), which was tied to the U.S. Dollar until July 2005 and is now tied to a basket of currencies of China's largest trading partners. The RMB¥ is not a freely convertible currency. Beijing revalued the yuan against the United States dollar by 2.1 percent in July 2005 and has let it rise another 5.3 percent since then in tightly controlled trading. On May 18, 2007 Beijing

SILVERCORP METALS INC.
Notes to the Consolidated Financial Statements
For three months ended June 30, 2007 and 2006
(Expressed in Canadian dollars, unless otherwise stated)

will allow the yuan to fluctuate against the United States dollar by 0.5 percent a day, up from 0.3 percent.

As at June 30, 2007, approximately \$25,404,577 (March 31, 2007 - \$21,405,140) of cash and cash equivalents, and short term investments were held in RMB¥.

19. SEGMENTED INFORMATION

(a) Industry information

The Company operates in one reportable operating segment, being the acquisition, exploration, development, and operation of mineral properties.

SILVERCORP METALS INC.
Notes to the Consolidated Financial Statements
For three months ended June 30, 2007 and 2006
(Expressed in Canadian dollars, unless otherwise stated)

(b) Geographic information

	Canada	China	BVI	Total
As at June 30, 2007				
<u>Balance sheet items</u>				
Mineral rights and properties	\$ -	\$ 22,955,865	\$ -	\$ 22,955,865
Property, plant and equipment	356,294	8,417,078	-	8,773,372
Long term investments	340,000	202,565	9,158,819	9,701,384
<u>Operation results - three months ended June 30, 2007</u>				
Sales	\$ -	\$ 24,436,333	\$ -	\$ 24,436,333
Cost of sales	-	(4,697,879)	-	(4,697,879)
Amortization and depletion	-	(643,545)	-	(643,545)
Earnings from mine operation	-	19,094,909	-	19,094,909
Expenses	(1,296,786)	(931,145)	(288,918)	(2,516,849)
Interest, option and other income	369,608	148,086	2,050,623	2,568,317
Loss and other expenses	-	(52,852)	(131,792)	(184,644)
Non controlling interest	-	(4,668,118)	-	(4,668,118)
Income tax recovery	-	1,593,881	-	1,593,881
Net income (loss)	\$ (927,178)	\$ 15,184,761	\$ 1,629,913	\$ 15,887,496

As at March 31, 2007

<u>Balance sheet items</u>				
Mineral rights and properties	\$ -	\$ 18,822,299	\$ -	\$ 18,822,299
Property, plant and equipment	375,934	8,695,883	-	9,071,817
Long term investments	250,000	67,095	7,239,988	7,557,083
<u>Operation results - three months ended June 30, 2006</u>				
Sales	\$ -	\$ 4,333,050	\$ -	\$ 4,333,050
Cost of sales	-	(814,671)	-	(814,671)
Amortization and depletion	-	(105,665)	-	(105,665)
Earnings from mine operation	-	3,412,714	-	3,412,714
Expenses	(1,203,471)	(463,790)	368,666	(1,298,595)
Interest, option and other income	388,683	11,470	566,095	966,248
Loss and other expenses	(12,400)	-	(7,177)	(19,577)
Non controlling interest	-	(703,210)	-	(703,210)
Net income (loss)	\$ (827,188)	\$ 2,257,184	\$ 927,584	\$ 2,357,580

SILVERCORP METALS INC.
Notes to the Consolidated Financial Statements
For three months ended June 30, 2007 and 2006
(Expressed in Canadian dollars, unless otherwise stated)

(c) Sales by metal

For the three months ended June 30, 2007, the Company generated sales of \$24,436,333 (three months ended June 30, 2006 - \$4,333,050) which is comprised of the following:

	Three months ended June 30,	
	2007	2006
Silver (Ag)	\$ 10,374,894	\$ 2,025,247
Gold (Au)	160,337	5,805
Lead (Pb)	9,139,478	1,333,429
Zinc (Zn)	4,761,624	968,569
	<u>\$ 24,436,333</u>	<u>\$ 4,333,050</u>

(d) Major customers

During the three months ended June 30, 2007, there were three customers (three months ended June 30, 2006 - three) who individually accounted for 14% to 36% (three months ended June 30, 2006 - 15% to 40%) and collectively, 67% (three months ended June 30, 2006 - 85%) of the total revenue of the Company.

20. Commitments

With respect to its leasehold obligations, the Company has commitments totaling \$540,510 over 5 years (years ending March 31, 2008: \$121,615; 2009 - 2011: \$162,153 per year; 2012: \$94,589).

21. Contingencies

The Company's interest in the NZ Property is held through a third party (see Note 11(c)). As of June 30, 2007, the transferring of the ownership of the property from the third party to Henan Found was in process.