

SILVERCORP METALS INC.

Management's Discussion and Analysis of Financial Condition and Results of Operations Three and nine months ended December 31, 2007 (Expressed in Canadian Dollars, except share, per share, and mining data)

Date of Report – As at February 7, 2008

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the Company's unaudited interim consolidated financial statements for the three and nine months ended December 31, 2007 and related notes thereto which have been prepared in accordance with Canadian generally accepted accounting principles. In addition, the following should be read in conjunction with the March 31, 2007 audited consolidated financial statements, the related annual Management's Discussion and Analysis, and the Annual Information Form as well as other information relating to Silvercorp Metals Inc. (the "Company") on file with the Canadian provincial securities regulatory authorities, on SEDAR at www.sedar.com, and the Company's website at www.silvercorp.ca. This Management's Discussion and Analysis contains "forward looking" statements that are subject to risk factors set out in the cautionary note contained herein. All figures are in Canadian dollars unless otherwise noted.

FORWARD LOOKING STATEMENTS

Except for statements of historical fact relating to the Company, certain information contained herein constitutes forward-looking statements. Forward-looking statements are frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", and other similar words, or statements that certain events or conditions "may" or "will" or "can" occur. Forward-looking statements are based on the opinions and estimates of management on the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These factors include the inherent risks involved in the exploration, development, and mining of mineral properties, the uncertainties involved in interpreting drilling results and other geological data, fluctuating metal prices, the possibility of project cost overruns or unanticipated costs and expenses, uncertainties relating to the availability and costs of financing needed in the future and other factors described in this report under the heading "Outlook". There can be no assurance that such forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on such statements. The Company does not undertake any obligation to update any forward-looking statements that are incorporated by reference herein, except in accordance with applicable securities laws. The Company expressly disclaims any obligation to update any forward-looking statements. We seek safe harbour.

Non-GAAP Measurements

The following are non-GAAP measurements and investors are cautioned not to place undue reliance on it and are urged to read all GAAP accounting disclosures present in the unaudited interim consolidated financial statements and accompanying notes: Average selling price (net of Value Added tax and smelter charges); Average production cost per ounce; Average production cost per pound; Total production cost per ounce; Total cash cost per ounce; Mining cost per tonne of ore mined; Milling cost per tonne of ore milled; Average silver production costs adjusted for by-product credit; Total recovery of mine and mill head grades; Run of mine head grade; Mill head grade; Mill recovery rates; Profit margin; Gross margin; Adjusted basic earnings per share; Adjusted diluted earnings per share; Adjusted weighted average number of shares outstanding - basic; Adjusted weighted average number of shares outstanding - diluted. These non-GAAP measures are used by the Company to manage and evaluate operating performance of the Company's mines and are widely reported in the silver mining industry as benchmarks for performance measurement, but do not have a standardized meaning.

1.0 Preliminary Information

Silvercorp Metals Inc. is engaged in the acquisition, exploration, and development of silver related mineral properties focusing in the People's Republic of China ("China"). Currently, the Company is operating and developing four Silver-Lead-Zinc mines at the Ying Mining District, Henan Province, owned through its 77.5% and 70% Chinese subsidiary companies, respectively and is also exploring the Na-Bao Polymetallic

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Project in Qinghai Province, China.

With the recent acquisition of TLP Silver-Lead Mine and LM Silver-Lead Mine, the Company now holds a land package of 76.16 square kilometres, consisting of 5 mining permits, 8 exploration permits, and four operating mines, enabling the Company to explore and produce gold (Au), silver (Ag), lead (Pb), and zinc (Zn). This provides a solid base from which to significantly expand resources and growth potential for Silvercorp in an important silver district in China.

The Company's common shares are included as a component of the S&P/TSX Composite, the S&P/TSX Global Gold, and the S&P/TSX Global Mining Indexes.

1.1 Date of Report - As above

1.2 Overall Performance

(a) Financial Highlights

For the 3rd quarter ended December 31, 2007 the Company recorded consolidated net earnings of \$17.5 million or \$0.12 per share compared to \$9.3 million or \$0.06 per share in the same quarter a year ago. Total gross profit increased by 100% to \$24.0 million in the 3rd quarter compared to the same period a year ago. Net cash provided by operating activities rose to \$22.9 million in the 3rd quarter, a 71% increase over the same period a year ago.

For the nine months ended December 31, 2007, the Company recorded net earnings of \$51.0 million, or \$0.35 per share, compared to \$17.1 million, or \$0.12 per share over the same period last year. Sales for the nine month period increased by \$55.1 million, or 185% to \$84.9 million compared to \$29.8 million for the same period last year. Net cash provided by operating activities rose to \$65.2 million for the nine months, a 186% increase compared to \$22.7 million over the same period last year.

(b) Operation Highlights- For the 3rd quarter and 9 months of fiscal 2008

The head grades of run of mine ores of 70,680 and 191,768 tonnes from the Ying Mine for the three and nine months ended December 31, 2007, are:

- 461.7 and 468.1 gram/tonne for silver;
- 7.5% and 7.5% for lead; and,
- 3.6% and 3.7% for zinc, respectively.

The head grades of run of mine ores of 17,442 and 41,887 tonnes from the HPG Mine for the three and nine months ended December 31, 2007, are:

- 217.3 and 227.6 gram/tonne for silver;
- 6.5% and 7.5% for lead; and,
- 0.7% and 1.2% for zinc, respectively.

Total sales and realized prices net of value added tax and smelter charges for the three months ended December 31, 2007, are comprised of the following:

- 1,087,055 ounces of silver sold for \$11,962,856 at an average selling price of \$11.00 per ounce;
- 853 ounces of gold sold for \$578,339 at an average selling price of \$678.01 per ounce;
- 13,776,546 pounds of lead sold for \$13,953,971 at an average selling price of \$1.01 per pound; and,
- 4,925,076 pounds of zinc sold for \$3,306,611 at an average selling price of \$0.67 per pound.

Total sales and realized prices net of value added tax and smelter charges for the nine months ended December 31, 2007, are comprised of the following:

- 2,959,655 ounces of silver sold for \$33,099,272 at an average selling price of \$11.18 per ounce;

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- 1,691 ounces of gold sold for \$1,002,983 at an average selling price of \$593.13 per ounce;
- 37,925,734 pounds of lead sold for \$37,522,399 at an average selling price of \$0.99 per pound; and,
- 13,518,607 pounds of zinc sold for \$13,276,534 at an average selling price of \$0.98 per pound.

For the three and nine months ended December 31, 2007, the cash production cost for silver adjusted for by-product credits is negative \$11.97 (2007 - negative \$9.27) and negative \$12.70 (2007 - negative \$7.87) per ounce, respectively.

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(b)(i) The following table summarizes the operating and financial data in respect to the Ying Mine and HPG Mine, on a consolidated basis.

<u>Consolidated</u>	Three months ended December 31,		Nine months ended December 31,	
	2007	2006	2007	2006
Production Data				
Mine Data				
Ore Mined (tonne)				
Direct Smelting Ores (tonne)	3,691	2,042	9,760	4,825
Stockpiled Ores (tonne)	84,431	51,479	223,895	119,940
	88,122	53,521	233,655	124,765
Ores Milled (tonne)				
Self production (tonne)	81,069	53,521	227,458	124,765
Purchased (tonne)	3,959	-	3,959	-
	85,028	44,451	231,417	95,852
Mining Cost and Milling Cost				
Mining Cost per tonne of ore mined (\$)	53.40	44.00	51.19	40.00
Milling Cost per tonne of ore milled (\$)	12.10	20.42	11.92	20.26
Average Production Cost				
Silver (\$ per ounce)	2.14	2.20	2.29	2.00
Gold (\$ per ounce)	132.00	52.26	121.56	60.21
Lead (\$ per pound)	0.20	0.13	0.20	0.11
Zinc (\$ per pound)	0.13	0.27	0.20	0.24
Production Cost and Cash Cost Per Ounce of Silver, Adjusted for By-Product Credits				
Total production cost per ounce of Silver (\$)	(11.07)	(8.49)	(11.62)	(7.20)
Total cash cost per ounce of Silver (\$)	(11.97)	(9.27)	(12.70)	(7.87)
Total Recovery of the Run of Mine Ores				
Silver (%)	90.3	91.8	90.3	92.2
Lead (%)	95.7	96.2	95.3	96.2
Zinc (%)	71.4	72.4	73.8	71.2
Head Grades of Run of Mine Ores				
Silver (gram/tonne)	410.9	461.0	422.2	456.6
Lead (%)	7.2	8.3	7.4	8.9
Zinc (%)	3.1	3.4	3.2	3.2
Sales Data				
Metal Sales				
Silver (ounce)	1,087,055	605,829	2,959,655	1,342,477
Gold (ounce)	853	76	1,691	176
Lead (pound)	13,776,546	7,823,309	37,925,734	17,890,711
Zinc (pound)	4,925,076	2,168,102	13,518,607	4,807,512
Metal Sales				
Silver (\$)	11,962,856	6,627,287	33,099,272	13,743,226
Gold (\$)	578,339	19,829	1,002,983	54,334
Lead (\$)	13,953,971	5,174,365	37,522,399	10,173,242
Zinc (\$)	3,306,611	2,910,156	13,276,534	5,802,009
	29,801,777	14,731,637	84,901,188	29,772,811
Average Selling Price, Net of Value Added Tax and Smelter Charges				
Silver (\$ per ounce)	11.00	10.94	11.18	10.24
Gold (\$ per ounce)	678.01	261.46	593.13	308.72
Lead (\$ per pound)	1.01	0.66	0.99	0.57
Zinc (\$ per pound)	0.67	1.34	0.98	1.21

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(b)(ii) The following table summarizes the operating and financial data in respect to the Ying Mine on a non-consolidated basis.

Ying Silver Property	Three months ended December 31,		Nine months ended December 31,	
	2007	2006	2007	2006
Production Data				
Mine Data				
Ore Mined (tonne)				
Direct Smelting Ores (tonne)	3,210	2,042	8,337	4,825
Stockpiled Ores (tonne)	67,470	51,479	183,431	119,940
	70,680	53,521	191,768	124,765
Ores Milled (tonne)				
Self production (tonne)	64,635	44,451	193,491	95,852
Purchased (tonne)	3,959	-	3,959	-
	68,594	44,451	197,450	95,852
Mining Cost and Milling Cost				
Mining Cost per tonne of ore mined (\$)	50.23	44.00	51.03	40.00
Milling Cost per tonne of ore milled (\$)	10.76	20.42	11.05	20.26
Average Production Cost				
Silver (\$ per ounce)	1.94	2.20	2.05	2.00
Gold (\$ per ounce)	44.60	52.26	53.73	60.21
Lead (\$ per pound)	0.18	0.13	0.18	0.11
Zinc (\$ per pound)	0.12	0.27	0.18	0.24
Production Cost and Cash Cost Per Ounce of Silver, Adjusted for By-Product Credits				
Total production cost per ounce of Silver (\$)	(10.39)	(8.49)	(11.34)	(7.20)
Total cash cost per ounce of Silver (\$)	(11.10)	(9.27)	(11.92)	(7.87)
Total Recovery of the Run of Mine Ores				
Silver (%)	90.6	91.8	90.8	92.2
Lead (%)	96.1	96.2	95.6	96.2
Zinc (%)	71.9	72.4	74.9	71.2
Head Grades of Run of Mine Ores				
Silver (gram/tonne)	461.7	461.0	468.1	456.6
Lead (%)	7.5	8.3	7.5	8.9
Zinc (%)	3.6	3.4	3.7	3.2
Sales Data				
Metal Sales				
Silver (ounce)	994,914	605,829	2,754,346	1,342,477
Gold (ounce)	79	76	215	176
Lead (pound)	11,649,107	7,823,309	32,685,400	17,890,711
Zinc (pound)	4,647,297	2,168,102	12,969,662	4,807,512
Metal Sales				
Silver (\$)	10,970,213	6,627,287	30,880,340	13,743,226
Gold (\$)	20,072	19,829	63,279	54,334
Lead (\$)	11,744,360	5,174,365	32,255,042	10,173,242
Zinc (\$)	3,108,280	2,910,156	12,779,684	5,802,009
	25,842,925	14,731,637	75,978,345	29,772,811
Average Selling Price, Net of Value Added Tax and Smelter Charges				
Silver (\$ per ounce)	11.03	10.94	11.21	10.24
Gold (\$ per ounce)	254.08	261.43	294.32	308.72
Lead (\$ per pound)	1.01	0.66	0.99	0.57
Zinc (\$ per pound)	0.67	1.34	0.99	1.21

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HPG Project	Three months ended December 31, 2007	Nine months ended December 31, 2007
Production Data		
Mine Data		
Ore Mined (tonne)		
Direct Smelting Ores (tonne)	481	1,423
Stockpiled Ores (tonne)	16,961	40,464
	17,442	41,887
Ores Milled (tonne)	16,434	33,967
Mining Cost and Milling Cost		
Mining Cost per tonne of ore mined (\$)	66.25	51.95
Milling Cost per tonne of ore milled (\$)	17.68	16.99
Average Production Cost		
Silver (\$ per ounce)	3.42	4.39
Gold (\$ per ounce)	229	258.45
Lead (\$ per pound)	0.33	0.41
Zinc (\$ per pound)	0.23	0.37
Production Cost and Cash Cost Per Ounce of Silver, Adjusted for By-Product Credits		
Total production cost per ounce of Silver (\$)	(18.54)	(15.01)
Total cash cost per ounce of Silver (\$)	(21.21)	(22.62)
Total Recovery of the Run of Mine Ores		
Silver (%)	86.9	90.2
Lead (%)	93.7	95.8
Zinc (%)	58.7	61.1
Head Grades of Run of Mine Ores		
Silver (gram/tonne)	217.3	227.6
Lead (%)	6.5	7.5
Zinc (%)	0.7	1.2
Sales Data		
Metal Sales		
Silver (ounce)	92,141	205,309
Gold (ounce)	774	1,476
Lead (pound)	2,127,439	5,240,334
Zinc (pound)	277,779	548,945
Metal Sales		
Silver (\$)	992,643	2,218,932
Gold (\$)	558,267	939,704
Lead (\$)	2,209,611	5,267,357
Zinc (\$)	198,331	496,850
	3,958,852	8,922,843
Average Selling Price, Net of Value Added Tax and Smelter Charges		
Silver (\$ per ounce)	10.77	10.81
Gold (\$ per ounce)	721.28	636.66
Lead (\$ per pound)	1.04	1.01
Zinc (\$ per pound)	0.71	0.91

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(c) Economic Factors Affecting the Industry

The Company's sales price for metals are fixed against the Shanghai Metals Exchange as quoted at www.shmet.com for lead and zinc pounds while gold ounces are fixed against the Shanghai Gold Exchange as quoted at www.sge.com.cn, and silver ounces are fixed against the Shanghai White Platinum & Silver Exchange as quoted at www.ex-silver.com. These metal prices traditionally move in tandem with and at marginally higher prices than those quoted on the North American and European market places.

(d) Risk Factors

The Company is subject to numerous risks which are outlined in the Annual Information Form 51-102F2, Short Form Prospectus, and the NI 43-101 Technical Reports, which are available on SEDAR at www.sedar.com. In addition, please refer to Section 1.14, Financial Instruments.

1.3 Selected Annual Information

For the years ended March 31,

	2007	2006	2005
Sales	\$ 45,290,340	\$ -	-
Gross Profit	35,124,844	-	-
Gains and other income	6,107,725	483,310	1,156,194
Net income (loss)	25,108,808	(6,259,255)	(817,242)
Basic earnings (loss) per share	0.17	(0.05)	(0.01)
Diluted earnings (loss) per share	0.17	(0.05)	(0.01)
Total assets	108,546,948	21,085,801	12,107,387
Total long term liabilities	2,392,480	-	-
Cash dividends paid	-	-	-
Cash dividends declared per share	-	-	-

1.4 Results of Operations

(a) 3rd Quarter Results - Three months ended December 31, 2007

(i) Highlights

During the 3rd quarter ended December 31, 2007, gross profit from mine operations amounted to \$24.0 million (2007 - \$12.0 million) on a total sales of \$29.8 million, representing a gross margin of 81% (2007 - 82%). The net income realized was \$17.5 million (2007 - \$9.3 million) with a net profit margin of 59% (2007 - 63%) after deduction of minority interest. Both basic and diluted earnings per share doubled to \$0.12 as compared to \$0.06 in the prior year period.

Included in the results for the 3rd quarter ended December 31, 2007, Henan Found purchased and milled 3,959 tonnes of ore from a third party that produced 124 tonnes of lead-silver concentrate.

The Company continues to achieve industry leading low total production costs per ounce of silver. In the 3rd quarter, the total production cost is negative \$11.07 per ounce of silver after adjusting for by-product credits, compared to negative \$8.49 per ounce in the same quarter a year ago.

For this quarter, a total of 88,122 (2007 - 53,521) tonnes of ores were mined, from which 3,691 (2007 - 2,042) tonnes of direct smelting ores were hand sorted for direct shipment to smelters, and 84,431 (2007 -

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51,479) tonnes of ores were shipped to mills for treatment to recover silver-lead and zinc concentrates. The average mining cost is \$53.40 (2007 - \$44.00) per tonne of ore and average milling cost is \$12.10 (2007 - \$20.42) per tonne of ore.

In comparing to the 2nd quarter ended September 30, 2007, the Company's ores mined increased by 18%, or 13,405 tonnes to 88,122 tonnes and ores milled increased by 16%, or 11,591 tonnes to 85,028 tonnes in the 3rd quarter of fiscal 2008. The increase in production was offset by a 10% and 39%, respectively, drop in the average selling price for lead and zinc, and by the strong Canadian dollar, resulting in production costs, adjusted for by-products credits, increasing by 19% to negative \$11.07 per ounce of silver from negative \$13.62 in the 2nd quarter ended September 30, 2007.

Net cash provided by operating activities rose to \$22.9 million in the 3rd quarter, a 71% increase over the same period a year ago, capital expenditures during the period amounted to \$22 million representing the purchase of mineral rights and properties, and a cash dividend distribution of \$7.4 million was paid to the shareholders, resulting in cash and cash equivalents and short term investments of \$82.1 million as of December 31, 2007.

(ii) *Sales*: During the three months ended December 31, 2007, the Company increased sales by 102% to \$29.8 million (2007 - \$14.7 million). This is primarily attributed to the Ying Silver Property 75% increase in sales to \$25.8 million (2007 - \$14.8 million) and HPG Property sales of \$4.0 million (2007 - \$nil).

(iii) *Cost of sales*: The total cost of sales, including milling costs, for the three months ended December 31, 2007 amounted to \$5.8 million (2007 - \$2.7 million), and are comprised of \$4.8 million (2007 - \$2.5 million) for the cash cost and \$1.0 million (2007 - \$0.2 million) for the depreciation charges.

(iv) *Accretion of asset retirement obligations*: For the three months ended December 31, 2007, the Company recognized \$14,051 (2007 - \$nil) as accretion of asset retirement obligations. The Company's assets retirement obligations related to the reclamation cost of Ying property and was 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 gradually over the estimated mine life, 6 years. These obligations will be funded from the Company's resources upon local government's fee payment requests.

(v) *Foreign exchange loss(gain)*: During the three months ended December 31, 2007, the Company recorded a foreign exchange loss of \$27,807 (2007 - gain \$82,100).

The Company's operating subsidiaries, Henan Found Mining Co. Ltd. ("Henan Found") and Henan Huawei Mining Co. Ltd. ("Henan Huawei"), are considered to be self-sustaining operations and the cumulative effects of foreign currency translations are reflected as part of accumulated comprehensive income, a component of shareholders' equity, and amounted to \$1.1 million for the three months ended December 31, 2007.

(vi) *General exploration and property investigation expenses*: During the three months ended December 31, 2007, the Company incurred general exploration and property investigation expenses of \$221,135 (2007 - \$30,079) representing an increase of \$191,056 as the Company actively pursues its strategy to grow through the exploration, development and production of advanced silver properties in China.

(vii) *Investor relations*: During the three months ended December 31, 2007, the Company incurred investor relation costs of \$81,390 (2007 - \$212,180) representing a decrease of \$130,790 as compared to the same period in the prior year.

(viii) *Office, administration and miscellaneous*: During the three months ended December 31, 2007, the Company incurred office, administration and miscellaneous expenses of \$1.3 million (2007 - \$0.8 million)

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representing an increase of \$482,253 or 61%. The increase is mainly attributable to further enhancements of the corporate and operating infrastructure to effectively manage the continual growth and increase of business activities.

(ix) *Professional fees:* During the three months ended December 31, 2007, the Company incurred professional fees of \$489,788 (2007 - \$92,330) a \$397,458 or 430% increase as compared to the same period in the prior year and incurred for corporate governance matters.

(x) *Stock-based compensation expenses:* During the three months ended December 31, 2007, the Company recognized \$855,258 (2007 - \$659,905) of non-cash stock-based compensation expenses for incentive stock options granted to directors, officers, employees, and consultants using the Black Scholes options pricing model, representing an increase of 30% or \$195,353 over the same period in the prior year as a result of the increase in share price and options granted over the same period in the prior year.

(xi) *Equity income in investment:* During the three months ended December 31, 2007, the Company recorded equity loss of \$67,761 (2007 - loss \$22,909) and is solely attributed to the Company's investment in NUX.

(xii) *Mineral property option income:* During the three months ended December 31, 2007, the Company recorded mineral property option income of \$1.3 million (2007 - \$1.0 million) resulting from the receipt of shares issued by NUX pursuant to the Kang Dian Project Option Agreement along with the increase in NUX's market value upon the release of the escrow shares.

(xiii) *Interest income:* During the three months ended December 31, 2007, the Company recognized \$803,844 interest income (2007 - \$504,120) representing an increase of 59% or \$299,724 over the same period in the prior year. The increase is attributed to additional cash provided by operating activities through the Ying and HPG operations and higher interest rates earned on funds held on deposit.

(b) *Nine months ended December 31, 2007*

(i) *Highlights*

For the nine months ended December 31, 2007, gross profit from mine operations amounted to \$67.5 million (2007 - \$23.7 million), representing a gross margin of 80% (2007 - 80%). The net income realized was \$51.0 million (2007 - \$17.1 million) with a net profit margin of 60% (2007 - 57%). The net earnings are \$0.35 (2007 - \$0.12) per basic share, representing almost a 300% increase.

The Company continues to achieve industry leading low total production costs per ounce of silver. The total production cost is negative \$11.62 per ounce of silver after adjusting for by-product credits for the nine months ended December 31, 2007, compared to negative \$7.20 per ounce in the same period a year ago.

For the nine months ended December 31, 2007, a total of 233,655 (2007 - 124,765) tonnes of ores were mined, from which 9,760 (2007 - 4,825) tonnes of direct smelting ores were hand sorted for direct shipment to smelters, and 223,895 (2007 - 119,940) tonnes of ores were shipped to mills for treatment to recover silver-lead and zinc concentrates. The average mining cost is \$51.19 (2007 - \$40.00) per tonne of ore and average milling cost is \$11.92 (2007 - \$20.26) per tonne of ore.

Net cash provided by operating activities rose to \$65.2 million in the nine months ended December 31, 2007, a 186% increase over the same period a year ago, capital expenditures during the period amounted to \$27.5 million representing the purchase of mineral rights and properties, and a cash dividend distribution of \$7.4 million was paid to the shareholders, resulting in cash and cash equivalents and short term investments of \$82.1 million as of December 31, 2007.

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(ii) *Sales*: During the nine months ended December 31, 2007, the Company increased sales by 185% to \$84.9 million (2007 - \$29.8 million) compared to the prior year period. The increase is primarily attributed to the Ying Silver Property increase in sales to \$76.0 million (2007 - \$29.8 million) and HPG Property sales of \$8.9 million (2007 - \$nil).

(iii) *Cost of sales*: The total cost of sales, including milling costs, for the nine months ended December 31, 2007 amounted to \$17.4 million (2007 - \$6.1 million), and are comprised of \$14.2 million (2007 - \$5.5 million) for the cash cost and \$3.2 million (2007 - \$0.6 million) for the depreciation charges.

(iv) *Accretion of asset retirement obligations*: For the nine months ended December 31, 2007, the Company recognized \$46,094 (2007 - \$nil) as accretion of asset retirement obligations. The Company's assets retirement obligations related to the reclamation cost of Ying property and was 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 gradually over the estimated mine life, 6 years. These obligations will be funded from the Company's resources upon local government's fee payment requests.

(v) *Foreign exchange loss(gain)*: During the nine months ended December 31, 2007, the Company recorded a foreign exchange loss of \$1.2 million (2007 - gain \$19,957) or \$0.01 per share reflecting the impact of foreign currency transactions and integrated foreign operations.

The Company's operating subsidiaries, Henan Found and Henan Huawei, are considered to be self-sustaining operations and the cumulative effects of foreign currency translations are reflected as part of accumulated comprehensive income (loss), a component of shareholders' equity, and amounted to (\$3.9 million) for the nine months ended December 31, 2007.

(vi) *General exploration and property investigation expenses*: During the nine months ended December 31, 2007, the Company incurred general exploration and property investigation expenses of \$810,916 (2007 - \$618,531) representing an increase of 31% or \$192,385 as the Company actively pursues its strategy to grow through the exploration, development and production of advanced silver properties in China.

(vii) *Investor relations*: During the nine months ended December 31, 2007, the Company incurred investor relation costs of \$223,447 (2007 - \$451,890) representing a decrease of 51% or \$228,443 as compared to the same period in the prior year.

(viii) *Office, administration and miscellaneous*: During the nine months ended December 31, 2007, the Company incurred office, administration and miscellaneous expenses of \$3.1 million (2007 - \$1.9 million) representing an increase of \$1.2 million or 66%. The increase is mainly attributable to further enhancements of the corporate and operating infrastructure to effectively manage the continual growth and increase of business activities.

(ix) *Professional fees*: During the nine months ended December 31, 2007, the Company incurred professional fees of \$705,081 (2007 - \$359,523) a \$345,558 or 96% increase as compared to the same period in the prior year incurred for corporate governance matters.

(x) *Stock-based compensation expenses*: During the nine months ended December 31, 2007, the Company recognized \$2.1 million (2007 - \$1.7 million) of non-cash stock-based compensation expenses for incentive stock options granted to directors, officers, employees, and consultants using the Black Scholes options pricing model, representing an increase of 26% or \$433,793 over the same period in the prior year as a result of new options were granted during the period and the significant increase of the share price of the Company over the same period in the prior year.

(xi) *Equity income in investment*: During the nine months ended December 31, 2007, the Company

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recorded equity loss of \$178,753 (2007 - loss \$70,420) and is solely attributed to the Company's investment in NUX.

(xii) *Mineral property option income*: During the nine months ended December 31, 2007, the Company recorded mineral property option income of \$4.6 million (2007 - \$2.0 million) resulting from the receipt of shares issued by NUX pursuant to the Kang Dian Project Option Agreement along with the increase in NUX's market value upon the release of the escrow shares.

(xiii) *Interest income*: During the nine months ended December 31, 2007, the Company recognized \$2.0 million (2007 - \$1.4 million) representing an increase of 37% or \$529,794 over the same period in the prior year. The increase is attributed to additional cash provided by operating activities through the Ying and HPG operations and higher interest rates earned on funds held on deposit.

1.5 Summary of Quarterly Results

	For the Quarters Ended			
	31-Dec-07	30-Sep-07	30-Jun-07	31-Mar-07
Sales	\$ 29,801,777	\$ 30,663,078	\$ 24,436,333	\$ 15,517,529
Gross Profit	23,999,889	24,405,908	19,094,909	11,405,935
Gains and other income	2,135,911	1,892,469	2,383,673	2,693,415
Net income	17,500,830	17,573,061	15,887,496	8,050,571
Basic earnings per share	0.12	0.12	0.11	0.06
Diluted earnings per share	0.12	0.12	0.11	0.05
Total assets	163,929,924	149,248,291	125,639,525	108,546,948
Total long term liabilities	3,416,447	3,385,889	3,244,522	2,392,480
Cash dividends paid	7,383,039	-	-	-
Cash dividends declared per share	-	0.05	-	-
	For the Quarters Ended			
	31-Dec-06	30-Sep-06	30-Jun-06	31-Mar-06
Sales	\$ 14,731,638	\$ 10,708,123	\$ 4,333,050	\$ -
Gross Profit	12,027,107	8,279,088	3,412,714	-
Gains and other income	1,559,528	908,111	946,671	242,051
Net income (loss)	9,338,817	5,361,840	2,357,580	- 1,556,317
Basic earnings (loss) per share	0.06	0.04	0.02	- 0.01
Diluted earnings (loss) per share	0.06	0.04	0.02	- 0.01
Total assets	91,189,927	76,533,323	69,397,329	21,085,801
Total long term liabilities	-	-	-	-
Cash dividends paid	-	-	-	-
Cash dividends declared per share	-	-	-	-

On October 21, 2007, the Company paid its first annual dividend of \$0.05 per share to all shareholders on record at the close of business on September 28, 2007. The total dividend payment of \$7,383,039 is eligible for the enhanced federal and provincial dividend tax credits.

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1.6 Liquidity and Capital Resources

(a) Working Capital

As at December 31, 2007, the Company had a working capital position of \$79.6 million (March 31, 2007 - \$62.6 million) comprised mainly of cash and cash equivalents of \$46.7 million (March 31, 2007 - \$61.5 million), short term investments of \$35.4 million (March 31, 2007 - \$6.3 million), accounts receivable and prepaids of \$3.1 million (March 31, 2007 - \$1.5 million), inventories of \$1.4 million (March 31, 2007 - \$2.1 million), offset by current liabilities of \$7.1 million (March 31, 2007 - \$8.8 million).

Working capital increased by \$17.0 million since March 31, 2007 to \$79.6 million, primarily as the result of the cash provided from the Ying Silver-Lead-Zinc and the HPG Property operations.

(b) Cash and Cash Equivalents, and Short Term Investments

Cash and cash equivalents plus short term investments, as at December 31, 2007, increased by \$14.3 million to \$82.1 million (March 31, 2007 - \$67.8 million). Short term investments are invested in high quality money market instruments.

During the nine months ended December 31, 2007, the Company's cash and cash equivalents decreased by \$14.8 million to \$46.7 million (March 31, 2007 - \$61.5 million) as a result of: cash provided by operating activities of \$65.2 million (2007 - \$22.7 million); cash used by investing activities of \$79.3 million (2007 - \$3.3 million) inclusive of the purchases of mineral rights and properties of \$27.5 million and short term investments of \$29.5 million; offset by cash provided by financing activities of \$2.2 million (2007 - \$42.7 million), and negative effect of exchange rate changes on cash of \$2.8 million (2007 - positive effect \$1.2 million).

The Company does not invest in any asset-backed commercial paper and therefore does not consider that it has any exposure to the current uncertainties in the marketplace.

(c) Operating Activities

During the nine months ended December 31, 2007, the Company's net cash provided by operating activities of \$65.2 million (2007 - \$22.7 million) is comprised of: cash provided by net income of \$51.0 million (2007 - \$17.1 million); items not affecting cash of \$17.4 million (2007 - \$5.5 million); and, offset by the decrease in net changes of non-cash working capital of \$3.2 million (2007 - increase of \$233,981).

(d) Investing Activities

During the nine months ended December 31, 2007, the Company's net cash used in investing activities of \$79.3 million (2007 - \$3.3 million) is comprised primarily of: \$27.5 million (2007 - \$6.1 million) for the purchase of mineral rights and properties; \$3.6 million (2007 - \$4.3 million) for the purchase of property, plant and equipment; \$4.1 million (2007 - \$67,185) for the purchase of long term investments; \$29.5 million (2007 - redemption \$8.7 million) for the purchase of short term investment; \$3.9 million (2007 - \$1.8 million) increase in long term prepaids; \$3.6 million (2007 - \$nil) distributed to a non-controlling subsidiary shareholder; and, \$7.4 million (2007 - \$nil) cash dividends distributed to shareholders of the Company.

(e) Financing Activities

During the nine months ended December 31, 2007, the Company's net cash provided by financing activities of \$2.2 million (2007 - \$42.7 million) is comprised primarily of: proceeds of \$2.1 million (2007 - \$48.0 million) from share subscriptions; loan arrangement of \$1.8 million (2007 - \$nil); and, offset by

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repayment of \$1.6 million (2007 - advance \$236,135) to related parties.

(f) Commitments, Contingencies, Contractual Obligations

The Company's commitments, contingencies, and contractual obligations include:

- (i) 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 Mine.

On September 5, 2007, the joint venture agreement was amended with the incorporation of Luoyang Yongning Smelting Co. Ltd. ("Yongning") to hold the smelter project. Under the amended joint venture agreement, Henan Found can earn in 30% participation in the venture by contributing a total of \$10 million (RMB¥75 million) of the total investment in Yongning of RMB¥250 million, comprised of: \$20 million (RMB¥150 million) towards the registered capital with the balance of \$13.3 million (RMB¥100 million) for capital investment costs. For Henan Found to earn its 30% participation, the Company is to contribute \$2 million (RMB¥15 million) towards the registered capital of Yongning within five business days after the issuance of the business license and the remaining \$8 million (RMB¥60 million) comprised of: \$4 million (RMB¥30 million) towards the registered capital and \$4 million (RMB¥30 million) for capital investment costs, within one year after the issuance of the business license. On September 21, 2007, Yongning obtained approval from Chinese governmental authorities and the business license was issued.

As at December 31, 2007, Henan Found fulfilled its first phase registered capital requirement through a contribution of \$4 million (RMB¥30 million) (March 31, 2007 - \$67,095 (RMB¥450,000)) to Yongning, with the remaining commitment of approximately \$6 million (RMB¥45 million) due within one year from September 21, 2007. This investment is accounted by using the equity method.

- (ii) In June 2007, the Company, through its wholly owned subsidiary, Fortress Mining Inc., 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 will have an 82% interest in Qinghai Found by investing approximately US\$4.0 million by funding exploration and development. 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 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-Bao Project and XG Project are collectively referred to as the Qinghai Project and are subject to receive final approvals from regulatory authorities.

In September 2007, a business license for Qinghai Found was issued upon approval by the Chinese governmental authorities. Transferring of the three Na-Bao permits of about 320 square km in area (19 km by 16 km) into Qinghai Found from our Chinese partner has been approved by Chinese military, related city and provincial authorities. It is now waiting for the final approval from the Ministry of Land and Resources of China in Beijing. As at December 31, 2007, the Company has contributed \$1,318,250 (US\$1.25 million) towards its registered capital.

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A limited program of 28 trenches commenced during July 2007 to October 2007 identified three possible zones of mineralization, and will result in an exploration program of 30,000 metres for 2008. The goal is to define a resource base that satisfies the minimum requirement to apply for a mining permit with the Chinese government (1000 tonne/day mining capacity with a mine-life of 10 years).

- (iii) In October 2007, the Company's 70% owned subsidiary, Henan Huawei, entered into agreements to acquire 100% interest in a LM Silver-Lead Mine ("LM Mine"), which has a mining permit of 3.07 square kilometres located just southeast of the Ying silver project, through an acquisition of 100% interest of a private Chinese company. The total consideration of the acquisition is approximately \$3.4 million (RMB¥25 million), which was paid in full as of December 30, 2007.

As of December 31, 2007, the acquisition of LM silver-lead mine is pending governmental approval, and concurrently Huawei has taken control of LM Mine and exploration, mine development, and production at LM Mine have resumed.

- (iv) In December 2007, the Company's 77.5% owned subsidiary, Henan Found, successfully concluded contracts to acquire 100% interest of the TLP Silver-Lead Mine ("TLP Mine") by paying approximately \$11 million (RMB¥80 million) plus assuming debts, obligations and winding down of certain leasing agreements. The total acquisition cost of TLP Mine is estimated at \$21 million (RMB¥157 million). As of December 31, 2007, a total of \$12.9 million (RMB¥95.1 million) was paid and capitalized as the acquisition cost of mineral rights and properties. The acquisition of TLP Mine is subject to Chinese governmental approval.

Following the anticipated resumption of TLP Mine operations, Silvercorp intends to carry out systematic underground drilling, tunneling, and mine development including sinking several declines and shafts. Exploration will be undertaken on all ten veins to define the resource while concurrently continuing mining operations. Silvercorp will also commission an independent NI43-101 geology and resource review on the TLP project.

- (v) In December 2007, Henan Found started the process of constructing a new 2,000 tonne per day (t/d) mill and associated tailings dam adjacent to its existing 1,000 t/d mill. Upon the new mill being completed by November 2008, the combined milling capacity will be 3,000 t/d to treat ores from the Ying, HPG, LM and TLP Mines, all located within approximately 15 km distance. The preliminary estimated capital cost for the new mill is approximately US\$6 million and will be funded from Henan Found's cash on hand. Government approvals are required for the new mill.
- (vi) 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 ("Huaiji Project") located in Guangdong Province, China.

On January 25, 2007, NUX advanced \$1,461,092 (US\$1,240,000) to the Company to fund the Huaiji Project. As at December 31, 2007, a total of \$959,674 of cash held in trust by SVM for the sole benefit of NUX is repayable upon demand, pursuant to a trust agreement dated October 16, 2007.

- (vii) With respect to its leasehold obligations, the Company has commitments totaling \$1,054,732 over seven years (years ending March 31, 2008: \$65,257; 2009: \$261,776; 2010: \$264,019; 2011: \$264,019; 2012: \$87,492; 2013: \$89,735; and 2014: \$22,434).

No other commitments to provide additional funds have been made by management or other stockholders.

Accordingly, there can be no assurance that any additional funds will be available to the Company to allow

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it to cover operating expenses and proposed operations. The Company has no other capital resources other than the ability to issue common stock to raise additional capital or receive funds on the exercise of warrants or options by the holders. The Company believes it has sufficient capital to meet its cash needs for the next 12 months, including the costs of compliance with the continuing reporting requirements.

(g) Available Sources of Funding

The Company does not have unlimited resources and its future capital requirements will depend on many factors, including, among others, cash flow from operations. To the extent that existing resources and the funds generated by future income are insufficient to fund the Company's operations, the Company may need to raise additional funds through public or private debt or equity financing. If additional funds are raised through the issuance of equity securities, the percentage ownership of current shareholders will be reduced and such equity securities may have rights, preferences, or privileges senior to those of the holders of the Company's common stock. No assurance can be given that additional financing will be available or that, if available, can be obtained on terms favourable to the Company and its shareholders. If adequate funds are not available, the Company may be required to delay, limit, or eliminate some or all of its proposed operations. The Company believes it has sufficient capital to meet its cash needs for the next 12 months, including the costs of compliance with the continuing reporting requirements.

1.7 Capital Resources

Item 1.6 provides further details.

1.8 Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

1.9 Transaction with Related Parties

(a) During the three and nine months ended December 31, 2007, the Company incurred:

- (i) consulting fees of \$75,000 (three months ended December 31, 2006 - \$45,000) and \$162,750 (nine months ended December 31, 2006 - \$140,000) 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 December 31, 2006 - \$4,115) and \$nil (nine months ended December 31, 2006 - \$87,642) payable to a law firm with a partner that is a director of the Company;*
- (iii) management fees of \$62,500 (three months ended December 31, 2006 - \$37,546) and \$148,489 (nine months ended December 31, 2006 - \$109,305) payable to a company owned by an officer and director of the Company, and to an officer and director of the Company;*
- (iv) accounting fees of \$nil (three months ended December 31, 2006 - \$20,369) and \$515 (nine months ended December 31, 2006 - \$86,966) payable to an accounting firm with a partner that is former officer of the Company;*
- (v) directors' fees of \$21,250 (three months ended December 31, 2006 - \$7,710) and \$76,250 (nine months ended December 31, 2006 - \$7,170); and,*
- (vi) expenses recovered of \$71,530 (three months ended December 31, 2006 - \$137,702) and \$294,156 (nine months ended December 31, 2006 - \$137,702) from New Pacific Metals Corp. ("NUX").*

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(b) As at December 31, 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 services provided;
- (ii) \$11,267 (March 31, 2007 - \$151,769) due to the joint venture partner of Henan Huawei for services provided;
- (iii) \$10,971 (March 31, 2007 - \$32,660) due from a company related by common control;
- (iv) \$26,473 (March 31, 2007 - \$nil) due from NUX for expenses incurred and recoverable under an inter-company services and cost allocation arrangement; and,
- (v) \$nil (March 31, 2007 - \$1,377,863) due to NUX for funds advanced from NUX.

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 ("Huaiji Project") located in Guangdong Province, China.

On January 25, 2007, NUX advanced \$1,461,092 (US\$1,240,000) to the Company to fund the Huaiji Project. As at December 31, 2007, a total of \$959,674 of cash held in trust by SVM for the sole benefit of NUX is repayable upon demand, pursuant to a trust agreement dated October 16, 2007.

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.

1.10 Fourth Quarter

Not applicable.

1.11 Proposed Transactions

There are no proposed assets or business acquisitions or dispositions, other than those in the ordinary course of business, before the board of directors for consideration.

1.12 Critical Accounting Estimates

A detailed summary of the Company's significant accounting policies is included in Note 2 to the annual audited consolidated financial statements for the year ended March 31, 2007 and in Note 2 to the interim consolidated financial statements for the nine months ended December 31, 2007.

1.13 Change in Accounting Policies and Initial Adoption

The significant accounting policies outlined within the Audited Consolidated Financial Statements of the Company for the year ended March 31, 2007 have been applied consistently for the nine months ended December 31, 2007, with the exception of several changes in accounting policy; which were retroactively adopted on April 1, 2007, without restatement of prior periods.

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Following the update of the mineral resources on the Ying silver-lead-zinc and HPG gold-silver-lead projects in the national Instrument ("NI") 43-101 Technical Update Report dated August 16, 2007, the estimates used to amortize mineral rights and properties were applied prospectively.

(i) Financial Instrument Standards

On April 1, 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 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, and long term prepaids are classified as "Loans and Receivables". Held-to-maturity investments and loans and receivable are initially measured at fair value. Subsequent measurements are recorded at amortized cost using the effective interest method. Interest income and amortized premium or discount is charged to net income.
- 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 investments in New Pacific Metals Corp. and Luoyang Yongning Smelting Co. Ltd. are excluded from Section 3855 as they are accounted for using the equity method.

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- Accounts payable and accrued liabilities, deposits received from customers, loans payable, and dividends payable 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. Amortized premium or discount is charged to net income.

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 1, 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 translation adjustment of \$1,232,387 for the year ended March 31, 2007 was restated as a component of accumulated other comprehensive income. The adoption of these new standards has no impact on the Company's cash flow.

In December 2006, the CICA issued Section 3862, "Financial Instruments - Disclosure" and Section 3863 "Financial Instruments - Presentation" to replace 3861 "Financial Instruments - Disclosure and Presentation". These new sections are effective for interim and annual financial statements with fiscal years beginning on or after October 1, 2007, but may be adopted in place of Section 3861, before that date. Transitional provisions are complex and vary based on the type of the financial instruments under consideration. Therefore, the Company has not yet determined the effect of these new standards on its financial statements. The revised section is effective for the Company's financial year beginning April 1, 2008.

(ii) 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.

(iii) Inventories

In June 2007, CICA issued Handbook Section 3031 "Inventories" which replaces Section 3030 "Inventories". Under the new section, inventories are required to be measured at the "lower of cost and net realizable value", which is different from the existing guidance of the "lower of cost and market". The new section contains guidance on the determination of cost and also requires the reversal of any write-downs previously recognized. Certain minimum disclosures are required, including the accounting policies used, carrying amounts, amounts recognized as an expense, write-downs, and the amount of any reversal of any write-downs recognized as a reduction in expenses. The new standard will become effective on April 1st, 2008 for the Company. The Company is currently evaluating the impact of the adoption of this new section on the consolidated financial statements.

(iv) Capital Disclosures

As of April 1st, 2008, the Company will be required to adopt CICA Section 1535 "Capital Disclosures", which will require companies to disclose their objectives, policies and processes for managing capital. In addition, disclosures are to include whether companies have complied with externally imposed capital requirements. The new capital disclosure requirements were issued in December 2006 and the Company is assessing the impact on its Consolidated Financial Statements.

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(v) Convergence with IFRS

In January 2006, CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies are expected to converge with International Financial Reporting Standards ("IFRS") by the end of 2011. The Company continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS.

1.14 Financial Instruments and Other Instruments

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

Credit risk may potentially arise if counterparty fails to perform its obligations. The Company invests its cash balances in money market instruments with financial institutions with 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% in July 2005 and has let it rise another 5.3% since then in tightly controlled trading. Effective May 21, 2007, China's central bank widened the yuan's daily trading band to 0.5% from 0.3%.

As at December 31, 2007, approximately \$20 million and \$29 million (March 31, 2007 - approximately \$21 million and \$0.6 million) of cash and cash equivalents and short term investments were held in RMB¥ and United States dollars, respectively.

The Company does not invest in any asset backed commercial paper and therefore does not consider that it has any exposure to the current uncertainties in the marketplace.

1.15 Other MD&A Requirements

1.15.1 Additional Information in relation to the Company

Additional information relating to the Company:

- (a) may be found on SEDAR at www.sedar.com;
- (b) may be found at the Company's web-site www.silvercorp.ca;
- (c) may be found in the Company's annual information form; and,
- (d) is also provided in the Company's annual audited consolidated financial statements for the years ended March 31, 2007 and 2006; and unaudited interim consolidated financial statements for the three and nine months ended December 31, 2007.

1.15.2 Outstanding Share Data

As at the date of this report, the following securities were outstanding:

(a) Share Capital

Authorized - unlimited number of common shares without par value
Issued and outstanding - 148,775,928 common shares with a recorded value of \$89,898,514.
Shares subject to escrow or pooling agreements – nil

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(b) Warrants

As at the date of this report, outstanding share purchase warrants are comprised of the following:

<u>Number of Warrant Shares</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
3,742,119	\$ 8.00	October 26, 2008
3,742,119		

(c) Options

As at the date of this report, the outstanding options are comprised of the following:

<u>Number of Options</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
30,000	0.17	July 14, 2008
31,875	0.75	October 6, 2008
1,500,000	0.18	October 24, 2009
450,000	0.63	February 28, 2010
520,299	4.32	July 23, 2011
66,108	4.47	August 14, 2011
216,999	4.43	August 28, 2011
781,452	6.74	April 10, 2012
135,000	6.95	October 1, 2012
163,500	9.05	January 16, 2013
3,895,233		

1.16 Controls and Procedures*(a) Design and Operation of Disclosure Controls and Procedures*

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as at December 31, 2007. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures, as defined in Multilateral Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings, are effective to ensure that information required to be disclosed in reports filed or submitted by the Company under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified in those rules.

There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date the Chief Executive Officer completed his evaluation, nor were there any significant deficiencies of material weaknesses in the Company's internal controls requiring corrective actions.

(b) Internal Controls over Financial Reporting

The Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, are responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervisions of the Chief Financial Officer, the Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally

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accepted accounting principles ("GAAP"). The Company's controls include policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP; and,
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the annual financial statements or interim financial statements.

The Company has a limited number of staff and it is not always possible to achieve a complete segregation of incompatible duties. Management attempts to mitigate the risk of any material misstatement occurring through compensating controls and the "hands-on" involvement and knowledge of the senior management, however, a control system, no matter how well designed and functioning, can only provide reasonable, not absolute assurance the objectives of the control system are met. Management noted some areas that need improvement in the financial reporting process during a review and evaluation of the effectiveness of its internal controls over financial reporting of the Company's operations in China.

There has been no change in the Company's internal control over financial reporting during the Company's nine months ended December 31, 2007 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

(c) Limitations of Controls and Procedures

The Company's management, including the Chief Executive Officer and Chief Financial Officer, believe that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

(d) Directors and Officers

As at the date of this report, the Company's Directors and Officers are as follows:

Directors

Dr. Rui Feng, Director, Chairman & CEO
Myles J. Gao, Director, President & COO
Yikang Liu, Director
Earl Drake, Director
Paul Simpson, Director
Greg Hall, Director

Officers

Dr. Rui Feng, Director, Chairman & CEO
Myles J. Gao, Director, President & COO
Grace Soo, Chief Financial Officer
Lorne Waldman, Corporate Secretary
Michael Hibbitts, Vice President, Operations
Shaoyang Shen, General Manager, China Operations

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1.17 Outlook

The Company is well positioned to grow through consolidating the fragmented primary silver sector in China, starting with its foot-hold in Henan Province. With the encouragement of local county government, the Company, through its acquisition of the LM and TLP Silver-Lead Mines, is consolidating the silver, lead, and zinc mines and exploration properties in the Ying/HPG Silver Mining camp, providing a solid base from which to significantly expand resources and growth potential.

The fourth quarter is traditionally a slower quarter for the Company as the traditional Chinese Spring Festival normally occurs during January or February. This year the Ying Mill will be in operation, treating ores purchased from third parties as a result of acquiring the TLP and LM Mines. The Company's mining operations were shut down for two weeks, starting from February 1st. In addition, the Company's production in the 4th quarter of 2008 has been affected by the severe weather in Central China this January that led to unstable power supply and limitations on staff mobility and transportation for about 15 days.