

Silvercorp Metals Inc.

First Quarter Fiscal 2022 Financial Results

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CORPORATE PARTICIPANTS

Lon Shaver

Silvercorp Metals Inc. — Vice President

CONFERENCE CALL PARTICIPANTS

Joseph Reagor

ROTH Capital Partners — Analyst

Lucas Pamatat

Canaccord Genuity — Analyst

Justin Stevens

PI Financial — Analyst

PRESENTATION

Operator

Thank you for standing by. Good morning. My name is Michelle and I will be your operator for today. At this time I would like to welcome everyone to Silvercorp's First Quarter Fiscal 2022 Financial Results Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. If you would like to ask a question during that time, simply press star then the number one on your telephone keypad. If you would like to withdraw your question, please press the star followed by the two.

I would now like to turn the conference over to Lon Shaver, Vice President, for opening remarks. Please go ahead.

Lon Shaver — Vice President, Silvercorp Metals Inc.

Thank, Michelle. Good morning or afternoon, everyone. I'm joined on this call today by Derek Liu, our Chief Financial Officer, and on behalf of Silvercorp Metals I'd like to thank you for joining the call to discuss our first quarter fiscal 2022 financial results, which were released yesterday evening. The news release, MD&A, and financial statements are available on our website and posted on SEDAR.

Before we get started, I'm required to remind you that certain statements on today's call will contain forward-looking information within the meaning of applicable securities laws. Please review the cautionary statements included in our news release and presentation, as well as the risk factors described in our most recent first quarter 10-Q and Form 40-F and annual information form.

To kick off with some highlights from the results from the quarter, we're pleased with the results that we generated for the first quarter. Revenue in the quarter was \$58.8 million. That was up 26% compared to the prior year quarter. We are participating in the increased silver prices that we're seeing in the market as both mines realized silver prices up approximately 50% versus last year's quarter. The mines also benefitted from higher lead and zinc prices. And it's important to note that silver was 58% of our net realized revenues, up slightly from 56% in last year's first quarter.

Our first quarter net earnings attributable to shareholders were \$12.2 million or \$0.07 per share. As of this quarter we have also begun reporting adjusted earnings to provide a supplemental non-GAAP measure to better reflect the ongoing performance of our operating business. The adjustments this quarter and going forward will remove impacts from foreign exchange swings, non-recurring items, stock-based compensation calculations, mark to market of equity investments, and our share of associates' operating results, which you'll note are always losses at this point given that they are exploration and development companies. On this basis, our adjusted earnings attributable to shareholders were \$15.8 million or \$0.09 per share and that compares to \$9.6 million or \$0.05 per share in the prior year quarter.

Our cash flow from operations was \$36.5 million in the first quarter and that was up 21% compared to \$30.1 million in the prior year quarter. And during this period we paid \$2.2 million of dividends to shareholders.

At the end of the quarter, with a continued strong financial position with \$214.4 million in cash and cash equivalents and short-term investments, and that's up \$15.3 million or 8% compared to just

this past March of 2021. And I'll highlight that this number does not include the investments in associates and equity investments in other mining companies, which have a total market value of \$245.3 million as of June 30th.

We had already released our production and sales figures on July 13th. As previously announced, we experienced a slight production decline in the current quarter, mainly due to the process of renewing mining contracts at the Ying Mining District. In the first quarter, we sold approximately 1.6 million ounces of silver, 1,000 ounces of gold, 16.8 million pounds of lead, and 7.3 million pounds of zinc, and these are decreases of 12%, 9%, 20%, respectively, in silver, gold, and lead, but an increase of 4% in zinc compared to the prior quarter.

Looking at our cost per ounce of silver net of by-product credits, our cash cost was negative US\$1.43 in the first quarter. That compared to a negative US\$1.48 in the prior quarter, and this is on a consolidated basis. Our all-in sustaining cost per ounce of silver net of by-product credits was \$7.46 per ounce compared to \$5.61 in Q2 of fiscal 2021.

During the quarter, capital expenditures totaled approximately \$11.1 million compared to \$10.2 million in the prior year quarter and the increase is driven primarily by a total of 57,247 metres or \$3.2 million worth of diamond drilling that was capitalized at Ying and we had no such capitalized drilling expenses last year. But this increase was offset somewhat by reduced tunneling as drilling in some of these previously mined areas has defined mineralization that is expected to require less development going forward. Silvercorp is going to continue our extensive drilling programs to define additional resources and test for gold mineralization at the Ying Mining District.

In terms of our corporate development activities, notable items were that we invested \$5 million in Whitehorse Gold through a private placement and that brought our ownership up slightly to 29.45% and our position currently has a value of \$19 million as of June 30th.

Now looking ahead for the rest of fiscal 2022, we continue to expect to meet our guidance. We're looking to increase the production in the remaining three quarters to do so and hit between 6.3 million and 6.6 million ounces of silver, between 65 million and 69 million pounds of lead, and 27 million to 29 million pounds of zinc in fiscal 2022.

Also in the first quarter of this year, New Infini, our subsidiary, received a drilling permit and initiated a 10,000 metre drilling program at the La Yesca project in Mexico, and the execution of a transfer contract with the Zhonghe silver project in the vicinity of the Ying Mining District is still pending the national security clearance from the Chinese authorities, but we're expecting to see that over the next few weeks.

And with that I think it would be a good time to open up the call for questions.

Q & A

Operator

Thank you. Ladies and gentlemen, as a reminder, if you would like to ask a question, please press star one on your touchtone phone. Please stand by for your first question.

Your first question comes from Joseph Reagor, ROTH Capital Partners. Please go ahead.

Joseph Reagor — Analyst, ROTH Capital Partners

Hey, Lon and team. Thanks for taking the questions.

Lon Shaver — Vice President, Silvercorp Metals Inc.

Hey, Joe. Good to have you in the call.

Joseph Reagor — Analyst, ROTH Capital Partners

Thanks. So I guess first thing, on New Infini, have you guys put in a management team to run that or are you guys still running it as a subsidiary? And then, longer term, is it still the plan to take that as a public company as well like you've done with Whitehorse and New Pacific?

Lon Shaver — Vice President, Silvercorp Metals Inc.

Joe, the answer would be yes and yes. We do have an operating team on the ground in Mexico that are managing the day-to-day operations of gearing up for this exploration program. Currently that is being overseen by Silvercorp management, both in Vancouver and Beijing, but it is the intention to get a dedicated management team in place and to list the company going forward.

Joseph Reagor — Analyst, ROTH Capital Partners

Okay. Thanks for that. And then you guys mentioned when you reported operating results that there had been some issues with getting some people back to the mine site following extending some,

ah, contract or contracts, right? So is there any carryover of that into your fiscal Q2 or do you have everybody back and operations are running smoothly now?

Lon Shaver — Vice President, Silvercorp Metals Inc.

Yeah, everyone is back in and things are back running back as planned for the most part. So I guess there would really be no carryover. And those were sort of, as we disclosed at the time, those were temporary factors just given the uncertainty. And it's hard to avoid the conversations around the water cooler where people are saying, well, what's happening? What's going to go on? Do you think we're going to get this contract signed? And that just led to some decreased productivity and some uncertainty. But then once that was resolved, everyone was back focused and getting back to work.

Joseph Reagor — Analyst, ROTH Capital Partners

Okay. Fair enough on that. And then one final thing. G&A expenses have been trending up both at the mine level and at the corporate levels over the last couple of quarters. I guess my assumption there is that a portion of that's due to a lot of the other items you guys have been working on like the auction for the other project in China, the New Infini stuff, et cetera, but could you give us any guide, just qualitatively, what we should expect going forward there?

Lon Shaver — Vice President, Silvercorp Metals Inc.

Yes, that would be, you've touched on a few of them, but there definitely are a mix of factors, and in some cases, obviously, currency can be one too, just based on where those expenses are domiciled. There has been some both in both Canada and in China some governmental changes in terms

of increased employee benefits. But then to your point, yes, we are ramping up a team to execute on the Ying drilling project and to get ready for Zhonghe and so that has obviously been a bit of a staffing push to bring in and add to the team in those areas where we can see a need down the road.

Joseph Reagor — Analyst, ROTH Capital Partners

Okay. Thanks. I'll turn it over.

Lon Shaver — Vice President, Silvercorp Metals Inc.

Thanks, Joe.

Operator

Your next question comes from Lucas Pamatat of Canaccord. Please go ahead.

Lucas Pamatat — Analyst, Canaccord Genuity

Hey. Good afternoon and thanks for taking my questions. Just wondering if there are any guidance changes at Ying as a result of the production results this quarter. We'd noticed that the guidance given in the MD&A was slightly different than what you released in February.

Lon Shaver — Vice President, Silvercorp Metals Inc.

I'll have to double check on that. Really not much has changed and what we're seeing in terms of getting back on track to production is what's expected for the balance of the year, so not really anticipating any changes.

Lucas Pamatat — Analyst, Canaccord Genuity

Okay. Can you provide more colour on what the strategy would be to catch up on the production in order to make guidance?

Lon Shaver — Vice President, Silvercorp Metals Inc.

Well, the one thing that is immediate and obvious is the fact that we typically have excess milling capacity between our two mills, so that's one thing going for us. The other thing is, with the drilling campaigns that we've been working on and opening up some new areas like the DCG, we're looking at areas where we can target mineralization that does require less development. And you'll see that in some of the numbers where we've brought down some of the development activities. So it's just going to be a matter of shifting some of those activities from development to mining. And as we were provided in the guidance, we've been looking at bringing up the mining throughput as compared to previous years, so it's just a matter of accelerating that a bit further.

Lucas Pamatat — Analyst, Canaccord Genuity

Okay, good. On that note, do we expect to see a mine plan incorporating all the drilling that you've been doing at Ying?

Lon Shaver — Vice President, Silvercorp Metals Inc.

At Ying, we had intended to put out at least an updated resource number, but then it became apparent that, with the extensive drilling, anything that we would have publish would have been already

stale given the amount of drilling that's ongoing. So the intention here is to do an updated at least resource/reserve statement for end of year 2021, so December. And so then that would be the basis of a more formal mine plan that we could discuss with the market and investors. At this point in time it's really still just gathering all the information, doing the calculations, and in some cases, where there's a sort of obvious low-hanging fruit, we may go in and actually mine those zones without them being in a reported mine plan and that just would, obviously, adjust and shift some of the plans we would have had to later periods.

Lucas Pamatat — Analyst, Canaccord Genuity

Okay, great. And just one last question from me: Can you provide more colour on the delay for the mining license at BYP?

Lon Shaver — Vice President, Silvercorp Metals Inc.

Well, I think, yeah, that delay has been a long one and ongoing for quite a few years. It was caught up in a number of different issues, not so much related to the project, but land use considerations and just really the integration and discussion between different levels of government in the region. We feel that some of the obstacles have been removed and we are optimistic that we'll see progress on getting that BYP mining permit by the end of this year.

Lucas Pamatat — Analyst, Canaccord Genuity

Okay, great. Thanks for taking my questions. I'll leave it there.

Lon Shaver — Vice President, Silvercorp Metals Inc.

Thanks very much.

Operator

Your next question comes from Justin Stevens, PI Financial. Please go ahead.

Justin Stevens — Analyst, PI Financial

Thanks, guys. And thanks, Lon, for taking the questions here. Most of what I was wondering has already been covered off, but one last one for me. I know you've talked about sort of these zones that may have been missed in previous modeling at Ying, you know, near existing developments. Can you give us maybe just a rough idea of about how much of that material was currently, I'd say, making up a feed? Is it like, are we thinking 5%? 10%? Is that sort of the ballpark that we're looking at?

Lon Shaver — Vice President, Silvercorp Metals Inc.

Yeah, that's a complicated question. I wouldn't have the answer to that handy given we're talking about six mines where that's the situation and where the planning comes in some sort of month to month, quarter to quarter. There could be some shifts in that. I'd have to do a bit more digging and come back to you with more specific numbers and on a mine—

Justin Stevens — Analyst, PI Financial

For sure. Yeah, obviously there's several moving parts at all the different assets. And I guess, just on the Zhonghe, I'm assuming we're just waiting still for the security review to go through, but no real updates on potential timelines there.

Lon Shaver — Vice President, Silvercorp Metals Inc.

No. I mean we've been expecting it imminently for a while here. I think it's important to note that this process is a new one that was instituted in January and we're not sure but we think we might be the first party to have been sort of caught up in this process. And ultimately there are no signs from any of the groups involved that there are any issues or objections. I think it's more just a matter of clarifying sort of which party needs to sign which piece of paper next in the process and where it goes sort of through the chain and given that's a new process some of those things kinks have yet to be worked out.

Justin Stevens — Analyst, PI Financial

Got it. Yeah, that makes sense, especially if you're maybe one of the first ones making it through. The paperwork trail hasn't been well worn yet.

Lon Shaver — Vice President, Silvercorp Metals Inc.

Exactly.

Justin Stevens — Analyst, PI Financial

Got it. That's it for me. Thanks and looking forward to seeing the results for the next couple quarters here.

Lon Shaver — Vice President, Silvercorp Metals Inc.

That's great. Thanks, Justin.

Operator

Ladies and gentlemen, as a reminder, if you would like to ask a question, please press star followed by the one on your keypad.

This concludes the question-and-answer session. I would now like to turn the conference back over to Lon Shaver, Vice President, for any closing remarks. Please go ahead.

Lon Shaver — Vice President, Silvercorp Metals Inc.

That's great. Thank you, Michelle, and thanks, everyone, for tuning in today. That's all we have to share on this call, but please, if anyone has additional questions, like always, feel free to call or email us in the investor relations team and we'd be happy to answer your questions. We look forward to updating you again in November for our Q2 fiscal 2022. With that, wish everyone a great day and we're signing off. Thanks very much.

Operator

Ladies and gentlemen, this concludes today's conference call. You may now disconnect your lines. Thank you for participating and have a pleasant day.