



SILVERCORP METALS INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the three and six months ended September 30, 2016 and 2015
(Expressed in thousands of US dollars, unless otherwise stated)
(Unaudited)

**Notice to Readers of the Unaudited Condensed Consolidated Interim Financial Statements
For the three and six months ended September 30, 2016**

The unaudited condensed consolidated interim financial statements of Silvercorp Metals Inc. (the “Company”) for the three and six months ended September 30, 2016 (the “Financial Statements”) have been prepared by management and have not been reviewed by the Company’s independent auditors. The Financial Statements should be read in conjunction with the Company’s audited financial statements for the year ended March 31, 2016 which are available at the SEDAR website at www.sedar.com. The Financial Statements are stated in terms of US dollars and are prepared in accordance with International Financial Reporting Standards.

SILVERCORP METALS INC.

Condensed Consolidated Interim Statements of Financial Position

(Unaudited) (Expressed in thousands of U.S. dollars)

	Notes	As at September 30,		As at March 31,	
		2016		2016	
ASSETS					
Current Assets					
Cash and cash equivalents	21	\$	66,484	\$	41,963
Short-term investments			25,659		19,999
Trade and other receivables			1,200		2,041
Inventories			10,045		8,857
Due from related parties	12		40		103
Income tax receivable			-		394
Prepays and deposits			4,109		3,960
			107,537		77,317
Non-current Assets					
Long-term prepaids and deposits			1,426		1,856
Reclamation deposits			2,605		2,301
Investment in an associate	3		3,309		3,133
Other investments	4		391		287
Plant and equipment	5		68,720		71,045
Mineral rights and properties	6		210,686		216,080
TOTAL ASSETS		\$	394,674	\$	372,019
LIABILITIES AND EQUITY					
Current Liabilities					
Accounts payable and accrued liabilities		\$	31,484	\$	27,457
Bank loan	8		4,504		4,657
Mine right fee payable	7		3,927		3,970
Deposits received			7,590		5,849
Income tax payable			2,251		-
Due to related parties	12		-		179
			49,756		42,112
Non-current Liabilities					
Mine right fee payable	7		5,733		5,796
Deferred income tax liabilities			25,563		23,224
Environmental rehabilitation			14,064		14,328
Total Liabilities			95,116		85,460
Equity					
Share capital	9		231,330		230,933
Share option reserve			12,968		12,628
Reserves			25,409		25,409
Accumulated other comprehensive loss	10		(43,216)		(35,994)
Retained earnings			17,614		562
Total equity attributable to the equity holders of the Company			244,105		233,538
Non-controlling interests	11		55,453		53,021
Total Equity			299,558		286,559
TOTAL LIABILITIES AND EQUITY		\$	394,674	\$	372,019
Commitments and contingencies	20				

Approved on behalf of the Board:

(Signed) David Kong

Director

(Signed) Rui Feng

Director

See accompanying notes to the condensed consolidated interim financial statements

SILVERCORP METALS INC.

Condensed Consolidated Interim Statements of Income

(Unaudited)(Expressed in thousands of U.S. dollars, except numbers for share and per share figures)

	Notes	Three Months Ended September 30,		Six Months Ended September 30,	
		2016	2015	2016	2015
Sales	19(c)	\$ 46,298	\$ 27,213	\$ 81,569	\$ 59,433
Cost of sales	13	19,509	18,385	39,036	39,149
Gross profit		26,789	8,828	42,533	20,284
General and administrative	14	4,127	4,907	8,512	10,251
Government fees and other taxes	15	1,761	1,847	3,456	3,196
Foreign exchange gain		(215)	(1,984)	(92)	(1,397)
(Gain) loss on disposal of plant and equipment	5	(199)	(22)	65	(15)
Share of gain in associate	3	(269)	(179)	(286)	(101)
Impairment of plant and equipment and mineral rights and properties		-	-	181	-
Other income		(83)	(124)	(123)	(114)
Income from operations		21,667	4,383	30,820	8,464
Finance income	16	537	264	968	541
Finance costs	16	(260)	(139)	(524)	(471)
Income before income taxes		21,944	4,508	31,264	8,534
Income tax expense	17	5,938	1,529	8,738	1,784
Net income		\$ 16,006	\$ 2,979	\$ 22,526	\$ 6,750
Attributable to:					
Equity holders of the Company		\$ 12,378	\$ 2,234	\$ 17,052	\$ 4,530
Non-controlling interests	11	3,628	745	5,474	2,220
		\$ 16,006	\$ 2,979	\$ 22,526	\$ 6,750
Earnings per share attributable to the equity holders of the Company					
Basic earnings per share		\$ 0.07	\$ 0.01	\$ 0.10	\$ 0.03
Diluted earnings per share		\$ 0.07	\$ 0.01	\$ 0.10	\$ 0.03
Weighted Average Number of Shares Outstanding - Basic		167,012,454	170,307,013	166,976,159	170,593,834
Weighted Average Number of Shares Outstanding - Diluted		171,540,139	170,307,013	171,043,667	170,593,834

See accompanying notes to the condensed consolidated interim financial statements

SILVERCORP METALS INC.

Condensed Consolidated Interim Statements of Comprehensive Income

(Unaudited) (Expressed in thousands of U.S. dollars)

	Notes	Three Months Ended September 30,		Six Months Ended September 30,	
		2016	2015	2016	2015
Net income		\$ 16,006	\$ 2,979	\$ 22,526	\$ 6,750
Other comprehensive (loss) income, net of taxes:					
Items that may subsequently be reclassified to net income or loss:					
Currency translation adjustment, net of tax of \$nil		(1,230)	(8,993)	(8,872)	(8,143)
Share of other comprehensive loss in associate	3	(49)	-	(73)	-
Items that will not subsequently be reclassified to net income or loss:					
Change in fair value on equity investments designated as FVTOCI, net of tax of \$nil	4	(40)	143	141	(243)
Other comprehensive loss, net of taxes		\$ (1,319)	\$ (8,850)	\$ (8,804)	\$ (8,386)
Attributable to:					
Equity holders of the Company		\$ (1,099)	\$ (7,700)	\$ (7,222)	\$ (7,292)
Non-controlling interests	11	(220)	(1,150)	(1,582)	(1,094)
		\$ (1,319)	\$ (8,850)	\$ (8,804)	\$ (8,386)
Total comprehensive income (loss), net of taxes		\$ 14,687	\$ (5,871)	\$ 13,722	\$ (1,636)
Attributable to:					
Equity holders of the Company		\$ 11,279	\$ (5,466)	\$ 9,830	\$ (2,762)
Non-controlling interests		3,408	(405)	3,892	1,126
		\$ 14,687	\$ (5,871)	\$ 13,722	\$ (1,636)

See accompanying notes to the condensed consolidated interim financial statements

SILVERCORP METALS INC.

Condensed Consolidated Interim Statements of Cash Flows

(Unaudited) (Expressed in thousands of U.S. dollars)

	Notes	Three Months Ended September 30,		Six Months Ended September 30,	
		2016	2015	2016	2015
Cash provided by					
Operating activities					
Net income		\$ 16,006	\$ 2,979	\$ 22,526	\$ 6,750
Add (deduct) items not affecting cash:					
Finance costs		260	139	524	471
Depreciation, amortization and depletion	13, 14	6,029	4,400	11,349	9,377
Share of gain in associate	3	(269)	(179)	(286)	(101)
Impairment of plant and equipment and mineral rights and properties		-	-	181	-
Income tax expense		5,938	1,529	8,738	1,784
Finance income	16	(537)	(264)	(968)	(541)
(Gain) loss on disposal of plant and equipment	5	(199)	(22)	65	(15)
Share-based compensation		197	343	440	508
Income taxes (paid) recovered		(3,006)	56	(2,915)	(303)
Interest received		537	264	968	541
Interest paid		(50)	-	(101)	-
Changes in non-cash operating working capital	21	2,134	(4,614)	6,701	(520)
Net cash provided by operating activities		27,040	4,631	47,222	17,951
Investing activities					
Mineral rights and properties					
Capital expenditures		(5,688)	(1,364)	(10,708)	(8,730)
Plant and equipment					
Additions		(739)	(2,272)	(3,123)	(2,990)
Proceeds on disposals	5	15	25	32	30
Other investments					
Proceeds on disposals	4	33	-	33	-
Reclamation deposit paid		-	-	(385)	(9)
Net (purchases) redemptions of short-term investments		(1,995)	5,658	(5,976)	5,707
Net cash (used in) provided by investing activities		(8,374)	2,047	(20,127)	(5,992)
Financing activities					
Non-controlling interests					
Distribution	11	(1,460)	-	(1,460)	-
Cash dividends distributed		-	(638)	-	(1,323)
Proceeds from issuance of common shares		82	-	297	-
Common shares repurchased as part of normal course issuer bid		-	(1,267)	-	(1,267)
Net cash used in financing activities		(1,378)	(1,905)	(1,163)	(2,590)
Effect of exchange rate changes on cash and cash equivalents		(406)	(2,990)	(1,411)	(2,332)
Increase in cash and cash equivalents		16,882	1,783	24,521	7,037
Cash and cash equivalents, beginning of the period		49,602	65,433	41,963	60,179
Cash and cash equivalents, end of the period		\$ 66,484	\$ 67,216	\$ 66,484	\$ 67,216
Supplementary cash flow information	21				

See accompanying notes to the condensed consolidated interim financial statements

SILVERCORP METALS INC.

Condensed Consolidated Interim Statements of Changes in Equity

(Unaudited) (Expressed in thousands of U.S. dollars, except numbers for share figures)

	Notes	Share capital		Share option reserve	Reserves	Accumulated other comprehensive loss	Retained earnings (deficit)	Total equity attributable to the equity holders of the Company	Non-controlling interests	Total equity
		Number of shares	Amount							
Balance, April 1, 2015		170,883,808	\$ 233,513	\$ 11,741	\$ 25,409	\$ (26,697)	\$ (5,089)	\$ 238,877	\$ 53,634	\$ 292,511
Share-based compensation		-	-	508	-	-	-	508	-	508
Dividends declared		-	-	-	-	-	(685)	(685)	-	(685)
Common shares repurchased as part of normal course issuer bid		(1,638,252)	(1,267)	-	-	-	-	(1,267)	-	(1,267)
Comprehensive (loss) income		-	-	-	-	(7,292)	4,530	(2,762)	1,126	(1,636)
Balance, September 30, 2015		169,245,556	\$ 232,246	\$ 12,249	\$ 25,409	\$ (33,989)	\$ (1,244)	\$ 234,671	\$ 54,760	\$ 289,431
Share-based compensation		-	-	379	-	-	-	379	-	379
Common shares repurchased as part of normal course issuer bid		(2,399,200)	(1,313)	-	-	-	-	(1,313)	-	(1,313)
Distribution to non-controlling interests		-	-	-	-	-	-	-	(1,661)	(1,661)
Disposition of non-controlling interests upon sale of a subsidiary		-	-	-	-	-	-	-	(773)	(773)
Cumulative translation adjustment realized upon sale of a subsidiary		-	-	-	-	23	-	23	-	23
Comprehensive (loss) income		-	-	-	-	(2,028)	1,806	(222)	695	473
Balance, March 31, 2016		166,846,356	\$ 230,933	\$ 12,628	\$ 25,409	\$ (35,994)	\$ 562	\$ 233,538	\$ 53,021	\$ 286,559
Options exercised		219,221	397	(100)	-	-	-	297	-	297
Share-based compensation	9(b)	-	-	440	-	-	-	440	-	440
Distribution to non-controlling interests	11	-	-	-	-	-	-	-	(1,460)	(1,460)
Comprehensive (loss) income		-	-	-	-	(7,222)	17,052	9,830	3,892	13,722
Balance, September 30, 2016		167,065,577	\$ 231,330	\$ 12,968	\$ 25,409	\$ (43,216)	\$ 17,614	\$ 244,105	\$ 55,453	\$ 299,558

See accompanying notes to the condensed consolidated interim financial statements

SILVERCORP METALS INC.

Notes to Condensed Consolidated Interim Financial Statements as at September 30, 2016 and for three and six months ended September 30, 2016 and 2015

(Unaudited)(Expressed in thousands of U.S. dollars, unless otherwise stated)

1. CORPORATE INFORMATION

Silvercorp Metals Inc., along with its subsidiary companies (collectively the “Company”), is engaged in the acquisition, exploration, development, and mining of precious and base metal mineral properties. The Company’s producing mines and other current exploration and development projects are in China.

The Company is a publicly listed company incorporated in Canada with limited liability under the legislation of the Province of British Columbia. The Company’s shares are listed on the Toronto Stock Exchange.

The head office, registered address and records office of the Company are located at 200 Granville Street, Suite 1378, Vancouver, British Columbia, Canada, V6C 1S4.

Operating results for the three and six months ended September 30, 2016, are not necessarily indicative of the results that may be expected for the year ending March 31, 2017.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting (“IAS 34”)* of the International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”). These condensed consolidated interim financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended March 31, 2016. These condensed consolidated interim financial statements follow the same significant accounting policies set out in note 2 to the audited consolidated financial statements for the year ended March 31, 2016.

These condensed consolidated interim financial statements were authorized for issue in accordance with a resolution of the Board of Directors dated on November 2, 2016.

(b) Basis of Consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly or partially owned subsidiaries.

Subsidiaries are consolidated from the date on which the Company obtains control up to the date of the disposition of control. Control is achieved when the Company has power over the subsidiary, is exposed or has rights to variable returns from its involvement with the subsidiary; and has the ability to use its power to affect its returns. For non-wholly-owned subsidiaries over which the Company has control, the net assets attributable to outside equity shareholders are presented as “non-controlling interests” in the equity section of the consolidated balance sheets. Net income for the period that is attributable to the non-controlling interests is calculated based on the ownership of the non-controlling interest shareholders in the subsidiary.

Balances, transactions, revenues and expenses between the Company and its subsidiaries are eliminated on consolidation.

SILVERCORP METALS INC.

Notes to Condensed Consolidated Interim Financial Statements as at September 30, 2016 and for three and six months ended September 30, 2016 and 2015

(Unaudited)(Expressed in thousands of U.S. dollars, unless otherwise stated)

Details of the Company's significant subsidiaries which are consolidated are as follows:

Name of subsidiaries	Principal activity	Place of incorporation	Proportion of ownership interest held		Mineral properties
			September 30, 2016	March 31, 2016	
Silvercorp Metals China Inc.	Holding company	Canada	100%	100%	
Silvercorp Metals (China) Inc.	Holding company	China	100%	100%	
0875786 B.C. LTD.	Mining	Canada	100%	100%	
Fortune Mining Limited	Holding company	BVI (i)	100%	100%	RZY
Fortune Copper Limited	Holding company	BVI	100%	100%	
Fortune Gold Mining Limited	Holding company	BVI	100%	100%	
Victor Resources Ltd.	Holding company	BVI	100%	100%	
Yangtze Mining Ltd.	Holding company	BVI	100%	100%	
Victor Mining Ltd.	Holding company	Barbados	100%	100%	
Yangtze Mining (H.K.) Ltd.	Holding company	Hong Kong	100%	100%	
Fortune Gold Mining (H.K.) Limited	Holding company	Hong Kong	100%	100%	
Wonder Success Limited	Holding company	Hong Kong	100%	100%	
Henan Huawei Mining Co. Ltd. ("Henan Huawei")	Mining	China	80%	80%	HPG, LM
Henan Found Mining Co. Ltd. ("Henan Found")	Mining	China	77.5%	77.5%	Ying, TLP
Songxian Gold Mining Co., Ltd. ("SX Gold")	Mining	China	77.5%	77.5%	XHP
Xinshao Yunxiang Mining Co., Ltd. ("Yunxiang")	Mining	China	70%	70%	BYP
Guangdong Found Mining Co. Ltd. (Guangdong Found")	Mining	China	95%	95%	GC

(i) British Virgin Island ("BVI")

(c) Accounting standards issued but not yet in effective

IFRS 15 – *Revenue from contracts with customers*, the standard on revenue from contracts with customers was issued in September 2015 and may be effective for annual reporting periods beginning on or after January 1, 2018 for public entities with early adoption permitted. Entities have the option of using either a full retrospective or a modified retrospective approach to adopt the guidance. The Company is assessing the impact of this standard.

IAS 7 - *Statement of Cash Flows* has been revised to incorporate amendments issued by the International Accounting Standards Board ("IASB") in January 2016. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments are effective for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Company is assessing the impact of this standard.

IAS 12 - *Income Taxes* has been revised to incorporate amendments issued by the IASB in January 2016. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments are effective for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Company is assessing the impact of this standard.

IFRS 16 - *Leases* was issued by the IASB and will replace Leases ("IAS 17"). IFRS 16 requires most leases to be reported on a company's balance sheet as assets and liabilities. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with early application permitted for companies that also apply IFRS 15 - *Revenue from Contracts with Customers*. The Company is currently assessing the impact of this new standard.

SILVERCORP METALS INC.

Notes to Condensed Consolidated Interim Financial Statements as at September 30, 2016 and for three and six months ended September 30, 2016 and 2015

(Unaudited)(Expressed in thousands of U.S. dollars, unless otherwise stated)

3. INVESTMENT IN AN ASSOCIATE

New Pacific Holdings Corp. ("NUX") is a Canadian public company listed on the TSX Venture Exchange (symbol: NUX). NUX is a related party of the Company by way of two common directors and officers.

As at September 30, 2016, the Company owned 10,806,300 common shares (March 31, 2016 – 10,806,300) of NUX, representing an ownership interest of 16.1% (March 31, 2016 – 16.1%).

The Company accounts for its investment in NUX common shares using the equity method as it is able to exercise significant influence over the financial and operating policies of NUX. The summary of the investment in NUX common shares and its market value as at the respective balance sheet dates are as follows:

	Number of shares	Amount	Value of NUX's common shares per quoted market price
Balance, April 1, 2015	10,806,300	\$ 3,449	\$ 1,448
Share of net loss		(50)	
Share of other comprehensive loss		(186)	
Foreign exchange impact		(80)	
Balance, March 31, 2016	10,806,300	\$ 3,133	\$ 2,333
Share of net income		286	
Share of other comprehensive loss		(73)	
Foreign exchange impact		(37)	
Balance September 30, 2016	10,806,300	\$ 3,309	\$ 4,119

4. OTHER INVESTMENTS

	September 30, 2016	March 31, 2016
Equity investments designated as FVTOCI		
Publicly-traded companies	\$ 391	\$ 287
Luoyang Yongning Smelting Co. Ltd.	-	-
Jinduicheng Xise (Canada) Co. Ltd.	-	-
Warrants	-	-
	\$ 391	\$ 287

(a) Investments in publicly-traded companies with no significant influence

Investments in publicly-traded companies represent equity interests of other publicly-trading mining companies that the Company has acquired through the open market or through private placements. These equity interests are for long-term investment purposes and consist of common shares.

SILVERCORP METALS INC.

Notes to Condensed Consolidated Interim Financial Statements as at September 30, 2016 and for three and six months ended September 30, 2016 and 2015

(Unaudited)(Expressed in thousands of U.S. dollars, unless otherwise stated)

Common shares are designated as FVTOCI and are measured at fair value on initial recognition and subsequent measurement. As of September 30, 2016, none of the shares held by the Company represented more than 10% of the respective outstanding shares of investees.

Common shares:

	Fair value	Accumulated fair value change included in OCI
April 1, 2015	\$ 892	\$ (6,271)
Change in fair value on equity investments designated as FVTOCI	(158)	(158)
Disposal of equity investments	(422)	-
Impact of foreign currency translation	(25)	-
March 31, 2016	\$ 287	\$ (6,429)
Change in fair value on equity investments designated as FVTOCI	141	141
Impact of foreign currency translation	(37)	-
September 30, 2016	\$ 391	\$ (6,288)

(b) Luoyang Yongning Smelting Co. Ltd. ("Yongning Smelting")

Yongning Smelting is a private company based in China. The Company invested in Yongning Smelting through its subsidiary Henan Found. On July 31, 2016, the Company disposed its 0.1% (March 31, 2016 – 0.1%) ownership of Yongning Smelting's total equity for cash proceeds of \$33 (RMB ¥221).

(c) Jinduicheng Xise (Canada) Co. Ltd. ("Jinduicheng")

Jinduicheng is a Canadian private holding company, with primary assets holding 100% interest in a Canadian private mining company, Yukon Zinc Mining Corporation ("Yukon Zinc"). The Company invested in Jinduicheng through a private placement by subscribing common shares of Jinduicheng. As at September 30, 2016, the Company's total investment in Jinduicheng represents 6% (March 31, 2016 - 6%) of Jinduicheng's total equity. The fair value of the investment as at September 30, 2016 was determined to be \$nil (March 31, 2016 - \$nil), using a market based approach taking into consideration of Jinduicheng's consolidated mineral reserve and resource data and its consolidated financial position. The maximum risk exposures would be the amount the Company invested in the common shares of Jinduicheng.

SILVERCORP METALS INC.

Notes to Condensed Consolidated Interim Financial Statements as at September 30, 2016 and for three and six months ended September 30, 2016 and 2015

(Unaudited)(Expressed in thousands of U.S. dollars, unless otherwise stated)

5. PLANT AND EQUIPMENT

Plant and equipment consist of:

Cost	Land use rights and building	Office equipment	Machinery	Motor vehicles	Construction in progress	Total
Balance as at April 1, 2015	\$ 87,404	\$ 6,492	\$ 27,183	\$ 7,274	\$ 3,551	\$ 131,904
Additions	7,100	293	1,376	323	6,112	15,204
Disposals	(142)	(101)	(231)	(210)	(79)	(763)
Reclassification of asset groups ⁽¹⁾	293	-	-	-	(293)	-
Impact of foreign currency translation	(3,493)	(242)	(1,073)	(284)	(216)	(5,308)
Balance as at March 31, 2016	\$ 91,162	\$ 6,442	\$ 27,255	\$ 7,103	\$ 9,075	\$ 141,037
Additions	619	101	150	208	1,826	2,904
Disposals	(43)	(36)	(36)	(197)	(3)	(315)
Reclassification of asset groups ⁽¹⁾	7,769	-	324	-	(8,093)	-
Impact of foreign currency translation	(3,064)	(194)	(897)	(232)	(232)	(4,619)
Ending balance as at September 30, 2016	\$ 96,443	\$ 6,313	\$ 26,796	\$ 6,882	\$ 2,573	\$ 139,007

Impairment, accumulated depreciation and amortization

Balance as at April 1, 2015	\$ (41,247)	\$ (4,281)	\$ (16,639)	\$ (4,899)	\$ (59)	\$ (67,125)
Disposals	92	82	28	174	-	376
Depreciation and amortization	(2,588)	(700)	(1,756)	(866)	-	(5,910)
Impact of foreign currency translation	1,085	206	1,190	184	2	2,667
Balance as at March 31, 2016	\$ (42,658)	\$ (4,693)	\$ (17,177)	\$ (5,407)	\$ (57)	\$ (69,992)
Disposals	4	31	6	177	-	218
Depreciation and amortization	(1,380)	(280)	(860)	(286)	-	(2,806)
Impact of foreign currency translation	1,401	131	580	179	2	2,293
Ending balance as at September 30, 2016	\$ (42,633)	\$ (4,811)	\$ (17,451)	\$ (5,337)	\$ (55)	\$ (70,287)

Carrying amounts

Balance as at March 31, 2016	\$ 48,504	\$ 1,749	\$ 10,078	\$ 1,696	\$ 9,018	\$ 71,045
Ending balance as at September 30, 2016	\$ 53,810	\$ 1,502	\$ 9,345	\$ 1,545	\$ 2,518	\$ 68,720

During the three and six months ended September 30, 2016, certain plant and equipment were disposed for proceeds of \$15 and \$32, respectively (three and six months ended September 30, 2015 - \$25 and \$30, respectively) and gain (loss) of \$199 and (\$65), respectively (three and six months ended September 30, 2015 – gain of \$22 and \$15, respectively).

SILVERCORP METALS INC.

Notes to Condensed Consolidated Interim Financial Statements as at September 30, 2016 and for three and six months ended September 30, 2016 and 2015

(Unaudited)(Expressed in thousands of U.S. dollars, unless otherwise stated)

6. MINERAL RIGHTS AND PROPERTIES

Mineral rights and properties consist of:

Cost	Producing and development properties			Exploration and evaluation properties		Total
	Ying Mining District	BYP	GC	XHP	RZY	
Balance as at April 1, 2015	\$ 218,702	\$ 65,353	\$ 112,844	\$ 22,117	\$ 183	\$ 419,199
Capitalized expenditures	18,914	-	943	-	-	19,857
Mine right fee	1,985	-	-	-	-	1,985
Environmental rehabilitation	1,243	75	74	-	-	1,392
Foreign currency translation impact	(8,717)	(613)	(4,383)	(860)	(4)	(14,577)
Balance as at March 31, 2016	\$ 232,127	\$ 64,815	\$ 109,478	\$ 21,257	\$ 179	\$ 427,856
Capitalized expenditures	9,727	-	393	-	-	10,120
Mine right fee	1,337	-	-	-	-	1,337
Foreign currency translation impact	(7,717)	(498)	(3,562)	(696)	(2)	(12,475)
Ending balance as at September 30, 2016	\$ 235,474	\$ 64,317	\$ 106,309	\$ 20,561	\$ 177	\$ 426,838
Impairment and accumulated depletion						
Balance as at April 1, 2015	\$ (45,833)	\$ (57,701)	\$ (78,756)	\$ (22,117)	\$ -	\$ (204,407)
Depletion	(11,633)	-	(1,922)	-	-	(13,555)
Foreign currency translation impact	1,942	315	3,069	860	-	6,186
Balance as at March 31, 2016	\$ (55,524)	\$ (57,386)	\$ (77,609)	\$ (21,257)	\$ -	\$ (211,776)
Impairment Loss	-	-	-	-	(181)	(181)
Depletion	(8,537)	-	(1,045)	-	-	(9,582)
Foreign currency translation impact	1,907	255	2,525	696	4	5,387
Ending balance as at September 30, 2016	\$ (62,154)	\$ (57,131)	\$ (76,129)	\$ (20,561)	\$ (177)	\$ (216,152)
Carrying amounts						
Balance as at March 31, 2016	\$ 176,603	\$ 7,429	\$ 31,869	\$ -	\$ 179	\$ 216,080
Ending balance as at September 30, 2016	\$ 173,320	\$ 7,186	\$ 30,180	\$ -	\$ -	\$ 210,686

On June 16, 2016, the Company paid a mine right fee of \$1,337 (RMB ¥8.7 million) to the Chinese government as part of its requirement to renew the mining permit for its TLP and LM mine (part of the Ying Mining District).

7. MINE RIGHT FEE PAYABLE

During the three and six months ended September 30, 2016, interest of \$108 and \$216, respectively (three and six months ended September 30, 2015 - \$15 and \$223, respectively) was accrued and expensed through finance costs.

Details of the installments for mine right fee are as follow:

Mine right fee payable	September 30, 2016	March 31, 2016
Current portion	\$ 3,927	\$ 3,970
Non-current portion	5,733	5,796
	\$ 9,660	\$ 9,766

Subsequent to September 30, 2016, the mine right fee payable was repaid in full.

SILVERCORP METALS INC.

Notes to Condensed Consolidated Interim Financial Statements as at September 30, 2016 and for three and six months ended September 30, 2016 and 2015

(Unaudited)(Expressed in thousands of U.S. dollars, unless otherwise stated)

8. BANK LOAN

		Total
Balance, April 1, 2015	\$	-
Addition		4,619
Interest accrued		49
Interest paid		(41)
Foreign exchange impact		30
Balance, March 31, 2016	\$	4,657
Interest accrued		100
Interest paid		(101)
Foreign exchange impact		(152)
Balance, September 30, 2016	\$	4,504

For the three and six months ended September 30, 2016, interest of \$49 and \$100, respectively (three and six months ended September 30, 2015 - \$nil) was accrued and expensed through finance costs.

9. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value. All shares issued as at September 30, 2016 were fully paid.

(b) Stock options

The Company has a stock option plan which allows for the maximum number of common shares to be reserved for issuance on the exercise of options granted under the stock option plan to be a rolling 10% of the issued and outstanding common shares from time to time. The maximum exercise period may not exceed 10 years from the date of the grant of the options to employees, officers, and consultants. The following is a summary of option transactions:

	Number of shares		Weighted average exercise price per share CAD\$
Balance, April 1, 2015	4,741,356	\$	5.15
Options granted	5,652,125		0.91
Options forfeited	(682,050)		3.89
Options expired	(537,406)		9.31
Balance, March 31, 2016	9,174,025	\$	2.39
Options granted	143,000		4.34
Options exercised	(219,221)		1.73
Options forfeited	(822,625)		3.68
Options expired	(318,500)		11.83
Balance, September 30, 2016	7,956,679	\$	1.93

SILVERCORP METALS INC.

Notes to Condensed Consolidated Interim Financial Statements as at September 30, 2016 and for three and six months ended September 30, 2016 and 2015

(Unaudited)(Expressed in thousands of U.S. dollars, unless otherwise stated)

During the six months ended September 30, 2016, a total of 143,000 options with a life of three years were granted to officers and employees at an exercise price of CAD\$4.34 per share subject to a vesting schedule over a two-year term with 25% of the options vesting every six months from the date of grant.

The fair value of stock options granted during the six months ended September 30, 2016 and 2015 were calculated as of the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	Six months ended September 30,	
	2016	2015
Risk free interest rate	0.59%	0.63%
Expected life of option in years	2.25 years	2.85 years
Expected volatility	70%	55%
Expected dividend yield	-	1.40%
Estimated forfeiture rate	11%	11%
Weighted average share price at date of grant	\$ 4.34	\$ 1.43

The weighted average grant date fair value of options granted during the six months ended September 30, 2016 was CAD\$1.74 (six months ended September 30, 2015 - \$CAD\$0.48). Volatility was determined based on the historical volatility of the Company's shares over the estimated life of stock options. For the three and six months ended September 30, 2016, a total of \$197 and \$440, respectively (three and six months ended September 30, 2015 - \$343 and \$508, respectively) in share-based compensation expense was recognized and included in the general and administrative expenses on the consolidated statements of income.

The following table summarizes information about stock options outstanding at September 30, 2016:

Exercise price in CAD\$	Number of options outstanding at September 30, 2016	Weighted average contractual life (Years)	Weighted average exercise price in CAD\$	Number of options exercisable at September 30, 2016	Weighted average exercise price in CAD\$
\$ 0.66	3,752,750	2.25	\$ 0.66	938,181	0.66
\$ 1.43	1,637,669	3.67	\$ 1.43	651,834	1.43
\$ 1.75	413,750	2.66	\$ 1.75	229,563	1.75
\$ 1.76	263,824	3.04	\$ 1.76	113,416	1.76
\$ 2.98	141,437	2.31	\$ 2.98	86,876	2.98
\$ 3.25	184,187	1.67	\$ 3.25	149,500	3.25
\$ 3.41	277,312	1.95	\$ 3.41	207,812	3.41
\$ 3.91	179,250	1.43	\$ 3.91	156,626	3.91
\$ 4.34	143,000	2.97	\$ 4.34	-	-
\$ 5.35	180,000	0.85	\$ 5.35	180,000	5.35
\$ 5.40	184,000	1.17	\$ 5.40	172,502	5.40
\$ 6.53	141,000	0.71	\$ 6.53	141,000	6.53
\$ 6.69	296,000	0.43	\$ 6.69	296,000	6.69
\$ 7.27	162,500	0.15	\$ 7.27	162,500	7.27
\$ 0.66 - 7.27	7,956,679	2.37	\$ 1.93	3,485,810	\$ 2.92

SILVERCORP METALS INC.

Notes to Condensed Consolidated Interim Financial Statements as at September 30, 2016 and for three and six months ended September 30, 2016 and 2015

(Unaudited)(Expressed in thousands of U.S. dollars, unless otherwise stated)

Subsequent to September 30, 2016, a total of 99,244 options with exercise prices ranging from CAD\$0.66 to CAD\$1.43 were exercised.

10. ACCUMULATED OTHER COMPREHENSIVE INCOME

	September 30, 2016	March 31, 2016
Change in fair value on equity investments designated as FVTOCI	\$ (37,941)	\$ (38,082)
Share of other comprehensive loss in associate	(259)	(186)
Currency translation adjustment	(5,016)	2,274
Balance, end of the period	\$ (43,216)	\$ (35,994)

The unrealized loss on equity investments designated as FVTOCI, share of other comprehensive loss in associate and currency translation adjustment are net of tax of \$nil for all periods presented.

11. NON-CONTROLLING INTERESTS

The continuity of non-controlling interests is summarized as follows:

	Henan Found	Henan Huawei	Yunxiang	Guangdong Found	SX Gold	Total
Balance, April 1, 2015	\$ 49,924	\$ 5,307	\$ 4,713	\$ (3,066)	\$ (3,244)	\$ 53,634
Share of net income (loss)	4,365	(66)	(354)	(48)	(294)	3,603
Share of other comprehensive (loss) income	(1,411)	(631)	(162)	32	390	(1,782)
Distributions	(1,282)	(379)	-	-	-	(1,661)
Disposition upon sale of a subsidiary	-	-	-	-	(773)	(773)
Balance, March 31, 2016	\$ 51,596	\$ 4,231	\$ 4,197	\$ (3,082)	\$ (3,921)	\$ 53,021
Share of net income (loss)	5,244	283	(112)	73	(14)	5,474
Share of other comprehensive (loss) income	(1,361)	(160)	(112)	26	25	(1,582)
Distributions	(1,460)	-	-	-	-	(1,460)
Balance, September 30, 2016	\$ 54,019	\$ 4,354	\$ 3,973	\$ (2,983)	\$ (3,910)	\$ 55,453

As at September 30, 2016, non-controlling interests in Henan Found, Henan Huawei, Yunxiang, Guangdong Found and SX Gold were 22.5%, 20%, 30%, 5% and 22.5%, respectively.

12. RELATED PARTY TRANSACTIONS

Related party transactions not disclosed elsewhere in the consolidated financial statements are as follows:

Due from related parties	September 30, 2016	March 31, 2016
NUX (a)	\$ 40	\$ 13
Henan Non-ferrous Geology Bureau (b)	-	90
	\$ 40	\$ 103
Due to related parties	September 30, 2016	March 31, 2016
Parkside Management Ltd. (c)	\$ -	\$ 179

(a) According to a services and administrative costs reallocation agreement between the Company and NUX, the Company recovers costs for services rendered to NUX and expenses incurred on behalf of

SILVERCORP METALS INC.

Notes to Condensed Consolidated Interim Financial Statements as at September 30, 2016 and for three and six months ended September 30, 2016 and 2015

(Unaudited)(Expressed in thousands of U.S. dollars, unless otherwise stated)

NUX. During the three and six months ended September 30, 2016, the Company recovered \$55 and \$93, respectively (three and six months ended September 30, 2015 - \$87 and \$137, respectively) from NUX for services rendered and expenses incurred on behalf of NUX. The costs recovered from NUX were recorded as a direct reduction of general and administrative expenses on the consolidated statements of income.

- (b) Henan Non-ferrous Geology Bureau (“Henan Geology Bureau”) is the 22.5% equity interest holder of Henan Found. During the six months ended September 30, 2016, Henan Found declared and paid dividends of \$1,460 (six months ended September 30, 2015 - \$nil) to Henan Geology Bureau.
- (c) Parkside Management Limited is a private consulting services company controlled by a director of the Company. For the three and six months ended September 30, 2016 and 2015, the Company did not pay any consulting fees to Parkside Management Ltd. The \$179 consulting fee accrued at March 31, 2016 was reversed during the period.
- (d) The Company rents a Beijing office from a relative of a director and officer of the Company for \$21 (RMB ¥130,746) per month. For the three and six months ended September 30, 2016, total rents were \$63 and \$126, respectively (three and six months ended September 30, 2015 - \$63 and \$126, respectively).

Transactions with related parties are made on terms agreed upon by the two parties. The balances with related parties are unsecured, non-interest bearing, and due on demand.

13. COST OF SALES

Cost of sales consists of:

	Three months ended September 30,		Six months ended September 30,	
	2016	2015	2016	2015
Cash cost	\$ 13,789	\$ 14,416	\$ 28,353	\$ 30,626
Depreciation, amortization and depletion	5,720	3,969	10,683	8,523
Cost of sales	\$ 19,509	\$ 18,385	\$ 39,036	\$ 39,149

14. GENERAL AND ADMINISTRATIVE

General and administrative expenses consist of:

General and administrative	Three months ended September 30,		Six months ended September 30,	
	2016	2015	2016	2015
Office and administrative expenses	\$ 1,275	\$ 1,900	\$ 2,695	\$ 3,902
Amortization and depreciation	309	431	666	854
Salaries and benefits	1,853	1,761	3,472	3,615
Share-based compensation	197	343	440	508
Professional fees	493	472	1,239	1,372
	\$ 4,127	\$ 4,907	\$ 8,512	\$ 10,251

SILVERCORP METALS INC.

Notes to Condensed Consolidated Interim Financial Statements as at September 30, 2016 and for three and six months ended September 30, 2016 and 2015

(Unaudited)(Expressed in thousands of U.S. dollars, unless otherwise stated)

15. GOVERNMENT FEES AND OTHER TAXES

Government fees and other taxes consist of:

	Three months ended September 30,		Six months ended September 30,	
	2016	2015	2016	2015
Government fees	\$ 122	\$ 1,123	\$ 1,176	\$ 1,752
Other taxes	1,639	724	2,280	1,444
	\$ 1,761	\$ 1,847	\$ 3,456	\$ 3,196

Government fees include mineral resource compensation fees and environmental protection fees paid to the state and local Chinese government. Other taxes were composed of mineral resource tax, surtax on value-added tax, land usage levy, stamp duty and other miscellaneous levies, duties and taxes imposed by the state and local Chinese government.

16. FINANCE ITEMS

Finance items consist of:

Finance income	Three months ended September 30,		Six months ended September 30,	
	2016	2015	2016	2015
Interest income	\$ 537	\$ 264	\$ 968	\$ 541

Finance costs	Three months ended September 30,		Six months ended September 30,	
	2016	2015	2016	2015
Interest on mine right fee	\$ 108	\$ 15	\$ 216	\$ 223
Interest on bank loan	49	-	100	-
Unwinding of discount of environmental rehabilitation provision	103	124	208	248
	\$ 260	\$ 139	\$ 524	\$ 471

17. INCOME TAX

The significant components of income tax expense are as follows:

Income tax expense	Three months ended September 30,		Six months ended September 30,	
	2016	2015	2016	2015
Current	\$ 4,894	\$ 117	\$ 5,606	\$ 336
Deferred	1,044	1,412	3,132	1,448
	\$ 5,938	\$ 1,529	\$ 8,738	\$ 1,784

18. FINANCIAL INSTRUMENTS

The Company manages its exposure to financial risks, including liquidity risk, foreign exchange risk, interest rate risk, credit risk and equity price risk in accordance with its risk management framework. The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's policies on an ongoing basis.

SILVERCORP METALS INC.

Notes to Condensed Consolidated Interim Financial Statements as at September 30, 2016 and for three and six months ended September 30, 2016 and 2015

(Unaudited)(Expressed in thousands of U.S. dollars, unless otherwise stated)

(a) Fair value

The Company classifies its fair value measurements within a fair value hierarchy, which reflects the significance of the inputs used in making the measurements as defined in IFRS 7, Financial Instruments: Disclosures ("IFRS 7").

Level 1 – Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs which are supported by little or no market activity.

The following tables set forth the Company's financial assets and liabilities that are measured at fair value level on a recurring basis within the fair value hierarchy at September 30, 2016 and March 31, 2016 that are not otherwise disclosed. As required by IFRS 7, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Recurring measurements	Fair value as at September 30, 2016			
	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	\$ 66,484	\$ -	\$ -	\$ 66,484
Common shares of publicly traded companies	391	-	-	391
Jinduicheng Xise (Canada) Co. Ltd. ⁽¹⁾	-	-	-	-

⁽¹⁾ Level 3 financial instruments

Recurring measurements	Fair value as at March 31, 2016			
	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	\$ 41,963	\$ -	\$ -	\$ 41,963
Common shares of publicly traded companies	287	-	-	287
Luoyang Yongning Smelting Co. Ltd. ⁽¹⁾	-	-	-	-
Jinduicheng Xise (Canada) Co. Ltd. ⁽¹⁾	-	-	-	-

⁽¹⁾ Level 3 financial instruments

Fair value of the other financial instruments excluded from the table above approximates their carrying amount as of September 30, 2016 and March 31, 2016, respectively.

SILVERCORP METALS INC.

Notes to Condensed Consolidated Interim Financial Statements as at September 30, 2016 and for three and six months ended September 30, 2016 and 2015

(Unaudited)(Expressed in thousands of U.S. dollars, unless otherwise stated)

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its short term business requirements. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its expansion plans.

In the normal course of business, the Company enters into contracts that give rise to commitments for future minimum payments. The following summarizes the remaining contractual maturities of the Company's financial liabilities.

	September 30, 2016				March 31, 2016	
	Within a year	2-3 years	4-5 years	Total	Total	Total
Mine right fee payable	\$ 3,927	\$ 5,733	\$ -	\$ 9,660	\$ 9,766	\$ 9,766
Bank loan	4,504	-	-	4,504	4,657	4,657
Accounts payable and accrued liabilities	31,484	-	-	31,484	27,457	27,457
	\$ 39,915	\$ 5,733	\$ -	\$ 45,648	\$ 41,880	\$ 41,880

(c) Foreign exchange risk

The Company reports its financial statements in US dollars. The functional currency of the head office, Canadian subsidiaries and all intermediate holding companies is CAD and the functional currency of all Chinese subsidiaries is RMB. The Company is exposed to foreign exchange risk when the Company undertakes transactions and holds assets and liabilities in currencies other than its functional currencies.

The Company currently does not engage in foreign exchange currency hedging. The Company's exposure to currency risk affect net income is summarized as follow:

	September 30, 2016	March 31, 2016
Financial assets denominated in U.S. Dollars	\$ 26,920	\$ 24,968
Financial assets denominated in Chinese RMB	\$ 63,528	\$ 35,521

As at September 30, 2016, with other variables unchanged, a 10% strengthening (weakening) of the RMB against the CAD would have increased (decreased) net income by approximately \$0.7 million.

As at September 30, 2016, with other variables unchanged, a 10% strengthening (weakening) of the CAD against the USD would have decreased (increased) net income by approximately \$2.7 million.

(d) Interest rate risk

The Company is exposed to interest rate risk on its cash equivalents, short term investments, bank loan and outstanding mine right fee payable. As at September 30, 2016, all of its interest-bearing cash equivalents and short term investments earn interest at market rates that are fixed to maturity or at variable interest rate with terms of less than one year. The Company monitors its exposure to changes in interest rates on cash equivalents and short term investments. Due to the short term nature of the financial instruments, fluctuations in interest rates would not have a significant impact on the Company's after-tax net income.

SILVERCORP METALS INC.

Notes to Condensed Consolidated Interim Financial Statements as at September 30, 2016 and for three and six months ended September 30, 2016 and 2015

(Unaudited)(Expressed in thousands of U.S. dollars, unless otherwise stated)

The outstanding mine right fee payable is subject to a floating interest rate based on the prevailing prime interest rate in China. The outstanding bank loan is subject to a fixed interest rate of 4.35%. The Company monitors its exposure to interest rates and does not believe there is significant interest rate risk as the Chinese central bank has maintained stable interest rates to ensure economic stability, with less than 1% fluctuation in base interest rate in the last five years.

(e) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk primarily associated to accounts receivable, due from related parties, cash and cash equivalents and short term investments. The carrying amount of assets included on the balance sheet represents the maximum credit exposure.

The Company undertakes credit evaluations on counterparties as necessary and has monitoring processes intended to mitigate credit risks. The Company has trade receivables from time to time from its major customers primarily in China engaged in the mining and milling of base and polymetallic metals. The historical level of customer default is zero and aging of trade receivables are no more than 180 days, and, as a result, the credit risk associated with trade receivables from customers as at September 30, 2016 is considered to be immaterial. There were no amounts in receivables which were past due at September 30, 2016 (at March 31, 2016 - \$nil) for which no provision is recognized.

(f) Equity price risk

The Company holds certain marketable securities that will fluctuate in value as a result of trading on Canadian financial markets. As the Company's marketable securities holding are mainly in mining companies, the value will also fluctuate based on commodity prices. Based upon the Company's portfolio at September 30, 2016, a 10% increase (decrease) in the market price of the securities held, ignoring any foreign currency effects would have resulted in an increase (decrease) to comprehensive income of approximately \$0.4 million.

19. SEGMENTED INFORMATION

The Company's reportable operating segments are components of the Company where separate financial information is available that is evaluated regularly by the Company's Chief Executive Officer who is the Chief Operating Decision Maker ("CODM"). The operational segments are determined based on the Company's management and internal reporting structure. Operating segments are summarized as follows:

Operational Segments	Subsidiaries Included in the Segment	Properties Included in the Segment
Mining		
Henan Luoning	Henan Found and Henan Huawei	Ying Mining District
Hunan	Yunxiang	BYP
Guangdong	Guangdong Found	GC
Other	SX Gold and 0875786 B.C. Ltd.	XHP
Administrative		
Vancouver	Silvercorp Metals Inc. and BVI's holding companies	RZY
Beijing	Silvercorp Metals (China) Inc.	

SILVERCORP METALS INC.

Notes to Condensed Consolidated Interim Financial Statements as at September 30, 2016 and for three and six months ended September 30, 2016 and 2015

(Unaudited)(Expressed in thousands of U.S. dollars, unless otherwise stated)

(a) Segmented information for assets and liabilities are as follows:

September 30, 2016							
Balance sheet items:	Mining				Administrative		Total
	Henan Luoning	Hunan	Guangdong	Other	Beijing	Vancouver	
Current assets	\$ 60,247	\$ 1,904	\$ 7,833	\$ 538	\$ 184	\$ 36,831	\$ 107,537
Plant and equipment	45,710	5,106	16,652	-	1,161	91	68,720
Mineral rights and properties	173,320	7,186	30,180	-	-	-	210,686
Investment in an associate	-	-	-	-	-	3,309	3,309
Other investments	-	-	-	-	-	391	391
Reclamation deposits	2,447	-	150	-	-	8	2,605
Long-term prepaids and deposits	874	99	327	126	-	-	1,426
Total assets	\$ 282,598	\$ 14,295	\$ 55,142	\$ 664	\$ 1,345	\$ 40,630	\$ 394,674
Current liabilities	\$ 35,625	\$ 1,451	\$ 7,528	\$ 3,124	\$ 206	\$ 1,822	\$ 49,756
Mine right fee payable	5,733	-	-	-	-	-	5,733
Deferred income tax liabilities	24,727	836	-	-	-	-	25,563
Environmental rehabilitation	11,836	1,038	886	304	-	-	14,064
Total liabilities	\$ 77,921	\$ 3,325	\$ 8,414	\$ 3,428	\$ 206	\$ 1,822	\$ 95,116
March 31, 2016							
Balance sheet items:	Mining				Administrative		Total
	Henan Luoning	Hunan	Guangdong	Other	Beijing	Vancouver	
Current assets	\$ 34,277	\$ 2,399	\$ 5,310	\$ 565	\$ 287	\$ 34,479	\$ 77,317
Plant and equipment	46,387	5,477	17,800	-	1,254	127	71,045
Mineral rights and properties	176,603	7,429	31,869	-	-	179	216,080
Investment in an associate	-	-	-	-	-	3,133	3,133
Other investments	-	-	-	-	-	287	287
Reclamation deposits	2,138	-	155	-	-	8	2,301
Long-term prepaids and deposits	729	102	848	177	-	-	1,856
Total assets	\$ 260,134	\$ 15,407	\$ 55,982	\$ 742	\$ 1,541	\$ 38,213	\$ 372,019
Current liabilities	\$ 26,506	\$ 1,690	\$ 8,511	\$ 3,619	\$ 134	\$ 1,652	\$ 42,112
Mine right fee payable	5,796	-	-	-	-	-	5,796
Deferred income tax liabilities	22,286	938	-	-	-	-	23,224
Environmental rehabilitation	12,060	1,057	902	309	-	-	14,328
Total liabilities	\$ 66,648	\$ 3,685	\$ 9,413	\$ 3,928	\$ 134	\$ 1,652	\$ 85,460

SILVERCORP METALS INC.

Notes to Condensed Consolidated Interim Financial Statements as at September 30, 2016 and for three and six months ended September 30, 2016 and 2015

(Unaudited)(Expressed in thousands of U.S. dollars, unless otherwise stated)

(b) Segmented information for operating results are as follows:

Three months ended September 30, 2016								
Statement of operations:	Mining				Administrative		Total	
	Henan Luoning	Hunan ⁽¹⁾	Guangdong	Other	Beijing	Vancouver		
Sales	\$ 39,954	\$ -	\$ 6,344	\$ -	\$ -	\$ -	\$ 46,298	
Cost of sales	(15,577)	-	(3,932)	-	-	-	(19,509)	
Gross profit	24,377	-	2,412	-	-	-	26,789	
Operating expenses	(2,594)	(187)	(711)	(23)	(331)	(1,276)	(5,122)	
Finance items	(3)	(7)	(2)	(2)	66	225	277	
Income tax expenses	(5,386)	(22)	-	-	-	(530)	(5,938)	
Net income (loss)	\$ 16,394	\$ (216)	\$ 1,699	\$ (25)	\$ (265)	\$ (1,581)	\$ 16,006	
Attributed to:								
Equity holders of the Company	12,770	(151)	1,624	(19)	(265)	(1,581)	12,378	
Non-controlling interests	3,624	(65)	75	(6)	-	-	3,628	
Net income (loss)	\$ 16,394	\$ (216)	\$ 1,699	\$ (25)	\$ (265)	\$ (1,581)	\$ 16,006	

⁽¹⁾ Hunan's BVP project was placed on care and maintenance starting August 2014;

Three months ended September 30, 2015								
Statement of operations:	Mining				Administrative		Total	
	Henan Luoning	Hunan	Guangdong	Other	Beijing	Vancouver		
Sales	\$ 22,944	\$ -	\$ 4,269	\$ -	\$ -	\$ -	\$ 27,213	
Cost of sales	(14,884)	-	(3,501)	-	-	-	(18,385)	
Gross profit	8,060	-	768	-	-	-	8,828	
Operating expenses	(2,759)	(201)	(844)	(83)	(457)	(101)	(4,445)	
Finance items	(63)	(10)	12	(2)	91	97	125	
Income tax expenses	(1,480)	(38)	-	-	(1)	(10)	(1,529)	
Net income (loss)	\$ 3,758	\$ (249)	\$ (64)	\$ (85)	\$ (367)	\$ (14)	\$ 2,979	
Attributed to:								
Equity holders of the Company	2,841	(175)	(27)	(24)	(367)	(14)	2,234	
Non-controlling interests	917	(74)	(37)	(61)	-	-	745	
Net income (loss)	\$ 3,758	\$ (249)	\$ (64)	\$ (85)	\$ (367)	\$ (14)	\$ 2,979	

SILVERCORP METALS INC.

Notes to Condensed Consolidated Interim Financial Statements as at September 30, 2016 and for three and six months ended September 30, 2016 and 2015

(Unaudited)(Expressed in thousands of U.S. dollars, unless otherwise stated)

Six months ended September 30, 2016								
Statement of operations:	Mining				Administrative		Total	
	Henan Luoning	Hunan ⁽¹⁾	Guangdong	Other	Beijing	Vancouver		
Sales	\$ 70,626	\$ -	\$ 10,943	\$ -	\$ -	\$ -	\$ 81,569	
Cost of sales	(31,291)	-	(7,745)	-	-	-	(39,036)	
Gross profit	39,335	-	3,198	-	-	-	42,533	
Operating expenses	(5,933)	(429)	(1,345)	(58)	(729)	(3,038)	(11,532)	
Impairment loss	-	-	-	-	-	(181)	(181)	
Finance items	(85)	(15)	2	(4)	141	405	444	
Income tax (expenses) recovery	(8,279)	72	-	-	(1)	(530)	(8,738)	
Net income (loss)	\$ 25,038	\$ (372)	\$ 1,855	\$ (62)	\$ (589)	\$ (3,344)	\$ 22,526	
Attributable to:								
Equity holders of the Company	19,511	(260)	1,782	(48)	(589)	(3,344)	17,052	
Non-controlling interests	5,527	(112)	73	(14)	-	-	5,474	
Net income (loss)	\$ 25,038	\$ (372)	\$ 1,855	\$ (62)	\$ (589)	\$ (3,344)	\$ 22,526	

⁽¹⁾ Hunan's BYP project was placed on care and maintenance in August 2014;

Six months ended September 30, 2015								
Statement of operations:	Mining				Administrative		Total	
	Henan Luoning	Hunan	Guangdong	Other	Beijing	Vancouver		
Sales	\$ 49,219	\$ -	\$ 10,214	\$ -	\$ -	\$ -	\$ 59,433	
Cost of sales	(30,217)	-	(8,932)	-	-	-	(39,149)	
Gross profit	19,002	-	1,282	-	-	-	20,284	
Operating expenses	(5,796)	(514)	(1,477)	(207)	(995)	(2,831)	(11,820)	
Finance items	(174)	(19)	23	(1)	194	47	70	
Income tax expenses	(1,663)	(109)	-	-	(2)	(10)	(1,784)	
Net income (loss)	\$ 11,369	\$ (642)	\$ (172)	\$ (208)	\$ (803)	\$ (2,794)	\$ 6,750	
Attributable to:								
Equity holders of the Company	8,717	(450)	(84)	(56)	(803)	(2,794)	4,530	
Non-controlling interests	2,652	(192)	(88)	(152)	-	-	2,220	
Net income (loss)	\$ 11,369	\$ (642)	\$ (172)	\$ (208)	\$ (803)	\$ (2,794)	\$ 6,750	

SILVERCORP METALS INC.

Notes to Condensed Consolidated Interim Financial Statements as at September 30, 2016 and for three and six months ended September 30, 2016 and 2015

(Unaudited)(Expressed in thousands of U.S. dollars, unless otherwise stated)

(c) Sales by metal

The sales generated for the three and six months ended September 30, 2016 and 2015 was all earned in China and is comprised of:

	Three months ended September 30, 2016		
	Henan Luoning	Guangdong	Total
Silver (Ag)	\$ 24,923	\$ 2,051	\$ 26,974
Gold (Au)	1,087	-	1,087
Lead (Pb)	12,684	1,459	14,143
Zinc (Zn)	1,260	2,833	4,093
Other	-	1	1
	\$ 39,954	\$ 6,344	\$ 46,298

	Three months ended September 30, 2015		
	Henan Luoning	Guangdong	Total
Silver (Ag)	\$ 13,561	\$ 1,151	\$ 14,712
Gold (Au)	506	13	519
Lead (Pb)	8,039	1,083	9,122
Zinc (Zn)	838	1,820	2,658
Other	-	202	202
	\$ 22,944	\$ 4,269	\$ 27,213

	Six months ended September 30, 2016		
	Henan Luoning	Guangdong	Total
Silver (Ag)	\$ 44,289	\$ 3,522	\$ 47,811
Gold (Au)	1,959	-	1,959
Lead (Pb)	22,065	2,571	24,636
Zinc (Zn)	2,313	4,739	7,052
Other	-	111	111
	\$ 70,626	\$ 10,943	\$ 81,569

	Six months ended September 30, 2015		
	Henan Luoning	Guangdong	Total
Silver (Ag)	\$ 29,523	\$ 3,107	\$ 32,630
Gold (Au)	1,230	23	1,253
Lead (Pb)	16,691	2,812	19,503
Zinc (Zn)	1,775	3,896	5,671
Other	-	376	376
	\$ 49,219	\$ 10,214	\$ 59,433

(d) Major customers

For the six months ended September 30, 2016, three major customers (six months ended September 30, 2015 - three) accounted for 17% to 35%, (six months ended September 30, 2015 - 13% to 42%) and collectively 82% (six months ended September 30, 2015 - 74%) of the total sales of the Company.

SILVERCORP METALS INC.

Notes to Condensed Consolidated Interim Financial Statements as at September 30, 2016 and for three and six months ended September 30, 2016 and 2015

(Unaudited)(Expressed in thousands of U.S. dollars, unless otherwise stated)

20. COMMITMENTS AND CONTINGENCIES

Commitments, not disclosed elsewhere in these financial statements, are as follows:

	Total	Less than 1 year	1-5 years	After 5 years
Operating leases	\$ 4,227	\$ 549	\$ 3,151	\$ 527
Commitments	\$ 6,418	\$ -	\$ -	\$ 6,418

As of September 30, 2016, the Company has two office rental agreements totaling \$4,227 for the next seven years and commitments of \$6,418 related to the GC property. During the three and six months ended September 30, 2016, the Company incurred rental expenses of \$148 and \$300, respectively (three and six months ended September 30, 2015 - \$145 and \$335, respectively), which were included in office and administrative expenses on the consolidated statement of income.

Although the Company has taken steps to verify title to properties in which it has an interest, these procedures do not guarantee the Company's title. Property title may be subject to, among other things, unregistered prior agreements or transfers and may be affected by undetected defects.

Due to the size, complexity and nature of the Company's operations, the Company is subject to various claims, legal and tax matters arise in the ordinary course of business. Each of these matters is subject to various uncertainties and it is possible that some of these matters may be resolved unfavorably to the Company. The Company accrues for such items when a liability is both probable and the amount can be reasonably estimated.

In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company and its legal counsel evaluate the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought. Major legal proceedings against the Company are summarized as follows:

- An action commenced pursuant to the Class Proceedings Act (Ontario) against the Company and certain of its senior officers and expert advisors was initiated in the Ontario Superior Court of Justice on May 21, 2013 relating to claims for misrepresentation, at common law and pursuant to secondary market civil liability provisions under the Securities Act (Ontario) (the "Mask Action"). The lead plaintiff is John Mask and the amount claimed as special damages or general damages, not including claims for costs and interest, is \$80 million or such other sum the court finds appropriate in the event this action is certified and judgment pronounced at trial. Two other class action lawsuits have been filed against the Company and certain of its senior officers and expert advisors in the Ontario Superior Court of Justice pursuant to the Class Proceedings Act (Ontario) on September 11, 2013 and in the British Columbia Supreme Court pursuant to the Class Proceedings Act (British Columbia) on September 9, 2013. The Company understands that, as between the three actions, only the Mask Action is proceeding at this time. The Company believes that there is no merit to the allegations set out in these lawsuits and has retained McCarthy Tétrault LLP as its defense counsel and intends to pursue a vigorous defense. On October 22, 2015 the Ontario Superior

SILVERCORP METALS INC.

Notes to Condensed Consolidated Interim Financial Statements as at September 30, 2016 and for three and six months ended September 30, 2016 and 2015

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Court of Justice denied Mr. Mask leave to proceed with a class action and awarded costs in favour of Silvercorp. Mr. Mask filed an appeal with the Court of Appeal for Ontario which was denied on August 24, 2016 with further costs awarded in favour of Silvercorp. On October 23, 2016 Mr. Mask filed an application for leave to appeal to the Supreme Court of Canada.

- On August 19, 2014 an action was commenced against the Company in the Supreme Court of British Columbia seeking an unspecified amount of damages for a claim of false imprisonment and defamation (the "Huang Action"). To date, the Company has been unsuccessful in its attempts to have the case dismissed. The case is currently scheduled for a 40 day jury trial, commencing January 2017. The Company believes that there is no merit to the allegations and intends to pursue a vigorous defence.
- During the year ended March 31, 2016, an action was initiated by Luoyang Mining Group Co., Ltd. ("Luoyang Mining") against Henan Found seeking payment of \$1.6 million (RMB10.0 million) plus interest related to the acquisition agreements Henan Found entered into in August 2012 to acquire the XHP Mine. The \$1.6 million has been included into the accounts payable and accrued liabilities on the consolidated statements of financial position of the Company. Henan Found did not make the final payment as certain commercial conditions were not fulfilled by Luoyang Mining. In April 2016, Henan Found filed a counter claim in Luoyang People's Court against Luoyang Mining to have the original acquisition agreements nullified and is seeking repayment of the amount paid to date of \$9.7 million (RMB62.8 million) plus compensation of direct loss of \$2.5 million (RMB16.5 million) arising from XHP mine. The carrying value of XHP mine was impaired to \$nil in fiscal year 2015.
- During the year ended March 31, 2016, SX Gold, a 100% owned subsidiary of Henan Found, commenced a legal action against Luoyang HA Mining Co. Ltd. ("HA Mining") to seek payment of \$4.0 million (RMB26.0 million) plus interest related to a share transfer agreement that SX Gold entered into with HA Mining in September 2013. Pursuant to the agreement, SX Gold was to transfer all shares it held in Songxian Zhongxin Mining Co. Ltd. to HA Mining for \$11.8 million (RMB76.0 million). SX Gold fulfilled its responsibilities and the title of the shares was transferred to HA Mining, who paid \$7.8 million (RMB50.0 million). The remaining \$4.0 million (RMB26.0 million) was unpaid. In April 2016, HA Mining filed a counter claim for \$2.2 million (RMB14.0 million). On June 17, 2016, the court issued an order in favor of SX Gold. The court order demands HA Mining to pay \$3.4 million (RMB22.75 million) to SX Gold. On July 1, 2016, HA Mining filed an appeal to the court order. This case is currently under appeal. The outstanding receivable amount of \$4.0 million (RMB26.0 million) was written off in prior years.

SILVERCORP METALS INC.

Notes to Condensed Consolidated Interim Financial Statements as at September 30, 2016 and for three and six months ended September 30, 2016 and 2015

(Unaudited)(Expressed in thousands of U.S. dollars, unless otherwise stated)

21. SUPPLEMENTARY CASH FLOW INFORMATION

	September 30, 2016	March 31, 2016
Cash on hand and at bank	\$ 29,471	\$ 28,839
Bank term deposits and GICs	37,013	13,124
Total cash and cash equivalents	\$ 66,484	\$ 41,963

Changes in non-cash operating working capital:	Three Months Ended September 30,		Six Months Ended September 30,	
	2016	2015	2016	2015
Trade and other receivables	\$ 865	\$ (100)	\$ 789	\$ (606)
Inventories	(373)	(2,421)	(479)	(2,448)
Prepays and deposits	363	(613)	(230)	(701)
Accounts payable and accrued liabilities	1,256	373	4,788	5,708
Deposits received	58	(1,772)	1,951	(2,351)
Due to related parties	(35)	(81)	(118)	(122)
	\$ 2,134	\$ (4,614)	\$ 6,701	\$ (520)