FINAL TRANSCRIPT

Silvercorp Metals Inc.

First Quarter Fiscal 2024 Conference Call

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CORPORATE PARTICIPANTS

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PRESENTATION

Operator

Good afternoon. My name is Sylvie (phon), and I will be your conference Operator today. At this time, I would like to welcome everyone to the Silvercorp First Quarter Fiscal 2024 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 this time, simply press *, then number 1 on your telephone keypad. If you would like to withdraw your question, please press *, then number 2. Thank you.

I now would 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 you, Sylvie. On behalf of Silvercorp, I'd like to welcome everyone for joining our call today to discuss our first quarter fiscal 2024 financial results, which were released yesterday after market. A copy of the news release, the MD&A, and the financial statements for today's call are available on our website and SEDAR.

Before we get started, I'm required to remind you that certain statements on today's call will contain forward-looking statements 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 10-Q and Form 40-F and Annual Information Form.

So we kicked off fiscal 2024 with a solid first quarter with our mines delivering a strong performance, in line with expectations.

Revenue in the quarter was $60 million. That was down 6 percent compared to the prior-year quarter, due to a number of factors, notably, a decrease of $3.4 million in silver and lead sales; a decrease of $3.9 million from lower realized lead and zinc prices. But those were offset by an increase of $2.6 million from a higher realized silver price and an increase of $700,000 from gold sales.

Based on production levels and realized prices this quarter, silver was 59 percent of our revenues on a net basis. That was up from 54 percent in the first quarter of last year.

Our Q1 net earnings attributable to equity shareholders were $9.2 million or $0.05 per share. This compared to $10.2 million or $0.06 a share for the same period last year. The main contributors to the slight decrease were a 5 percent and 9 percent decrease in silver and lead sold respectively, and a 6 percent and 33 percent decrease in realized lead and zinc prices.

Also, we had a foreign exchange loss of $2.2 million arising from the depreciation of the US dollar against the Canadian dollar.

These were offset by 6 percent and 8 percent increases in realized gold and silver prices, as well as a 36 percent increase in gold sales and a $1.1 million gain on investments.

Our realized adjusted earnings for the quarter were $12.4 million or $0.07 a share, and this compared to $13.5 million or $0.08 a share for the same period last year.

And just a reminder, the adjusted earnings is a supplemental non-GAAP measure intended to provide investors with another metric to better measure the performance of the underlying business, its continuing profitability, and growth potential.

Our cash flow from operating activities in the quarter was $28.9 million, down from $40.2 million in the prior-year quarter, due to the previously mentioned factors impacting revenue and net income; also, $4.5 million in cash tax paid versus $2.3 million in the prior-year quarter, and a positive non-cash working capital contribution of approximately $5 million, compared to $8.9 million in the prior-year quarter.

Capital expenditures totalled approximately $15.9 million in the quarter. That was up 2 percent from $15.5 million in the prior year, mainly due to increases in ramp development, as well as investments in equipment and facilities at both operations. During this period, we also paid $2.2 million of dividends to shareholders.

We ended the quarter with $200.6 million in cash and cash equivalents and short-term investments, down slightly from $203.3 million as of March, largely due to a negative translation impact arising from the depreciation of the RMB against the US dollar.

Just to note, this cash position does not include our investments in associates and other companies, which had a market value of $121.5 million as of June 30th.

As previously reported, from a production standpoint, we mined 303,220 tonnes of ore and milled 295,095 tonnes of ore. That was up 1 percent and down 1 percent respectively, compared to the same period last year.

And we produced, on a consolidated basis, approximately 1.8 million ounces of silver; 1,600 ounces of gold; 17.8 million pounds of lead; and 6.8 million pounds of zinc in the quarter. These were decreases of 4 percent, 7 percent, and 2 percent, respectively, in silver, lead, and zinc over Q1 of fiscal 2023.

The decrease in silver and lead production, as noted in the previously issued news release, primarily reflects a decrease in head grades at Ying, which is in line with the mining sequence and mineral reserves.

At Ying, the production cost per tonne of ore processed was $85.58 per tonne. This is down 8 percent compared to Q1 of fiscal 2023. The all-in-sustaining cost per tonne of ore processed at Ying was $133.94, down 14 percent compared to Q1 of fiscal 2023. The decreases were mainly due to a 6 percent depreciation of the RMB against the US dollar, but also a decrease of $3.2 million in sustaining capital expenditures.

On the other hand, the production cost per tonne processed at GC was $62.02. That’s up 7 percent compared to Q1 of last year. And the all-in-sustaining cost per tonne of ore processed at GC was $90.94, up 11 percent compared to Q1 of fiscal 2023. The increase here was primarily due to more tunneling that was done and expensed during the quarter, as well as additional cost to run the XRT ore sorting system, which has recently put in place but, obviously, offset by the depreciation of the RMB, as mentioned.

Overall, the cash cost per ounce of silver, net of by-product credits, was a negative US$0.31 in the first quarter, compared to a negative $1.57 in the prior-year quarter. The increase reflects a decrease of $4.3 million in by-product credits but offset by a $1.8 million decrease in expense production cost.

And the all-in-sustaining cost per ounce of silver, net of by-product credits, was $9.46, up marginally compared to $9.25 in Q1 of last year. Increase primarily reflects the same factors that impacted the cash cost that I just mentioned, offset by a $2.7 million decrease in sustaining capital expenditures.

Turning to our growth projects, we spent $2.4 million on the construction of the new tailings storage facility at Ying during the quarter, and as of June 30th, total expenditures incurred on the tailings storage facility and the new mill were $7.2 million. Construction is in line with the plan, schedule, and budget.

At the Kuanping project, which is a satellite property north of Ying, environmental, water, and soil studies were carried out in the quarter. Reports from these studies are expected to be completed and submitted to the relevant provincial authorities for review later this quarter.

In addition, we completed 84.6 kilometres or $2.7 million worth of diamond drilling over the quarter, contributing to the steady release of exploration news flow from multiple mines, mainly at Ying, over the past few months.

With regards to the proposed acquisition of Celsius Resources Limited, which we had previously announced on May 15th, we put out a news release earlier this week. The exclusivity period we had with Celsius under the term sheet, which had been extended twice, expired on July 31st, with the two companies unable to negotiate a definitive agreement along the lines of what was contained in the nonbinding term sheet. There are no negotiations ongoing.

Turning to the OreCorp announcement. On August the 7th, Silvercorp and OreCorp jointly announced the signing of a definitive scheme implementation deed, whereby Silvercorp will acquire OreCorp at a total consideration of A$0.60 per OreCorp share, comprised of $0.15 in cash, and 0.0967 Silvercorp shares worth A$0.45.

The transaction will be completed through an Australian scheme of arrangement, very similar to a plan of arrangement in Canada.

In addition to OreCorp board support, which represents 4.6 percent of OreCorp shares outstanding, the news release also noted the deal has received support from Rollason, which controls approximately 12.3 percent of the OreCorp shares. Rollason has provided a signed voting intention statement to OreCorp indicating that it intends to vote in favour of the scheme.

Along with the acquisition, we announced that Silvercorp and OreCorp entered into a placement agreement, whereby Silvercorp will acquire approximately 70.4 million shares of OreCorp at a price of A$0.40 per share, for aggregate proceeds of approximately A$28 million.

After completion of this placement, Silvercorp will hold approximately 15 percent of OreCorp, and this placement was done as a bridge financing to the closing of the acquisition, providing funding to commence resettlement activities necessary for the prompt development of the Nyanzaga project.

While more details are outlined in the news release, I just wanted to make some key comments about this transaction.

The Nyanzaga project adds meaningful resources to Silvercorp and contained in a project that we can apply our development skills to. Once built, Nyanzaga will make a meaningful contribution to our production profile and financial results, while adding country and commodity diversification at the same time. And this acquisition takes us into a highly prospective district in the Lake Victoria Goldfields and in Tanzania, a country that is receptive to foreign investment and development.

And we think the above factors should lead to a re-rate for the Company, unlocking value for all shareholders. We look forward to providing the market with updates on the progress of the transaction, as well as our plans for the Nyanzaga project over the coming months.

And with that, Sylvie, I'd like to open the call for questions.

Q&A

Operator

Thank you, sir. Ladies and gentlemen, if you would like to ask a question, please press *, followed by 1 on your touch-tone phone. If you would like to withdraw your question, please press *, 2. And if you're using a speakerphone, you will need to lift the handset before pressing any keys.

One moment, please, for your first question, which will come from Felix Shafigullin at Eight Capital. Please go ahead, Felix.

Felix Shafigullin — Eight Capital

Thank you. Hi, Lon. Congrats on a good quarter. Just a very quick question from me.

The year-over-year increase in the cash costs and all-in sustaining costs at GC Mine was—it says that it was driven by additional costs to run the XRT sorting system. Could you just give a little bit more colour on that? Is there some issues with it? Or just—and any additional information on that would be great. Thank you.

Lon Shaver

Yeah. Hi, Felix. Thanks for your question. I wouldn't say necessarily issues, but bringing in something new into the flow sheet, getting everybody aligned, and understanding how it works and how to incorporate it into the flow obviously takes some time and some extra effort.

So I wouldn't say there's issues, but just some additional costs that we've incurred. From an observation standpoint, it looks like it may have made a contribution, though, given that the grade did pick up.

Felix Shafigullin

Okay. Thank you.

Operator

Thank you. Once again, as a reminder, if you do have a question, please press *, followed by 1 on your touch-tone phone.

And your next question will be from Justin Stevens at PI Financial. Please go ahead.

Justin Stevens — PI Financial

Hey, Lon. Good presentation there. I think you answered a few of the things I was going to ask anyways.

But the one sort of leftover here, Ying, particularly the mining cost on a per-tonne basis, dropped, obviously, at least pretty considerably. Is this the sort of thing—obviously, the RMB devaluation has an impact there, but even this is a bit more beyond that. Is this the kind of thing that we're seeing the benefit of, that sort of focus on lateral developments as opposed to development at depth?

And if so, do you think that that's maybe not quite sustainable at these low levels?

But is there kind of a chance they come in at the lower end of the guidance in the per-tonne range?

Lon Shaver

Yeah. Good question.

Obviously, we're not in the business of forecasting the exchange rates here. I mean, I think I would go back because there's a lot of factors that come into play from year over year and quarter to quarter in terms of different elements. I can't speak specifically to that being a component of going shallower or following laterally, as you indicated.

I think that may have been part of the contribution to the change, but I mean, I would stick, really, with what we put out in terms of guidance for the quarters going forward and the year. And if there truly is, what I would say, a shift in thinking, we'll update the numbers and give you more granularity on that.

Justin Stevens

Got it. And I know the kind of talk before, but is there a plan for the timing on a reserve-resource update, broadly speaking, at least for the Ying district?

Lon Shaver

We haven't discussed that internally. Obviously, we just did one based off of that, the big drilling we did, starting in 2020, and that that got published last fall, so. And obviously, we've put some new news out since then.

There haven't been plans from a timing standpoint and, typically, we've rotated between doing a formal update on Ying one year and then GC the next and going back and forth.

I think we'll have to have some conversations here to determine if the drilling that's been done, that did not make it into the last report, as well as any of these other changes, warrants an update. But at this time, I don't have any set time and target, and we've not started currently to do an updated 43-101 on Ying.

Justin Stevens

Got it. And then just, obviously, once Mill 3 does come in, is the plan just to, I guess, accelerate the previous mine plan, pull from a few more stopes and faces to sort of meet the increased capacity there?

Lon Shaver

Yeah. Well, and obviously, with number 3 coming on, number 1 gets shut down. So we do lose that contribution. But it's definitely a portfolio mix. I mentioned Kuanping, with what's progressing there.

I mean, I'm hopeful. I'm optimistic that we'll have an amount of disclosure relative to what we think that can contribute in terms of tonnage and grade to the centralized milling facility sometime later this year or early next year. So that will be a contributor.

And yeah, we're working through plans with respect to what we can add or increase or update for the existing seven mines across the four mining permits. And again, it's seven mines across roughly 70 square kilometres. So there's, I think, opportunities to increase production at some of these existing ones and potentially looking at bringing on new areas.

But a lot of the work has to be done, and we put out the disclosure that this work has to get wrapped up into not necessarily the 43-101 you're referring to, but more the Chinese resource development plans that have to get filed to get permit approvals for that.

Justin Stevens

For sure. No. Exactly. That sounds good. Looking forward to seeing the next couple quarters bring.

Lon Shaver

Well, thanks, Justin. Appreciate, though, yeah, the questions.

Operator

Thank you. Next question will be from Gabriel Gonzalez at Echelon Capital Markets. Please go ahead.

Gabriel Gonzalez — Echelon Capital Markets

Hi, Lon. Just a question regarding the OreCorp announcement and the end of the Celsius exclusivity period. And I apologize if this was already addressed earlier in the call. I did jump a few minutes late.

But I wanted to ask if the Company will continue to look for acquisitions, or does the end of the Celsius exclusivity period and acquisition of OreCorp mean that, for now, it's OreCorp, sort of a one-and-done type situation on the acquisition front for now?

Lon Shaver

Yeah. I mean, I think, obviously, OreCorp had the benefit of seeing what we had disclosed on the Celsius transaction, and they were aware of our activities there. They also know that we have ambitious growth plans for the Company, and that's part of the excitement and part of the reason to roll into the Silvercorp story with the transaction that we've announced.

But certainly, from a near-term standpoint, getting the OreCorp transaction closed and being in a position to also, post closing of that deal, provide a bit more updates as to the development of Nyanzaga is the key priority.

Gabriel Gonzalez

Okay. Perfect. Thank you very much.

Operator

Thank you. And this concludes the question-and-answer session. I would like to turn the conference back over to Lon Shaver for any closing remarks.

Lon Shaver

Well, that's great. Thank you, Sylvie, and thanks, everyone, for tuning in today and for the questions.

Please, if you have any additional questions, be happy to address them at that time, and we look forward to updating you again on our next call for a second quarter results. Have a good day, everyone. Thank you.