

**Silvercorp Metals Inc.**

**Third Quarter Fiscal 2024 Financial Results Conference Call**

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## **CORPORATE PARTICIPANTS**

**Lon Shaver**

*Silvercorp Metals Inc. — President*

## **CONFERENCE CALL PARTICIPANTS**

**Lucas Pamatat**

*Canaccord Genuity — Analyst*

**Joseph Reagor**

*ROTH MKM — Analyst*

**Felix Shafigullin**

*Eight Capital — Analyst*

## PRESENTATION

### Operator

Thank you for standing by. Good afternoon. My name is Lester and I will be your operator for today. At this time I would like to welcome everyone to the Silvercorp Third 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 star then the number one on your telephone keypad. If you would like to withdraw your question, please press star followed by the number two.

I would now like to turn the conference over to Lon Shaver, President of Silvercorp Metals. Please go ahead.

**Lon Shaver** — President, Silvercorp Metals Inc.

Thank you, operator. On behalf of Silvercorp, I'd like to welcome all of you to this call to discuss our third quarter fiscal 2024 financial results. They 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 on SEDAR+.

Before we get started, I'm required to remind you that certain statements on today's call will contain forward-looking information as it relates to 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 AIF.

So, turning to the quarterly financial results, with respect to the quarter, we delivered a strong Q3, good financial results, which were underpinned by revenue of \$58.5 million, in line with the prior year quarter, and this number did reflect a number of changes in different parameters. With respect to pricing, we had increases of 11%, 17%, and 2% in gold, silver, and lead, respectively, and a decrease of 15% in the realized zinc price. Switching to volume, we had increases of 22% and 3% in gold and zinc sold, respectively, but offset by decreases of 8% and 16% in silver and lead sold. Based on production levels and realized prices this quarter, silver was 59% of revenue on a net realized basis. This is up from 54% in Q3 of fiscal 2023 and almost hit our record in recent years of 60% of revenue.

Third quarter net earnings attributable to equity shareholders were \$10.5 million or \$0.06 per share as compared to \$11.9 million or \$0.07 for the same period last year. The main contributors to the slight decrease were the aforementioned factors impacting revenue, an increase of \$5 million in the share of loss in associates, an improvement of \$4.4 million in mark to mark on investments that we hold, and a 4% improvement in unit production costs. On an adjusted basis, with adjustments made to remove the impacts of non-cash and unusual items, earnings for the quarter were \$11.5 million or also \$0.06 per share due to rounding. This compared to \$11.8 million or \$0.07 per share in the same period last year. And just a reminder, this adjusted earnings figure is a supplemental non-GAAP measure 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 \$23.6 million, down very slightly from \$25.7 million in the prior year quarter due to the factors mentioned just before affecting revenue and net income, but also a \$3.2 million increase in cash taxes paid. And also the number in last year's quarter

also reflected a positive adjustment of \$1.7 million from non-cash working capital that did not apply this year.

Capital expenditures totaled approximately \$19.6 million in this quarter. That was up 26% from \$15.6 million in the prior year period due to increased tunnel and ramp development and exploration activities at both operations as well as modestly higher investments in equipment and facilities at Ying.

We ended the quarter with \$198.2 million in cash and cash equivalents and short-term investments. That's up 5% compared to the \$189 million that we reported as of September 30<sup>th</sup>. And just a reminder, this cash position does not include our investments in associates and other companies, which had a total market value of approximately \$140 million on December 31<sup>st</sup>.

As we previously reported, in terms of production in the quarter, we mined 345,273 tonnes of ore and milled 312,500 tonnes of ore. Those numbers are up 17% and 3%, respectively, compared to the same quarter last year. The increase in mine tonnage reflects the stockpiling of just over 60,000 tonnes of ore at Ying, which will be processed in the current quarter during the Chinese New Year holiday, which is on right now.

We produced, on a consolidated basis, approximately 1.7 million ounces of silver, 1,300 ounces of gold, 16.8 million pounds of lead, and 7.4 million pounds of zinc in the quarter. These figures, as mentioned, represented decreases of 9% and 16%, respectively, in silver and lead production compared to last year's Q3. The decrease mainly reflects lower head grades at Ying and GC due to mining sequencing and also we did, as mentioned, have increased ore stockpiling at Ying. It also reflected increased gold ore mining and milling at Ying during the quarter, which contributed to a 22% increase in

gold production compared to the prior year quarter. Year to date we've produced 5.1 million ounces of silver, 5,400 ounces of gold, 51 million pounds of lead, and 19 million pounds of zinc. In this current Q4 we expect to produce approximately 1.1 million to 1.3 million ounces of silver, between 1,200 and 1,300 ounces of gold, between approximately 11.5 million pounds of lead, and 4.5 million to 5 million pounds of zinc. Those would be increases of up to 17%, 30%, 20%, and 40% for silver, gold, lead, and zinc, respectively, compared to the Q4 period of last year.

The cash costs corporately per ounce of silver net of by-product credits was negative \$0.96 in the third quarter compared to a negative \$1.15 in the prior year quarter with this increase mainly due to less silver sold, resulting in higher unit production costs before by-product credits and a decrease of \$2.5 million in by-product credits, but this was offset by a 4% depreciation in the Chinese RMB against the US dollar over the same prior year period. The all-in sustaining cost per ounce of silver net of by-product credits was \$11.33 compared to \$9.28 in Q3 of fiscal 2023 with the increase primarily reflecting the same factors impacting the cash cost that I just mentioned offset by a decrease of \$0.5 million in all-in sustaining capital expenditures compared to the prior year period.

So let's turn to our growth projects. To enhance operational efficiencies at Ying, we have previously disclosed our plan to transition certain mining areas from cut-and-fill resuing to shrinkage stoping, which will allow for increased mechanization. We have started to take delivery of 20 new LHDs, so those are the scoop shovels for underground mining, which will be employed in that fashion, and some of our expenditures in this period are related to improving access to these new areas and to shorten travel times to other mining areas. To address the anticipated higher dilution from the shrinkage

mining method, we are planning to install three XRT ore sorters, with the first having been installed at the No. 2 mill at Ying and it's currently in trial operation.

As we've previously disclosed, Silvercorp is exploring alternative strategies to expand Ying's processing capacity. Our current plan is to add a new 1,500 tonne per day production line at the No. 2 mill to increase the production capacity at Ying to 4,000 tonnes per day. This expansion is expected to be completed in the upcoming fiscal year. In addition, we spent a total of \$9.9 million on the construction of the new tailings storage facility at Ying to date and construction is on track for completion later this year. We'll provide additional details on these items in our fiscal 2025 guidance, which will be released along with our fiscal 2024 production results in April. Additionally, we plan to release updated mineral resources and reserve estimates and mine plans for both Ying and GC by the middle of this year. The updated technical reports will incorporate all technical work programs, including drilling completed up to the end of 2023, and should provide more details on what to expect from both operations near and longer term.

As it relates to Kuanping, the satellite project located north of Ying, the Company has completed environmental, water, and soil assessments. These reports have been approved by the relevant provincial authorities. An updated mineral resource estimate report prepared in accordance with Chinese standards has also been reviewed and approved by the province. Furthermore, a report incorporating the mineral resource development and utilization plan, reclamation plan, and environmental rehabilitation plan has been reviewed and approved by an external expert panel. A few outstanding approvals are still required before development can begin and we will provide additional details on Kuanping when they are available.

Turning to OreCorp, with respect to our OreCorp acquisition, on December 26, 2023, Silvercorp and OreCorp entered into a bid implementation deed whereby we've agreed to acquire, by means of an off-market takeover offer, all of the OreCorp shares not already owned by Silvercorp for consideration comprising 0.0967 common shares of Silvercorp and A\$0.19 in cash for OreCorp shares. This was the same consideration that we had in the scheme that OreCorp shareholders would have voted on in early December. The OreCorp board is again unanimously recommending that OreCorp shareholders accept the offer. The takeover offer document was dispatched to OreCorp shareholders in mid-January and on February 1<sup>st</sup> we received a merger clearance certificate from the Tanzanian Fair Competition Commission providing unconditional merger control approval for the transaction. This approval represents the sole Tanzanian regulatory requirement needed to complete the transaction. Our offer is open for acceptance by OreCorp shareholders until February 23<sup>rd</sup>, unless extended, and we look forward to providing the market with updates on the transaction over the coming weeks.

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

## Q & A

### Operator

Thank you, sir. Ladies and gentlemen, we will now conduct the question-and-answer session. If you would like to ask a question, please press star followed by the number one on your telephone keypad. If you would like to withdraw, press star two. If you are using a speakerphone, please lift the handset before pressing any keys.

Your first question comes from Lucas Pamatat with Canaccord Genuity. Your line is now open.



**Lucas Pamatat** — Analyst, Canaccord Genuity

Hey, Lon, and thanks for taking my question. I was just curious about the bid process so far. I mean you're halfway through the bid period for OreCorp. How has the uptake been so far? Can you comment on that at all?

**Lon Shaver** — President, Silvercorp Metals Inc.

Yes. We've been gaining momentum. Obviously the board, with their recommendation, also led to them going through and tendering and, as it currently stands, and this is publicly reported filings, we're currently at 20.1%, which includes the shares that we already owned prior to commencing.

**Lucas Pamatat** — Analyst, Canaccord Genuity

Great. And then what strategies are there if you don't get to that 50%? Just, you know, there being two weeks left. Do you guys intend to obviously extend it or what other opportunities do you have on the table?

**Lon Shaver** — President, Silvercorp Metals Inc.

Well, there are a number of considerations. As you said, two weeks to go. A lot can happen in two weeks and with a positive response in our share price like we're experiencing today certainly changed the dynamic. We like the fact that we've got the only open and actionable offer on the table and it's got full board support from OreCorp. A number of shareholders have indicated they're going to be following the board's recommendation and we're in touch and in regular dialogue with a number of

the key shareholders and understand sort of what their intentions are with respect to tendering and timing leading up to that expiry.

**Lucas Pamatat** — Analyst, Canaccord Genuity

Makes sense. Thank you.

**Lon Shaver** — President, Silvercorp Metals Inc.

Thanks, Lucas.

**Operator**

Your next question comes from Joseph Reagor from ROTH MKM. Your line is now open.

**Joseph Reagor** — Analyst, ROTH MKM

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

**Lon Shaver** — President, Silvercorp Metals Inc.

Hi, Joe. Good to have you.

**Joseph Reagor** — Analyst, ROTH MKM

So, on the commentary you guys made about the shrinkage stoping resulting in higher than anticipated, ah, like impact on grade, can you quantify it? Like what was the percentage of dilution you were expecting?

**Lon Shaver** — President, Silvercorp Metals Inc.

It's not that that's necessarily playing in right now. This is sort of a gradual process. And it's not like we're flipping a switch and saying that we're going from shrinkage, sorry, from cut and fill 100% to shrinkage. It's going to be sort of a stope-by-stope, area-by-area decision. And it's going to be happening over time. So it's not as though this has been factoring into the results to date that much.

**Joseph Reagor** — Analyst, ROTH MKM

Oh, okay. I must have misunderstood. But what is the expected difference though if you're on any given stope for dilution if you use shrinkage instead of long haul?

**Lon Shaver** — President, Silvercorp Metals Inc.

Well, yeah, and it's not long haul. So it's cut and fill.

**Joseph Reagor** — Analyst, ROTH MKM

Sorry, cut and fill.

**Lon Shaver** — President, Silvercorp Metals Inc.

And I have to check my memory and go back to what was published in the previous technical report, because it is in there as it relates to how it's operated in the past. If I recall, it's sort of going from a 5 to 10 for cut and fill to sort of 15 to 20 for shrinkage. But forgive me, I'll have to go back and pull the exact numbers from the technical report. So it is an uptick, but the trade off is that, from a labour

intensity standpoint and productivity, there are gains to be made on the cost side in terms of unit cost for delivering that. And then, as mentioned, where you might have that higher dilution from shrinkage, we look to address that with the XRT sorters that are going at Ying.

**Joseph Reagor** — Analyst, ROTH MKM

Okay. And then, as far as the growth at Ying, the 1,500 tonne per day new processing line and the timing of that, when do you guys...? You said next fiscal year, but is there more precise timing, Q4, Q3, you know, that we should expect? And then what do you think the total time to ramp up the additional capacity might look like?

**Lon Shaver** — President, Silvercorp Metals Inc.

Well, it's expected that the full increase could be completed over the course of the next fiscal year. In terms of the timing for sort of each additional tonne, we don't have that in a plan to provide currently, but we'll have more details in the next couple of months and as well with the reporting for the guidance for fiscal 2025.

**Joseph Reagor** — Analyst, ROTH MKM

Okay.

**Lon Shaver** — President, Silvercorp Metals Inc.

But I think what I would add is just that, you know, looking back at what we were contemplating before, and just recall that we're looking at building an entirely new mill at a \$30 million cost, this

increase will be significantly less in terms of cost. And on a net basis we're going to get to 5,000 tonnes per day here based on this increase. Keeping Mill No. 1 running and adding this capacity, we would be running at 4,000 tonnes at a much less cost for that increase.

**Joseph Reagor** — Analyst, ROTH MKM

Okay. Fair enough. All right, I'll turn it over. Thank you.

**Operator**

Your next question comes from Felix Shafigullin from Eight Capital. Your line is now open.

**Felix Shafigullin** — Analyst, Eight Capital

Hi, Lon. Congratulations on a good quarter.

**Lon Shaver** — President, Silvercorp Metals Inc.

Thanks, Felix.

**Felix Shafigullin** — Analyst, Eight Capital

So, one thing that really jumped out on me in yesterday's release is how much mining and milling costs dropped at GC sort of quarter over quarter. Could you just provide a comment on that? Like how was that drop in just one quarter achieved?

**Lon Shaver** — President, Silvercorp Metals Inc.

If you're referring back to Q2, I mean obviously GC has had some hiccups this year and hasn't been running either at full capacity or optimally, and so, when you've got that sort of law of small numbers here in place, any kind of changes in that throughput rate have a big impact when you look at the fixed cost allocation. So, now that we're back up running at a more normal and sustainable level, we're seeing the kind of cost that we would look to realize.

**Felix Shafigullin** — Analyst, Eight Capital

Gotcha. Understand. And regarding the tailings storage facility, so I think there's been about \$15 million spent on it so far. What's the total budget allocated to construction on this thing?

**Lon Shaver** — President, Silvercorp Metals Inc.

Well, that's a really good question. We previously reported \$38 million as the number and, as of today, we are into it to the tune of about \$9.9 million. It's a little premature, but some of the early indications are that we will come in, you know, I don't want to get hung out here, but I would say meaningfully below that \$38 million number.

**Felix Shafigullin** — Analyst, Eight Capital

Gotcha. Understood. Thanks very much, Lon.

**Lon Shaver** — President, Silvercorp Metals Inc.

That'd be a positive surprise.

**Felix Shafigullin** — Analyst, Eight Capital

Okay. All right. Looking forward to it. Thank you, Lon. Thanks again and congrats on a good quarter again. Thank you.

**Operator**

This concludes the question-and-answer session. I would now like to turn the conference over to Lon Shaver for any closing remarks.

**Lon Shaver** — President, Silvercorp Metals Inc.

Well, that's great. Thank you, operator, and thanks, everyone, for joining us today. We'll wrap up the call here. Please, if anyone has any additional questions, like always, feel free to call or email us. Happy to take your questions and respond in due course. Look forward to updating you in a few months on our fiscal 2024 results. Have a great day.

**Operator**

This concludes today's conference. You may now disconnect your lines. Thank you for participating and have a wonderful day.