Form 51-102F2

ANNUAL INFORMATION FORM

For the year ended March 31, 2006

Dated as at June 29, 2006
(As amended July 3, 2006)

SILVERCORP METALS INC.

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ITEM 1: COVER PAGE

ITEM 2: TABLE OF CONTENTS

2. 1 Preliminary Notes

This Annual Information Form is prepared in the form prescribed by National Instrument 51-102F2 of the Canadian Securities Administrators and is hereby filed with the British Columbia, Alberta, Ontario, Nova Scotia, New Brunswick and Manitoba Securities Commissions, Saskatchewan Financial Services and the Toronto Stock Exchange. The Toronto Stock Exchange approved the listing of the common shares of Silvercorp Metals Inc. (the "Company" or the "Issuer") on the TSX effective October 24, 2005, at which time the shares of the Company were delisted from the TSX Venture Exchange.

Incorporation of Financial Statements and Technical Reports

Incorporated by reference into this Annual Information Form ("AIF") are:

(a) the audited financial statements of the Company for the financial years ended March 31, 2006, March 31, 2005 and April 30, 2004;

(b) Management's Discussion and Analysis of the financial condition and results of operations of the Company for the year ended March 31, 2006, March 31, 2005 and April 30, 2004;

(c) the restated unaudited comparative financial statements of the Company for the nine month period ended December 31, 2005 filed on SEDAR on April 6, 2006;

(d) the restated Management's Discussion and Analysis of the financial condition and results of operations for the nine month period ended December 31, 2005 filed on SEDAR on April 6, 2006;

(e) the most recent Management Information Circulars of the Company dated June 30, 2005;

(f) the National Instrument 43-101 ("NI 43-101") Technical report on the HPG Silver-Lead Project, Henan Province, China, dated April 26, 2006 prepared by SRK Consulting;

(g) the updated NI 43-101 Technical Report on the Ying Silver-Lead-Zinc Project ("Ying Project") Henan Province, China, dated May 26, 2006 prepared by Chris Broili, C.P. Geo., L.P. Geo., Mel Klohn, L.P. Geo. BK Exploration Associates, Jasman W. Yee, P.Eng., Cathy Shuk Yin Fong P.Eng. and Michael A. Petrina, P. Eng.;

(h) the updated NI 43-101 Technical Report on the Ying Project, dated April 18, 2006 prepared by Chris Broili, C.P. Geo., L.P. Geo., Mel Klohn, L.P. Geo. BK Exploration Associates, Jasman W. Yee, P.Eng., Cathy Shuk Yin Fong P.Eng.;

(i) the updated NI 43-101 Technical Report on the Ying Project, dated April 18, 2005, prepared by Chris Broili, C.P.Geo., L.P.Geo.;

(j) the NI 43-101 Technical Report on the Ying Project, dated April 21, 2004, prepared by Chris Broili, C.P.Geo., L.P.Geo.;

(k) the NI 43-101 Technical Report on the Tuobuka Project, Yunnan Province, China dated October 17, 2003, prepared by L.D.S. Winter, P.Geo.;

(l) Material Change Reports of the Company:

- dated April 7, 2005 regarding the sinking of three vertical blind shafts on the Ying Project;

- dated April 14, 2005 regarding the change of the Company's name from SKN Resources Ltd. to Silvercorp Metals Inc.;

- dated April 20, 2005 providing a progress report on the operations of the Chinese Joint Venture Company, Henan Found Mining Co. Ltd., which holds the Ying Project;

- dated May 2, 2005 regarding increased resource calculations in an updated NI 43-101 Report prepared on the Ying Project;

- dated July 25, 2005 regarding the implementation of a shareholders' rights plan;

- dated August 2, 2005 regarding the interception of three bonanza grade veins at the Ying Project;

- dated August 31, 2005 regarding the arrangement of a $4,000,000 non-brokered private placement;

- dated September 1, 2005 increasing the size of the $4,000,000 non-brokered private placement to $6,400,000;

- dated September 16, 2005 regarding the closing of the $6,400,000 non-brokered private placement;

- dated September 19, 2005 providing a progress report on operations at the Ying Project;

- dated October 3, 2005 announcing that the Company had earned its full 77.5% interest in the Ying Project;

- dated October 12, 2005 regarding the acquisition of an additional silver-gold permit adjacent to the Ying Project;

- dated January 4, 2006 regarding the discovery of a new bonanza grade silver vein at the Ying Project;

- dated January 23, 2006 regarding the discovery of two additional high grade silver lead zinc veins and one gold vein on the Ying Project;

- dated February 2, 2006 providing an update of the tunnelling program on the Ying Project;

- dated February 14, 2006 announcing the approval from the Department of Environment Protection Bureau of Henan Province for an environmental assessment report prepared on the Ying Project and the filing of the mining permit application for the Ying Project;

- dated March 2, 2006 reporting on the 2005 exploration and development program and the 2006 plan and budget for the Ying Project;

- dated March 13, 2006 regarding the acquisition of a 60% interest in the Hou-Ping-Gou silver-gold–lead mine, located within the Ying Project area, Henan Province, China;

- dated March 27, 2006 reporting new and compiled results for drill programs completed between April 2005 and February 2006;

- dated March 30, 2006 reporting the issuance of a mining permit over the SGX area of the Ying Project;

- dated April 3, 2006 reporting offering of 2,175,000 units at $19.10 per unit;

- dated April 21, 2006 reporting technical update on the Ying silver mine, Henan Province, China;

- dated April 26, 2006 reporting close financing to raise $47,773,875.00;

- dated May 3, 2006 reporting signing of final joint venture contract and receiving positive due diligence technical report on the HPG gold-silver-lead properties, in Henan Province, China;

- dated May 30, 2006 reporting updated mineral resources estimate in new NI 43-101 report on the Ying silver-lead-zinc mine;

- dated June 13, 2006 reporting the commencement of a normal course issuer bid to acquire up to 1,000,000 of its common shares, over a one year period;

(m) the Company's Notice of Articles; and

(n) the Company's Articles of Incorporation.

all of which were filed via SEDAR with the various Securities Commissions and the TSX or TSX Venture Exchange and are accessible for review at www.sedar.com. Copies may also be obtained from the Company upon request. See "Item 16: Additional Information" in this AIF.

Date of Information

All information in this AIF is as of June 29, 2006, unless otherwise indicated.

Forward Looking Statements

Statements in this AIF other than purely historical information, including statements relating to the Company's future plans and objectives or expected results, constitute forward-looking statements. Forward-looking statements are based on the beliefs of management, as well as numerous assumptions made by and the information currently available to the Company, and are subject to all of the risks and uncertainties inherent in the Company's business, including risks inherent in mineral exploration and development. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet

determinable and assumptions of management. As a result, actual results may vary materially from those described in the forward-looking statements.

Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "anticipate", "continue", "estimate", "expect", "plan", "intend", "may", "will", "project", "should", "believe" and similar expressions are intended to identify forward-looking statements.

These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in, or incorporated by reference into, this AIF should not be unduly relied upon. Further, these statements speak only as of the date of this AIF or as of the date specified in the documents incorporated by reference into this AIF, as the case may be. Important factors are identified in this AIF under the heading "Item 5.2 - Risk Factors". Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described. The Company does not assume and undertakes no obligation to update any forward-looking statements. Investors are cautioned against attributing undue certainty to forward-looking statements.

Currency

All sums of money which are referred to herein are expressed in lawful money of Canada, unless otherwise specified.

ITEM 3: CORPORATE STRUCTURE

3.1 Names, Address and Incorporation

The Company was formed as Spokane Resources Ltd. pursuant to an amalgamation of Julia Resources Corporation and MacNeill International Industries Inc., under the British Columbia *Company Act*, on October 31, 1991. By special resolution dated October 5, 2000 Spokane Resources Ltd. consolidated its share capital on a ten old for one new basis and altered its Memorandum and Articles of Incorporation by changing its name to SKN Resources Ltd.

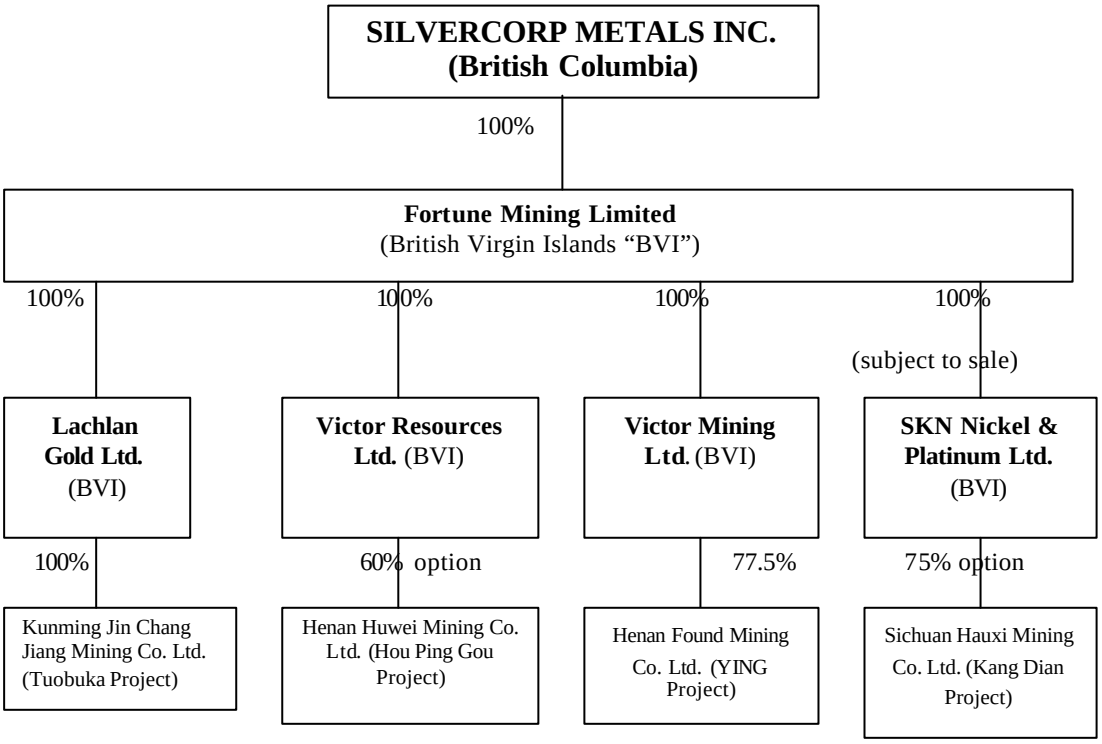
The new British Columbia Business Corporations Act (the "New Act") came into force on March 29, 2004 and replaced the British Columbia Company Act (the "Old Act").The board of directors of the Company approved the transition of the Company under the New Act and the filing of a transition application containing a Notice of Articles which will replace the existing Memorandum of the Company. At the Company's Annual and Special General Meeting held October 20, 2004, the shareholders approved an increase to the Company's authorized capital to an unlimited number of shares comprised of an unlimited number of common shares and adopted a new set of Articles which is consistent with the provisions of the New Act, including the reduction of the majority required to pass a special resolution from 75% to 66 2/3%.

Also at the Company's Annual and Special General Meeting held October 20, 2004, the shareholders passed a special resolution to change the Company's name to a name to be determined by the directors of the Company. On May 2, 2005, the Company filed a Notice of Alteration with the Registrar of Companies changes its name from 'SKN Resources Ltd.' to 'Silvercorp Metals Inc'.

The head office and principal address of the Company is located at 1588-609 Granville Street, Vancouver, British Columbia, V7Y 1G5. The registered and records office is located at 2080 – 777 Hornby Street, Vancouver, British Columbia V6Z 1S4. The Company is listed on the TSX under the symbol "SVM", and is a reporting issuer in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Nova Scotia and New Brunswick.

3.2 Intercorporate Relationships

The corporate structure of the Company and its material subsidiaries as at the date of this AIF is as follows:



The Company has acquired a number of mineral property interests in China during the past three years. Each property interest is held through a separate subsidiary company, all of which are incorporated in the British Virgin Islands ("BVI") as International Business Corporations under the *British Virgin Islands International Business Companies Act* (Cap. 291).

The Company is the sole shareholder of Fortune Mining Limited, which was incorporated on August 23, 2002, to be the holding company of a series of BVI subsidiaries which are parties to

mineral property Agreements in China. The following material BVI subsidiary companies are all held 100% by Fortune Mining Limited:

(a) Lachlan Gold Ltd. was incorporated February 20, 2003 and holds 100% of the equity of Kunming Jin Chang Jiang Mining Co. Ltd., a foreign investment enterprise in China holding 100% of the Tuobuka Gold Project, Yunnan Province;
(b) Victor Resources Ltd. was incorporated May 30, 2003 and is a party to a Cooperative Agreement over the Hou Ping Gou Project, Henan Province;
(c) Victor Mining Ltd. was incorporated October 23, 2003 and is a party to a Cooperative Agreement under which it has earned its full 77.5% of the equity of the Henan Found Mining Co. Ltd., the Chinese company holding the Ying Silver-Lead Zinc Project, Henan Province; and
(d) SKN Nickel & Platinum Ltd. was incorporated October 23, 2003 and is party to Cooperative Agreements for 75% of the equity of Sichuan Huaxi Mining Co. Ltd., the Chinese company holding the Kang Dian Copper-Nickel-Zinc Project, Sichuan Province. New Pacific Metals Inc. which is controlled by the Company holds an option to acquire 100% of SKN Nickel & Platinum Inc, and thereby its interest in the Kang Dian Project.

See "Item 4: General Development of the Business" below for details as to the Company's projects.

ITEM 4: GENERAL DEVELOPMENT OF THE BUSINESS

4.1 Three Year History

Exploration Projects

The Company has been a mineral exploration company engaged in the acquisition and exploration of mineral properties, specifically properties with the potential to host gold, silver and base metal deposits. From 2000 to 2003 the Company was involved primarily in mineral exploration in the Province of British Columbia, but also had been involved in exploration in Mexico and Labrador. Since February 3, 2003, the Company has changed its focus to mineral exploration in China. During the last three years, the Company has been very active in acquiring property interests in China through its BVI subsidiaries.

On August 1, 2003, the Company, through its wholly-owned subsidiary, Lachlan Gold Ltd., signed a cooperative joint venture contract with Kunming Gold Exploration Engineering Co., Ltd. ("KGEE"), a subsidiary of a large Chinese national gold exploration organization, to form a Sino-Foreign Joint Venture Cooperative Company, Yunnan Jin-Chang-Jiang Mining Co. Ltd. ("YJCJM") to explore the Tuobuka Gold Property, Yunnan Province, China. Under the terms of the cooperative joint venture contract, KGEE held a 20% interest in YJCJM by transferring the Tuobuka Project exploration permit to YJCJM, and the Company earned an 80% interest in YJCJM by contributing RMB¥8,000,000 to YJCJM over three years and paying RMB¥1,000,000 to KGEE. On January 13, 2004, the Company acquired the remaining 20% interest in YJCJM from KGEE by paying an additional RMB¥1,600,000. The Company now has a 100% interest in the Tuobuka Project. A National Instrument 43-101 Technical review report dated October 17, 2003 was completed on the Tuobuka Project by LDS Winter, P.Geo., and is incorporated herein by reference.

As the Company's Ying Project has been under rapid development during the financial year ended March 31, 2006, the Company decided to concentrate its efforts on the Ying Project to put it into production. As a result, exploration work on the Tuobuka Property was suspended for an indefinite time and the $1,714,491, in costs capitalized for the Tuobuka Property were written off.

On March 4, 2004, the Company announced that it had, through its wholly owned subsidiary, SKN Nickel & Platinum Ltd. ("SNP") entered into a Cooperative Agreement with Sichuan Geological Survey Institute of Metallurgical Industry to acquire a 75% interest in the Kang Dian Nickel Project, located in Sichuan Province, China.

Under the cooperative agreement, for the Kang Dian Project, SNP is obligated to contribute US$2,500,000 to fund the exploration and development of the Kang Dian Project over a period of four years and to pay US$80,000 to its Chinese partner within 10 days of obtaining approvals from the Chinese Government. After SNP has earned its 75% interest, contributions to fund the Project will be made pro rata. The interests of the Chinese property owner can be diluted to not less than 10% if they elect not to make cash contributions.

Pursuant to an Option Agreement dated March 3, 2004, the Company granted New Pacific Metals Corp. (NUX.TSX-V) an option to acquire 100% of the issued and outstanding shares of SNP, and thereby the Company's interests in the Kang Dian Nickel Project. Under the Option Agreement, NUX agreed to issue to the Company a total of 6,500,000 common shares of NUX at a deemed price of $0.375 per share with staged issuances, with the shares subject to a three year value escrow agreement under the policies of the TSX Venture Exchange. 4,500,000 of the NUX shares have been issued to the Company with the final 2,000,000 shares issuable on completion of US$1,000,000 in funding obligations by SNP under the Agreement with one of the permit holders. The NUX shares are subject to escrow for three years with quarterly releases. NUX shares remaining in escrow are subject to cancellation in the event NUX determines not to continue contributing to the joint venture company to be created. The Company has two representatives on the NUX board of directors: Rui Feng and Myles Gao.

On April 12, 2004, the Company, through its wholly owned subsidiary Victor Mining Ltd. entered into a formal Cooperative Joint Venture Contract with Henan Non-Ferrous Geological and Mineral Resources Co. Ltd. ("HGMR") to acquire up to a 77.5% interest in the eight exploration permits comprising the Ying Silver Project, located in Henan Province, China by making capital contributions of US$3,670,000 over three years to Henan Found Mining Co. Ltd. ("HFMC"), the joint venture company set up to hold the permits, for a 55% interest in HFMC and an additional US$1,500,000 to HGMR over a period of three years for another 22.5% interest in HFMC. These payments have been made and the Company has earned its full 77.5% interest in HFMC and thereby in the Ying Project.

On March 30, 2006, the Company announced that its subsidiary HFMC had received a mining permit issued by the Department of Land and Resources of Henan Province, covering 9.945 square kilometers of the SGX area within the Ying Project, where the major exploration effort by the Company has been focused. The permit was issued on the terms applied for, and allows operation of a 600 tonne per day underground mine within the permit area to produce silver, lead and zinc ores. The production rate can be increased in the future through amending the existing mining permit when expanded resource estimates have been filed with the Department of Land and Resources of Henan.

On October 12, 2005, the Company announced that HFMC had acquired two additional exploration permits which are adjacent to the existing boundary of the Ying Project for $262,080 and $145,600. The transfer of the exploration permits are still in progress as at March 31, 2006.

On March 13, 2006, the Company announced that it had, through its wholly owned subsidiary, Victor Resources Ltd., entered into a cooperative joint venture agreement with a private Chinese company to acquire a 60% interest in the Hou Ping Gou silver/lead/zinc mine, which is located within the boundaries of the greater Ying Project. A total of RMB¥42,000,000 is payable in instalments, timed with the signing of the final joint venture ("JV") contract, receipts of government approvals, issuance of the business license for the JV company and transfer of the exploration and mining permits to the JV company. The Company has advanced $305,760 to the Chinese party as at March 31, 2006 as initial funding for setting up the JV company. A National Instrument 43-101 technical report on the HPG properties prepared by SRK Consulting was received on May 3, 2006 and is available for review on the SEDAR system.

Issuer Bid

On March 17, 2004, the Company commenced a Normal Course Issuer Bid to acquire up to 1,355,000 of its Common Shares (being approximately 5% of the 27,117,913 shares then issued and outstanding), over a one year period. A total of 300,000 shares were acquired through the facilities of the TSX Venture Exchange and 200,000 shares were returned to treasury before the expiry of the 2004 Issuer Bid, and 100,000 shares were disposed of in the market.

On June 14, 2006, the Company again commenced a Normal Course Issuer Bid to acquire up to 1,000,000 of its Common Shares (being approximately 2% of the 47,818,407 shares issued and outstanding as at June 14, 2006), over a one year period. Purchases will be made at the discretion of the Directors at prevailing market prices, through the facilities of the TSX. The Company intends to cancel all shares acquired under the issuer bid.

The Company is limited, pursuant to the policies of the TSX, to purchasing not more than 2% of the Company's outstanding shares during any 30-day period. Shares purchased pursuant to the Normal Course Issuer Bid by the Company will be acquired at a price that is not higher than the last independent trade of a board lot of common shares of the Company.

Recent Financings

On February 22, 2005, the Company advised that it had closed a non-brokered private placement of up to 1,500,000 Units at $1.50 per Unit. Each Unit was comprised of one common share and one-half share purchase warrant. Each whole warrant entitled the holder to acquire one additional common share at a price of $1.75 per share for a period of one year, expiring on February 22, 2006. A finders fee of 7% was paid on 1,000,000 of the Units to Leede Financial Markets Inc.

On September 16, 2005, the Company advised that it had closed a non-brokered private placement of up to 2,000,000 Units at $3.20 per Unit. Each Unit was comprised of one common share and one-half share purchase warrant. Each whole warrant entitled the holder to acquire one additional common share at a price of $4.60 per share for a period of one year, expiring on September 16, 2006.

On April 26, 2006, the Company advised that it had closed a "bought deal" financing under a Short Form Prospectus for gross proceeds of $47,773,875. Sprott Securities Inc. and GMP Securities L.P. as co-leader managers and co-bookrunners, together with a syndicate of other

dealers including, CIBC World Markets Inc., MGI Securities Inc., Salman Partners Inc. and BMO Nesbitt Burns Inc. (the "Underwriters"), collectively bought 2,501,250 units from the Company at a price of $19.10 per unit. Each Unit was comprised of one common share and one-half share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at a price of $24.00 per share for a period of 18 months, expired on October 26, 2007. The total Units purchased includes 326,250 Units issued upon exercise of the Underwriter's over-allotment option. The net proceeds will be used for general corporate purposes including potential future acquisitions.

Future Financing

The Company anticipates that it will be able to finance all of its activities with the proceeds from production from the Ying Mine, and otherwise from share issues, royalty revenues, interest income and joint ventures. The ability to continue operations is dependent upon the continued financial support of its shareholders, other investors and lenders, together with the successful development of the Company's interests in mineral properties.

Change in Financial Year End

On March 15, 2005, the Company announced that it was changing its financial year end from April 30 to March 31, commencing with the 2005 fiscal year, which ended on March 31, 2005. The change in financial year was completed in order to align the Company's interim financial statements with its Chinese subsidiaries, which operate on a calendar fiscal year end.

Change of Auditor

Effective May 11, 2006, Deloitte Touche LLP resigned as auditors at the request of the Company, and Ernst & Young LLP was appointed as the Company's auditors. There were no reportable events in relation to the change of auditors.

4.2 Significant Acquisitions

During the year ended March 31, 2006, the Company acquired the option disclosed above over the Hou Ping Gou silver/lead/zinc mine in Henan Province. The Company did not have other significant acquisitions or dispositions during its most recently completed financial year.

ITEM 5: DESCRIPTION OF THE BUSINESS

5.1 General

The Company is in the business of acquiring and developing mineral exploration properties, primarily in China. The Company is in the exploration and mining development stage. The Ying Project has received Mining Permits within the Ying Project area, and development of the Ying mine is underway. The Company's other properties have not reached commercial production and are in the exploration stage.

Chinese Mining Law

As all of the Company's properties are located in the People's Republic of China, a brief statement on the laws of China as they relate to mining is appropriate. Note that, as laws in China are continually evolving, this is only a generalized statement and is not to be taken as absolutely current or correct. Under the laws of the P. R. C., mineral resources are owned by the State, and in the past, it has been state-owned enterprises which have been the principal force in the development of mineral resources. A new Mineral Resources Law became effective on January 1, 1997 and three regulations were promulgated on February 12, 1998. The new law provides for equal legal status for domestic enterprises and enterprises with foreign investment, security and transferability of mineral titles as well as the exclusivity of mining rights. The right to explore and exploit minerals is granted by way of exploration and mining rights. The holder of an exploration right has the privileged priority to obtain the mining right to the mineral resources in the exploration area provided the holder meets the conditions and requirements specified in the law. A mining enterprise may transfer its exploration or mining rights to others, subject to governmental approval. It is now common for foreign companies to form joint ventures with state-owned mining enterprises, with title to the mining rights being transferred to joint venture entities which registered in China. This is the case with all of the Company's mineral property interests.

5.2 Risk Factors

An investment in the common shares of the Company involves a significant degree of risk and ought to be considered a speculative investment. The following is brief discussion of those factors which may have a material impact on, or constitute risk factors in respect of the Company's future financial performance:

Regulatory Environment

The Company conducts operations in China. The laws of China differ significantly from Canada and are subject to change. Mining operations, development and exploration activities are subject to extensive laws and regulations governing prospecting, development, production, exports, taxes, labour standards, occupational health, waste disposal, environmental protection, mine safety and other maters. Mining is subject to potential risks and liabilities associated with pollution of the environment and disposal of waste products occurring as a result of mineral exploration and production.

Failure to comply with applicable laws and regulations, may result in enforcement actions thereunder, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations may be required to compensation those suffering loss or damage by reason of mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws and regulations.

New laws and regulations, amendments to existing laws and regulations, administrative interpretation of existing laws and regulations, or more stringent enforcement of existing laws and regulations could have a material adverse impact on future cash flow, results of operations and financial conditions.

Further, all phases of the Company's operations are subject to environmental regulations in the various jurisdictions in which it operates. Environmental legislation is evolving in a manner

which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environment assessments of proposed projects and a heightened degree of responsibility for companies and their offices, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

Operations and Political Conditions

Mining operations generally involve a high degree of risk, with hazards such as unusual or unexpected formations or other geological conditions. The Company may become subject to liability for pollution, cave-ins or other hazards against which it cannot insure, or against which it may elect not to insure. Payment of such liabilities may have a material, adverse effect on the Company's financial condition. Certain of the Properties in which the Company has an interest are located in foreign jurisdictions, which may have different regulatory and legal standards than those in North America.

Even if the Company's mineral properties are proven to host economic reserves of metals, factors such as political instability, terrorism, opposition and harassment from local miners, or governmental expropriation or regulation may prevent or restrict mining of any such deposits or repatriation of profits.

The majority of the Company's activities and investments are located in foreign countries. These investments are subject to the risks normally associated with conducting business in foreign countries. Some of these risks are more prevalent in countries which are less developed or have emerging economies, including uncertain political and economical environments, as well as risks of war and civil disturbances or other risks which may limit or disrupt a project, restrict the movement of funds or result in the deprivation of contract rights or the taking of property by nationalization or appropriation without fair compensation, risk of adverse changes in laws or policies of particular countries, increases in foreign taxation, delays in obtaining or the inability to obtain necessary governmental permits, limitations on ownership and repatriation of earnings and foreign exchange controls and currency devaluations.

In addition, the Company may face import and export regulations, including restrictions on the export of gold, disadvantages of competing against companies from countries that are not subject to Canadian and U.S. laws, restrictions on the ability to pay dividends offshore, and risk of loss due to disease and other potential endemic health issues. Although the Company is not currently experiencing any significant or extraordinary problems in foreign countries arising from such risks, there can be no assurance that such problems will not arise in the future.

The Company's interests in its mineral properties are held through a joint venture company established under and governed by the laws of China. The Company's joint venture partner in China are state-sector entities and, like other state-sector entities, their actions and priorities may be dictated by government policies, instead of purely commercial considerations.

Additionally, companies with a foreign ownership component operating in China may be required to work within a framework which is different to that imposed on domestic Chinese companies. The Chinese government currently allows foreign investment in certain mining projects under central government guidelines.

Permits and Licenses

All mineral resources of the Company are owned by their respective governments, and mineral exploration and mining activities may only be conducted by entities that have obtained or renewed exploration or mining permits and licenses in accordance with the relevant mining laws and regulations. No guarantee can be given that the necessary exploration and mining permits and licenses will be issued to the Company or, if they are issued, that they will be renewed, or that the Company will be in a position to comply with all conditions that are imposed.

Nearly all mining projects require government approval. There can be no certainty that these approvals will be granted to the Company in a timely manner, or at all.

Feasibility and Engineering Reports

The Company has received a mining permit from the Department of Land and Resources of Henan Province and plans to commence mining operations in accordance with the mining permit. The Company has not yet and may not complete a feasibility study or report as would otherwise be performed for a mining property located in North America.

Exploration and Development

The long-term operation of the Company's business and its profitability is dependent, in part, on the cost and success of its exploration and development programs. Mineral exploration and development involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. There is no assurance that the Company's mineral exploration and development programs will result in any discoveries of bodies of commercial mineralization. There is also no assurance that even if commercial quantities of mineralization are discovered that a mineral property will be brought into commercial production. Development of the Company's mineral properties will follow only upon obtaining satisfactory exploration results. Discovery of mineral deposits is dependent upon a number of factors, not the least of which is the technical skill of the exploration personnel involved. The commercial viability of a mineral deposit once discovered is also dependent upon a number of factors, some of which are the particular attributes of the deposit (such as size, grade and proximity to infrastructure), metal prices and government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. Most of the above factors are beyond the control of the Company. As a result, there can be no assurance that the Company's acquisition, exploration and development programs will yield new reserves to replace or expand current resources. Unsuccessful exploration or development programs could have a material adverse impact on the Company's operations and profitability.

Calculation of Resources, Reserves and Mineralization and Precious and Base Metal Recovery

The Company's Ying property at present contains resources only, there have been no reserves calculated. There is a degree of uncertainty attributable to the calculation of resources, reserves and mineralization and corresponding grades being mined or dedicated to future production. Until resources, reserves or mineralization are actually mined and processed, quantity of mineralization and grades must be considered as estimates only. In addition, the quantity of resources, reserves and mineralization may vary depending on metal prices. Any material change in quantity of resources, mineralization, grade or stripping ratio may affect the economic viability of the Company's properties. In addition, there can be no assurance that precious or

other metal recoveries in small-scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production.

Title to Properties

While the Company has investigated title to all of its mineral claims and to the best of its knowledge, title to all of its properties is in good standing, the properties may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects. There may be valid challenges to the title of the Company's properties which, if successful, could impair development and/or operations. The Company cannot give any assurance that title to its properties will not be challenged. The Company's mineral properties have not been surveyed, and the precise location and extent thereof may be in doubt.

Property Interests

The agreements pursuant to which the Company holds its rights in certain of the Properties provide that the Company must make a series of cash payments over certain time periods or make certain minimum exploration expenditures. If the Company fails to make such payments or expenditures in a timely manner, the Company may lose interest in those projects.

Additional Financing

If the Company's exploration programs are successful in establishing ore of commercial tonnage and grade, additional funds will be required for the development of the ore body and to place it in commercial production. One source of future funds presently available to the Company is through the sale of equity capital. There is no assurance this source will continue to be available, as required or at all. If it is available, future equity financings may result in substantial dilution to shareholders. Another alternative for the financing of further exploration would be the offering by the Company of an interest in the Properties to be earned by another party or parties carrying out further exploration or development thereof. There can be no assurance the Company will be able to conclude any such agreements, on favourable terms or at all.

Competition

The mining industry in general is intensely competitive and there is no assurance that, even if commercial quantities of ore are discovered, a ready market will exist for the sale of same. Marketability of natural resources which may be discovered by the Company will be affected by numerous factors beyond the control of the Company, such as market fluctuations, the proximity and capacity of natural resource markets and processing equipment, government regulations including regulations relating to prices, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of such factors cannot be predicted but they may result in the Company not receiving an adequate return on its capital.

Fluctuating Commodity Prices

The Company's revenues, if any, are expected to be in large part derived from the mining and sale of gold, silver and other metals. The prices of those commodities has fluctuated widely, particularly in recent years, and are affected by numerous factors beyond the Company's control including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities and increased production due to new mine developments and improved mining and

production methods. The price of base and precious metals may have a significant influence on the market price of the Company's shares and the value of the Properties. The effect of these factors on the price of base and precious metals, and therefore the viability of the Company's exploration projects, cannot be accurately predicted.

If silver and metals prices were to decline significantly or for an extended period of time, the Company may be unable to continue operations, develop the properties or fulfil obligations under agreements with the Company's joint venture partners or under its permits or licenses.

Foreign Exchange Rate Fluctuations

In the past, the Company has raised its equity and maintained its accounts in Canadian dollars. Foreign operations carried out in U.S. or local currency could subject the Company to foreign currency fluctuations that may materially and adversely affect the Company's financial position.

Fluctuation of Securities Prices

Securities markets experience a high level of price and volume volatility, and the market price of securities of many companies has experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. Such fluctuation will affect the price of the Company's securities.

Insurance

Where considered practical to do so the Company maintains insurance against risks in the operation of our business in amounts which we believe to be reasonable. Such insurance, however, contains exclusions and limitations on coverage. The Company cannot provide any assurance that such insurance will continue to be available, will be available at economically acceptable premiums or will be adequate to cover any resulting liability. In some cases, coverage is not available or considered too expensive relative to the perceived risk.

Key Personnel

The Company depends on a number of key personnel, including its directors and executive officers, the loss of any one of whom could have an adverse effect on the Company's operations. The Company does not have employment contracts with these key personnel and does not have key man life insurance.

The Company's ability to manage growth effectively will require it to continue to implement and improve management systems and to recruit and train new employees. The Company cannot assure that it will be successful in attracting and retraining skilled and experienced personnel.

Conflicts of Interest

Conflicts of interest may arise as a result of the directors, officers and promoters of the Company also holding positions as directors and/ or officers of other companies. Some of those persons who will be directors and officers of the Company have and will continue to be engaged in the identification and evaluation of assets and businesses and companies on their own behalf and on behalf of other companies, and situations may arise where the directors and officers will be in direct competition with the Company. Conflicts, if any, will be subject to the procedures and remedies under the British Columbia Business Corporations Act [SBC 2002] Chapter 57.

Dependence on Management

The directors and officers of the Company are experienced in administering public companies, however only two of the Company's management has professional mining experience. To provide necessary guidance, the directors will be retaining engineering consultants to provide independent advice and manage exploration programs on the Company's properties.

Joint Venture Partners

The Company's interests in various properties may, in certain circumstances, pursuant to option agreements currently in place, become subject to the risks normally associated with the conduct of joint ventures. The existence or occurrence of one or more of the following circumstances and events could have a material adverse impact on the Company's profitability or the viability of its interests held through joint ventures, which could have a material adverse impact on the Company's business prospects, results of operations and financial conditions: (i) disagreements with joint venture partners on how to conduct exploration; (ii) inability of joint venture partners to meet their obligations to the joint venture or third parties; and (iii) disputes or litigation between joint venture partners regarding budgets, development activities, reporting requirements and other joint venture matters.

Other Risks and Hazards

The Company's operations are subject to a number of risks and hazards including:

- ? environmental hazards;
- ? discharge of pollutants or hazardous chemicals;
- ? industrial accidents;
- ? failure of processing and mining equipment;
- ? labour disputes;
- ? supply problems and delays;
- ? changes in regulatory environment;
- ? encountering unusual or unexpected geologic formations or other geological or grade problems;
- ? encountering unanticipated ground or water conditions;
- ? cave-ins, pit wall failures, flooding, rock bursts and fire;
- ? periodic interruptions due to inclement or hazardous weather conditions;
- ? uncertainties relating to the interpretation of drill results;
- ? inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses;
- ? results of initial feasibility, pre-feasibility and feasibility studies, and the possibility that future exploration, development or mining results will not be consistent with the Company's expectations;
- ? the potential for delays in exploration or the completion of feasibility studies;
- ? business strategy; and
- ? other acts of God or unfavourable operating conditions.

Such risks could result in damage to, or destruction of, mineral properties or processing facilities, personal injury or death, loss of key employees, environmental damage, delays in mining, monetary losses and possible legal liability. Satisfying such liabilities may be very costly and

could have a material adverse effect on future cash flow, results of operations and financial condition.

5.3 Mineral Properties

The Company has interests in mineral properties located in China and British Columbia. As at March 31, 2006, these properties were carried on the Company's balance sheet as assets with a book value of $3,151,643. The book value consists of acquisition costs plus cumulative expenditures on properties for which the Company has future exploration plans. The current book value is not necessarily the same as the total expenditures on each property by the Company, as part of the expenditures on some properties have been written down. The book value is also not necessarily the fair market value of the properties.

The names and book values of the Company's mineral properties are set out below in tables. Further discussion of the individual properties follows below.

The Company's mineral properties in British Columbia were written-off.

China

Property Name	Location	Ownership Interest*	Book Value March 31, 2006
Ying Project	Henan Province	77.5% earned	$3,721,801
Hou Ping Guo Project	Henan Province	60%	Nil
Tuobuka Project	Yunnan Province	100% earned	Nil
Kang Dian Project	Sichuan Province	75% [optioned to NUX]	Nil
TOTAL:			$3,721,801

***** These reflect option rights to earn these percentage interests and option rights granted on these percentage interests on the terms set out in Item 4 above.

For the purposes of National Instrument 43-101 of the Canadian Securities Administrators ("NI 43-101"), the following properties have been determined to be material to the Company:

1. The Ying Project, Henan Province, China;
2. The Hou Ping Gou Project, Henan Province, China;

None of the Company's other mineral property interests are considered material for the purposes of NI 43-101.

Chinese Properties

The Company currently holds interests in four material projects in China, the Ying Project located in the Henan Province, the Hou Ping Gou Project located in Henan Province, China; the Kang-Dian Ni Project located in the Sichuan Province and the Tuobuka Project located in the

Yunnan Province. Myles Gao, President of the Company, is the Company's qualified person for all of its Chinese mineral properties.

Ying Project, Henan Province

Option Agreement

In May 2004, the Company, through its wholly owned subsidiary, Victor Mining Ltd., entered into a cooperative joint venture agreement (the "JV Agreement") with a Chinese party to acquire a 77.5% interest in the high grade Ying Silver Project. Under the JV Agreement, the parties set up a joint venture company, Henan Found Mining Co. Ltd. ("HFMC"). The JV Agreement granted the Company the right to acquire 77.5% of HFMC and thereby the same percentage of the Ying Project by providing US$3,670,000 in funding to HFMC for a 55% interest, and acquiring a further 22.5% interest from the partner for US$1,500,000. As at October 3, 2005 the Company had made all payments and contributions necessary and earned its full 77.5% interest in HFMC.

Technical report

The updated NI 43-101 Technical Report on the Ying Silver-Lead-Zinc Project, Henan Province, People's Republic of China, dated May 26, 2006 prepared by Chris Broili, C.P. Geo., L.P. Geo., Mel Klohn, L.P. Geo. BK Exploration Associates, Jasman W. Yee, P.Eng., Cathy Shuk Yin Fong P.Eng. and Michael A. Petrina, P. Eng. (the "Ying Report") is filed on SEDAR. Mr. Broili, C.P. Geo. & L.P. Geo., Jasman W. Yee, P. Eng. are independent Qualified Persons under NI 43-101. The Ying Report updates the previous independent technical reports on the Ying Project dated April 18, 2006, April 18, 2005 and April 21, 2004, which are also filed on the SEDAR system, and provides a preliminary assessment of the Ying Mine. The information below has been extracted in whole or in part from the Ying report which readers are encouraged to review in full. Reference to Silvercorp includes reference to Henan Found Mining Co. Ltd., the Chinese subsidiary of the Company which holds the Ying Project.

PROPERTY DESCRIPTION AND LOCATION

The Ying Silver-Lead-Zinc Project is located in western Henan Province at latitude 34°07' to 34°12' North and longitude 111°14' to 111°22' East and is currently covered by Five Exploration Permits. Total land holdings under the Exploration Permits include:

	Permit.	Area
1.	Permit No. 0100000520088 - expires June 6, 2007	
	Yuelianggou Ag project (SGX Area)	9.95 km^2
2.	Permit No. 4100000530262 – approved and in the process to be issued to Found	
	Qiaogoubei Au project	3.55 km^2
3.	Permit No. 0100000520087 - expires June 06, 2007	
	Ximiao-Leileisi Au project	12.34 km^2
4.	Permit No. 0100000520145 - expires November 03,2007	
	Shagou Ag project	7.10 km^2

5. Permit No. 4100000320484 – approved and in the process to be transferred to Found from HNGMR

   Sidaogou Ag project 19.70 km^2

Total: approximately: 52.64 km^2

As announced by Silvercorp on March 30, 2006, Mining Permit No. 4100000610045 was issued overlying Exploration Permit No. 010000052088 on the Yuelianggou project (SGX Area).

The existing permits cover all of the target areas outlined in the present report.

The exploration permits can be renewed by the payment of further rental fees. Surface rights for mining purposes are not included in the permits but can be acquired by payment of a purchase fee based on the appraised value of the land. Subject to negotiation, some land use compensation fees may also be due to the local farmers if their agricultural land is disturbed by exploratory work.

The exploration permits give the right to carry out all the exploration presently contemplated and no additional permitting is required.

There are no known or recognized environmental problems that might preclude or inhibit a mining operation in this area. Some major land purchases may be required in the future for mine infrastructure purposes (processing plant, waste disposal, office and accommodations).

A co-operative joint venture contract dated April 15, 2004, was consummated between Victor Mining Ltd. ("Victor"), SKN Resources Ltd.'s (name changed to Silvercorp Metals Inc. in May 2005) wholly owned British Virgin Islands subsidiary, and Henan Non-Ferrous Geological & Mineral Resources Co. Ltd. ("HNGMR"). Pursuant to the joint venture contract, a Chinese co-operative joint venture company, Henan Found Mining Ltd. ("Found"), was established to hold 100% of Ying Project. Victor had the obligation to make capital contributions of US$3.67 million to Found's capital and cash payment of US$1.5 million to HNGMR over three years to earn the full 77.5% interest in Found.

To date, Victor has made capital contributions of US$4 million to Found, and cash payments to the JV partner of US$1,500,000 thereby earning its full 77.5% interest in Found and the Ying Project.

ACCESSIBILITY, CLIMATE, LOCAL RESOURCES, INFRASTRUCTURE, AND PHYSIOGRAPHY

The Ying Project is about 240 km west-southwest of Zhengzhou, the capital city of Henan Province. The property is easily accessed from the small city of Luoning, 40 kilometers away.

Zhengzhou is serviced by daily scheduled air flights connecting to all the major cities in China. Access to the project area is by driving west from Zhengzhou on a standard express highway, then on local concrete paved and gravel roads. The last 6 km to the SGX Area of the Ying Project must be traveled by ferry across the Guxian Reservoir. The closest city with facilities is Luoning, 40 km to the east to the east of the property, with a population of over 80,000. Adequate hotels, restaurants and banks serve the city. Eighty kilometers to the east is the much larger city of

Luoyang which is also accessible via daily scheduled air flights to major Chinese cities and via a standard express highway.

Much of the project area is mountainous and rugged with steep hill slopes commonly exceeding 25°. Elevations range from 300 to 2,000 m above sea level. All of the mineralization and most significant geochemical and geophysical anomalies were discovered on hillsides. Vegetation includes sparse bushes, shrubs, ferns and local small trees.

The climate is subtropic continental with four distinct seasons. Temperature changes are dependent on elevation. Seasons have temperatures averaging 15° C and ranging from -10° C to 38° C. The annual precipitation averages 900 millimeters ("mm") mostly occurring during the July to September period.

The local economy is based on agriculture and mining. There are major power grids adjacent to the property and a power line extends to the SGX Area. Adjacent to the SGX property is a hydropower generating station at the dam which forms the Guxian Reservoir. This reservoir is on the Luo River, a tributary to the Yellow River.

HISTORY

This is an area of known Ag-Pb-Zn mineralization, It has probably been mined for short periods during the last several hundred years. Recent activity from 1956 on is fairly well documented.

Pre-1956: Occasional production of lead and silver from small underground mines by local people.

1956-1980: Geological mapping at 1:200,000 scale by Henan Bureau of Geology and Mineral Resource geologic team, covering the project areas.

1967: Airborne magnetic survey of south-western Henan province (the largest airborne survey in this area) conducted by the Ministry of Geology of China.

1984: Data compiled and published (four publications) concerning mineralization in the district by the Henan Geological Exploration Corp. of Metallurgy.

1991-1993: Stream sediment geochemical survey at 1:50,000 scale by the No. 5 Geological Team of the Henan Bureau of Non-ferrous Metals Geology and Mineral Resources (HBMG&MR), covered 9,680 km^2 in south-western Henan province and included the project area.

1991-1995: Mineral occurrences compiled at 1:50,000 scale by the Geological Institute of Henan Bureau of Geology and Mineral Resources and HBMG&MR. The focus of the investigations was on silver, gold and a multitude of other metals.

Since 1996: No. 1 Geological Team of the HBMG&MR and Geological Institute of Henan Bureau of Geology and Mineral Resources completed geological exploration work and discovered more mineral occurrences in the area.

2000-2002: No. 1 Geological Team of the HBMG&MR conducted 1:25,000 scale stream geochemical survey, 1:10,000 Induced Polarization (IP) survey, 1:5,000 IP profile, 1:10,000 & 1:000 geologic mapping, 1:10,000, 1:5,000, 1:2,000 and 1:1,000 geologic cross-sections. In addition, trenches and tunnels were established. A total of 2,965 samples were collected for assay.

Rock geochemistry, thin section work and specific gravity determinations were undertaken.

2003: 1:10,000 scale geologic mapping, 1:2,000 scale geologic mapping of mineralized veins, local IP survey, finished trenches and tunnels, commenced drilling and did an engineering survey.

2003: Two holes were drilled totaling 681.4 m on grid line 8 to intercept the #14 vein. Intersected the projected veins for 2.5 m of alteration, with horizontal width 1.08 m at an elevation of 360 m. Reported results were 496 g/t Ag, 9.84% Pb and 1.1% Zn indicating the mineralized zone extends down dip for 400 m. Another hole on Grid Line 0 was to intersect the #8 vein, but was stopped at 460 m elevation because the budget was exceeded.

2003-2004: HPGGB completed a resource estimate on the Ying Project in late 2003, which was reviewed and verified following CIM guidelines on the Mineral Resource Estimates by Chris Broili in his April 21, 2004, NI 43-101 Technical Report. In the report, Mr. Broili summarized resource estimates at SGX for six of the better explored veins listed in the following table:

Resource	**Resource**	**Grade**			***In Situ* Metal Resource**		
Type	**(Tonne)**	**Ag (g/t)**	**Pb (%)**	**Zn (%)**	**Ag (ounces)**	**Pb (tonnes)**	**Zn (tonnes)**
Indicated	630,100	412.66	6.57	3.18	8,359,713	41,429	20,015
Inferred	6,901,800	237.33	4.84	3.11	52,663,286	333,983	214,390

2005: In April 18, 2005, Mr. Broili updated the resource estimates at SGX for five of the recently explored veins listed in following table:

Resource	**Resource**	**Grade**			***In Situ* Metal Resource**		
Type	**(Tonne)**	**Ag (g/t)**	**Pb (%)**	**Zn (%)**	**Ag (ounces)**	**Pb (tonnes)**	**Zn (tonnes)**
Measured	229,481	1,419	33.25	9.88	10,470,661	76,314	22,675
Indicated	190,671	1,362	32.16	10.12	8,362,276	61,416	19,329
Measured +Indicated	420,453	1,393	32.76	9.99	18,832,937	137,730	42,004
Inferred	495,205	1,539	35.01	9.56	24,502,345	173,394	47,323

GEOLOGICAL SETTING

Regional Geology

The project area is located in the zone where the Qinling Orogenic Belt joins the south margin of the North China Precambrian Tectonic Plate. This plate margin and orogenic belt is a west-northwest trending zone where the Yangtze Plate abuts the North China Tectonic Plate. This zone hosts many mineral occurrences over a distance greater than 300 km.

The North China Plate geotectonic units consist of rocks of different ages starting with the Archean-age Taihua Formation gneisses and mafic intrusions of gabbro and diabase. The gneiss consists of both felsic and mafic sequences and minor amphibolites.

The Quinling Orogenic Belt includes Proterozoic-age rocks of Xionger Formation made up of

volcanics ranging from mafic to felsic with minor clastic and chemical (carbonate) sediments. The Paleozoic-age Erlangping Formation consists of two assemblages, a thin-bedded sedimentary sequence overlain by a mafic volcanic sequence. The overlying rocks consist of Mesozoic and Cenozoic-age marine sequences including marls and carbonaceous argillites. These are overlain in turn by clastic sediments including sandstone and conglomerate. Major intrusives are Proterozoic and Mesozoic-age mafic to felsic dikes and stocks with uncommon Archean intrusions consisting of mafic and ultramafic dikes and sills.

The structures of the Quinling Orogenic Belt and the southern margin of the North China Plate are characterized by west-northwest trending folds and faults. The folds and faults mostly originated during the Paleozoic Period when the North China Plate collided with the Yangtze Plate. These faults are thrusts or transpressional thrusts with an insignificant component of strike slip movement (consistent with the folding). The thrusts are in both directions with sequences to the north and south thrust over each other. The thrusts are brittle to brittle/ductile with very little ductile component. Associated with the west-northwest trending structural belt is a set of conjugate shear structures that trend either northeast or northwest. These conjugate structures display brittle features such as fault gouge, breccia and well-defined slickensides. The conjugate fault zones host all recognized mineralization. The typical N-NE trending fault zones in the project areas are: Heigou-Luan-Weimosi deeply seated fault zone, Waxuezi-Qiaoduan fault zone, and Zhuyangguan-Xiaguan fault zone.

Rocks of the Archean-age Taihua Formation are metamorphosed to amphibolite facies and locally to granulite facies. Proterozoic-age Xionger Formation and Paleozoic-age Erlangping Formation are metamorphosed to lower greenschist facies and locally to lower amphibolite facies. Younger rocks are not metamorphosed.

Property Geology

The basement in the Ying area is composed of Archean-age mafic and felsic gneisses. Protoliths of these rocks were intermediate-to-mafic and intermediate-to-acid volcanic and sedimentary rocks, which were subjected to amphibolite facies metamorphism. The stratigraphic sequence consists of a thick (about one kilometer) sequence of mafic gneiss with local gabbroic dikes and sills trending N-NE and dipping 30º to 60º toward the SE. This is overlain by a much thicker sequence of thin-bedded quartzo-feldspathic gneiss. The gneiss sequence is bounded on the north and west by Proterozoic-age greenstones (andesitic in composition) along a very high-angle (>70°) "detachment" fault-shear zone. Greenstones have been folded and dip steeply toward the northeast and southwest.

The gneisses are dissected by the northeasterly trending high-angle and mostly west-dipping conjugate faults that are commonly filled with younger diabasic to porphyritic basalt dikes which form a dike swarm. The gneisses are commonly very tightly folded with boudins common near the mafic gneiss-feldspathic gneiss contact. There are also local younger small granite porphyry stocks intruding this sequence. These younger intrusives range from Proterozoic to Paleozoic in age.

DEPOSIT TYPE

The targeted deposit style in the Ying Project Area is:

? A mesothermal silver-lead-zinc system as described by Waldemar Lindgren, 1933. Deposits of this type include the Coeur d'Alene silver district in northern Idaho, USA, one of the largest silver-lead-zinc districts in the world (Park & MacDiarmid, 1970, p 319).

? The most common metal products in mesothermal veins are lead, zinc, silver, copper and gold with gangue minerals commonly consisting of quartz, pyrite and carbonate. Alteration products include quartz, calcite and sericite (Park & MacDiarmid, 1970, p 317-318).

? Mesothermal deposits commonly occur in areas of strong structural deformation in brittle and brecciated rock units. Mineralization is in altered country rock parallel to anticlinal axes and faults (Park & MacDiarmid, 1970, p 322; Sorenson, 1951; McKinstry and Svendsen, 1942).

? Mesothermal deposits commonly display crustiform textures (mineral banding) within the veins (Bateman, 1951, p 110).

MINERALIZATION AND ALTERATION

The known mineralization targets on the property are silver-lead-zinc rich quartz-carbonate veins in Precambrian gneiss and greenstone. Site visits by Mr. Broili noticed the boudinage shape of high-grade mineralized veins in exploration tunnels and stopes at Ying. This shape is commonly known as "pinch-and-swell" in veins and is caused by flexures of the fault plane enabling portions of the fault to widen ("swell") or narrow ("pinch") with movement along the fault. The sections between these high-grade pockets continue as narrow shear zones with anomalous amounts of metal values.

In the western part of the Ying Project (SGX Area) quartz-carbonate veins with Ag-Pb-Zn mineralization are manifested as 28 mapped vein-alteration zones. On the surface they exist as mostly N-NE trending structures, commonly filled by altered andesite dikes and quartz-carbonate veins and more uncommonly occur as altered gneiss along these structures with selvages and local quartz-carbonate veins. Mapping and surface channel sampling define these veins. The altered zones persist along the length of these N-NE trending structures with quartz abundance varying along the strike. On the surface about 30-50% of the structures are altered and mineralized, and the rest are just altered. This may be a factor of exposure and cover as well as zonation in the mesothermal system. More of the vein zones are high on hillsides or ridges rather than being exposed in the valley bottoms. The brittleness of the various lithologies cut by these N-NE structures is probably also a factor dictating the scale of these mineralized dilation zones.

The veins are lenticular with numerous zones of pinching and swelling. These are caused by flexures along the structure having movement perpendicular to the curves and provide dilation zones for mineralization. Stopes seen underground range from 30 to 60 m in both vertical and horizontal dimensions with stope widths ranging from 1 to 3m. Veins commonly consist of quartz carbonate with occasional inclusions of altered wallrock. Metallic minerals include galena (both coarse and fine-grained), sphalerite (mostly blackjack), minor pyrite, chalcopyrite hematite, and local wire silver.

During the field evaluation in 2004, it appeared the underground adits and drifts that follow veins had a similar proportion of 50% mineralized and 50% altered but not mineralized. However, recent work has determined this ratio more accurately. These mineralization ratios are determined based upon areas of the vein with grades greater than 1,250 g/t silver-equivalent divided by the total area of the vein, as determined by tunnel and drill results projected on longitudinal sections. The average mineralization ratio for all veins exposed to date is 31.53%; i.e. 31.53% of the vein areas are mineralized. The mineralization ratios for individual veins are as follows: S2E – 41.3%; S2 – 18.88%; S4 – 18.88%; S6 – 29.27%; S16W – 36.34%; S16E – 30.39%; S7 - 37.36%; S8 – 41.57%; S14 – 40.8%. Vein widths range from 0.2 to 2.0 m, with one vein locally up to 5.0 m.

Mineralization commonly occurs in crustiform textures along the vein margins and consists primarily of galena and sphalerite with local zones enriched in chalcopyrite and pyrite. This texture is typical of mesothermal vein systems. Sulfide content ranges from 10 to 68% galena, 3 to 25% sphalerite, trace to 5% pyrite and trace to 3% chalcopyrite. Sulfides can occur massively or as dissemination within the veins. Veins commonly form thin (0.3 to 0.9 m thick) but extensive (up to 100 m long and deep) massive galena lenses. Wall rock alteration commonly consists of a myriad of quartz veinlets, carbonate on fractures, sericitization, chloritization and silicification. There is also some retrograde alteration expressed as epidote along fractures.

The alteration-vein zones are distinctly more persistent at depth. Many assays from underground veins have significantly better Ag-Pb-Zn values than those from the surface veins. Surface values of eight select channel samples averaged 168.21 g/t Ag, 1.42% Pb and 1.55% Zn over 1.25 m. Underground values of eleven select channel samples averaged 877.14 g/t Ag, 11.97% Pb and 4.36% Zn over 1.20 m. This suggests two scenarios: the mineralization is either (a) leached from the surface outcroppings, or (b) the mineralization is zoned and thus enriched at depth. It is likely that leaching is the case.

At the Sidaogou and Xigou areas (center and east of the property) there are about 20 veins; however, they are much smaller and shorter than those in the west. The mineralization is similar in form and character to the western mineralization. Exploration in these areas is also much more limited.

EXPLORATION WORK

Exploration work completed by Silvercorp from 2004 to March 2005:

1) Expanded all the underground workings on five of the SGX veins:
    a) tunnel enlarging: 1,271 m
    b) declines: 298 m
    c) undercut drifting: 1,897 m
    d) main tunnel: 497 m
    e) raise: 200 m
    f) ventilation raise: 102 m
    g) underground drilling: 15 holes for 1,376 m
    h) sampling and metallurgical work

Exploration work completed by Silvercorp from March 2005 to April 2006:

1) Expanded all the underground workings on twelve of the SGX veins:

a) tunnel enlarging: 1,467 m
b) declines: 575.34816.54 m
c) undercut drifting: 11,364.26 18,887.54 m
d) main tunnel: 2,144.49 5,216.01 m
e) raise: 1,164.72,569.14 m
f) ventilation raise: 53.384.90 m
g) shaft: 107.1657.70 m
h) underground drilling: 6879 holes for 9,184.8612,487.98 m
i) surface drilling: 9 12 holes for 4,138.75,209.35 m
j) sampling and metallurgical work

2) Reconnaissance exploration outside the SGX Area.

Recent Silvercorp Exploration Progress:

Most of Silvercorp's recent exploration work has been confined to the tunneling and drilling programs in the SGX Area now under a mining license. The details of this work are covered under Section 0, Tunneling and Drilling, of this report.

Reconnaissance exploration outside of the SGX Area commenced during the summer of 2004. The program involved primarily surface mapping of old workings and follow-up of soil geochemical anomalies. This work resulted in identifying six additional Ag-Pb veins. These veins, with similar surface leaching characteristics to those at SGX, suggest deeper SGX-style high-grade Ag-Pb mineralization. The assay results for these six new veins are encouraging.

The DM vein, 4.2 km north-east of SGX tunnel CM103, has several north-easterly trending silicification and hematite alteration zones in addition so several small tunnels. Significant gold, silver and lead mineralized veins were found in the old workings. One of the veins is between 0.7 to 1.3 m wide and 400 m long. Surface chip samples and grab samples had encouraging results (0.8 m with 2.67 g/t Au, 26 g/t Ag and 0.14% Pb).

The 3 km long H15 vein is partially covered by a mining permit and is being mined by a local mining company. About half of the H15 vein is located within Silvercorp's Ying permitting area. Chip samples and grab samples had encouraging results (1.0 m with 2.05 g/t Au, 12 g/t Ag and 0.36% Pb).

The Q33 vein, 2.9 km southeast of SGX tunnel CM103, extends 800 m north-south. Locals developed an undercut drift along the vein and intersected Ag-Pb mineralization over 0.3 m. A grab sample (712 g/t Ag, and 1.49% Pb) provided encouraging results.

The C32 vein, 7.6 km southeast of SGX tunnel CM103, extends about 800 m northeast. A small portion of the vein was mapped from a small tunnel in which the vein is from 0.35 to 0.60 m wide. Chip samples and grab samples had encouraging results (grab with 213 g/t Ag and 5.91% Pb). The main tunnel is now being extended 661 m with 42.5 m of raise and 311 m of undercut drift, but no significant mineralization has been yet intersected.

The W6 vein, approximately 9.5 km southeast of SGX tunnel CM103, is more than 700 m long and was previously mined by locals on three levels. Grab samples provided encouraging results (grab with 840 g/t Ag and 3.1% Pb). Recent work includes extending the main tunnel for 280.7 m with 616.7 m of undercut drifting. This tunnel discovered an extension of the northeast-trending, steeply southwest-dipping S18 vein continuous over 105 m and averaging 0.1 to 1.5 m thick. Some of the more encouraging results include 0.2 m of 9,525 g/t Ag, 13.53% Pb and 2.01% Zn, and 0.15 m of 5,306 g/t Ag, 10.38% Pb and 1.91% Zn.

The C29 vein, 6 km southeast of SGX tunnel CM103, is about 5 km long. Chip samples and grab samples had encouraging results (0.23 m with 0.07 g/t Au, 424 g/t Ag, >30.00% Pb and 2.68 % Zn). Recent enlargement of the tunnels (181.5 m), extension of the main tunnel for 60.7 m, undercut drifting for 662.8 m and raising for 33.8 m found three mineralized zones, the longest of which is about 20 m, 0.8 m wide and contains 1.5% Pb and 160 g/t Ag.

TUNNELING AND DRILLING

In the 2005 Report, Chris Broili emphasized the necessity of understanding the controls for the Ying mineralization. To this end, a second phase program was designed to further define the mineralization with a budget of US$3,300,000 for development of 13,000 m of exploration tunnels, 900 m in three shafts and 10,000 m of underground drilling. Additional funds of US$1,700,000 were budgeted for pilot test mining and milling, mining permits and logistics.

At the SGX Area, 2,903 m of underground development were completed by HBMG&MR prior to Found acquiring the property. From August 2004 to April 2006, Found completed a total of 27,574 m of drifts, declines, and raises, 657.7 m of exploration shaft and 17,697 m of underground and surface drilling. The tunneling and underground drilling focused on veins S2, S6, S14, S16E and S16W. Additionally, 1,468 m of several main access tunnels were widened to 2.0 x 2.2 m from 2.0 x 1.8 m. Currently, veins S1, S2, S4, S5, S6, S7, S14, S16E, S16W, S8 and S17, S21 can be accessed through tunnels CM101, CM102 and CM103. Several new veins were discovered relating to the known veins. These include S2E, S7-1, S7-2, S16W1, S16E S16E3, S16E4 and a substantial extension of S21 from approximately 200 m to more than 950 m.

S2 Vein — The S2 Vein has not been extended since March, 2005, but a spur vein, S2E, was found adjacent to S2 as discussed below.

S2E Vein — A number of spur structures from the primary structure hosts the S2 vein. The most significant secondary vein, S2E, is identified at the 496 m and 460 m elevations ("levels") in an access tunnel and is intersected by drill holes. The vein extends 350 m along strike and 300 m down-dip to the northwest. A total of 307 m of drifting and 51 m of raising has exposed the S2E vein which averages 0.47 m thick. .

S4 Vein — The narrow structure which the S4 vein follows was traced for 550 m on the surface north of the main access tunnel (CM103) by trenching. This tunnel intersected the structure at the 549 m level with minimum mineralization; however massive galena was identified in the vein on the 496 and 460 m levels via two declines from the 549 and 496 m levels in the tunnel.

S6 Vein —Massive galena zones in the S6 vein were exposed in drifts made by the previous operators. Expansion along a decline failed to intersect substantial mineralization but two drill holes intersected noteworthy mineralization 300 to 400 m deeper than the CM 102 access tunnel.

S7 Vein — Previously mapped by surface trenching and limited tunneling, the S7 vein extends northeast for 3.5 km to a down-dip depth of 150 m toward the northwest. A new tunnel exposed 200 m of massive galena in the S7 vein, and extensive zones within this vein remain to be explored. Additionally, two new spur veins adjacent to S7 were found.

S8 Vein — The S8 vein extends northeast for 4.1 km and 275 m down-dip to the northwest. The vein was extensively mined in many sections at different levels above 580 m elevation from the Mia Gou (MG) camp, at the northeast end of the vein, to the Hou Zhang Gou (ZG) camp, at the

southwest end of the vein. Silvercorp is currently exploring the vein through four access tunnels. Drifting has exposed 200 m of massive galena zones within the S8 vein. Extensive zones within this vein remain to be explored.

S14 Vein — Updated mapping combined with new tunneling and drilling defined massive galena along 550 m level and 200 m down-dip. This massive galena is fairly continuous with 40.8% of the vein above cut-off grade. The vein ranges from 0.1 m to 1.0 m thick. A total of 135 channel and chip samples from drifts, raises, and stopes average 2,099 g/t silver, 47.27% Pb, and 3.61% Zn (equal to a silver equivalent grade of 4,255 g/t or 136.79 oz/t) over an average thickness of 0.36 m. Core drilling on initial 40-50 m centers tested the down-dip extension of this massive zone.

S16 Vein — Previously defined by surface trenching and limited tunneling, the S16 vein consists of several massive galena with quartz vein spurs with quartz along a narrow structure extending to 300 m depth over 2 km. The vein structure splits into two branches where it cross-cuts CM102. About 535 m north of the CM102 intersection, CM103 also intersected at 570 m elevations two north-striking, east-dipping veins, which are splits of S16. These occur as two or more parallel spurs, 10 to 50 m apart, now identified as the S16W, S16E and S16E1 veins. Locally the spurs merge, so this relationship is not consistent.

Massive galena is abundant along the S16W and S16E veins, ranging from 0.1 to 1.0 m thick on three levels. S16E and S16W are north-striking, east-dipping veins, mapped originally as branches of the S16 vein, but they merge into a single vein about 50 m north of CM102. Both veins are mapped for more than 2,000 m.

The S16 vein consists of intermittent zones of massive galena extending 950 m along strike and 300 m down-dip. Massive galena, common along both the S16W and S16E veins, ranges from 0.1 to 1.0 m in thickness where exposed on three levels.

S16W1 Vein — The S16W1 vein is not found on the surface and was only recently recognized in tunnels at SGX. It is along the west flank of the S16W vein. Both veins are nearly parallel, range from 1.0 to 8.1 m apart and locally merge. Most of these two veins are massive galena. The S16W1 vein was first discovered during excavation of side tunnels and draw-points. At 640 m elevation, three crosscut tunnels perpendicular to a north drift along the S16W also intersected the S16W1 vein.

Intersecting the vein at three different elevations from three access tunnels has defined the veins for 750 m north-south to a depth of more than 80 m. Currently the vein is being explored by drifting along the vein through access tunnels CM101 (640 m level), CM102 (570 m level) and CM103 (560 m level). A number of crosscut tunnels have also been designed to intersect the vein at the 534 m through CM102 and CM103.

S21 Vein — The S21 vein, previously mapped by a Chinese geological team for about 100 m to the northeast, crops out east of the S16E vein. It is cut by the main access tunnel CM103 but does not show mineralization. The discovery surface drill hole, meant to test the S16E and S16W veins, intersected the S21 vein 332 m from the surface. A second hole intersected the S21 vein 111 m from the surface. Two underground drill holes from the CM102 tunnel also intersected the S21 vein.

Drilling, tunneling and surface mapping work have now extended the S21 vein for about 1,000 m. With this significant discovery of massive galena mineralization, the S21 vein is now being

explored with one surface drill rig, one underground drill rig and by tunneling from three access tunnels.

S7-1 Vein — The S7-1 vein, 18 to 20 m west of the S7 vein, was documented by previous geological work. The vein was intersected by all three access tunnels and by one crosscut. To date, drifting along 93.5 m found 83.5 m of massive galena and sphalerite. Limited assay results have favourable zones up to 0.3 m with 1,949 g/t Ag, 25.32% Pb and 21.03% Zn. Current tunneling found the vein over 700 m to a depth of 100 m. The S7-1 vein is parallel to the S7 vein, extends northeast and dips steeply northwest. Exploration of the vein consists of drifting parallel to an existing drift on two elevations through two main access tunnels.

S7-2 Vein — The S7-2 vein is the first from the SGX Area recognized as carrying a gold-rich vein, and represents a different mineralization event compared to the silver-rich veins in the SGX Area. Not only is the mineralization different, but also the alteration of wallrock (diabase) along the vein is different (specifically silicification of the wallrock). The vein also has much more pyrite than any other vein on the property. S7-2 only occurs at the Yue Liang Gou (YLG) camp area and is located between S7 and S8 veins, subparallel and connects to S8 vein at the northeast end and to S7 vein at the southeast end.

The S7-2 vein was traced on the surface for 980 m by a Chinese geological team, however its gold-rich character was not recognized due to inadequate sampling. The vein was first intersected by tunnel YPD02 while exploring the S7 vein at the 565 m level. In tunnel YM01, a crosscut also intersected the vein at 585 m elevation. Using a 1.0 g/t Au cut-off, three gold zones have been defined in the horizontal dimension: (1) the South Zone, which is 84.7 m long, grades 9.65 g/t Au, 19.7 g/t Ag, 1.22% Pb, and 0.48% Zn, and averages 0.25 m true width; (2) the Central Zone, which is 80.3 m long, contains 4.48 g/t Au, 11.46 g/t Ag, 0.66% Pb, and 0.47% Zn, and averages 0.41 m true width; and (3) the North Zone, defined in YM01 at the 585 m level, is 18 m long (open at both ends), contains 4.44 g/t Au, 12.93 g/t Ag, 0.59% Pb, and 0.52% Zn, and averages 0.75 m true width.

The immediate program on the S7-2 vein includes continued drifting along the vein at 585 m elevation through YM01, using a decline in YPD02 to explore the vein at the 510 m level.

SAMPLING METHOD AND APPROACH

Tunnel sampling on the Ying Project is commonly by continuous chip sampling or minor channel sampling. The chip sampling consists of continuous chips across the vein, producing a 2 to 5 kilogram ("kg") sample, depending upon the sample length. The channel samples are cut 10 centimetres ("cm") wide and 5 cm deep, producing a 2 to 10 kg sample for each 0.1 to 1.0 m interval, depending upon the length of the sample. These channel or chip samples are taken *across the vein* at 5 to 7 m intervals along the vein where there is evidence of mineralization or significant alteration.

The Ying underground and surface drill core is logged at the drill site. The mineralized portion of the NQ size (4.8 cm diameter) drill core is then hauled to a surface facility where it is logged in detail, photographed and split by sawing it in half with a diamond saw. Cutting is done one piece at a time; each half is placed in the core box or in a labeled cotton bag with the sample number written on the bag. The bagged core is shipped to a laboratory for assaying and the remaining boxed core is archived.

Underground continuous chip and channel samples as well as core samples are across veins varying from 0.1 to 1.5 m in width. These veins consist of either massive sulfides or quartz-

carbonate veins with sulfides and are easily identified and readily sampled separately from the wallrock.

Core recoveries were determined by measuring the amount of core and calculating the percentage recovered from the interval log of the core. This information is documented in the log. The only core recoveries of relevance are those of the mineralized veins. A summary of these recoveries indicates that veins S16, S7 and S8 and their satellite veins have lower core recoveries (88 to 91%) than veins S2, S6, S14 and S21 (95 to 98%). This suggests that either the vein or wallrock adjacent to the veins is more broken in the S16, S7 and S8 areas than the other vein areas.

Samples appear to have no sampling or recovery difficulties that could affect the reliability of results. The samples appear to be representative, and results of check samples show no sample bias. Rocks sampled underground are sulfide-rich veins that follow structures. These veins are easily identified and can be sampled with little difficulty. The same is true for the core samples.

True widths of sample intervals are only a problem with the drilled intervals. The angle of the vein to core is determined by using the vein to core angles and cross-sectional correlations to determine the dip of the veins. The apparent thickness is then corrected to true thickness using simple trigonometry.

SAMPLE PREPARATION, ANALYSES, AND SECURITY

The tunnel samples are taken at regular intervals and entail taking a certain volume of sample across the vein, depending upon the vein width. No splitting of these samples is done prior to being sent to the laboratory. At that time, the core is split by diamond saw with one-half of the core sent to the laboratory for analysis and the other half retained for archive. The samples are individually secured in sample bags and then collectively secured in rice bags for shipment to the laboratory. Employees of Found, the subsidiary of Silvercorp, collect the tunnel samples and split the core for sampling. No officer or director of either Silvercorp or Found has any contact with any of these samples prior to shipment to the laboratory.

The one laboratory conducting all sample preparation and analysis is Langfang Institute of Geochemical and Geophysical Exploration, an ISO 9001 certified laboratory located in Langfang, Hebei Province, approximately 60 km from Beijing.

The sample preparation consisted of drying, crushing and splitting the sample with a riffle splitter to 150 grams ("g"), then the sample was pulverized to 200 mesh. Lead, zinc and silver were analyzed with an Atomic Absorption Spectrometer after a 3-hour hot aqua regia digestion on a 30 g split of the pulverized portion. A gravimetric finish was done on samples with silver values in excess of 1,500 g/t. On samples containing more than 30% lead, an acid dissolution and titration was used to complete the analysis.

Langfang's lower detection limits are 100 parts-per-billion ("ppb") for gold, 3g/t for silver, 0.03% for lead and zinc, and 0.02% for copper.

Silvercorp's check procedures included inserting standards in their regular analytical submittals, submitting duplicate pulps to the principal lab, and analyzing duplicate pulps by an outside independent lab.

First, a set of three standards were included in 66 analytical submittals to Langfang for a total of 347 standard checks. These check standards were within 3% for lead, zinc and silver. The only noticeable variation was a higher deviation for those samples with greater metal contents, an expected effect.

Second, 530 duplicate pulps from 3,630 samples were analyzed by Langfang. The results of these duplicate analyses were evaluated for only those samples with more than 50 g/t Ag (226 pulps), more than 0.5% Pb (242 pulps) and more than 0.5% Zn (241 pulps). The results were 0.96% difference for silver, 1.23% difference for lead and 0.89% difference for zinc.

Third, both ALS Chemex and Acme Laboratories performed check analyses on duplicate pulps to determine assay accuracy or contamination difficulties. Both laboratories are located in Vancouver and are ISO 9001: 2000 registered. The check analyses were done on 322 sample pulps at random rather than at regular intervals, which is helpful in recognizing any systematic contamination or other sampling difficulties.

Their analytical procedures were as follows:

- Each of the sample pulps received by Acme were digested in a 30 milliliter ("ml") aliquot of modified aqua regia solution (equal parts ACS grade HCL and HNO_3 acid and de-mineralized H_2O), then is heated in a hot water bath (about 95°C) for one hour.
- After cooling for 3 hours, the solutions were transferred to 100 ml volumetric flasks and made to volume with 5% HCL. Very high-grade samples may require a 1 g per 250 ml or 0.25 g per 250 ml sample-to-solution ratio for thorough digestion and accurate determination.
- Solutions were aspirated into a Jarrel Ash Atomcomp model 800 or 975 ICP atomic-emission spectrometer for reading of Ag, Pb, Zn, Cu and other elements.
- Gold was fire-assayed with Atomic Absorption ("AA") finish.

Acme's lower detection limits are 2 ppb for gold, 2g/t for silver, 0.01% for lead and zinc, and 0.001% for copper. The results were 1% difference for silver, 5.2% difference for lead and 2.2% difference for zinc.

A corrective action with these check procedures was necessary with the revelation that one of the independent laboratories was not generating reproducible analytical results. This lab was eliminated from the check system.

The adequacy of sample preparation, security, analytical procedures and check procedures were in keeping with standard industry practices.

DATA VERIFICATION

During property visits on January 9–12 and March 18–24, 2006, Mr. Broili was given unrestricted access to all available information and all underground workings. Fortunately, this type of lead-zinc-silver mineralization is easy to recognize and identify, making verification relatively straightforward. Lead, zinc or silver assay grades can be generally confirmed by visual estimation of the abundance of galena and sphalerite and sometimes wire silver (lead, zinc and silver minerals).

Mr. Broili's on-site verification of the property consisted of the following:

- checking of property locations using a GPS
- visual inspection of the local geology, mostly underground but also on the surface
- visual inspection of the mineralized alteration zones, both underground and on the surface and verification with a digital camera
- review of all on site maps, longitudinal sections, cross sections and assay spreadsheets

As part of the verification process, Mr. Broili traversed most of the tunnels on foot using tunnel maps and digital camera to locate, document, verify and confirm numerous veins and drill sites against corresponding database entries and map postings. Included were inspections of dozens of randomly selected underground geological features and lead-zinc-silver mineralized veins. Additionally, diamond drill cores and other sample materials stored at the project site were examined.

During Mr. Broili's visit, the mineralized veins were measured by pacing and lengths were compared to those shown on maps and longitudinal sections. Additionally the bearings of the veins were verified by hand-held compass readings. Finally, the length of the tunnels where they intersected veins, was paced to verify the accuracy of the working maps. The expectedly wide local variability in grade and continuity of lead-zinc-silver vein mineralization is a situation somewhat analogous to nuggety, coarse gold veins. The tunneling shows acceptable to very good correlations in vein thickness and grade between the historical tunneling and the new tunnels and drilling. This confirms the veracity of the historical tunnel sample results.

There were no limitations placed on Mr. Broili for verification purposes. In Mr. Broili's opinion, the data are adequate for preparing mineral resource estimates compliant with NI 43-101.

ADJACENT PROPERTIES

Mineralization in the deposits described in this section is reflective of the mineralization on the properties, which are the subject of this report. This information was provided by and translated by Silvercorp staff.

Tieluping Lead-Silver Mine

The Tieluping Lead-Silver Mine adjacent to and east of the Ying Concession is characterized by NNE trending, closely spaced, steeply-dipping, structurally-hosted quartz-carbonate veins with silver and lead mineralization in mafic gneiss. Several local operators are currently mining these multiple vein sets underground. The veins are as much as 950 m long, from 2.0 to 5.6 m wide and extend 270 to 420 m down-dip. Tieluping Silver and Lead Mine claim an indicated resource of 1,061.69 tonnes of contained silver and approximately 200,000 tonnes of contained lead according to Chinese resource standards. The reported grades average 292 g/t Ag and 3% Pb. Alteration associated with this mineralized system includes quartz-carbonate and sericite. All silver mineralization is associated with increasing galena content of the veins.

The Changsha Designing and Research Institute of Non-Ferrous Metal Metallurgy performed a metallurgical recovery test on two samples from Tieluping Silver and Lead Mine in 1994. Based on the test report, the best flow sheet for recovering silver and lead is to use a conventional flotation process. The material was crushed to 80% less than 0.074 millimeters ("mm"). The recovery for silver was 94.12% to 94.58% for lead, and 82.24% to 94.92% for silver, depending

on the degree of oxidization. The typical concentrate contained over 5,000 g/t silver and 65% lead.

Haopinggou Lead-Silver-Gold Deposit

The Haopinggou Lead-Silver-Gold deposit is in the western most window of the Ying Property. Six mineralized veins exist. The steeply dipping veins trend NNE, similar to the SGX veins, with a strike length of 0.2 to 2.4 km. A local operator is currently mining a single structurally hosted vein underground. The vein ranges from 0.5 to 3 m wide and grades 0.77 to 20.55 g/t Au, 6.15 to 232.00 g/t Ag, and 0.28 to 11.23% Pb.

Alteration associated with this mineralizing system includes quartz-carbonate and sericite. All silver mineralization is associated with increasing galena content of the veins. Wall rock is mafic gneiss.

The mine head grades, production rate and other mining and milling data were not available.

On March 3, 2006, Silvercorp announced it had entered into a letter of agreement to acquire a 60% interest in the Haopinggou Mine for payment of CDN$6 million. The acquisition of the property remains subject to a number of conditions and is not included in this report.

MINERAL PROCESSING AND METALLURGICAL TESTING

Mineralogy

Henan Non-ferrous Metals Research Institute (HNMRI) performed petrographic analysis on samples collected for metallurgical test work. These were samples from veins S14, S16E, and S16W in adit CM102. HNMRI's study identified the following polymetallic sulfide minerals: galena, sphalerite, and pyrite with trace amounts of chalcopyrite, pyrrhotite, hematite, magnetite and arsenopyrite. Silver minerals included native-silver, B-argentite, cupargyrite, and stephanite. The main gangue minerals were quartz, sericite, chlorite and kaolin. The composition of the sulfide and gangue minerals in the blended ore sample is listed below in Table 1.

Table 1: Mineral Composition Of The Ying Mine Ore

Sulfides and Iron Minerals	**(%)**	**Gangue Minerals**	**(%)**
Pyrite, pyrrhotite	2.54	Quartz	40.00
Galena	6.80	Chlorite and sericite	22.50
Sphalerite	7.80	Kaolin and clay minerals	15.00
Arsenopyrite	0.06	Hornblende and feldspars	4.00
Chalcopyrite etc.	0.20	Others	0.50
Hematite, magnetite etc.	0.60		

Galena is fine to coarse-grained (0.05 to 0.5 mm) and commonly occurs as a replacement of pyrite. The galena is distributed along the fractures of quartz or other gangue minerals and commonly interlocked with sphalerite and pyrite.

Sphalerite is commonly coarse-grained and ranges from 0.2 to 2.0 mm in size. It is formed by replacing pyrite and enclosed in a skeleton of remaining pyrite.

Silver appears in two forms, as silver minerals such as native silver, electrum, tetrahedrite, polybasite, pyrargyrite, and argentite, and as electro-replacement in galena, pyrite, and other sulfides. Native silver varies from very fine-grained to coarse-grained, appearing as wires and sheets. Silver sulfides usually range from 0.01 to 0.07 mm in size. Example of the distribution of silver minerals and silver bearing minerals is shown in the photo below and the detailed phase distribution of silver is listed in Table 2 below.

Table 2: Phase Distribution Of Silver

Occurrence	g/t	%	Comments
Native Silver	89.45	23.32	free silver
Silver Sulfides	136.32	35.54	in tetrahedrite, polybasite, pyrargyrite, and argentite
Silver in Sulfides	140.04	36.51	in galena, sphalerite, pyrite, and chalcopyrite
Silver enclosed in gangue minerals	17.76	4.63	in quartz etc.
Totals	383.57	100.00	

Specific Gravity

A total of 60 samples were taken for specific gravity (SG) measurements. Based on the cutoff grade, results of 45 samples were used to calculate the average SG for each vein on the Ying Property. The SG tests were done using the wax-immersion method by Analytical Lab of No. 6 Team of Henan Non-Ferrous Metals Geological and Mineral Resources Bureau in Luoyang. Samples ranged in size from 470 to 2,690 g.

Following is a summary table of the SG tests.

Table 3: Specific Gravity (SG) Of Different Mineralization Types And Veins

Veins	Ag (g/t)	Pb (%)	Zn (%)	Ag Equiv.	SG	
Average	**1,994**	**37.55**	**10.05**	**4,055**	**4.28**	**45 samples**
Dissem Average	1,791	19.42	12.65	3,211	3.47	13 samples
Massive Average	2,076	44.91	9.00	4,398	4.61	32 samples
S14 Average	2,380	40.51	4.96	4,325	4.21	17 samples
S16E Average	1,755	31.88	15.82	3,851	4.18	7 samples
S16W Average	1,865	42.44	13.42	4,293	4.60	9 samples
S2 Average	1,564	30.22	12.95	3,454	4.19	10 samples
S6 Average	2,275	46.82	3.43	4,413	4.25	2 samples

Metallurgical Testing

Metallurgical testing for the Ying Ore Body was performed by Henan Non-ferrous Metals Research Institute (HNMRI) in July 2005. Samples and blends of these samples from veins S14, S16E, and S16W in adit CM102 at the SGX Area were used.

Head grades of these samples are listed in Table 4.

Table 4: Head Grade Of Metallurgical Test Samples

Sample	Ag (g/t)	Pb (%)	Zn (%)
No. 1	436.45	0.72	0.87
No. 3	659.75	2.66	14.34
No. 5	314.65	9.67	4.20

In order to better understand the metallurgical characteristics of the Ying Ore Body, HNMRI blended these samples based on the following ratios of No.1: No.3: No.5 of 2.5: 2: 5.55. It was assumed that this blend would be representative of the Ying Ore Body and it would represent the expected mill grade. The head grade result of this blended sample is provided in Table 5.

Table 5: Head Grade Of Blended Sample

Pb (%)	Zn (%)	Cu (%)	S (%)	As (%)	TFe (%)
5.88	5.23	0.063	4.02	0.001	2.83
Au (g/t)	**Ag (g/t)**	**CaO (%)**	**MgO (%)**	**SiO_2 (%)**	**Al_2O_3 (%)**
0.17	385.7	0.74	0.64	30.71	5.4

The testwork concluded that the optimum grind for the ore was 70% passing 200 mesh. This flowsheet contains test information on the optimum reagent dosages and their points of addition. The results of this lock cycle test are shown in Table 6.

Table 6: Lock Cycle Test Results

Product	Weight (%)	Grades			Recovery (%)		
		Pb (%)	Zn (%)	Ag (g/t)	Pb	Zn	Ag
Lead Con	7.84	68.18	6.24	4,196.52	90.89	9.39	85.12
Zinc Con	7.49	2.10	59.61	453.80	2.67	85.67	8.79
Tails	84.67	0.45	0.30	27.80	6.44	4.94	6.09
Head	100.00	5.88	5.21	386.50	100.00	100.00	100.00

Custom Milling

In addition to the metallurgical test work performed at HNMRI, custom milling of the by-product ore has also taken place at two toll mills since January 1, 2005. Since the custom milled ore is on a very large sample, results from this milling program can be considered representative of the Ying Ore Body. The overall results of the two toll mills from January 1, 2005, to April 13, 2006, are presented in Table 7 below.

Table 7: Custom Milling Metallurgical Balance Of The Ying Mine By-Product Ore (January 1, 2005 To April 13 2006)

Feed	Tonnes	Grade			Metal content			Distribution (%)		
		Pb (%)	Zn (%)	Ag (g/t)	Pb (tonne)	Zn (tonne)	Ag (kg)	Pb	Zn	Ag
Ore	40,711	5.82%	2.79%	369	2,371.33	1,100.47	15,033.50	100.00%	100.00%	100.00%
Lead concentrate	3,584	63.40%	6.00%	3,603	2,272.26	215.04	12,913.15	95.82%	19.54%	85.90%
Zinc concentrate	1,636	1.50%	50.00%	450	24.54	818.00	736.20	1.03%	74.69%	4.90%
Tail	35,491	0.21%	0.19%	39	74.53	67.43	1,384.15	3.14%	6.13%	9.21%

This table includes both the by-product lead zinc ore and the lead only ore.

Although no custom milling flowsheets were available for review, it would not be dissimilar to the flowsheet used in the locked cycle test performed by HNMRI. The author was able to confirm the flowsheets used during a visit to the two custom milling facilities this month.

For the Luoning Shangzhuang Mill (LS mill), below is a description of the mill process that was seen and information provided by the site metallurgist.

The crushing circuit consists of two jaw crushers. The primary jaw has a close side setting of 40 mm. There is no coarse ore bin, just a hopper above the jaw where the ore is piled. Discharge from the primary jaw is conveyed to the secondary jaw which has a closed side setting of 15 mm. Discharge from the secondary jaw feeds the fine ore bin which has a live capacity of 100 tons or a day's feed. There is no screen in the crushing circuit.

Ore from the fine ore bin discharges from a 200 mm pipe on to a variable speed rotating disk. A plow on the disk is used to adjust the feed rate to the mill. The size of the ball mill is 1.5 m in diameter by 3 m long. It is powered by an 80 kW motor. This mill has discharge grates and at the time of our arrival about 70% of the mill had been relined with single wave steel liners. The new liners are approximately 75 mm thick. Discharge from the mill reports to a spiral classifier that is about 1 m in diameter. Overflow from the classifier reports to lead flotation while the coarse fraction is returned to the mill. The diameters of the steel ball charge ranged from 100 mm to 37 mm in size. The target grind size is 70% passing 200 mesh and the overflow density is maintained at 25% solids by weight.

During operation, reagents added to the mill include zinc sulfate and aerofloat 25. Some soda ash is added to the classifier overflow together with ammonium sec butyl dithiophosphate. The lead flotation bank consists of 1 stage of roughing, 2 stages of scavenging and 3 stages of cleaning. Additional zinc sulfate is added to the lead cleaners to ensure the zinc in the lead concentrate does not exceed the smelter specification. Tailings from the lead circuit flows to the zinc conditioner tank. The agitator of the zinc conditioner is fitted with a pump impeller to provide positive flow and mixing. Copper sulfate is added to the lead tailings discharge line and lime gravities to the zinc conditioner from its mix tank located beside the conditioner. Butyl xanthate is used to collect and float the activated sphalerite. The zinc flotation circuit is similar to the lead consisting of 1 bank of cells with 1 stage of roughing, 2 stages of scavenging and 3 stages of cleaning. Additional lime is added to the cleaners to reduce the pyrite content.

Both lead and zinc concentrates gravity to their respective settling containment concrete structures. Flocculent is added to assist with the settling of the solids. Clarified supernatant is allowed to discharge from the adjustable gates of the containment structures. Settled solids are then shovelled from the containment structures to their respective concrete pads for drying in the sun. After drying, the concentrates are bagged in 25 kg sacks for shipment to their respective smelters.

Tailings from the zinc flotation circuit are then pumped to the tailings dam. An emergency pond located between the mill and the tailings dam is available for handling spills from emergency situations and also for upset conditions in the flotation and the concentrate dewatering operations.

Supernatant from the tailings pond is pumped for reuse in the mill process.

A set of 5 samples is taken every shift and there are 3 eight hour shifts a day. The shift samples include the flotation feed taken at the classifier overflow, the lead concentrate discharging from the 3rd lead cleaner cell, the lead tailing at the overflow weir of the last lead scavenger cell, the zinc concentrate from the 3rd cleaner cell and the zinc tailing at the overflow weir of the last zinc scavenger cell. Lead, zinc and silver assays are performed on the feed and lead concentrate samples; lead and silver assays on the lead tailing sample; lead and zinc assays on the zinc concentrate sample; and zinc assay on the zinc tailing sample.

Lead and zinc assays are determined by titration following acid digestion. Titration is normally used on very high concentration of lead and zinc samples while an AA finish is used for the lower grade samples. In the case of the LS lab all lead zinc assays are done by titration after acid digestion. Silver assays are determined by fire followed by weighing of the bead with a precision beam balance after cupellation. Levels of detection for both these methods were not noted.

As for the Lushi Zhangcun Mill (LZ mill), the process conditions and layout are similar to the LS mill. The crushing circuit is similar where two jaw crushers are used in series in an open circuit. However, the layout is slightly different at LZ due to the topography. Of concern was the location of the primary jaw. It is located directly below the jaw crusher feed chute which is at ground level. Maintenance on this jaw is difficult due to the minimum head room. Finish crush size typically was 20 mm according to the metallurgist and the fine ore bin had a live capacity of about 10 to 12 hours at a milling rate of 240 tpd.

Cleanliness around the conveyor belts was good. There is good access on either side of these conveyors. Besides, the clean up points are at ground level. Vibrating feeders located at the discharge openings of the fine ore bin are used to regulate the feed to the ball mills rather than a plow and rotating disk. There are two mill circuit lines. The new line was installed approximately two months ago and undergoing testing during our tour. Both lines were operating at the time of our visit and their configurations are exactly the same as those described above for the LS mill.

Reagents used at LZ included zinc sulfate and sodium sulfite for pyrite and zinc depression in the lead circuit. Aeroflot 25 and ammonium di-sec-butyl dithiophosphate are used to float the lead minerals. Some soda ash is also added in the classifier overflow. Lime, copper sulfate and butyl xanthate are used in the zinc circuit.

Lead and zinc concentrates are dewatered in their respective concrete containment structures and allowed to dry on pads after the solids have settled out.

Tailings from the plant flow by gravity to the impoundment site located slightly below the plant. There is a water reclaim system in place at the tailings impoundment. This water is pumped to the process water tank located near the top of the fine ore bin.

A visit was then made to the assay lab for this plant. It is located approximately five minutes by car from the plant. The lab is secured and the only means of access is through a locked, fenced gate into the compound.

Assaying procedures used are exactly the same as those used at the LS mill. The number of samples and determinations including the calculations for the daily mill production numbers are also exactly the same.

The capacity of each milling circuit at LZ is about 120 tpd and the reagent consumptions provided by the metallurgist are as follows:

? Lead Circuit

Zinc sulphate	2,000 g/t
Sodium sulfite	950 g/t
Aeroflot 25	45 g/t
Dithiophosphate	10 g/t
#2 oil (frother)	15 g/t

? Zinc Circuit

Lime	1,000 g/t
Copper Sulfate	400 g/t
Butyl Xanthate	35 g/t

The Ying Mine lead and zinc concentrates are clean and of high quality. The high-grade silver in the lead concentrate makes it extremely attractive for the lead smelters. Assays of the lead and zinc concentrates are presented in Table 8 below, together with the other elements considered to be impurities.

Table 8: Impurities In The Lead And Zinc Concentrates

Product	**% (Pb/Zn)**	**Impurities (%)**				
		Cu	**Pb**	**Zn**	**As**	**TFe**
Pb Con	68.14	0.36	/	6.24	0.015	/
Zn Con	59.61	0.33	2.1	/	0.01	1.61
Product	**Impurities (%)**					
	F	**Au (g/t)**	**Ag (g/t)**	**MgO**	**Al_2O_3**	**SiO_2**
Pb Con	/	0.2	4,196.52	0.13	1.13	/
Zn Con	0.1	0.1	453.8	/	/	2.87

The size distribution of the lead concentrate is presented in Table 9 and zinc in Table 10

Table 9: Grain Size Distribution Of Lead Concentrate

Size (um)	+74	+74-37	+37-19	+19-10	-10	Total
% (Wt)	17.39	24.64	22.10	21.09	14.78	100.00

Table 10: Grain Size Distribution Of Zinc Concentrate

Size (um)	+74	+74-37	+37-19	+19-10	-10	Total
% (Wt)	50.00	28.43	12.39	6.04	3.14	100.00

The relatively coarse nature of the zinc concentrate confirms the mineralogy on zinc that was done. This product would appear to be easily thickened and filtered.

Based on the custom milling results which basically confirm the best lab lock cycle test, the new mill design will utilize the process information derived from both these sources. Of interest to note is the lower zinc recovery in the custom mill balance. This lower recovery is probably attributed to the lower zinc to lead ratio in the feed. The lab and custom mill results confirm that

the Ying ore is readily amenable to differential flotation with very good lead, silver and zinc recoveries.

Tailings Water Reclamation

Laboratory testing has confirmed that water reclaimed from the tailings dam can be recycled for use in the mill. According to the lab results performed at HMRDI, there is no need for water treatment prior to re-use.

MINERAL RESOURCE ESTIMATES

The mineral resource categories used in this report are those by the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) in the *CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines* as adopted by the CIM Council on August 20, 2000. These resource definitions are summarized as follows:

> " A **Mineral Resource** is a concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge.
>
> A **Measured Mineral Resource** is that part of a Mineral Resource for which quantity, grade or quality, densities, shape, physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.
>
> An **Indicated Mineral Resource** is that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.
>
> An **Inferred Mineral Resource** is that part of a Mineral Resource, for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes."

Mineralization in the Ying Project consists of narrow vein-type deposits which occur as discrete planes of variable grade and finite but variable thickness. Resources in deposits of this type are amenable to definition by polygonal methods using longitudinal sections, and the resource estimates reported herein were prepared using such methods.

The polygonal resource estimates were prepared by Mr. Wang Jianwen, Chief Geologist of Found, and Mr. Myles J. Gao, P.Geo, President of Silvercorp, who is a Qualified Person, as defined by NI 43-101, and the estimates were audited by Mr. Broili and Mr. Mel Klohn, co-authors of the current report and Independent Qualified Persons as defined by NI 43-101. One of authors, Mr. Broili, visited Ying three times since the 2005 Report with separate 6- to 7-day visits during September 2005, January 2006 and March 2006. Mr. Broili reviewed assay results, geological maps, level plans, longitudinal and cross sections, toured tunnels and checked sampling procedures.

Following is a list of the authors' comments regarding parameters used in the current resource estimations:

1. The polygonal block model used in the current resource estimation is a valid way to determine a resource for this type and configuration of mineralization.
2. Because strong mineralization in the majority of the veins is less than one meter thick, polygonal blocks were constructed on longitudinally projected sections using MapGIS, a MapInfo-like GIS software application which is widely used in China. Polygonal block areas of the polygonal blocks were calculated with the MapGIS software.
3. Due to apparent surface leaching affect, trenching assays were not used in calculating resources categorized as either "measured" or "indicated." Only drill hole and tunnel assays were used in estimating these resources. Continuous chip samples or channel samples taken from the tunnels and split NQ or HQ-core samples provide the sole basis for these resource categories. However, surface geological mapping and trench data were used to project resource blocks categorized as "inferred."
4. Because tunnel samples were collected every 5 to 7 m across the mineralized veins, five assays were composited horizontally to represent approximately 25 m of section along strike of the veins.
5. Based on level intervals, individual block sizes relating to the tunnel sampling is limited to 25 m in length and 40 m in height. The thickness of a block is calculated from the weighted average of true widths of all individual samples enclosed in the block.
6. Topographic control for the polygonal sections is taken from 1:10,000 government topographic maps and appears to be reasonably reliable.
7. The minimum cutoff thickness used for mineralization is 0.10 m.
8. The minimum cutoff grade used for the mineralization is a reasonable 1,250 g/t equivalent-silver. "Equivalent-silver" is determined as follows:

   AgEquiv = g/t Ag + (22.0462 (%Pb x Pb Price + %Zn x Zn Price) / Ag price)
   Where silver grade in grams/tonne (g/t)
   Long term metal prices: Ag - US$6.5 per troy ounce = US$0.21 per gram
   Pb - US$0.40 per pound
   Zn - US$0.45 per pound
   Conversions: 1 troy ounce = 31.1035 grams
   1 tonne = 2,204.62 pounds
9. A top-cut value of 9,019 g/t Ag was applied for extremely high silver assay values. No top-cut was applied to lead and zinc values
10. This is an in situ resource estimate only; no internal or external dilution has been applied.
11. Mined-out areas are excluded from the resource estimates.
12. Any interpolations are based upon vein thickness and grade.

13. The specific gravity values are current and were determined separately for each vein. The values range from 4.18 to 4.60 and average 4.28. A conservative specific gravity value of 4.20 was used for the resource estimation calculations.
14. The mining method employed is shrinkage stoping because of the vein character of the mineralization.
15. The wall rock surrounding the veins is commonly silicified, which means the vein usually breaks clean from the wall rock, thus minimizing dilution.
16. The veins closely follow fault structures and they pinch-and-swell depending upon the curves along the fault and movement direction of conjugate faults.
17. Because the mineralization pinches-and-swells, it is difficult to project mineralization over substantial distances. However, considering this is strictly a resource estimation, not a reserve, the data and methods employed are adequate to allow resources to be categorized as measured, indicated and inferred.
18. Resource blocks categorized as "measured" are defined solely by continuous chip or channel sample assays in tunnels or drifts. These blocks are projected up to 20 m above and below a given tunnel and 20 m along strike from a given tunnel intersection.
19. Resource blocks categorized as "indicated" begin either above or below a measured resource block or are projected from a drill intercept or cross-cut tunnel. For blocks projected from the measured resource blocks, the distances are not greater than 40 m. For blocks projected from drill holes, the distances are not greater than 70 to 80 m. Block boundaries are defined as the midpoint between drill holes
20. Resource blocks categorized as "inferred" used a mineralization ratio to estimate the proportion of the block above the cutoff values. This ratio is based upon the length of the adjacent tunnel or drift along the vein having values above the equivalent silver cutoff grade divided by the total length of the tunnel or drift. The mineralization ratio is used as a factor to calculate resource tonnage of each polygonal block. The estimated proportions of mineralized sections (MS) are shown in Table 11, below. The estimated grade and thickness used for this estimation is derived from the average of all the measured and indicated blocks on the vein. For veins intercepted by deep holes, the inferred resource blocks were projected 160 m down-dip from the indicated blocks. Otherwise, they were projected only 80 m down-dip.

Table 11: Mineralization Ratio Of Different Veins

Veins	Drift Length (m)	MS Length (m)	Mineralization Ratio (%)
S2E	307.1	97.6	31.78
S2	533.3	172.6	32.36
S4	247.8	57.0	23.00
S6	432.8	151.2	34.94
S7	847.1	137.5	16.23
S7-1	114.2	65.0	56.92
S7-2	344.8	5.0	1.45
S8	1402.8	331.3	23.62
S14	1683.8	853.2	50.67
S16E3	110.0	47.6	43.27
S16E	1385.0	431.0	31.12
S16W	3330.2	1186.0	35.61
S16W1	312.4	136.0	43.53
S21	685.2	112.5	16.42
Total	**11314.1**	**3599.9**	**31.82**

Resource data and statistics

The drill hole and continuous chip sample database are maintained in an Access database and Excel spreadsheet. The continuous chip sample database contains sampling dates, locations, sample number, elevation, width, and assay results. The drill hole database includes collar data, down hole survey data, sample intervals, and assay results.

The last assay certificate for this data resource estimate was received March 31, 2006. The database stores Pb, Zn and Ag assay results for 4,101 total samples, Cu for 268 samples and Au for 84 samples. The samples consist of 3,170 continuous chip and channel samples, and 931 drill core samples (Table 12).

Table 12: Total Assay Samples

Mineralized Veins	Continuous Chip Samples	Drill Core Samples	Total
S2E	78	22	100
S2	120	81	201
S4	57	10	67
S5	-	3	3
S6	72	26	98
S7	183	14	197
S7-1	30	11	41
S7-2	54	-	54
S7W	4	5	9
S8	376	64	440
S8-1	6	-	6
S8-2	21	-	21
S14	416	151	567
S16E	455	145	600
S16E1	3	40	43
S16E2	-	1	1
S16E3	33	16	49
S16E4	5	11	16
S16W1	181	32	213
S16W	919	187	1106
S21	132	81	213
S22	25	31	56
(TOTAL)	**3170**	**931**	**4101**

Statistics are based on either individual or composite samples that cross a vein. If more than one sample is taken along a single line crossing a mineralization, a weighted average of the assays is calculated to comprise one assay.

Comparisons between Ag and Zn or Pb and Zn indicate a low or negative correlation, suggesting zinc mineralization was independent from silver and lead mineralization. An exception is the strong correlation coefficient between silver and zinc in the S6 vein, suggesting a local association between silver and zinc mineralization.

Resource Geology

Tunnels and diamond drilling completed since the last resource update continue to demonstrate that the high-grade pockets along the veins pinch-and-swell along strike and down-dip. This pinching and swelling can easily be seen in the drifts and tunnels. In addition, grade variation plots along veins demonstrate the pinching and swelling, with the pinches below the 1,250 g/t Ag-equivalent line and the swells above the 1,250 g/t Ag-equivalent line. This is most apparent on veins S14, S16W and S16W1 where tunnels driven on three levels along the strike, range from 550 to 1,200 m long.

Tunneling and drilling show that high-grade pockets can extend over 325 m down-dip and 215 m along strike. Cross-sections indicate very good grade and thickness continuity vertically with less continuity horizontally. An exception is the S8 vein, where high-grade pockets have a longer strike length than dip length. These high-grade pockets constitute as little as 16.42% of the S21 vein to as much as 56.92% of the S7-1 vein, averaging 31.82% for all veins. Tunnels completed to date expose these high-grade pockets within shear structures. Future exploration should continue to target these high-grade pockets.

Resource Estimates

The Ying mineralization is polymetallic and the mineral resources are reported in terms of a silver-equivalent grade, as well as separate individual metal grades.

The long-term metal prices used for calculating the silver-equivalent values are:

Silver	US$6.50 / troy ounce
Lead	US$0.40 / pound
Zinc	US$0.45 / pound

Starting in November, 2004, shipments were made to off-site flotation mills and smelters with demonstrated recovery rates of 95.0% for lead, 90.0% for silver and 75.0% for zinc. However, the silver-equivalent calculations reported herein reflect gross metal content and have not been adjusted for these metallurgical recoveries.

The estimated mineral resources of the fourteen veins announced to date at Ying by Silvercorp are summarized in the following table:

Table 13: Summary Of Mineral Resource Estimates At The Ying Mine, 26 May 2006

Resource Category	thickness (m)	Tonnes	Ag (g/t)	Ag (oz/t)	Pb (%)	Zn (%)	Ag Equiv* (g/t)	Contained Metal Resource			
								Ag (oz)	Pb (t)	Zn (t)	Ag Equiv* (oz)
Measured	0.49	350,765	1,397	44.92	24.34	9.69	2,884	15,755,537	85,381	34,001	32,524,723
Indicated	0.37	460,854	1,639	52.70	28.11	7.79	3,195	24,288,513	129,557	35,894	47,338,594
Measured + Indicated	0.42	811,620	1,535	49.34	26.48	8.61	3,061	40,044,051	214,938	69,896	79,863,316
Inferred	0.45	1,246,013	1,426	45.86	25.47	9.38	2,946	57,143,860	317,362	116,914	118,030,208

*Ag Equivalent is calculated using US$6.50/oz Ag, US$0.40/lb Pb, and US$0.45/lb Zn
Calculations reflect gross metal content and have not been adjusted for metallurgical recoveries.

The average thickness of veins in the measured resource category is 0.49 m, veins in the indicated category average 0.37 m thick, and combined measured plus indicated thickness is 0.42 m. Veins in the inferred resource category average 0.45 m in thickness.

A detailed vein-by-vein breakdown of the estimated mineral resources is provided in the following table.

Table 14: Vein-By-Vein Mineral Resource Estimates At the Ying Mine, May 26 2006

Vein #	Thickness (m)	Tonnes	Ag (g/ t)	Ag (oz/t)	Pb (%)	Zn (%)	Ag Equiv* (g/t)	Contained Metal Resource			
								Ag (oz)	Pb (t)	Zn (t)	Ag Equiv* (oz)
Measured Mineral Resources											
S2	0.43	12,537	1,513	48.64	25.95	8.68	3,019	609,767	3,253	1,089	1,217,092
S2E	0.58	9,255	1,844	59.29	27.17	7.07	3,326	548,768	2,515	655	989,764
S4	0.30	1,895	1,606	51.64	34.76	11.79	3,632	97,841	659	223	221,263
S6	0.36	6,034	1,572	50.53	27.49	12.91	3,344	304,892	1,659	779	648,791
S7	0.34	8,844	706	22.68	30.41	14.79	2,690	200,602	2,689	1,308	764,966
S7-1	0.19	2,269	858	27.58	10.96	23.68	2,444	62,570	249	537	178,288
S8	0.58	41,608	1,778	57.16	19.87	6.36	2,918	2,378,168	8,269	2,646	3,903,521
S14	0.34	49,096	1,779	57.20	36.40	3.17	3,465	2,808,081	17,872	1,558	5,470,008
S16E	0.50	39,621	1,291	41.50	17.63	12.33	2,620	1,644,333	6,984	4,886	3,337,281
S16E3	0.28	2,041	698	22.44	8.88	21.14	2,076	45,803	181	431	136,207
S16W	0.61	135,944	1,168	37.56	23.35	11.30	2,690	5,106,013	31,748	15,362	11,756,416
S16W1	0.59	38,616	1,461	46.99	22.41	10.72	2,916	1,814,397	8,653	4,142	3,619,987
S21	0.30	3,005	1,390	44.70	21.64	12.79	2,910	134,302	650	384	281,139
Total	**0.49**	**350,765**	**1,397**	**44.92**	**24.34**	**9.69**	**2,884**	**15,755,537**	**85,381**	**34,001**	**32,524,723**
Indicated Mineral Resources											
S2	0.25	17,055	1,893	60.87	30.83	5.48	3,454	1,038,100	5,258	935	1,893,938
S2E	0.35	13,920	785	25.24	27.47	12.47	2,536	351,332	3,824	1,736	1,134,835
S4	0.24	1,696	785	25.24	39.55	4.21	2,653	42,804	671	71	144,687
S6	0.53	9,164	1,741	55.96	28.89	11.25	3,493	512,827	2,647	1,031	1,029,187
S7	0.40	14,602	748	24.06	32.82	9.90	2,603	351,250	4,792	1,446	1,221,912
S7-1	0.19	11,211	534	17.18	17.67	15.53	2,017	192,582	1,981	1,741	726,964
S8	0.55	51,483	1,704	54.77	19.73	7.29	2,882	2,819,869	10,155	3,751	4,769,632
S14	0.24	67,356	2,573	82.73	34.24	2.47	4,135	5,572,390	23,066	1,661	8,954,449
S16E	0.23	13,915	1,285	41.33	11.74	14.45	2,467	575,083	1,634	2,011	1,103,462
S16E3	0.31	3,230	600	19.29	7.59	22.76	2,000	62,298	245	735	207,719
S16E4	0.28	4,215	818	26.29	4.05	15.14	1,707	110,814	171	638	231,370
S16W	0.39	90,865	951	30.59	23.66	8.24	2,341	2,779,420	21,502	7,485	6,838,063
S16W1	0.55	72,960	1,249	40.15	33.34	7.36	3,004	2,929,471	24,324	5,367	7,047,737
S21	0.50	89,183	2,424	77.93	32.84	8.17	4,197	6,950,273	29,287	7,287	12,034,637
Total	**0.37**	**460,854**	**1,639**	**52.70**	**28.11**	**7.79**	**3,195**	**24,288,513**	**129,557**	**35,894**	**47,338,594**
Measured + Indicated Mineral Resources											
S2	0.32	29,592	1,732	55.69	28.76	6.84	3,270	1,647,867	8,511	2,024	3,111,030
S2E	0.44	23,175	1,208	38.84	27.35	10.31	2,851	900,100	6,339	2,390	2,124,600
S4	0.27	3,591	1,218	39.17	37.02	8.21	3,170	140,645	1,329	295	365,950
S6	0.46	15,198	1,673	53.80	28.33	11.91	3,434	817,719	4,306	1,810	1,677,978
S7	0.38	23,445	732	23.54	31.91	11.75	2,636	551,852	7,482	2,754	1,986,879
S7-1	0.19	13,480	589	18.93	16.54	16.90	2,089	255,152	2,229	2,279	905,252
S8	0.56	93,090	1,737	55.84	19.79	6.87	2,898	5,198,037	18,425	6,396	8,673,152
S14	0.28	116,452	2,238	71.96	35.15	2.76	3,853	8,380,471	40,937	3,219	14,424,457
S16E	0.43	53,536	1,289	41.46	16.10	12.88	2,580	2,219,417	8,618	6,897	4,440,743
S16E3	0.30	5,271	638	20.51	8.09	22.13	2,030	108,101	426	1,166	343,926
S16E4	0.28	4,215	818	26.29	4.05	15.14	1,707	110,814	171	638	231,370
S16W	0.52	226,809	1,081	34.77	23.48	10.07	2,550	7,885,433	53,250	22,847	18,594,479

Vein #	Thickness (m)	Tonnes	Ag (g/ t)	Ag (oz/t)	Pb (%)	Zn (%)	Ag Equiv* (g/t)	Contained Metal Resource			
								Ag (oz)	Pb (t)	Zn (t)	Ag Equiv* (oz)
S16W1	0.56	111,576	1,322	42.52	29.56	8.52	2,974	4,743,868	32,977	9,509	10,667,724
S21	0.50	92,188	2,390	76.85	32.47	8.32	4,155	7,084,575	29,937	7,671	12,315,777
Total	**0.42**	**811,620**	**1,535**	**49.34**	**26.48**	**8.61**	**3,061**	**40,044,051**	**214,938**	**69,896**	**79,863,316**
Inferred Mineral Resources											
S2	0.31	82,728	1,723	55.40	34.20	6.47	3,473	4,582,928	28,289	5,357	9,237,403
S2E	0.46	18,391	1,576	50.66	29.55	10.45	3,318	931,738	5,434	1,921	1,961,854
S4	0.24	8,084	785	25.24	39.55	4.21	2,653	204,028	3,197	340	689,655
S6	0.52	84,076	1,754	56.38	29.53	11.23	3,533	4,739,993	24,831	9,446	9,549,444
S7	0.40	91,530	793	25.50	34.19	12.68	2,837	2,334,331	31,291	11,609	8,350,047
S7-1	0.19	56,603	709	22.81	14.05	19.51	2,228	1,291,102	7,954	11,040	4,054,570
S8	0.49	165,572	1,655	53.20	19.90	7.32	2,842	8,808,182	32,945	12,120	15,126,272
S14	0.35	169,290	1,908	61.34	34.33	3.32	3,514	10,384,356	58,114	5,628	19,125,742
S16E	0.49	40,335	745	23.96	22.78	12.47	2,298	966,541	9,187	5,029	2,980,036
S16E3	0.53	16,933	693	22.29	8.77	21.27	2,073	377,410	1,485	3,602	1,128,482
S16W	0.59	290,863	990	31.82	18.35	11.54	2,311	9,255,058	53,380	33,553	21,615,226
S16W1	0.49	79,907	1,302	41.87	24.87	5.93	2,633	3,345,290	19,872	4,735	6,763,203
S21	0.42	141,700	2,178	70.03	29.20	8.84	3,830	9,922,902	41,382	12,532	17,448,275
Total	**0.45**	**1,246,013**	**1,426**	**45.86**	**25.47**	**9.38**	**2,946**	**57,143,860**	**317,362**	**116,914**	**118,030,208**

*Ag Equivalent is calculated using US$6.50/oz Ag, US$0.40/lb Pb, and US$0.45/lb Zn
Calculations reflect gross metal content and have not been adjusted for metallurgical recoveries.

MINERAL DEVELOPMENT AND PRODUCTION ANALYSIS

Mine site access

The Ying Mine is located in a side valley of the Guxian Water Reservoir. It is operated by Found, the 77.5% owned subsidiary of Silvercorp. The construction of a water dam cut off the mining area from previous road access; as a consequence, barges are used to cross the water reservoir for transporting ore from the mine to two toll mills and for supplying bulk materials to the mine.

Barge capacity ranges from 10 to 50 tonnes. The ore is transported from run-of-mine stockpiles at the various portal sites to the loading point at the reservoir via small tricycle trucks with a 2-tonne payload capacity, and then unloaded onto the barges. A 2-tonne loader is used to load ore onto the tricycle trucks. At the unloading points across the water reservoir, ore is loaded directly onto 20-25 tonne road trucks, which deliver the ore to the mill. It takes a loaded barge about 40 minutes to reach the Hedong ferry terminal to the east, and 1 hour to reach the Fanli ferry terminal to the west.

Recently a contract has been signed to build a 200-tonne barge for the Ying Mine. The barge will carry four 25-tonne trucks thereby increasing loading and transport efficiency by eliminating the small tricycle trucks and associated, intense manual labour. The ferry is scheduled to be completed in November 2006.

Mining Permitting

As reported on March 30, 2006, Found has been issued a mining permit by the Department of Land and Resources of Henan Province, covering the 9.945 km^2 SGX Area of the Ying Silver Project, where Found has focused its major exploration effort in the past. The permit was issued on the terms applied for. It allows a 600 tonne per day underground mine operation within the permit area to extract silver, lead and zinc ores. The production rate can be increased in the future by amending the existing mining permit after expanded resource estimates have been filed with the Department of Land and Resources of Henan.

The key reports required by Chinese regulation for issuing the mining permit, each of which were prepared by qualified Chinese firms certified under their respective authorizing bodies, are:

Resource Utilization Plan ("RUP") Report which was prepared by Changsha Engineering & Research Institute of Nonferrous Metallurgy, a qualified Engineering firm;

1. The Environmental Impact Assessment ("EIA") Report which was prepared by a qualified Environmental Engineering firm;
2. The Geological Hazards Assessment Report prepared by a qualified Geo-engineering firm.

We have reviewed the RUP, EIA reports, and the Draft Report on "Mine and Mill Design for Ying Silver-Lead-Zinc Mine" prepared by Anhui Maanshan Institute of Mining Research (January 2006) and "Metallurgical Study and Recovery Flowsheet Test Report on Ores from Ying Silver-Lead-Zinc Mine, Henan" prepared by Hunan Non-ferrous Metals Research Institute (July 2005).

The RUP report is essentially a scoping study on the broad parameters of the mining development of the Ying Mine. The resource/reserve data used in the RUP report were prepared by Henan Non-ferrous Metals Geology and Minerals Co. Ltd. The data were based on a geology and mineral resource report completed by Henan Bureau of Non-ferrous Metals Geology and Mineral Resources in 2003. The Henan Bureau's resource study, as listed in Table 15, was reviewed and commented on as being reliable in the Broili 2004 Report.

Table 15: Resource Estimates In The Broili 2004 Report

Resource	Resource	Grade			*In Situ* Metal Resource		
Type	(Tonne)	Ag (g/t)	Pb (%)	Zn (%)	Ag (ounce)	Pb (tonne)	Zn (tonne)
Indicated	630,100	412.66	6.57	3.18	8,359,713	41,429	20,015
Inferred	6,901,800	237.33	4.84	3.11	52,663,286	333,983	214,390

However, as pointed out in the Broili 2005 Report, the resource estimate by Henan Bureau was based on the assumption that the entire vein is uniformly mineralized as opposed to only 30% to 50% of the vein comprises mineable high-grade pockets. Therefore, the resource estimate diluted mineral resource grades by more than three times. In the Broili 2005 Report, the resources at the SGX Area were estimated for five veins explored by Found (Table 16). This estimate was made only for the high-grade pockets without accounting for dilution.

Table 16: Resource Estimates In The Broili 2005 Report

Resource Type	Resources (Tonne)	Grade			*In Situ* Metal Resource		
		Ag (g/t)	Pb (%)	Zn (%)	Ag (ounce)	Pb (tonne)	Zn (tonne)
Measured	229,481	1,419	33.25	9.88	10,470,661	76,314	22,675
Indicated	190,671	1,362	32.16	10.12	8,362,276	61,416	19,329
Measured +Indicated	420,453	1,393	32.76	9.99	18,832,937	137,730	42,004
Inferred	495,205	1,539	35.01	9.56	24,502,345	173,394	47,323

Mine Design

Since the mine is located in a narrow side valley, horizontal portals (adits) provide easy access from the surface to the veins. Not all levels have their own access portal; some are accessed via internal declines. Declines are ramps equipped with winches to pull and lower rail cars on tracks or hand carts between two mine levels. The level intervals are 40 m and all levels above approximately 500/460 m elevation ("level") are accessed through a portal–decline system. This exploration and development program is based on utilizing the pre-existing portals and tunnels (approx. 30,000 m) and follows the guidance set out in a preliminary plan and design completed by Silvercorp's technical staff based on recommendations in Broili's 2004 and 2005 Reports, the Resource Utilization Plan Report by Changsha Engineering & Research Institute of Nonferrous Metallurgy, and most recently, the draft report on "Mine and Mill Design" by Anhui Maanshan Institute of Mining Research.

The key exploration and development strategies are:

1. Tunneling (drifting) along all mineralized veins accessed by the portal-decline system to discover high-grade pockets on multiple levels from 800 m to 500/460 m elevations;
2. Sinking three vertical shafts for exploration and development at depths below 500/460 m elevations;
3. Underground drilling focusing on delineating the down-dip extension of high-grade pockets;
4. Once a high-grade pocket is encountered and delineated, preparation of shrinkage stope will start by developing a footwall parallel and a series of drawpoints at 8 m centers;
5. Surface deep hole drilling to test extension of mineralization at depth;
6. Custom milling of by-product ore extracted from exploration and development tunnels to finance future tunneling;
7. Production for the first three years is planned to come mainly through portals CM101, CM102, CM103, PD700, YM01, YPD01, and YPD02 to the 500 m level;
8. Production after 2008 will be carried out through No. 1, No. 2 and No. 3 Shafts currently under development;
9. Development of three more shafts for further future production based on exploration results in the S7, S8, and additional veins east of S8 Vein.

Table 17 lists the adit-decline system already developed including the relevant portals and connected levels at the Ying Mine in the SGX Area:

Table 17: Access Systems, Portals, Levels, And Inter-Level Access

Access System	Portal(s) at	Inter-level Access	Levels
CM101	640 m L	Decline to 570 m L of CM102 Raise to 700 m L of CM104 Access to No. 3 Shaft	640 m L
CM102	555 m L to 570 m L	Connected to CM103 at 570 m L (& YGL, SPD66 at 570 m L) Raise 570 m L to 610 m L Raise 610 m L to 640 m L Decline to 518 m L of S14, S6, and S2 veins Decline 518 m L to 480 m L of S14, S6, and S2 veins Decline to 534 m L of S16W, S16E, S7-1, S7, &S8 Veins	640 m L 610 m L 550 m L to 570 m L 534 m L 518 m L 480 m L
CM103	550 m L	Connected to CM102 at 570 m L Raise 570 m L to 610 m L of S16W and S16W1 vein Raise 610 m L to 640 m L of S16W and S16W1 vein Connected YPD01 at 570 m L along S21 vein Decline to 490 m L of S2, S2E and S4 veins Decline 490 m L to 460 m L of S2, S2E and S4 veins Decline to 518 m L of S14, S6, and S2 veins Decline 518 m L to 480 m L of S14, S6, and S2 veins	640 m L 610 m L 550 m L to 570 m L 518 m L 480 m L 496 m L 460 m L
CM104	700 m L	Decline 700 m L to 640 m L of CM101	700 m L
CM105	600 m L	Access to No. 1 Shaft	570 m L
PD16	600 m L	Access to No. 2 Shaft	600 m L
PD650	640 m L	Connected to CM101 for ventilation and exploration	640 m L
PD680	680 m L	680 m L exploration and mining	680 m L
PD700	700 m L	Decline 700 m L to 600 m L of S7 & S8 veins (south)	700 m L 640 m L 600 m L
YM01	580 m L	Decline 580 m L to 540 m L of S8 vein (north) Decline 540 m L to 500 m L of S8 vein (north)	580 m L 540 m L 500 m L
YPD02	570 m L	Decline 570 m L to 530 m L of S7 and S7-2 veins	570 m L 530 m L
YPD01	570 m L	Connected to CM103 along S21 vein	570 m L
YLGSPD66	570 m L	Connected to CM102 along S8 vein	570 m L

The three shafts, in which hoists have been already installed, are in the process of being sunk and are expected to reach the intended depth of 210 m level by the end of 2006. The shafts are designed to be 3.8 m in finished diameter. Each shaft is equipped with a cage and is guided by four steel cables. Cages are pulled by a 1.6 m diameter hoist and each is capable of hauling 150,000 tonnes of material per annum (based on 300 days/year).

Based on the mine design, from 500 m level down to 0 m level, eleven sub-levels were planned at vertical distances of 40 m to 55 m.

The exploration and development tunnel work completed to date includes:

Table 18: Tunneling Summary From Date Of Inception (August 2004 To April 2006)

Tunnel Access Name	Tunnels (m)	Shafts Sinking (m)
CM101	2,594	
No. 3 Shaft (CM101)		140.8
CM102	9,759	
CM103	7,665	
CM105	478	
No.1 Shaft (CM105)		108.0
PD16	285	
No.2 Shaft (PD16)		106.1
PD650	1,123	
PD700	662	
YPD01 + YPD02+YM01+PD66	4,863	
WG Camp	905	
SDG Camp (Si Dao Gou)	3,005	
XM Camp	418	
Total – SGX and Others	32,210	354.9

Out of the 27,574 m of tunnels at the SGX camp, about 17,300 m are mining development tunnels. Therefore, the mine development is sufficiently advanced. Initial production is being phased in from twenty stopes that have been developed from 518 m level and 480 m level on the S14 and S6 veins, 490 m level and 460 m level on the S2 and S2E veins, 534 m level, 570 m level, 610 m level, and 640 m level on the S16W, S16W1, and S16E veins, 600 m level on the S7 vein, 570 m level and 640 m level on the S8 vein.

Mining Method

The ore shoots will be mined by short-hole shrinkage stoping. In this method the mining proceeds from the lower to the upper level. The blasted ore is loaded at the base of the stope to maintain a void between blasted ore and in-situ ore. The blasted ore provides a working platform for the miners who drill and charge the blast holes into the in-situ ore. The method allows only about one third of the ore to be loaded during the extraction of the stope. Once the extraction is finished, the remaining ore in the stope can be loaded.

The stope extends between two mine levels. Stope preparation consists of the development of two raises between the lower and upper levels to provide ventilation and miner access. Cross-cuts at about 8 m centres allow the loading of the ore from a foot wall drive. Figure 18 illustrates the typical layout of a shrinkage stope at the Ying Mine. As the ore shoots are high-grade but thin, a minimum number of pillars is required. It is expected that over 95% of the ore shoot will be recovered.

The typical length of a stope is about 50 m, and the distance between upper and lower levels is about 40 m, with typical mining width varying from 1.00 m to 1.20 m. Since the massive galena ore shoots at the Ying Mine have an average width of 0.42 m for the five fourteen veins (S2, S6, S14, S16E and S16W) as documented by the 2005 Report, the dilution factors can be calculated to be between 84% to 113% when mining widths vary from 1.00 m to 1.20 m. Silvercorp has used an average 100% dilution factor in their mining plans, which is believed to be reasonable.

A stope crew consists typically of two airleg drillers and one helper. The length of the blast hole is about 1.80 m. The holes are charged with cartridge explosives and the charge is ignited with safety fuses. Miners load the ore manually with picks and trays either into rail mine trucks or hand carts.

The productivity of such mechanized stopes with hand-held pneumatic drills is largely limited by the number of working faces in the stopes and the volume of ground that one airleg miner can break in a shift. Two crews comprising two workers each mine the stopes on two shifts per day. Total productivity averages 50 tonnes per day from each stope.

Table 19: Dilution Factor Per Meter Blast Of Ore Shoot

Mining Width (m)	1	1.1	1.2
Ore shoot width (m)	0.42	0.42	0.42
Waste wall rock width (m)	0.58	0.68	0.78
Ore shoot density	4.20	4.20	4.20
Waste rock density	2.55	2.55	2.55
Ore contained (tonne)	1.76	1.76	1.76
Waste rock contained (tonne)	1.48	1.73	1.99
Dilution factor (%)	84%	98%	113%

Based on the resource estimates in this report (see Table 13), the mineable measured plus indicated resources are calculated in the table below. This estimate is using a 100% dilution factor and 95% ore recovery rate.

Table 20: Mineable Resources With Shrinkage Stoping Method

		Grade			
	Tonnes	Ag (g/t)	Ag (oz/t)	Pb (%)	Zn (%)
Measured+Indicated Resources	811,620	1,535	49.35	26.48	8.61
less 5% ore loss (95% ore recovery)	40,581	1,535	49.35	26.48	8.61
Sub-total	771,039	1,535	49.35	26.48	8.61
Added: 100% External Dilution	771,039	0	0.00	0.00	0.00
Total mineable measured+indicated Resources	1,542,078	767	24.68	13.24	4.31

Sixteen shrinkage stopes are currently being extracted at the Ying Mine and it is anticipated to add four more stopes in the next two-three months to reach its phase one mining capacity of 600 tpd. Since there are at least five portal accesses to fourteen mineralized veins in which high-grade ore shoots have been delineated, it is reasonable to believe that the company can reach its production goal as scheduled. Table 21 lists the selected shrinkage stopes currently under mining and development, for the first year's production at the Ying Mine. In those stopes, the mining width varies from 0.80 m to 2.00 m with a dilution factor ranging from 25% to 209%, averaging 94%.

Table 21: 2006-2007 Mine Production Plan - Selected Shrinkage Stopes

Portal	Stopes	In-Situ Measured Resource				Vein width (m)	Mining Width (m)	Dilution Factor (%)	Expected ore Production (tonne)	Wall Rock Grades			Ore Head Grade		
		Tonnes	Pb (%)	Zn (%)	Ag (g/t)					Pb (%)	Zn (%)	Ag (g/t)	Pb (%)	Zn (%)	Ag (g/t)
CM102	S6-518-NYM	580	22.29	5.14	925	0.3	1.0	144	1,418	0	0	0	9.12	2.10	378
	S14-518-NYM-01	4,000	42.42	3.73	1825	0.3	1.0	144	9,778	0	0	0	17.35	1.53	747
	S14-518-NYM-02	4,537	42.42	3.73	1825	0.3	1.0	144	11,090	0	0	0	17.35	1.53	747
	S14-518-SYM-7-1	657	23.39	1.10	1508	0.3	1.0	138	1,562	0	0	0	9.84	0.46	634
	S14-480-SNYM	7,445	42.56	1.69	1848	0.3	0.9	112	15,798	0	0	0	20.06	0.80	871
	S16E-534-NYM	6,983	22.81	12.87	704	0.6	1.2	68	11,761	0.59	1.76	23	13.78	8.36	428
	570-S16E-SYM	7,464	13.50	10.54	1692	0.7	1.2	44	10,764	0.16	0.28	104	9.41	7.39	1205
	S16W-570-NYM	14,222	29.16	6.36	1688	0.7	2.0	105	29,213	1.37	1.81	131	14.90	4.03	889
	S16W-570-SYM	4,173	19.95	10.92	698	0.3	1.0	138	9,923	0.18	0.14	24	8.49	4.67	308
	S8-570-NYM	8,800	23.48	6.79	2198	0.5	0.8	33	11,733	0	0	0	17.61	5.09	1649
	S8-570-SYM	2,171	3.40	9.15	1665	0.3	0.8	98	4,295	0	0	0	1.72	4.62	842
	Sub-total	61,032	27.52	7.08	1611			92	117,335				14.52	4.00	859
CM103	S14-518-NYM	4,517	43.14	4.29	1820	0.5	1.2	93	8,711	0	0	0	22.37	2.22	944

Portal	Stopes	In-Situ Measured Resource				Vein width (m)	Mining Width (m)	Dilution Factor (%)	Expected ore Production (tonne)	Wall Rock Grades			Ore Head Grade		
		Tonnes	Pb (%)	Zn (%)	Ag (g/t)					Pb (%)	Zn (%)	Ag (g/t)	Pb (%)	Zn (%)	Ag (g/t)
	S2E-496-SYM	1,730	26.20	5.24	1465	0.5	1.0	76	3,039	0	0	0	14.92	2.98	834
	S2W-496-SYM	2,342	29.42	10.18	1718	0.4	1.8	209	7,235	0	0	0	9.52	3.30	556
	S14-480-NYM	4,500	41.84	4.69	1758	0.5	0.8	35	6,084	0	0	0	30.95	3.47	1300
	S4-496-SNYM	1,196	39.91	11.79	1941	0.3	1.0	140	2,866	0	0	0	16.65	4.92	809
	S16W-555-NYM	4,070	12.96	11.19	357	0.4	1.5	154	10,340	1.61	3.94	101	6.08	6.79	202
	S16W-555-SYM	8,289	32.68	12.25	1065	0.6	2.0	130	19,040	0	0	0	14.23	5.33	464
	Sub-total	26,644	32.61	8.80	1325			115	57,315				15.16	4.09	616
CM101	S8-640-NYM	5,712	21.51	4.72	3787	0.9	1.2	25	7,168	0	0	0	17.14	3.76	3018
PD650	S16W-641-NYM	2,249	16.61	13.20	458	0.5	1.0	70	3,819	0	0	0	9.78	7.77	270
Total		**95,637**	**28.32**	**7.57**	**1634**			**94**	**185,637**				**14.72**	**4.10**	**855**

Geotechnical and Ground Support

Geotechnical characteristics of different wall-rock types of the Ying Mine are summarized in the Table below:

Table 22: Rock Mechanics Characteristics Of Vein Host Rocks

Rock types	Absorption Rate (%)	Saturation Rate (%)	SG	Resistance (mPa)		Static Elastic ability ($x10^3$ mPa)		RQD	Shear Resistance	
				Dry	Wet	Dry	Wet			
Hornblende Feldspar Gneiss	2.83	2.95	2.52	48.8	60.1	28		76.6	0.04	35.11
Feldspar Hornblende Gneiss	2.68	2.82	2.62	110.7	63.2	66	66.9	74.5	0.02	33.02
Alteration rock	0.8	0.89	2.77	128.7	69.7	61.4	47.7	59.7	0.03	31.67
Breccias	2.09	2.15	2.65	87.4	35.3	77.2	64.4	40.7	0.03	32.74

The rock mechanics study shows that the host rocks in the Ying Mine are competent and require minimal ground support.

The host rock of most of the veins is gneiss. The quality of the rock mass in the hanging wall and vein is good, except vein S7 where the vein is very broken. In general, the development and stopes are left unsupported. For those sections of regular tunnels with well-developed shear zones and faults, timber is used to provide ground support. If ground condition is poor in shafts and service chambers, rock bolts, rock bolts with steel screen, or shotcrete are applied to provide support.

Hydrogeology and Water Management

The Ying Mine area is hosted in Achean-aged gneiss rock which exhibits poor porosity and permeability. However, in the shear zones, water could be accumulated and released to development tunnels once they are connected. Based on pumping tests performed on the 518 m level in Adit CM102, the water inflows on the different levels are predicted and listed in Table 23.

Table 23: Water Inflow Prediction

Level (m)	Projected Development Area (m^2)	Projected Water Drop Depth (m)	Q in (m^3/d)	
			Normal Inflow	Maximum Inflow
500	226,650	35	1,052	3,157
460	247,310	75	2,461	7,382
410	247,310	125	4,101	12,304
360	247,310	175	5,742	17,225
310	247,310	225	7,382	22,146
260	247,310	275	9,023	27,068

The water inflow into the mine is moderate. The water runs freely to the adit portals or sump pumps at the base of the declines. The pumping system consists of small scale centrifugal pumps at each sump. Ground water flows into steel pipes at the entrance of adits, then drains into concrete collecting pond for treatment before discharging into creeks.

Haulage

Three types of haulage are employed by the Ying Mine. In Adits CM102 and CM103, which were developed prior to Silvercorp's taking-over of the property, ore and development waste are loaded onto one-axle handcarts with pneumatic tires at development faces and stopes. This rock is then hauled to a transfer station where the materials are unloaded onto motorized tricycle trucks. The tricycle trucks haul the material to the surface and dump either to ore stockpiles or to the waste dump.

In Adits YM01, YPD02, YPD66, and PD680, ore haulage from the stopes and development faces to the surface is completely performed by the handcarts. One person can pull a handcart, which when loaded contains about 800 kg of ore.

Electric winches assist the haulage miners pulling the hand carts on the inter-level declines.

In Adit CM101, CM105, PD16, PD650, PD680 and PD700, the material haulage is track-bound with 0.7 m^3 side-tipper mine railcarts. The cars, usually in groups of up to 10, are pushed by a

single cylinder diesel motor on the adit levels to the surface. The declines are equipped with electric winches, which are able to raise two mine cars at a time.

For levels below 500/460 m elevation, the ore and development waste haulage system is track-bound with 0.7 m^3 side-tipper mine trucks using shafts. The trucks are pushed manually in the smaller tunnels. In the main tunnel, the trucks are pushed by a single diesel locomotive. The trucks will then be loaded into a shaft cage and then will be hauled through No.1 Shaft within CM105 portal, No. 2 Shaft at PD16 Portal, and No. 3 Shaft within CM101 Portal. All three shafts are equipped with 1.6 m diameter drum hoist systems, each capable of hauling 150,000 t/year.

At the stockpile, mine employees manually sort out waste rock and direct-shipping lead ore from the run of mine ore. On a shipping campaign, the ore is loaded by front-end loader into 2-tonne tricycle trucks, which carry the ore along a one-lane, unpaved road from the mine to the barge ramp. Currently, Found is constructing a conveyor-belt system for sorting waste rock and direct-shipping ore from the run of mine ore.

Ore Sorting Facility

Design of the new ore sorting facility is currently under review. The proposed site is located between Portals CM 103 and CM 105. Run of mine ore will be trucked and dumped into a bin fitted with a vibrating feeder. A wide flat belt located approximately 4 m above ground level has been specified for this application. This belt will be serviceable from either side and a partition to separate the discarded direct shipping ore from the discarded waste will be incorporated in the design. The plan is to have both the discarded high-grade ore and the waste removed from the facility with a front end loader. Material not discarded will be slated for milling and will discharge from the head pulley and loaded on tricycle trucks or moved to the by-product stockpile.

Items discussed on the preliminary design included the need to lengthen the tail pulley to minimize spillage and to facilitate clean up. The merits of a chute from the vibrating feeder to the sorting belt were debated as well. The removal of the chute would entail the installation of impact idlers at the receiving end of the belt.

Crushing facility for crushing direct shipping lead ore

A 900 m^2 steel-framed warehouse was built to house a 100 tpd crushing-plant. This facility is fully secured and it is used to store up to 1,500 tonnes of crushed direct shipping lead ore. The crushing equipment consists of two jaw crushers in closed circuit with a vibrating screen to produce a finished product that is minus 12 mm. This is the size that is specified by the lead smelter.

Crushed ore that has been bagged in 25 kg poly sacks is stored on one side of the building and the equipment is located on the other side. The crushed ore is hoisted from the screen undersize chute via a bucket elevator to a clam gate where bagging of the crushed product can take place. There are truck-sized doors located on either side of the building.

Coarse hand sorted ore is trucked to and dumped near the entrance of the primary jaw crusher chute. Ore is then either pushed with a loader or manually moved with shovels to feed into the primary jaw. Discharge from this jaw is then conveyed to the screen fitted with a 15 mm by 15 mm square wire mesh screen. Undersize reports to the feed of the bucket elevator while the oversize is diverted to a conveyor feeding the secondary jaw crusher. Discharge from the secondary jaw crusher falls onto the same conveyor as the primary jaw product for screening.

The primary jaw is set at about 30 to 40 mm while the secondary is about 10 to 15mm.

Ventilation

Currently the Ying Mine relies on natural ventilation for its primary ventilation. For those areas with poor airflow, small fans are used to pump in fresh air. Natural ventilation uses the density difference between warm and cold air as the driving force for the airflow. The temperature in the mine remains relatively constant over the year, while the surface temperature changes with seasons. In summer the warm intake air loses heat in the mine and flows from the top to the bottom of the mine. In winter the cold intake air takes up heat in the warmer mine and flows from the bottom of the mine to the top.

Almost all main access tunnels are interconnected, which provides for adequate airflow. The connections between different systems are listed in Table 17.

Found proposes a main fan in the uppermost tunnel CM104 to pump fresh air into the mine. In addition, two ventilation shafts have been designed and will be developed to provide fresh airflow for the mine.

Compressed Air

Compressed air is used for the drilling of blast holes. Piston compressors are usually installed near the mine portals and entrances. The following are the compressor capacities in each portal and additional capacities can be added as required:

CM101: 2x20 m^3/min
CM102 2x20 m^3/min
CM103: 1x10 m^3/min; 1x 20 m^3/min
CM105: 20 m^3/min
PD16: 2x10 m^3/min
PD650: 10 m^3/min
PD680: 10 m^3/min
YPD66: 10 m^3/min
YPD02: 10 m^3/min
YM01: 10 m^3/min

Mine Water Supply and Water Treatment

Water consumption at the mine is minimal. It is primarily used for drilling, clearing the drill bits and suppressing dust. At present, the source of this water is from the local creek. Quality and quantity from this creek is more than adequate to meet the current mine requirements. With the installation of the proposed mine water treatment plant, it is expected that future mine water supply will continue to come from this source.

Designs are in place for the mine drainage treatment plan, which would build both a settling and a polishing pond prior to discharge to the flood control lake. Waste from the mine will be used for the dam construction and the base of the two ponds will be sealed with cement. Waste from the mine has been analyzed and has net neutralization potential. The waste rock will also act as a filter for the discharging mine water to filter out the suspended solids. A provision for lime will be made available in the event the dissolved metal levels are above the limits permitted for discharge.

Power Supply

Power for the mine is supplied from the local power grid by a 10 kV power line. Hydropower is generated locally at the Guxian Dam and supply is sufficient. The underground voltage is 380 V; substations are installed at each portal to transform the voltage from primary 10 kV to secondary 380 V. Copper cables are lined into the tunnels to supply power for local fans, pumps and underground diamond drills.

Three diesel generators are installed in the immediate vicinity of the portals to supply back-up power for CM101, CM102, CM103, CM105, and PD16 in the event of hydropower outage.

Manpower

The Ying Mine has approximately 800 workers at the site. The mine itself employs a staff of 127 people. This includes one mine manager, six mine engineers, eleven geologists, three mine surveyors, three health, safety and environmental engineers, eighteen security guards, eighteen surface service crews, and 61 workers performing manual ore sorting. Found also has two metallurgists working in local custom mills to provide technical support and ensure metal recoveries.

The mine is operated by five mining contractors:

1. Wenzhou Construction Group: employs 137 workers and operates at Adits CM101, PD650, PD700 and No. 1 Shaft in CM105 and No. 3 Shaft in CM101;
2. Sanli Engineering Co., Ltd., employs 87 workers and operates at Adit CM103;
3. Daqian Engineering Co., Ltd., employs 189 miners and operates at Adits CM102 and PD680;
4. Sanyi Tunnel Engineering Co. Ltd., employs 40 miners and develops No. 2 Shaft in PD16;
5. Shunli Engineering Co. Ltd., employs 85 workers and operates at Adits YM01, YPD02, YPD66 at the YLG camp, 1.5km northeast of the SGX camp.

The Ying Mine contracts out surface and underground drilling to two underground and two surface drill contractors.

Pei Pingan Drilling: operates four underground drill rigs and employs 28 drillers;

Yang Sipeng Drilling: operates one underground drill rig and employs ten drillers;

Liaoning Geological Exploitation Engineering Company: operates one surface drill and employs fifteen workers;

Yantai Zhaoli Engineering Co., Ltd.: operates one Atlas Copco CS1000 surface drill and employs sixteen people.

Contractual Arrangements and Schedule of Rates

There are four types of contracts in the Ying Mine. These include mining, diamond drilling, custom milling, and concentrate sales contracts.

Currently Found has signed similar contracts with five mining contractors. The mining contract is a schedule-of-rate contract. The contractors provide operating labour, all fixed and mobile

equipment, materials and consumables with the exception of ground support timber, power cables to main adits, rails and cars. All explosives are purchased through Found. The government only supplies explosives to the mine operator.

Mining Contracts

Measurement of development meters must be completed on the 1st day of each month and are paid on the 15th of each month. The mining contract schedule of rate s follows.

Mining: base rate US$8.50/t (including drill, blast and muck)

Shafts:

1) Shaft sinking and installation: US$562.50/m
2) Shotcrete: US$231.25/m

Tunneling:

1) With Rail car hauling – rates as per Table 24

Table 24: Tunneling Rates With Rail Car Hauling

Size	US$/m
2.0x2.2m	102.50
2.2x1.8m	95.00
1.8x1.8m	91.25
1.8x1.6m	87.50
2.2x2.2m	107.50

2) With Hand carts/tricycle truck hauling – rates as per Table 25

Table 25: Tunneling Rates With Hand Carts/Tricycle Truck Hauling

Size	Basic rate (US$/m)	for every 100m Incremental from adit entrance (US$/m)	for every 1m incremental from adit level (US$/m)
2.2x2.2m	69.38	3.75	0.31
2.0x1.8m	58.75	2.50	
1.8x1.8m	56.25	2.38	
1.8x1.6m	52.50	2.25	

3) Ground Support – rates as per Table 26

Table 26: Ground Support Rates

Types	Prices	Remark
Timber Support	US$0.63/m	material is not included
Shotcrete	US$31.25/m	including material; >2 cm in thickness
Concrete	US$75.00/$m^3$	including material
Concrete Pillar	US$46.25/$m^3$	including material; >21 cm in thickness
Rock Bolt	US$0.63/each	material is not included

Diamond Drill Contracts:

Currently Found has signed diamond drill contracts with four different drilling companies. Drilling is paid by meters completed with various rates depending on the types of drill used as shown in Table 27.

Table 27: Diamond Drilling Rate

Type of Drill	Rate/m	Remark
Surface Drill: CS1000-P6	US$75.00	<500 m in length or dip >=-70° drill pads prepared by company
	US$78.75	>=500 m in length or dip <-70° drill pads prepared by company
Surface Drill: Chinese Drill	US$52.50	only drill holes with dip >80° drill pads prepared by contractor
Underground Drill - shallow hole(<300m)	US$17.50	company provides power drill pads prepared by company
Underground Drill - Deep hole (>300m)	US$32.50	company provides power drill pads prepared by company

Custom Milling Contracts

The same milling contract was signed with two offsite mills: LZ Mill and LS Mill. The milling fee is paid by the amount of tonnes processed. The fee for producing separate lead and zinc concentrates is US$18.50 per tonne and for a single concentrate of lead is US$13.50 per tonne.

The contracts stipulate that silver and lead recoveries be greater than 90% and zinc better than 80%. Lead assay in the lead concentrate must be greater than 50% with less than 8% Zn while zinc concentrate must contain more than 47% Zn and less than 2% Pb.

The contract also stipulates that mill samples be taken every two hours then composited into 8-hour shift samples. Three sets of shift composite assays are expected each operating day.

Neither custom mill is equipped with thickeners nor filters so concentrates are packaged in nylon bags after decanting and natural drying for shipment. Typical moisture content of the shipped concentrates ranges from 10 to 15%.

Concentrate Sales Contracts:

Lead concentrate and direct-shipping lead ore sales are contracted with Jiyuan Jinli Smelting Co. Ltd and Jiyuan Wanyang Smelting Co. Ltd. Both smelters are located in Jiyuan City of Henan Province, approximately 185 km northeast of the Ying Mine.

The payable prices for lead and silver are 76% and 75% of spot prices on the Shanghai Metal Exchange on the delivery date, respectively. If the gold content is greater than 2 g/t, it would be paid based on 50% of spot price on the Shanghai Metal Exchange. Lead concentrate and direct-shipping lead ore require lead to assay greater than 55%, and silver more than 1,500 g/t. The zinc assay must be less than 6%.

Zinc produced from the custom mill is sold to two different zinc smelters – Shaanxi Shangluo Zinc Co. Ltd and Jiyuan Yongxing Zinc Smelting Co. Ltd. The payable price is 70% of spot price on the Shanghai Metal Exchange on the delivery date. The smelters require the concentrate to contain more than 47% Zn and less than 2% Pb. There is no credit for silver in the zinc concentrate.

The Shanghai Metal Exchange's quoted prices for silver, lead and zinc are about 13% above World prices due to the Chinese government levying a 13% Value-Added-Tax on metal imports.

The concentrate sales contracts require that the smelters pay the transportation costs and a cash deposit before delivery. Concentrate sale samples are taken and prepared in the custom mill while direct-shipping lead ore samples are taken and prepared in the buyer's plant. Usually the sales sample is split into four sub-samples. The buyer and Found are given two samples each. Found sends one sub-sample to Luotong Testing Centre for assaying and the results are used for settlement. The remaining sub-sample is used for arbitration purposes, if required. Normally, the variance in concentrate assay is less than 2%.

Market

Within a 300 km range from the Ying Project site, there are at least five lead smelters with a combined smelting capacity of 500,000 tonnes of lead metal. While the smelters purchase the majority of the lead concentrate feed, many of them have to import from overseas; therefore, Found can negotiate very good payment terms for its concentrate.

Production and Financial Summary (April 1, 2005 to February 28, 2006)

Found has carried out extensive exploration and development tunnels on the Ying Project, as discussed in sections 17.2 and 17.3. The following is the summary of related expenditures:

Table 28: Unit Cost Of Tunneling For The Ying Project (August 2004 To February 28, 2006)

Tunnel Access Name	Tunnels (m)	Shafts Sinking (m)	Direct Cost (US$)	Related Cost (US$)	Total Cost (US$)	**Unit Cost (US$/m)**
CM101	1,896		177,740	59,808	237,548	**125**
No. 3 Shaft (CM101)		97	74,401	-	74,401	**767**
CM102	9,283		951,798	180,474	1,132,272	**122**
CM103	7,719		749,066	80,735	829,801	**108**
CM105	295		26,952	69,986	96,938	**328**
No.1 Shaft (CM105)		64	44,635	938	45,572	**711**
PD16	250		24,131	37,469	61,600	**246**
No.2 Shaft (PD16)		43	33,340	12,763	46,102	**1,072**
PD650	794		74,945	4,041	78,986	**99**
PD700	694		71,226	15,810	87,036	**125**
YM01, YPD01, & YPD02	4,126		354,422	27,588	382,010	**93**
WG Camp	905		79,037	6,984	86,021	**95**
SDG Camp	2,577		224,634	18,101	242,735	**94**
XM Camp	418		35,752	394	36,146	**86**
Total	28,957	204	2,922,076	515,091	3,437,168	**119**

Direct cost is the cost paid to contractor, related cost is referred to as management cost related to non-contractor work.

Table 29: Expenditure Summary For The Ying Project (Based On Financial Statement Prepared By Management For Found) (US$)

Items	From date of inception (August 2004) to March 31, 2005	From April 1, 2005 to February 28, 2006	From date of inception (August 2004) to February 28, 2006
Assay	$4,388		
Depreciation	$3,640	$24,758	$28,398
Drilling	$64,898	$424,931	$489,829
Geology	$2,469	$543,210	$545,679
Materials	$107,420	$659,446	$766,866
Milling	$55,922	$438,014	$493,936
Others	$22,450	$269,018	$291,468
Salary and benefits	$69,295	$324,338	$393,632
Survey	$0	$11,111	$11,111
Transportation	$18,828	$155,742	$174,570
Tunneling	$309,630	$2,301,421	$2,611,052
Total	**US$658,939**	**US$5,166,725**	**US$5,825,664**

By-product ore production from exploration and development tunneling in the Ying Project for the eleven months ended February 28, 2006, is summarized as follows (in US dollars with an exchange rate of one US dollar = 8.1 RMB):

Table 30: By-Product Production And Sales From April 1, 2005 To February 28, 2006

By-product Ore Production	**Tonnes**
Direct-shipping lead ores	1,608
Low grade lead zinc ores	25,453
Low grade lead ores	7,498
Mill Throughput	
Lead ores	5,480
Lead zinc ores	24,545
Concentrate Production	
Lead concentrates	2,502
Zinc concentrates	1,263
By-product – Sales	
Direct-shipping lead ore - 1,099.6 tonnes	$894,011
Direct-shipping lead zinc ore - 11.8 tonnes	$8,794
Lead concentrates - 2,463.17 tonnes	$3,016,714
Zinc concentrates - 1,209.29 tonnes	$655,966
Total	**US$4,575,485**

All of the diluted by-product ore extracted by exploration and development tunneling was shipped to two offsite mills for custom milling. From the above information, Found has recovered US$4,575,485 of its costs of exploration and development, representing 78% of its total exploration and development costs.

Environmental

An environmental permit has been issued to Found for the proposed mine and mill construction by Henan Provincial Environmental Protection Bureau. An approved Environmental Impact Assessment Study Report was prepared by Design Institute of Environment Protection of Luoyang City, dated January 20, 2006. The report detailed the current environmental condition at the site and established some basic socioeconomic and biophysical baseline data. The report concluded that current development mining had no significant adverse impacts.

Potential significant environmental impacts for the proposed mill and mine are likely to relate mostly to:

- Waste mine water discharge: the mine discharge water is required to be settled and treated in the settling ponds to allow discharged water to contain less than 0.012 mg/l Pb and less than 1.02 mg/l Zn to satisfy "National Surface Water Quality Standard", GB3838-2002II type water discharge standard;

- Ensuring that waste rocks do not contain unacceptable levels of lead and zinc and piling of the waste rock is allowed;

- Waste Water from the milling process shall be recycled and water shall be treated to satisfy "National Surface Water Quality Standard", GB3838-2002II type water discharge standard;

- Tailings from the milling process are required to be disposed behind the tailing dam. As most local people live above the tailing dam, tailings in the tailing dam have minimum impact on the local population's drinking water;

- Impact on the Gu-Xian Reservoir: the mine discharge water is required to be settled and treated in the settling ponds to allow discharged water to contain less than 0.012 mg/l Pb and less than 1.02 mg/l Zn to satisfy "National Surface Water Quality Standard", GB3838-2002II type water discharge standard. Therefore, it will have minimum impact on the Gu-Xian Reservoir;

- Public Opinion survey: as required by the Chinese government, a public opinion survey was performed with local affected communities. 98% of the surveyed were supportive of the project and only 2% were against the project.

The Henan Provincial Government has suggested an allocation of US$1.3 million for the mine and mill environmental program, such as re-establishing vegetation and reclamation; however, a bond is not required.

At the Ying Mine, a concrete pond was built to contain mine drainage from underground tunnels. This water is treated to satisfy the minimum requirements of water quality standard before being discharged to the environment. A number of trees were planted at the mine site as ongoing reclamation on disturbed land.

Operational Health and Safety

The Ying Mine has established comprehensive health and safety policies and procedures according to Chinese health and safety laws and regulations. These safety policies and procedures include:

1) Personal responsibilities of safe production, which covers safety responsibility for all management and staff;
2) Safety inspection policies, which outline the procedures for daily, monthly and quarterly safety inspections;
3) Safety training policies;
4) Accident reporting policies;
5) High-risk source monitoring policies;
6) Correction policies of safety rule breach;
7) Safety management policies for equipment;
8) Safety Incentive and punishment policies;
9) Operational health and safety record-filing policies;
10) Safety fund collecting policies;
11) Operating procedures for underground mining equipment;

The mine has an operational health and safety department which is staffed by three safety officers. The mandate of the department is to provide safety training, to enforce the operational health and safety policies and procedures, to make recommendations on mine safety issues, and to inspect the underground workings and explosive usages on a day-to-day basis. Each of the mining contractors appoints one to two safety officers of their own.

The mine maintains a safety committee of ten persons, headed by the general manager of Found. Other committee members consist of the deputy general manager of Henan Found, the mine manager, the safety department supervisor, the safety officer, and representatives of four mining contractors. The day-to-day operation of the committee is run by the mine's safety department. The mine management and the safety officers are required to have valid mine safety training certificates issued by the Provincial Bureau of Safe Production and Inspection.

Insurance policies covering death and injury have been purchased for all of the staff and workers in the mine.

The mine and the mining contractors supply personal protective equipment (PPE) to their own staff or miners. The PPE includes hard hats, steel-toed boots, work gloves, face masks, and ear plugs.

The mine is planning to set up a mine rescue team in the near future. A medical clinic with a simple drugstore at the mine site, run by a private doctor, is designated to provide medical treatment to all staff and miners. An agreement was signed between a hospital in Luoning County and the mine to provide emergency services to the mine.

The mine maintains sound safety statistics. To date the mine hasn't recorded any serious injury or death. The mine safety department reports the operational health and safety status on a weekly basis.

Capital Cost Estimates

The following capital costs estimate, including the major equipment list, is based on the Resource Utilization Plan ("RUP") Report and "Mine and Mill Design for Ying Silver-Lead-Zinc Mine", both prepared by the reputable Chinese engineering firms mentioned previously. Based on discussion with Found management, it is quite advanced in terms of mine development and preparation for mill construction. Estimates are based on the use of new equipment and expressed in US dollars with no provision for inflation.

Mine Development

As listed in Table 31, capital costs for mine developments include shaft sinking, tunneling, mining and hauling equipment purchases and installation, power supplies and infrastructures, totalling US$5,819,878.

Table 31: Capital Cost Estimates Of The Ying Project In US Dollars

Mine Development Costs	US$
Shafts	$1,520,700
Ventilation Shafts	$269,388
460m Level Tunnel	$741,638
410 Level Tunnel	$705,163
Service Chambers	$234,388
Mine Development	$355,175
Mining Equipment	$192,313
Hauling Equipment	$521,188
Hoists, Winches, Pumps Etc.	$666,025
Underground Power Supply Facilities	$613,900
Subtotal	**US$5,819,878**
Mill Plant Costs	
Crusher	$152,775
Ball Mill And Flotation Cells	$932,713
Filtration	$522,050
Power Supply Facilities	$653,063
Misc.	$40,625
Tailings Dam	$1,062,500
Subtotal	**US$3,363,725**
Power Supply	
Transform Station And Generators	$1,121,500
Cables And Lighting	$380,575
Subtotal	**$1,502,075**
Water Treatment	
Water Supply And Drainage	$107,813
Environmental Project	$232,463
Subtotal	**US$340,276**
Public Facilities	
Service Buildings	$175,513
Communication	$132,625
Fire Alarm System	$48,438
Subtotal	**US$356,575**

Infrastructure	
Upgrading Mine Site Roads	$205,875
Mill Roads	$13,913
Ore Stockpiles And Concentrate Storage	$12,838
Retaining Walls	$234,000
Ditches	$67,313
Sewage	$13,113
Mine And Mill Site Transportation	$259,000
Subtotal	**US$806,050**
Other	
Mine, Mill, And Tailings Land Leasing	$158,375
Management Fees	$152,525
Training	$18,750
Equipment Testing	$55,325
Tunnel Maintenance	$68,288
Mining Engineering Planning	$106,550
Geotechnical Study	$65,575
Mine And Mill Design	$60,000
Construction Inspection	$75,000
Road Construction (Ying Site To Xiayu)	$250,000
Ferry Terminal Upgrade	$62,500
Ferry Building	$250,000
Subtotal	**US$1,322,888**
Total	**US$13,511,471**

Proposed Mill

The proposed Xiashi mill for the Ying Mine is located at Xiashi Village, 17 km north-east of SGX. The Guxian Reservoir separates the mine and mill. Special barges will be designed and built to transport the ore 6 km over water. Trucks will then be used to haul the ore the remaining distance from the ferry terminal to the stockpile area of the new mill site. Before delivering the ore, the trucks will be weighed. Road upgrading of the truck route together with the installation of the truck scale is currently underway. In addition civil site works at the new mill site and road construction to the proposed tailings dam site are also underway.

The mill is designed for 600 tpd. There will be two parallel lines each capable of treating 300 tpd. The mill is designed to produce separate lead and zinc concentrates together with thickeners and filters for dewatering the lead and zinc concentrates unlike the custom mills. The main pieces of mill equipment are listed in Table 32.

Table 32: Main Equipment Of The Proposed Mill

Name	Type/size	Designed Capacity	Quantity
Jaw Crusher	PEF500x750	37.50t/hr	1
Cone Crusher	PYH-2X	75t/hr	1
Vibrating Screen	YA1536	112.50t/hr	1
Grind Model Ball Mill	MQCG2.1x3.6	25t/hr	2
High Weir Double Screw Classifier	FG-20	31.59/hr	2
Flotation Cell	BF1.2	1.04~2.71t/hr	12
Flotation Cell	BF-6	23.63~26.46t/hr	32
Thickener	NZS-9	0.82, 1.19t/hr	2
Filter	HTG-09	0.82, 1.19t/hr	2

Tailings from the new mill will discharge by gravity to the new Phase 1 impoundment that is currently under construction.

Operating Costs

Operating Cost Estimate

The operating costs for mining, custom milling, shipping, General and Administration are actual figures; only the milling costs after April 1, 2007, have been estimated by Anhui Maanshan Institute. These costs are listed below (in US dollars):

Table 33: Operating Costs Of The Ying Project (US Dollars)

Items	Cost	
	Actual Operating (2006-2007 Fiscal Year)	After April 1, 2007
Mining	$13.38/t	$13.38/t
Ongoing Sustaining Cost	$8.00/t	$8.00/t
Milling	$18.50/t (toll milling fee)	$11.93/t (projected, Table 31)
Shipping	$4.33/t	$4.33/t
Admin and General	$4.00/t	$4.00/t
Total	$48.21/t	$41.64/t

Table 34: Mill Operating Cost Estimate For New Mill Under Construction

	US $/t
Consumables	2.46
Power	3.29
Manpower	1.99
Depreciation	2.30
Maintenance	1.89
Total	**US$11.93**

After April 1, 2007, Silvercorp is expecting to use its new 600 tpd flotation mill; therefore, the milling cost will be reduced from US$18.50/t to US$11.93/t. The ore shipping cost from the mine

to the mill will also be reduced as a large ferry has been commissioned to take on larger loads than the small barges.

In order to reduce the hauling and milling costs, Found will first manually sort out of the waste rock and direct-ship lead ore from the run of mine ore as much as possible. Hand-sorting costs US$2.5/t. Based on 2004/2005 production statistics, it is expected to hand sort about 7.1% to 10.5% from the run of mine ore as direct-shipping lead ore and about 28.6% to 30.5% as waste rock. A savings of almost 40% in ore transportation cost can be accomplished. Currently, Found is constructing a conveyor belt system for sorting waste rock and direct-shipping ore from the run of mine ore.

Taxes

China levies a 13% Value-Added tax (VAT) on sales of lead, zinc, silver, copper and other metal products, while a 17% VAT is levied on all other products, such as power and materials supply. No VAT is levied on labour and services. Paid VAT credit can be used to off-set the VAT payable.

The quoted prices for silver, lead and zinc on the Shanghai Metal Exchange are about 13% above World prices due to the Chinese government levying a 13% VAT on metal imports.

For foreign invested companies such as Silvercorp, income tax is free for the first two years, rises to 15% for years three to five, and thereafter is 30%.

According to China mining law, mining companies are required to pay 2% resource tax or government royalty.

Other taxes such as business, city construction, school taxes are exempted for foreign invested companies.

Economic Analysis

Production for April 1, 2006, to March 31, 2007

The mine development is sufficiently advanced with 17,300 m of development tunnels completed. Since Found received the mining permit in late March of this year, initial production will be phased in from twenty stopes that have been developed on the 518 m level and 480 m level of the S14 and S6 veins, 490 m level and 460 m level of the S2 and S2E veins, 534 m level, 570 m level, 610 m level, and 640 m level of the S16W, S16W1, and S16E veins, 600 m level of the S7 vein, 570 m level, and 640 m level of the S8 vein (see Table 21) without requiring substantial capital.

Based on Found's 2006-2007 mine plan, the Ying Mine will produce a total 140,000 tonnes of diluted ores (Table 21) containing 70,000 tonnes of high-grade ore plus 70,000 tonnes of waste rock at 100% dilution. 40,000 tonnes of the waste rock will be manually separated from the run-of-mine ore for dumping and 10,000 tonnes of massive galena will be hand-sorted for direct-shipping to smelters after crushing. The direct-shipping ore is estimated to contain 67.50 oz/t Ag, 55% Pb, and 8% Zn (based on 2005 sales grades). Therefore, a total of 90,000 tonnes of diluted ores (70,000 t of high-grade ores, plus 20,000 t of diluted ore taken from the waste rock) are required to be processed in two off-site toll mills (the LZ and LS mills). The projected head grades for the 90,000 tonnes of diluted ores are 35.29 oz/t Ag, 16.79% Pb, and 5.49% Zn (see Table 35).

Financial Summary for Life of Mine

Using the total mining reserve in Table 14, a financial analysis of the Ying Project was made, which incorporated the cost estimate, metal recovery rates derived from actual custom milling, and the most recent Chinese tax schedules. The cash flow analysis for 6-year mine life is listed in Table 35.

Based on net metal prices of US$7.50/oz Ag (first year at US$9.00/oz Ag), US$0.38/lb Pb, and US$0.71/lb Zn and assuming the total production cost of US$40.94 per tonne mined for the first year and US$36.73 per tonne mined thereafter, and using metal recovery rates of 95% for Pb, 90% for Ag, and 75% for Zn, Silvercorp's share (77.5%) of projected net profit is anticipated to be US$26.2 million for the 1st year, US$64.6 million for the 2nd year, US$54.9 million for the 3rd, 4th and 5th years, and US$45.2 million for the 6th year. The capital payback period is projected to be zero as the entire capital expenditure is projected to be financed from the first year's cash flow.

If lead and zinc revenues are used to cover the production cost, then unit silver production cost adjusted for lead and zinc credits is negative US$5.02 to negative US$4.72 per ounce. If lead and zinc are treated as free credits and only silver revenue is used to cover the production cost, then unit silver production cost is US$1.62 per ounce.

Payback

The capital expenditure of US$13,511,471 is budgeted for mine production starting from the 2006/2007 fiscal year. Due to the extremely high-grade nature of the Ying Ore Body, the project essentially self-financed after the obligated capital contribution of US$4 million and cash payment of US$1.5 million for Silvercorp to earn its 77.5% interest in the project (through holding 77.5% of Found). According to the management, the cash position of Found at the end of March 2006 is US$2.6 million with no debt. The capital required in 2006-2007 fiscal year is expected to be financed entirely by cash-flow generated from development and exploration tunneling and mine production; therefore, the payback period is zero.

Table 35: Cash Flow Analysis For Ying Project (US$)

		Year	Year	Year	Year	Year	Year
		2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012
Ore Mined (tonne)		**140,000**	**300,000**	**300,000**	**300,000**	**300,000**	**300,000**
Grade							
Silver (oz/t)		27.5	24.68	24.68	24.68	24.68	24.68
Lead (%)		14.72%	13.24%	13.24%	13.24%	13.24%	13.24%
Zinc (%)		4.10%	4.31%	4.31%	4.31%	4.31%	4.31%
Less: Hand sorted waste rock, 28.6% of tonnes ore mined	**28.6%**	**40,040**	**85,800**	**85,800**	**85,800**	**85,800**	**85,800**
Grade							
Silver (oz/t)		0	0	0	0	0	0
Lead (%)		0	0	0	0	0	0
Zinc (%)		0	0	0	0	0	0
Less: Hand sorted direct-shipping ore, 7.1% of ore tonnes mined	**7.1%**	**10,000**	**21,300**	**21,300**	**21,300**	**21,300**	**21,300**
Grade							
Silver (oz/t)		67.50	67.50	67.50	67.50	67.50	67.50
Lead (%)		55%	55%	55%	55%	55%	55%
Zinc (%)		8%	8%	8%	8%	8%	8%
Ore to be shipped and milled (tonne)		**89,960**	**192,900**	**192,900**	**192,900**	**192,900**	**192,900**
Grade							

		Year	Year	Year	Year	Year	Year
		2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012
Silver (oz/t)		35.29	30.93	30.93	30.93	30.93	30.93
Lead (%)		16.79%	14.52%	14.52%	14.52%	14.52%	14.52%
Zinc (%)		5.49%	5.82%	5.82%	5.82%	5.82%	5.82%
Milling recovery rate							
Silver		90.00%	90.00%	90.00%	90.00%	90.00%	90.00%
Lead		95.00%	95.00%	95.00%	95.00%	95.00%	95.00%
Zinc		75.00%	75.00%	75.00%	75.00%	75.00%	75.00%
Metal products							
Silver produced from direct-shipping ore (oz)		675,000	1,437,750	1,437,750	1,437,750	1,437,750	1,437,750
Lead produced from direct-shipping ore (lb)		12,100,000	25,773,000	25,773,000	25,773,000	25,773,000	25,773,000
Silver produced from milled ore (oz)		2,857,500	5,369,625	5,369,625	5,369,625	5,369,625	5,369,625
Lead produced from milled ore (lb)		31,575,720	58,530,450	58,530,450	58,530,450	58,530,450	58,530,450
Zinc produced from milled ore (lb)		8,151,000	18,522,900	18,522,900	18,522,900	18,522,900	18,522,900
Total metal products							
Total silver produced (oz)		3,532,500	6,807,375	6,807,375	6,807,375	6,807,375	6,807,375
Total lead produced (lb)		43,675,720	84,303,450	84,303,450	84,303,450	84,303,450	84,303,450
Total zinc produced (lb)		8,151,000	18,522,900	18,522,900	18,522,900	18,522,900	18,522,900
Metal prices (US$)(net of smelter charges and value-added tax)							
Silver (US$/oz) ($10/oz x 75%)		9.00	7.50	7.50	7.50	7.50	7.50
Lead (US$/lb) ($0.50/lb x 76%)		0.38	0.38	0.38	0.38	0.38	0.38
Zinc (US$/lb)($1.015/lb x 70%)		0.71	0.71	0.71	0.71	0.71	0.71
Revenue (US$)							
Silver (US$)		31,792,500	51,055,313	51,055,313	51,055,313	51,055,313	51,055,313
Lead (US$)		16,596,774	32,035,311	32,035,311	32,035,311	32,035,311	32,035,311
Zinc (US$)		5,791,286	13,160,520	13,160,520	13,160,520	13,160,520	13,160,520
Total revenue (us$)		**54,180,559**	**96,251,144**	**96,251,144**	**96,251,144**	**96,251,144**	**96,251,144**
Mining cost (US$13.38/t)	13.38	1,873,200	4,014,000	4,014,000	4,014,000	4,014,000	4,014,000
Sustaining capital cost (US$8/t)	8.00	1,120,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000
Custom milling cost (US$18.50/t)	18.50	1,664,260					
Milling cost using own mill (US$11.93/t)	11.93		2,301,297	2,301,297	2,301,297	2,301,297	2,301,297
Shipping cost (US$4.33/t)	4.33	389,527	835,257	835,257	835,257	835,257	835,257
Admin + general (US$4/t)	4.00	560,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
Hand sorting cost ($2.5/t) for waste rock (US$)	2.50	100,100	214,500	214,500	214,500	214,500	214,500
Hand sorting cost ($2.5/t) for direct-shipping ore (US$)	2.50	25,000	53,250	53,250	53,250	53,250	53,250
Total production cost (US$)		**5,732,087**	**11,018,304**	**11,018,304**	**11,018,304**	**11,018,304**	**11,018,304**
Resource tax (us$)	2.00%	**1,083,611**	**1,925,023**	**1,925,023**	**1,925,023**	**1,925,023**	**1,925,023**
Pre-income tax net profit (US$)		**47,364,861**	**83,307,817**	**83,307,817**	**83,307,817**	**83,307,817**	**83,307,817**
Income tax rate		**0%**	**0%**	**15%**	**15%**	**15%**	**30%**
Income tax payable (US$)		-	-	12,496,173		12,496,173	24,992,345

		Year	Year	Year	Year	Year	Year
		2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012
					12,496,173		
Net profit after income tax (US$)		**47,364,861**	**83,307,817**	**70,811,645**	**70,811,645**	**70,811,645**	**58,315,472**
Silvercorp's share (77.5%) of net profit after income tax (US$)		**36,707,767**	**64,563,558**	**54,879,024**	**54,879,024**	**54,879,024**	**45,194,491**
Less: Capital expenditure for future development (US$)		**13,511,471**					
Net cash flow for 100% Ying		**33,853,390**	**83,307,817**	**70,811,645**	**70,811,645**	**70,811,645**	**58,315,472**
Silvercorp's share of cash flow (77.5%) (US$)		**26,236,377**	**64,563,558**	**54,879,024**	**54,879,024**	**54,879,024**	**45,194,491**
Unit silver production cost	US$/oz	**1.62**	**1.62**	**1.62**	**1.62**	**1.62**	**1.62**
Unit silver production cost adjusted for by-product credit	US$/oz	**-4.72**	**-5.02**	**-5.02**	**-5.02**	**-5.02**	**-5.02**

Mine Life

Based on the measured plus indicated resources presented in this report and using a 100% dilution factor and a 95% recovery rate for the high-grade resources, the mining resources were calculated to be 1,542,078 tonnes grading 767 g/t (24.68 oz/t) Ag, 13.24% Pb and 4.31% Zn. Based on a mining rate of 140,000 tonnes for the 2006/2007 fiscal year and 300,000 tonnes per year thereafter (total 1,640,000 tonne ore mined), the resources will sustain mine production for the Ying Mine for about six years. The 97,922 tonne short fall is expected to be filled by converting part of the inferred resource to measured plus indicated resources as exploration progresses.

Based on geological interpretation and understanding of the Ying Property and its similarity to the Coeur d'Alene silver district in Idaho, the aggressive tunneling and drilling program recommended in this report for the 2006/2007 year could convert a substantial amount of the inferred resource to measured plus indicated resource thereby extending the mine life far beyond six years.

INTERPRETATION AND CONCLUSIONS

From August 2004 to April 2006, Silvercorp completed 27,697 m of underground workings and 17,697 m of underground and surface drilling, defining high-grade silver-lead-zinc resources in 14 veins averaging 0.42 m thick. This mineralization is hosted by quartz-carbonate veins cutting Precambrian-age gneisses, and is similar to the important mesothermal vein system of the famous Coeur d'Alene District in the northwest United States.

New resource calculations presented in this report consist of measured plus indicated resources of 811,620 tonnes with an average grade of 1,535 g/t Ag, 26.53% Pb, and 8.53% Zn in veins averaging 0.42 m wide. The contained metals for the measured plus indicated resources are 40.04 million ounces of Ag, 215,294 tonnes of Pb, and 69,249 tonnes of Zn. The inferred resource is 1,241,304 tonnes with a grade of 1,426 g/t Ag, 25.37% Pb, 9.41% Zn in veins averaging 0.45 m wide. This inferred resource contains 56.91 million ounces of Ag, 314,915 tonnes of Pb, and 116,818 tonnes of Zn, reflecting more than a 100% increase from one year ago (Broili, 2005).

During the past two-year period, the Ying Project has rapidly expanded the silver-lead-zinc resource. This is due to tunneling along the veins, declines and raises along the veins, and

crosscuts which intersected new veins. By continuing a similar level of exploration, existing veins will likely be expanded and new veins discovered.

Of 27,574 m of tunnels completed since August 2004, about 17,300 m are mining development tunnels. The mine development is sufficiently advanced so that upon receiving the mining permit, preliminary production started from ten of the more than 20 initial stopes developed at various levels on seven different veins.

The custom milling of 40,711 tonnes of diluted by-product ore extracted from exploration and development tunnels indicated that Ag, Pb, and Zn contained in the Ying Veins can be easily recovered. The Pb-Ag and Zn concentrates produced satisfy the requirements of smelters. This milling test also confirmed that it is economic to use off-site floatation mills to treat diluted ores.

Concentrate sales contracts have been signed with several lead and zinc smelters on terms of delivery at mine site against cash advance from smelters. The payable prices for lead, silver and zinc metals in are 76%, 75% and 70% respectively of spot prices quoted on the Shanghai Metal Exchange ("SME").

Currently, sixteen shrinkage stopes are currently being mined at the Ying Mine. An additional four stopes are expected to be mined within 2-3 months, at which point a phase one mining capacity of 600 tpd will be achieved. Given enough time, it is reasonable to assume the company can reach its production goal without incurring substantial capital cost. Production for the first three years is planned to come mainly through horizontal portals; thereafter, shafts will be used.

Three shafts equipped with hoists are being sunk and are expected to reach their intended depth of 210 m by the end of 2006. The shafts will each be 3.8 m in diameter, each capable of hauling 150,000 tonnes of material per year (based on 300 days/year).

Using the measured plus indicated resources presented in this report, a 100% dilution factor and 95% recovery rate for the high-grade resources, a potentially mineable measured plus indicated resource is calculated to be 1,542,078 tonnes grading 767 g/t (24.68 oz/t) Ag, 13.24% Pb and 4.31% Zn. Assuming a mining rate of 140,000 tonnes for the 2006/2007 fiscal year and 300,000 tonnes per year thereafter, the resources at Ying could sustain mine production for about six years. The 97,922 tonne short fall is expected to be filled by converting part of the inferred resource to measured or indicated resource. With geological interpretation and understanding of the Ying Property and considering its similarity to the Coeur d'Alene District in Idaho, the aggressive tunneling and drilling program recommended in this report for 2006/2007 could extend the mine life far beyond six years.

A 600 tpd mill being constructed 17 km from the Ying Property is expected to be completed by the end of March 2007. During the first year of production, custom mills will be used to process ore. Starting April 2007, Found's own 600 tpd flotation mill is expected to start producing its own Pb-Ag and Zn concentrates.

Based on net metal prices of US$7.50/oz Ag, US$0.38/lb Pb, and US$0.71/lb Zn, and assuming production cost of US$40.94 per tonne mined for the first year and US$36.73 per tonne mined thereafter, with recovery rates of 95% for Pb, 90% for Ag, and 75% for Zn, Silvercorp's share (77.5%) of projected net profit is anticipated to be US$26.2 million for the 1st year, US$64.6 million for the 2nd year, and US$54.9 million for each of the 3rd, 4th, and 5th years, and US$45.2 million for the 6th year. The capital payback period is projected to be zero as all the capital expenditures are projected to be financed from the first year's cash flow. For foreign

invested companies such as Found, income is tax-free for the first two years, taxable at 15% in years 3 to 5, and taxable at 30% thereafter. However, this projection is based on mineral resources which are not mineral reserves, and therefore do not have demonstrated economic viability.

If revenue from lead and zinc is used to cover production cost, then unit silver production cost adjusted for lead and zinc credit is projected to be negative US$5.02 to negative US$4.72 per ounce. If lead and zinc are treated as free credits and only silver revenue is used to cover the production cost, then the unit silver production cost is projected to be US$1.62 per ounce.

We consider Ying to be a property of merit, representing an advanced and production stage project.

RECOMMENDATIONS

Along with capital budgets of US$13,511,471 for the mine development and proposed mill, the authors reviewed Found's work program in collaboration with Mr. Myles Gao and recommend the following exploration plan and budget. The program is designed to upgrade inferred mineral resources to measured and indicated resources and discover additional mineral resources in the Ying Project Area. The recommended Phase 3 Exploration Program for 2006 totals US$2.85 million and is presented as follows:

1) Exploration tunnels on known veins: 10,790 m of underground tunneling is planned with a budget of US$1.1 million (about US$102 per meter). These cross-cutting and drifting tunnels will be developed on the 14 known mineralized veins through access tunnels CM101, CM102, CM103, PD650, PD680, PD700, YPD01, YPD02, YM01 at the SGX (Sha Gou) Area and C29 and C31 veins at the Si Dao Gou (SDG) Area with intentions of upgrading and expanding silver resources from the veins.

2) Exploration tunnels on 12 veins at a budget of US$0.67 million: 4,540 m of tunnels have been designed to intersect at the northeast end of veins S9, S11, S12, S13, S14 and the S8 vein at the Yue Liang Gou Camp (YLG). A further 2,100 m of tunnels will be developed at the southwest end of S8 vein to detect the seven northeast trending veins at the Hou Zhang Gou Camp (HZG) where massive galena lenses with more than 80 oz/t Ag were recently discovered.

3) Drilling: US$1.08 million for 32,800 m of drilling are planned, averaging US$33 per meter. The drilling includes 71 underground holes totaling 25,705 m and 16 surface holes totaling 7,090 m. Underground drill holes together with exploration tunnels are designed to test the continuity of different mineralized veins down-dip and along strike, to further upgrade mineral resource categories and convert the resources to reserves.

--- **END of EXTRACT** ---

Exploration and Development

The current progress on the Company's Ying Project including the results of the Ying Report extracted above was updated in the new releases on May 30, 2006. The Company is currently

developing the Ying Mine. Tunnelling, drilling and development work is being carried out in accordance with the recommendations of the Ying Report.

RHW Property. Henan Province

On October 12, 2005 the Issuer announced it's 77.5% owned joint venture company, Henan Found Mining Co. Ltd, had signed an agreement to acquire 100% of the RHW Silver-Gold permit, which covers 6.39 square kilometres (km) adjacent to the northeast boundary of the Ying Project, about 10 km northeast of the main SGX camp. The purchase price is approximately US$220,000. The agreement is subject to approval by Chinese government agencies and regulatory authorities.

Surface mapping and trenching and limited tunnelling carried out by Henan Non-ferrous Metals Geological Bureau ("HNMGB") defined five northeast and one north-south trending mineralized veins. The veins range from 460 to 3,600 meters (m) in length and 0.3 to 2.0m in width with the best intercept obtained on vein C8 grading 1,161 grams/tonne (g/t) silver (Ag), 1.15 g/t gold (Au), and 6.06% lead (Pb) over 1.5m width.

Most of the assay results are from samples taken at or near the surface. Ongoing work on the veins in the SGX area has shown vein sample assays from surface to be significantly lower than those from underground tunnels exposing the same vein. The NI 43-101 report on the Ying project by Chris Broili, C.P. Geo, L.P. Geo., commented on this phenomena, attributing it in part to surface leaching.

Reported assays results from channel sampling of quartz carbonate in trench and tunnel on the selected veins are as follows.

Vein #	Length (m)	Trench/Tunnel	True Width (m)	Ag (g/t)	Au (g/t)	Pb (%)
C4	3,600	TC12	0.9	68	0.18	2.73
		K12	0.7	113	0.38	2.72
		K15	1.0	728	0.35	7.11
		K16	0.8	211	1.39	3.75
		TC11	2.0	164	12.05	1.63
C8	1,200	CPD202	1.5	1161	1.15	6.06
C9	650	CTC15	0.3	29	1.95	0.11
		CPD201	0.5	50	5.95	0.35
		D1008	0.6	15	7.16	0.08

All of trench and tunnel samples were collected by the HNMGB's geologists, with samples taken over 100 – 400m spacing. Sample preparation and analysis was done by the No. 1 Team Assay Labs of HNMGB, located in Anyang City, 180 km north of Zhengzhou, the capital city of Henan Province. The lab is fully accredited and certified by the Chinese Government and is well known and respected for their analytical work in China. All of these sample results were obtained from work programs previously carried out by HNMGB and are believed to be reliable, however Silvercorp has yet to carry out its own verification of the results. The grades reported should not

be relied on as representative of the vein lengths reported in the accompanying Table. The Company will report the results of its own verification sampling when available.

Up to March 31, 2006, the Company made cash contributions of US$4,001,600 ($4,833,516) to HFMC and paid US$1,500,000 ($1,767,652) to the Chinese partner.

Hou Ping Gou Project, Henan Province, China

Acquisition of Hou-Ping Gou Mine

On March 31, 2006, the Company through its 100% subsidiary Victor Resources Ltd. ("Victor Resources"), entered a cooperative joint venture agreement with a private Chinese company, Luoning Huatai Mining Development Co. Ltd. ("HT Mining") to acquire a 60% interest in the Hou Ping Gou silver/lead/zinc Mine ("HPG Mine"), located approximately 3 km east of the main SGX camp of the Ying Project, Henan Province, China. Under the agreement the parties will incorporate a cooperative joint venture company, Henan Huwei Mining Co. Ltd. ("JV Company"), to hold the interest in the HPG Mine. Victor Resources has the right to earn a 60% interest in the JV Company, with HT Mining holding a 40% interest in exchange for its contribution of the HPG Mine assets and permits to the JV Company. A total of RMB ¥42,000,0000 (CDN$6,000,000 @ CDN7.00/RMB) is payable in installments timed with the execution of the formal joint venture agreement, receipts of government approvals, issuance of the business licence for the JV Company and transfer of the exploration and mining permits to the JV Company. The Company will take over control and operation of the HPG Mine upon issuance of the JV Company's business licence. Once the Company has acquired its 60% interest, any future profit and funding requirement will be shared based on a 60%-40% ratio with provision for dilution of a party's interest if such party fails to contribute capital when required. The acquisition remains subject to receipt of all necessary government approvals to the JV Agreement, the issuance of a business licence for the JV Company and the transfer of the property rights to the JV Company. Details of the HPG Mine are contained in the Company's March 13, 2006 press release.

On May 3, 2006, the Company announced that it has signed a final cooperative joint venture contract with a private Chinese company, HT Mining to acquire a 60% interest in the HPG silver (Ag)–gold (Au)–lead (Pb) properties, located within the Ying Silver Project area, Henan Province, China, by paying a total of RMB¥42,000,000 (CDN$6 million @ CDN7.0/RMB) to HT Mining in instalments, timed with the signing of the final joint venture contract, receipts of government approvals, issuance of the business license for the joint venture (JV) Company and transfer of the exploration and mining permits to the JV Company.

The Company will take over control of the operation upon receipt of a business license for the JV Company. Once the Company has acquired its 60% interest, any future profit and funding requirement will be shared based on a 60%-40% ratio with a straight line dilution clause. The HPG properties include two adjacent mining licenses (0.1453 km^2 and 0.3878 km^2) which hold lead, and lead-silver mining rights, respectively, one exploration permit (5.86 km^2) surrounding the mining licenses, a 200 t/day ore dressing flotation mill and associated equipment and facilities.

A National Instrument (NI) 43-101 technical report on the HPG properties prepared by SRK Consulting has also been received. Highlights of the assay results from the report on checking samples and historical drill core include (see Tables 1 and 2 for detail):

On the H17 vein, tunneling on the 500 metre (m) level (500 L) intercepted 1.5m, horizontal width. grading 8.54 gram per tonne (g/t) gold (Au), 191.7 g/t silver (Ag) and 20.44% lead (Pb)

On the H15 vein, tunneling on the 686m level (686 L) intercepted 1.0m, horizontal width, grading 8.50 g/t Au, 221.6 g/t Ag, 37.54% Pb, 0.65% zinc (Zn) and 0.26% copper (Cu)

On the H16 vein, historical drill hole ZK1505 intercepted 2.5m grading 51.97 g/t Au, 82.7 g/t Ag, 3.85% Pb,

The following summarizes the NI 43-101 Technical Report:

The HPG properties are located in Qinling silver-lead mineralization belt, and the extension of Silvercorp's YING property, and possess the same geological conditions as the YING property. Previous exploration work including surface trenching, diamond core drilling, and tunnelling by No. 1 Geological Brigade of Henan Bureau of Non-ferrous Geological Exploration during 1988 to 1999 has defined more that 20 veins with silver-gold-lead mineralization in the HPG properties.

Exploration Potential

During SRK's site visit, the mining activities were on 720m, 570m, 540m and 420m levels, and exploration was on 698m, 630m, 500m, 460m, and 380m levels for H15 and H17 veins (Table 1). SRK learned that the underground workings above 420m levels are used to explore and mine H15 vein, and tunnels below 500 L are used to explore and mine H17 vein. SRK was told that H17 vein above the 500 L has not been explored. SRK observed some exposure of mineral bodies in existing tunnels

During the site visit, SRK took 55 check samples from ore chutes of mining stopes, exposed veins generally on the ceilings of drifts, and outcrops on the surfaces within the HPG properties. Analytical results of the check samples taken from ore chutes in general returned high grades of lead and/or gold. Most of the continuous chip samples taken from the ceilings of underground workings also returned good assays, indicating that there are in-situ mineralized zones.

For H17 vein, samples taken at the 500 L, the top-most level, returned high grades of gold and good grades of lead and silver (see Table 1), indicating that the potential of the vein upward is good; and samples taken on 380 L which is the lowest level in the mine over about 135m along strike contain high grades of lead, gold, silver, zinc and copper, indicating a great potential of the body to extend to depth.

Previous trenching and drilling intercepted significant gold mineral zones in H16 vein (see Table 2) in the south-western extension of the HPG mine, and lead mineralization in H17 vein in the north-eastern extension of the mine. Considering that previous drilling programs were conducted at 160m spacing in the north-eastern extension area, and that mineable mineralized bodies are commonly 70 to 100m long, further exploration is warranted in the area. There are also other veins, such as H20 that have not been tested by drilling. Therefore there is a potential to host gold-silver-lead mineralization in the extensions within the exploration permit area.

Table 1. Assaying Results for the Checking Sample of H17 and H15 Veins by SRK

Vein	Sample No.	Elevation (m level)	Horizontal Width (m)	Au (g/t)	Ag (g/t)	Pb (%)	Zn (%)	Cu (%)
	HPG1701	500 L	1.5	8.54	191.7	20.44	0.13	0.16
	HPG1702	500 L	Ore chute	8.96	107.7	2.01	0.56	0.13
	HPG1703	500 L	Ore chute	5.42	179.8	11.54	1.90	0.50
	HPG1704	500 L	Ore chute	5.39	123.3	3.29	0.89	0.22
	HPG1705	500 L	Ore chute	5.94	75.0	1.41	0.20	0.41
	HPG1706	500 L	Ore chute	6.86	439.7	5.09	0.55	0.40
	HPG1707	500 L	1.45	2.29	133.0	5.22	0.31	0.25
	HPG1708	500 L	0.83	0.51	39.0	5.57	0.05	0.34
	HPG1709	500 L	1.6	1.94	206.3	12.63	1.63	0.43
	HPG1710	420 L	1.3	2.47	209.3	22.80	0.07	0.25
	HPG1711	380 L	1.4	0.35	8.0	0.30	0.18	0.01
H17	HPG1712	380 L	0.75	0.42	11.9	0.16	0.01	0.04
	HPG1713	380 L	1.3	0.90	55.6	14.43	0.10	1.04
	HPG1714	380 L	1	2.90	226.6	14.53	1.34	0.50
	HPG1715	380 L	0.9	0.66	63.1	2.49	1.05	0.44
	HPG1716	380 L	1.2	1.40	63.0	0.50	6.25	0.16
	HPG1717	380 L	1	1.86	240.8	8.38	7.84	0.43
	HPG1718	380 L	1.2	0.94	378.0	43.93	2.24	0.47
	HPG1719	380 L	1.5	2.00	131.6	8.01	1.36	0.97
	HPG1720	380 L	0.7	2.60	149.5	36.48	0.04	0.38
	HPG1721	380 L	1	0.94	110.8	34.60	0.02	0.48
	HPG1722	380 L	1.3	0.07	12.3	0.61	0.07	0.04
	HPG1725	Surface	0.8	0.27	<3	0.24	0.03	0.02
H15	HPG1501	686 L	0.95	0.42	161.9	35.33	0.04	0.11
	HPG1502	686 L	1	8.50	221.6	37.54	0.65	0.26
	HPG1503	686 L	Ore chute	2.02	397.7	19.23	0.36	0.76
	HPG1504	686 L	Ore chute	1.14	320.9	18.51	0.22	0.83
	HPG1505	686 L	Ore chute	2.62	812.6	24.84	0.79	0.88
	HPG1506	686 L	Ore chute	0.70	185.7	8.62	0.18	0.49
	HPG1507	686 L	Ore chute	2.65	365.0	12.50	0.34	0.56
	HPG1508	686 L	0.85	1.09	58.5	0.93	0.09	0.26
	HPG1509	630 L	0.6	2.12	63.7	0.77	0.04	0.44
	HPG1510	630 L	0.8	1.10	92.2	1.17	0.05	1.08
	HPG1511	630 L	1.6	2.28	101.9	0.96	0.15	0.44
	HPG1512	630 L	1.1	1.60	198.9	1.74	0.12	0.16
	HPG1513	630 L	0.95	0.99	29.3	0.44	0.29	0.36
	HPG1514	500 L	1.4	1.33	253.3	20.18	0.40	0.49
	HPG1515	500 L	1.2	1.73	138.8	1.83	0.38	0.26
	HPG1516	500 L	0.75	4.18	303.0	11.93	0.98	0.37
	HPG1517	420 L	Ore chute	0.38	300.8	5.58	0.12	0.30

HPG157201	720 L	1.7	0.56	85.2	7.94	0.05	0.31
HPG157202	720 L	Grab	1.10	70.3	6.68	0.06	0.16
HPG157203	720 L	1.7	0.21	136.1	27.56	0.02	0.24
HPG157204	720 L	Grab	0.53	51.3	4.29	0.11	0.18
HPG157205	720 L	1.7	0.32	58.5	4.60	0.16	0.38
HPG157206	720 L	Ore chute	0.74	67.8	6.56	0.08	0.25
HPG157207	720 L	Ore chute	0.46	41.2	2.74	0.08	0.12
HPG157208	720 L	Ore chute	0.19	39.6	3.22	0.04	0.18
HPG157209	720 L	Ore chute	2.39	121.3	5.48	0.12	0.20
HPG157210	720 L	1.7	0.07	13.2	0.97	0.05	0.08
HPG157211	720 L	1.8	0.21	7.2	0.90	0.13	0.05
HPG157212	720 L	1.5	0.21	27.8	1.27	0.05	0.06
HPG157213	720 L	2	0.05	4.0	0.98	0.05	0.01
HPG1525	surface	1.6	0.10	22.5	0.80	0.11	0.07
HPG1526	surface	1.7	0.07	8.2	1.00	0.14	0.02

Table 2. Historical Assay Results for H16 Vein

Veins	Drill Hole	From	To	(m)	Au (g/t)	Ag (g/t)	Pb (%)
H16	ZK2702	11.4	13.3	1.9	0.26	11.2	0.48
		13.3	14.3	1	6.08	22.2	1.08
		99.85	101.15	1.3	17	29.2	1.71
	ZK2308	45.8	46.95	1.15	1.08	84.5	1.16
	ZK1505	134.69	135.25	0.56	0.31	0.8	0.08
		135.25	137.75	2.5	51.97	82.73	3.85
		137.75	138.85	1.1	2.68	4.4	0.06
		138.85	139.95	1.1	0.82	1.3	0.04

Mining and Milling

HPG Mine was established in 1995, with the current owner, (HT Mining), acquiring the mine in November 2004. Ore shoots are mined by using shrinkage stoping. Mining is conducted from the lower to the upper level. The length of a stope extends over the length of the ore shoot about 70 to 100m long along strike. Mining and development are completed by a mining contractor. The geotechnical conditions in the hangingwall and the vein are generally good. As a general rule the development workings and stopes are not supported. There is only occasionally support by timber sets over short distances.

The flotation mill plant was built in 2002 with a designed capacity of 200 tonne per day. There are 2 stages of crushing in open circuit, producing -25 mm particles to the grinding circuit. The grinding circuit consists of a conic ball-mill and a screw classifier as a close circuit, which produces particles of 65% passing 200 mesh. The subsequent floatation circuit is designed to only capture lead and silver, with a one stage rougher floatation, 3 stages of cleaners and 3 stages of scavengers, to produce a Pb-Ag concentrate with a grade of 50% Pb and 4,000 g/t Ag (experimental data). At

the time of the SRK inspection, the floatation cells for Pb and Ag appeared to be in reasonable operating order.

Future Exploration

To continue to explore and develop the HPG properties, SRK proposed a Phase I program with a budget of approximately $1.5 million Canadian (C$1.5 million). Additional expenditures would be subject to results obtained in the Phase I program.

Myles Gao, P.Geo, is Silvercorp's Qualified Person on the project under NI 43-101.

The acquisition of HPG Mine remains subject to regulatory approval. The Company has advanced $305,760 to the Chinese party as at March 31, 2006 as initial funding for setting up Henan Huwei.

ITEM 6: DIVIDENDS

The Company has not paid dividends on its common shares since incorporation. The Company has no present intention of paying dividends on its common shares as it anticipates that all available funds will be invested to finance further acquisition, exploration and development of its mineral properties. Payment of dividends in the future will be dependent on the earnings and financial condition of the Company and other factors which the directors may deem appropriate at that time.

ITEM 7: DESCRIPTION OF CAPITAL STRUCTURE

7.1 General Description of Capital Structure

The Company has an authorized capital of an unlimited number of common shares without par value, of which 47,870,471 common shares were issued and outstanding as fully paid and non-assessable as of June 29, 2006. A further 4,101,436 common shares have been reserved and allotted for issuance upon the due and proper exercise of certain incentive options and share purchase warrants outstanding as at the date hereof.

All of the common shares of the Company rank equally as to dividends, voting powers and participation in assets and in all other respects. Each common share carries one vote per share at meetings of the shareholders of the Company. There are no indentures or agreements limiting the payment of dividends and there are no conversion rights, special liquidation rights, pre-emptive rights or subscription rights attached to the common shares. The common shares presently issued are not subject to any calls or assessments.

Under its Stock Option Plan, the Company may grant options to purchase up to 5,100,000 common shares to directors, officers, employees and consultants. As of the date of this AIF, the Company has granted options to purchase 4,804,000 common shares at exercise prices from $0.35 to $4.00 per share and terms ranging from three to five years, with the last options expiring on February 28, 2010. Of the options granted, 2,328,311 remain outstanding and exercisable as of June 26, 2006.

Shareholders Rights Plan

At the Company's Annual General Meeting held on August 4, 2005, shareholders approved the implementation of a Shareholders Rights Plan. The Rights Plan is designed to encourage the fair treatment of shareholders in the event of any take-over offer for the Company. The Rights Plan provides the Board of Directors and the shareholders with more time than the 35 days provided by statute, to fully consider any unsolicited take-over bid for the Company without undue pressure, and allow the Board of Directors to pursue, if appropriate, other alternatives to maximize shareholder value and to allow additional time for competing bids to emerge. Under the Rights Plan, a bidder making a Permitted Bid (as defined in the Plan) for the common shares of the Company may not take up any shares before the close of business on the 60th day after the date of the bid and unless at least 50% of the Company's common shares not beneficially owned by the person making the bid and certain related parties are deposited, in which case the bid must be extended for 10 business days on the same terms to allow other shareholders to deposit to the Bid. The Rights Plan will encourage an Offeror to proceed by way of Permitted Bid or to approach the Board of Directors with a view to negotiation by creating the potential for substantial dilution of the Offeror's position if a non-Permitted Bid is attempted. The Permitted Bid provisions of the Rights Plan are designed to ensure that, in any take-over bid, all shareholders are treated equally, receive the maximum available value for their investment and are given adequate time to properly assess the bid on a fully informed basis.

The Rights Plan is not being proposed in response to, or in anticipation of, any acquisition or take-over offer and is not intended to prevent a take-over of the Company, to secure continuance of current management or the directors in office or to deter fair offers for the common shares of the Company. The Rights Plan does not affect in any way the financial condition of the Company. The initial issuance of the Rights is not dilutive and will not affect reported earnings per share or cash flow per share until the Rights separate from the underlying common shares and become exercisable.

7.2 Constraints

There are no known constraints on the ownership of securities of the Company to ensure that the Company has a required level of Canadian ownership.

7.3 Ratings

There are no known ratings, including provisional ratings, by rating organizations for securities of the Company which are outstanding and such ratings continue in effect.

ITEM 8: MARKET FOR SECURITIES

The common shares of the Company were traded in Canada on the TSX Venture Exchange under the symbol "SVM". The Company's shares were listed on the TSX Exchange under the same symbol and delisted from the TSX Venture Exchange on October 24, 2005.

The following table provides the high, low and close prices and average volume for the Company's shares for the periods indicated as traded on the TSX Venture Exchange up to October 23, 2005, and on the TSX thereafter (stated in Canadian dollars):

Month	High	Low	Volume
April 2005	$1.90	$1.34	44,761
May 2005	$2.10	$1.40	62,019
June 2005	$2.75	$2.05	128,918
July 2005	$3.01	$2.39	104,175

Month	High	Low	Volume
August 2005	$4.20	$3.03	157,354
September 2005	$4.29	$3.30	75,147
October 2005	$4.05	$3.05	70,215
November 2005	$4.01	$3.30	76,936
December 2005	$5.40	$3.83	112,470
January 2006	$6.88	$5.12	164,614
February 2006	$10.27	$6.05	283,070
March 2006	$20.08	$9.65	489,156
April 2006	$20.95	$17	367,973
May 2006	$19.51	$13	239,209
June 2006	$15.55	$9.97	225,870

ITEM 9: ESCROWED SECURITIES

The Company has no securities currently held in escrow.

ITEM 10: DIRECTORS & OFFICERS

10.1 Name, Occupation and Security Holding

The following table sets out the names of the directors and officers, all offices in the Company each now holds, each person's principal occupation, business or employment, the period of time during which each has been a director of the Company and the number of shares of the Company beneficially owned by each, directly and indirectly, or over which each exercised control or direction as at the date of this Annual Information Form.

Name and Municipality of Residence [(1)]	Current Positions and Offices Held	Principal Occupations During Last Five Years [(1)(2)]	Date of Appointment as a Director	Shares Beneficially Owned (Number and %)[(4)]
Rui Feng[(3)] West Vancouver, B.C. Canada	Director, Chairman and Chief Executive Officer	Chairman and CEO of the Company from September 2003 to present; President of Pacific Minerals Inc. from April, 2001 to March 19, 2003 President of Global Pacific Minerals Inc. from February 1996 to April 2001	September 4 2003	853,600
Myles Jianguo Gao, P. Eng., Surrey, B.C. Canada	President and Director	President, Silvercorp, March 18, 2003 to present; Senior Geologist Northgate Explorations to March 2003	March 18, 2003	310,700
Michael Armstrong,[(3)] Vancouver, B.C. Canada	Director	Lawyer with Armstrong Simpson, Barristers & Solicitors	February 20, 1997	6,655

Name and Municipality of Residence [1]	Current Positions and Offices Held	Principal Occupations During Last Five Years [1][2]	Date of Appointment as a Director	Shares Beneficially Owned (Number and %) [4]
S. Paul Simpson, Vancouver, B.C. Canada	Director and Corporate Secretary	Lawyer with Armstrong Simpson, Barristers & Solicitors	June 24, 2003	102,285
Greg Hall[3] Vancouver, B.C., Canada	Director	Financial Consultant, February 2005 to Present, Senior V.P. Leede Financial Markets from February 2004 to February 2005, VP Golden Capital Securities Ltd. from November 2001 to February 2004, Senior VP Yorkton Securities Inc. from May 1999 to November 2001	March 23, 2005	Nil
Cathy Fong Vancouver, B.C. Canada	VP Corporate Development	Senior Civil /Structural Professional Engineer, B.C. Hydro	N/A	Nil
Danny Hon Vancouver, B.C. Canada	Chief Financial Officer	Certified General Accountant, Hon & Wong	N/A	Nil

(1) The information as to municipality of residence and principal occupation of each nominee has been individually furnished by the respective nominee.

(2) Includes occupations for the preceding 5 years unless the director was elected at the previous Annual Meeting and was shown as a nominee for election as a director in the Information Circular for that meeting

(3) Member of Audit Committee;

(4) The approximate number of shares of the Company carrying the right to vote in all circumstances beneficially owned directly or indirectly, or over which control or direction is exercised is based upon information furnished to the Company by each proposed nominee as at the date hereof

The term of office of each of the directors expires at the next general meeting of shareholders.

As of the date hereof, all of the directors and officers of the Company, as a group, beneficially own, directly or indirectly, or exercise control over 1,273,240 common shares representing 2.66% of the Company's 47,870,471 common shares issued and outstanding as of the date hereof.

10.2 Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Except as disclosed below, as at the date of this AIF and within the ten years before the date of this AIF, no director, executive officer or a shareholder holding sufficient number of securities of the Company to materially affect control of the Company,

(a) is or has been a director or executive officer of any company (including the Company), that while that person was acting in that capacity:

i. was the subject of a cease trade order or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;

ii. was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;

iii. within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(b) has within 10 years before the date of the AIF became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officers or shareholders.

No director, officer or promoter of the Company or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has, within the ten years prior to the date of this AIF, been subject to:

(a) any penalties or sanctions imposed by a court or securities regulatory authority relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Mr. Paul Simpson is the corporate secretary of Salmon River Resources Ltd., a company listed on the TSX Venture Exchange, which was the subject of a cease trade order of the Alberta Securities Commission issued on December 2, 2003 (the "CTO") for failure to file its Annual Financial Statements for the period ended June 30, 2003. The annual financial statements were filed in February 2004, and the CTO subsequently lifted.

Mr. Simpson was also the Corporate Secretary of Tournigan Ventures Corporation (now called Tournigan Gold Corporation) ("TVC") on January 21, 2002, when the British Columbia Securities Commission issued a cease trade order against TVC for failure to file its audited financial statements and supporting documentation within the time provided. Upon raising necessary funds to pay the auditors, financial statements were completed and filed and the cease trade order was lifted by the British Columbia Securities Commission on April 23, 2002, and by the Alberta Securities Commission on May 10, 2002.

Mr. Douglas Gregory Hall was fined $1,000 plus costs of $250.00 pertaining to a proceeding dated March 18, 1997 and an order of settlement dated July 6, 1989. The proceeding related to a corporate investment account opened by Mr. Hall, which was found to be missing a required corporate resolution from March 1987 until August 1987.

10.3 Conflicts of Interest

Certain directors and officers of the Company are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring and exploiting natural resources properties. These associations to other public companies in the resource sector may give rise to conflicts of interest from time to time.

Under the laws of the Province of British Columbia, the directors and senior officers of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will disclose such interest in a contract or transaction and will abstain from voting on any resolution in respect of such contract or transaction. See also Item 5.2 "Risk Factors".

ITEM 11: LEGAL PROCEEDINGS

The Company is not aware of any actual or pending material legal proceedings to which the Issuer is or is likely to be party or of which any of its business or property is or likely to be subject.

ITEM 12: INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The interest of management of the Company and others in material transactions and transactions involving remuneration for services is disclosed under the heading "Related Party Transactions" in the Company's Annual Management's Discussion and Analysis, March 31, 2006, 2005 and April 31, 2004 and under the sections titled "Interests of Insiders in Material Transactions" and Statement of Executive Compensation" in the Company's Management Information Circular as at June 30, 2005, August 25, 2004 and August 5, 2003. See Item 16 "Additional Information".

Mr. Rui Feng, pursuant to a consulting agreement dated May 1, 2003, receives $750 per day devoted to the Company's business in the capacity of geological consultant.

Mr. Myles Gao, pursuant to a consulting agreement dated March 1, 2004 receives $10,000 per month as the President of the Company.

The Company also incurs legal fees and disbursements payable to a law firm of which a director, Paul Simpson, is a partner.

ITEM 13: TRANSFER AGENTS AND REGISTRARS

The Company's transfer agent and registrar is Computershare Trust Company of Canada of 510 Burrard Street, 2nd Floor, Vancouver, British Columbia, V6C 3B9

ITEM 14: MATERIAL CONTRACTS

There are no other contracts, other than those herein disclosed in this Annual Information Form and other than those entered into in the ordinary course of the Company's business, that are material to the Company and which were entered into in the most recently completed financial

year ended March 31, 2006 or before the most recently completed financial year but are still in effect as of the date of this Annual Information Form.

ITEM 15: INTERESTS OF EXPERTS

15.1 Names of Experts

Chris Broili, C.P. Geo. & L.P. Geo., completed the first and second technical reports on the Ying Project on April 21, 2004 and April 18, 2005 and co-authored with Cathy Shuk Yin Fong, P.Eng. and Jasman W. Yee, P. Eng. a third scoping-level report on April 18, 2006. The May 26, 2006 technical report primarily provides new and updated mineral resource estimates and updates on exploration activities.

Chris Broili, C.P. Geo. & L.P. Geo., an independent consulting geologist and a "qualified person" is the primary author responsible for sections 2 through 15 and 19 in the technical report titled "Technical Update – 2006 May 26 – for the Company on the Ying Silver-Lead-Zinc Project, Henan Province, People's Republic of China and dated May 26, 2006 (the "Ying Report"). Mel Klohn, L.P. Geo., an independent consulting geologist and a "qualified person" is the co-author responsible for sections 1, 17 and 20 of the Ying Report. Michael Petrina, P. Eng., an independent consulting geologist and a "qualified person" is responsible for section 18 of the Ying Report. Jasman W. Yee, P. Eng., an independent consulting geologist and a "qualified person" is responsible for the content of section 16 and parts of section 18 of the Ying Report. Cathy Shuk Yim Fong, P. Eng. is a "qualified person" co-signing the Ying Report.

SRK Consultants were responsible for preparing the independent technical report for the HPG Silver-Lead project dated April 26, 2006.

Ernst & Young LLP are the Auditors for the Company. Ernst & Young LLP prepared the auditors report for the Company's financial statements for the year ended March 31, 2006.

15.2 Interests of Experts

None of the independent consulting geologist and "qualified persons" named in the "Names of Experts" section, when or after they prepared the statement, report or valuation, has received any registered or beneficial interests, direct or indirect, in any securities or other property of the Company or of one of the Company's associates or affiliates or is or is expected to be elected, appointed or employed as a director, officer or employee of the Company or of any associate or affiliate of the Company. This information has been provided to the Company by the individual experts.

Cathy Shuk Yim Fong, P. Eng. is a "qualified person" co-signing the Ying Report, she is the Company's Vice President, Corporate Development.

The qualified persons who were responsible for the preparation of the technical reports for the Ying Project beneficially own, directly or indirectly, less than 1% of the Common Shares.

ITEM 16: ADDITIONAL INFORMATION

Additional information on the Company may be found on the Company's website at www.silvercorp.ca or on SEDAR at www.sedar.com.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Company's information circular for its most recent annual meeting of securityholders that involved the election of directors.

Additional information is provided in the Company's most recent financial statements and the management discussion and analysis for its most recently completed financial year.