

**Answers to all allegations made by Alfredlittle.com
([September 13](#) and [September 19](#), 2011)**

Allegation 1:

Henan Provincial Land & Resource Bureau mining reports contradict the production, quality and resource estimates of SVM's key SGX (Ying) mine as shown in its 40-F and independent NI 43-101 reports that rely heavily upon data provided by management. No independent geologists have visited SVM's SGX mine since 2008.

Answer 1:

First, there are different regulatory requirements and standards between China and Canada. Reporting in China for a private company like Henan Found Mining Co. Ltd. ("Henan Found"), does not have as clear requirements as Canada for disclosure for publicly listed companies. For example, in Canada, we follow NI43-101 requirements whereas in China, NI43-101 is not recognized. It will be very difficult to make comparisons between Chinese statistical data and NI43-101 data.

Second, we do not know if Alfred Little's original documents or data source is true or not, as the Chinese government does not publicly disclose data like "2010 Dynamic Reconnaissance Report on the Resource Reserve of Yuelianggou Ag-Pb-Zn Mine in Luoning Henan" dated May 19th, 2011, as revealed in their report.

The Henan L&R Bureau Report ("L&R Report") is based solely on a detailed exploration report on the SGX property prepared by a Chinese firm for the mining permit application in June 2005 ("2005 Report"), which in turn is based on limited exploration results before May 2005, just a few months after Silvercorp acquired the SGX property. The anonymous authors should know that this type of report cannot be effectively compared to the Company's [NI43-101 report](#), and was not reviewed and checked by [a Qualified Person \("QP"\)](#) so it is not NI43-101 compliant and cannot be relied upon.

According to Chinese regulations, once the 2005 Report is completed and filed, the resource calculation does not have to be updated until preparing to renew the mining permit. The SGX mining permit expires September 2014 so an updated exploration and resource estimates report is not required until a couple months before September 2014. Silvercorp's 2011 NI 43-101 report included 26 existing and newly discovered veins based on 6-years of continuous extensive drilling (174,844 meters) and tunneling (83,583 meters). These are not included in the L&R Report. Silvercorp also used different cutoff grades and minimum cutoff thicknesses compared to the L&R Report. The following table shows different parameters used in the original mining permit application report and the SGX NI43-101 report.

Table 1 Comparison of Henan L & R Bureau Report and SGX43-101 Report: different drilling metres, cut-off and dilution width

	No of Veins	Drilling (m)	Tunneling (m)	Cutoff Grade			Minimum Cutoff Thickness(m)
				Ag (g/t)	Pb (%)	Zn (%)	
2005 Detailed Report	10	3,854	8,156	40	0.3	0.5	1.0
2011 NI43-101 Report	26	174,844	83,583	300 g/t Silver Equivalent			0.1

The L&R Report only reports tonnage and grades mined and remaining at the year-end during the valid period of the mining permit from the veins in which the resources were reported in the 2005 Report. Mine production from those veins discovered and explored after May 2005 are not required to be reported to the L&R Bureau, which explains why there are differences in tonnes and grades between actual mine production filed by Silvercorp and resource depletion in the dynamic reconnaissance report.

According to [NI43-101 requirements](#), since Silvercorp is a producing issuer, its resource or technical reports or assay results are not required to be prepared by or under the supervision of an independent QP.

In terms of production numbers, Silvercorp production numbers reported in its Financial Statements and MD&A filed on [SEDAR](#) were audited by Ernst & Young and this is not being questioned. As we operate mines, the best way to check our production numbers is through cash revenue, VAT tax paid, cost, corporate income tax paid and profit. Here we will go through the actual production numbers.

Government Verification Certificate of Revenues and Corresponding Tax Paid

(please refer to our [September 14, 2011 News Release](#) for all related “Schedules”)

The Company has already taken the unparalleled step of publishing internal financial records in its [news release of September 2, 2011](#) to demonstrate transparency in its business operations, and is cooperating fully with securities regulators to assist them in their investigations.

To provide shareholders further comfort on Silvercorp’s China operations, the following additional information and explanation of Chinese tax procedures is provided:

The Company has obtained Verification Certificates issued by the State Tax Bureau of Luoyang City of Henan Province (“Tax Certificates”) on September 13, 2011 for two of Silvercorp’s revenue generating subsidiaries: Henan Found and Henan Huawei Mining Co. Ltd. (“Henan Huawei”). In the Tax Certificates, it certifies the sales revenues, corresponding value-added tax (“VAT”) and corporate income tax (“CIT”) filed by Henan Found Mining (Table 1 and [Schedule 1](#)) and Henan Huawei (Table 2 and [Schedule 2](#)).

From Table 2 ([Schedule 1](#)), the Tax Certificates certifies that since calendar 2006 and up to June 2011 (5.5 years), Silvercorp’s 77.5% owned subsidiary, Henan Found has generated sales revenue of RMB3.68 billion (US\$521 million), paid VAT of RMB486.85 million (US\$69 million), and paid CIT of RMB250.48 million (US\$37 million) for a total of RMB737.33 million (US\$106 million). In addition, as a result of repatriating dividends, Henan Found has also paid withholding taxes of RMB35.65 million Yuan (US\$5.3 million) on behalf of Victor Mining Ltd. In total, the tax paid by Henan Found during the 5.5 year period since its operations began in 2006 is US\$111.3 million.

Table 2: State Tax Bureau of Luoyang City Verification Certificate on Henan Found

Calendar Year	Revenue	Taxes Paid			CIT Tax Rate
		VAT	CIT	Total	
2006	210,219,185.15	14,033,656.07	-	14,033,656.07	0%
2007	674,875,415.16	86,412,775.41	-	86,412,775.41	0%
2008	563,148,549.97	55,612,082.99	38,685,689.70	94,297,772.69	12.50%
2009	613,056,783.63	88,011,698.67	41,170,222.23	129,181,920.90	12.50%
2010	964,812,316.05	142,348,549.06	70,106,168.08	212,454,717.14	12.50%
Jan – Jun 2011	656,191,779.46	100,431,460.13	100,517,410.21	200,948,870.34	25%
Grand total	3,682,304,029.42	486,850,222.33	250,479,490.22	737,329,712.55	

From Table 3 ([Schedule 2](#)), the Tax Certificates certifies that since calendar 2007 and up to June 2011 (4.5 years), Silvercorp’s 80% owned subsidiary, Henan Huawei has generated sales revenue of RMB346.6 million (US\$49 million), paid VAT of RMB36.36 million (US\$5.1 million), and paid CIT of RMB1.52 million (US\$0.22 million) for a total of RMB37.88 million (US\$5.3 million).

Table 3: State Tax Bureau of Luoyang City Verification Certificate On Henan Huawei

Calendar Year	Revenue	Taxes Paid			CIT Tax Rate
		VAT	CIT	Total	
2007	64,752,122.95	4,361,627.27		4,361,627.27	0%
2008	72,565,991.70	8,478,174.35		8,478,174.35	0%
2009	37,835,127.74	4,734,081.78		4,734,081.78	12.50%
2010	89,717,995.68	9,616,899.49	133,266.98	9,750,166.47	12.50%
Jan – Jun 2011	82,036,377.70	9,172,489.37	1,388,252.47	10,560,741.84	12.50%
Grand total	346,907,615.77	36,363,272.26	1,521,519.45	37,884,791.71	

In summary, the Tax Certificates certify that two of the Silvercorp’s operating subsidiaries have made VAT and CIT payments of US\$116.6 million. A fraudulent company would not pay such a significant amount of tax to the government!

Production and Sales Revenue Comparison for Henan Found

Based on the Tax Certificates, Henan Found has generated sales revenue of RMB3.68 billion or US\$521 million from January 1, 2006 to June 30, 2011. In order to examine if the revenue number in Silvercorp’s audited financial statements for the same period match with the Tax Certificates, we have extracted production and revenue data for Henan Found from Silvercorp’s audited financial statement filed on SEDAR and listed in Table 4 and detailed in [Schedule 4](#).

Table 4: Production and Sales Revenue for Henan Found extracted from Silvercorp audited financial statement filed from January 1, 2006 to June 30, 2011:

From Jan 2006 to Jun 2011	Ore (tonnes)	Metals	Grade (g/t or %)	Metallurgical Recovery (%)	Metal Produced/Sold ('000oz or '000lb)	Price, net of VAT and Smelter Charges (US\$/oz or US\$/lb)	Revenue from Ying Mine ('000 US\$)	Revenue from TLP Mine ('000 US\$)	Total Revenue From Henan Found ('000 US\$)
Total	1,425,417	Ag	441	92	18,584	13.91	479,384	41,876	521,260
		Au	-	-	3.64	782.86			
		Pb	8	96	234,337	0.76			
		Zn	3	72	65,646	0.68			

From Table 4 and [Schedule 4](#), Henan Found generated revenues of US\$521 million for the period of January 2006 up to June 2011, which consists of \$479 million from the Ying Mine and \$42 million from the TLP mine. **These revenues were generated from a total production of 1.43 million tonnes of ore with ore grades of Ag 441 g/t, Pb 8%, and Zn 3%. Applying metallurgical recoveries of Ag 92%, Pb 96%, and Zn 72%, the total metals produced and sold is Ag 18.6 million oz, Pb 234 million lbs, and Zn 66 million lbs.** The weighted average selling price of the metals produced for the period, net of VAT and smelter charges, yielding per unit selling price of Ag \$13.91/oz, Pb \$0.76/lb, and Zn \$0.68/lb.

The sales revenue in Table 4 matches perfectly with the sales revenue in the Tax Certificates, further indicating that the revenue and profit reported by Silvercorp is correct and is the truth, and **its production tonnage, grades, selling prices match with the revenue.**

In case you are still not happy with our answer, we can examine our Calendar 2010 production and grade number against our revenue and profit.

Consolidated Revenue Reconciliation for Calendar Year 2010

As Calendar 2010 year production and revenue has been questioned, we further analyze our audited financial statement corresponding to the period of Calendar 2010, which consist of 4th quarter of our Fiscal 2010 and 1st, 2nd, and 3rd quarters of our Fiscal 2011.

The following table summarizes the reconciliation of revenue reported on Tax Certificates to revenue reported on the Company's financial statements filed on [SEDAR](#) for the period of January 1 to December 31, 2010. Conversion of the Company's fiscal year financial information to calendar year is done by adding fiscal 2010 fourth quarter's revenue to revenue for the first three quarters for fiscal 2011.

The metal sale revenue break-down is also listed in Table 5. All revenue numbers are consistent with each other.

Table 5 Comparison and Reconciliation of Revenues from the Tax Certificates and Silvercorp's Reported Audited Financial Statement for the Period of Calendar 2010

	Henan Found RMB	Henan Huawei RMB	Misc. Income and Intercompany Sales Adjustment RMB (Note)	Total Revenue in RMB	RMB - USD FX rate	Total Revenue in USD
Revenue per China Tax Bureau Verification Certificate:						
Calendar Year 2010 Total	¥964,812,316	¥89,717,996	¥ -19,064,014	¥1,035,466,298	0.14788	\$ 153,129,145
Revenue per Financial Statements Filed with TSX:						
3 Months Ended March 31, 2010 in Fiscal 2010	¥171,106,184	¥21,398,225	¥ -	¥ 192,504,409	0.1466	\$ 28,224,611
9 Months Ended December 31, 2010 in Fiscal 2011	¥780,866,081	¥62,095,808	¥ -	¥ 842,961,889	0.1482	\$ 124,904,533
Calendar Year 2010 Total	¥951,972,265	¥83,494,033	¥ -	¥1,035,466,298		\$ 153,129,145
Note:						
Miscellaneous income consists of income earned on raw material sales, rent, and ore processing fees. For Chinese tax and SAIC filing purposes, miscellaneous income is included as part of revenue; whereas for financial statements purpose, it is excluded from revenue and is included as part of other income.						
Intercompany sales represents sales made between Henan Found and Henan Huawei. For financial statements purpose, these sales are eliminated.						

	3 Months Ended March 31, 2010	9 Months Ended December 31, 2010	Total: Calendar year 2010
Production			
<i>Ore Production (tonnes)</i>	133,921		595,191
<i>Head grades:</i>			
Silver (g/t)	304	323	319
Lead (%)	5.7	5.8	5.8
Zinc (%)	1.6	1.9	1.8
<i>Recovery rate</i>			
Silver (%)	90	91	91
Lead (%)	95	95	95
Zinc (%)	68	70	69
<i>Metals Production</i>			
Silver ('000 ounces)	1,079	4,253	5,332
Gold ('000 ounces)	0.5	2.2	2.7
Lead ('000 pounds)	14,921	54,626	69,547
Zinc ('000 pounds)	2,747	13,091	15,838
<i>Average selling prices, net of VAT and smelter charges</i>			
Silver (US\$/oz)	13.25	16.45	15.80
Gold (US\$/oz)	846.0	890.0	859
Lead (US\$/lb)	0.78	0.82	0.81
Zinc (US\$/lb)	0.67	0.65	0.66
<i>Revenue</i>			
Silver ('000 US\$)	\$ 14,302	\$ 69,950	\$ 84,252
Gold ('000 US\$)	457	1,862	2,319
Lead ('000 US\$)	11,615	44,564	56,179
Zinc ('000 US\$)	1,850	8,529	10,379
Total	\$ 28,224	\$ 124,905	\$ 153,129

Again, as illustrated in the Table 5, our reported production number of 595,191 tonnes of ore grading 319 g/t silver, 5.8% lead, and 1.8% zinc has generated US\$153.129 million revenue, match our audited financial statements and consistent with Tax Certificate.

Are you still questioning our production numbers that match with cash?

Allegation 2:

Outside Tests of Ore Obtained from the SGX Mine Reveal Low Silver Content Metallurgical testing for the SGX ore body was performed by Henan Non-ferrous Metals Research Institute (HNMRI) in July 2005, not independent.

Answer 2:

Who are you? Are you a geologist, a mining engineer or a QP? You are not qualified to take a sample, not to say you took a sample from rocks falling off our trucks.

We have two mills now running at almost 2500 tonnes per day and they have the best metallurgical testing lab! This is really a very laughable accusation that further indicates that you are not expert in mining and are not qualified to analyze a mining company.

Allegation 3:

98% of Henan Found's Sales Growth in 2010 came from Two Questionable Customers. Management Failed to Disclose SVM's Largest Customer is a Related Party.

Answer 3:

It is inferred that significant sales of concentrate to a major customer, Luoyang Yongning Smelting Co. Ltd. are somehow improper, or not properly reported. The Company's 15% (11% net ownership interest) in the smelter has always been publicly disclosed, most recently in the [June 30, 2011 quarterly on page 20 in financial filings available on SEDAR](#). Neither Canadian GAAP, nor IFRS standards consider this interest to constitute a "related party" transaction. In fact, sales to the smelter, in keeping with the profitable concept of vertical integration, are preferred as the Company obtains an interest in the smelting profit as well.

Concentrate sales contracts that Henan Found signs with all its customers require cash payment first before concentrates are shipped. Henan Found has received all funds in relation to its concentrate sales to the Yongning and any other parties or customers.

Allegation 4:

Recent Auction Sale of 5% of Henan Found Values it at a 90% Discount to SVM's Market Value

Answer 4:

Henan Found's 22.5% joint venture partner, the Henan Non-Ferrous Geological and Mineral Resources Co. Ltd., which is a state-owned enterprise, sold a 5% interest in Henan Found for US\$7 million in a public bidding process (an "Auction"), implying the Henan Found assets are worth only \$140 million. Based on the joint venture contract and articles of association of Henan Found, we have a right of first refusal to purchase any interest in the joint venture our 22.5% joint venture partner wishes to sell, except where the sale is to an affiliate. The sale in question was to an affiliate of our partner, a fact confirmed by our Chinese law firm.

Any time a State Owned asset is transferred it must be done in a public bidding process. According to Clause VI of the Public "Announcement of the share transfer of Henan Found Mining Co., Ltd." the basic pre-conditions and requirement regarding the transferee or bidder are:

1. The transferee or bidder must have good financial condition with a registered capital and paid-in capital of no less than RMB 35M.
2. The transferee or bidder must have good commercial credit.
3. The transferee or bidder must have been operating for at least two years.

4. The business scope of the transferee bidder must include geological exploration, mining or selling of minerals.

5. The transferee or bidder must provide a technical supporting plan to the transferred enterprise [Henan Found]. The plan must be approved by the shareholder of the transferred enterprise [Henan Found].

6. The transferee must pay a deposit of RMB 20M to the Henan Central Land Property Transaction Co., Ltd. during the valid period of the announcement. The margin will be turned into the transaction consideration and fee if the transfer is completed successfully. The margin will be refunded interest-free if the transfer is not completed successfully. Those who fail to pay the margin on time are deemed to waive the right.

7. The other requirements imposed by laws and administrative regulations.

Bidders allowed to participate in the auction were pre-screened by our partner, who wished to dispose of its 5% interest to its affiliate. The process limited the universe of bidders and, from the seller's point of view, was effective in permitting a transfer to an affiliate at a transfer price which was based upon book value valuations. This sale was not a proxy for the true value of the asset being transferred.

Comments in sub-point 3 regarding the decrease in Henan Found's shareholders' equity indicating a loss are ignored. Shareholders' equity fluctuates because Henan Found also paid out a dividend of RMB310 million in September 2010. A simple inquiry to the company would have avoided this grossly negligent, if not intentionally misleading statement.

Allegation 5:

SVM Acquired Yangtze Gold from Chairman Rui Feng's Relative Giving Him a 1500% Gain in Six Months

Answer 5:

This allegation relates to the acquisition of the GC project, which was fully disclosed and approved by the independent directors of the Company. The disclosure of the transaction and listing of additional shares also required and received approval from the TSX.

The allegation that a profit of 1500% was gained in 6 months is false. The investment took place over a period of six years from 2002 until 2008, during that time there were successful exploration results and a NI 43-101 resource was defined. The value of the asset was significantly increased during the period it was owned by Dr. Feng's relative. The anonymous writers imply that there must be something wrong just because the asset was acquired from a relative of Dr. Feng. That is just not so. The transaction was considered and approved by independent directors according to law, and by the TSX according to its rules. It has always been fully disclosed. [See disclosure in 2008 AIF.](#)

We also note that as you know that Henan Found's registered capital is also US\$4 million, you would agree that the registered capital does not represent the underlying value of the asset.

More importantly, the GC project is currently expected to be the biggest driver for the Company's silver production growth over the next 3 years. Since acquiring the project the Company has succeeded in increasing the resource, obtaining an environmental permit, a mining permit and is now moving the project into the construction phase. Investors are asked to judge this transaction based on its contribution in adding value for the Company.

Allegation 6:***Audited Financials of SVM's JV Partner Prove Henan Found's Net Income is Overstated by 5.2X*****Answer 6:**

This allegation relates to the income reported by Henan Non-Ferrous Geological Mineral Resources Co., Ltd. ("HNGMR"), the JV partner of Henan Found, being less than the amount calculated by Alfred Little.

Due to lack of information, Alfred Little is not aware that there is an allocation that exist with HNGMR that 70% of the income is reported under a separate legal entity of NHGMR ("HNGMR's 1st Bridge"). Therefore, the amount stated on the HNGMR's financial statements is only one-third of the 22.5% ownership in Henan Found. Furthermore, HNGMR and HNGMR's 1st Bridge are not subject to preferential income tax treatments and is required to pay additional 12.5% of taxes on dividend income received from Henan Found. The table below reconciles the dividends declared by Henan Found to investment income recorded on the other shareholders' financial statements (HNGMR and HNGMR's 1st Bridge) and distribution to non-controlling interest per Canadian GAAP on Silvercorp's audited financial statements:

Dividend payments to non-controlling interest holders of Henan Found

(All in RMB)

	HNGMR's shares 6.75% (in RMB)	HNGMR's 1st Bridge (a separate entity)'s share 15.75% (in RMB)	Total to non- controlling interest ("NCI") 22.50% (in RMB)	Foreign exchange rate	Distribution to non- controlling interest, per Canadian GAAP, Statement of cash flows (in '000US\$)
Calendar year 2010					
Dividends declared in 2010 for 2009 profit	¥ 20,925,000	¥ 48,825,000	¥ 69,750,000	6.59	\$ 10,582
Additional 12.5% levied on dividend payment to NCI, as they did not enjoy preferential tax rate	¥ -3,437,125	¥ -8,019,959	¥ -11,457,084		
Investment income from Henan Found in NCI's book	¥ 17,487,875	¥ 40,805,041	¥ 58,292,916		
Calendar year 2009					
Dividends paid in 2009 for 2008 profit	¥ 14,974,808	¥ 34,941,219	¥ 49,916,027	6.941	\$ 7,191
Additional 12.5% levied on dividend payment to NCI, as they did not enjoy preferential tax rate	¥ -2,883,022	¥ -6,727,050	¥ -9,610,072		
Investment income from Henan Found in NCI's book	¥ 12,091,787	¥ 28,214,169	¥ 40,305,955		

Once again, Alfred Little ignorantly performed incorrect research before releasing false allegations against the Company.

Allegation 7:**Counting Trucks Results in 43% Less Production Levels in the Three Months Ended June 30, 2011****Answer 7:****Truck Loading at 30 tonnes?**

We appreciate you worked hard to count 2 weeks of our truck shipments in the hot Henan summer. We think that your count is reasonably close except that you do not know exactly how many tonnes each truck carries. Guess you forgot to mention or failed to observe that we actually have trucks weight scales at different mine sites and one at the mill site. All the trucks are owned by local farmers. In order to prevent theft of our ores on the way from mines to the mill, truck drivers are requested to put down a cash security deposit when they start to truck ores for us. We weigh each truck at the mine site after loading and again at the mill site scale. If there is any weight difference, we will deduct lost ores from the security deposit. The weighted tonnage will also be a base for payment to the drivers at about \$4 per tonne. If we have paid according to your suggestion of 30 tonne per truck, rather than on scaled weight, we will be facing a lot of angry drivers as the average truck carries closer to 45 tonnes.

If you identify yourself to us, we welcome you to come visit our mine site. We are happy to discuss our truck specifications and allow you to count all of them for how ever many days you wish.

Ores Milled Verified by Resource Taxes Paid

Secondly, please also see here for resources taxes paid to the government for the amount of ores milled during the three months ended June 30, 2011.

Henan Found April 2011 to June 2011 Resource Taxes for Tonnage Milled Breakdown

Note: Resource taxes is levied on the tonnage of ores being milled or being direct shipped (for direct shipping ores only), at RMB13/tonne.

河南发恩德2011年4月至2011年6月资源税缴纳情况统计表

Month of Tax 缴税月份	Date of Tax Receipt 收据日期	Tonnage Milled 吨数	Resource Taxes per Tonne (RMB) 单位税额	Total Resource Taxes (RMB) 税额
April 2011	16-05-2011	50,559	13	657,265
May 2011	15-06-2011	43,724	13	568,415
June 2011	15-07-2011	45,945	13	597,282
Total		140,228		1,822,962

Unlisted on June 2011 MD&A:

From Ying Mine (SGX mine)	83,036
From TLP Mine	63,482
Total Henan Found	146,518

Difference: 6,290 Ore shipped in previous quarter, but milled in April 2011 to June 2011

[Here we provide the supporting government issued tax receipts for the above figures.](#)