

Frequently Asked Questions

1) What happened?

On September 1, 2011 the Company received a copy of an anonymous letter dated August 29, 2011 maliciously alleging a *“Potential \$1.3 Billion Accounting Fraud at Silvercorp”* (the “First Anonymous Letter”). The First Anonymous Letter author stated that his firm held a short position in the Company’s shares and intended to make his concerns known through internet postings. The Company provided a comprehensive and proactive rebuttal to significant points in its [September 2nd press release](#).

On September 13, 2011 the Company received a second anonymous letter (the [“Second Anonymous Letter”](#)) from a different author with disclosed short positions on Silvercorp’s shares. The Second Anonymous Letter was posted on the website of a fictitious character called “Alfred Little”. Silvercorp swiftly rebutted the Second Anonymous Letter with its [September 14th press release](#).

On September 15, 2011 the Company received a second letter from the same author of the First Anonymous letter (the “Revised First Anonymous Letter”). The [Revised First Anonymous Letter](#) was addressed to the British Columbia and Ontario Securities Commissions, our auditors, and our independent directors and posted online.

We have provided a comprehensive response to all the allegations. See [The Facts](#).

2) What is Silvercorp doing?

The Company refutes the substance of all allegations and believes they have been published in furtherance of concerted efforts by a group of short sellers to drive down the Company's share price through false, selective or ignorant statements and rumors.

Silvercorp has established a task force of independent directors consisting of Dr. Robert Gayton, Paul Simpson, LL.B. and Earl Drake, Canada’s former ambassador to China, to work with regulatory authorities to immediately investigate and discover the identity of the party behind these allegations. Silvercorp will pursue all legal options, whether in Canada, the United States, or China, to recover damages incurred by the Company as a result of these allegations.

The Independent Committee, in keeping with its duty, has retained independent legal counsel to examine the anonymous allegations. Investigations are ongoing by the RCMP, the BC Securities Commission, the SEC and the FBI to determine the identity of the anonymous authors. In addition, KPMG Forensic Inc. was engaged on September 6th by legal counsel to the Independent Committee to assist the Independent Committee by completing a report on certain aspects of revenue, cash balances and income tax and VAT payments in China, and to perform certain reconciliations of the Company's filings in China with those filed with North American regulators.



3) What's happening with the share buyback program? Is management buying?

It its [September 15, 2011 press release](#), Silvercorp announced it had acquired a total of 3,918,012 of its common shares at a total cost of \$31,290,657 (average price of CDN\$7.97) pursuant to its normal course issuer bid ("NCIB") announced on June 17, 2011. Under the existing NCIB the Company intends to acquire up to 10 million common shares. All common shares purchased under the NCIB will be cancelled.

To further demonstrate his confidence in Silvercorp Rui Feng, Chairman & CEO, personally purchased 235,000 shares of the Company between September 6 – September 16, 2011.

Please visit www.sedi.ca to find the most up to date information regarding Silvercorp's NCIB and any other insider transactions.