



SILVERCORP METALS INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the three and six months periods ended September 30, 2014 and 2013
(Expressed in thousands of US dollars, unless otherwise stated)
(Unaudited)

SILVERCORP METALS INC.

Condensed Consolidated Interim Balance Sheets

(Unaudited) (Expressed in thousands of U.S. dollars)

	Notes	As at September 30, 2014	As at March 31, 2014
ASSETS			
Current Assets			
Cash and cash equivalents	21	\$ 72,674	\$ 60,614
Short-term investments		12,903	12,864
Trade and other receivables		3,311	4,004
Inventories	3	7,558	5,362
Due from related parties	12	115	68
Prepays and deposits		6,047	6,165
		102,608	89,077
Non-current Assets			
Long-term prepaids and deposits		4,604	4,000
Investment in an associate	4	3,623	3,715
Other investments	5	1,381	2,393
Plant and equipment	6	102,079	101,876
Mineral rights and properties	7	300,242	266,258
TOTAL ASSETS		\$ 514,537	\$ 467,319
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities	8	\$ 30,174	\$ 23,802
Mine right fee payable		3,584	-
Deposits received		11,454	7,031
Dividends payable		762	773
Income tax payable		3,085	515
Due to related parties	12	273	281
		49,332	32,402
Non-current Liabilities			
Mine right fee payable	8	13,855	-
Deferred income tax liabilities		18,595	16,536
Environmental rehabilitation		5,970	5,819
Total Liabilities		87,752	54,757
Equity			
Share capital	9	233,513	233,513
Share option reserve		11,288	10,492
Reserves		25,409	25,409
Accumulated other comprehensive loss	10	(17,563)	(20,141)
Retained earnings		109,402	100,993
Total equity attributable to the equity holders of the Company		362,049	350,266
Non-controlling interests	11	64,736	62,296
Total Equity		426,785	412,562
TOTAL LIABILITIES AND EQUITY		\$ 514,537	\$ 467,319
Commitments and contingencies	20		

Approved on behalf of the Board:

(Signed) David Kong

Director

(Signed) Rui Feng

Director

See accompanying notes to the condensed consolidated interim financial statements

SILVERCORP METALS INC.

Condensed Consolidated Interim Statements of Income

(Unaudited) (Expressed in thousands of U.S. dollars, except for per share figures)

	Notes	Three Months Ended September 30,		Six Months Ended September 30,	
		2014	2013	2014	2013
Sales	19(c)	\$ 37,333	\$ 28,460	\$ 67,949	\$ 68,295
Cost of sales	13	18,894	14,823	33,857	37,305
Gross profit		18,439	13,637	34,092	30,990
General and administrative	14	6,099	7,054	10,867	14,555
General exploration and property investigation		740	764	1,649	1,812
Other taxes		656	572	1,328	1,167
Foreign exchange (gain) loss		(1,594)	798	(469)	(1,083)
Loss on disposal of plant and equipment		14	95	14	123
Share of (gain) loss in associate	4	(90)	139	42	153
Impairment of mineral rights and properties	7	-	66,573	-	66,573
(Gain) loss on investments	5	-	(31)	15	543
Other income		(891)	(41)	(1,047)	(156)
Income (loss) from operations		13,505	(62,286)	21,693	(52,697)
Finance income	15	268	978	432	1,906
Finance costs	15	(39)	(33)	(71)	(66)
Income (loss) before income taxes		13,734	(61,341)	22,054	(50,857)
Income tax expense (recovery)	16	4,120	(8,034)	7,805	(4,034)
Net income (loss)		\$ 9,614	\$ (53,307)	\$ 14,249	\$ (46,823)
Attributable to:					
Equity holders of the Company		\$ 7,228	\$ (43,201)	\$ 9,972	\$ (38,639)
Non-controlling interests	11	2,386	(10,106)	4,277	(8,184)
		\$ 9,614	\$ (53,307)	\$ 14,249	\$ (46,823)
Earnings (loss) per share attributable to the equity holders of the Company					
Basic and diluted earnings (loss) per share		\$ 0.04	\$ (0.25)	\$ 0.06	\$ (0.23)
Weighted Average Number of Shares Outstanding - Basic		170,883,808	170,781,384	170,883,808	170,781,222
Weighted Average Number of Shares Outstanding - Diluted		170,883,808	170,781,384	170,883,808	170,781,222

See accompanying notes to the condensed consolidated interim financial statements

SILVERCORP METALS INC.

Condensed Consolidated Interim Statements of Comprehensive Income

(Unaudited) (Expressed in thousands of U.S. dollars)

	Notes	Three Months Ended September 30,		Six Months Ended September 30,	
		2014	2013	2014	2013
Net income (loss)		\$ 9,614	\$ (53,307)	\$ 14,249	\$ (46,823)
Other comprehensive income, net of taxes:					
Items that may subsequently be reclassified to net income or loss:					
Currency translation adjustment, net of tax of \$nil		1,739	2,463	4,295	4,969
Items that will not subsequently be reclassified to net income or loss:					
Unrealized (loss) gain on equity investments designated as FVTOCI, net of tax of \$nil	5	(138)	384	(991)	(2,678)
Other comprehensive income, net of taxes		\$ 1,601	\$ 2,847	\$ 3,304	\$ 2,291
Attributable to:					
Equity holders of the Company		\$ 997	\$ 2,705	\$ 2,578	\$ 1,231
Non-controlling interests	11	604	142	726	1,060
		\$ 1,601	\$ 2,847	\$ 3,304	\$ 2,291
Total comprehensive income (loss), net of taxes		\$ 11,215	\$ (50,460)	\$ 17,553	\$ (44,532)
Attributable to:					
Equity holders of the Company		\$ 8,225	\$ (40,496)	\$ 12,550	\$ (37,408)
Non-controlling interests		2,990	(9,964)	5,003	(7,124)
		\$ 11,215	\$ (50,460)	\$ 17,553	\$ (44,532)

See accompanying notes to the condensed consolidated interim financial statements

SILVERCORP METALS INC.

Condensed Consolidated Interim Statements of Cash Flows

(Unaudited) (Expressed in thousands of U.S. dollars)

	Notes	Three Months Ended September 30,		Six Months Ended September 30,	
		2014	2013	2014	2013
Cash provided by					
Operating activities					
Net income (loss)		\$ 9,614	\$ (53,307)	\$ 14,249	\$ (46,823)
Add (deduct) items not affecting cash:					
Unwinding of discount of environmental rehabilitation		39	33	71	66
Depreciation, amortization and depletion		5,269	4,550	8,692	8,482
Share of (gain) loss in associate		(90)	139	42	153
Impairment of mineral rights and properties		-	66,573	-	66,573
Income tax expense (recovery)		4,120	(8,034)	7,805	(4,034)
(Gain) loss on investments		-	(31)	15	543
Loss on disposal of plant and equipment		14	95	14	123
Share-based compensation		445	602	796	1,317
Income taxes paid		(2,151)	(1)	(3,447)	(3,350)
Changes in non-cash operating working capital	21	2,845	(4,956)	5,694	305
Net cash provided by operating activities		20,105	5,663	33,931	23,355
Investing activities					
Mineral rights and properties					
Capital expenditures		(7,430)	(12,962)	(13,735)	(26,605)
Plant and equipment					
Additions		(2,549)	(5,874)	(4,127)	(11,427)
Net (purchases) redemptions of short-term investments		(1,850)	(2,354)	(119)	22,637
Deposit received for sale of subsidiaries		-	3,256	-	4,886
Net cash used in investing activities		(11,829)	(17,934)	(17,981)	(10,509)
Financing activities					
Related parties					
Payments made		-	-	-	(1,207)
Non-controlling interests					
Distribution		(2,563)	-	(2,563)	-
Cash dividends distributed		(796)	(4,130)	(1,571)	(8,290)
Proceeds from issuance of common shares		-	88	-	88
Net cash used in financing activities		(3,359)	(4,042)	(4,134)	(9,409)
Effect of exchange rate changes on cash and cash equivalents		(1,056)	759	244	359
Increase in cash and cash equivalents		3,861	(15,554)	12,060	3,796
Cash and cash equivalents, beginning of the period		68,813	91,633	60,614	72,283
Cash and cash equivalents included in assets held for sale		-	(4)	-	(4)
Cash and cash equivalents, end of the period		\$ 72,674	\$ 76,075	\$ 72,674	\$ 76,075
Supplementary cash flow information	21				

See accompanying notes to the condensed consolidated interim financial statements

SILVERCORP METALS INC.

Condensed Consolidated Interim Statements of Changes in Equity

(Unaudited) (Expressed in thousands of U.S. dollars, except numbers for share figures)

	Notes	Share capital		Share option reserve	Reserves	Accumulated other comprehensive income (loss)	Retained earnings	Total equity attributable to the equity holders of the Company	Non- controlling interests	Total equity
		Number of shares	Amount							
Balance, April 1, 2013		170,781,058	\$ 233,082	\$ 8,314	\$ 24,717	\$ (1,495)	\$ 155,817	\$ 420,435	\$ 77,668	\$ 498,103
Options exercised		30,000	135	(47)	-	-	-	88	-	88
Share-based compensation		-	-	1,317	-	-	-	1,317	-	1,317
Dividends declared		-	-	-	-	-	(8,325)	(8,325)	-	(8,325)
Comprehensive income (loss)		-	-	-	-	1,231	(38,639)	(37,408)	(7,124)	(44,532)
Balance, September 30, 2013		170,811,058	\$ 233,217	\$ 9,584	\$ 24,717	\$ (264)	\$ 108,853	\$ 376,107	\$ 70,544	\$ 446,651
Options exercised		72,750	296	(97)	-	-	-	199	-	199
Share-based compensation		-	-	1,005	-	-	-	1,005	-	1,005
Dividends declared		-	-	-	-	-	(4,790)	(4,790)	-	(4,790)
Distribution to non-controlling interests		-	-	-	-	-	-	-	(6,521)	(6,521)
Disposition of non-controlling interests upon sale of a subsidiary		-	-	-	-	-	-	-	(1,723)	(1,723)
Contribution to reserves		-	-	-	692	-	(692)	-	-	-
Cumulative translation adjustment realized upon sale of a subsidiary		-	-	-	-	(289)	-	(289)	-	(289)
Comprehensive loss		-	-	-	-	(19,588)	(2,378)	(21,966)	(4)	(21,970)
Balance, March 31, 2014		170,883,808	\$ 233,513	\$ 10,492	\$ 25,409	\$ (20,141)	\$ 100,993	\$ 350,266	\$ 62,296	\$ 412,562
Share-based compensation	9(b)	-	-	796	-	-	-	796	-	796
Dividends declared	9(c)	-	-	-	-	-	(1,563)	(1,563)	-	(1,563)
Distribution to non-controlling interests	11	-	-	-	-	-	-	-	(2,563)	(2,563)
Comprehensive income		-	-	-	-	2,578	9,972	12,550	5,003	17,553
Balance, September 30, 2014		170,883,808	\$ 233,513	\$ 11,288	\$ 25,409	\$ (17,563)	\$ 109,402	\$ 362,049	\$ 64,736	\$ 426,785

See accompanying notes to the condensed consolidated interim financial statements

SILVERCORP METALS INC.

Notes to Condensed Consolidated Interim Financial Statements as at September 30, 2014 and for three and six months ended September 30, 2014 and 2013

(Unaudited) (Expressed in thousands of U.S. dollars, unless otherwise stated)

1. CORPORATE INFORMATION

Silvercorp Metals Inc., along with its subsidiary companies (collectively the "Company"), is engaged in the acquisition, exploration, development, and mining of precious and base metal mineral properties. The Company's producing mines and other current exploration and development projects are in China.

The Company is a publicly listed company incorporated in Canada with limited liability under the legislation of the Province of British Columbia. The Company's shares are listed on the Toronto Stock Exchange and the New York Stock Exchange.

The head office, registered address and records office of the Company are located at 200 Granville Street, Suite 1378, Vancouver, British Columbia, Canada, V6C 1S4.

The condensed consolidated interim financial statements of the Company, as at and for the three and six months ended September 30, 2014, were authorized for issue in accordance with a resolution of the Board of Directors dated on November 12, 2014.

Operating results for the three and six months ended September 30, 2014, are not necessarily indicative of the results that may be expected for the year ending March 31, 2015.

Details of the Company's significant subsidiaries which are consolidated are as follows:

Name of subsidiaries	Principal activity	Place of incorporation	Proportion of ownership interest held		Mineral properties
			September 30, 2014	March 31, 2014	
Silvercorp Metals China Inc.	Holding company	Canada	100%	100%	
Silvercorp Metals (China) Inc.	Holding company	China	100%	100%	
0875786 B.C. LTD.	Mining	Canada	100%	100%	
Fortune Mining Limited	Holding company	BVI (i)	100%	100%	RZY
Fortune Copper Limited	Holding company	BVI	100%	100%	
Fortune Gold Mining Limited	Holding company	BVI	100%	100%	
Victor Resources Ltd.	Holding company	BVI	100%	100%	
Yangtze Mining Ltd.	Holding company	BVI	100%	100%	
Victor Mining Ltd.	Holding company	Barbados	100%	100%	
Yangtze Mining (H.K.) Ltd.	Holding company	Hong Kong	100%	100%	
Fortune Gold Mining (H.K.) Limited	Holding company	Hong Kong	100%	100%	
Wonder Success Limited	Holding company	Hong Kong	100%	100%	
Henan Huawei Mining Co. Ltd. ("Henan Huawei")	Mining	China	80%	80%	HPG, LM
Henan Found Mining Co. Ltd. ("Henan Found")	Mining	China	77.5%	77.5%	Ying, TLP
Songxian Gold Mining Co., Ltd. ("SX Gold")	Mining	China	77.5%	77.5%	XHP
Xinshao Yunxiang Mining Co., Ltd. ("Yunxiang")	Mining	China	70%	70%	BYP
Guangdong Found Mining Co. Ltd. (Guangdong Found")	Mining	China	95%	95%	GC

(i) British Virgin Island ("BVI")

Details of the Company's associate are as follows:

Name of associate	Principal activity	Place of incorporation	Proportion of ownership interest held	
			September 30, 2014	March 31, 2014
New Pacific Metals Corp. ("NUX")	Mining	Canada	16.1%	16.1%

SILVERCORP METALS INC.

Notes to Condensed Consolidated Interim Financial Statements as at September 30, 2014 and for three and six months ended September 30, 2014 and 2013

(Unaudited) (Expressed in thousands of U.S. dollars, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting* (“IAS 34”) of the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These condensed consolidated interim financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended March 31, 2014. These condensed consolidated interim financial statements follow the same significant accounting policies set out in note 2 to the audited consolidated financial statements for the year ended March 31, 2014, except for the policies set forth in note 2(b).

(b) Adoption of new accounting standards

IFRIC 21 – *Levies*, an interpretation of IAS 37 was issued by the IASB in May 2013, provides interpretation on when to recognize a liability for a levy imposed by a government and clarifies the criteria for the recognition of a liability. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014. The adoption of this standard had an insignificant impact on the Company.

(c) Accounting standards issued but not yet in effective

IFRS 15 – *Revenue from contracts with customers*, the final standard on revenue from contracts with customers was issued on May 28, 2014 and is effective for annual reporting periods beginning after December 15, 2016 for public entities with early adoption not permitted. Entities have the option of using either a full retrospective or a modified retrospective approach to adopt the guidance. The Company is assessing the impact of this standard.

3. INVENTORIES

Inventories consist of the following:

	September 30, 2014	March 31, 2014
Direct smelting ore and stockpile ore	\$ 1,006	\$ 336
Concentrate inventory	2,524	773
Total stockpile and concentrate	3,530	1,109
Material and supplies	4,028	4,253
	\$ 7,558	\$ 5,362

The amount of inventories recognized as expense during the three and six months ended September 30, 2014 and 2013 was equivalent to the cost of sales.

SILVERCORP METALS INC.

Notes to Condensed Consolidated Interim Financial Statements as at September 30, 2014 and for three and six months ended September 30, 2014 and 2013

(Unaudited) (Expressed in thousands of U.S. dollars, unless otherwise stated)

4. INVESTMENT IN AN ASSOCIATE

New Pacific Metals Corp. ("NUX") is a Canadian public company listed on the TSX (symbol: NUX). NUX is a related party of the Company by way of two common directors and officers.

As at September 30, 2014, the Company owned 10,806,300 common shares (March 31, 2014 – 10,806,300) of NUX, representing an ownership interest of 16.1% (March 31, 2014 – 16.1%).

The Company accounts for its investment in NUX common shares using the equity method since it is able to exercise significant influence over the financial and operating policies of NUX. The summary of the investment in NUX common shares and its market value as at the respective balance sheet dates are as follows:

	Number of shares	Amount	Value of NUX's common shares per quoted market price
Balance, April 1, 2013	10,806,300	\$ 6,523	\$ 6,703
Share of loss		(87)	
Impairment		(2,304)	
Foreign exchange impact		(417)	
Balance, March 31, 2014	10,806,300	\$ 3,715	\$ 3,715
Share of loss		(42)	
Foreign exchange impact		(50)	
Balance, September 30, 2014	10,806,300	\$ 3,623	\$ 2,700

5. OTHER INVESTMENTS

		September 30, 2014	March 31, 2014
Equity investments designated as FVTOCI			
Publicly-traded companies	(a)	\$ 1,381	\$ 2,377
Yongning Smelting Co. Ltd.	(b)	-	-
Jinduicheng Xise (Canada) Co. Ltd.	(c)	-	-
Warrants	(a)	-	16
		\$ 1,381	\$ 2,393

(a) Investments in publicly-traded companies with no significant influence

Investments in publicly-traded companies represent equity interests of other publicly-trading mining companies that the Company has acquired through the open market or through private placements. These equity interests are for long-term investment purposes and consist of common shares and warrants.

Common shares are designated as fair value through other comprehensive income ("FVTOCI") and are measured at fair value on initial recognition and subsequent measurement. As of September 30, 2014,

SILVERCORP METALS INC.

Notes to Condensed Consolidated Interim Financial Statements as at September 30, 2014 and for three and six months ended September 30, 2014 and 2013

(Unaudited) (Expressed in thousands of U.S. dollars, unless otherwise stated)

none of the shares held by the Company represented more than 10% of the respective outstanding shares of investees.

Warrants, by their nature, meet the definition of derivatives and are classified as fair value through profit and loss ("FVTPL"). The fair value of the warrants has been determined using the Black-Scholes pricing model as at the acquisition date as well as at each period end. For the three and six months ended September 30, 2014, fair value changes in the amount of \$nil and \$15, respectively, were recorded in loss on investments (for three and six months ended September 30, 2013 – (gain) loss of \$(31) and \$543, respectively).

Common shares:

	Fair value	Accumulated mark-to-market loss included in OCI
April 1, 2013	\$ 5,236	\$ (2,403)
Unrealized loss on equity investments designated as FVTOCI	(2,554)	(2,554)
Impact of foreign currency translation	(305)	-
March 31, 2014	\$ 2,377	\$ (4,957)
Unrealized loss on equity investments designated as FVTOCI	(991)	(991)
Impact of foreign currency translation	(5)	-
September 30, 2014	\$ 1,381	\$ (5,948)

Warrants:

	Fair value	Accumulated mark-to-market loss included in net income
April 1, 2013	\$ 627	\$ (935)
Loss on investments	(589)	(589)
Impact of foreign currency translation	(22)	-
March 31, 2014	\$ 16	\$ (1,524)
Loss on investments	(15)	(15)
Impact of foreign currency translation	(1)	-
September 30, 2014	\$ -	\$ (1,539)

(b) Luoyang Yongning Smelting Co. Ltd. ("Yongning Smelting")

Yongning Smelting is a private company based in China. The Company invested in Yongning Smelting through its subsidiary Henan Found. As at September 30, 2014, the Company's total investment in Yongning Smelting represented 15% (March 31, 2014 – 15%) of Yongning Smelting's total equity interest. The fair value of the investment as at September 30, 2014 was determined to be \$nil (March 31, 2014 - \$nil), using a market based approach taking into consideration Yongning Smelting's operational data and its financial position. The investment in Yongning is for long-term investment purposes and consists of common shares of Yongning.

(c) Jinduicheng Xise (Canada) Co. Ltd. ("Jinduicheng")

Jinduicheng is a private mining company based in Canada. The Company invested in Jinduicheng through a private placement. As at September 30, 2014, the Company's total investment in Jinduicheng represents

SILVERCORP METALS INC.

Notes to Condensed Consolidated Interim Financial Statements as at September 30, 2014 and for three and six months ended September 30, 2014 and 2013

(Unaudited) (Expressed in thousands of U.S. dollars, unless otherwise stated)

6% (March 31, 2014 - 6%) of Jinduicheng's total equity interest. The fair value of the investment as at September 30, 2014 was determined to be \$nil (March 31, 2014 - \$nil), using a market based approach taking into consideration of Jinduicheng's mineral reserve and resource data and its financial position. The investment in Jinduicheng is for long-term investment purposes and consists of common shares of Jinduicheng.

6. PLANT AND EQUIPMENT

Plant and equipment consist of:

Cost	Land use					Total
	rights and building	Office equipment	Machinery	Motor vehicles	Construction in progress	
Balance as at April 1, 2013	\$ 56,006	\$ 5,289	\$ 20,013	\$ 6,859	\$ 33,846	\$ 122,013
Additions	1,018	1,421	2,593	815	6,091	11,938
Disposals	(5,594)	(364)	(1,191)	(499)	(64)	(7,712)
Reclassification of asset groups ⁽¹⁾	29,498	38	4,392	2	(33,930)	-
Impact of foreign currency translation	(591)	(117)	(107)	(14)	442	(387)
Balance as at March 31, 2014	\$ 80,337	\$ 6,267	\$ 25,700	\$ 7,163	\$ 6,385	\$ 125,852
Additions	811	99	754	251	1,258	3,173
Disposals	-	(9)	(29)	(18)	-	(56)
Reclassification of asset groups ⁽¹⁾	192	-	-	-	(192)	-
Reclassification to assets held for sale	-	-	-	-	-	-
Impact of foreign currency translation	1,019	53	336	94	92	1,594
Ending balance as at September 30, 2014	\$ 82,359	\$ 6,410	\$ 26,761	\$ 7,490	\$ 7,543	\$ 130,563
Accumulated depreciation and amortization						
Balance as at April 1, 2013	\$ (7,119)	\$ (2,206)	\$ (6,458)	\$ (2,713)	\$ -	\$ (18,496)
Disposals	561	233	388	380	-	1,562
Depreciation and amortization	(2,818)	(1,127)	(2,104)	(1,151)	-	(7,200)
Impact of foreign currency translation	76	27	38	17	-	158
Balance as at March 31, 2014	\$ (9,300)	\$ (3,073)	\$ (8,136)	\$ (3,467)	\$ -	\$ (23,976)
Disposals	-	9	20	13	-	42
Depreciation and amortization	(1,961)	(486)	(1,220)	(572)	-	(4,239)
Impact of foreign currency translation	(126)	(16)	(119)	(50)	-	(311)
Ending balance as at September 30, 2014	\$ (11,387)	\$ (3,566)	\$ (9,455)	\$ (4,076)	\$ -	\$ (28,484)
Carrying amounts						
Balance as at March 31, 2014	\$ 71,037	\$ 3,194	\$ 17,564	\$ 3,696	\$ 6,385	\$ 101,876
Balance as at September 30, 2014	\$ 70,972	\$ 2,844	\$ 17,306	\$ 3,414	\$ 7,543	\$ 102,079

⁽¹⁾ when an asset is available for use, it is reclassified from construction in progress to one of the appropriate plant and equipment categories.

SILVERCORP METALS INC.

Notes to Condensed Consolidated Interim Financial Statements as at September 30, 2014 and for three and six months ended September 30, 2014 and 2013

(Unaudited) (Expressed in thousands of U.S. dollars, unless otherwise stated)

7. MINERAL RIGHTS AND PROPERTIES

Mineral rights and properties consist of:

Cost	Ying	TLP	HPG	LM	BYP	GC	XBG	XHP	RZY	Silvertip	Total
Balance as at April 1, 2013	\$ 84,426	\$ 19,778	\$ 9,794	\$ 19,994	\$ 62,889	\$ 93,959	\$ 13,491	\$ 19,909	\$ 229	\$ 28,664	\$ 353,133
Capitalized expenditures	15,170	3,391	3,711	8,130	1,480	15,899	363	1,838	-	930	50,912
Environmental rehabilitation	(1)	(25)	(52)	(1)	(27)	(24)	-	(15)	-	-	(145)
Impairment loss	-	-	-	-	(49,606)	-	(1,554)	-	-	(15,413)	(66,573)
Disposition of mineral property	-	-	-	-	-	-	(12,500)	-	-	(13,530)	(26,030)
Foreign currency translation impact	(317)	(58)	(61)	(134)	581	(364)	200	(38)	(19)	(651)	(861)
Balance as at March 31, 2014	\$ 99,278	\$ 23,086	\$ 13,392	\$ 27,989	\$ 15,317	\$ 109,470	\$ -	\$ 21,694	\$ 210	\$ -	\$ 310,436
Capitalized expenditures	26,385	1,871	1,908	4,320	355	2,284	-	490	-	-	37,613
Foreign currency translation impact	1,505	314	190	401	200	1,379	-	281	(3)	-	4,267
Ending balance as at September 30, 2014	\$ 127,168	\$ 25,271	\$ 15,490	\$ 32,710	\$ 15,872	\$ 113,133	\$ -	\$ 22,465	\$ 207	\$ -	\$ 352,316
Accumulated depletion											
Balance as at April 1, 2013	\$ (23,296)	\$ (1,926)	\$ (2,258)	\$ (2,770)	\$ (5,996)	\$ -	\$ -	\$ (209)	\$ -	\$ -	\$ (36,455)
Depletion	(3,294)	(901)	(765)	(768)	(1,796)	-	-	(332)	-	-	(7,856)
Foreign currency translation impact	57	15	13	13	30	-	-	5	-	-	133
Balance as at March 31, 2014	\$ (26,533)	\$ (2,812)	\$ (3,010)	\$ (3,525)	\$ (7,762)	\$ -	\$ -	\$ (536)	\$ -	\$ -	\$ (44,178)
Depletion	(2,570)	(683)	(553)	(589)	(310)	(2,544)	-	(9)	-	-	(7,258)
Foreign currency translation impact	(366)	(43)	(44)	(51)	(102)	(25)	-	(7)	-	-	(638)
Ending balance as at September 30, 2014	\$ (29,469)	\$ (3,538)	\$ (3,607)	\$ (4,165)	\$ (8,174)	\$ (2,569)	\$ -	\$ (552)	\$ -	\$ -	\$ (52,074)
Carrying amounts											
Balance as at March 31, 2013	\$ 72,745	\$ 20,274	\$ 10,382	\$ 24,464	\$ 7,555	\$ 109,470	\$ -	\$ 21,158	\$ 210	\$ -	\$ 266,258
Balance as at September 30, 2014	\$ 97,699	\$ 21,733	\$ 11,883	\$ 28,545	\$ 7,698	\$ 110,564	\$ -	\$ 21,913	\$ 207	\$ -	\$ 300,242

During the quarter ended September 30, 2014, the Company successfully renewed the mining permit for its Ying mine. The new mining permit for Ying mine is valid until September 2024. As part of the renewal requirement, a mine right fee in the amount of \$17,439 (RMB ¥107.04 million) will be paid in five annual installments to the Chinese government. As of September 30, 2014, the full amount was capitalized in mineral rights and properties with the corresponding amount being accrued under mine right fee payable (see note 8).

In July 2014, the GC mine commenced commercial production as operating levels intended by management were determined to have been reached. Accordingly, depletion of mineral rights and properties commenced effective July 1, 2014, and proceeds from sale of concentrates have been included in net income and total comprehensive income effective July 1, 2014.

8. MINE RIGHT FEE PAYABLE

During the quarter ended September 30, 2014, the Company accrued a mine right fee of \$17,439 (RMB ¥107.04 million) to be paid to the Chinese government as part of its requirement to renew the mining permit for its Ying mine (see note 7). The mine right fee will be paid in five annual installments and carries interest at a prevailing commercial bank loan interest rate in China. As of September 30, 2014, the prevailing commercial bank loan interest rate was approximately 6.00%.

Details of the installments for mine right fee are as follow:

Mine right fee payable	September 30, 2014	March 31, 2014
Current portion	\$ 3,584	\$ -
Non-current portion	13,855	-
	\$ 17,439	\$ -

On October 18, 2014, the first installment of \$3,584 (RMB ¥22 million) was paid.

SILVERCORP METALS INC.

Notes to Condensed Consolidated Interim Financial Statements as at September 30, 2014 and for three and six months ended September 30, 2014 and 2013

(Unaudited) (Expressed in thousands of U.S. dollars, unless otherwise stated)

9. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value. All shares issued as at September 30, 2014 were fully paid.

(b) Stock options

The Company has a stock option plan which allows for the maximum number of common shares to be reserved for issuance on the exercise of options granted under the stock option plan to be a rolling 10% of the issued and outstanding common shares from time to time. The maximum exercise period may not exceed 10 years from the date of the grant of the options to employees, officers, and consultants. The following is a summary of option transactions:

	Number of shares	Weighted average exercise price per share CAD\$
Balance, April 1, 2013	4,503,969	\$ 6.58
Options granted	1,253,500	3.23
Options exercised	(102,750)	2.89
Options forfeited	(364,312)	6.07
Options expired	(222,500)	6.16
Balance, March 31, 2014	5,067,907	\$ 5.88
Options granted	822,000	1.75
Options forfeited	(322,000)	5.73
Options expired	(480,001)	2.65
Balance, September 30, 2014	5,087,906	\$ 5.53

During the three and six months ended September 30, 2014, a total of 822,000 options with a life of five years were granted to directors, officers, and employees at an exercise price of CAD\$1.75 per share subject to a vesting schedule over a four-year term with 6.25% of the options vesting every three months from the date of grant.

The fair value of the stock options granted during the three and six months ended September 30, 2014 and 2013 has been calculated as of the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	Six months ended September 30,	
	2014	2013
Risk free interest rate	1.21%	1.43%
Expected life of option in years	3.12 years	3.12 years
Expected volatility	54%	57%
Expected dividend yield	1.14%	3.0%
Estimated forfeiture rate	11%	11%
Weighted average share price at date of grant	\$ 1.75	\$ 3.34

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The weighted average grant date fair value of options granted during the six months ended September 30, 2014 was CAD\$0.61 (for six months ended September 30, 2013 - CAD\$1.10). Volatility was determined based on the historical volatility of the Company's shares over the estimated life of stock options. For the three and six months ended September 30, 2014, a total of \$445 and \$796, respectively (for three and six months ended September 30, 2013 - \$602 and \$1,317, respectively) in share-based compensation expense was recognized and included in the general and administrative expenses in the consolidated statements of income.

The following table summarizes information about stock options outstanding at September 30, 2014:

Exercise price in CAD\$	Number of options outstanding at September 30, 2014	Weighted average remaining contractual life (Years)	Weighted average exercise price in CAD\$	Number of options exercisable at September 30, 2014	Weighted average exercise price in CAD\$
\$ 1.75	822,000	4.66	\$ 1.75	51,376	\$ 1.75
\$ 2.98	340,500	4.31	\$ 2.98	42,565	\$ 2.98
\$ 3.25	333,500	3.67	\$ 3.25	104,222	\$ 3.25
\$ 3.41	418,500	3.95	\$ 3.41	104,625	\$ 3.41
\$ 3.91	324,500	3.43	\$ 3.91	121,690	\$ 3.91
\$ 5.35	330,000	2.86	\$ 5.35	165,000	\$ 5.35
\$ 5.40	328,500	3.18	\$ 5.40	143,726	\$ 5.40
\$ 6.53	259,000	2.71	\$ 6.53	145,693	\$ 6.53
\$ 6.69	414,000	2.43	\$ 6.69	258,753	\$ 6.69
\$ 7.00	263,000	0.27	\$ 7.00	263,000	\$ 7.00
\$ 7.27	262,500	2.15	\$ 7.27	180,472	\$ 7.27
\$ 7.40	141,000	0.55	\$ 7.40	141,000	\$ 7.40
\$ 8.23	269,125	1.01	\$ 8.23	252,188	\$ 8.23
\$ 9.20	220,500	1.68	\$ 9.20	165,375	\$ 9.20
\$ 12.16	189,781	1.26	\$ 12.16	166,031	\$ 12.16
\$ 14.96	171,500	1.52	\$ 14.96	139,348	\$ 14.96
\$ 1.75 - 14.96	5,087,906	2.92	\$ 5.53	2,445,064	\$ 7.21

(c) Cash dividends declared and distributed

During the three and six months ended September 30, 2014, dividends of \$763 and \$1,563, respectively (for three and six months ended September 30, 2013 - \$4,152 and \$8,325, respectively) were declared, which was a cash dividend of \$0.005 per share (for three and six months ended September 30, 2013 - \$0.025 per share).

10. ACCUMULATED OTHER COMPREHENSIVE INCOME

	September 30, 2014	March 31, 2014
Change in fair value on equity investments designated as FVTOCI	\$ (37,600)	\$ (36,609)
Currency translation adjustment	20,037	16,468
Balance, end of the period	\$ (17,563)	\$ (20,141)

The unrealized (loss) gain on equity investments designated as FVTOCI and on currency translation adjustment are net of tax of \$nil for all periods presented.

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(Unaudited) (Expressed in thousands of U.S. dollars, unless otherwise stated)

11. NON-CONTROLLING INTERESTS

The continuity of non-controlling interests is summarized as follows:

	Henan Found		ZX/CX		Henan Huawei		Yunxiang		Guangdong Found		SX Gold		Total	
Balance, April 1, 2013	\$	43,747	\$	5,045	\$	5,477	\$	16,074	\$	2,230	\$	5,095	\$	77,668
Share of net income (loss)		4,986		(33)		961		5		(83)		(1,434)		4,402
Share of impairment loss		-		(470)		-		(11,271)		-		-		(11,741)
Share of other comprehensive income (loss)		112		-		3		124		1		(29)		211
Distributions		(5,537)		-		(984)		-		-		-		(6,521)
Disposition upon sale of a subsidiary		2,819		(4,542)		-		-		-		-		(1,723)
Balance, March 31, 2014	\$	46,127	\$	-	\$	5,457	\$	4,932	\$	2,148	\$	3,632	\$	62,296
Share of net income (loss)		4,056		-		379		21		(67)		(112)		4,277
Share of other comprehensive income (loss)		559		-		81		53		56		(23)		726
Distributions		(2,563)		-		-		-		-		-		(2,563)
Balance, September 30, 2014	\$	48,179	\$	-	\$	5,917	\$	5,006	\$	2,137	\$	3,497	\$	64,736

As at September 30, 2014, non-controlling interests in Henan Found, Henan Huawei, Yunxiang, Guangdong Found and SX Gold were 22.5%, 20%, 30%, 5% and 22.5%, respectively.

12. RELATED PARTY TRANSACTIONS

Related party transactions not disclosed elsewhere in the financial statements are as follows:

Due from related parties	September 30, 2014		March 31, 2014	
NUX (a)	\$	90	\$	48
Henan Non-ferrous Geology Bureau (b)		25		20
	\$	115	\$	68

Due to related parties	September 30, 2014		March 31, 2014	
Parkside Management Ltd. (f)	\$	273	\$	281

- (a) According to a services and administrative costs reallocation agreement between the Company and NUX, the Company recovers costs for services rendered to NUX and expenses incurred on behalf of NUX. During the three and six months ended September 30, 2014, the Company recovered \$81 and \$138, respectively (for three and six months ended September 30, 2013 - \$158 and \$269, respectively) from NUX for services rendered and expenses incurred on behalf of NUX. The costs recovered from NUX were recorded as a direct reduction of general and administrative expenses on the consolidated statements of income.
- (b) Henan Non-ferrous Geology Bureau ("Henan Geology Bureau") is a 22.5% equity interest holder of Henan Found.
- (c) For the three and six months ended September 30, 2014, the Company paid \$nil and \$nil, respectively (for three and six months ended September 30, 2013 - \$102 and \$204, respectively) consulting fees to McBrighton Consulting Ltd., a private consulting services company controlled by a director of the Company.

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(Unaudited) (Expressed in thousands of U.S. dollars, unless otherwise stated)

- (d) For the three and six months ended September 30, 2014, the Company paid \$91 and \$217, respectively (for three and six months ended September 30, 2013 - \$nil) consulting fees to Greensea Management Ltd., a private consulting services company controlled by a director of the Company.
- (e) For the three and six months ended September 30, 2014, the Company paid \$nil (for three and six months ended September 30, 2013 - \$nil and \$102, respectively) consulting fees to R. Feng Consulting Ltd., a private consulting services company controlled by a director of the Company.
- (f) For the three and six months ended September 30, 2014, the Company paid and accrued \$nil and \$140, respectively (for three and six months ended September 30, 2013 - \$148 and \$206, respectively) consulting fees to Parkside Management Limited, a private consulting services company controlled by a director of the Company.
- (g) The Company rents a Beijing office from a relative of a director and officer of the Company for \$12 (RMB 74,712) per month. For the three and six months ended September 30, 2014, total rents were \$36 and \$72, respectively (for three and six months ended September 30, 2013 - \$36 and \$72, respectively).
- (h) Henan Xinhui Mining Co., Ltd. ("Henan Xinhui") is a 20% equity interest holder of Henan Huawei.
- (i) GRT Mining Investment (Beijing) Co., Ltd. ("GRT"), a private company controlled by a relative of a director and officer, is a 5% equity interest holder of Guangdong Found.

Transactions with related parties are made on normal commercial terms and are considered to be at arm's length. The balances with related parties are unsecured, non-interest bearing, and due on demand.

13. COST OF SALES

Cost of sales consists of:

	Three months ended September 30,		Six months ended September 30,	
	2014	2013	2014	2013
Direct mining and milling cost	\$ 14,217	\$ 10,675	\$ 26,098	\$ 29,579
Depreciation, amortization and depletion	4,677	4,148	7,759	7,726
Cost of sales	\$ 18,894	\$ 14,823	\$ 33,857	\$ 37,305

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(Unaudited) (Expressed in thousands of U.S. dollars, unless otherwise stated)

14. GENERAL AND ADMINISTRATIVE

General and administrative expenses consist of:

General and administrative	Three months ended September 30,		Six months ended September 30,	
	2014	2013	2014	2013
Office and administrative expenses	\$ 2,140	\$ 2,478	\$ 4,026	\$ 5,669
Amortization and depreciation	592	402	933	756
Salaries and benefits	2,452	2,178	3,942	4,422
Share-based compensation	445	602	796	1,317
Professional fees	470	1,394	1,170	2,391
	\$ 6,099	\$ 7,054	\$ 10,867	\$ 14,555

15. FINANCE ITEMS

Finance items consist of:

Finance income	Three months ended September 30,		Six months ended September 30,	
	2014	2013	2014	2013
Interest income	\$ 268	\$ 978	\$ 432	\$ 1,906

Finance costs	Three months ended September 30,		Six months ended September 30,	
	2014	2013	2014	2013
Unwinding of discount of environmental rehabilitation provision	\$ 39	\$ 33	\$ 71	\$ 66
	\$ 39	\$ 33	\$ 71	\$ 66

16. INCOME TAX

The significant components of income tax expense are as follows:

Income tax expense	Three months ended September 30,		Six months ended September 30,	
	2014	2013	2014	2013
Current	\$ 3,097	\$ 2,562	\$ 5,977	\$ 4,625
Deferred	1,023	(10,596)	1,828	(8,659)
	\$ 4,120	\$ (8,034)	\$ 7,805	\$ (4,034)

17. CAPITAL DISCLOSURES

The Company's objectives of capital management are intended to safeguard the entity's ability to support the Company's normal operating requirement on an ongoing basis, continue the development and exploration of its mineral properties, and support any expansionary plans.

The capital of the Company consists of the items included in equity. Risk and capital management are primarily the responsibility of the Company's corporate finance function and is monitored by the Board of Directors. The Company manages the capital structure and makes adjustments depending on economic conditions. Funds have been primarily secured through profitable operations and issuances of equity capital. The Company invests all capital that is surplus to its immediate needs in short-term, liquid and highly rated financial instruments, such as cash and other short-term deposits, all held with major financial

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institutions. Significant risks are monitored and actions are taken, when necessary, according to the Company's approved policies.

18. FINANCIAL INSTRUMENTS

The Company manages its exposure to financial risks, including liquidity risk, foreign exchange rate risk, interest rate risk, credit risk and equity price risk in accordance with its risk management framework. The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's policies on an ongoing basis.

(a) Fair value

The Company classifies its fair value measurements within a fair value hierarchy, which reflects the significance of the inputs used in making the measurements as defined in IFRS 7, Financial Instruments: Disclosures ("IFRS 7").

Level 1 – Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs which are supported by little or no market activity.

The following table sets forth the Company's financial assets that are measured at fair value on a recurring basis by level within the fair value hierarchy at September 30, 2014 that are not otherwise disclosed. As required by IFRS 7, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. As of September 30, 2014 and March 31, 2014, the Company did not have financial liabilities measured at fair value on a recurring basis.

	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	\$ 72,674	\$ -	\$ -	\$ 72,674
Common shares of publicly traded companies	1,381	-	-	1,381
Yongning Smelting Co. Ltd. ⁽¹⁾	-	-	-	-
Jinduicheng Xise (Canada) Co. Ltd. ⁽¹⁾	-	-	-	-
Warrants	-	-	-	-
Financial liabilities				
Mine right fee payable	\$ -	\$ 17,439	\$ -	\$ 17,439

⁽¹⁾ Level 3 financial instrument

The fair value of other financial instruments excluded from the table above approximates their carrying amounts as of September 30, 2014 and March 31, 2014, respectively.

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A reconciliation of financial assets measured at level 3 is as follows:

	Fair value through other comprehensive income		
	Yongning Smelting	Jinduicheng	Total
Balance at April 1, 2013	\$ 9,653	\$ -	\$ 9,653
Other comprehensive loss arising on revaluation	(9,651)	-	(9,651)
Foreign exchange impact	(2)	-	(2)
Balance at March 31, 2014	\$ -	\$ -	\$ -
Balance at September 30, 2014	\$ -	\$ -	\$ -

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its short term business requirements. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its expansion plans.

In the normal course of business, the Company enters into contracts that give rise to commitments for future minimum payments. The following summarizes the remaining contractual maturities of the Company's financial liabilities.

	September 30, 2014			March 31, 2014	
	Within a year	2-3 years	4-5 years	Total	Total
Mine right fee payable	\$ 3,584	\$ 8,146	\$ 5,709	\$ 17,439	\$ -
Accounts payable and accrued liabilities	30,174	-	-	30,174	23,802
Dividends payable	762	-	-	762	773
	\$ 34,520	\$ 8,146	\$ 5,709	\$ 48,375	\$ 24,575

(c) Foreign exchange risk

The Company undertakes transactions denominated in foreign currencies and is exposed to foreign exchange risk arising from such transactions.

The Company conducts its mining operations in China and thereby the majority of the Company's assets, liabilities, revenues and expenses are denominated in RMB, which is tied to a basket of currencies of China's largest trading partners.

The Company currently does not engage in foreign currency hedging, and the exposure of the Company's financial assets and financial liabilities to foreign exchange risk is summarized as follows:

	September 30, 2014	March 31, 2014
Financial assets denominated in U.S. Dollars	\$ 18,044	\$ 979
Financial assets denominated in Chinese RMB	\$ 58,240	\$ 57,358

As at September 30, 2014, with other variables unchanged, a 1% strengthening (weakening) of the RMB against the USD would have increased (decreased) net income by approximately \$0.5 million.

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As at September 30, 2014, with other variables unchanged, a 1% strengthening (weakening) of the CAD against the USD would have decreased (increased) net income by approximately \$0.1 million.

(d) Interest rate risk

The Company is exposed to interest rate risk on its cash equivalents, short term investments, and outstanding mine right fee payable. As at September 30, 2014, all of its interest-bearing cash equivalents and short term investments earn interest at market rates that are fixed to maturity or at variable interest rate with terms of less than one year. The Company monitors its exposure to changes in interest rates on cash equivalents and short term investments. Due to the short term nature of the financial instruments, fluctuations in interest rates would not have a significant impact on the Company's after-tax net income.

The outstanding mine right fee payable is subject to a floating interest rate based on the prevailing commercial bank loan interest rate in China. The Company monitors its exposure to interest rates. Chinese central bank has maintained stable interest rates to ensure economic stability, with less than 1% fluctuation in base interest rate in the last five years. Interest incurred by the Company on the mine right fee payable will be capitalized as it relates to renewal of mining permits. No interest has been capitalized as of September 30, 2014.

(e) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk primarily associated to accounts receivable, due from related parties, cash and cash equivalents and short term investments. The carrying amount of assets included on the balance sheet represents the maximum credit exposure.

The Company undertakes credit evaluations on counterparties as necessary and has monitoring processes intended to mitigate credit risks. The Company has trade receivables from its major customers primarily in China engaged in the mining and milling of base and polymetallic metals. The historical level of customer default is zero and aging of trade receivables are no more than 180 days, and, as a result, the credit risk associated with trade receivables from customers as at September 30, 2014 is considered to be immaterial. There were no amounts in receivables which were past due at September 30, 2014 (at March 31, 2014 - \$nil) for which no provision is recognized.

(f) Equity price risk

The Company holds certain marketable securities that will fluctuate in value as a result of trading on Canadian financial markets. As the Company's marketable securities holding are mainly in mining companies, the value will also fluctuate based on commodity prices. Based upon the Company's portfolio at September 30, 2014, a 10% increase (decrease) in the market price of the securities held, ignoring any foreign currency effects would have resulted in an increase (decrease) to comprehensive income of approximately \$0.2 million.

19. SEGMENTED INFORMATION

Operating segments are components of the Company whose separate financial information is available and that is evaluated regularly by the Company's Chief Executive Officer who is the Chief Operating

SILVERCORP METALS INC.

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Decision Maker ("CODM"). The operational segments are determined based on the Company's management and internal reporting structure. In the year ended March 31, 2014, the Company revised its operating segments presentation to reflect the disposals in the prior year and the oversight of its operations by the CODM. These figures have been restated to conform to the current year presentation. Operating segments are summarized as follow:

Operational Segments	Subsidiaries Included in the Segment	Properties Included in the Segment
Mining		
Henan Luoning	Henan Found and Henan Huawei	Ying, TLP, HPG and LM
Hunan	Yunxiang	BYP
Guangdong	Guangdong Found	GC
Other	SX Gold and 0875786 B.C. Ltd.	XHP
Administrative		
Vancouver	Silvercorp Metals Inc., BVI and Barbados' holding companies	RZY
Beijing	Silvercorp Metals (China) Inc.	

(a) Segmented information for assets and liabilities are as follows:

Balance sheet items:	September 30, 2014							Total
	Mining				Administrative			
	Henan Luoning	Hunan	Guangdong	Other	Beijing	Vancouver		
Current assets	\$ 47,201	\$ 2,429	\$ 7,798	\$ 2,612	\$ 864	\$ 41,704	\$ 102,608	
Plant and equipment	44,490	6,296	41,080	8,330	1,484	399	102,079	
Mineral rights and properties	159,860	7,698	110,564	21,913	-	207	300,242	
Investment in an associate	-	-	-	-	-	3,623	3,623	
Other investments	-	-	-	-	-	1,381	1,381	
Long-term prepaids and deposits	2,112	148	2,107	228	-	9	4,604	
Total assets	\$ 253,663	\$ 16,571	\$ 161,549	\$ 33,083	\$ 2,348	\$ 47,323	\$ 514,537	
Current liabilities	\$ 33,723	\$ 1,076	\$ 6,487	\$ 4,688	\$ 229	\$ 3,129	\$ 49,332	
Installments for mine right fee	13,855	-	-	-	-	-	13,855	
Deferred income tax liabilities	17,798	660	137	-	-	-	18,595	
Environmental rehabilitation	3,850	949	896	275	-	-	5,970	
Total liabilities	\$ 69,226	\$ 2,685	\$ 7,520	\$ 4,963	\$ 229	\$ 3,129	\$ 87,752	
	March 31, 2014							
	Mining				Administrative			
	Henan Luoning	Hunan	Guangdong	Other	Beijing	Vancouver	Total	
Current assets	\$ 32,805	\$ 3,062	\$ 4,287	\$ 2,195	\$ 626	\$ 46,102	\$ 89,077	
Plant and equipment	44,231	6,070	41,079	8,591	1,528	377	101,876	
Mineral rights and properties	127,865	7,555	109,470	21,158	-	210	266,258	
Investment in an associate	-	-	-	-	-	3,715	3,715	
Other investments	-	-	-	-	-	2,393	2,393	
Long-term prepaids and deposits	1,606	184	2,013	188	-	9	4,000	
Total assets	\$ 206,507	\$ 16,871	\$ 156,849	\$ 32,132	\$ 2,154	\$ 52,806	\$ 467,319	
Current liabilities	\$ 19,562	\$ 1,725	\$ 4,407	\$ 4,161	\$ 79	\$ 2,468	\$ 32,402	
Deferred income tax liabilities	15,534	580	422	-	-	-	16,536	
Environmental rehabilitation	3,753	925	873	268	-	-	5,819	
Total liabilities	\$ 38,849	\$ 3,230	\$ 5,702	\$ 4,429	\$ 79	\$ 2,468	\$ 54,757	

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(Unaudited) (Expressed in thousands of U.S. dollars, unless otherwise stated)

(b) Segmented information for operating results are as follows:

Three months ended September 30, 2014							
Statement of operations:	Mining				Administrative		Total
	Henan Luoning	Hunan ⁽¹⁾	Guangdong ⁽²⁾	Other	Beijing	Vancouver	
Sales	\$ 31,926	\$ 94	\$ 5,313	\$ -	\$ -	\$ -	\$ 37,333
Cost of sales	(14,723)	(17)	(4,154)	-	-	-	(18,894)
Gross profit	17,203	77	1,159	-	-	-	18,439
Operating (expenses) income	(2,462)	(736)	(942)	144	(492)	(446)	(4,934)
Finance items	(88)	2	4	2	108	201	229
Income tax (expenses) recovery	(3,121)	(185)	76	-	-	(890)	(4,120)
Net income (loss)	\$ 11,532	\$ (842)	\$ 297	\$ 146	\$ (384)	\$ (1,135)	\$ 9,614
Attributed to:							
Equity holders of the Company	8,831	(592)	330	178	(384)	(1,135)	7,228
Non-controlling interests	2,701	(250)	(33)	(32)	-	-	2,386
Net income (loss)	\$ 11,532	\$ (842)	\$ 297	\$ 146	\$ (384)	\$ (1,135)	\$ 9,614

⁽¹⁾ Hunan's BYP project was placed on care and maintenance starting August 2014;

⁽²⁾ Guangdong's GC project commenced commercial production on July 1, 2014.

Three months ended September 30, 2013							
Statement of operations:	Mining				Administrative		Total
	Henan Luoning	Hunan	Guangdong	Other	Beijing	Vancouver	
Sales	\$ 26,183	\$ 2,277	\$ -	\$ -	\$ -	\$ -	\$ 28,460
Cost of sales	(12,998)	(1,825)	-	-	-	-	(14,823)
Gross profit	13,185	452	-	-	-	-	13,637
Operating (expenses) income	(3,606)	(497)	23	(307)	(531)	(4,432)	(9,350)
Impairment loss	-	(49,606)	-	(16,967)	-	-	(66,573)
Finance items	933	(5)	9	1	66	(59)	945
Income tax (expenses) recovery	(2,564)	12,253	-	-	-	(1,655)	8,034
Net income (loss)	\$ 7,948	\$ (37,403)	\$ 32	\$ (17,273)	\$ (465)	\$ (6,146)	\$ (53,307)
Attributed to:							
Equity holders of the Company	6,240	(26,190)	32	(16,672)	(465)	(6,146)	(43,201)
Non-controlling interests	1,708	(11,213)	-	(601)	-	-	(10,106)
Net income (loss)	\$ 7,948	\$ (37,403)	\$ 32	\$ (17,273)	\$ (465)	\$ (6,146)	\$ (53,307)

SILVERCORP METALS INC.

Notes to Condensed Consolidated Interim Financial Statements as at September 30, 2014 and for three and six months ended September 30, 2014 and 2013

(Unaudited) (Expressed in thousands of U.S. dollars, unless otherwise stated)

Six months ended September 30, 2014								
Statement of operations:	Mining				Administrative		Total	
	Henan Luoning	Hunan ⁽¹⁾	Guangdong ⁽²⁾	Other	Beijing	Vancouver		
Sales	\$ 59,861	\$ 2,775	\$ 5,313	\$ -	\$ -	\$ -	\$ 67,949	
Cost of sales	(28,173)	(1,530)	(4,154)	-	-	-	(33,857)	
Gross profit	31,688	1,245	1,159	-	-	-	34,092	
Operating (expenses) income	(5,842)	(1,004)	(943)	164	(930)	(3,844)	(12,399)	
Finance items	(289)	4	9	-	213	424	361	
Income tax (expenses) recovery	(7,010)	(191)	287	-	(1)	(890)	(7,805)	
Net income (loss)	\$ 18,547	\$ 54	\$ 512	\$ 164	\$ (718)	\$ (4,310)	\$ 14,249	
Attributable to:								
Equity holders of the Company	14,112	33	579	276	(718)	(4,310)	9,972	
Non-controlling interests	4,435	21	(67)	(112)	-	-	4,277	
Net income (loss)	\$ 18,547	\$ 54	\$ 512	\$ 164	\$ (718)	\$ (4,310)	\$ 14,249	

⁽¹⁾ Hunan's BVP project was placed on care and maintenance starting August 2014;

⁽²⁾ Guangdong's GC project commenced commercial production on July 1, 2014.

Six months ended September 30, 2013								
Statement of operations:	Mining				Administrative		Total	
	Henan Luoning	Hunan	Guangdong	Other	Beijing	Vancouver		
Sales	\$ 63,196	\$ 5,099	\$ -	\$ -	\$ -	\$ -	\$ 68,295	
Cost of sales	(33,190)	(4,115)	-	-	-	-	(37,305)	
Gross profit	30,006	984	-	-	-	-	30,990	
Operating (expenses) income	(7,431)	(969)	41	(787)	(888)	(7,080)	(17,114)	
Impairment loss	-	(49,606)	-	(16,967)	-	-	(66,573)	
Finance items	1,700	(9)	17	(9)	123	18	1,840	
Income tax (expenses) recovery	(6,349)	12,040	-	(1)	(1)	(1,655)	4,034	
Net income (loss)	\$ 17,926	\$ (37,560)	\$ 58	\$ (17,764)	\$ (766)	\$ (8,717)	\$ (46,823)	
Attributable to:								
Equity holders of the Company	14,091	(26,308)	57	(16,996)	(766)	(8,717)	(38,639)	
Non-controlling interests	3,835	(11,252)	1	(768)	-	-	(8,184)	
Net income (loss)	\$ 17,926	\$ (37,560)	\$ 58	\$ (17,764)	\$ (766)	\$ (8,717)	\$ (46,823)	

SILVERCORP METALS INC.

Notes to Condensed Consolidated Interim Financial Statements as at September 30, 2014 and for three and six months ended September 30, 2014 and 2013

(Unaudited) (Expressed in thousands of U.S. dollars, unless otherwise stated)

(c) Sales by metal

The sales generated for the three months ended June 30, 2014 and 2013 comprise:

	Three months Ended September 30, 2014			
	Henan Luoning	Hunan	Guangdong	Total
Silver (Ag)	\$ 20,149	\$ -	\$ 1,585	\$ 21,734
Gold (Au)	655	94	-	749
Lead (Pb)	9,758	-	1,060	10,818
Zinc (Zn)	1,364	-	2,538	3,902
Sulphur (S)	-	-	130	130
	\$ 31,926	\$ 94	\$ 5,313	\$ 37,333

	Three months Ended March 31, 2013			
	Henan Luoning	Hunan	Guangdong	Total
Silver (Ag)	\$ 16,669	\$ -	\$ -	\$ 16,669
Gold (Au)	818	2,277	-	3,095
Lead (Pb)	7,349	-	-	7,349
Zinc (Zn)	1,347	-	-	1,347
	\$ 26,183	\$ 2,277	\$ -	\$ 28,460

	Six Months Ended September 30, 2014			
	Henan Luoning	Hunan	Guangdong	Total
Silver (Ag)	\$ 37,927	\$ -	\$ 1,585	\$ 39,512
Gold (Au)	1,396	2,775	-	4,171
Lead (Pb)	18,412	-	1,060	19,472
Zinc (Zn)	2,126	-	2,538	4,664
Sulphur (S)	-	-	130	130
	\$ 59,861	\$ 2,775	\$ 5,313	\$ 67,949

	Six Months Ended June 30, 2013			
	Henan Luoning	Hunan	Guangdong	Total
Silver (Ag)	\$ 40,760	\$ -	\$ -	\$ 40,760
Gold (Au)	2,101	4,946	-	7,047
Lead (Pb)	17,182	-	-	17,182
Zinc (Zn)	3,153	153	-	3,306
	\$ 63,196	\$ 5,099	\$ -	\$ 68,295

(d) Major customers

For the six months ended September 30, 2014, four major customers (for six months ended September 30, 2013 - three) accounted for 14% to 33%, (for six months ended September 30, 2013 - 12% to 38%) and collectively 87% (for six months ended September 30, 2013 - 74%) of the total sales of the Company.

SILVERCORP METALS INC.

Notes to Condensed Consolidated Interim Financial Statements as at September 30, 2014 and for three and six months ended September 30, 2014 and 2013

(Unaudited) (Expressed in thousands of U.S. dollars, unless otherwise stated)

20. COMMITMENTS AND CONTINGENCIES

Commitments, not disclosed elsewhere in these condensed consolidated interim financial statements, are as follows:

	Total	Less than 1 year	1-5 years	After 5 years
Operating leases	\$ 6,196	\$ 428	\$ 3,673	\$ 2,095
Commitments	\$ 6,418	\$ -	\$ -	\$ 6,418

As of September 30, 2014, the Company has two office rental agreements totaling \$6,196 for the next nine years and commitments of \$6,418 related to the GC property.

Due to the size, complexity and nature of the Company's operations, various legal and tax matters arise in the ordinary course of business. The Company accrues for such items when a liability is both probable and the amount can be reasonably estimated. As at September 30, 2014 and 2013, no contingent liabilities were accrued.

On January 24, 2013, the Company issued a news release announcing its awareness of a class action lawsuit against the Company and certain senior officers commenced on December 24, 2012, in New York by shareholders of the Company and lead class plaintiffs Charles A. Burns and Dale Hachiya, relating to alleged violations of the Securities Exchange Act of 1934 for an unspecified amount of damages (the "U.S. Class Action"). The Company was not successful in a motion to dismiss the lawsuit on July 16, 2013. The Company has denied, and continues to deny, that it has violated the federal securities laws or any other laws or has otherwise misled investors as alleged in the U.S. Class Action and continues to deny specifically each and all of the claims alleged. In addition, the Company maintains that it has meritorious defenses to all claims alleged. Nonetheless, taking into account the risks and costs inherent in any litigation, especially in complex cases such as this U.S. Class Action, the Company has concluded that further challenge of the U.S. Class Action could be protracted, burdensome, expensive, and distracting. The Company has therefore determined that it is desirable and beneficial that the U.S. Action be settled. As a result of a mediation process, the Company has agreed to pay US\$14 million to fully resolve the case on behalf of all defendants. The Company expects that the insurance coverage will be sufficient to cover the settlement in the U.S. Class Action. Approval of the settlement is still subject to final approval by the court following notice to the proposed class.

21. SUPPLEMENTARY CASH FLOW INFORMATION

	September 30, 2014	March 31, 2014
Cash on hand and at bank	\$ 35,671	\$ 25,048
Bank term deposits and GICs	37,003	35,566
Total cash and cash equivalents	\$ 72,674	\$ 60,614

SILVERCORP METALS INC.

Notes to Condensed Consolidated Interim Financial Statements as at September 30, 2014 and for three and six months ended September 30, 2014 and 2013

(Unaudited) (Expressed in thousands of U.S. dollars, unless otherwise stated)

	<u>Three Months Ended September 30,</u>		<u>Six Months Ended September 30,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Net change in non-cash working capital				
Trade and other receivables	\$ 276	\$ (193)	\$ 713	\$ (132)
Inventories	(2,466)	(133)	(715)	1,240
Prepays and deposits	1,060	(771)	182	(2,013)
Accounts payable and accrued liabilities	487	(5,060)	1,271	1,979
Deposits received	3,536	1,168	4,297	(869)
Due to related parties	(48)	33	(54)	100
	<u>\$ 2,845</u>	<u>\$ (4,956)</u>	<u>\$ 5,694</u>	<u>\$ 305</u>
Non-cash transactions:				
Additions of plant and equipment included in accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 65
Capital expenditures of mineral rights and properties included in accounts payable and accrued liabilities	\$ 1,318	\$ -	\$ 5,354	\$ 3,331