



SILVERCORP METALS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Three and Six Months Ended September 30, 2020

(Expressed in thousands of US dollars, except per share figures or otherwise stated)

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SILVERCORP METALS INC.

Management's Discussion and Analysis

For the Three and Six Months Ended September 30, 2020

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

This Management's Discussion and Analysis ("MD&A") is intended to help the reader understand the significant factors that have affected Silvercorp Metals Inc. and its subsidiaries' (collectively, "Silvercorp" or the "Company") performance and such factors that may affect its future performance. This MD&A should be read in conjunction with the Company's unaudited condensed consolidated financial statements for the three and six months ended September 30, 2020 and the related notes contained therein. In addition, the following should be read in conjunction with the audited consolidated financial statements of the Company for the year ended March 31, 2020, the related MD&A, the Annual Information Form (available on SEDAR at www.sedar.com), and the annual report on Form 40-F (available on EDGAR at www.sec.gov). The Company reports its financial position, results of operations and cash flow in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Silvercorp's significant accounting policies are set out in Note 2 of the unaudited condensed consolidated financial statements for the three and six months ended September 30, 2020, as well as Note 2 to the audited consolidated financial statements for the year ended March 31, 2020. This MD&A refers to various alternative performance (non-IFRS) measures such as total and cash cost per ounce of silver, net of by-product credits, all-in & all-in sustaining cost per ounce of silver, net of by-product credits, and production costs per tonne. Alternative performance (non-IFRS) measures do not have standardized meanings under IFRS. Accordingly, alternative performance (non-IFRS) measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. To facilitate a better understanding of these measures as calculated by the Company, we have provided detailed descriptions and reconciliations, in section 10 of this MD&A.

This MD&A is prepared as of November 4, 2020 and expressed in thousands of U.S. dollars, except share, per share, unit cost, and production data, or unless otherwise stated. Figures may not add up precisely due to rounding.

1. Core Business and Strategy

Silvercorp is a profitable Canadian mining company currently producing silver, gold, lead, and zinc metals in concentrates from mines in China. The Company's goal is to continuously create healthy returns to shareholders through efficient management, organic growth and the acquisition of profitable projects. Silvercorp balances profitability, social and environmental relationships, employees' wellbeing, and sustainable development. Silvercorp operates several silver-lead-zinc mines at the Ying Mining District in Henan Province, China and the GC silver-lead-zinc mine in Guangdong Province, China. The Company's common shares are traded on the Toronto Stock Exchange and NYSE American under the symbol "SVM".

2. Second Quarter Q2 Fiscal Year 2021 Highlights

- Mined 267,853 tonnes of ore, up 3% compared to the prior year quarter;
- Sold approximately 1.7 million ounces of silver, 2,200 ounces of gold, 18.6 million pounds of lead, and 7.4 million pounds of zinc, representing an increase of 100% and 11% in gold and zinc sold, and a decrease of 8% and 3% in silver and lead sold, compared to the prior year quarter;
- Revenue of \$56.4 million, up 13% or \$6.5 million compared to \$49.9 million in the prior year quarter;
- Net income attributable to equity shareholders of the Company of \$15.5 million or \$0.09 per share, up 27% compared to \$12.2 million or \$0.07 per share in the prior year quarter;
- Cash cost per ounce of silver¹, net of by-product credits, of negative \$2.09, compared to negative \$2.72 in the prior year quarter;
- All-in sustaining cost per ounce of silver¹, net of by-product credits, of \$6.99, compared to \$4.15 in the prior year quarter;
- Cash flow from operations of \$29.6 million, up 13% compared to \$26.2 million in the prior year quarter;
- Gain of \$2.8 million on equity investments;
- Invested \$5.6 million in two Canadian junior exploration companies;
- Investment in New Pacific Metals Corp. with market value of \$212.0 million and other investments of \$16.4 million; and
- Strong balance sheet with \$200.1 million in cash and cash equivalents and short-term investments, an increase of \$21.7 million or 12% compared to \$178.4 million as at June 30, 2020.

¹ Alternative performance (non-IFRS) measure. Please refer to section 10 for reconciliation.

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3. Operating Review

(a) Consolidated Operation Performance

The following table summarizes the consolidated operational information for the three and six months ended September 30, 2020 and 2019:

Consolidated	Three months ended September 30,			Six months ended September 30,		
	2020	2019	Changes	2020	2019	Changes
Production Data						
Mine Data						
Ore Mined (tonne)	267,853	259,257	3%	522,408	516,649	1%
Ore Milled (tonne)	263,933	265,281	-1%	526,259	524,824	0%
Head Grades						
Silver (gram/tonne)	221	238	-7%	225	246	-9%
Lead (%)	3.5	3.6	-2%	3.6	3.7	-2%
Zinc (%)	1.6	1.6	0%	1.6	1.6	1%
Recovery Rates						
Silver (%)	93.0	93.4	0%	93.1	93.5	0%
Lead (%)	94.9	94.4	1%	95.1	94.5	1%
Zinc (%)	78.0	76.9	1%	78.9	76.3	3%
Cost Data						
+ Mining cost per tonne of ore mined (\$)	76.95	72.85	6%	75.46	75.12	0%
Cash mining cost per tonne of ore mined (\$)	57.61	52.37	10%	56.32	53.91	4%
Depreciation and amortization charges per tonne of ore mined (\$)	19.34	20.48	-6%	19.14	21.21	-10%
+ Unit shipping costs (\$)	2.57	2.60	-1%	2.54	2.69	-6%
+ Milling costs per tonne of ore milled (\$)	11.11	12.46	-11%	11.08	12.47	-11%
Cash milling costs per tonne of ore milled (\$)	9.64	10.76	-10%	9.61	10.69	-10%
Depreciation and amortization charges per tonne of ore milled (\$)	1.47	1.70	-14%	1.47	1.78	-17%
+ Cash production cost per tonne of ore processed (\$)	69.82	65.73	6%	68.47	67.29	2%
+ All-in sustaining cost per tonne of ore processed (\$)	124.24	109.51	13%	118.46	114.80	3%
+ Cash cost per ounce of Silver, net of by-product credits (\$)	(2.09)	(2.72)	23%	(1.77)	(2.45)	28%
+ All-in sustaining cost per ounce of silver, net of by-product credits (\$)	6.99	4.15	68%	6.28	4.91	28%
Concentrate inventory						
Lead concentrate (tonne)	1,327	4,176	-68%	1,327	4,176	-68%
Zinc concentrate (tonne)	635	586	8%	635	586	8%
Sales Data						
Metal Sales						
Silver (in thousands of ounces)	1,740	1,894	-8%	3,612	3,749	-4%
Gold (in thousands of ounces)	2.2	1.1	100%	3.3	2.1	57%
Lead (in thousands of pounds)	18,551	19,069	-3%	39,436	36,911	7%
Zinc (in thousands of pounds)	7,411	6,655	11%	14,369	13,989	3%
Revenue						
Silver (in thousands of \$)	33,047	27,439	20%	59,233	50,997	16%
Gold (in thousands of \$)	3,016	1,314	130%	4,493	2,396	88%
Lead (in thousands of \$)	14,387	16,202	-11%	28,761	31,380	-8%
Zinc (in thousands of \$)	5,236	4,045	29%	9,391	9,197	2%
Other (in thousands of \$)	685	886	-23%	1,199	1,492	-20%
	56,371	49,886	13%	103,077	95,462	8%
Average Selling Price, Net of Value Added Tax and Smelter Charges						
Silver (\$ per ounce)	18.99	14.49	31%	16.40	13.60	21%
Gold (\$ per ounce)	1,371	1,195	15%	1,362	1,141	19%
Lead (\$ per pound)	0.78	0.85	-8%	0.73	0.85	-14%
Zinc (\$ per pound)	0.71	0.61	16%	0.65	0.66	-2%

+ Alternative performance (Non-IFRS) measures, see section 10 for reconciliation.

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(i) Mine and Mill Production

For the three months ended September 30, 2020 ("Q2 Fiscal 2021"), on a consolidated basis, the Company mined 267,853 tonnes of ore, up 3% or 8,596 tonnes compared to 259,257 tonnes in the three months ended September 30, 2019 ("Q2 Fiscal 2020"). Ore milled was 263,933 tonnes, a slight decrease of 1% or 1,348 tonnes, compared to 265,281 tonnes in Q2 Fiscal 2020.

For the six months ended September 30, 2020, on a consolidated basis, the Company mined 522,408 tonnes of ore, up 1% or 5,759 tonnes, compared to 516,649 tonnes mined in the same prior year period. Ore milled was 526,259 tonnes, a slight increase of 1,435 tonnes, compared to 524,824 tonnes in the same prior year period.

(ii) Metal Sales

In Q2 Fiscal 2021, the Company sold approximately 1.7 million ounces of silver, 2,200 ounces of gold, 18.6 million pounds of lead, and 7.4 million pounds of zinc, an increase of 100% and 11% in gold and zinc sold, and a decrease of 8% and 3% in silver and lead sold, compared to 1.9 million ounces of silver, 1,100 ounces of gold, 19.1 million pounds of lead, and 6.7 million pounds of zinc in Q2 Fiscal 2020.

For the six months ended September 30, 2020, the Company sold approximately 3.6 million ounces of silver, 3,300 ounces of gold, 39.4 million pounds of lead, and 14.4 million pounds of zinc, an increase of 57%, 7%, and 3% in gold, lead, and zinc sold, and a decrease of 4% in silver sold, compared to 3.7 million ounces of silver, 2,100 ounces of gold, 36.9 million pounds of lead, and 14.0 million pounds of zinc sold in the same prior year period.

As at September 30, 2020, the Company had inventories of 1,327 tonnes of silver-lead concentrate and 635 tonnes of zinc concentrate, compared to 1,338 tonnes of silver-lead concentrate and 969 tonnes of zinc concentrate as at June 30, 2020.

(iii) Per Tonne Production Costs¹

In Q2 Fiscal 2021, the consolidated total mining and cash mining costs were \$76.95 and \$57.61 per tonne, up 6% and 10% compared to \$72.85 and \$52.37 per tonne, respectively, in Q2 Fiscal 2020. The increase in per tonne cash mining cost was mainly due to an increase of \$1.4 million in drilling and related expenses arising from an increase of 38,326 metres of diamond drilling.

The consolidated total milling and cash milling costs in Q2 Fiscal 2021 were \$11.11 and \$9.64 per tonne, down 11% and 10% compared to \$12.46 and \$10.76 per tonne, respectively, in Q2 Fiscal 2020. The decrease in per tonne cash milling cost was mainly due to a decrease of \$0.2 million in raw material costs.

Correspondingly, the consolidated cash production cost per tonne of ore processed in Q2 Fiscal 2021 was \$69.82, up 6% compared to \$65.73 in Q2 Fiscal 2020. The consolidated all-in sustaining production cost per tonne of ore processed was \$124.24, up 13% compared to \$109.51 in Q2 Fiscal 2020, but within the Company's annual cost guidance. The increase in all-in sustaining production cost per tonne was mainly due to the increase in cash mining cost as discussed above and a \$2.3 million increase in sustaining capital expenditures.

For the six months ended September 30, 2020, the consolidated total mining costs and cash mining costs were \$75.46 and \$56.32 per tonne, respectively, compared to \$75.12 and \$53.91 per tonne in the same prior year period. The increase in per tonne cash mining cost was mainly due to an increase of \$2.5 million in drilling and related expenses arising from an increase of 43,405 metres of diamond drilling.

The consolidated total milling cost and cash milling cost were \$11.08 and \$9.61, respectively, compared to \$12.47 and \$10.69 per tonne in the same prior year period.

Correspondingly, the consolidated cash production cost per tonne of ore processed for the six months ended September 30, 2020 was \$68.47, up 2% compared to \$67.29 in the same prior year period. The all-in sustaining production cost per tonne of ore processed was \$118.46, up 3% compared to \$114.80 in the same prior year period. The increase was mainly due to the increase in per tonne cash mining costs as discussed above and an increase of \$0.7 million in sustaining capital expenditures.

¹ Alternative performance (non-IFRS) measure. Please refer to section 10 for reconciliation.

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(iv) Costs per Ounce of Silver, Net of By-Product Credits¹

In Q2 Fiscal 2021, the consolidated cash cost per ounce of silver, net of by-product credits, was negative \$2.09, compared to negative \$2.72, in Q2 Fiscal 2020. The increase in cash cost per ounce of silver, net of by-product credits, was mainly due to i) an increase of 6% in per tonne production costs; ii) a decrease of \$0.9 million in by-product sales; and iii) a decrease of 8% in silver sold.

In Q2 Fiscal 2021, the consolidated all-in sustaining cost per ounce of silver, net of by-product credits, was \$6.99 compared to \$4.15 in Q2 Fiscal 2020. The increase was mainly due to the increase in cash cost per ounce of silver, net of by-product credits as discussed above and an increase of \$2.3 million in sustaining capital expenditures.

For the six months ended September 30, 2020, the consolidated cash cost per ounce of silver, net of by-product credits, was negative \$1.77, compared to negative \$2.45 in the same prior year period. The consolidated all-in sustaining costs per ounce of silver, net of by-product credits was \$6.28 compared to \$4.91 in the same prior year period. The increase was mainly due to i) an increase of 2% in per tonne production costs; ii) a decrease of \$0.6 million in by-product sales; iii) an increase of \$0.7 million in sustaining capital expenditures; and iv) a decrease of 4% in silver sold.

(v) Exploration and Development

In Q2 Fiscal 2021, on a consolidated basis, approximately 71,274 metres or \$2.5 million worth of diamond drilling (Q2 Fiscal 2020 – 32,948 metres or \$1.1 million) and 7,693 metres or \$1.9 million worth of preparation tunnelling (Q2 Fiscal 2020 – 11,656 metres or \$3.1 million) were completed and expensed as mining preparation costs. In addition, approximately 25,678 metres or \$8.5 million worth of horizontal tunnels, raises, ramps and declines (Q2 Fiscal 2020 – 20,107 metres or \$7.1 million) were completed and capitalized.

For the six months ended September 30, 2020, on a consolidated basis, approximately 107,971 metres or \$4.5 million worth of diamond drilling (same prior year period – 64,566 metres or \$2.0 million) and 17,358 metres or \$3.6 million worth of preparation tunnelling (same prior year period – 24,312 metres or \$6.2 million) were completed and expensed as mining preparation costs. In addition, approximately 52,053 metres or \$17.5 million worth of horizontal tunnels, raises, ramps and declines (same prior year period – 41,499 metres or \$14.5 million) were completed and capitalized.

¹ Alternative performance (non-IFRS) measure. Please refer to section 10 for reconciliation.

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(b) Individual Mine Performance

(i) Ying Mining District

The following table summarizes the operational information at the Ying Mining District for the three and six months ended September 30, 2020 and 2019. The Ying Mining District is the Company's primary source of production, and consists of several mines, including the SGX, HPG, TLP, LME, LMW, and HZG mines.

Ying Mining District	Three months ended September 30,			Six months ended September 30,		
	2020	2019	Changes	2020	2019	Changes
Production Data						
Mine Data						
Ore Mined (tonne)	181,020	176,085	3%	355,196	352,669	1%
Ore Milled (tonne)	179,083	179,147	0%	356,772	356,828	0%
Head Grades						
Silver (gram/tonne)	288	306	-6%	290	318	-9%
Lead (%)	4.4	4.5	-3%	4.5	4.5	0%
Zinc (%)	0.7	0.8	-8%	0.8	0.9	-16%
Recovery Rates						
Silver (%)	94.4	96.2	-2%	94.6	96.0	-1%
Lead (%)	96.1	95.7	0%	96.1	95.7	0%
Zinc (%)	57.9	58.6	-1%	60.9	58.5	4%
Cost Data						
+ Mining cost per tonne of ore mined (\$)	92.30	85.63	8%	90.16	88.55	2%
Cash mining cost per tonne of ore mined (\$)	67.77	59.26	14%	65.98	61.16	8%
Depreciation and amortization charges per tonne of ore mined (\$)	24.53	26.37	-7%	24.18	27.39	-12%
+ Unit shipping costs (\$)	3.79	3.82	-1%	3.72	3.93	-5%
+ Milling costs per tonne of ore milled (\$)	10.09	11.53	-12%	10.07	11.23	-10%
Cash milling cost per tonne of ore milled (\$)	8.50	9.81	-13%	8.48	9.48	-11%
Depreciation and amortization charges per tonne of ore milled (\$)	1.59	1.72	-8%	1.59	1.75	-9%
+ Cash production cost per tonne of ore processed (\$)	80.06	72.89	10%	78.18	74.57	5%
+ All-in sustaining cost per tonne of ore processed (\$)	132.36	117.37	13%	124.74	123.24	1%
+ Cash cost per ounce of Silver, net of by-product credits (\$)	(0.14)	(1.95)	93%	(0.52)	(1.70)	69%
+ All-in sustaining cost per ounce of Silver, net of by-product credits (\$)	6.63	3.40	95%	5.34	4.10	30%
Concentrate inventory						
Lead concentrate (tonne)	1,206	3,580	-66%	1,206	3,580	-66%
Zinc concentrate (tonne)	378	550	-31%	378	550	-31%
Sales Data						
Metal Sales						
Silver (in thousands of ounces)	1,556	1,711	-9%	3,228	3,373	-4%
Gold (in thousands of ounces)	1.0	1.1	-9%	2.1	2.1	0%
Lead (in thousands of pounds)	15,585	16,389	-5%	33,364	31,225	7%
Zinc (in thousands of pounds)	1,384	1,428	-3%	3,421	3,518	-3%
Revenue						
Silver (in thousands of \$)	30,506	25,481	20%	54,613	47,211	16%
Gold (in thousands of \$)	1,492	1,314	14%	2,969	2,396	24%
Lead (in thousands of \$)	12,148	13,945	-13%	24,494	26,638	-8%
Zinc (in thousands of \$)	1,071	960	12%	2,442	2,624	-7%
Other (in thousands of \$)	454	598	-24%	839	1,203	-30%
	45,671	42,298	8%	85,357	80,072	7%
Average Selling Price, Net of Value Added Tax and Smelter Charges						
Silver (\$ per ounce)	19.61	14.89	32%	16.92	14.00	21%
Gold (\$ per ounce)	1,492	1,195	25%	1,414	1,141	24%
Lead (\$ per pound)	0.78	0.85	-8%	0.73	0.85	-14%
Zinc (\$ per pound)	0.77	0.67	15%	0.71	0.75	-5%

+ Alternative Performance (Non-IFRS) measures, see section 10 for reconciliation

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i) Q2 Fiscal 2021 vs. Q2 Fiscal 2020

In Q2 Fiscal 2021, the total ore mined at the Ying Mining District was 181,020 tonnes, up 3% or 4,935 tonnes compared to 176,085 tonnes mined in Q2 Fiscal 2020. Ore milled was 179,083 tonnes, a slight decrease compared to 179,147 tonnes in Q2 Fiscal 2020.

Head grades were 288 grams per tonne ("g/t") for silver, 4.4% for lead, and 0.7% for zinc, compared to 306 g/t for silver, 4.5% for lead, and 0.8% for zinc in Q2 Fiscal 2020.

In Q2 Fiscal 2021, the Ying Mining District sold approximately 1.6 million ounces of silver, 1,000 ounces of gold, 15.6 million pounds of lead, and 1.4 million pounds of zinc, compared to 1.7 million ounces of silver, 1,100 ounces of gold, 16.4 million pounds of lead, and 1.4 million pounds of zinc in Q2 Fiscal 2020.

Total and cash mining costs per tonne at the Ying Mining District in Q2 Fiscal 2021 were \$92.30 and \$67.77 per tonne, respectively, compared to \$85.63 and \$59.26 per tonne in Q2 Fiscal 2020. The increase in the per tonne cash mining cost was mainly due to an increase of \$1.2 million in drilling and related expenses arising from an increase of 32,533 metres of diamond drilling.

Total and cash milling costs per tonne at the Ying Mining District in Q2 Fiscal 2021 were \$10.09 and \$8.50, respectively, compared to \$11.53 and \$9.81 in Q2 Fiscal 2020. The decrease in per tonne milling costs was mainly due to a decrease of \$0.2 million in raw material costs.

Correspondingly, the cash production cost per tonne of ore processed in Q2 Fiscal 2021 at the Ying Mining District was \$80.06, compared to \$72.89 in Q2 Fiscal 2020. The all-in sustaining production cost per tonne of ore processed was \$132.36, up 13% compared to \$117.37 in Q2 Fiscal 2020, but below the Company's annual cost guidance. The increase was mainly due to the increase in per tonne cash mining costs as discussed above and a \$1.9 million increase in sustaining capital expenditures.

In Q2 Fiscal 2021, cash cost per ounce of silver, net of by-product credits, at the Ying Mining District was negative \$0.14 compared to negative \$1.95 in Q2 Fiscal 2020. All-in sustaining cost per ounce of silver, net of by-product credits, was \$6.63 compared to \$3.40 in Q2 Fiscal 2020. The increase was mainly due to i) the increase in per tonne production costs as discussed above; ii) a decrease of \$1.7 million in by-product sales; iii) an increase of \$1.9 million in sustaining capital expenditures; and iv) a decrease of 9% in silver sold.

In Q2 Fiscal 2021, approximately 59,540 metres or \$2.0 million worth of diamond drilling (Q2 Fiscal 2020 – 27,007 metres or \$0.8 million) and 5,316 metres or \$1.6 million worth of preparation tunnelling (Q2 Fiscal 2020 – 5,554 metres or \$1.6 million) were completed and expensed as mining preparation costs at the Ying Mining District. In addition, approximately 21,278 metres or \$7.5 million worth of horizontal tunnels, raises, ramps and declines (Q2 Fiscal 2020 – 19,661 metres or \$6.7 million) were completed and capitalized.

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ii) Six months ended September 30, 2020 vs. six months ended September 30, 2019

For the six months ended September 30, 2020, a total of 355,196 tonnes of ore were mined at the Ying Mining District, up 1% or 2,527 tonnes compared to 352,669 tonnes in the same prior year period. Ore milled was 356,772 tonnes, comparable to 356,828 tonnes in the same prior year period. Average head grades of ore processed were 290 g/t for silver, 4.5% for lead, and 0.8% for zinc compared to 318 g/t for silver, 4.5% for lead, and 0.9% for zinc, in the same prior year period.

During the same time period, the Ying Mining District sold approximately 3.2 million ounces of silver, 2,100 ounces of gold, 33.4 million pounds of lead, and 3.4 million pounds of zinc, compared to 3.4 million ounces of silver, 2,100 ounces of gold, 31.2 million pounds of lead, and 3.5 million pounds of zinc in the same prior year period.

For the six months ended September 30, 2020, the cash mining cost at the Ying Mining District was \$65.98 per tonne, up 8% compared to \$61.16 in the same prior year period. The increase was mainly due to an increase of \$2.0 million in drilling and related expenses arising from an increase of 37,370 metres of diamond drilling. The cash milling costs were \$8.48 per tonne, down 11% compared to \$9.48 in the same prior year period.

Correspondingly, the cash production cost per tonne of ore processed was \$78.18, up 5% compared to \$74.57 in the same prior year period. The all-in sustaining cash production cost per tonne of ore processed was \$124.74, up 1%, compared to \$123.24 in the same prior year period, but below the Company's annual cost guidance.

For the six months ended September 30, 2020, the cash cost per ounce of silver and all-in sustaining cost per ounce of silver, net of by-product credits, at the Ying Mining District, were negative \$0.52 and \$5.34 respectively, compared to negative \$1.70 and \$4.10 in the same prior year period. The increase was mainly due to i) the increase in per tonne production costs as discussed above; ii) a decrease of \$2.1 million in by-product credits; and iii) a decrease of 4% in silver sold.

For the six months ended September 30, 2020, approximately 88,025 metres or \$3.4 million worth of underground diamond drilling (same prior year period – 50,655 metres or \$1.4 million) and 11,523 metres or \$2.8 million worth of preparation tunnelling (same prior year period – 11,949 metres or \$3.3 million) were completed and expensed as mining preparation costs at the Ying Mining District. In addition, approximately 44,386 metres or \$15.3 million worth of horizontal tunnels, raises, and declines (same prior year period – 40,556 metres or \$13.8 million) were completed and capitalized.

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(ii) GC Mine

The following table summarizes the operational information at the GC Mine for the three and six months ended September 30, 2020 and 2019:

GC Mine	Three months ended September 30,			Six months ended September 30,		
	2020	2019	Changes	2020	2019	Changes
Production Data						
Mine Data						
Ore Mined (tonne)	86,833	83,172	4%	167,212	163,980	2%
Ore Milled (tonne)	84,850	86,134	-1%	169,487	167,996	1%
Head Grades						
Silver (gram/tonne)	81	100	-19%	87	97	-10%
Lead (%)	1.8	2.0	-10%	1.8	1.9	-5%
Zinc (%)	3.4	3.2	6%	3.4	3.3	3%
Recovery Rates						
Silver (%) *	82.5	75.9	9%	82.7	76.4	8%
Lead (%)	89.2	88.3	1%	89.5	88.5	1%
Zinc (%)	87.3	86.1	1%	87.3	85.9	2%
Cost Data						
+ Mining cost per tonne of ore mined (\$)	44.93	45.81	-2%	44.24	46.22	-4%
Cash mining cost per tonne of ore mined (\$)	36.43	37.80	-4%	35.80	38.31	-7%
Depreciation and amortization charges per tonne of ore mined (\$)	8.50	8.01	6%	8.44	7.91	7%
+ Milling cost per tonne of ore milled (\$)	13.27	14.38	-8%	13.21	15.12	-13%
Cash milling cost per tonne of ore milled (\$)	12.04	12.72	-5%	12.00	13.27	-10%
Depreciation and amortization charges per tonne of ore milled (\$)	1.23	1.66	-26%	1.21	1.85	-35%
+ Cash production cost per tonne of ore processed (\$)	48.47	50.52	-4%	47.80	51.58	-7%
+ All-in sustaining cost per tonne of ore processed (\$)	69.07	62.94	10%	67.49	65.09	4%
+ Cash cost per ounce of Silver, net of by-product credits (\$)	(12.70)	(9.98)	-27%	(9.52)	(9.16)	-4%
+ All-in sustaining cost per ounce of Silver, net of by-product credits (\$)	(1.78)	(2.89)	38%	0.40	(1.90)	121%
Concentrate inventory						
Lead concentrate (tonne)	121	596	-80%	121	596	-80%
Zinc concentrate (tonne)	257	36	615%	257	36	615%
Sales Data						
Metal Sales						
Silver (in thousands of ounces)	184	183	1%	384	376	2%
Lead (in thousands of pounds)	2,966	2,680	11%	6,072	5,686	7%
Zinc (in thousands of pounds)	6,027	5,227	15%	10,948	10,471	5%
Revenue						
Silver (in thousands of \$)	2,541	1,958	30%	4,620	3,786	22%
Lead (in thousands of \$)	2,239	2,257	-1%	4,267	4,742	-10%
Zinc (in thousands of \$)	4,165	3,085	35%	6,949	6,573	6%
Other (in thousands of \$)	231	288	-20%	360	289	25%
	<u>9,176</u>	<u>7,588</u>	<u>21%</u>	<u>16,196</u>	<u>15,390</u>	<u>5%</u>
Average Selling Price, Net of Value Added Tax and Smelter Charges						
Silver (\$ per ounce) **	13.81	10.70	29%	12.03	10.07	19%
Lead (\$ per pound)	0.75	0.84	-11%	0.70	0.83	-16%
Zinc (\$ per pound)	0.69	0.59	17%	0.63	0.63	0%

* Silver recovery includes silver recovered in lead concentrate and silver recovered in zinc concentrate.

** Silver in zinc concentrate is subjected to higher smelter and refining charges which lowers the net silver selling price.

+ Alternative Performance (Non-IFRS) measures, see section 10 for reconciliation

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i) Q2 Fiscal 2021 vs. Q2 Fiscal 2020

In Q2 Fiscal 2021, the total ore mined at the GC Mine was 86,833 tonnes, up 4% or 3,661 tonnes, compared to 83,172 tonnes in Q2 Fiscal 2020. Ore milled was 84,850 tonnes, a slight decrease of 1% or 1,284 tonnes, compared to 86,134 tonnes in Q2 Fiscal 2020.

Average head grades of ore processed at the GC Mine were 81 g/t for silver, 1.8% for lead, and 3.4% for zinc, compared to 100 g/t for silver, 2.0% for lead, and 3.2% for zinc in Q2 Fiscal 2020. Recovery rates of ore processed were 82.5% for silver, 89.2% for lead, and 87.3% for zinc, compared to 75.9% for silver, 88.3% for lead, and 86.1% for zinc in Q2 Fiscal 2020.

In Q2 Fiscal 2021, GC Mine sold approximately 184 thousand ounces of silver, 3.0 million pounds of lead, and 6.0 million pounds of zinc, compared to 183 thousand ounces of silver, 2.7 million pounds of lead, and 5.2 million pounds of zinc in Q2 Fiscal 2020.

Total and cash mining costs per tonne at the GC Mine in Q2 Fiscal 2021 were \$44.93 and \$36.43 per tonne, a decrease of 2% and 4%, respectively, compared to \$45.81 and \$37.80 per tonne in Q2 Fiscal 2020. The decrease in the cash mining cost was mainly due to a \$0.3 million decrease in mining preparation costs. Total and cash milling costs per tonne at the GC Mine in Q2 Fiscal 2021 were \$13.27 and \$12.04, a decrease of 8% and 5%, respectively, compared to \$14.38 and \$12.72 in Q2 Fiscal 2020.

Correspondingly, the cash production cost per tonne of ore processed in Q2 Fiscal 2021 at the GC Mine was \$48.47, down 4% compared to \$50.52 in Q2 Fiscal 2020. The all-in sustaining production cost per tonne of ore processed was \$69.07, up 10% compared to \$62.94 in Q2 Fiscal 2020. The increase was mainly due to an increase of \$0.5 million in sustaining capital expenditures.

In Q2 Fiscal 2021, the cash cost per ounce of silver, net of by-product credits, at the GC Mine was negative \$12.70 compared to negative \$9.98 in Q2 Fiscal 2020. The decrease was mainly due to the decrease in per tonne production costs as discussed above and an increase of \$1.0 million in by-product sales.

In Q2 Fiscal 2021, all-in sustaining cost per ounce of silver, net of by-product credits, at the GC Mine was negative \$1.78 compared to negative \$2.89 in Q2 Fiscal 2020. The increase was mainly due to an increase of \$0.5 million in sustaining capital expenditures offset by the decrease in cash cost per ounce of silver as discussed above.

In Q2 Fiscal 2021, approximately 11,734 metres or \$0.5 million worth of underground diamond drilling (Q2 Fiscal 2020 – 5,941 metres or \$0.3 million) and 2,377 metres or \$0.3 million worth of tunnelling (Q2 Fiscal 2020 – 6,102 metres or \$1.5 million) were completed and expensed as mining preparation costs at the GC Mine. In addition, approximately 4,400 metres or \$1.0 million worth of horizontal tunnels, raises, ramps and declines (Q2 Fiscal 2020 – 446 metres or \$0.4 million) were completed and capitalized.

ii) Six months ended September 30, 2020 vs. six months ended September 30, 2019

For the six months ended September 30, 2020, a total of 167,212 tonnes of ore were mined and 169,487 tonnes were milled at the GC Mine, an increase of 2% and 1%, respectively, compared to 163,980 tonnes mined and 167,996 tonnes milled in the same prior year period. Average head grades of ore milled were 87 g/t for silver, 1.8% for lead, and 3.4% for zinc compared to 97 g/t for silver, 1.9% for lead, and 3.3% for zinc, in the same prior year period.

During the same time period, the GC Mine sold approximately 384 thousand ounces of silver, 6.1 million pounds of lead, and 10.9 million pounds of zinc, compared to 376 thousand ounces of silver, 5.7 million pounds of lead, and 10.5 million pounds of zinc in the same prior year period.

For the six months ended September 30, 2020, the cash mining cost at the GC Mine was \$35.80 per tonne, a decrease of 7% compared to \$38.31 per tonne in the same prior year period. The cash milling cost was \$12.00 per tonne, a decrease of 10% compared to \$13.27 in the same prior year period. Correspondingly, the cash production cost per tonne of ore processed at the GC Mine was \$47.80, a decrease of 7% compared to \$51.58 in the same prior year period. The all-in sustaining cash production cost per tonne of ore processed was \$67.49, an increase of 4% compared to \$65.09 in the same prior year period.

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For the six months ended September 30, 2020, the cash cost per ounce of silver and all-in sustaining cost per ounce of silver, net of by-product credits, at the GC Mine were negative \$9.52 and \$0.40 respectively, compared to negative \$9.16 and negative \$1.90 in the same prior year period.

For the six months ended September 30, 2020, approximately 19,946 metres or \$1.1 million worth of underground diamond drilling (same prior year period – 13,911 metres or \$0.6 million) and 5,835 metres or \$0.8 million of tunnelling (same prior year period – 12,363 metres or \$2.9 million) were completed and expensed as mining preparation costs at the GC Mine. In addition, approximately 7,667 metres or \$2.2 million of horizontal tunnels, raise, and declines (same prior year period – 943 metres or \$0.7 million) were completed and capitalized.

(iii) BYP Mine

The BYP Mine was placed on care and maintenance in August 2014 due to required capital upgrades to sustain ongoing production and the market environment. In Q2 Fiscal 2021, the Company sold all remaining gold concentrate inventories, containing approximately 1,200 ounces of gold, that had been produced by the mine before it was placed on care and maintenance.

The Company is carrying out activities to apply for new mining licenses, but the process has taken longer than expected. No guarantee can be given that the new mining licenses for the BYP Mine will be issued, or if they are issued, that they will be issued under reasonable operational and/or financial terms, or in a timely manner, or that the Company will be in a position to comply with all conditions that are imposed. An updated *National Instrument 43-101 – Standards of Disclosure of Mineral Projects* (“NI 43-101”) Technical Report on the BYP Mine, with an effective date of April 30, 2019, was completed by RPM Global Asia Limited and filed under the Company’s SEDAR profile at www.sedar.com.

(c) Annual Operating Outlook

All references to Fiscal 2021 Guidance in this MD&A refer to the “Fiscal 2021 Production, Cash Cost Guidance” section in the Company’s Fiscal 2020 Annual MD&A dated May 20, 2020 (“Fiscal 2021 Guidance”) filed under the Company’s SEDAR profile at www.sedar.com.

(i) Production and Production Costs

The following table summarizes the actual production and production costs in the first six months of Fiscal 2021 compared to the Fiscal 2021 Guidance:

	Ore processed (tonnes)	Head grades			Metal production			Production costs	
		Silver (g/t)	Lead (%)	Zinc (%)	Silver (Koz)	Lead (Klbs)	Zinc (Klbs)	Cash cost (\$/t)	AISC (\$/t)
First Six Months of Fiscal 2021 Actual Results									
Ying Mining District	356,772	290	4.5	0.8	3,068	33,021	3,563	78.18	124.74
GC Mine	169,487	87	1.8	3.4	391	6,142	11,103	47.80	67.49
Consolidated	526,259	225	3.6	1.6	3,459	39,163	14,666	68.47	118.46
Fiscal 2021 Guidance									
Ying Mining District	640,000 - 660,000	292	4.3	0.9	5,600-5,800	56,600-58,000	7,000-8,000	74.7-82.5	133.5 - 140.5
GC Mine	290,000 - 310,000	96	1.7	3.3	600-700	9,500-10,500	17,500-18,700	52.2-57.5	78.5 - 82.9
Consolidated	930,000 - 970,000	229-231	3.5-3.5	1.6-1.7	6,200-6,500	66,100-68,500	24,500-26,700	66.6-73.6	122.6-135.5
% of Fiscal 2021 Guidance*									
Ying Mining District	55%	99%	104%	84%	54%	58%	48%	99%	91%
GC Mine	56%	91%	106%	103%	60%	61%	61%	87%	84%
Consolidated	55%	98%	103%	97%	54%	58%	57%	98%	92%

* Percentage calculated based on mid-point of the related Fiscal 2021 Guidance

Based on the year-to-date production levels, production costs and the expected production for the remainder of the year, the Company reaffirms its Fiscal 2021 Guidance.

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(ii) Development and Capital Expenditures

The following table summarizes the development work and capitalized expenditures in the first six months of Fiscal 2021 compared to the Fiscal 2021 Guidance.

	Capitalized Development and Expenditures						
	Ramp Development		Exploration and Development Tunnels		Equipment & Facilities	Total	
	(Metres)	(\$ Thousand)	(Metres)	(\$ Thousand)	(\$ Thousand)	(Metres)	(\$ Thousand)
First six months of Fiscal 2021							
Ying Mining District	4,370	\$ 3,173	40,016	\$ 12,130	\$ 3,528	44,386	\$ 18,831
GC Mine	439	390	7,228	1,780	317	7,667	2,487
Consolidated	4,809	\$ 3,563	47,244	\$ 13,910	\$ 3,845	52,053	\$ 21,318
Fiscal 2021 Guidance							
Ying Mining District	6,700	\$ 5,500	81,300	\$ 26,900	\$ 4,600	88,000	\$ 37,000
GC Mine	1,600	1,400	11,000	3,200	800	12,600	5,400
Consolidated	8,300	\$ 6,900	92,300	\$ 30,100	\$ 5,400	100,600	\$ 42,400
% of Fiscal 2021 Guidance							
Ying Mining District	65%	58%	49%	45%	77%	50%	51%
GC Mine	27%	28%	66%	56%	40%	61%	46%
Consolidated	58%	52%	51%	46%	71%	52%	50%

Based on the year-to-date capital expenditures and the expected capital expenditures for the remainder of the year (save for the capital expenditures being incurred to build an aggregate plant as described below, which was not included in Fiscal 2021 Guidance), the Company reaffirms the Fiscal 2021 Guidance.

The Company is investing approximately \$2.9 million (approximately RMB ¥20.0 million) in constructing a 1,000,000 tonnes per year aggregate plant to crush and recycle the waste rock from the Ying Mining District with the goal of supplying the resulting products to the local construction market. The plant is approximately 75% complete and commissioning is expected in the quarter ended December 31, 2020. The profits from the aggregate plant, after capital recovery, will be shared between the local government, the local communities, and employees. This investment demonstrates our ongoing commitment and efforts to minimize our operations' impacts on the environment and our commitment to create a sustainable contribution to the communities where our people work and live.

(iii) Ongoing Exploration Programs

The Company is currently undertaking extensive drilling programs at the Ying Mining District and GC Mine with two main objectives: i) areas with existing development and access are being re-examined to potentially define additional resources and reserves, which may lead to a substantial reduction in mining and sustaining capital costs associated with the tonnes identified, and ii) areas which may have been overlooked for potential gold mineralization are being tested for different alteration styles from the typical silver-lead zones.

During the six months ended September 30, 2020, a total of 107,971 metres of diamond drilling was completed, an increase of 43,405 metres or 67%, compared to 64,566 metres in the same prior year period. A total of 88,025 metres of diamond drilling was completed at the Ying Mining District, an increase of 37,370 metres or 74%, compared to 50,655 metres in the same prior year. A total of 19,946 metres of diamond drilling was completed at the GC Mine, an increase of 6,035 metres or 43%, compared to 13,911 metres in the same prior year period.

Based on the year-to-date drilling completed and the expected drilling for the remainder of the year, the Company expects its Fiscal 2021 drilling program to exceed its annual guidance.

4. Investment in New Pacific Metals Corp. ("NUAG")

New Pacific Metals Corp. ("NUAG") is a Canadian public company listed on the Toronto Stock Exchange (symbol: NUAG).

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NUAG is a related party of the Company by way of two common directors and one common officer, and the Company accounts for its investment in NUAG using the equity method as it is able to exercise significant influence over the financial and operating policies of NUAG.

On June 9, 2020, the Company participated in an underwritten offering of common shares of NUAG and acquired an additional 1,320,710 common shares of NUAG for a cost of \$5.8 million to maintain its ownership percentage.

As at September 30, 2020, the Company owned 43,917,216 common shares of NUAG (March 31, 2020 – 42,596,506), representing an ownership interest of 28.8% (March 31, 2020 – 28.8%).

A summary of the Company's investment in NUAG common shares and its market value as at the respective balance sheet dates are as follows:

	Number of shares	Amount	Value of NUAG's common shares per quoted market price
Balance April 1, 2019	39,346,300	\$ 38,703	\$ 69,783
Purchase from open market	502,600	861	
Exercise of warrants	1,500,000	2,349	
Participation in public offering	1,247,606	3,820	
Share of net loss		(1,276)	
Share of other comprehensive income		1,077	
Dilution gain		723	
Disposal of common shares held by the associate		1,127	
Foreign exchange impact		(2,829)	
Balance March 31, 2020	42,596,506	\$ 44,555	\$ 148,624
Participation in public offering	1,320,710	5,805	
Share of net loss		(480)	
Share of other comprehensive loss		(1,133)	
Foreign exchange impact		2,840	
Balance September 30, 2020	43,917,216	\$ 51,587	\$ 212,030

5. Financial Results

(a) Selected Annual and Quarterly Information

The following tables set out selected quarterly results for the past ten quarters as well as selected current year-to-date results and annual results for the past two years. The dominant factors affecting results presented below are the volatility of realized metal prices and the timing of sales.

Fiscal 2021 (In thousands of USD, other than per share amounts)	Quarter Ended		Six Months Ended
	Jun 30, 2020	Sep 30, 2020	Sep 30, 2020
Revenue	\$ 46,705	\$ 56,372	\$ 103,077
Income from mine operations	19,285	26,672	45,957
Expenses and foreign exchange	(1,677)	(4,666)	(6,343)
Gain on equity investments	5,466	2,771	8,237
Finance items	800	657	1,457
Net income	18,492	19,557	38,049
Net income attributable to equity holders of the Company	15,491	15,472	30,963
Basic earnings per share	0.09	0.09	0.18
Diluted earnings per share	0.09	0.09	0.18
Cash dividend declared	2,178	-	2,178
Cash dividend declared per share	0.0125	-	0.0125
Other financial information			
Total assets			603,885
Total liabilities			93,306
Total attributable shareholders' equity			433,647

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Fiscal 2020 (In thousands of USD, other than per share amounts)	Quarter ended				Year ended
	Jun 30, 2019	Sep 30, 2019	Dec 31, 2019	Mar 31, 2020	Mar 31, 2020
Revenue	\$ 45,576	\$ 49,886	\$ 44,508	\$ 18,859	\$ 158,829
Income from mine operations*	17,733	22,668	15,769	3,204	59,374
Expenses and foreign exchange*	(3,873)	(2,550)	(4,326)	1,337	(9,412)
Dilution gain on investment in associate	723	-	-	-	723
Gain on disposal of mineral rights and properties	1,477	-	-	-	1,477
Finance items	754	682	988	(474)	1,950
Net income	17,301	15,661	8,716	3,525	45,203
Net income attributable to equity holders of the Company	12,607	12,221	6,283	3,163	34,274
Basic earnings per share	0.07	0.07	0.04	0.02	0.20
Diluted earnings per share	0.07	0.07	0.04	0.02	0.20
Cash dividend declared	2,125	-	2,162	-	4,287
Cash dividend declared per share	0.0125	-	0.0125	-	0.03
Other financial information					
Total assets					512,760
Total liabilities					73,788
Total attributable shareholders' equity					368,682

Fiscal 2019 (In thousands of USD, other than per share amounts)	Quarter ended				Year ended
	Jun 30, 2018	Sep 30, 2018	Dec 31, 2018	Mar 31, 2019	Mar 31, 2019
Revenue	\$45,125	\$48,091	\$42,351	\$34,952	\$ 170,519
Income from mine operations*	21,919	19,485	15,967	13,562	70,932
Expenses and foreign exchange*	(1,905)	(3,308)	(796)	(4,029)	(10,037)
Impairment reversal	-	-	-	9,178	9,178
Finance items	661	663	815	706	2,845
Net (loss) income	14,176	11,077	10,853	15,941	52,047
Net income attributable to equity holders of the Company	10,920	8,037	8,660	12,107	39,724
Basic earnings per share	0.07	0.05	0.05	0.07	0.24
Diluted (loss) earnings per share	0.06	0.05	0.05	0.07	0.23
Cash dividend declared	2,096	-	2,112	-	4,208
Cash dividend declared per share (CAD)	0.0125	-	0.0125	-	0.025
Other financial information					
Total assets					499,076
Total liabilities					85,895
Total attributable shareholders' equity					347,446

*Certain financial information was reclassified to conform with the current quarter's presentation. The reclassification has no impact on the Company's financial position and financial performance.

(b) Financial Results

Net income attributable to equity shareholders of the Company in Q2 Fiscal 2021 was \$15.5 million, or \$0.09 per share, compared to \$12.2 million, or \$0.07 per share in Q2 Fiscal 2020.

Compared to Q2 Fiscal 2020, the Company's financial results in Q2 Fiscal 2021 were mainly impacted by the following: i) an increase of 31%, 15% and 16% in the net realized selling prices for silver, gold and zinc, offset by a decrease of 8% in the net realized selling price for lead; ii) an increase of 100% and 11% in the amount of gold and zinc sold, offset by a decrease of 8% and 3% in the amount of silver and lead sold; iii) a gain of \$2.8 million on equity investments reported in profit; and offset by iv) \$1.3 million in foreign exchange loss.

Net income attributable to the shareholders of the Company for the six months ended September 30, 2020 was \$31.0 million, or \$0.18 per share, an increase of \$6.2 million, compared to \$24.8 million or \$0.14 per share in the same prior year period.

Revenue in Q2 Fiscal 2021 was \$56.4 million, up 13% or \$6.5 million compared to \$49.9 million in Q2 Fiscal 2020. The increase was mainly due to i) an increase of \$9.4 million in revenue arising from the increase in the net realized selling prices for silver, gold and lead; ii) an increase of \$2.0 million in revenue arising from the increase in the amount of gold and zinc sold; offset by iii) a decrease of \$1.4 million arising from the decrease in the net realized selling price for lead; iv) a

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decrease of \$3.3 million arising from the decrease in the amount of silver and lead sold; and v) a decrease of \$0.2 million in revenue from other metals. Silver, gold and base metal sales represented \$33.0 million, \$3.0 million, and \$20.3 million, respectively, compared to silver, gold and base metals sales of \$27.4 million, \$1.3 million, and \$21.1 million, respectively, in Q2 Fiscal 2020. Revenue from the Ying Mining District in Q2 Fiscal 2021 was \$45.7 million, up 8% compared to \$42.3 million in Q2 Fiscal 2020. Revenue from the GC Mine in Q2 Fiscal 2021 was \$9.2 million, up 21% compared to \$7.6 million in Q2 Fiscal 2020. Revenue from the BYP Mine was \$1.5 million, compared to \$nil in Q2 Fiscal 2020 as the Company sold all remaining gold concentrate inventories produced by the mine before it was placed on care and maintenance in 2014.

For the six months ended September 30, 2020, revenue was \$103.1 million, up 8% or \$7.6 million, compared to \$95.5 million in the same prior year period. Silver, gold, and base metals sales represented \$59.2 million, \$4.5 million, and \$39.5 million, respectively, compared to silver, gold and base metals sales of \$51.0 million, \$2.4 million, and \$42.1 million, respectively, in the same prior year period.

Fluctuation in sales revenue is mainly dependent on metal sales and realized metal prices. The net realized selling price is calculated using the Shanghai Metal Exchange ("SME") price, less smelter charges, recovery, and value added tax ("VAT"). The metal prices quoted on SME, excluding gold, include VAT. The following table is a comparison among the Company's net realized prices, prices quoted on SME, and prices quoted on London Metal Exchange ("LME"):

	Silver (in US\$/ounce)		Gold (in US\$/ounce)		Lead (in US\$/pound)		Zinc (in US\$/pound)	
	Q2 2021	Q2 2020	Q2 2021	Q2 2020	Q2 2021	Q2 2020	Q2 2021	Q2 2020
Net realized selling prices	\$ 18.99	\$ 14.49	\$ 1,371	\$ 1,195	\$ 0.78	\$ 0.85	\$ 0.71	\$ 0.61
SME	\$ 24.53	\$ 18.14	\$ 1,853	\$ 1,484	\$ 1.03	\$ 1.08	\$ 1.26	\$ 1.45
LME	\$ 24.15	\$ 16.98	\$ 1,910	\$ 1,472	\$ 0.85	\$ 0.92	\$ 1.06	\$ 1.15

Production costs expensed in Q2 Fiscal 2021 were \$19.7 million, an increase of \$2.4 million, compared to \$17.3 million in Q2 Fiscal 2020.

For the six months ended September 30, 2020, production costs expensed were \$37.4 million, an increase of \$2.1 million, compared to \$35.3 million in the same prior year period.

Mineral resource taxes in Q2 Fiscal 2021 were \$1.4 million, compared to \$1.4 million in Q2 Fiscal 2020.

For the six months ended September 30, 2020, mineral resources taxes were \$2.8 million, compared to \$2.7 million in the same prior year period.

Government fees and other taxes in Q2 Fiscal 2021 were \$0.6 million, compared to \$0.5 million in Q2 Fiscal 2020. Government fees and other taxes are comprised of environmental protection fees, surtaxes on VAT, land usage levies, stamp duties and other miscellaneous levies, duties and taxes imposed by the state and local Chinese governments.

For the six months ended September 30, 2020, government fee and other taxes were \$1.2 million, compared to \$1.1 million in the same prior year period.

Income from mine operations in Q2 Fiscal 2021 was \$26.7 million or 47% of revenue, compared to \$22.7 million or 45% of revenue in Q2 Fiscal 2020. Income from mine operations at the Ying Mining District was \$23.1 million or 51% of revenue, compared to \$20.5 million or 49% of revenue in Q2 Fiscal 2020. Income from mine operations at the GC Mine was \$2.9 million or 32% of revenue, compared to \$2.2 million or 29% of revenue in Q2 Fiscal 2020.

Income from mine operations for the six months ended September 30, 2020 was 46.0 million or 45% of revenue, compared to \$40.4 million or 42% of revenue. Income from mine operations at the Ying Mining District was \$40.7 million or 48% of revenue, compared to \$36.6 million or 46% of revenue in the same prior year period. Income from mine operations at the GC Mine was \$4.7 million or 29% of revenue, compared to \$4.1 million or 26% of revenue in the same prior year period.

General and administrative expenses in Q2 Fiscal 2021 were \$5.1 million, an increase of \$0.3 million, compared to \$4.8 million in Q2 Fiscal 2020. The increase was mainly due to an increase of \$0.3 million in share-based compensation.

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General and administrative expenses for the six months ended September 30, 2020 were \$9.9 million, an increase of \$0.6 million, compared to \$9.3 million in the same prior year period. The increase was mainly due to an increase of \$0.7 million in share-based compensation.

General and administrative expenses include corporate administrative expenses and mine administrative expenses. Items included in general and administrative expenses are as follows:

	Three months ended September 30, 2020			Three months ended September 30, 2019		
	Corporate	Mines	Total	Corporate	Mines	Total
Amortization and depreciation	\$ 132	\$ 305	\$ 437	\$ 123	\$ 266	\$ 389
Office and administrative expenses	492	740	1,232	587	713	1,300
Professional fees	45	114	159	87	114	201
Salaries and benefits	1,099	1,180	2,279	1,136	1,118	2,254
Share-based compensation	1,016	-	1,016	650	-	650
	\$ 2,784	\$ 2,339	\$ 5,123	\$ 2,583	\$ 2,211	\$ 4,794

	Six months ended September 30, 2020			Six months ended September 30, 2019		
	Corporate	Mines	Total	Corporate	Mines	Total
Amortization and depreciation	\$ 252	\$ 593	\$ 845	\$ 207	\$ 533	\$ 740
Office and administrative expenses	1,028	1,331	2,359	1,224	1,250	2,474
Professional fees	363	227	590	266	307	573
Salaries and benefits	2,132	2,245	4,377	2,264	2,250	4,514
Share-based compensation	1,696	-	1,696	975	-	975
	\$ 5,471	\$ 4,396	\$ 9,867	\$ 4,936	\$ 4,340	\$ 9,276

Property evaluation and business development expenses in Q2 Fiscal 2021 were \$0.1 million, compared to \$0.1 million in Q2 Fiscal 2020.

Property evaluation and business development expenses for the six months ended September 30, 2020 were a recovery of \$3.7 million, compared to an expense of \$0.2 million in the same prior year period. On April 26, 2020, the Company entered into a definitive agreement with Guyana Goldfields Inc. ("Guyana Goldfield"), subsequently amended on May 16, 2020 (collectively, the "Arrangement Agreement") to acquire all of the issued and outstanding shares of Guyana Goldfield. On June 10, 2020, Guyana Goldfield terminated the Arrangement Agreement and paid the Company a break fee of \$6.5 million (CAD\$9.0 million). Net of expenses of \$2.5 million, a gain of \$4.0 million on this transaction was recorded as a recovery of property evaluation and business development expenses.

Foreign exchange loss in Q2 Fiscal 2021 was \$1.3 million compared to a gain of \$0.8 million in Q2 Fiscal 2020. The foreign exchange loss is mainly driven by the appreciation of the Canadian dollar against the US dollar.

Foreign exchange loss for the six months ended September 30, 2020 was \$4.0 million, compared to \$0.1 million in the same prior year period.

Share of loss in an associate in Q2 Fiscal 2021 was \$0.3 million (Q2 Fiscal 2020 – \$0.2 million), representing the Company's equity share of the loss in NUAG.

Share of loss in an associate for the six months ended September 30, 2020 was \$0.5 million, compared to \$0.5 million in the same prior year period.

Gain on equity investments recorded in profit in Q2 Fiscal 2021 was \$2.8 million, compared to \$nil in Q2 Fiscal 2020. A total gain of \$4.8 million on equity investments was reported in Q2 Fiscal 2021, of which \$2.0 million was recorded in other comprehensive income as the Company made elections to account for equity investments on an instrument-by-instrument basis.

Gain on equity investments recorded in profit for the six months ended September 30, 2020 was \$8.2 million, compared to \$nil in the same prior year period.

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Finance income in Q2 Fiscal 2021 was \$0.8 million compared to \$0.8 million in Q2 Fiscal 2020. The Company invests in high yield debt instruments. Finance income for the six months ended September 30, 2020 was \$1.7 million, compared to \$1.7 million in the same prior year period.

Finance costs in Q2 Fiscal 2021 and the six months ended September 30, 2020 were \$0.1 million and \$0.2 million, respectively, compared to \$0.1 million in Q2 Fiscal 2020 and \$0.3 million for the six months ended September 30, 2019. Items included in finance costs are summarized below:

Finance costs	Three months ended September 30,		Six months ended September 30,	
	2020	2019	2020	2019
Interest on bank loan	\$ -	\$ -	\$ -	\$ 45
Interest on lease obligation	25	32	50	55
(Gain) Loss on disposal of bonds	(12)	-	41	
Unwinding of discount of environmental rehabilitation provision	71	104	140	211
	\$ 84	\$ 136	\$ 231	\$ 311

Income tax expenses in Q2 Fiscal 2021 and the six months ended September 30, 2020 were \$5.9 million and \$11.3 million, respectively, compared to \$5.1 million in Q2 Fiscal 2020 and \$4.7 million for the six months ended September 30, 2019. Items included in income tax expenses are summarized below:

Income tax expense (recovery)	Three months ended September 31,		Six months ended September 30,	
	2020	2019	2020	2019
Current	\$ 5,155	\$ 960	\$ 9,724	\$ 2,712
Deferred	722	4,179	1,535	1,939
	\$ 5,877	\$ 5,139	\$ 11,259	\$ 4,651

6. Liquidity and Capital Resources

As at	September 30, 2020	March 31, 2020	Changes
Cash and cash equivalents	\$ 95,320	\$ 65,777	\$ 29,543
Short-term investment	104,763	76,742	28,021
	\$ 200,083	\$ 142,519	\$ 57,564
Working capital	\$ 169,336	\$ 130,351	\$ 38,985

	Three months ended September 30,			Six months ended September 30,		
	2020	2019	Changes	2020	2019	Changes
Cash flow						
Cash provided by operating activities	\$ 29,591	\$ 26,229	\$ 3,362	\$ 59,743	\$ 46,116	\$ 13,627
Cash used in investing activities	(31,948)	(19,664)	(12,284)	(32,923)	(50,990)	18,067
Cash used in financing activities	1,716	1,411	305	(1,578)	(4,964)	3,386
Increase (decrease) in cash and cash equivalents	(641)	7,976	(8,617)	25,242	(9,838)	35,080
Effect of exchange rate changes on cash and cash equivalents	1,937	(1,207)	3,144	4,301	(1,511)	5,812
Cash and cash equivalents, beginning of the period	94,024	49,323	44,701	65,777	67,441	(1,664)
Cash and cash equivalents, end of the period	\$ 95,320	\$ 56,092	\$ 39,228	\$ 95,320	\$ 56,092	\$ 39,228

Cash and cash equivalents and short-term investments as at September 30, 2020 were \$200.1 million, an increase of \$57.6 million or 40%, compared to \$142.5 million as at March 31, 2020.

Working capital¹ as at September 30, 2020 was \$169.3 million, an increase of \$39.0 million or 30%, compared to \$130.4 million as at March 31, 2020.

Cash flow provided by operating activities in Q2 Fiscal 2021 was \$29.6 million, an increase of \$3.4 million, compared to

¹ Alternative performance (non-IFRS) measure. Please refer to section 10 for reconciliation

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\$26.2 million in Q2 Fiscal 2020. The increase was mainly due to i) higher operating income, ii) positive impact from change in non-cash operating working capital, offset by iii) higher income taxes paid. Cash flow provided by operating activities comprised primarily of:

- \$27.0 million from operating activities before changes in non-cash working capital, a slight decrease of \$0.1 million, compared to \$27.1 million in Q2 Fiscal 2020; and
- \$2.5 million from a reduction in non-cash working capital, compared to an outflow of \$0.9 million from an increase in non-cash working capital in Q2 Fiscal 2020.

For the six months ended September 30, 2020, cash flow provided by operating activities was \$59.7 million, compared to \$46.1 million in the same prior year period. Before changes in non-cash operating working capital, cash flow provided by operating activities for the six months ended September 30, 2020 was \$50.0 million, compared to \$46.8 million in the same prior year period.

Cash flow used in investing activities in Q2 Fiscal 2021 was \$31.9 million, an increase of \$12.2 million compared to \$19.7 million in Q2 Fiscal 2020. The increase was mainly due to the cash used for acquisition activities offset by the increase in proceeds on disposal of other investments. Cash flow used in investing activities comprised primarily of:

- \$8.9 million spent on mineral exploration and development expenditures (Q2 Fiscal 2020 - \$7.2 million);
- \$2.2 million spent to acquire plant and equipment (Q2 Fiscal 2020 - \$2.2 million);
- \$5.9 million spent on other investments (Q2 Fiscal 2020 - \$1.7 million);
- \$16.3 million spent on the net purchase of short-term investments (Q2 Fiscal 2020 - \$9.5 million); offset by
- \$1.2 million proceeds from the disposal of other investments (Q2 Fiscal 2020 - \$1.3 million).

For the six months ended September 30, 2020, cash flow used in investing activities was \$32.9 million (same prior year period - \$51.0 million) and comprised primarily of:

- \$16.7 million spent on mineral exploration and development expenditures (same prior year period - \$14.0 million);
- \$3.0 million spent to acquire plant and equipment (same prior year period - \$4.3 million);
- \$0.3 million payments for reclamation deposits (same prior year period - \$1.5 million);
- \$11.4 million spent on other investments (same prior year period - \$1.7 million);
- \$5.8 million spent on additional investment in NUAG (same prior year period - \$3.2 million);
- \$15.5 million spent on the net purchase of short-term investments (same prior year period - \$33.6 million), offset by
- \$1.8 million cash from refund on reclamation deposit (same prior year period - \$nil); and
- \$17.8 million proceeds from disposal of other investments (same prior year period - \$1.3 million).

Cash flow from financing activities in Q2 Fiscal 2021 was \$1.7 million, an increase of \$0.3 million compared to \$1.4 million in Q2 Fiscal 2020. The increase was mainly due to:

- \$1.8 million cash received arising from exercise of stock options (Q2 Fiscal 2020 - \$4.9 million); offset by
- \$0.1 million lease payment (Q2 Fiscal 2020 - \$0.2 million); and
- \$nil distribution to non-controlling interest (Q2 Fiscal 2020 - \$3.3 million).

For six months ended September 30, 2020, cash flow used in financing activities was \$1.6 million (same prior year period - \$5.0 million) and comprised primarily of:

- \$1.4 million repayment received from a related party (same prior year period - \$nil);
- \$2.7 million cash received arising from exercise of stock options (same prior year period - \$5.1 million); offset by

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- \$0.3 million lease payment (same prior year period - \$0.3 million);
- \$nil repayment to a bank loan (same prior year period - \$4.4 million);
- \$3.2 million distributions to non-controlling interest shareholders (same prior year period - \$3.3 million); and
- \$2.2 million cash dividend to the equity shareholders of the Company (same prior year period - \$2.1 million).

Capital Resources

The Company's objective when managing capital is to maintain financial flexibility to continue as a going concern while optimizing growth and maximizing returns on investments from shareholders.

The Company monitors its capital structure and based on changes in operations and economic conditions, may adjust the structure by repurchasing shares, issuing new shares, issuing debt or retiring debt. The Company prepares annual budget to facilitate the management of its capital requirements. However, the Company does not have unlimited resources and its future capital requirements will depend on many factors, including, among others, cash flow from operations. To the extent that its existing resources and the funds generated by future income are insufficient to fund the Company's operations, the Company may need to raise additional funds through public or private debt or equity financing. If additional funds are raised through the issuance of equity securities, the percentage ownership of current shareholders will be reduced, and such equity securities may have rights, preferences or privileges senior to those of the holders of the Company's common shares. No assurance can be given that additional financing will be available or that, if available, can be obtained on terms favourable to the Company and its shareholders. If adequate funds are not available, the Company may be required to delay, limit or eliminate some or all of its proposed operations. The Company believes it has sufficient capital to meet its cash needs for the next 12 months, including the cost of compliance with continuing reporting requirements.

The Company is not subject to any externally imposed capital requirements.

7. Financial Instruments and Related Risks

The Company manages its exposure to financial risks, including liquidity risk, foreign exchange risk, interest rate risk, credit risk, and equity price risk in accordance with its risk management framework. The Company's board of directors (the "Board") 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 13, Fair Value Measurement ("IFRS 13").

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 tables set forth the Company's financial assets and liabilities that are measured at fair value level on a recurring basis within the fair value hierarchy as at September 30, 2020 and March 31, 2020 that are not otherwise disclosed. As required by IFRS 13, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

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Recurring measurements	Fair value as at September 30, 2020			
	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	\$ 95,320	\$ -	\$ -	\$ 95,320
Short-term investments - money market instruments	75,738	-	-	75,738
Investments in public companies	9,700	-	-	9,700
Investments in private companies	-	-	6,725	6,725

Recurring measurements	Fair value as at March 31, 2020			
	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	\$ 65,777	\$ -	\$ -	\$ 65,777
Short-term investments - money market instruments	53,430	-	-	53,430
Investments in public companies	6,633	-	-	6,633
Investments in private companies	-	-	2,117	2,117

Fair value of the other financial instruments excluded from the table above approximates their carrying amount as at September 30, 2020 and March 31, 2020 due to the short-term nature of these instruments.

There were no transfers into or out of Level 3 during the three and six months ended September 30, 2020 and 2019.

(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, 2020			March 31, 2020	
	Within a year	2-5 years	Over 5 years	Total	Total
Accounts payable and accrued liabilities	34,983	-	-	34,983	23,129
Lease obligation	611	1,313	-	1,924	2,069
	\$ 35,594	\$ 1,313	\$ -	\$ 36,907	\$ 25,198

(c) Foreign exchange risk

The Company reports its financial statements in US dollars. The functional currency of the head office, Canadian subsidiaries and all intermediate holding companies is CAD and the functional currency of all Chinese subsidiaries is RMB. The Company is exposed to foreign exchange risk when the Company undertakes transactions and holds assets and liabilities in currencies other than its functional currencies.

The Company currently does not engage in foreign exchange currency hedging. The Company's exposure to currency risk affect net income is summarized as follows:

	September 30, 2020	March 31, 2020
Financial assets denominated in U.S. Dollars	\$ 65,691	\$ 60,534

As at September 30, 2020, with other variables unchanged, a 10% strengthening (weakening) of the CAD against the USD would have decreased (increased) net income by approximately \$6.6 million.

(d) Interest rate risk

The Company is exposed to interest rate risk on its cash equivalents, short term investments, and bank loan payable. As at September 30, 2020, 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

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instruments, fluctuations in interest rates would not have a significant impact on the Company's after-tax net income.

(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, requests deposits from customers prior to delivery, and has monitoring processes intended to mitigate credit risks. There were no amounts in trade and other receivables which were past due on September 30, 2020 (at March 31, 2020 - \$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 holdings are mainly in mining companies, the value will also fluctuate based on commodity prices. Based upon the Company's portfolio as at September 30, 2020, 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 net income and comprehensive income of approximately \$0.5 million and \$0.5 million, respectively.

8. Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

9. Transactions with Related Parties

Related party transactions are made on terms agreed upon by the related parties. The balances with related parties are unsecured, non-interest bearing, and due on demand. Related party transactions not disclosed elsewhere in this MD&A are as follows:

Due from related parties	September 30, 2020	March 31, 2020
NUAG (a)	\$ 52	\$ 94
Henan Non-ferrous (b)	-	1,425
	\$ 52	\$ 1,519

(a) The Company recovers costs for services rendered to NUAG and expenses incurred on behalf of NUAG pursuant to a services and administrative costs reallocation agreement. During the three and six months ended September 30, 2020, the Company recovered \$179 and \$340 (the three and six months ended September 30, 2019 - \$146 and \$214) from NUAG for services rendered and expenses incurred on behalf of NUAG. The costs recovered from NUAG were recorded as a direct reduction of general and administrative expenses on the consolidated statements of income.

(b) In January 2020, Henan Found advanced a loan of \$1,426 (RMB ¥10 million) to Henan Non-ferrous. The loan has a term of four months and bears an interest rate of 4.35% per annum. In May 2020, the loan, including accumulated interest, of \$1,423 (RMB ¥10.1 million) was repaid in full.

The balances with related parties are unsecured.

10. Alternative Performance (non-IFRS) Measures

The following alternative performance measures are used by the Company to manage and evaluate operating performance of the Company's mines and are widely reported in the silver mining industry as benchmarks for performance, but are alternative performance (non-IFRS) measures that do not have standardized meaning prescribed by IFRS and therefore unlikely to be comparable to similar measures presented by other companies. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. To facilitate a better understanding of these measures, the tables in this section provide the reconciliation of these measures to the financial statements for the three and six months ended September 30, 2020 and

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2019:

(a) Costs per Ounce of Silver

Cash cost and all-in sustaining cost ("AISC") per ounce of silver, net of by-product credits, are non-IFRS measures. The Company produces by-product metals incidentally to our silver mining activities. We have adopted the practice of calculating a performance measure with the net cost of producing an ounce of silver, our primary payable metal, after deducting revenues gained from incidental by-product production. This performance measure has been commonly used in the mining industry for many years and was developed as a relatively simple way of comparing the net production costs of the primary metal for a specific period against the prevailing market price of such metal.

Cash cost is calculated by deducting revenue from the sales of all metals other than silver and is calculated per ounce of silver sold.

AISC is an extension of the "cash cost" metric and provides a comprehensive measure of the Company's operating performance and ability to generate cash flows. AISC has been calculated based on World Gold Council ("WGC") guidance released in 2013 and undated in 2018. The WGC is not a regulatory organization and does not have the authority to develop accounting standards for disclosure requirements.

AISC is based on the Company's cash costs, net of by-product sales, and further includes corporate general and administrative expense, government fee and other taxes, reclamation cost accretion, lease liability payments, and sustaining capital expenditures. Sustaining capital expenditures are those costs incurred to sustain and maintain existing assets at current productive capacity and constant planned levels of production output. Excluded are non-sustaining capital expenditures, which result in a material increase in the life of assets, materially increase resources or reserves, productive capacity, or future earning potential, or significant improvement in recovery or grade, or which do not relate to the current production activities. The Company believes that this measure represents the total sustainable costs of producing silver from current operations and provides additional information about the Company's operational performance and ability to generate cash flows.

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The following table provides a reconciliation of cash cost and AISC per ounce of silver, net of by-product credits:

(Expressed in thousands of U.S. dollars, except ounce and per ounce amount)	Three months ended September 30, 2020					Three months ended September 30, 2019					
	Ying Mining District	GC	Other	Corporate	Consolidated	Ying Mining District	GC	Other	Corporate	Consolidated	
Production costs expensed as reported	A	\$ 14,941	\$ 4,298	\$ 449	\$ -	\$ 19,688	\$ 13,486	\$ 3,804	\$ -	\$ -	\$ 17,290
By-product sales											
Gold		(1,492)	-	(1,524)	-	(3,016)	(1,314)	-	-	-	(1,314)
Lead		(12,148)	(2,239)	-	-	(14,387)	(13,945)	(2,257)	-	-	(16,202)
Zinc		(1,071)	(4,165)	-	-	(5,236)	(960)	(3,085)	-	-	(4,045)
Other		(454)	(231)	-	-	(685)	(598)	(288)	-	-	(886)
Total by-product sales	B	(15,165)	(6,635)	(1,524)	-	(23,324)	(16,817)	(5,630)	-	-	(22,447)
Total cash cost, net of by-product credits	C=A-B	(224)	(2,337)	(1,075)	-	(3,636)	(3,331)	(1,826)	-	-	(5,157)
Add: Mineral resources tax		1,172	261	-	-	1,433	1,180	228	-	-	1,408
General and administrative		1,520	695	124	2,784	5,123	2,061	544	(394)	2,583	4,794
Amortization included in general and administrative		(122)	(89)	(94)	(132)	(437)	(111)	(81)	(74)	(123)	(389)
Exploration and business development*		-	-	-	126	126	-	-	-	107	107
Government fees and other taxes		519	128	1	-	648	437	48	1	10	496
Reclamation accretion		56	6	9	-	71	92	6	8	-	106
Lease payment		-	-	-	139	139	-	-	-	133	133
Sustaining capital expenditures		7,393	1,008	1	290	8,692	5,489	553	-	327	6,369
All-in sustaining cost, net of by-product credits	F	10,314	(328)	(1,034)	3,207	12,159	5,817	(528)	(459)	3,037	7,866
Add: Non-sustaining capital expenditures		2,244	116	-	-	2,360	2,683	257	87	-	3,027
All-in cost, net of by-product credits	G	12,558	(212)	(1,034)	3,207	14,519	8,500	(271)	(372)	3,037	10,893
Silver ounces sold ('000s)	H	1,556	184	-	-	1,740	1,711	183	-	-	1,894
Cash cost per ounce of silver, net of by-product credits	(A+B)/H	\$ (0.14)	\$ (12.70)	\$ -	\$ -	\$ (2.09)	\$ (1.95)	\$ (9.98)	\$ -	\$ -	\$ (2.72)
All-in sustaining cost per ounce of silver, net of by-product credits	F/H	\$ 6.63	\$ (1.78)	\$ -	\$ -	\$ 6.99	\$ 3.40	\$ (2.89)	\$ -	\$ -	\$ 4.15
All-in cost per ounce of silver, net of by-product credits	G/H	\$ 8.07	\$ (1.15)	\$ -	\$ -	\$ 8.34	\$ 4.97	\$ (1.48)	\$ -	\$ -	\$ 5.75
By-product credits per ounce of silver											
Gold		(0.96)	-	-	-	(1.73)	(0.77)	-	-	-	(0.69)
Lead		(7.81)	(12.17)	-	-	(8.27)	(8.15)	(12.33)	-	-	(8.55)
Zinc		(0.69)	(22.64)	-	-	(3.01)	(0.56)	(16.86)	-	-	(2.14)
Other		(0.29)	(1.26)	-	-	(0.39)	(0.35)	(1.57)	-	-	(0.47)
Total by-product credits per ounce of silver		\$ (9.75)	\$ (36.07)	\$ -	\$ -	\$ (13.40)	\$ (9.83)	\$ (30.76)	\$ -	\$ -	\$ (11.85)

(Expressed in thousands of U.S. dollars, except ounce and per ounce amount)	Six months ended September 30, 2020					Six months ended September 30, 2019					
	Ying Mining District	GC	Other	Corporate	Consolidated	Ying Mining District	GC	Other	Corporate	Consolidated	
Production costs expensed as reported	A	\$ 29,065	\$ 7,921	\$ 449	\$ -	\$ 37,435	\$ 27,129	\$ 8,161	\$ -	\$ -	\$ 35,290
By-product sales											
Gold		(2,969)	-	(1,524)	-	(4,493)	(2,396)	-	-	-	(2,396)
Lead		(24,494)	(4,267)	-	-	(28,761)	(26,638)	(4,742)	-	-	(31,380)
Zinc		(2,442)	(6,949)	-	-	(9,391)	(2,624)	(6,573)	-	-	(9,197)
Other		(839)	(360)	-	-	(1,199)	(1,203)	(289)	-	-	(1,492)
Total by-product sales	B	(30,744)	(11,576)	(1,524)	-	(43,844)	(32,861)	(11,604)	-	-	(44,465)
Total cash cost, net of by-product credits	C=A+B	(1,679)	(3,655)	(1,075)	-	(6,409)	(5,732)	(3,443)	-	-	(9,175)
Add: Mineral resources tax		2,297	472	-	-	2,769	2,198	461	-	-	2,659
General and administrative		2,915	1,244	237	5,471	9,867	3,523	1,028	(211)	4,936	9,276
Amortization included in general and administrative		(237)	(179)	(177)	(252)	(845)	(222)	(161)	(150)	(207)	(740)
Property evaluation and business development*		-	-	-	311	311	-	-	-	173	173
Government fees and other taxes		978	209	1	-	1,188	923	140	2	25	1,090
Reclamation accretion		111	12	17	-	140	184	12	16	-	212
Lease payment		-	-	-	271	271	-	-	-	234	234
Sustaining capital expenditures		12,846	2,051	1	479	15,377	12,960	1,250	-	479	14,689
All-in sustaining cost, net of by-product credits	F	17,231	154	(996)	6,280	22,669	13,834	(713)	(343)	5,640	18,418
Add: Non-sustaining capital expenditures		3,855	390	87	-	4,332	3,163	399	87	-	3,649
All-in cost, net of by-product credits	G	21,086	544	(909)	6,280	27,001	16,997	(314)	(256)	5,640	22,067
Silver ounces sold ('000s)	H	3,228	384	-	-	3,612	3,373	376	-	-	3,749
Cash cost per ounce of silver, net of by-product credits	(A+B)/H	\$ (0.52)	\$ (9.52)	\$ -	\$ -	\$ (1.77)	\$ (1.70)	\$ (9.16)	\$ -	\$ -	\$ (2.45)
All-in sustaining cost per ounce of silver, net of by-product credits	F/H	\$ 5.34	\$ 0.40	\$ -	\$ -	\$ 6.28	\$ 4.10	\$ (1.90)	\$ -	\$ -	\$ 4.91
All-in cost per ounce of silver, net of by-product credits	G/H	\$ 6.53	\$ 1.42	\$ -	\$ -	\$ 7.48	\$ 5.04	\$ (0.84)	\$ -	\$ -	\$ 5.89
By-product credits per ounce of silver											
Gold		(0.92)	-	-	-	(1.24)	(0.65)	-	-	-	(0.58)
Lead		(7.59)	(11.11)	-	-	(7.96)	(7.64)	(12.88)	-	-	(8.18)
Zinc		(0.76)	(18.10)	-	-	(2.60)	(1.00)	(18.07)	-	-	(2.78)
Other		(0.26)	(0.94)	-	-	(0.33)	(0.36)	(0.01)	-	-	(0.33)
Total by-product credits per ounce of silver		\$ (9.53)	\$ (30.15)	\$ -	\$ -	\$ (12.13)	\$ (9.65)	\$ (30.96)	\$ -	\$ -	\$ (11.87)

*Recovery of \$3,970, arising from the receipt of \$6,497 (CAD\$9,000) break fee from Guyana Goldfield net of expenses of \$2,527, was excluded for the six months ended September 30, 2020.

(b) Costs per Tonne of Ore Processed

The Company uses cost per tonne of ore processed to manage and evaluate operating performance at each of its mines. Cost per tonne of ore processed is calculated based on total production costs on a sales basis, adjusted for changes in inventory, to arrive at total production costs that relate to ore production during the period. These total production costs are then further divided into mining cost, shipping cost, and milling cost. Cost per tonne of ore processed is the total of per tonne mining cost, per tonne shipping cost, and per tonne milling cost.

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All-in sustaining production cost per tonne is an extension of the cash production cost per tonne and provides a comprehensive measure of the Company's operating performance and ability to generate cash flows. All-in sustaining production cost per tonne is based on the Company's cash production cost, and further includes corporate general and administrative expense, government fee and other taxes, reclamation cost accretion, lease liability payments, and sustaining capital expenditures. The Company believes that this measure represents the total sustainable costs of processing ore from current operations and provides additional information about the Company's operational performance and ability to generate cash flows.

The following table provides a reconciliation of production cost and all-in sustaining production cost per tonne of ore processed:

(Expressed in thousands of U.S. dollars, except ounce and per ounce amount)	Three months ended September 30, 2020					Three months ended September 30, 2019				
	Ying Mining District	GC	Other	Corporate	Consolidated	Ying Mining District	GC	Other	Corporate	Consolidated
Production costs expensed as reported	\$ 14,941	\$ 4,298	\$ 449	\$ -	\$ 19,688	\$ 13,486	\$ 3,804	\$ -	\$ -	\$ 17,290
Depreciation and amortization as reported	4,404	870	318	-	5,592	5,087	727	-	-	5,814
Change in stockpile and concentrate inventory										
Less: stockpile and concentrate inventory - Beginning	(4,485)	(242)	(792)	-	(5,519)	(5,979)	(104)	(816)	-	(6,899)
Add: stockpile and concentrate inventory - Ending	3,052	365	32	-	3,449	5,014	600	784	-	6,398
Adjustment for foreign exchange movement	1,297	(265)	760	-	1,792	214	22	32	-	268
	(136)	(142)	-	-	(278)	(751)	518	-	-	(233)
Total production cost	\$ 19,209	\$ 5,026	\$ -	\$ -	\$ 24,724	\$ 17,822	\$ 5,049	\$ -	\$ -	\$ 22,871
Depreciation and amortization charged to mining costs	A 4,441	738	-	-	5,179	4,643	666	-	-	5,309
Depreciation and amortization charged to milling costs	B 284	104	-	-	388	309	143	-	-	452
Total non-cash production cost	\$ 4,725	\$ 842	\$ -	\$ -	\$ 5,567	\$ 4,952	\$ 809	\$ -	\$ -	\$ 5,761
Cash mining cost	C 12,268	3,163	-	-	15,431	10,434	3,144	-	-	13,578
Shipping cost	D 694	-	-	-	694	679	-	-	-	679
Cash milling cost	E 1,523	1,022	-	-	2,545	1,758	1,096	-	-	2,854
Total cash production cost	\$ 14,485	\$ 4,185	\$ -	\$ -	\$ 18,670	\$ 12,871	\$ 4,240	\$ -	\$ -	\$ 17,111
General and administrative	1,520	695	124	2,784	5,123	2,061	544	(394)	2,583	4,794
Exploration and business development*	-	-	-	126	126	-	-	-	107	107
Amortization included in general and administrative	(122)	(89)	(94)	(132)	(437)	(111)	(81)	(74)	(123)	(389)
Government fees and other taxes	519	128	1	-	648	437	48	1	10	496
Reclamation accretion	56	6	9	-	71	92	6	8	-	106
Lease payment	-	-	-	139	139	-	-	-	133	133
Sustaining capital expenditures	7,393	1,008	1	290	8,692	5,489	553	-	327	6,369
All-in sustaining production cost	F \$ 23,851	\$ 5,933	\$ 41	\$ 3,207	\$ 33,032	\$ 20,839	\$ 5,310	\$ -459	\$ 3,037	\$ 28,726
Non-sustaining capital expenditures	2,244	116	-	-	2,360	2,683	257	87	-	3,027
All in production cost	G \$ 26,095	\$ 6,049	\$ 41	\$ 3,207	\$ 35,392	\$ 23,522	\$ 5,567	\$ 372	\$ 3,037	\$ 31,753
Ore mined ('000s)	H 181,020	86,833	-	-	267,853	176,085	83,172	-	-	259,257
Ore shipped ('000s)	I 182,909	86,833	-	-	269,742	177,572	83,172	-	-	260,744
Ore milled ('000s)	J 179,083	84,850	-	-	263,933	179,147	86,134	-	-	265,281
Per tonne Production cost										
Non-cash mining cost (\$/tonne)	K=A/H 24.53	8.50	-	-	19.34	26.37	8.01	-	-	20.48
Non-cash milling cost (\$/tonne)	L=B/J 1.59	1.23	-	-	1.47	1.72	1.66	-	-	1.70
Non-cash production cost (\$/tonne)	M=K+L \$ 26.12	\$ 9.73	\$ -	\$ -	\$ 20.81	\$ 28.09	\$ 9.67	\$ -	\$ -	\$ 22.18
Cash mining cost (\$/tonne)	N=C/H 67.77	36.43	-	-	57.61	59.26	37.80	-	-	52.37
Shipping costs (\$/tonne)	O=D/I 3.79	-	-	-	2.57	3.82	-	-	-	2.60
Cash milling costs (\$/tonne)	P=E/J 8.50	12.04	-	-	9.64	9.81	12.72	-	-	10.76
Cash production costs (\$/tonne)	Q=N+O+P \$ 80.06	\$ 48.47	\$ -	\$ -	\$ 69.82	\$ 72.89	\$ 50.52	\$ -	\$ -	\$ 65.73
All-in sustaining production costs (\$/tonne)	P=(F-C-D-E)/J+Q \$ 132.36	\$ 69.07	\$ -	\$ -	\$ 124.24	\$ 117.37	\$ 62.94	\$ -	\$ -	\$ 109.51
All in costs (\$/tonne)	S=P+(G-F)/J \$ 144.89	\$ 70.44	\$ -	\$ -	\$ 133.18	\$ 132.34	\$ 65.93	\$ -	\$ -	\$ 120.92

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(Expressed in thousands of U.S. dollars, except ounce and per ounce amount)	Six months ended September 30, 2020					Six months ended September 30, 2019				
	Ying Mining District	GC	Other	Corporate	Consolidated	Ying Mining District	GC	Other	Corporate	Consolidated
Production costs expensed as reported	\$ 29,065	\$ 7,921	\$ 449	\$ -	\$ 37,435	\$ 27,129	\$ 8,161	\$ -	\$ -	\$ 35,290
Depreciation and amortization	9,419	1,595	318	-	11,332	9,639	1,544	-	-	11,183
Changes in stockpile and concentrate inventory										
Less: stockpile and concentrate inventory - Beginning	(4,474)	(241)	(790)	-	(5,505)	(5,447)	(213)	(834)	-	(6,494)
Add: stockpile and concentrate inventory - Ending	3,052	365	32	-	3,449	5,014	600	784	-	6,398
Adjustment for foreign exchange movement	(111)	(4)	(9)	-	(124)	293	26	50	-	369
	(1,533)	120	(767)	-	(2,180)	(140)	413	-	-	273
Total production cost	\$ 36,951	\$ 9,636	\$ -	\$ -	\$ 46,587	\$ 36,628	\$ 10,118	\$ -	\$ -	\$ 46,746
Depreciation and amortization charged to mining costs	A 8,589	1,411	-	-	10,000	9,661	1,297	-	-	10,958
Depreciation and amortization charged to milling costs	B 566	205	-	-	771	625	310	-	-	935
Total non-cash production cost	\$ 9,155	\$ 1,616	\$ -	\$ -	\$ 10,771	\$ 10,286	\$ 1,607	\$ -	\$ -	\$ 11,893
Cash mining cost	C 23,436	5,987	-	-	29,423	21,568	6,282	-	-	27,850
Shipping cost	D 1,335	-	-	-	1,335	1,391	-	-	-	1,391
Cash milling cost	E 3,024	2,033	-	-	5,057	3,383	2,229	-	-	5,612
Total cash production cost	\$ 27,795	\$ 8,020	\$ -	\$ -	\$ 35,815	\$ 26,342	\$ 8,511	\$ -	\$ -	\$ 34,853
General and administrative	2,915	1,244	237	5,471	9,867	3,523	1,028	(211)	4,936	9,276
Exploration and business development*	-	-	-	311	311	-	-	-	173	173
Amortization included in general and administrative	(237)	(179)	(177)	(252)	(845)	(222)	(161)	(150)	(207)	(740)
Government fees and other taxes	978	209	1	-	1,188	923	140	2	25	1,090
Reclamation accretion	111	12	17	-	140	184	12	16	-	212
Lease payment	-	-	-	271	271	-	-	-	234	234
Sustaining capital expenditures	12,846	2,051	1	479	15,377	12,960	1,250	-	479	14,689
All-in sustaining production cost	F \$ 44,408	\$ 11,357	\$ 79	\$ 6,280	\$ 62,124	\$ 43,710	\$ 10,780	\$ 343	\$ 5,640	\$ 59,787
Non-sustaining capital expenditures	3,855	390	87	-	4,332	3,163	399	87	-	3,649
All in production cost	G \$ 48,263	\$ 11,747	\$ 166	\$ 6,280	\$ 66,456	\$ 46,873	\$ 11,179	\$ 256	\$ 5,640	\$ 63,436
Ore mined ('000s)	H 355.196	167.212	-	-	522.408	352.669	163.980	-	-	516.649
Ore shipped ('000s)	I 359.225	167.212	-	-	526.437	353.950	163.980	-	-	517.930
Ore milled ('000s)	J 356.772	169.487	-	-	526.259	356.828	167.996	-	-	524.824
Per tonne Production cost										
Non-cash mining cost (\$/tonne)	K=A/H 24.18	8.44	-	-	19.14	27.39	7.91	-	-	21.21
Non-cash milling cost (\$/tonne)	L=B/J 1.59	1.21	-	-	1.47	1.75	1.85	-	-	1.78
Non-cash production cost (\$/tonne)	M=K+L 25.77	9.65	-	-	20.61	29.14	9.76	-	-	22.99
Cash mining cost (\$/tonne)	N=C/H 65.98	35.80	-	-	56.32	61.16	38.31	-	-	53.91
Shipping costs (\$/tonne)	O=D/I 3.72	-	-	-	2.54	3.93	-	-	-	2.69
Cash milling costs (\$/tonne)	P=E/J 8.48	12.00	-	-	9.61	9.48	13.27	-	-	10.69
Cash production costs (\$/tonne)	Q=N+O+P 78.18	47.80	-	-	68.47	74.57	51.58	-	-	67.29
All-in sustaining production costs (\$/tonne)	R=(F-C-D-E)/J+Q 124.74	67.49	-	-	118.46	123.24	65.09	-	-	114.80
All in costs (\$/tonne)	S=R+(G-F)/J 135.55	69.79	-	-	126.69	132.11	67.46	-	-	121.75

*Recovery of \$3,970, arising from receipt of \$6,497 (CAD\$9,000) break fee from Guyana Goldfield net of expenses of \$2,527, was excluded for the six months ended September 30, 2020.

(c) Working Capital

Working capital is an alternative performance (non-IFRS) measure calculated as current asset less current liabilities. Working capital does not have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other companies. The Company and certain investors use this information to evaluate whether the Company is able to meet its current obligations using its current assets.

11. Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported on the consolidated financial statements. These critical accounting estimates represent management estimates that are uncertain and any changes in these estimates could materially impact the Company's consolidated financial statements. Management continuously reviews its estimates and assumptions using the most current information available.

The Company's critical accounting policies and estimates are described in Note 2 of the unaudited condensed consolidated financial statements for the three and six months ended September 30, 2020, as well as the audited consolidated financial statements for the year ended March 31, 2020.

12. New Accounting Standards

(a) Changes in accounting standards

The accounting policies applied in the preparation of the unaudited condensed interim consolidated financial statements for the three and six months ended September 30, 2020 are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended March 31, 2020.

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(b) Accounting standards not yet effective

New accounting standards and interpretations have been published that are not mandatory for the current period have not been early adopted. These standards are not expected to have a material impact on the Company in the current or future reporting periods. The Company has not early adopted any amendment, standard or interpretation that has been issued by the IASB but is not yet effective.

13. Other MD&A Requirements

Additional information relating to the Company may be found:

(a) on SEDAR at www.sedar.com or EDGAR at www.sec.gov;

(b) at the Company's website www.silvercorp.ca;

(c) in the Company's Annual Information Form; and

(d) in the Company's annual audited consolidated financial statements as of March 31, 2020.

14. Outstanding Share Data

As at the date of this MD&A, the following securities were outstanding:

(a) Share Capital

- Authorized - unlimited number of common shares without par value
- Issued and outstanding – **175,201,464** common shares with a recorded value of **\$248.2 million**
- Shares subject to escrow or pooling agreements - nil

(b) Options

As at the date of this MD&A, there are 1,702,000 options outstanding comprised as follows:

Number of Options	Exercise Price (CAD\$)	Expiry Date
465,000	\$2.60	11/16/2021
237,500	\$3.23	3/12/2021
407,500	\$3.40	8/24/2021
592,000	\$5.46	5/26/2025
1,702,000		

(c) Restricted Share Units ("RSUs")

Outstanding – 1,170,000 RSUs outstanding, including 499,500 RSUs with grant date closing price of CAD\$4.94 per share, and 670,500 RSUs with grant date closing price of CAD\$5.46 per share.

15. Risks, Uncertainties, and Contingencies

The Company is exposed to many risks in conducting its business, including but not limited to: metal price risk as the Company derives its revenue from the sale of silver, lead, zinc, and gold; credit risk in the normal course of dealing with other companies and financial institutions; foreign exchange risk as the Company reports its financial statements in USD whereas the Company operates in jurisdictions that utilize other currencies; equity price risk and interest rate risk as the Company has investments in marketable securities that are traded in the open market or earn interest at market rates that are fixed to maturity or at variable interest rates; inherent risk of uncertainties in estimating mineral reserves and mineral resources; political risks; economic and social risks related to conducting business in foreign jurisdictions such as China; environmental risks; risks related to its relations with employees and local communities where the Company operates, and emerging risks relating to the spread of COVID-19, which has to date resulted in profound health and economic impacts globally and which presents future risks and uncertainties that are largely unknown at this time.

Management and the Board continuously assess risks that the Company is exposed to, and attempt to mitigate these risks

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where practical through a range of risk management strategies.

These and other risks are described in the Company's Annual Information Form, NI 43-101 technical reports, Form 40-F, and Audited Consolidated Financial Statements, which are available on SEDAR at www.sedar.com and on EDGAR at www.sec.gov. Readers are encouraged to refer to these documents for a more detailed description of some of the risks and uncertainties inherent to Silvercorp's business.

- COVID-19

The Company's business, operations and financial condition could be materially adversely affected by the outbreak of pandemics or other health crises, such as the outbreak of COVID-19 that was designated as a pandemic by the World Health Organization on March 11, 2020. The international response to the spread of COVID-19 has led to significant restrictions on travel, temporary business closures, quarantines, global stock market volatility, and a general reduction in consumer activity. Such public health crises can result in operating, supply chain and project development delays and disruptions, global stock market and financial market volatility, declining trade and market sentiment, reduced movement of people and labour shortages, and travel and shipping disruption and shutdowns, including as a result of government regulation and prevention measures, or a fear of any of the foregoing, all of which could affect commodity prices, interest rates, credit risk and inflation. In addition, the current COVID-19 pandemic, and any future emergence and spread of similar pathogens could have an adverse impact on global economic conditions which may adversely impact the Company's operations, and the operations of suppliers, contractors and service providers.

The Company may experience business interruptions, including suspended (whether government mandated or otherwise) or reduced operations relating to COVID-19 and other such events outside of the Company's control, which could have a material adverse impact on its business, operations and operating results, financial condition and liquidity.

As at the date of this MD&A, the duration of the business disruptions internationally and related financial impact of COVID-19 cannot be reasonably estimated. It is unknown whether and how the Company may be affected if the pandemic persists for an extended period of time.

The Company's exposure to such public health crises also includes risks to employee health and safety. Should an employee, contractor, community member or visitor become infected with a serious illness that has the potential to spread rapidly, this could place the Company's workforce at risk.

- Metal Price Risk

The Company's sales prices for lead and zinc pounds are fixed against the SME as quoted at www.shmet.com; gold ounces are fixed against the Shanghai Gold Exchange as quoted at www.sge.com.cn and silver ounces are fixed against the Shanghai White Platinum & Silver Exchange as quoted at www.ex-silver.com.

The Company's revenues, if any, are expected to be in large part derived from the mining and sale of silver, lead, zinc, and gold contained in metal concentrates. The prices of those commodities have fluctuated widely, particularly in recent years, and are affected by numerous factors beyond the Company's control including international and regional economic and political conditions; expectations of inflation; currency exchange fluctuations; interest rates; global or regional supply and demand for jewellery and industrial products containing silver and other metals; sale of silver and other metals by central banks and other holders, speculators and producers of silver and other metals; availability and cost of metal substitutes; 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 its projects. The effect of these factors on the price of base and precious metals, and therefore the viability of the Company's exploration projects and mining operations, cannot be accurately predicted.

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

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- Permits and licenses

All mineral resources and mineral reserves of the Company's subsidiaries 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 if renewed under reasonable operational and/or financial terms, or in a timely manner, 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 approvals necessary to develop and operate mines on the Company's properties will be granted or renewed in a timely and/or economical manner, or at all.

- Title to properties

With respect to the Company's Chinese 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. Title insurance is generally not available for mineral properties and the Company's ability to ensure that it has obtained secure claims to individual mineral properties or mining concessions may be severely constrained. The Company's mineral properties in China have not been surveyed, and the precise location and extent thereof may be in doubt.

- Operations and political conditions

All the properties in which the Company has an interest are located in China, which has different regulatory and legal standards than those in North America. Even when 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.

All the Company's operations are located in China. These operations are subject to the risks normally associated with conducting business in China. Some of these risks are more prevalent in countries which are less developed or have emerging economies, including uncertain political and economic 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 contractual rights or the taking of property by nationalization or expropriation without fair compensation, risk of adverse changes in laws or policies, increases in foreign taxation or royalty obligations, license fees, permit fees, 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 export restrictions, disadvantages of competing against companies from countries that are not subject to similar 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 China arising from such risks, there can be no assurance that such problems will not arise in the future. The Company currently does not carry political risk insurance coverage.

The Company's interests in its mineral properties are held through joint venture companies established under and governed by the laws of China. The Company's joint venture partners in China include 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 from that imposed on domestic Chinese companies. The Chinese government currently allows foreign investment in certain mining projects under central government guidelines. There can be no assurance that these guidelines will not change in the future.

- Regulatory environment in China

The Company conducts its operations in China. The laws of China differ significantly from those of Canada and all such laws

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are subject to change. 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 and may also include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations may be required to compensate 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 the financial condition of the Company.

- Environmental risks

The Company's activities are subject to extensive laws and regulations governing environmental protection and employee health and safety, including environmental laws and regulations in China. These laws address emissions into the air, discharges into water, management of waste, management of hazardous substances, protection of natural resources, antiquities and endangered species, and reclamation of lands disturbed by mining operations.

There are also laws and regulations prescribing reclamation activities on some mining properties. Environmental legislation in many countries, including China, is evolving and the trend has been toward stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and increasing responsibility for companies and their officers, directors and employees. Compliance with environmental laws and regulations may require significant capital outlays on behalf of the Company and may cause material changes or delays in the Company's intended activities. There can be no assurance that the Company has been or will be at all times in complete compliance with current and future environmental and health and safety laws and permits will not materially adversely affect the Company's business, results of operations or financial condition. It is possible that future changes in these laws or regulations could have a significant adverse impact on some portion of the Company's business, causing the Company to re-evaluate those activities at that time. The Company's compliance with environmental laws and regulations entail uncertain cost.

- Risks and hazards of mining operations

Mining is inherently dangerous, and the Company's operations are subject to a number of risks and hazards including, without limitation:

- (i) environmental hazards;
- (ii) discharge of pollutants or hazardous chemicals;
- (iii) industrial accidents;
- (iv) failure of processing and mining equipment;
- (v) labour disputes;
- (vi) supply problems and delays;
- (vii) encountering unusual or unexpected geologic formations or other geological or grade problems;
- (viii) encountering unanticipated ground or water conditions;
- (ix) cave-ins, pit wall failures, flooding, rock bursts and fire;
- (x) periodic interruptions due to inclement or hazardous weather conditions;
- (xi) equipment breakdown;
- (xii) other unanticipated difficulties or interruptions in development, construction or production;

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(xiii) other acts of God or unfavourable operating conditions; and

(xiv) health and safety risks associated with spread of COVID-19 and any future emergence and spread of similar pathogens.

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 the Company's future cash flow, results of operations and financial condition.

- **Cybersecurity Risks**

The Company is subject to cybersecurity risks including, without limitation: unauthorized access to privileged information and risks related to the destruction of data or the disabling, degrading or sabotaging of the Company's systems, including through the introduction of computer viruses. Although the Company takes steps to secure configurations and manage information system, including, without limitation, computer systems, internet sites, emails and other telecommunications, and financial/geological data, there can be no assurance that measures the Company takes to ensure the integrity of our systems will provide protection, especially because cyberattack techniques used change frequently or are often not recognized until successful. The Company has not experienced any material cybersecurity incident in the past, but there can be no assurance that the Company would not experience the same in the future. If the Company's systems are compromised, do not operate properly or are disabled, the Company could, among other things, suffer financial loss, disruption of business, loss of geology data which could affect our ability to conduct effective mine planning and accurate mineral resources estimates, and loss of financial data which could affect our ability to provide accurate and timely financial reporting.

- **General Economic Conditions**

General economic conditions may adversely affect the Company's growth, profitability and ability to obtain financing. Events in global financial markets in the past several years have had a profound impact on the global economy. Many industries, including the silver and gold mining industry, have been and continue to be impacted by these market conditions. Some of the key impacts of the current financial market turmoil include contraction in credit markets resulting in a widening of credit risk, devaluations, high volatility in global equity, commodity, foreign exchange and precious metal markets and a lack of market confidence and liquidity. A continued or worsened slowdown in the financial markets or other economic conditions, including but not limited to, consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates and tax rates, may adversely affect the Company's growth, profitability and ability to obtain financing. A number of issues related to economic conditions could have a material adverse effect on our business, financial condition and results of operations, including:

- (i) significant disruption to the global economic conditions caused by COVID-19 as discussed above;
- (ii) contraction in credit markets could impact the cost and availability of financing and our overall liquidity;
- (iii) the volatility of silver, gold and other metal prices would impact our revenues, profits, losses and cash flow;
- (iv) recessionary pressures could adversely impact demand for our production;
- (v) volatile energy, commodity and consumables prices and currency exchange rates could impact our production costs; and
- (vi) the devaluation and volatility of global stock markets could impact the valuation of our equity and other securities.

16. Management's Report on Internal Control over Financial Reporting

(a) Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining an adequate system of internal control, including internal controls over financial reporting. Internal control over financial reporting is a process designed by and/or under the supervision of the Chief Executive Officer and the Chief Financial Officer and effected by the Board, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of

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financial statements for external purposes in accordance with IFRS as issued by IASB. It includes those policies and procedures that:

- (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- (ii) are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Company's are being made only in accordance with authorizations of management and the Company's directors; and
- (iii) are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the annual financial statements or interim financial reports.

The Company's management, including its Chief Executive Officer and Chief Financial Officer, believes that due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. In addition, projections of any evaluation of the effectiveness of internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management evaluates the effectiveness of the Company's internal control over financial reporting based upon the criteria set forth in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organization of the Treadway Commission. Based on the evaluation, management concluded that the Company's internal control over financial reporting as of September 30, 2020 was effective and provides a reasonable assurance of the reliability of the Company's financial reporting and preparation of the financial statements.

(b) Changes in Internal Control over Financial Reporting

There has been no change in the Company's internal control over financial reporting during the three months ended September 30, 2020 that has materially affected or is reasonably likely to materially affect the Company's internal control over financial reporting.

17. Directors and Officers

As at the date of this MD&A, the Company's directors and officers are as follows:

<u>Directors</u>	<u>Officers</u>
Dr. Rui Feng, Director, Chairman	Dr. Rui Feng, Chief Executive Officer
Yikang Liu, Director	Derek Liu, Chief Financial Officer
Paul Simpson, Director	Yong-Jae Kim, General Counsel & Corporate Secretary
David Kong, Director	Lon Shaver, Vice President
Marina A. Katusa, Director	

Technical Information

Scientific and technical information contained in this MD&A has been reviewed and approved by Mr. Guoliang Ma, P.Geo., Manager of Exploration and Resources of the Company and a Qualified Person as such term is defined in NI 43-101.

Forward Looking Statements

Certain of the statements and information in this MD&A constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 and "forward-looking information" within the meaning of applicable Canadian provincial securities laws. Any statements or information 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 "expects", "is expected", "anticipates", "believes", "plans", "projects", "estimates", "assumes", "intends", "strategies", "targets", "goals", "forecasts",

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"objectives", "budgets", "schedules", "potential" or variations thereof or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be forward-looking statements or information. Forward-looking statements or information relate to, among other things:

- *the price of silver and other metals;*
- *estimates of the Company's revenues and capital expenditures;*
- *estimated ore production and grades from the Company's mines in the Ying Mining District and the GC Mine;*
- *projected cash operating costs and all-in sustaining costs, and budgets, on a consolidated and mine-by-mine basis;*
- *statements regarding anticipated exploration, drilling, development, construction, and other activities or achievements of the Company;*
- *projections included in the Fiscal 2021 Guidance; and*
- *timing of receipt of permits and regulatory approvals.*

Forward-looking statements or information are subject to a variety of known and unknown risks, uncertainties and other factors that could cause actual events or results to differ from those reflected in the forward-looking statements or information, including, without limitation, risks relating to,

- *COVID-19;*
- *fluctuating commodity prices;*
- *fluctuating currency exchange rates;*
- *increasing labour cost;*
- *exploration and development programs;*
- *feasibility and engineering reports;*
- *permits and licenses;*
- *operations and political conditions;*
- *regulatory environment in China and Canada;*
- *environmental risks;*
- *mining operations;*
- *cybersecurity;*
- *general economic conditions; and*
- *matters referred to in this MD&A under the heading "Risks and Uncertainties" and other public filings of the Company.*

This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements or information. Forward-looking statements or information are statements about the future and are inherently uncertain, and actual achievements of the Company or other future events or conditions may differ materially from those expressed or implied in the forward-looking statements or information. Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated, described or intended. Accordingly, readers should not place undue reliance on forward-looking statements or information.

The Company's forward-looking statements and information are necessarily based on a number of estimates, assumptions, beliefs, expectations and opinions of management as of the date of this MD&A that, while considered reasonable by management of the Company, are inherently subject to significant business, economic and competitive uncertainties and contingencies. These estimates, assumptions, beliefs, expectations and options include, but are not limited to, those related to the Company's ability to carry on current and future operations, including: the duration and effects of COVID-19 on our operations and workforce; development and exploration activities; the timing, extent, duration and economic viability of such operations; the accuracy and reliability of estimates, projections, forecasts, studies and assessments; the Company's ability to meet or achieve estimates, projections and forecasts; the availability and cost of inputs; the price and market for outputs; foreign exchange rates; taxation levels; the timely receipt of necessary approvals or permits;

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the ability to meet current and future obligations; the ability to obtain timely financing on reasonable terms when required; the current and future social, economic and political conditions; and other assumptions and factors generally associated with the mining industry.

Other than as required by applicable securities laws, the Company does not assume any obligation to update forward-looking statements and information if circumstances or management's assumptions, beliefs, expectations or opinions should change, or changes in any other events affecting such statements or information. For the reasons set forth above, investors should not place undue reliance on forward-looking statements and information.