

Silvercorp Metals Inc.

Fourth Quarter & Full Year Fiscal 2022 Financial Results

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CORPORATE PARTICIPANTS

Lon Shaver

Silvercorp Metals Inc. — Vice President

CONFERENCE CALL PARTICIPANTS

Gabriel Gonzalez

Echelon Capital Markets — Analyst

PRESENTATION

Operator

Thank you for standing by. Good morning and afternoon. My name is Anas and I will be your conference operator today. At this time I would like to welcome everyone to the Silvercorp Fourth Quarter and Full Year Fiscal 2022 Financial Results Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. If you would like to ask a question during this time, simply press star then the number one on your telephone keypad. If you would like to withdraw your question, please press star then the number two. Thank you.

I would now like to turn the conference over to Mr. Lon Shaver, Vice President, for opening remarks. Please go ahead, sir.

Lon Shaver — Vice President, Silvercorp Metals Inc.

Thank you, Anas. Good, morning, everyone. On behalf of Silvercorp Metals, I'd like to welcome you to the Silvercorp Metals fourth quarter and fiscal 2022 financial results conference call. We released our results after yesterday's market close and a copy of the news release, the MD&A, and financial statements for today's call are available on our website and on SEDAR.

Before we get started, I would like to remind you that certain statements on today's call will contain forward-looking information within the meaning of securities laws. Please review the cautionary

statements included in our news release and presentation, as well as the risk factors described in our most recent second quarter, sorry, 10-Q and Form 40-F and AIF.

So, to review the results, we're pleased with the results we reported for the fourth quarter of fiscal 2022. Recall that this quarter is always impacted by a slowdown due to Chinese New Year, but overall operations at our mines ran smoothly, as indicated by the production numbers we reported previously.

Revenue in Q4 was \$41.6 million, up 16% compared to the prior year quarter and, based on production levels and realized prices this quarter, silver was 55% of revenues on a net basis compared to 59% in the same quarter last year.

Our fourth quarter net earnings attributable to equity shareholders were \$4 million or \$0.02 per share compared to \$7 million or \$0.04 for the same period last year. The main contributor to the decrease was the foreign exchange loss that we recorded during this quarter. If we back out this foreign exchange loss and other items, our adjusted earnings for the quarter were \$9.5 million, or \$0.05 per share, compared to \$11 million or \$0.06 per share for the same period last year.

Just as a reminder, adjusted earnings is a supplemental non-GAAP measure to give investors another metric to better measure the performance of our underlying business, its continuing profitability, and growth potential. The adjustments were made to remove the impacts from non-cash and unusual items, including the elimination of share-based compensation; foreign exchange losses, as I mentioned; impairment adjustments and reversals; the share of losses in our associates' operating results; gain or loss in investments; and one-time items.

Our cash flow from operations in the quarter was \$11.4 million, up significantly compared to \$2.2 million in the prior year quarter.

Our capital expenditures in the quarter totalled approximately \$11.4 million. This was up from \$9.4 million in the prior year quarter and this was mainly driven by the expanded exploration and development programs that we are undertaking at Ying.

To quickly cover the full-year financial results, revenue for fiscal 2022 was \$217.9 million. That was up 13% compared to the prior year. The net earnings attributable to equity shareholders were \$30.6 million or \$0.17 per share compared to \$46.4 million or \$0.27 for the period; however, our adjusted earnings for the year were \$52.4 million or \$0.30 per share and that's compared to \$49.8 million or \$0.28 per share last year. Our cash flow from operations for the year was \$107.4 million. That was up 25% compared to \$85.9 million in the prior year. Capital expenditures totalled approximately \$54 million in fiscal 2022. That was up from about \$44.6 million in the same prior period and was 41% over guidance for the year, mainly due to the decision to expand our exploration programs, ramp development, and other facilities improvement at our Ying mining operations.

For a production recap, for the quarter we previously mined 180,505 tonnes of ore and milled 182,670 tonnes of ore in the quarter. That was up 5% and 17%, respectively, compared to last year's fourth quarter. And we produced approximately 1.1 million ounces of silver, 500 ounces of gold, 12 million pounds of lead, and 4.1 million pounds of zinc in the quarter, and those were production decreases compared to last year of 4% for silver, 2% for lead, and 12% for zinc, but an increase of 67% for gold over last year's quarter.

Sales in the quarter were 1.2 million ounces of silver, 500 ounces of gold, 12.3 million pounds of lead, and 4.3 million pounds of zinc. Those were increases of 11% in silver and 13% in lead sold and decreases of 5% in zinc and 14% in gold compared to Q4 of last year.

Our cash cost per ounce of silver net of by-product credits was negative US\$0.54 in the fourth quarter this year compared to negative US\$0.39 in the prior year quarter and our all-in sustaining cost per ounce of silver on a consolidated basis net of by-product credits was \$12.61 compared to \$12.55 in Q4 of 2021.

Looking at production for the full year ended March 2022, we mined 996,280 tonnes of ore and milled 964,925 tonnes of ore. That was up 3% and 4%, respectively, compared to last year's numbers. We sold 6.3 million ounces of silver, 3,400 ounces of gold, 63.6 million pounds of lead, and 26.8 million pounds of zinc. These were production decreases of 1%, 28%, 5%, and 4% in silver, gold, lead, and zinc, respectively. It's important to note though that gold sold last year included 1,200 ounces from the BYP mine concentrate inventory cleanout.

For the year the cash cost per ounce of silver net of by-product credits was negative \$1.29 in this fiscal year compared to a negative \$1.80 in fiscal 2021 and our all-in sustaining cost net of by-product credits for the year was \$8.77, up compared to \$7.49 in fiscal 2021.

Compared to our fiscal 2022 production guidance, on a consolidated basis, our milling tonnage was 2% over the low end of our guidance range and regarding the metals produced we hit 95% of the low end for silver, 96% for lead, and 97% for zinc.

In terms of corporate development, the acquisition of the Kuanping project was completed in November of 2021 for \$13.1 million. This project is located in Henan Province, approximately 33 kilometres from our Ying Mining District, and is approximately 12.4 square kilometres. The Company, through our subsidiary, won an auction to acquire the Zhonghe Silver Project in December of 2020 but the execution of the transfer contract for the transfer of this project was subject to a new national security clearance, which has taken a long time, and in January of 2022 the Company has withdrew the application for this security review and transfer.

Looking at our cash flow items and summing everything up, we ended the quarter and year in a strong financial position with \$212.9 million in cash and cash equivalents and short-term investments, and this does not include the investments in associates and other companies, which had a total market value of \$146.5 million as at March 31st.

Now switching to outlook, we're reiterating our production guidance for fiscal 2023, which we previously announced on February 8th. We expect to produce between 7 million and 7.3 million ounces of silver, between 6,300 to 7,900 ounces of gold, between 68.4 million to 71.3 million pounds of lead, and between 32 million to 34.5 million pounds of zinc, and this reflects increases of 14% to 19% in silver production, 85% to 132% in gold, 6% to 11% increases in lead, and between 19% and 29% production increases for zinc compared to our actual fiscal 2022 results.

The Company is working with our consultants to complete an updated 43-101 resource and reserve estimate for the Ying Mining District expected to be completed this summer and regarding an update on the construction of our mill number three at the Ying Mining District we're pleased to provide

the following updates: Land leases have been entered into for the roughly 120 hectares required and the rezoning process for this ground is well underway. We've drilled 142 drill holes that were required for foundation preparation. The tunnel contractor for the tailings dam has been selected and the selection process for the power plant construction contractor is in progress. Preliminary plant and tailings storage facility designs have been completed and the environmental assessment report has been posted on the appropriate government websites for a 10-day public comment period. If no material objections are raised, the report will be deemed to be approved.

And I think what that, operator, I'd like to open up the call for any questions, if there are any.

Q & A

Operator

Thank you, sir. Ladies and gentlemen, we will now conduct the question-and-answer session. If you would like to ask a question, press star then the number one on your telephone keypad. If you would like to withdraw your question, press star two. If you are using a speakerphone, please lift the handset before pressing any keys. One moment please for your first question.

Your first question comes from Gabriel Gonzalez with Echelon Capital Markets. Please go ahead.

Gabriel Gonzalez — Analyst, Echelon Capital Markets

Hi. Thank you very much and good afternoon, good morning. I just wanted to ask if there have been any changes in schedules, procurement, or costs in relation to the expansion at Ying just given the fluid global supply chain situation and reported measures for COVID in some of the larger cities or

basically if everything remains more or less on track as per the February press release that provided the costs and scheduling information.

Lon Shaver — Vice President, Silvercorp Metals Inc.

Thanks, Gabriel. There's kind of two questions embedded in there. One, with respect to the program, the plans for the construction, at this point we don't anticipate any changes. I mean, of course, we're in the planning stage right now and we're not procuring the actual equipment, but we don't see anything that causes us to dramatically change our expectations on that. And of course we'll keep everyone informed if there are changes both to timing or budget as we move forward, but right now everything is moving along on the plans that we had anticipated.

And I think tied into your question was, if I can sort of use this to elaborate or clarify sort of what we've been experiencing with respect to COVID in China, and that has, to be honest, been very smooth. It has not really been a major disruption. Our mining operations have been operating without any interruptions. We've got measures in place for people who arriving on site to quarantine prior to joining the crews and joining the rest of the teams and that has worked well and to date we have really had no issues with respect to cases at the operations.

The comment regarding other cities, you know, the Shanghai lockdown, I'd say, is probably being treated and handled differently in Beijing. Our employees at our Beijing head office, some are working, a skeleton crew are working in the office and the rest are working from home, but really without much interruption or any real impact on our activities.

Gabriel Gonzalez — Analyst, Echelon Capital Markets

Okay, perfect. Thank you very much, Lon. That's really it for me. Thank you.

Lon Shaver — Vice President, Silvercorp Metals Inc.

Thanks, Gabriel.

Operator

Thank you. Ladies and gentlemen, as a reminder, if you have any questions, please press star one.

There are no further questions at this time. Mr. Shaver, you may proceed.

Lon Shaver — Vice President, Silvercorp Metals Inc.

That's great. Thank you, operator, and thanks, everyone, for tuning in today. I do think the numbers and the results really do speak for themselves, so perhaps we addressed everybody's questions. But if there are any additional questions from anyone on the call, like always, feel free to call or email us. We'd be happy to address anything that you have. And we look forward to updating you again on our next results for our fourth quarter, which we'll be releasing in August. Have a great day.

Operator

This concludes today's conference call. You may disconnect your lines. Thank you for participating and have a pleasant day.