**Silvercorp Metals Inc.**

**First Quarter Fiscal 2025 Financial Results Conference Call**

August 14, 2024 — 9:00 a.m. P.T.

Length: 24 minutes

## Corporate participants

**Lon Shaver**

*Silvercorp Metals Inc. — President*

## Conference Call Participants

**Joseph Reagor**

*ROTH Capital Partners — Analyst*

**Felix Shafigullin**

Eight Capital — Analyst

**Dalton Baretto**

Canaccord Genuity — Analyst

**Kevin O’Halloran**

BMO Capital Markets — Analyst

## PRESENTATION

**Operator**

Thank you for standing by. Good afternoon. My name is Julie and I will be your conference operator today. At this time I would like to welcome everyone to the Silvercorp First Quarter Fiscal 2025 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 Lon Shaver, President of Silvercorp. Please go ahead.

**Lon Shaver** — President, Silvercorp Metals Inc.

Thank you, Julie. On behalf of Silvercorp, I’d like to welcome everyone to the call this morning. Today we’ll discuss our first quarter fiscal 2025 financial results which were released yesterday after the close of the market. A copy of the news release, our MD&A, and financial statements are available on our website and SEDAR+.

Before we get going, please note that certain statements on today’s call will contain forward-looking information within the meaning of applicable securities laws and also please review the cautionary statements in our news release as well as the risk factors described in our most recent regulatory filings

Now, to recap our quarterly financial results, we kicked off the fiscal year with record quarterly revenue of $72 million. That was a 20% increase from last year. This growth was driven by a robust commodity market, which led to notable improvements in realized metal prices, particularly in China, compared to Q1 of last year. In particular, the realized silver price rose by 36%, gold by 18%, lead by 18%, and zinc by 23%. Silver remains our most important metal, contributing 63% of our Q1 revenue, followed by lead at 22%. I’ll note that silver was 59% of revenue in Q1 of 2024 and 55% of revenue in Q4 of 2024. The results of this quarter reinforce why investors should own our shares, namely demonstrating that we provide leverage to higher metals prices through the response in our financial results.

Moving down the income statement, attributable net income for Q1 was $22 million, or $0.12 per share. This is up significantly from $9 million, or $0.05 per share, in Q1 of fiscal 2024. The increase in our bottom line reflects those higher metals prices, partially offset by lower sales volume and higher business expenses related to the Adventus acquisition. On an adjusted basis, excluding the impact of non-cash and one-time items, our attributable adjusted net income for the quarter was $21 million, or $0.12 per share, compared to $12 million, or $0.07 per share, in Q1 of last year.

Looking at cash flow from operating activities, our mines generated $40 million this past quarter. This is up 38% year over year and largely reflects those increased metals prices. But also, if we look at cash flow from operations before changes in non-cash working capital items, the increase was 65%. Additionally in the quarter, we invested $20 million in our mines. This is up 23% from last year, largely stemming from increased underground development and tailings storage facility construction activities at Ying. Despite the increase in capital expenditures, we ended the quarter with $216 million in cash, cash equivalents, and short-term investments, an increase of $31 million from March, our year end. This position does not include our investments in associates and other companies, which had a total market value of $108 million as of June 30th.

Turning our attention to our operating results, as reported in July, our mines performed as expected in Q1. We mined 344,000 tonnes and milled 308,000 tonnes of ore during the quarter, representing year-over-year increases of 13% and 4%, respectively. Despite higher quarterly throughput, our production in silver, lead, and zinc decreased by 4%, 12%, and 6%, respectively, due to lower head grades in the current mine plan. Additionally, we stockpiled 59,000 tonnes of ore at Ying, which will be milled after the Mill No. 2 expansion is completed later this year. We remain confident in achieving our annual production guidance set in April, which, as a reminder, was between 6.8 million ounces to 7.2 million ounces of silver.

On the unit cost front, we are also on track. Production costs averaged $80 per tonne in Q1, 2% higher than last year’s results but in line with our annual cost guidance of between $77 and $80 per tonne. The increase was mainly due to more mining preparation tunnels and grade control drilling completed and expensed as part of the mining costs in the current quarter. Our cash cost per ounce of silver net of by-product credits was negative $1.67 in the quarter and that’s a significant improvement from a negative $0.31 in the prior year quarter, and this change was driven by higher by-product credits from higher metals prices. All-in sustaining costs, production costs rose by 4% year over year to $140 per tonne in Q1, but remain below our annual cost guidance of between $144 and $152 per tonne. Our all-in sustaining cost per ounce of silver, net of by-product credits, was $9.82, which is 4% higher than Q1 of last year due to the previously mentioned sustaining capital expenditures.

Turning to the Ying growth projects, the Mill No. 2 capacity expansion remains on track and on budget to be completed by November of this year. As a reminder, this project will increase Ying’s total production capacity to 4,000 tonnes per day. Construction on the third tailings storage facility is expected to be completed later this year. With $14 million spent to date, the total cost of construction is expected to be below the original estimate of $38 million. We plan to release an updated Ying technical report imminently. This 43-101 compliant report, with an effective date of June 30th, will incorporate drilling completed up to the end of 2023 to update reserves and resources as well as provide an updated life-of-mine plan, including economics.

Regarding the Kuanping Project, the environmental assessment report was approved in July and the remaining mine safety report is pending approval by the province. We expect to commence development in fiscal 2025 and have allocated $1 million for mine construction in this year’s budget.

Last but not least, after the quarter ended, we successfully completed the acquisition of Adventus Mining on July 31st. This is a significant step in our strategy to create a globally diversified green metals producer. It provides an excellent opportunity to leverage our technical expertise and financial strength to unlock value for all stakeholders through the development of the El Domo project. Also, after the acquisition closed, Ecuador’s Ministry of Energy and Mines issued the Resolution of Change of Phase for El Domo, a milestone that enables the construction and subsequent operation of the mine. Once in operation, El Domo will make a meaningful contribution to our production profile and financial results while simultaneously adding country and commodity diversification. We are dedicated to working collaboratively with the government of Ecuador, local communities, and Salazar Resources, our in-country partners. Our commitment to modern, responsible development will benefit both the local communities and the country as a whole. We intend to provide more indications of our plans for development of the El Domo project in the near future.

With that, I’d like to open the call for questions.

## Q & A

**Operator**

 Thank you, sir. Ladies and gentlemen, we will now conduct the question-and-answer session. If you’d 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 the line of Joseph Reagor from ROTH Capital Partners. Please go ahead.

**Joseph Reagor** — Analyst, ROTH Capital Partners

Hey, Lon. Congrats on a good quarter and thanks for taking questions.

**Lon Shaver** — President, Silvercorp Metals Inc.

Thanks, Joe. Thanks for joining us.

**Joseph Reagor** — Analyst, ROTH Capital Partners

So, on Adventus, I know you just said that you guys will be providing an update soon, but can you give us kind of like a rough timeline on what we should expect as far as news flow post acquisition now that it’s closed?

**Lon Shaver** — President, Silvercorp Metals Inc.

Well, as I said, we’re going to be putting out an update in terms of what the go-forward plan is. Adventus and the Curi mining team did a great job developing El Domo and so what we’re looking to do is kicking off the advancement of more detail engineering and other project activities and looking at some of the areas where we can get going with development of the project, you know, early lead time items and certain projects that are going to be necessary to build the mine while we’re looking at advancing the status of engineering and potentially fine-tuning some of the other development plans.

**Joseph Reagor** — Analyst, ROTH Capital Partners

Okay. Fair enough. Also, you mentioned this Ying technical report that’s coming, I think the wording you used was imminently. Will this report be designed to show a full use of the mill or should we expect a certain like capacity level utilization?

**Lon Shaver** — President, Silvercorp Metals Inc.

Well, I think, Joe, you should wait for the report. I don’t want to give advanced views until the actual report is out. But the report does contemplate and factor in the expansion that’s underway.

**Joseph Reagor** — Analyst, ROTH Capital Partners

Okay. And remind us, what’s the current expectation as far as a completion date for the mill?

**Lon Shaver** — President, Silvercorp Metals Inc.

November.

**Joseph Reagor** — Analyst, ROTH Capital Partners

November, okay. All right. I’ll turn it over.

**Lon Shaver** — President, Silvercorp Metals Inc.

I think I should add, Joe, the thing is, is that the mill expansion is only one element of the expansion program. Recall that we’re shifting mining methods. We’re also looking at getting the permits renewed and extended to allow for an increased throughput rate. So all of these things have to dovetail together and this would get covered off in that report.

**Joseph Reagor** — Analyst, ROTH Capital Partners

Okay. Fair enough. I’ll turn it over. Thanks, Lon.

**Lon Shaver** — President, Silvercorp Metals Inc.

Okay. Thanks, Joe.

**Operator**

Ladies and gentlemen, as a reminder, if you would like to ask a question, press star one on your telephone keypad.

Your next question comes from Felix Shafigullin from Eight Capital. Please go ahead.

**Felix Shafigullin** — Analyst, Eight Capital

Hey, Lon. Congratulations on a good quarter.

**Lon Shaver** — President, Silvercorp Metals Inc.

Thanks, Felix.

**Felix Shafigullin** — Analyst, Eight Capital

Just a couple of questions from me. Regarding the mining cost [inaudible] that kind of, I guess, ticked up a little bit in this quarter compared to year ago quarter, should we be looking at that as kind of just a one-off due to more tunneling and grade control drilling that was expensed or is that something, is that like an issue that might persist for some time going into the future? What is kind of the right way of looking at it?

**Lon Shaver** — President, Silvercorp Metals Inc.

Well, again, we’re so close to a life-of-mine plan to speak to what are going to be year averages to not be sort of caught up in sort of a quarter-to-quarter basis. We don’t think that the uptick that we saw in this quarter is hugely material. So I think I’ll just ask for your patience on that report. When it’s out and we look at sort of more longer-term numbers, that’s a question we can address at that time.

**Felix Shafigullin** — Analyst, Eight Capital

Okay. All right. So my next question, I mean I imagine it would probably also be addressed in the report, but I’ll ask it anyway. So looking at these 59,000 tonnes of ore that was stockpiled in this current quarter and I think the production update also said that there will basically be more ore that will be added to the stockpile. Look, as I’m trying to wrap my head around it, I don’t recall this kind of happening in the past. And yes, the additional kind of 1,500 tonnes per day additional capacity from the new production line would resolve those issues, presumably, but why did so much ore just not get processed? It just seems kind of strange that this happened.

**Lon Shaver** — President, Silvercorp Metals Inc.

Actually, if you look back, we have seen some carryover, and even in our Q4, which traditionally is our weakest quarter because of Chinese New Year. Mining activity ceases because of the shutdown, but it’s easier to keep the mill running, and so we actually, even in this last Q4, we did play a bit of catch-up in Q4 to cover some of the inventories that were developed in Q3. So it’s just more of the fact that, as we’re advancing and developing, we’re looking at ramping up that mining activity and we are hitting up on those capacity limits at the mill. And so I think this is sort of evidence of why the expansion plan and why the mill expansion specifically is needed as part of delivering this growth in production that we’re expecting to show in this life-of-mine plan that will come out in the report. I don’t know if that helps, but...

**Felix Shafigullin** — Analyst, Eight Capital

So, some of this ore that was stockpiled, if I understand correctly, some of it is kind of, I guess, let’s just say, runoff from Q1? Is that kind of the right way to think about it?

**Lon Shaver** — President, Silvercorp Metals Inc.

Yeah. Yeah, I mean it’s mine production—

**Felix Shafigullin** — Analyst, Eight Capital

Q1 calendar 2024 is what I mean. So Q4 fiscal?

**Lon Shaver** — President, Silvercorp Metals Inc.

No. No, no. This increase was generated in this quarter.

**Felix Shafigullin** — Analyst, Eight Capital

Oh, okay. Gotcha.

**Lon Shaver** — President, Silvercorp Metals Inc.

What I was referring to is the fact that, even in the last Q4, we were able to mill more than we mined in Q4 because of what had been mined and stockpiled in, say, Q3. So I was saying that we have had the ability to play catch-up in Q4 because mining activity has been less than milling and in this case, you know, we’ve got mining activity greater than milling in Q1, so that’s created that inventory stockpile that we’re going to mill through by the end of this fiscal year.

**Felix Shafigullin** — Analyst, Eight Capital

Okay. That makes sense. Thank you. One last question before I go. I think you mentioned the remaining kind of CapEx spend on the new tailings facility, but I didn’t quite catch it. What’s the number that we should be looking at there?

**Lon Shaver** — President, Silvercorp Metals Inc.

Budget for this year is $13 million.

**Felix Shafigullin** — Analyst, Eight Capital

So that’s the remaining?

**Lon Shaver** — President, Silvercorp Metals Inc.

Yeah, that’s the remaining for the year and, obviously, we’ve put a bit, that will include some of the $14 million that was spent to date, because we do pick up what was spent in this current quarter.

**Felix Shafigullin** — Analyst, Eight Capital

Okay. Gotcha. All right. Thank you, Lon. Appreciate it.

**Lon Shaver** — President, Silvercorp Metals Inc.

Okay. Thanks, Felix.

**Operator**

Your next question comes from Dalton Baretto from Canaccord. Please go ahead.

**Dalton Baretto** — Analyst, Canaccord Genuity

Thanks. Good morning, guys. Lon, I wanted to ask you about the permit at El Domo. The lower courts threw out the challenge and I’m just wondering, do you guys think it will be appealed? And how are you planning your next steps based on that?

**Lon Shaver** — President, Silvercorp Metals Inc.

Well, I think the indications that were put out to the market were that the plaintiffs indicated at the end of the first lower court hearing that they intended to appeal and so we fully expect that to take place and that will move then from the local court to the provincial court. And we intend to respond to the case, as Adventus and the team in Ecuador have been, and we feel positive about the outcome just given what we’ve seen, not just in terms of the outcome of the hearing, but in terms of the case, the way it was handled, the commitment from all parties on our side to defend against the allegations made by the plaintiffs. So, from our standpoint, I guess the second part of your question is, you know, we don’t intend to hold back from advancing the project pending that appeal.

**Dalton Baretto** — Analyst, Canaccord Genuity

Are there any restrictions on you guys while this is still in the court system or can you move ahead as of [inaudible]?

**Lon Shaver** — President, Silvercorp Metals Inc.

We can move ahead.

**Dalton Baretto** — Analyst, Canaccord Genuity

Got it. Okay. And then, in the event that it gets all the way up to the Supreme Court, what sort of timeline are we talking here?

**Lon Shaver** — President, Silvercorp Metals Inc.

Well, to be specific, Supreme Court in this case is it makes it to sort of the third level, which would be the constitutional court. That could be a matter of two to three years, potentially. And in some cases, there’s other cases in the country that have outstanding challenges that have been open for years and not addressed or resolved and the projects have gone ahead.

**Dalton Baretto** — Analyst, Canaccord Genuity

So would you guys be willing to sort of put shovels on the ground while this is going on in the background?

**Lon Shaver** — President, Silvercorp Metals Inc.

Yeah, I think that’s what we’re indicating in the sense this the development plans that we’re going to come out with are going to speak to the activities we’re looking to target initially to move forward and build the project.

**Dalton Baretto** — Analyst, Canaccord Genuity

Got it. And maybe one last one for me: How are you thinking about financing the actual build?

**Lon Shaver** — President, Silvercorp Metals Inc.

Well, the actual build based on the previous feasibility study and our work that we think we can make some improvements can be covered off based on the funding package from Wheaton as well as cash on hand.

**Dalton Baretto** — Analyst, Canaccord Genuity

Got it. Thanks very much, Lon.

**Lon Shaver** — President, Silvercorp Metals Inc.

Okay. Thanks, Dalton.

**Operator**

Your next question comes from Kevin O’Halloran from BMO. Please go ahead.

**Kevin O’Halloran** — Analyst, BMO Capital Markets

 Hey, Lon. Thanks for taking my questions. On the Ying optimizations and the technical report, will the other optimizations you’re making, like the XRTs and the equipment upgrades, will those all be included in the updated life-of-mine plan? And then maybe if you could just give a quick comment on how those are tracking.

**Lon Shaver** — President, Silvercorp Metals Inc.

Yes, they will, because we’re looking at operating cost, cut-off grades based off of all these different factors coming to play, mining method, whether that be shrinkage resuing, also introducing two other mining methods on a very minor basis from a tonnage standpoint. So we’ve been looking at all of those factors and looking at the costs, both for determining the reserve resources as well as coming up with the life-of-mine plan and economics. So you’ll see all of that in that report. And in terms of comments I’d say, yeah, things are tracking well, tracking to plan, and if anything, some of the work that we’ve been doing in developing these ramps have opened up areas, new access, identified new zones that were previously unknown. So seeing some ancillary benefits from this development plan and the shift in mining.

**Kevin O’Halloran** — Analyst, BMO Capital Markets

Okay, great. Yes, looking forward to seeing that come through in the report. Last one for me is can you just remind us of the timeline that you’re envisioning for Kuanping in terms of getting that into development and then how long until first production?

**Lon Shaver** — President, Silvercorp Metals Inc.

Well that’s going to be sort of a bootstrapping situation where we will break ground and develop and, obviously, looking at developing, ah, how would I say, efficiently and finding a way to get into early ore, even if that’s development ore that we can bring to the mill, but looking to see ground broken and the mine starting to be built by the end of this fiscal year.

**Kevin O’Halloran** — Analyst, BMO Capital Markets

Okay. Gotcha. Thanks, Lon. That’s it for me.

**Lon Shaver** — President, Silvercorp Metals Inc.

I think, just to manage expectations in terms of what initial tonnages are going to be, but look to break ground and get that mill up and running, sorry, get that mine up and running by year end, early in the new year.

**Kevin O’Halloran** — Analyst, BMO Capital Markets

Okay, great. Thanks, Lon, and congrats on a strong quarter.

**Lon Shaver** — President, Silvercorp Metals Inc.

Thanks, Kevin.

**Operator**

Your next question comes from Felix Shafigullin from Eight Capital. Please go ahead.

**Felix Shafigullin** — Analyst, Eight Capital

Thanks. Just one question for me, I just wanted to double check, the XRT sorters are operational already, right?

**Lon Shaver** — President, Silvercorp Metals Inc.

Well, they’re coming in in a phased approach and so we’ve got one that’s in trial that has been installed and is operating on a trial basis at Mill No. 2. And it’s based off of the results on a more consistent operating basis that will determine the addition of the other two that are planned at the other mine site locations.

**Felix Shafigullin** — Analyst, Eight Capital

Okay. Gotcha. Thank you, Lon.

**Operator**

This concludes the question-and-answer session. I would now like to turn the conference back over to management for any closing remarks.

**Lon Shaver** — President, Silvercorp Metals Inc.

Great. Well, thanks, operator, and thanks, everyone, for joining us today. If anyone has any further questions, please feel free to call or email us. We look forward to hearing from you and look forward to following up with some of these exciting news items that we are going to be releasing here in the coming weeks. Have a great day.

**Operator**

Ladies and gentlemen, this concludes today’s conference call. You may now disconnect. Thank you.