

Silvercorp Metals Inc.

Second Quarter Fiscal 2025 Financial Results Conference Call

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CORPORATE PARTICIPANTS

Lon Shaver

Silvercorp Metals Inc. — President

CONFERENCE CALL PARTICIPANTS

Joseph Reagor

ROTH Capital Partners — Analyst

Felix Shafigullin

Eight Capital — Analyst

PRESENTATION

Operator

Thank you for standing by. Good afternoon. My name is Angeline and I will be your conference operator today. At this time, I would like to welcome everyone to the Silvercorp Second 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, sir.

Lon Shaver — President, Silvercorp Metals Inc.

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

Before we jump in, note that certain statements on today's call will contain forward-looking information within the meaning of securities laws. Additionally, 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 delivered a strong fiscal Q2 with a near record quarterly revenue of \$68 million, which was a 26% increase from last year's quarter. This growth was driven by a robust commodity market, which led to improvements in realized metals prices, particularly in China, compared to the same quarter last year. In particular, the realized silver price rose by 34%, gold rose by 20%, lead rose by 15%, and zinc was up 43%. Silver remains our most important metal and contributed 64% of our Q2 revenue, followed by lead at 20%. Just by comparison, silver was 58% of revenue in last year's fiscal Q2. The results continue to 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 the quarter was \$18 million or \$0.09 per share. This is up from \$11 million or \$0.06 per share in the comparative quarter. The increase in our bottom line reflects higher metals prices, a 4% increase in silver sold and a 29% increase in the zinc sold, along with a \$4 million gain on investments. These increases were partially offset by a 51% and a 13% decrease in gold and lead sold, a \$3 million increase in admin expenses, including cost related to our efforts and related to the transaction costs for closing the Adventus acquisition, as well as a \$2 million loss in FX.

Looking at cash flow from operating activities, we generated \$23 million this past quarter. This is down \$6 million from last year due to a \$5 million increase in income tax paid and a \$5 million increase in non-cash working capital compared to a positive non-cash working capital adjustment of \$3 million in the prior year quarter. If we adjust out changes in non-cash working capital items, we generated \$28 million in operating cash in Q2, representing an 8% year-over-year increase. Additionally, we invested

\$28 million in our mines and projects during the quarter. This is up 86% from last year, largely stemming from increased underground development, construction of the third tailings storage facility at Ying and the mill expansion activities at Ying, as well as spending on the newly acquired El Domo and Condor projects. Despite the increase in capital expenditures, we ended the quarter with a strong cash position of \$210 million. This position does not include our investments in associates and other companies, which had a total market value of \$84 million as of September 30th. New Pacific Metals was the lion's share of that, totaling \$70 million.

Turning our attention to our operating results, as we reported in October, our mines performed as expected in Q2. We mined 361,000 tonnes and milled 209,000 tonnes of ore during the quarter, representing year-over-year increases of 32% and 14%, respectively. Due to higher quarterly output, our production of silver and zinc increased by 4% and 26%, respectively, but gold and lead production decreased by 52% and 18%, respectively, due to lower head grades during the quarter. Year to date we have produced 3.4 million ounces of silver, 2,300 ounces of gold, and 29 million pounds of lead, along with 12 million pounds of zinc. We remain confident in achieving our annual production guidance set in April as we process the stockpile of 129,000 tonnes of ore in the second half of our fiscal year at our newly expanded milling facility, which we are now in the midst of commissioning.

On the unit cost front, production costs averaged \$82 per tonne in Q2, 2% higher than last year's results due to more mining preparation tunnels and grade control drilling completed and expensed as part of the mining costs in the current quarter. Year-to-date production costs averaged \$81 per tonne, slightly higher than our annual cost guidance of \$77 to \$80 per tonne. Our cash cost per ounce of silver, net of by-product credits, was negative \$0.74 in Q2, higher than the negative \$1.00 in the prior year

quarter due to the same factors impacting the unit production costs, partially offset by higher by-product credits.

The all-in sustaining production cost decreased by 3% year over year to \$146 per tonne in Q2, driven by a 4% reduction in sustaining capital expenditures per tonne, resulting from higher mill throughput. Additionally, year-to-date all-in sustaining production cost of \$143 per tonne remains below our annual cost guidance of between \$144 to \$152 per tonne. Our all-in sustaining cost per ounce of silver, net of by-product credits, was \$11.65, which was 1% higher than Q2 of last year due to the previously mentioned increase in cash cost per ounce of silver.

Turning to the Ying growth projects, the Mill No. 2 capacity expansion has been completed on time and on budget, and as I mentioned earlier, commissioning is now underway. Recall that the project will expand Ying's total production capacity to 4,000 tonnes per day from 2,500 tonnes per day. Additionally, construction of Phase 1 of the third tailings facility at Ying, which will hold 10 million cubic metres of tailings, is substantially complete and commissioning of this facility is underway. It should be ready to receive tailings by the end of November, this month. As a reminder, this is a two-phase facility that will ultimately hold 19 million cubic metres of tailings.

Regarding the Kuanping satellite deposit, the environmental impact assessment report was approved in July, the mine safety design report was approved in September, and the final approval for mine construction is pending receipt from the province. We expect to commence development this fiscal year and have allocated \$1 million for mine construction in our fiscal 2025 budget.

Turning our attention to Ecuador, since the acquisition we have diligently reorganized our operational structure in Ecuador. At our fully permitted El Domo copper-gold project, we have undertaken a number of activities, including a review of the execution plan, specifically related to the contracting, purchasing, and construction sequencing. We have completed 800 metres of metallurgical drilling to support a test program, which is aimed at optimizing the process flow sheet for improved gold recovery in the copper concentrate, and we've continued further engineering work to refine mine layout and the processing plant, which includes adjustments such as relocating the camp and mill building to reduce civil excavation, moving the maintenance shop closer to the plant to share electrical infrastructure, and revising surface water management plans to simplify construction and reduce excavation and concrete needs. These efforts paved the way for a smooth transition to mine construction, which we intend in early 2025, and remain optimistic for initial production targeted for the second half of calendar 2026.

At the prospective Condor project, our focus has been on completing a resource review to assess future development plans and initiating site control activities in preparation for the start of on-ground exploration work. We continue to develop an exploration plan as we further our understanding of the project. We remain 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 details on our work plans for El Domo and Condor in the near future.

And with that, I would 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 would like to ask a question, please press star then the number one on your telephone keypad. If you would like to withdraw your question, please 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 Joseph Reagor from ROTH Capital Partners. Please go ahead.

Joseph Reagor — Analyst, ROTH Capital Partners

Hey, Lon. Thanks for taking the questions and congrats on a good, solid quarter.

Lon Shaver — President, Silvercorp Metals Inc.

Thanks, Joe.

Joseph Reagor — Analyst, ROTH Capital Partners

I guess first thing on El Domo. So I saw that there was an appeal of the first decision there from the lower court and then that appeal has been heard but there hasn't been a resolution yet. When do you guys think you'll get an update? Do you have a rough idea on timing? And then is there additional appeals that could occur and how might those things impact you guys as far as CapEx spending next fiscal year?

Lon Shaver — President, Silvercorp Metals Inc.

Yeah, the appeal was heard on the 17th of October and we're awaiting a formal ruling to be issued, which we expect to come in the next few weeks. We think it'll find in favour of the government with respect to the validity of the permit. Following that, our understanding is that this case could be picked up by the constitutional court, but how, when, and what it would mean from a timing standpoint is unclear at this time. Our view would be that, with a positive ruling at this provincial level, we would be in a position to proceed with our expenditure plan starting early next year.

Joseph Reagor — Analyst, ROTH Capital Partners

Okay. So that sounds good. And I guess the other thing I saw going through the release was with your license extension at Ying, there's a potential payment required. In the event you guys do have to make that payment, when would you make it and would it be something that would roll through like the income statement as a government tax fee or would it run through like your cash flow statement from an accounting standpoint?

Lon Shaver — President, Silvercorp Metals Inc.

Good question on which statement. I'd have to check on that. We have had the payments in the past, if you go back and look at previous renewals. These are tied into basically the process of identifying the resource base that you're permitting for and then there is basically a fee associated with that resource. So, as you find more and you continue to produce and renew your permits based on go-

forward resources and reserves, those payments can get triggered. We would expect that we would pay this here within the next month.

Joseph Reagor — Analyst, ROTH Capital Partners

Okay. So your, I guess, fiscal Q3. And then that extension gets you guys through, I guess, 2035 and then you would have to essentially reapply for another extension. Is that how that works? It's been a little while since you guys had to do one.

Lon Shaver — President, Silvercorp Metals Inc.

Yes. The last one we did was for the TLP Longmen mining permit and that one was renewed in the spring of 2021. So, if you look through our materials, there's a schedule associated with these renewal dates and this was next one up on the schedule. I believe it's a few years until the next one comes up.

Joseph Reagor — Analyst, ROTH Capital Partners

Okay. Thanks. I'll turn it over.

Lon Shaver — President, Silvercorp Metals Inc.

Okay. Thanks, Joe.

Operator

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

Felix Shafigullin — Analyst, Eight Capital

Good morning, Lon. Congratulations on the quarter. Just a couple of quick questions for me. The 129,000-tonne stockpile that's been amassed over the past two quarters, how long do you think it will take you to kind of work through that?

Lon Shaver — President, Silvercorp Metals Inc.

We are anticipating that we would get through it through the balance of the current quarter and the fourth quarter.

Felix Shafigullin — Analyst, Eight Capital

Gotcha. And while you're going to be working through that stockpiled material, should we be expecting mining rates to be kind of in the same range as we have seen in fiscal 2005 so far, so kind of 150,000 to 170,000 tonnes per quarter? Is that kind of roughly the range that we should be looking at? Or would that be potentially reduced while you're working through the stockpile?

Lon Shaver — President, Silvercorp Metals Inc.

No, mining should continue at these rates. The one thing that, obviously, recall in Q4 with Chinese New Year we usually have slower quarter and that should be the case again this year from a mining standpoint. So you should work that seasonality into your tonnage forecast for mining. But from a milling standpoint, we're not looking at seeing a reduction in milling rate and plan to run the mill throughout the quarter for the purposes of getting that catch up.

Felix Shafigullin — Analyst, Eight Capital

And just a quick question on Kuanping, you said there was an amount that was budgeted for, I guess, development activities in Kuanping in fiscal 2025. How much did you say that was?

Lon Shaver — President, Silvercorp Metals Inc.

That was \$1 million.

Felix Shafigullin — Analyst, Eight Capital

Just \$1 million. Okay. And that will be focused on, ah, is that drilling or some like preparatory work?

Lon Shaver — President, Silvercorp Metals Inc.

No, that would be basically mine development. So, starting to run a decline down to the resource areas to further delineate them with a view to bringing them into reserves and/or production.

Felix Shafigullin — Analyst, Eight Capital

Okay. All right. Makes sense. All right, thank you.

Lon Shaver — President, Silvercorp Metals Inc.

Thanks, Felix.

Operator

Thank you. As a reminder, please press star one if you wish to ask a question. I am seeing people raising hands but dropping the question as well.

Lon Shaver — President, Silvercorp Metals Inc.

Okay. Well, we can give a couple more seconds.

Operator

Okay. All right. There are no further questions at this time. This concludes the question-and-answer session. I would like to turn the conference back over to management for any closing remarks.

Lon Shaver — President, Silvercorp Metals Inc.

That's great. Thank you all for tuning in today. If anyone has any further questions, as always, please call or email us. We look forward to hearing from you and look forward to joining you on our Q3 conference call. Have a great day.

Operator

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