FINAL TRANSCRIPT

Silvercorp Metals Inc.

First Quarter Fiscal 2027 Financial Results Conference Call

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CORPORATE PARTICIPANTS

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Silvercorp Metals Inc. — President

CONFERENCE CALL PARTICIPANTS

Kevin O'Halloran
BMO Capital Markets — Analyst

Joseph Reagor
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Matthew O'Keefe
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PRESENTATION

Operator

Thank you for standing by. Good afternoon. My name is Ynnah and I will be your conference operator today. At this time, I would like to welcome everyone to the Silvercorp First Quarter Fiscal 2027 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, Ynnah. On behalf of Silvercorp, I'd like to thank everyone for joining this call today to discuss our Q1 fiscal 2027 financial results, which were released yesterday afternoon. Copies of the news release, the MD&A, and the financial statements are available on SEDAR+.

Before we start, please note that certain statements on today's call will contain forward-looking information within the meaning of securities laws. Also, please review the cautionary statements in our news release as well as the risk factors described in our most recent regulatory filings.

So let's start with our financial results. We delivered a strong first quarter despite the temporary production slowdown at our Chinese operations that's related to the safety upgrades that began in June.

Revenue rose 70% year over year to $139 million while cash flow from operating activities and free cash flow reached nearly $62 million and $29 million, respectively, and that was up 28% and 27% from the prior year. This performance was mainly driven by a 135% increase in the realized selling price of silver, which averaged above $69 an ounce after smelter deductions, and silver accounted for 77% of our revenue in Q1.

We reported a net income of $59.4 million for the quarter, or $0.27 per share. This includes an $11 million gain on investments and a $6 million gain from the sale of the Santa Barbara project in Ecuador. Removing non-cash and non-recurring items, our adjusted net income for the quarter was $53.9 million, or $0.24 per share, and that compares to $21 million and $0.10 in the comparative quarter. We delivered strong cash flow from operating activities before changes in non-cash working capital of $70.4 million, up 82% compared to last year.

During the quarter, we spent and capitalized about $22 million at our operations in China, $12 million at the El Domo project in Ecuador, and $2.6 million at the Chaarat ZAAV project in Kyrgyzstan. Additionally, in May, we made a $60 million cash payment to the Kyrgyzstan government following the issuance of the new mining license and license agreement for ZAAV, which extends the license term by 20 years to June of 2062.

As we advance on our growth strategy, our strong balance sheet provides us with significant financial flexibility. We ended the quarter with $387 million in cash, and that excludes our investments in associates and other companies, which had a combined market value of $304 million as of June 30th.

We have further funding available through the RMB-denominated term loan facilities that we signed, which totals approximately US$220 million, which remains undrawn.

Now to recap our operating results, which we reported in July, during the first quarter we produced approximately 1.5 million ounces of silver, over 2,500 ounces of gold, 13 million ounces of lead, and 4 million pounds of zinc. Compared to last year, gold production increased 24% while silver, lead and zinc production decreased 17%, 15%, and 15%, respectively. Production at Ying was impacted by lower head grades, reflecting higher dilution associated with the shift to more shrinkage mining. Also, on June 29th, we reported that we voluntarily suspended operations at both Ying and GC to complete a comprehensive safety self-review. This followed the rollout of new nationwide safety requirements across China's mining industry after a major accident occurred in the country in May. Through this process, we identified areas requiring some upgrades to meet the new regulations and engaged five certified vendors to complete the six major safety systems underground upgrades. Safety has always been our top priority. While these upgrades are temporarily impacting production, they're an important investment in our operations and we expect to emerge from this process with even stronger and safer mines. For the quarter, consolidated mining operating income was $84.8 million with Ying contributing $80.1 million or approximately 95% of the total.

Turning to costs, Ying's production costs averaged $87 per tonne, which was up 5% year over year. This increase was primarily driven by a 6% appreciation of the RMB against the US dollar. Despite this, production costs remained below our annual guidance range of $88 to $90 per tonne. Ying's cash cost per ounce of silver net of by-product credits was $2.45 compared with $1.26 in the prior year quarter. This is mainly due to a 15% decline in the silver sold in the quarter and the stronger RMB that I mentioned, partially offset by a $3.8 million increase in by-product credits. All-in sustaining production costs at Ying were $130 per tonne, essentially flat year over year and below our annual guidance range of $155 to $160 per tonne. On a per-ounce basis, Ying's all-in sustaining cost net of by-products was $13.94 an ounce. This is up 30% year over year and the increase reflected the same factors impacting cash costs but also 68% increase in government taxes, which was driven by the higher revenue that we reported.

Turning to our growth projects, at Ying, capital expenditures totaled over $16 million in Q1 for underground development and drilling, mainly aimed at improving underground access and material handling to boost productivity. At the Kuanping Project north of Ying, mine construction focused on underground development to access the ore. The project, which has a license to produce up to 200,000 tonnes of ore per year, will deliver some nominal development ore to be milled at Ying in this fiscal year. With the capacity expansions at the existing Ying permit areas in Kuanping, we'll have a permitted mining capacity of approximately 1.5 million tonnes per year. In anticipation of higher mine production, we've begun constructing a new mill, the No. 3 mill. Capital expenditures totaled $300,000 in the quarter with foundation treatments and the elevated water tank currently in progress. The mill is expected to add 3,000 tonnes per day of capacity and be commissioned in Q1 of fiscal 2028.

Switching to Ecuador, at El Domo, construction continued to advance in Q1 despite unusually heavy rainfall. On the infrastructure side, the non-contact water channel, processing plant foundation work, and initial tailings storage facility dam construction progressed with more than 600,000 cubic metres of earthworks completed. In parallel, open pit pre-stripping is underway and efficiency is improving through the addition of large-scale equipment, expanded operating areas, and road upgrades.

In addition, major equipment for the processing plant and water treatment plant has been procured and is being shipped Ecuador. The construction contract for the plant has been awarded to TGJA, an experienced contractor that recently constructed the 80,000 tonne per day flotation mill at the Mirador copper-gold mine in the south of Ecuador.

Moving to Condor, permitting work continues with the formal consultation process underway with the directly impacted communities. This is the final step required to secure the small-scale environmental license, which we expect to obtain later this quarter. Once it is received, we will commence development of two 1,500-metre exploration tunnels at the Camp and Los Cuyes deposits to support underground drilling and advance exploration and resource definition.

We have also made significant progress in Kyrgyzstan since acquiring Chaarat ZAAV in January. This is the joint venture company that holds the Tulkubash and Kyzyltash gold projects and is 70% owned by Silvercorp with us as operator and with the remaining 30% owned by the state mining company, Kyrgyzaltyn.

At the fully permitted Tulkubash oxide project, construction is underway on the temporary camp and related facilities. We have contracted CRCC19, which is currently on site building access roads to the future open pit and waste rock storage areas and preparing the foundation for the heap leach pad. CRCC19 has operating experience in Kyrgyzstan and is also our mining contractor at El Domo. The updated feasibility study on Tulkubash is expected later this month. As outlined in our budget release in June, we plan to invest $166 million to develop a four million tonne per year open pit heap leach operation at Tulkubash with $42 million of capital expenditures planned for fiscal 2027.

At the neighbouring Kyzyltash sulphide project, we completed nearly 13,000 metres of drilling to the end of the quarter with 16 rigs currently turning and assays pending. This work is part of our ongoing 50,000-metre drill program for the year, focused on both infilling the deposit to upgrade resources and stepping out to extend mineralization and make new discoveries. This program will support the completion of a PEA next year, followed by a further 60,000-metre drill campaign to support feasibility-level studies and detailed engineering design for construction.

We look forward to providing further updates as we continue to advance our growth projects. And with that, operator, 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 would like to ask a question, 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. 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 Kevin O'Hallorann from BMO Capital Markets. Please go ahead.

Kevin O'Halloran — Analyst, BMO Capital Markets

Hey, Lon. Thanks for taking my questions. Starting off on the guidance, are you still comfortable with the production guidance even with the temporary shutdowns or should we maybe expect those numbers get reviewed as you get through the next kind of quarter or so and get a better sense of the impact of these shutdowns? And then I guess similarly on the cost side, you were below the dollar per tonne range on the cash costs and the AISC at Ying. Is that something that there's also maybe some potential upside there that you might review as you get through these shutdowns?

Lon Shaver — President, Silvercorp Metals Inc.

Well, I mean I think one quarter does not make a year, obviously, both in terms of the negative that we've talked about and addressed with the protection curtailment, but also some of the positive numbers that we see in a particular quarter may not be what applies for the budget for the year, just based on what activities are happening at different times during the year. Also, obviously, we are facing a bit of a strength in the RMB, which had an impact, which would have made the cost even better if we hadn't experienced that this past quarter. Coming back to your first part of the question, like it's premature to start making projections at this point and then having to revise them several times, so I think we'll wait it out here through this quarter. We're obviously seeing production coming back online on a gradual basis, we're still comfortable with the target that we gave in that news release of 40% to 50% of target for this quarter, and I think once we have better visibility on that we'll be in a better position to make a comment for guidance for the year.

Kevin O'Halloran — Analyst, BMO Capital Markets

Yeah, that's fair. Appreciate that. Maybe just switching over to Ecuador, at El Domo, the spending was a little bit lower this quarter. Sounds like probably that's because of the rainy season there. But just wondering what's the cadence of remaining capital spend that you're expecting and that you would need to spend to get you on track for production next summer.

Lon Shaver — President, Silvercorp Metals Inc.

Yeah, I mean the numbers don't tell the full story, because there is expenditures and deposits made on equipment which are obviously a big part of the CapEx that don't flow through into the actual CapEx expenditures for the quarter. So there has been work done on that front. And then just from the nature of the build, it tended to be more back-end weighted anyways just based on assembly of the equipment at the process plant and continuing of the stripping of the pit.

So, at this point, while we're maybe a little bit behind our original budget for spending, we don't see that as being an issue. A lot of that work, as I said, was back-end weighted anyways, and some of that work, we had a bit of slack in the schedule with respect to earthmoving and some of the stripping. Our contractor had been quite confident that we had a very conservative schedule and they do a lot more in a shorter period of time, so now we'll be holding them to their word here for the balance of this year and fiscal year.

Kevin O'Halloran — Analyst, BMO Capital Markets

Okay. No, that's great to hear. Final question for me, just on Condor. I noticed you guys increased your ownership during the quarter. Was there any payments or royalties or other consideration associated with that?

Lon Shaver — President, Silvercorp Metals Inc.

It was a very nominal payment and it was really just cleaning up what was sort of more of a legacy ownership in the corporation from a government agency.

Kevin O'Halloran — Analyst, BMO Capital Markets

Okay. Gotcha. That's all for me. Appreciate it, Lon.

Lon Shaver — President, Silvercorp Metals Inc.

All right. Thanks, Kevin.

Operator

And your next question comes from the line of Joseph Reagor from ROTH Capital Partners.

Joseph Reagor — Analyst, ROTH Capital Partners

Hey, Lon. Thanks for taking the questions. I guess you briefly touched on this, but just any additional colour you could give on how the safety upgrades are going and is there any chance at all that this rolls into fiscal Q3?

Lon Shaver — President, Silvercorp Metals Inc.

I mean not from where we sit at this point. From what we've disclosed, we're comfortable with. And obviously, production has recommenced at Ying on a reduced rate, but it is up and running, as we disclosed. GC is still waiting for some approvals before we can get that going, but we're currently comfortable with our projection and our target for Q2 of being sort of a 40% to 50% of original plan.

Joseph Reagor — Analyst, ROTH Capital Partners

Okay. And then on GC, noticed in the release that there was some commentary around converting it from being a lead-zinc mine to a silver mine and that that would change how many production levels you could have. Is this a precursor to you guys announcing some kind of mill expansion, throughput expansion there?

Lon Shaver — President, Silvercorp Metals Inc.

I mean it's a necessary element, if we were to go down that road, to consider that. We've obviously been limited as to how much production and growth we could plan out of GC. There are other additional areas where we know there's mineralization, but it's been a bit of a moot point to think about planning for them or bringing them in based on this current restriction. So, removing this will allow us to look at the mine more holistically and make some longer-term plans. If it makes sense then to expand it at that point, then we will. We currently don't have any plans to expand it, but this gives us the flexibility to down the road.

Joseph Reagor — Analyst, ROTH Capital Partners

Okay. Okay, fair enough. All right. That's it for me. I'll turn it over.

Lon Shaver — President, Silvercorp Metals Inc.

All right. Thanks, Joe.

Operator

Thank you. Once again, should you have a question, please press star followed by the one on your telephone keypad. Your next question comes from the line of Matthew O'Keefe from Cantor Fitzgerald.

Matthew O'Keefe — Analyst, Cantor Fitzgerald

Thanks, operator. Good morning, gents. Just on Condor, that's quietly kind of moving ahead here nicely. Can you remind us, I know you mentioned it in the press release and also in the comments here, but it sounds like you're getting closer to doing some development there, getting in a portal. Can you just take us through the timeline of that and then sort of the next steps as far as moving towards production? Is that portal going to be more for resource development and confirmation or will that actually be a precursor to some production?

Lon Shaver — President, Silvercorp Metals Inc.

Well, with receipt of the permit, we're aiming to move ahead with really two major projects in parallel. One is the tunnels, as you mentioned, which we think, to complete them, would take approximately a year is our guess. If we started them in Q4, you could look forward to being in the ore zones a year from then. But what it allows us to do earlier from that is to start setting up drill stations to drill off and more density.

The other work that's going on right now is looking at a plan and detailed engineering for what would initially be a smaller-scale surface plant operation, tailings facility and process plant, say, 900 to 1,000 tonnes per day, which would be able to treat some initial high-grade ores that we can pull out of our deposits but also toll treat some of the ores that are being produced by some of the smaller-scale miners in the region. And so that is being worked on right now in terms of detailed planning and a budget for what that would cost and when we've got those details together and we're moving ahead with the concrete expenditures for that, obviously we'll give more disclosure at that time.

Matthew O'Keefe — Analyst, Cantor Fitzgerald

Okay. And that mining rate or process rate is less than what you had in the PEA. Is that as an interim step or is that just sort of permit constrained?

Lon Shaver — President, Silvercorp Metals Inc.

What it would do is it would be tied into the small-scale mining permit. We would get it going. And whether it's initial or interim, we would view that as a stepping stone, generate some cash flow, and also be able to go back to the regulators with a successful start of operation and then amend that permit to grow the throughput rate rather than getting into a larger-scale mining permit process that would certainly take more time before we would see any cash flow.

Matthew O'Keefe — Analyst, Cantor Fitzgerald

Right. Okay. Got it. Thanks. That's it for me.

Lon Shaver — President, Silvercorp Metals Inc.

Thanks, Matt.

Operator

Thank you. And 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.

All right. Well, that's great. Thanks, operator, and thanks, everyone, for joining us today and for those questions. If anybody has more questions, we're obviously here and available to take calls or emails and address them. Thanks again and 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.