

Silvercorp Metals Inc.

First Quarter Fiscal 2026 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

Dalton Baretto

Canaccord Genuity — Analyst

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 2026 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. Thank you. Please go ahead.

Lon Shaver — President, Silvercorp Metals Inc.

Thank you, Ynnah. On behalf of Silvercorp, I'd like to welcome everyone to this call to discuss our first quarter of fiscal 2026 financial results, which were released yesterday after the close. A copy of the news release, the MD&A, and financial statements are available on our website and on SEDAR+.

Before we jump into the call, please note that certain statements on today's call will contain forward-looking information within the meaning of applicable 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 kick off with the financial results. We delivered a solid Q1, which was highlighted by revenues of \$81 million, up 13% from last year. Additionally, cash flow from operating activities set a new quarterly record at \$48 million, which was up 21% from last year. This performance was driven by a 5% and 95% increase in silver and gold sold during the quarter, respectively, and that was combined with a 12% and 45% rise in the selling prices of silver and gold compared to Q1 of last year. Silver remains our most significant revenue driver, contributing 66% of Q1 revenue, followed by lead at 18%, and gold at 7%.

Moving down the income statement, we reported a net income of \$18.1 million for the quarter, or \$0.08 per share. This was down from \$21.9 million, or \$0.12 per share, in Q1 of fiscal 2025 but in this year's quarter we had a non-cash \$5 million accounting charge on the fair value of derivative liabilities, which is related to the conversion rights of our convertible notes issued last November as well as warrants. Removing non-cash and one-time items, our adjusted net income for the quarter was \$21 million, or \$0.10 per share, compared to \$20.6 million, or \$0.11 per share, in the comparative quarter. And we'd like to point out that all per-share figures are lower due to an additional 38.8 million shares that were issued for the acquisition of Adventus Mining, which closed in July of 2024.

Looking at cash flow, I mentioned the record cash flow from operating activities earlier, but during the quarter we invested over \$18 million in our operations in China and \$7.6 million in Ecuador to advance the El Domo construction and the Condor exploration plan. Even after these investments, we were able to generate \$22.5 million in free cash flow. We ended the quarter with a strong cash position of \$377 million, which is up \$8 million from March. This cash position does not include our investments in associates and other companies, which had a total market value of \$72 million as of June 30th. And

note we also have a stream financing commitment of \$175 million available from Wheaton Precious Metals for the El Domo construction.

Now to recap our operating results, as we reported in July, we produced in Q1 approximately 1.8 million ounces of silver, just over 2,000 ounces of gold, 16 million pounds of lead, and five million pounds of zinc, and that represents increases of 6%, 79%, and 1%, respectively, in silver, gold, and lead production and a 19% decrease in zinc production.

On the cost side, Q1 production costs averaged \$83 per tonne at Ying, which is down 8% from last year due to higher volumes of ore mined and milled. Consolidated cash cost per ounce of silver net of by-product credits was \$1.11 in Q1 compared to a negative \$1.67 in the prior year quarter. The increase in the cash cost was driven by a \$6 million increase in production costs that arose from a 16% increase in the ore processed while silver production grew by only 6% due to lower grades experienced at Ying. It was also impacted by a \$1.5 million increase in mineral rights royalties following its implementation in China in Q3 of fiscal 2025, but the cash cost was partially offset by a \$1 million increase in byproduct credits. The all-in sustaining cost per ounce net of by-products was \$13.49 per ounce. That's up 37% from the prior year quarter due to a \$1 million increase in G&A expenses and the previously mentioned factors that impacted cash costs.

On a more somber note, as we reported in our news release yesterday, we had an accident at the HZG mine in the Ying Mining District. This was a fatality of a newly hired worker. From our perspective, this incident never should have happened and we extend our sincere condolences to the family of the deceased worker. The accident occurred earlier in Q1, but only came to our attention in

July after a government investigation was launched following a whistleblower report. The investigation has been performed, some recommendations made, and some changes implemented at the mines during this period, but during this period certain mining areas have been closed. We've been awaiting regulatory sign-off to resume production in those closed areas, but this is taking a little longer. It is possible the government has been preoccupied by some other tragic industrial accidents that have occurred recently and have captured the attention of the public as well as the regulators. So, to be conservative, we have disclosed a potential production shortfall of up to 20% to 25% for the current quarter; however, in recent days, we have begun to receive clearance to re-open certain of these closed areas. We have been and remain committed to safety at our operations and will act on any findings or recommendations to strengthen safety protocols. In this case, the contractor contravened several rules by taking someone on an unsanctioned visit to an unapproved area that had not been properly cleared as safe to access and then also, importantly, failing to properly report the incident, both to us and to the regulators.

Turning to our growth projects, at Ying we invested \$8 million in Q1 for ramp and tunnel development to enhance underground access and materials handling to eventually phase out shafts in favour of a trackless system. This is a program we've discussed before and it remains in progress. An additional \$7 million was spent on exploration tunneling and \$1 million on capitalized drilling as we continue to explore this district.

At Kuanping, the satellite project north of Ying, mine construction got underway with \$481 million of ramp development and exploration tunneling completed in the quarter.

Turning to Ecuador, mine construction is progressing steadily at the El Domo project with over 370,000 cubic meters of materials moved to date. Recall, in June of last year, a group of individuals filed a lawsuit in Bolivar province, where the project is located, seeking to void the environmental license for the mine. The case was dismissed by the local court in July of last year and the dismissal was upheld on appeal at the provincial level in November. The group then filed an extraordinary protection action with Ecuador's Constitutional Court, which was rejected in February of this year. A subsequent motion for clarification of this ruling was also unanimously dismissed by the Constitutional Court last month.

Turning to Condor, the gold project, we drilled just over 2,000 meters in the quarter and released an updated mineral resource estimate in Q1. The latest model outlined a higher-grade underground resource at the Camp and Los Cuyes deposits. This work will feed into a PEA which we're targeting for completion by year end which will focus on an underground gold operation and then we'll move forward from there.

And with that, I'd like to open the call for questions. Operator?

Q & A

Operator

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Should you have a question, please press the star followed by the one on your telephone keypad. You will hear a prompt that your hand has been raised. Should you wish to cancel your request, please press star followed by the 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. Please go ahead.

Joseph Reagor — Analyst, ROTH Capital Partners

Hey, Lon. Thanks for taking the questions. I guess first thing on the incident at Ying, obviously unfortunate, but I guess, first, is Silvercorp continuing to work with the contractor who made this error? Have you guys made any changes on that level? And then, if there is a production shortfall, should we expect a relatively sized increase in cash costs for the quarter?

Lon Shaver — President, Silvercorp Metals Inc.

Well, the answer to the first question is that contractor is obviously a company and so we're using that company at a number of locations in the mine and we're going to continue to do that, but that individual is gone and being dismissed is sort of the least of their worries as this matter really is sort of now in the hands of authorities. So I think that addresses the first point.

As for the second, it's a little early to say. I think we've been cautious and conservative with our potential impact on the quarter. But obviously, we've got lots of working areas. We're going to adjust mine plans and strategies, not just for this quarter but for the balance of the year, and we'll provide an update when we have more information.

Joseph Reagor — Analyst, ROTH Capital Partners

Okay. Maybe a different question then on that. Do you have a rough idea what percentage of your overall operating costs are fixed at Ying versus variable?

Lon Shaver — President, Silvercorp Metals Inc.

Good question, Joe. It's been a while since we've run that analysis. And of course we have made some changes since that time. It'd have to go back and have a look at sort of where things stand now and rerun that analysis.

Joseph Reagor — Analyst, ROTH Capital Partners

Okay. Okay. Fair enough. [Inaudible] kind of make a guess. The second question is on [Kuanping]. Once that mine is in operation, will it be consolidated under Ying or treated as a separate mining location?

Lon Shaver — President, Silvercorp Metals Inc.

I mean it is a separate mining operation. It is owned through the Ying sort of operating structure, and obviously, as we've indicated, initial plans are putting that, you know, any ores through the Ying mill. So, to be honest, I don't think it really makes much of a difference. It'll just be really another contributor to overall corporate production.

Joseph Reagor — Analyst, ROTH Capital Partners

Okay. Okay. And then one big-picture question. Like traditionally Silvercorp has traded at a discount to its peer group. It seems like recently that that gap has widened as some of your peers trade at significant premiums to NAV. Have you guys any thoughts on what you can do to help close that gap

or is it just a matter of letting things play out to where your production grows over the coming years with the addition of [Kuanping] and El Domo and potentially things beyond that?

Lon Shaver — President, Silvercorp Metals Inc.

Well, I think it's important to recognize like a big portion of our NAV will be tied up in our cash position and so that's one question in terms of how the market views that. But El Domo and potentially Condor are evidence of the strategy that's unfolding, which is to build a bigger and more diversified mining company. And our view is that and some other potential targets that we have been and are looking at right now would just further accelerate that shift.

Joseph Reagor — Analyst, ROTH Capital Partners

Okay. Fair enough. I'll turn it over. Thanks.

Operator

Thank you. And your next question comes from the line of Dalton Baretto from Canaccord Bank. Please go ahead.

Dalton Baretto — Analyst, Canaccord Genuity

Thanks, operator. Good morning, guys. Lon, I'm wondering if you can give us sort of a more wholesome update in terms of what's going on at El Domo these days from a construction perspective and also how much of a concern these anti-mining groups are right now. Thanks.

Lon Shaver — President, Silvercorp Metals Inc.

Well, construction has been moving ahead since the beginning of the year. Arguably, after what was a drought year last year, Ecuador experienced a very intense and prolonged rainy season, not the best time to be building a mine, but we were able to start bringing our initial contractor to start site preparation and have been making good progress on that.

Our plans and our budgets are expecting a pretty meaningful ramp up in tonnes moved starting this month, in August. Things like the temporary camp have been, the components of that have been showing up on site and we've been putting together those buildings. A number of items related to sort of long lead time orders have been put ahead with respect to the mill components and things. So I'd say we're ramping up and the balance of this year we expect to see things move ahead more dramatically.

As for the second part, the anti-mining groups have been, I'd say, an annoyance and an inconvenience, but have not overly impacted our ability to get stuff done at the project, and having things like the camp installed and running on the site will further improve our progress because of less movement of people in and out of the site every day.

So we've made good progress and everything is looking good at this point for seeing that construction ramp up and accelerate here through the end of the year and obviously onwards into 2026.

Dalton Baretto — Analyst, Canaccord Genuity

Okay. Great. And when do you plan on drawing down on the stream proceeds?

Lon Shaver — President, Silvercorp Metals Inc.

We're anticipating either towards the end of this current quarter or early next quarter we'd be able to put in for an initial draw from Wheaton.

Dalton Baretto — Analyst, Canaccord Genuity

Got it. Thanks. And then just maybe one last one on Ying, if I may. If I take the Q1 silver production number and I just multiply it by four, it just about gets me to below the bottom end of your guidance, and now you've had this issue in Q2 and then you always have sort of a softer quarter at Chinese New Year, are you still comfortable in guidance?

Lon Shaver — President, Silvercorp Metals Inc.

Yeah, it's a little early to address that question. Obviously, we're going to have to re-vamp and re-visit some of the mine plans, both for this quarter and the rest of the year, so I think we've got to let this quarter and see what has been the true impact on production in this quarter before we would make any adjustment to guidance, if any.

You've obviously been following the Company and understand the seasonality and that Q4, other than last year, given that we have an enhanced milling capacity, Q4 is typically the softest quarter, but we were able to change that last year. We'll have to look at what plans can be and what contributions from other sources like Kuanping might be able to make up some of the difference.

Dalton Baretto — Analyst, Canaccord Genuity

Great. Thanks for that, Lon. I'll jump back in queue.

Operator

Thank you. Once again, should you have a question, please press star followed by the one on your telephone keypad.

There are no further questions at this time. I will now hand the call back to Mr. Lon Shaver for any closing remarks.

Lon Shaver — President, Silvercorp Metals Inc.

Okay. Well, I'm not sure if any of you guys had follow-up questions, but in any case, thank you, operator, and thanks, everyone, for joining us today. If there are follow-up questions, obviously, please feel free to call or email us and, as always, we'd be happy to respond. I look forward to hearing from you and look forward to catching up with everyone at our next quarterly update. Have a great day. Thank you.

Operator

And this concludes today's call. Thank you for participating. You may now disconnect.