

Silvercorp Metals Inc

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Silvercorp Metals still on track to meet full fiscal year output guidance as it grows resource base

- China's premier silver producer
- A profitable, underground mine specialist
- Aiming for healthy returns via organic growth and acquisition of good projects

What Silvercorp Metals does:

Silvercorp Metals Inc (NSYEAMERICAN:SVM) (TSE:SVM) has been an underground mine operator in China since 2006 and has a track record of growing organically through its own cashflow.

The Vancouver-headquartered company has also built up substantial reserves. A profitable company, it is focused on mining silver, lead and zinc.

The group's flagship asset is the Ying project, which was acquired in March 2004 and which started commercial production on April 1, 2006. It lies 240 kilometers (km) southwest of Zhengzhou, the capital city of Henan Province in central China and consists of six separate mines which feed two mills with 3,200 tonnes per day (tpd). Six smelters lie within 200 km.

Elsewhere, the company has the GC mine in Guangdong province. Output started in 2014 and the projected mine life of 12 years, through to 2031, is based on proven and probable reserves, at an average annual production rate of about 300,000 tonnes.

An updated report last year for the GC asset showed a resource of 9.1 million tonnes in the measured and indicated categories, an increase of 42%, which contained around 24.5 million ounces of silver, 233 million pounds of lead and 564 million pounds of zinc.

Between April 2006 and December 2019, Silvercorp produced a consolidated 69.7 million ounces of silver and 999.2 million pounds of lead and zinc. In terms of resources, its consolidated measured and indicated resources of contained metal is around 151 million ounces of silver, 736,000 tonnes of lead and 470,000 tonnes of zinc.

Silvercorp also owns around 29% of New Pacific Metals Corp (CVE:NUAG), which has a market cap of around C\$920 million, and hopes to grow this investment.

New Pacific Metals is advancing the Silver Sand project in Bolivia, which boasts encouraging near-surface silver mineralization. A maiden mineral estimate reported in April outlined a 35.4-million-ton resource grading at 137 grams per ton silver for a total of 155.9 million ounces in the measured and indicated category. Silvercorp's chairman and CEO Dr Rui Feng is the CEO at New Pacific.

Silvercorp also wants to bring its BYP gold mine in Hunan province, suspended since 2014, back into production, targeting 30,000 ounces of the yellow metal a year. Last year, an NI 43-101 resource for BYP showed 421,000 ounces

Price: 9.67

Market Cap: \$1.69 billion

1 Year Share Price Graph



October 2019 April 2020 October 2020

Share Information

Code: SVM

Listing: TSX

52 week	High	Low
	11.62	2.12

Sector: Gold & silver

Website: www.silvercorp.ca

Company Synopsis:

Silvercorp is a low-cost silver-producing Canadian mining company with multiple mines in China. The Company's vision is to deliver shareholder value by focusing on the acquisition of under developed projects with resource potential and the ability to grow organically. For more information, please visit our website at www.silvercorpmetals.com.

action@proactiveinvestors.com

in the measured and indicated (M&I) and 110,000 in inferred.

How is it doing:

Significant news came in September this year, when Silvercorp boosted the resource at the flagship Ying silver-lead-zinc operation, which meant the mine could keep operating for at least another 20 years, according to the firm.

The higher confidence measured and indicated (M&I) silver resources at Ying increased by 18%, while proven and probable silver reserves increased by 4%.

Ying now boasts 23% more measured and indicated resources, with silver increasing by 18% and gold increasing by 109%. Lead and zinc resources are also higher at 16% and 20% respectively. Inferred resource tonnes increased by 78% in comparison with a 2017 report.

The latest report covers six underground mines at Ying - the SGX, HZG, HPG, TLP, LME, and LMW properties. The study also pegged a pre-tax net present value (NPV) of US\$954 million for the site, with 62% of net revenue projected to come from silver, 29% from lead, 6% from zinc and 2% from gold.

On October 15 this year, the group reported the results of its exploration program at the TLP mine. From October 1, last year to September 30 this year, the drilling program at TLP has targeted the down/up-dip and along-strike extensions of known mineralized vein structures in production areas. Exploration drilling and tunneling are continuing at the mine and all the firm's others in the Ying mining district.

Drilling had hit many higher-grade silver-lead ore zones, including veins T11, T2E, T33W5, and the newly discovered T15W3 vein, the firm said.

And on October 16, the firm confirmed it was on track to meet production guidance for fiscal 2021 as it reported its second-quarter output numbers, telling investors it generated around 1.7 million ounces of silver, 1,100 ounces of gold, 19.1 million pounds of lead, and 7.1 million pounds of zinc in the three months to September 30.

That was a 2% uptick in zinc output but a decrease of 8%, 6%, and 3% in silver, gold, and lead production respectively, compared to the same period last year. Meanwhile, Silvercorp sold around 1.7 million ounces of silver, 2,200 ounces of gold, 18.6 million pounds of lead, and 7.4 million pounds of zinc in the quarter.

That was an increase of 98% and 11% for gold and zinc but a decrease of 8% and 3% in silver and lead sold compared to the same quarter last year.

In the period, Silvercorp also said it had sold all remaining gold concentrate inventories that had been produced by its BYP mine before it was placed on care and maintenance.

Earlier this year, the firm revealed a deal to buy the mid-tier gold producer Guyana Goldfields Inc (TSE:GUY), which runs the Aurora gold mine in the South American country.

But later said it would not exercise its right to match an offer for miner Guyana Goldfields Inc (TSE:GUY) after the latter received "a superior" proposal from a third party. An amended agreement with Guyana, reported in May, had valued the Aurora mine owner at around C\$227 million.

Inflection points:

- Quarterly financial and operating results
- More resource upgrades and exploration success
- Acquisition news

What the broker says:

Following the release of the group's fiscal 2Q production figures, broker Roth repeated a 'Buy' rating and said the miner's second quarter output had been better than the broker had expected.

"...we believe another strong quarter in Q3 could force management to raise annual guidance," said analyst Joe Reagor.

Roth had expected production in the three months of 1.7 million ounces of silver, 7.1 million pounds of zinc, 18.3 million pounds of lead, and 700 ounces of gold. Roth also lifted its price target on the stock to US\$9.50 from US\$9.25 previously (current price: US\$7.81).

What the boss says:

Vice-president of the group Lon Shaver spoke to Proactive following the Ying project resource upgrade in September and highlighted that in the period from June, 2016 to December last year the Ying mine had produced 2.2 million tonnes of ore, and that the latest resource basically "replaced" all of that output.

"On top of that, the actual grade of this reserve is higher, it's a higher quality, higher numbers than the reserve that was published three years ago," he highlighted.

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Contact us +44 (0)207 989 0813 action@proactiveinvestors.com

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