

Silvercorp Metals Inc

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SilverCorp Metals: China's premier silver miner continues to lift output as it eyes more growth opportunities

- China's premier silver producer
- Aiming to grow existing assets organically through drilling
- Well-funded with \$155.1 million at end of 2019

What Silvercorp Metals does:

Silvercorp Metals Inc (NYSEAMERICAN:SVM) (TSX:SVM) has been operating underground mines in China since 2006 and has a track record of growing the company organically through generating its own cashflow.

The Vancouver-headquartered company has also built up a substantial reserve base. This profitable company is focused on silver, lead and zinc.

The group's flagship asset is the Ying project, also known as the SGX silver-lead-zinc property, which was acquired in March 2004 and started commercial production on April 1, 2006. It lies 240 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 kilometers (km). The mine life runs until 2036.

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 GC 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, the miner produced a consolidated 69.7 million ounces of silver and 999.2 million pounds of lead and zinc.

The group's 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\$591 million, and hopes to grow this investment.

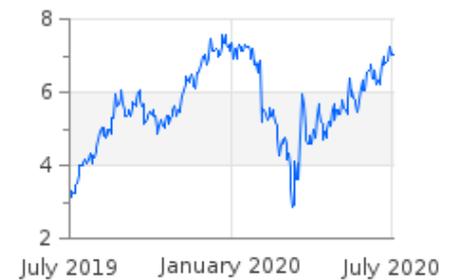
The latter is advancing the Silver Sand project in Bolivia, which boasts encouraging near-surface silver mineralization. An initial resource estimate is eyed for the first quarter of 2020 and a preliminary economic assessment by the end of 2020. Silvercorp's chairman and CEO Dr Rui Feng is the CEO at New Pacific.

The group also wants to bring its BYP gold mine in Hunan province, suspended since 2014, back into production,

Price: 7.36

Market Cap: \$1.28 billion

1 Year Share Price Graph



Share Information

Code: SVM

Listing: TSX

52 week High Low
7.69 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.

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targeting 30,000 ounces of the yellow metal a year.

Last year, an NI 43-101 resource for BYP showed 421,000 ounces in the measured and indicated (M&I) and 110,000 in inferred.

How is it doing:

With its third-quarter results to end December, 2019, announced in February, Silvercorp revealed that the amount of ore mined in the three months was up 1% to 262,586 tons, compared to the same quarter in the previous year.

Silvercorp sold around 1.7 million ounces of silver, 18.8 million pounds of lead, and 8.4 million pounds of zinc, up 0%, 6% and 103%, respectively versus the third quarter of the previous year.

Net income came in at \$6.3 million, a decrease of \$2.4 million compared to \$8.7 million in the previous year on revenue of \$44.5 million, up 5% compared to the same period a year earlier.

The firm also ended 2019 with a strong balance sheet of \$155.1 million in cash and equivalents and short-term investments. This was an increase of \$19.9 million or 15% compared to \$135.2 million as of September 30 last year.

In the fiscal year 2021, the company expects to process around 930,000 to 970,000 tons of ore, yielding 6.2 million to 6.5 million ounces of silver, 66.1 million to 68.5 million pounds of lead, and 24.5 million to 26.7 million pounds of zinc.

This guidance represents an increase of around between 2% and 7% in silver production, 2% to 5% in lead production, and 12% to 22% in zinc production compared to the firm's current fiscal 2020 guidance.

Inflection points:

- Resource estimate for Silver Sand
- Next quarterly results
- Metals price changes

What the broker says:

Following the third-quarter numbers, broker Roth Capital repeated a 'Buy' rating on Silvercorp and hiked its price target on the miner to US\$6 from US\$5.50 a share - with the shares currently changing hands at US\$2.92.

"Results were slightly below expectations mainly due to metals pricing," said Roth analyst Joe Reagor.

But, the analyst added, the firm's fiscal 2021 guidance included 'slightly higher than anticipated' capital expenditures. However, these factors were more than offset by the increase in valuation of the company's investments, he said.

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