

Form 62-103F1
REQUIRED DISCLOSURE UNDER THE EARLY WARNING REQUIREMENTS

Item 1 - Security and Reporting Issuer

1.1 State the designation of securities to which this report relates and the name and address of the head office of the issuer of the securities.

This report relates to the acquisition of units (“**Units**”) of Volcanic Gold Mines Inc. (the “**Issuer**”). Each Unit consists of one common share (a “**Common Share**”) of the Issuer and one-half of a common share purchase warrant (each whole warrant, a “**Warrant**”). Each Warrant entitles the holder to purchase one Common Share at a price of \$0.70 per share at any time on or before October 20, 2022.

The head office of the Issuer is located at:

200 Burrard Street, Suite 650
Vancouver, British Columbia
V6C 3L6

1.2 State the name of the market in which the transaction or other occurrence that triggered the requirement to file this report took place.

Not applicable. The Units were acquired pursuant to a non-brokered private placement (the “**Private Placement**”) of Units by the Issuer.

Item 2 - Identity of the Acquiror

2.1 State the name and address of the acquiror.

Silvercorp Metals Inc.
1750 - 1066 West Hastings Street
Vancouver, B.C.
V6E 3X1

(“**Silvercorp**”)

2.2 State the date of the transaction or other occurrence that triggered the requirement to file this report and briefly describe the transaction or other occurrence.

On October 20, 2020, Fortune Gold Mining Limited (“**Fortune Gold**”), a wholly-owned subsidiary of Silvercorp, acquired 3,117,100 Units pursuant to the Private Placement for a purchase price of \$0.55 per Unit. Concurrent with completion of the Private Placement, the Issuer issued 12,546,500 Units to other investors pursuant to a bought deal prospectus offering (the “**Prospectus Offering**”).

2.3 State the names of any joint actors.

Silvercorp indirectly acquired the Units through Fortune Gold, its wholly-owned subsidiary. Silvercorp and Fortune Gold may be considered to be joint actors in respect of the Issuer.

Item 3 - Interest in Securities of the Reporting Issuer

3.1 State the designation and number or principal amount of securities acquired or disposed of that triggered the requirement to file the report and the change in the acquiror's securityholding percentage in the class of securities.

See Items 1.1 and 2.2. Silvercorp indirectly acquired 3,117,100 Units pursuant to the Private Placement. Each Unit consists of one Common Share and one-half of a Warrant. Each Warrant issued pursuant to the Private Placement entitles the holder to purchase one Common Share at a price of \$0.70 per share at any time on or before October 20, 2022.

3.2 State whether the acquiror acquired or disposed ownership of, or acquired or ceased to have control over, the securities that triggered the requirement to file the report.

See Items 1.1 and 2.2. Silvercorp indirectly acquired ownership of the Units that triggered the requirement to file this report.

3.3 If the transaction involved a securities lending arrangement, state that fact.

Not applicable.

3.4 State the designation and number or principal amount of securities and the acquiror's securityholding percentage in the class of securities, immediately before and after the transaction or other occurrence that triggered the requirement to file this report.

Before completion of the Private Placement, Silvercorp indirectly owned 5,692,172 Common Shares and 2,846,086 Warrants through Fortune Gold, its wholly-owned subsidiary. Such Common Shares represented approximately 19.9% of the issued and outstanding Common Shares. If exercised, the 2,846,086 Warrants indirectly owned by Silvercorp, together with the 5,692,172 Common Shares indirectly owned by Silvercorp, would have represented approximately 27.15% of the issued and outstanding Common Shares (after giving effect to the exercise of such Warrants, but not the exercise of any other share purchase warrants or convertible securities issued by the Issuer).

Immediately after giving effect to the transactions described in Item 2.2, Silvercorp indirectly owned 8,809,272 Common Shares and 4,404,636 Warrants through Fortune Gold. Immediately following completion of the Private Placement and the Prospectus Offering, the Common Shares represent approximately 19.9% of the issued and outstanding Common Shares. If exercised, the 4,404,636 Warrants indirectly owned by Silvercorp, together with the 8,809,272 Common Shares indirectly owned by Silvercorp, would represent approximately 27.15% of the issued and outstanding Common Shares

(after giving effect to the exercise of such Warrants, but not the exercise of any other share purchase warrants or convertible securities issued by the Issuer).

3.5 State the designation and number or principal amount of securities and the acquiror's securityholding percentage in the class of securities referred to in Item 3.4 over which

(a) the acquiror, either alone or together with any joint actors, has ownership and control,

Silvercorp indirectly owns and controls all of the Common Shares and Warrants referred to in Item 3.4 through its wholly-owned subsidiary Fortune Gold.

(b) the acquiror, either alone or together with any joint actors, has ownership but control is held by persons or companies other than the acquiror or any joint actor, and

Not applicable.

(c) the acquiror, either alone or together with any joint actors, has exclusive or shared control but does not have ownership.

Not applicable.

3.6 If the acquiror or any of its joint actors has an interest in, or right or obligation associated with, a related financial instrument involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the related financial instrument and its impact on the acquiror's securityholdings.

Not applicable.

3.7 If the acquiror or any of its joint actors is a party to a securities lending arrangement involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the arrangement including the duration of the arrangement, the number or principal amount of securities involved and any right to recall the securities or identical securities that have been transferred or lent under the arrangement.

Not applicable.

State if the securities lending arrangement is subject to the exception provided in section 5.7 of NI 62-104.

Not applicable.

3.8 If the acquiror or any of its joint actors is a party to an agreement, arrangement or understanding that has the effect of altering, directly or indirectly, the acquiror's economic exposure to the security of the class of securities to which this report relates, describe the material terms of the agreement, arrangement or understanding.

Not applicable.

Item 4 - Consideration Paid

4.1 State the value, in Canadian dollars, of any consideration paid or received per security and in total.

The Units described in Item 2.2 were issued for \$0.55 per Unit (\$1,714,405 in the aggregate).

4.2 In the case of a transaction or other occurrence that did not take place on a stock exchange or other market that represents a published market for the securities, including an issuance from treasury, disclose the nature and value, in Canadian dollars, of the consideration paid or received by the acquiror.

See Item 4.1. The Units described in Item 2.2 were issued for \$0.55 per Unit (\$1,714,405 in the aggregate).

4.3 If the securities were acquired or disposed of other than by purchase or sale, describe the method of acquisition or disposition.

Not applicable.

Item 5 - Purpose of the Transaction

State the purpose or purposes of the acquiror and any joint actors for the acquisition or disposition of securities of the reporting issuer. Describe any plans or future intentions which the acquiror and any joint actors may have which relate to or would result in any of the following:

- (a) the acquisition of additional securities of the reporting issuer, or the disposition of securities of the reporting issuer;**
- (b) a corporate transaction, such as a merger, reorganization or liquidation, involving the reporting issuer or any of its subsidiaries;**
- (c) a sale or transfer of a material amount of the assets of the reporting issuer or any of its subsidiaries;**
- (d) a change in the board of directors or management of the reporting issuer, including any plans or intentions to change the number or term of directors or to fill any existing vacancy on the board;**
- (e) a material change in the present capitalization or dividend policy of the reporting issuer;**
- (f) a material change in the reporting issuer's business or corporate structure;**

- (g) a change in the reporting issuer's charter, bylaws or similar instruments or another action which might impede the acquisition of control of the reporting issuer by any person or company;
- (h) a class of securities of the reporting issuer being delisted from, or ceasing to be authorized to be quoted on, a marketplace;
- (i) the issuer ceasing to be a reporting issuer in any jurisdiction of Canada;
- (j) a solicitation of proxies from securityholders; or
- (k) an action similar to any of those enumerated above.

The Common Shares and Warrants described in Item 2.2 were acquired for investment purposes. Silvercorp may, depending on market and other conditions, directly or indirectly increase or decrease its ownership of Common Shares or other securities of the Issuer, whether in the open market, by privately negotiated agreement or otherwise.

Under the terms of an investment agreement between Silvercorp and the Issuer dated June 25, 2020, (i) for so long as Silvercorp owns at least 10% of the issued and outstanding Common Shares, it shall have the right to designate one member of the board of directors of the Issuer and (ii) Silvercorp shall have the right to participate in future equity financings of the Issuer to maintain its *pro rata* interest in the Common Shares. Silvercorp may from time to time exercise such rights, but does not otherwise have any current plans or intentions that relate to or would result in the items listed in (a) through (k) above.

Item 6 - Agreements, Arrangements, Commitments or Understandings With Respect to Securities of the Reporting Issuer

Describe the material terms of any agreements, arrangements, commitments or understandings between the acquiror and a joint actor and among those persons and any person with respect to securities of the class of securities to which this report relates, including but not limited to the transfer or the voting of any of the securities, finder's fees, joint ventures, loan or option arrangements, guarantees of profits, division of profits or loss, or the giving or withholding of proxies. Include such information for any of the securities that are pledged or otherwise subject to a contingency, the occurrence of which would give another person voting power or investment power over such securities, except that disclosure of standard default and similar provisions contained in loan agreements need not be included.

None.

Item 7 - Change in material fact

If applicable, describe any change in a material fact set out in a previous report filed by the acquiror under the early warning requirements or Part 4 in respect of the reporting issuer's securities.

Not applicable.

Item 8 - Exemption

If the acquiror relies on an exemption from requirements in securities legislation applicable to formal bids for the transaction, state the exemption being relied on and described the facts supporting that reliance.

Not applicable.

Item 9 - Certification

The acquiror must certify that the information is true and complete in every respect. In the case of an agent, the certification is based on the agent's best knowledge, information and belief but the acquiror is still responsible for ensuring that the information filed by the agent is true and complete.

This report must be signed by each person on whose behalf the report is filed or his authorized representative.

It is an offence to submit information that, in a material respect and at the time and in the light of the circumstances in which it is submitted, is misleading or untrue.

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Certificate

The acquiror certifies that the statements made in this report are true and complete in every respect.

Date: October 21, 2020

SILVERCORP METALS INC.

By: "Lon Shaver"
Name: Lon Shaver
Title: Vice President