

Silvermet Inc.

**Notice of Meeting and Information Circular
with Respect to the Annual and Special Meeting
of Shareholders to be held on August 31, 2010**

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN THAT the annual and a special meeting (the “**Meeting**”) of shareholders of Silvermet Inc. (“**Silvermet**” or the “**Company**”) will be held at the offices of Heenan Blaikie LLP, Bay Adelaide Centre, 333 Bay Street, Suite 2900, P.O. Box 2900, Toronto, Ontario on Tuesday, August 31, 2010 at 10:00 a.m. (Toronto time) for the following purposes:

1. to receive the audited consolidated financial statements of the Company for the financial year ended December 31, 2009, and the auditor’s report thereon;
2. to elect the directors of the Company for the ensuing year;
3. to appoint PricewaterhouseCoopers LLP as the auditor of the Company and to authorize the directors to fix the auditor’s remuneration for the ensuing year;
4. to pass a resolution approving the Company’s “rolling” stock option plan;
5. to transact such other business as may properly come before the Meeting or any adjournment(s) thereof.

This notice of meeting is accompanied by a management information circular, a form of proxy, the audited consolidated financial statements for the financial year ended December 31, 2009 and the auditors’ report thereon.

The record date for the determination of shareholders entitled to receive notice of and to vote at the Meeting or any adjournment or adjournments thereof is July 26, 2010 (the “**Record Date**”). Shareholders whose names have been entered in the register of shareholders at the close of business on the Record Date will be entitled to receive notice of and to vote at the Meeting or any adjournment or adjournments thereof.

A shareholder may attend the Meeting in person or may be represented by proxy. Shareholders who are unable to attend the Meeting or any adjournment or adjournments thereof in person are requested to date, sign and return the accompanying Instrument of Proxy for use at the Meeting or any adjournment or adjournments thereof. To be effective, the enclosed Instrument of Proxy must be mailed so as to reach or be deposited with Equity Transfer & Trust Company, Attention: Proxy Department, 200 University Avenue, Suite 400, Toronto Ontario, M5H 4H1 or must be faxed to (416) 361-0470, not later than forty-eight (48) hours (excluding Saturdays, Sundays and statutory holidays in the City of Toronto, Ontario) prior to the time set for the Meeting or any adjournment or adjournments thereof.

DATED at Toronto, Ontario this 26th day of July, 2010.

BY ORDER OF THE BOARD

“Stephen G. Roman”

Stephen G. Roman
Chairman & Chief Executive Officer

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**MANAGEMENT INFORMATION CIRCULAR
OF SILVERMET INC.**

SOLICITATION BY MANAGEMENT

This Management Information Circular is furnished in connection with the solicitation of proxies by the management of Silvermet Inc. (“Silvermet” or the “Company”) for use at the Meeting to be held at the time and place and for the purposes set forth in the accompanying Notice of Meeting.

References in this Management Information Circular to the Meeting include any adjournment or adjournments thereof. It is expected that the solicitation will be primarily by mail, however, proxies may also be solicited by certain officers, directors and regular employees of the Company by telephone, electronic mail, facsimile or personally. These persons will receive no compensation for such solicitation other than their regular fees or salaries. The cost of solicitation by management will be borne directly by the Company.

RECORD DATE

The board of directors has fixed the close of business on July 26, 2010 as the record date (the “**Record Date**”), being the date for the determination of the registered holders of securities entitled to receive notice of the Meeting. Duly completed and executed proxies must be received by Equity Transfer & Trust Company, Attention: Proxy Department, 200 University Avenue, Suite 400, Toronto, Ontario M5H 4H1 or must be faxed to (416) 361-0470 not later than forty-eight (48) hours (excluding Saturdays, Sundays and statutory holidays in the City of Toronto, Ontario) prior to the time set for the Meeting or any adjournment or adjournments thereof.

VOTING OF PROXIES

The common shares (“**Common Shares**”) of the Company represented by the accompanying Instrument of Proxy (if same is properly executed and is received at the offices of Equity Transfer & Trust Company, Attention: Proxy Department, 200 University Avenue, Suite 400, Toronto, Ontario M5H 4H1, or faxed to (416) 361-0470, not later than forty-eight (48) hours (excluding Saturdays, Sundays and statutory holidays in the City of Toronto, Ontario) prior to the time set for the Meeting or any adjournment or adjournments thereof, will be voted at the Meeting, and, where a choice is specified in respect of any matter to be acted upon, will be voted or withheld from voting in accordance with the specification made. **In the absence of such specification, proxies in favour of management will be voted in favour of each of the resolutions described below. The enclosed Instrument of Proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting and with respect to other matters which may properly come before the Meeting.** At the time of printing of this Management Information Circular, management knows of no such amendments, variations or other matters to come before the Meeting. However, if any other matters that are not now known to management should properly come before the Meeting, the Instrument of Proxy will be voted on such matters in accordance with the best judgment of the named proxies.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed Instrument of Proxy are officers and/or directors of the Company. **A Shareholder desiring to appoint some other person, who need not be a Shareholder, to represent him or her at the Meeting, may do so by inserting such person’s name in the blank space provided in the enclosed Instrument of Proxy or by completing another proper form of proxy and, in either case, depositing the completed and executed proxy at the offices of Equity Transfer & Trust Company, Attention: Proxy Department, 200 University Avenue, Suite 400, Toronto, Ontario M5H 4H1, or by fax to (416) 361-0470, not later than forty-eight (48) hours (excluding Saturdays, Sundays and statutory holidays in the City of Toronto, Ontario) prior to the time set for the Meeting or any adjournment or adjournments thereof.** A Shareholder forwarding the enclosed Instrument of Proxy may indicate the manner in which the appointee is to vote with respect to any specific item by checking the appropriate space. If the Shareholder giving the proxy wishes to confer a discretionary authority with respect to any item of business, then

the space opposite the item is to be left blank. The Common Shares represented by the Instrument of Proxy submitted by a Shareholder will be voted in accordance with the directions, if any, given in the Instrument of Proxy.

A proxy given pursuant to this solicitation may be revoked by an instrument in writing executed by a Shareholder or by a Shareholder's attorney duly authorized in writing or, if the Shareholder is a body corporate, under its corporate seal or, by a duly authorized officer or attorney and deposited either with Equity Transfer & Trust Company, Attention: Proxy Department, 200 University Avenue, Suite 400, Toronto, Ontario M5H 4H1 or at the head office of the Company at 8 King Street East, Suite 1700, Toronto, Ontario, M5C 1B5, Attention: Stephen Roman at any time up to and including the last Business Day preceding the day of the Meeting or with the Chairman of the Meeting on the day of the Meeting or in any other manner permitted by law. Such instrument will not be effective with respect to any matter or which a vote has already been cast pursuant to such proxy.

VOTING BY NON-REGISTERED SHAREHOLDERS

Only registered Shareholders or the persons they appoint as their proxies are permitted to vote at the Meeting. Most Shareholders are "non-registered" shareholders ("**Non-Registered Shareholders**") because the Common Shares they own are not registered in their names but are instead registered in the name of the brokerage firm, bank or trust company through which they purchased the Common Shares. Common Shares beneficially owned by a Non-Registered Shareholder are registered either: (i) in the name of an intermediary (an "**Intermediary**") that the Non-Registered Shareholder deals with in respect of the Common Shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees and administrators of self-administered RRSPs, RRIFs, RESPs and similar plans); or (ii) in the name of a clearing agency (such as The CDS Clearing and Depository Services Inc. ("**CDS**")) of which the Intermediary is a participant. In accordance with applicable securities law requirements, the Company will have distributed copies of the Notice of Meeting, this Management Information Circular and the Instrument of Proxy and the request form (collectively, the "**Meeting Materials**") to the clearing agencies and Intermediaries for distribution to Non-Registered Shareholders.

Intermediaries are required to forward the Meeting Materials to Non-Registered Shareholders unless a Non-Registered Shareholder has waived the right to receive them. Intermediaries often use service companies to forward the Meeting Materials to Non-Registered Shareholders. Generally, Non-Registered Shareholders who have not waived the right to receive Meeting Materials will either:

- (i) be given a voting instruction form **which is not signed by the Intermediary** and which, when properly completed and signed by the Non-Registered Shareholder and **returned to the Intermediary or its service company**, will constitute voting instructions (often called a "**voting instruction form**") which the Intermediary must follow. Typically, the voting instruction form will consist of a one page pre-printed form. Sometimes, instead of the one page pre-printed form, the voting instruction form will consist of a regular printed proxy form accompanied by a page of instructions which contains a removable label with a bar-code and other information. In order for the form of proxy to validly constitute a voting instruction form, the Non-Registered Shareholder must remove the label from the instructions and affix it to the form of proxy, properly complete and sign the form of proxy and submit it to the Intermediary or its service company in accordance with the instructions of the Intermediary or its service company; or
- (ii) be given a form of proxy **which has already been signed by the Intermediary** (typically by a facsimile, stamped signature), which is restricted as to the number of shares beneficially owned by the Non-Registered Shareholder but which is otherwise not completed by the Intermediary. Because the Intermediary has already signed the form of proxy, this form of proxy is not required to be signed by the Non-Registered Shareholder when submitting the proxy. In this case, the Non-Registered Shareholder who wishes to submit a proxy should properly complete the form of proxy and **deposit it with the Company, c/o Equity Transfer & Trust Company, Attention: Proxy Department, 200 University Avenue, Suite 400, Toronto, Ontario, M5H 4H1.**

In either case, the purpose of these procedures is to permit Non-Registered Shareholders to direct the voting of the Common Shares they beneficially own. Should a Non-Registered Shareholder who receives one of the above forms wish to vote at the Meeting in person (or have another person attend and vote on behalf of the Non-

Registered Shareholder), the Non-Registered Shareholder should strike out the persons named in the Instrument of Proxy and insert the Non-Registered Shareholder or such other person's name in the blank space provided. **In either case, Non-Registered Shareholders should carefully follow the instructions of their Intermediary, including those regarding when and where the Instrument of Proxy or voting instruction form is to be delivered.**

A Non-Registered Shareholder may revoke a voting instruction form or a waiver of the right to receive Meeting Materials and to vote which has been given to an Intermediary at any time by written notice to the Intermediary provided that an Intermediary is not required to act on a revocation of a voting instruction form or of a waiver of the right to receive Meeting Materials and to vote which is not received by the Intermediary at least seven (7) days prior to the Meeting.

VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

The authorized share capital of the Company consists of an unlimited number of Common Shares. Each Common Share entitles the holder thereof to one vote on all matters to be acted upon at the Meeting. As at July 26, 2010, there were 125,412,216 Common Shares issued and outstanding. The record date for the determination of Shareholders entitled to receive notice of the Meeting has been fixed at July 26, 2010. All such holders of record of Common Shares are entitled either to attend and vote thereat in person the Common Shares held by them or, provided a completed and executed proxy shall have been delivered to the Company's Transfer Agent, Equity Transfer & Trust Company (the "**Transfer Agent**"), within the time specified in the attached Notice of Meeting, to attend and vote thereat by proxy the Common Shares held by them.

To the knowledge of the directors and executive officers of the Company, as of the date hereof, the following persons beneficially own, control or direct, directly or indirectly, voting securities carrying 10% or more of the voting rights attached to the Common Shares.

| Name | Number of Common Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly ⁽¹⁾ | Percentage of Outstanding Common Shares ⁽¹⁾ |
|-------------------------------|---|--|
| Greyling Investments Inc. (2) | 14,217,000 | 11.3% |
| Clifford H. Frame | 16,132,832 | 12.9% |

Notes:

- (1) Figures are based on the issued and outstanding Common Shares as at July 26, 2010.
- (2) Of these shares, 367,000 are held by Cooper Island Investments, L.L.C., a related entity.
- (3) Of these shares, 55,000 are held directly, 55,000 through an RRIF and the balance through various corporate entities.

ORDINARY BUSINESS

ELECTION OF DIRECTORS

The Articles of the Company provide that the Board shall consist of a minimum of one and a maximum of ten directors. The board of directors of the Company currently consists of seven (7) members and the board of directors has fixed the number of directors to be elected at the Meeting at seven (7).

Management does not contemplate that any of the nominees will be unable to serve as directors but, if that should occur for any reason prior to the Meeting, the persons named in the accompanying Instrument of Proxy reserve the right to vote for another nominee at their discretion unless the Shareholder has specified in the Instrument of Proxy that his or her Common Shares are to be withheld from voting on the election of directors. Each director elected will hold office until the next annual meeting of Shareholders or until his or her successor is duly elected or appointed unless prior thereto he or she resigns or his or her office becomes vacant by reason of death or other cause.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE IN FAVOUR OF THE ELECTION OF THE PERSONS NAMED BELOW. Proxies will be so voted unless Shareholders withhold or specify otherwise in their proxies. The approval of a majority of the Common Shares present and voting at the Meeting, whether in person or by proxy, is required for the election of the below named directors.

The following table, among other things, sets forth the name of all persons proposed to be nominated for election as directors, their place of residence, position and periods of service held with the Company, or any of its affiliates, their principal occupations and the number of Common Shares of the Company beneficially owned, controlled or directed, directly or indirectly. The statement as to the number of Common Shares of the Company beneficially owned, controlled or directed, directly or indirectly, by the persons named in the below table is in each instance based upon information furnished by such individual concerned and is current as at the date hereof.

| Name and Place of Residence | Position with Company | Director Since | Principal Occupation | Number and Percentage ⁽¹⁾ of Shares of the Company Beneficially Owned or Controlled Directly or Indirectly |
|--|---|----------------|---|---|
| Stephen G. Roman <i>Gormley, Ontario</i> | Chairman, CEO and Director | 2005 | Mining Executive and Resource Consultant, Chief Executive Officer and Chairman of the Company | 9,061,500 (7.23%) |
| Rein A. Lehari (2) <i>Uxbridge, Ontario</i> | Director | 2009 | Financial Consultant | 300,000 (0.24%) |
| Derek C. Rance <i>Toronto, Ontario</i> | Director | 2009 | Mining Engineer and Consultant | 365,000 (0.29%) |
| Keith Spurr <i>Toronto, Ontario</i> | Vice President – Marketing and Director | 2009 | Vice President – Marketing of the Company | Nil |
| Terence Ortslan (2) <i>Toronto, Ontario</i> | Director | - | Mining Consultant | Nil |
| Douglas Scharf (2) <i>Toronto, Ontario</i> | Director | 2009 | Chartered Accountant and Mining Executive | 100,000 (0.08%) |
| Richard Faucher <i>Montreal, Quebec</i> | Director | - | Mining Executive | Nil |

Notes:

- (1) Percentages are based on the issued and outstanding Common Shares as at July 26, 2010.
(2) Member of Audit Committee or proposed Member of the Audit Committee.

Biographical Information

Each of the proposed directors is currently a director of the Company. Biographical information is summarized below for each of the two appointed directors who were not elected to his present term of office by a vote of shareholders at a meeting, the notice of which was accompanied by an information circular.

Terence Ortslan. Mr. Ortslan has been the Managing Director of TSO & Associates, an independent mining, metals and fertilizer research firm since 1996. He is also a Director of Maudore Minerals Ltd., Globestar Mining Inc., Plexmar Resources Inc., Bitterroot Resources Ltd., and Niocan Inc. Prior to 1996, Mr. Ortslan worked as a mining analyst with a number of respected investment firms including BBN James Capel Inc., Loewen, Ondaatje McCutcheon Ltd., Merrill Lynch, Wood Gundy Inc., Jones Heward & Co. and Maison Placements Canada Inc. Mr. Ortslan obtained his mining degree in 1972 and an MBA in 1974, both from McGill University.

Richard Faucher. Mr. Faucher is a Professional Engineer trained in metallurgical engineering and, until August 29, 2008, was the President and Chief Executive Officer of Canadian Royalties Inc. Mr. Faucher has held senior management positions in several other large mining companies and metallurgical projects, including the position of President of Niocan Inc.; Vice-President, Brunswick Mining & Smelting, for Noranda Inc.; President and General

Manager for Falconbridge Dominicana; and President and COO of Princeton Mining Corp. Mr. Faucher completed the Directors Education Program at McGill University in 2006.

CORPORATE CEASE TRADE ORDERS OR BANKRUPTCIES

No proposed director of the Company:

- (a) is, as at the date hereof, or has been, within the 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company (including the Company), that:
 - (i) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days while that person was acting in the capacity as director, chief executive officer or chief financial officer; or
 - (ii) was subject to an order that was issued after the proposed director ceased to be a director, chief executive officer, chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) is, as at the date hereof, or has been within 10 years before the date hereof, a director or executive officer of any issuer (including the Company), that while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (c) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

PENALTIES OR SANCTIONS

No proposed director of the Company has:

- (a) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) been subject to any other penalties or sanctions imposed by a court or regulatory body, including a self-regulatory body, that would be likely to be considered important to a reasonable shareholder in deciding whether to vote for a proposed director.

APPOINTMENT OF AUDITORS

PricewaterhouseCoopers LLP, Chartered Accountants, have been the auditor of the Company since May 28, 2007. At the Meeting, or any adjournment thereof, PricewaterhouseCoopers LLP will be proposed for re-appointment as the Company's auditors to hold office until the next annual meeting of shareholders, or until a successor is appointed, at a remuneration to be fixed by the board of directors.

See the information contained under the heading "Audit Committee - External Auditor Service Fees" for further details of fees paid to PricewaterhouseCoopers LLP for 2009.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR APPROVAL OF PRICEWATERHOUSECOOPERS LLP AS THE COMPANY'S AUDITORS. Proxies will be so voted unless Shareholders specify otherwise in their

proxies. The approval of a majority of the Common Shares present and voting at the Meeting, whether in person or by proxy, is required for the approval of the resolution approving the Company's auditors.

SPECIAL BUSINESS

APPROVAL OF THE STOCK OPTION PLAN

Currently, the stock option plan of the Company (the "**Stock Option Plan**") is a 10% "rolling" stock option plan. A description of the material terms of the Stock Option Plan are set forth in the section below entitled "Executive Compensation Discussion and Analysis – Option-based Awards – Stock Option Plan". Pursuant to TSX Venture Exchange Policy 4.4, rolling stock option plans, such as the Stock Option Plan, must receive shareholder approval on an annual basis. Accordingly, Shareholders will be asked to consider and, if deemed advisable, to approve the Company's Stock Option Plan by ordinary resolution.

The board of directors has determined that the approval of the Stock Option Plan is in the best interests of the Company and the Shareholders. The board of directors unanimously recommends that the Shareholders vote in favour of the approval of the Stock Option Plan.

The Shareholders of the Company will be asked to consider and, if thought appropriate, to approve and adopt an ordinary resolution in substantially the form set out below, approving the Stock Option Plan.

Text of the Resolution

The shareholders resolution approving the Stock Option Plan is as follows:

"IT IS RESOLVED that the Company's 10% Stock Option Plan is hereby ratified, confirmed and approved, subject to the approval of the TSX Venture Exchange.

IT IS FURTHER RESOLVED the Company be authorized to grant options pursuant and subject to the terms and conditions of the Stock Option Plan, entitling the holders thereof to purchase up to that number of Common Shares that is equal to 10% of the issued and outstanding Common Shares of the Company at the time of the grant and that any director of the Company be and is hereby authorized, for and on behalf of the Company, to do all such things and execute all such documents and instruments as may be necessary or desirable to give effect to this resolution."

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR APPROVAL OF THE STOCK OPTION PLAN.

Proxies will be so voted unless Shareholders specify otherwise in their proxies. The approval of a majority of the Common Shares present and voting at the Meeting, whether in person or by proxy, is required for the approval of the resolution approving the Stock Option Plan.

EXECUTIVE COMPENSATION DISCUSSION AND ANALYSIS

Executive compensation is based upon the need to provide a compensation package that will allow the Company to attract and retain qualified and experienced executives, balanced with a pay-for-performance philosophy and integrate the longer term interest of the executives with the investment objectives of the Company's shareholders. Compensation for the 2009 and prior fiscal years has historically been based upon a negotiated salary, with stock options and bonus potentially being issued and paid as an incentive for performance.

Option-based Awards

The Board has the responsibility to administer the compensation policies related to the executive management of the Company, including option-based awards. The shareholders have approved a stock option plan pursuant to which the Board has granted stock options to executive officers and directors. The stock option plan provides

compensation to participants and an additional incentive to work toward long-term Company performance. Executive compensation is based upon the need to provide a compensation package that will allow the Company to attract and retain qualified and experienced executives, balanced with a pay-for-performance philosophy. The stock option plan has been and will be used to provide share purchase options which are granted in consideration of the level of responsibility of the executive as well as his or her impact and/or contribution to the longer-term operating performance of the Company. In determining the number of options to be granted to the executive officers, the board of directors takes into account the number of options, if any, previously granted to each executive officer and the exercise price of any outstanding options to ensure that such grants are in accordance with the policies of the TSX Venture Exchange, and closely align the interests of the executive officers with the interests of shareholders.

Summary Compensation Table

For the financial year ended December 31, 2009 the Company had three “Named Executive Officers” as that term is defined for purposes of the *Securities Act* (Ontario) and the Regulations thereunder. The following table (presented in accordance with National Instrument Form 51-102F6 – *Statement of Executive Compensation* which came into force on March 30, 2004 (the “**Old Form**”)) sets forth all annual and long term compensation for services in all capacities to the Company for the financial year ended December 31, 2007 in respect of each Named Executive Officer as required by the Old Form.

| Name and Principal Position | Year | Annual Compensation | | | Long-Term Compensation | | | All Other Compensation |
|--|------|---------------------|-------|---------------------------|---------------------------------------|---|-----------------------------|------------------------|
| | | Salary | Bonus | Other Annual Compensation | Awards | | Payouts | |
| | | | | | Securities Under Options/SARS Granted | Shares for Units Subject to Resale Restrictions | LTIP ⁽¹⁾ Payouts | |
| Stephen G. Roman <i>Chairman, CEO and Director</i> | 2007 | Nil | Nil | \$120,000 | 400,000 | Nil | Nil | \$6,600 |
| Rein A. Lehari <i>Director, former President and COO</i> | 2007 | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Jeffrey Dawley <i>CFO</i> | 2007 | Nil | Nil | Nil | Nil | Nil | Nil | Nil |

Notes:

- (1) LTIP is a “long-term incentive plan” and means a plan providing compensation intended to motivate performance over a period greater than one financial year.
- (2) Mr. Dawley was appointed Chief Financial Officer on September 21, 2009. Prior thereto, Mr. Lehari acted as Chief Financial Officer.

The following table (presented in accordance with National Instrument 51-102F6 – *Statement of Executive Compensation* which came into force on December 31, 2008 (the “**New Form**”)) sets forth all annual and long term compensation for services in all capacities to the Company for the financial years ended December 31, 2008 and 2009 in respect of each Named Executive Officer as required by the New Form.

| Name and Principal Position | Year | Salary | Share-based Awards | Option-based Awards | Non-equity Incentive Plan Compensation | | All Other Compensation | Total Compensation |
|--|------|--------|--------------------|---------------------|--|---------------------------|------------------------|--------------------|
| | | | | | Annual Incentive Plans | Long-term Incentive Plans | | |
| Stephen G. Roman <i>Chairman, CEO and Director</i> | 2009 | Nil | Nil | \$42,000 | Nil | Nil | \$120,000 | \$162,000 |
| | 2008 | Nil | Nil | Nil | Nil | Nil | \$121,200 | \$121,200 |
| Rein A. Lehari <i>Director, former President and COO</i> | 2009 | Nil | Nil | \$42,000 | Nil | Nil | \$180,000 | \$222,000 |
| | 2008 | Nil | Nil | \$19,126 | Nil | Nil | \$95,000 | \$114,126 |
| Jeffrey Dawley <i>CFO</i> | 2009 | Nil | Nil | \$24,048 | Nil | Nil | \$27,655 | \$51,703 |
| | 2008 | Nil | Nil | Nil | Nil | Nil | Nil | Nil |

Notes:

- (1) Mr. Dawley was appointed Chief Financial Officer on September 21, 2009. Prior thereto, Mr. Lehari held the position of Chief Financial Officer from June 1, 2008 to September 21, 2009.
- (2) Mr. Lehari held the positions of President and COO from February 23, 2009 to January 21, 2010.

The Company did not pay a bonus to or grant compensation to any Named Executive Officer under any pension plan during the financial year ended December 31, 2009.

Option-based Awards – Stock Option Plan

The Company’s Stock Option Plan is a 10% “rolling” stock option plan. Pursuant to the terms of the Stock Option Plan, the board of directors may designate directors, senior officers, full-time employees and consultants (and any affiliate or subsidiaries thereof) (the “**Optionees**”) of the Company eligible to receive stock options (the “**Options**”). The number of Common Shares subject to each Option, in addition to the exercise price, vesting period and term of each Option is to be determined by the board of directors, provided that the term of the Option shall not exceed five (5) years from the date of grant.

The maximum aggregate number of Common Shares reserved for issuance and which may be purchased upon exercise of Options granted is equal to 10% of the issued shares of the Company at the time the Option is granted. Currently, the aggregate number of Common Shares that may be issued pursuant to Options granted under the Stock Option Plan is 12,541,221 Common Shares.

In accordance with its terms, in no case will the grant of Options under the Stock Option Plan result in: (i) the number of Common Shares reserved for issuance pursuant to Options granted to any one individual, within any twelve-month period, exceeding in the aggregate 5% of the issued and outstanding Common Shares; (ii) the number of Common Shares reserved for issuance pursuant to Options granted all persons engaged by the Company to provide investor relations activities, within any twelve month period, exceeding in the aggregate 2% of the issued and outstanding Common Shares; or (iii) the number of Common Shares reserved for issuance pursuant to Options granted to any one consultant, in any twelve month period, exceeding in the aggregate 2% of the issued and outstanding Common Shares.

Furthermore, the Company shall obtain disinterested shareholder approval if: (i) the number of Common Shares reserved for issuance pursuant to Options granted to Insiders exceeds 10% of the issued and outstanding Common Shares; (ii) the number of Common Shares reserved for issuance pursuant to Options granted to Insiders, within any twelve month period, exceeding in the aggregate 10% of the issued and outstanding Common Shares; or (iii) the Exercise Price (as defined below) of Options previously granted to Insiders is being decreased.

The price at which Common Shares may be purchased under any Option granted pursuant to the Stock Option Plan (the “**Exercise Price**”) shall be the closing price of the Common Shares on the TSX Venture Exchange (the “**TSXV**”) on the trading day immediately preceding the date on which the Option is granted or such higher price as determined by the board of directors, and if there is no such closing price, the Exercise Price shall be the simple average of the closing bid and ask prices on the TSXV on the last trading day prior to the grant of such Option. If the Common Shares are not, at the time of granting any Option, listed on the TSXV, then the Exercise Price shall be calculated with reference to the closing price or closing bid and ask price, as the case may be, of the Common Shares on the stock exchange on which the greatest volume of Common Shares traded on such day, or if the Common Shares are not so listed, with reference to the over-the-counter market on which the Common Shares may trade. In the event that the Common Shares are not, at the time of granting any Option, listed on any stock exchange, or trading on any over-the-counter market then the Exercise Price shall be fixed by the board of directors.

Subject to certain exceptions, any Options granted pursuant to the Stock Option Plan will terminate within 90 days of the Optionee ceasing to be a director, officer, employee or consultant of the Company. Options held by any Optionee who ceases to be a director, officer, employee or consultant of the Company for “cause” as defined in the Stock Option Plan, shall terminate immediately. If the Optionee dies during the term of the Option, the Options will expire three months after the date of the Optionee’s death and may be exercised by the Optionee’s legal personal representative until that time, or until the expiry date of the Option, whichever is earlier.

The following table sets forth information concerning all awards outstanding under option-based incentive plans of the Company at the end of the most recently completed financial year to each Named Executive Officer.

| Name and Principal Position | Option-based Awards | | | | Share-based Awards | |
|--|---|-----------------------|------------------------|--|---|--|
| | No. Securities Underlying Unexercised Options | Option Exercise Price | Option Expiration Date | Value of Unexercised In-the-money Options ⁽¹⁾ | No. of Shares or Units of Shares that Have Not Vested | Market or Payout Value of Share-based Awards that Have Not Vested ⁽¹⁾ |
| Stephen G. Roman <i>Chairman, CEO and Director</i> | 400,000 | \$0.50 | May 31, 2012 | Nil | Nil | Nil |
| | 1,500,000 | \$0.10 | March 12, 2014 | Nil | 800,000 | Nil |
| Rein A. Lehari <i>Director, former President and COO</i> | 250,000 | \$0.15 | July 24, 2013 | Nil | Nil | Nil |
| | 1,500,000 | \$0.10 | March 12, 2014 | Nil | Nil | Nil |
| Jeffrey Dawley <i>CFO</i> | 250,000 | \$0.15 | November 19, 2014 | Nil | 150,000 | Nil |

Notes:

- (1) Value is calculated by multiplying the number of securities which may be acquired on exercise of the option by the difference, if any, between the market value of the securities underlying the options at exercise or financial year-end, respectively, and the exercise price of the options. The closing price of the Company’s common shares on December 31, 2009, the last day during the most recently completed fiscal year on which any shares traded, was \$0.08.

Option-based Awards – Value Vested or Earned During the Year

The value vested or earned during the most recently completed financial year of option-based awards granted to Named Executive Officers are as follows:

| Name and Principal Position | Option-based Awards – Value Vested During the Year ⁽¹⁾ | Shares-based Awards – Value Vested During the Year | Non-equity Incentive Plan Compensation – Value Earned During the Year |
|--|---|--|---|
| Stephen G. Roman <i>Chairman, CEO and Director</i> | Nil | N/A | N/A |
| Rein A. Lehari <i>Director, former President and COO</i> | Nil | N/A | N/A |
| Jeffrey Dawley <i>CFO</i> | Nil | N/A | N/A |

Notes:

- (1) Value is calculated by multiplying the number of securities which may be acquired on exercise of the option by the difference, if any, between the market value of the securities underlying the options at exercise or financial year-end, respectively, and the exercise or base price of the options. The closing price of the Company's common shares on December 31, 2009, the last day during the most recently completed fiscal year on which any shares traded, was \$0.08.

Pension Plan Benefits

The Company does not have a pension plan that provides for payments or benefits to the Named Executive Officers at, following, or in connection with retirement.

Termination and Change of Control Benefits

Stephen Roman

Mr. Roman's contract specifies that on a change in control of the Company, Mr. Roman has the option of terminating his consulting arrangement anytime within one year from the change of control, and upon termination, is entitled to three years' salary as severance compensation, as well as the extension of his options until their expiry date. Mr. Roman is also so entitled in the event that he is terminated without cause within two years of a change of control. A change in control is defined as a change in effective control of the Company, acquisition of 20% of the voting rights of the Company, disposition of 50% or more of the Company's assets, or any business combination resulting in a change in control of the Company.

Compensation of Directors

The directors of the Company did not receive any compensation for acting as directors for the financial year ending December 31, 2009.

Option-based Awards

The following table sets forth information concerning all awards outstanding under option-based plans of the Company at the end of the most recently completed financial year to each of the directors of the Company who were not Named Executive Officers during the financial year ended December 31, 2009.

| Name | No. Securities Underlying Unexercised Options | Option Exercise Price | Option Expiration Date | Value of Unexercised In-the-money Options ⁽¹⁾ |
|----------------|---|-----------------------|------------------------|--|
| Douglas Scharf | 400,000 | \$0.50 | May 31, 2012 | Nil |
| | 300,000 | \$0.10 | March 12, 2014 | Nil |
| Keith Spurr | 200,000 | \$0.15 | May 18, 2010 | Nil |
| | 250,000 | \$0.50 | May 31, 2012 | Nil |
| | 300,000 | \$0.10 | March 12, 2014 | Nil |
| Andrew Rickaby | 200,000 | \$0.15 | October 5, 2010 | Nil |
| | 100,000 | \$0.50 | May 31, 2012 | Nil |
| | 300,000 | \$0.10 | March 12, 2014 | Nil |
| George Whyte | 300,000 | \$0.20 | June 10, 2014 | Nil |
| Derek Rance | 300,000 | \$0.20 | June 10, 2014 | Nil |

Notes:

- (1) Value is calculated by multiplying the number of securities which may be acquired on exercise of the option by the difference, if any, between the market value of the securities underlying the options at exercise or financial year-end, respectively, and the exercise or base price of the options. The closing price of the Company's common shares on December 31, 2009, the last day during the most recently completed fiscal year on which any shares traded, was \$0.08.

Option-based Awards – Value Vested or Earned During the Year

The value vested or earned during the most recently completed financial year of incentive plan awards granted to directors who are not Named Executive Officers are as follows.

| Name | Option-based Awards – Value Vested During the Year ⁽¹⁾ |
|----------------|---|
| Douglas Scharf | Nil |
| Keith Spurr | Nil |
| Andrew Rickaby | Nil |
| George Whyte | Nil |
| Derek Rance | Nil |

Notes:

- (1) This amount is the dollar value that would have been realized computed by obtaining the difference between the market price of the underlying securities at exercise and the exercise or base price of the options under the option-based award on the vesting date.

Securities Authorized for Issuance under Equity Compensation Plans

The following table sets out information pertaining to securities authorized for issuance by the Company under equity compensation plans at the end of the most recently completed financial year.

| Plan Category | No. of securities to be issued upon exercise of outstanding options, warrants and rights ⁽¹⁾ | Weighted-average exercise price of outstanding options, warrants and rights | No. of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the second column) ⁽¹⁾ |
|---|---|---|--|
| Equity Compensation plans approved by securityholders | 9,070,000 | \$0.18 | 3,441,221 |
| Total | 9,070,000 | | 3,441,221 |

Notes:

- (1) Based on the maximum number of Common Shares reserved for issuance upon the exercise of stock options under the Stock Option Plan (10%) of 12,511,221 as at the year ended December 31, 2009.

INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS, AND SENIOR OFFICERS

It is the policy of the Company to not make loans to directors, executive officers, or senior officers. No present or former director, executive officer, or senior officer of the Company is currently or has, since the beginning of the Company's last financial year, been indebted to the Company.

STATEMENT ON CORPORATE GOVERNANCE PRACTICES

The Ontario Securities Commission (the "OSC") has issued guidelines for effective corporate governance under National Policy 58-201 - *Corporate Governance Guidelines* (the "OSC Guidelines"). The OSC Guidelines deal with matters such as the constitution and independence of corporate boards, their functions, the effectiveness and education of board members, and other items pertaining to sound corporate governance. The OSC has issued National Instrument 58-101 - *Disclosure of Corporate Governance Practices* (the "Instrument") which requires that each listed company disclose, on an annual basis, its approach to corporate governance by disclosing the information required by the Instrument.

The Company believes that its corporate governance practices ensure that the business and affairs of the Company are effectively managed so as to enhance shareholder value. The disclosure requirements of the Instrument and a commentary on the Company's approach with respect to each requirement are set forth below.

| Disclosure Requirements | Comments |
|--|---|
| Disclose the identity of directors who are independent. | Messrs. Rance, Scharf, Ortslan and Faucher are independent directors. For more information about each director, please refer to the section entitled "Election of Directors". |
| Disclose the identity of directors who are not independent, and describe the basis for that determination. | Mr. Roman, Mr. Lehari and Mr. Spurr are not considered to be independent due to their positions as officers or former officers of the Company. |
| Disclose whether or not a majority of directors are independent. | The Board is composed of seven directors, four of whom are independent. |
| If a director is presently a director of another issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer. | Mr. Roman is also a director of Exall Energy Corporation and Harte Gold Corp. Mr. Ortslan is also a director of Bitterroot Resources Ltd., Globestar Mining Inc., Plexmar Resources Inc., Maudore Minerals Ltd. and Niocan Inc. Mr. Faucher is also a director of Aurizon Mines Ltd., Globestar Mining Inc. and Plexmar Resources Inc. |
| Describe what measure the board takes to orient new directors and describe what measures, if any, the board takes to provide continuing education for its directors. | New members have the opportunity to meet with management and other board members. Given the size of the Company and the in-depth public company experience of the members of the Board, there is no formal continuing education program in place. Board members are entitled to attend seminars they determine necessary to keep them up-to-date with current issues relevant to their service as |

| Disclosure Requirements | Comments |
|---|--|
| | directors of the Company. |
| Describe what steps the board takes to encourage and promote a culture of ethical business conduct. | <p>Management, supported by the Board, has put structures in place to ensure effective communication between the Company and its shareholders and the public. The Company provides appropriate disclosure as required by law, and legal counsel reviews all press releases and shareholder reports.</p> <p>The Board manages the business of the Company on behalf of the shareholders and is responsible for, among other things, strategic planning, monitoring, and management of the Company's principal risks. Any responsibility that is not delegated to senior management or a committee of the Board remains with the Board. In addition to those matters, which must by law be approved by the Board, the approval of the Board is required for major transactions or expenditures.</p> <p>Directors are permitted to contact and engage outside advisors at the expense of the Company.</p> |
| Describe the process by which the board identifies new candidates for board nomination. | The Board intends to assess each new candidate by considering his or her competencies and skills based on such candidate's prior service on the boards of other corporations and his or her corporate background. |
| Describe the process by which the board determines compensation for the issuer's directors and the CEO. | Executive compensation is based upon the need to provide a compensation package that will allow the Company to attract and retain qualified and experienced executives, balanced with a pay-for-performance philosophy and integrate the longer term interest of the executives with the investment objectives of the Company's shareholders. Compensation for the 2009 and prior fiscal years has historically been based upon a negotiated salary, with stock options and bonus potentially being issued and paid as an incentive for performance.. |
| If the board has standing committees other than the audit committee, identify the committees and describe their function. | Not applicable. |
| Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the board satisfies itself that the board, its committees, and its individual directors are performing effectively. | On an annual basis, the Board reviews its size and composition and its committees in order to assess its effectiveness and contribution. |

AUDIT COMMITTEE DISCLOSURE

In accordance with applicable Canadian securities legislation and, in particular, Multilateral Instrument 52-110 - *Audit Committees ("MI 52-110")*, information with respect to the Company's Audit Committee is contained below. The full text of the Audit Committee Charter, as passed unanimously by the board of directors, is attached as Schedule "A" to the Circular.

Composition of the Audit Committee

For the financial year ended December 31, 2009, the Audit Committee was comprised of Messrs. Rickaby, Whyte and Scharf. Mr. Scharf is the Chair of the Audit Committee. As a result of the recent changes to the Directors, the Audit Committee now comprises Messrs. Scharf, Ortslan and Lehari, with Mr. Scharf as the Chair.

Of the Audit Committee Members, Messrs. Scharf and Ortslan are considered to be independent within the meaning of MI 52-110. All members of the Audit Committee are financially literate in that they have the ability to read and understand a set of financial statements that are of the same breadth and level of complexity of accounting issues as can be reasonably expected to be raised by the Company's financial statements.

Relevant Education and Experience

Douglas Scharf – Mr. Scharf is a Chartered Accountant and has obtained relevant experience with financial matters

in his capacity as a chief financial officer and a director of numerous public companies.

Terence Ortslan – Mr. Ortslan is a mining analyst with many years experience in the analysis of financial statements, as well as his experience on the boards of numerous public companies.

Rein Lehari – Mr. Lehari is a Chartered Accountant and has obtained relevant experience with financial matters in his capacity of financial advisor while working with a major public accounting firm and in his recent roles as chief financial officer of two public companies.

Audit Committee Oversight

At no time during the last financial year did the Company disregard a recommendation put forth by the Audit Committee with respect to the nomination or compensation of an external auditor.

Pre-Approval Policies and Procedures for Non-Audit Services

The Audit Committee is responsible for pre-approving all non-audit services to be provided by the external auditor to the Company other than *de minimis* non-audit services referred to in section 2.4 of MI 52-110 (which during 2009, there were no such *de minimis* services provided). In particular, the Chair of the Audit Committee is authorized to approve any non-audit services. Furthermore, the Audit Committee is required to evaluate the independence and objectivity of the external auditors. The Audit Committee also has the authority to engage independent legal counsel and other advisors as it determines necessary to carry out its duties and responsibilities.

External Auditor Service Fees (by category)

The aggregate fees billed by the Company's external auditors, PricewaterhouseCoopers LLP, in respect of fiscal 2009 and 2008, are set out in the table below. "Audit Fees" refers to the aggregate fees billed by the external auditor. "Audit-Related Fees" includes fees related to the performance of the audit or review of the Company's financial statements and not reported under Audit Fees including the review of interim filings and travel related expenses for the annual audit. "Tax Fees" includes fees for professional services rendered by the external auditor for tax compliance, tax advice, and tax planning. "All Other Fees" includes all fees billed by the external auditors for services not covered in the other three categories and includes administration fees.

| Year | Audit Fees | Audit Related Fees | Tax Fees | All Other Fees |
|-------------|-------------------|---------------------------|-----------------|-----------------------|
| 2009 | \$80,000 | Nil | Nil | Nil |
| 2008 | \$50,000 | Nil | \$10,000 | Nil |

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Pursuant to the terms of a share subscription and purchase agreement, Cooper Island Investments, LLC ("Cooper Island"), an affiliate of Greyling Investments Inc., an insider of the Company, exchanged a pre-existing loan to the Company in the principal amount of US\$2,000,000 for a 25% equity interest in Silvermet's Turkish operations effective on July 28, 2009. During the third quarter of 2009, the Company drew down a further \$750,000 from Cooper Island and raised \$537,438 in a private placement of common shares. This had the effect of increasing the Cooper Island interest in the Turkish operations to 32.1%. A further draw down of \$250,000 occurred on October 1st to increase the Cooper Island interest to 35.2% by year end 2009.

On February 17, 2010, the Company drew down a further \$500,000 from Cooper Island, which had the effect of increasing the interest of Cooper Island in the Turkish operations to 41.5%.

On January 17, 2010, the Company borrowed \$932,000 from Cooper Island for thirty days, bearing interest at 10%. The financing was amended on February 24, 2010. The amended terms provide for interest accrued at 10%. The loan was due on July 15, 2010, with any unpaid portion convertible into common shares of a subsidiary under the same terms as specified in the financing from 2009. The loan is securitized by the residual receivables from sales

of zinc concentrate to a third party. On June 18, 2010, Cooper Island assigned the loan to Stephen Roman, who extended the maturity date to August 31, 2010, with all other terms and conditions remaining unchanged.

On July 23, 2010, the Company closed a 13.2% convertible debenture financing for \$500,000. The debentures are convertible to common shares at \$0.10 per share any time prior to their maturity of June 30, 2011. In connection with this financing, the Company also issued 5,000,000 warrants to acquire common shares at \$0.10 per share at any time prior to June 30, 2011. Stephen Roman participated in half of the debenture issue.

Other than those described above there are no material interests, direct or indirect, of any informed person of the Company, any proposed director of the Company or any known associate or affiliate of such persons, in any transaction since the commencement of the Company's most recently completed financial year or in any proposed transaction that has materially affected or would materially affect the Company.

ADDITIONAL INFORMATION

Additional information relating to the Company can be found on SEDAR at www.sedar.com.

The Company's financial information is provided in the Company's audited consolidated financial statements and related management discussion and analysis for its most recently completed financial year and may be viewed on the SEDAR website. Shareholders of the Company may request copies of the Company's consolidated financial statements and related management discussion and analysis by contacting the Secretary of the Company at 8 King Street East, Suite 1700, Toronto, Ontario, M5C 1B5:

GENERAL

The information contained herein is given as at July 26, 2010, unless otherwise stated. The Board of the Company has approved the contents and the distribution of this Circular.

DATED at Toronto, Ontario, this 26th day of July, 2010.

BY ORDER OF THE BOARD

"Stephen G. Roman"

Stephen G. Roman
Chairman & Chief Executive Officer

SCHEDULE "A"

SILVERMET INC. – AUDIT COMMITTEE CHARTER

**AMENDED AND RESTATED CHARTER OF THE AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS OF SILVERMET INC.**

I. AUDIT COMMITTEE PURPOSE

The board of directors (the “**Board**”) of Silvermet Inc. (formerly Atikokan Resources Inc.) (the “**Corporation**”) has established an audit committee (the “**Committee**”) consisting of members of the Board. The purpose of the Committee is to assist the Board in fulfilling its responsibilities of oversight and supervision of:

- the integrity of the Corporation’s accounting and financial reporting practices and procedures;
- the adequacy of the Corporation’s internal accounting controls and procedures management information systems;
- the quality and integrity of the consolidated financial statements of the Corporation; and
- the independence of the Corporation’s independent auditors.

This Amended and Restated Charter of the Audit Committee of the Board of the Corporation (the “**Charter**”) repeals and supersedes any other Charter of the Audit Committee of the Corporation.

II. AUDIT COMMITTEE COMPOSITION

Committee members shall meet the requirements of all applicable stock exchanges and securities commissions and any other agencies having jurisdiction, including at the present time the TSX Venture Exchange and the various Canadian Securities Regulators. The Committee shall be comprised of three directors of the Corporation, a majority of whom are not employees, officers or control persons (as such term is defined by TSX Venture Exchange Policy 1.1 – *Interpretation*) of the Corporation or its Associates or Affiliates (as such terms are defined by TSX Venture Exchange Policy 1.1 – *Interpretation*). The Committee members shall be appointed by the Board. The Committee shall designate the Chair of the Committee annually from amongst its members.

III. RESOURCES

The Committee shall have the authority to retain independent legal, accounting and other consultants to advise it and shall have the authority to set and pay the compensation for any such advisors. The Committee may request that any member of management or outside consultant attend a meeting of the Committee or meet with any members of, or consultants to, the Committee.

The Committee shall also have the authority to communicate directly with the independent auditor.

IV. LIMITATIONS ON COMMITTEE'S DUTIES

In contributing to the Committee's discharging of its duties under this Charter, each member of the Committee shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this Charter is intended, or may be construed, to impose on any member of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which all Board members are subject.

V. MEETINGS & OPERATING PROCEDURES

- The Committee shall meet at least four times annually, or more frequently as circumstances dictate.
- A quorum shall be a majority of the members. No business may be transacted by the Committee except at a meeting at which a quorum is present. Alternatively, business may be transacted by the Committee by a resolution in writing signed by all member of the Committee.
- In the absence of the Chair of the Committee, the members shall appoint an acting Chair.
- A copy of the minutes of each meeting of the Committee shall be provided to each member of the Committee and to each director of the Corporation in a timely fashion.
- The Chair of the Committee shall prepare and/or approve an agenda in advance of each meeting.
- The Committee, in consultation with management and the independent auditor, shall develop and participate in a process for review of important financial topics that have the potential to impact the Corporation's financial policies and disclosures.
- The Committee shall communicate its expectations to management and the independent auditor with respect to the nature, timing and extent of its information needs. The Committee expects that written materials will be received from management and the independent auditor in advance of meeting dates.
- The Committee may ask management or others to attend meetings. The Committee should meet privately in executive session at least quarterly with: (a) management; (b) the independent auditor; and (c) as a committee to discuss any matters that the Committee or each of these groups believe should be discussed.
- Any member of the Committee may be removed or replaced by the Board and shall cease to be a member of the Committee as soon as such member ceases to be a director of the Corporation. Subject to the foregoing, each Committee member shall hold office until the next meeting of shareholders of the Corporation after his or her election.

- The Committee expects that, in discharging its responsibilities to the shareholders, the independent auditor shall be accountable to the Board through the Committee. The independent auditor shall report all material issues or potentially material issues to the Committee.

VI. AUDIT COMMITTEE RESPONSIBILITIES AND DUTIES

Subject to the powers and duties of the Board, the Board hereby delegates to the Committee the following powers and duties to be performed on behalf of and for the Board:

Review Procedures

The Committee shall:

- Review the Corporation's annual audited financial statements, annual Management Discussion and Analysis, annual earnings press release and related documents prior to any public disclosure of such information, and report its findings to the Board for approval. Review should include discussion with management and the independent auditor of significant issues regarding accounting principles, practices and judgments.
- Review the Corporation's quarterly unaudited financial statements, interim Management Discussion and Analysis, interim earnings press release and related documents prior to any public disclosure of such information, and report its findings to the Board for approval. Review should include discussion with management and the independent auditor of significant issues regarding accounting principles, practices and judgments.
- Review and approve, or, in the case of annual financial statements, recommend approval to the Board of, news releases and reports to shareholders issued by the Corporation with respect to the Corporation's annual and quarterly financial statements and any other relevant financial matters.
- Ensure that adequate procedures are in place for the review of the Corporation's disclosure of financial information extracted or derived from the Corporation's financial statements, other than the disclosure stated above, and periodically assess the adequacy of the those procedures.
- Consider the independent auditor's judgements about the quality and appropriateness, not just the acceptability of accounting principles and financial disclosure practices of the Corporation, as approved in its financial reporting.
- In consultation with management and the independent auditor, consider the integrity of the Corporation's financial reporting processes and controls. Discuss with them significant financial risk exposures and the steps management has taken to monitor, control, and report such exposures. Review significant findings prepared by the independent auditor together with management's responses.

- Review with management and the independent auditor the management certifications of the financial statements as required by Multilateral Instrument 52-109 – *Certification of Disclosure In Companies' Annual and Interim Filings*.
- Review the following with management with the objective of obtaining reasonable assurance that financial risk is being effectively managed and controlled: (a) management's tolerance for financial risks; (b) management's assessment of significant financial risks facing the Corporation; and (c) the Corporation's policies, plans, process and any proposed changes to those policies for controlling significant financial risks.

Independent Auditor

The independent auditor is ultimately accountable to the Committee and the Board. The Committee shall:

- Review the independence and performance of the auditor and annually recommend to the Board the appointment of the independent auditor or approve any discharge of auditor when circumstances warrant.
- Assume direct responsibility for overseeing the work of the independent auditor engaged to prepare or issue an audit report or perform other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the independent auditor regarding financial reporting.
- Evaluate and recommend to the Board the independent auditor to be nominated to prepare or issue an audit report or perform other audit, review or attest services for the Corporation, the terms of engagement and the compensation of the independent auditor.
- Pre-approve all non-audit services to be provided to the Corporation or its subsidiary entities by its independent auditor. Authority to pre-approve non-audit services may be delegated to the Chair of the Committee, provided that the pre-approval is presented to the full Committee at its first scheduled meeting following such pre-approval.
- On an annual basis, review and discuss with the independent auditor all significant relationships they have with the Corporation that could impair the auditor's independence.
- Review the independent auditor's audit plan, discuss scope, staffing, locations, reliance upon management and internal audit and general audit approach.
- Prior to releasing the year-end earnings, discuss the results of the audit with the independent auditor. Discuss certain matters required to be communicated to audit committees.
- Review the results of independent audits and any change in accounting practices or policies and their impact on the financial statements.

- Where there are unsettled issues raised by the independent auditor that do not have a material effect on the annual audited financial statements, require that there be a written response identifying a course of action that would lead to their resolution.
- Review and approve the Corporation's hiring policies regarding partners, employees, former partners and former employees of the present and former independent auditor of the Corporation.

Ethical and Legal Compliance

The Committee shall:

- On at least an annual basis, review with the Corporation's counsel: (a) any legal matters that could have significant impact on the Corporation's financial statements, the Corporation's compliance with applicable laws and regulations; and (b) any inquiries received from regulators or governmental agencies.
- Perform any other activities consistent with this charter, the bylaws of the Corporation and governing law as the Committee or the Board deem necessary or appropriate.

Other

The Committee shall:

- Ensure that the Chief Financial Officer of the Corporation is financially literate. An individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.
- Establish procedures for: (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
- If management solicits proxies from the Corporation's security holders for the purpose of electing directors to the Corporation's Board, ensure that the management information circular contains the prescribed disclosure regarding the Committee, and if the Corporation prepares an annual information form, that such annual information form contains the prescribed disclosure regarding the Committee.
- Review and recommend to the Board for approval all non-arm's length transactions involving the Corporation and any director, officer, employee, representative or significant securityholder.

Amended and Restated Charter of the Audit Committee
of the Board of Directors of Silvermet Inc.

- Annually conduct self-assessment of the performance of the Committee, including a review and discussion of the Committee's roles and responsibilities, seeking input from management and the Board.
- Review and reassess the adequacy of this Charter at least annually, submit it to the Board for approval and ensure that it is in compliance with applicable regulations.

**Approved by the Board of Directors
of Silvermet Inc. on July 27, 2006**