SILVERMET INC.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2010

(EXPRESSED IN UNITED STATES DOLLARS)

(UNAUDITED)

Management's Responsibility for Consolidated Financial Statements

The accompanying unaudited interim consolidated financial statements of Silvermet Inc. (the "Company" or "Silvermet") were prepared by management in accordance with Canadian generally accepted accounting principles. Management acknowledges responsibility for the preparation and presentation of the unaudited interim consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

Management has established processes, which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the unaudited interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the unaudited interim consolidated financial statements and (ii) the unaudited interim consolidated financial statements fairly present in all material respects the financial condition, results or operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited interim consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognized its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

Notice to Reader

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these unaudited interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Silvermet Inc.
Interim Consolidated Balance Sheets
(Expressed in United States Dollars)
(Unaudited)

		As at September 30, 2010		As at December 31, 2009
ASSETS				
Current assets				
Cash and cash equivalents	$	422,102	$	46,169
Accounts receivable (note 10(a))		2,195,887		1,081,508
Inventory		509,387		1,521,980
Investment (note 3)		46,965		62,537
Prepaid expenses		23,159		419,276
		3,197,500		3,131,470
Property and equipment (note 4)		7,069,053		7,075,330
	$	10,266,553	$	10,206,800
LIABILITIES				
Current liabilities				
Bank indebtedness	$	-	$	41,000
Accounts payable and accrued liabilities		2,539,791		2,797,906
Loan payable (note 6)		87,658		-
Unearned revenue		-		749,437
Bank loan (note 7)		494,118		1,130,800
Convertible debenture (note 8)		334,994		-
Current portion of long-term liabilities		442,145		450,203
		3,898,706		5,169,346
Long-term liabilities (note 9)		1,964,707		1,886,540
		5,863,413		7,055,886
Non-controlling interest		1,646,853		1,267,004
Shareholders' equity		2,756,287		1,883,910
	$	10,266,553	$	10,206,800

Commitments (note 17)

The notes to the unaudited interim consolidated financial statements are an integral part of these statements.

On behalf of the Board:

"Stephen G. Roman"
Stephen G. Roman

"Douglas Scharf"
Douglas Scharf

Silvermet Inc.

Consolidated Statements of Net Income (Loss) and Comprehensive Income (Loss)
(Expressed in United States Dollars)

(Unaudited)	For the three months ended September 30, 2010	For the three months ended September 30, 2009	For the nine months ended September 30, 2010	For the nine months ended September 30, 2009
Revenue				
Gross sales revenue	$ 4,753,062	$ 1,589,329	$ 11,207,766	$ 2,426,330
Treatment and transportation costs	(1,282,809)	(631,693)	(3,528,950)	(1,012,364)
Net Revenue	3,470,253	957,636	7,678,816	1,413,966
Direct operating costs	1,667,007	1,044,341	5,557,357	1,777,796
Amortization - Turkey	98,866	27,289	289,688	73,132
Income (Loss) from Operations	1,704,380	(113,994)	1,831,771	(436,962)
Expenses				
General and administration - Turkey	215,481	-	814,830	-
General and administration - Canada	341,616	388,844	681,366	705,926
Interest and financing	44,777	35,848	88,672	125,418
Amortization - Canada	4,916	1,118	8,674	6,045
Investment and other (gain) loss	(3,475)	8,874	(206,748)	4,829
Foreign exchange loss	7,149	127,247	154,913	249,922
Stock option expense (note 12)	267,253	9,860	293,813	183,791
Accretion of liabilities	101,252	133,374	226,326	165,466
Pre-operating costs	-	-	-	542,289
Gain on dilution (note 6)	-	(1,503,776)	(83,748)	(1,503,776)
	978,969	(798,611)	1,978,098	479,910
Net income (loss) before income taxes	725,411	684,617	(146,327)	(916,872)
Non-controlling interest in net income (loss) of consolidated affiliates (note 5)	(524,736)	224,053	(128,562)	224,053
Net income (loss) available to common shareholders	200,675	908,670	(274,889)	(692,819)
Other Comprehensive Income	-	-	-	-
Comprehensive income (loss)	200,675	908,670	(274,889)	(692,819)
Basic and diluted income (loss) per share	$0.002	$0.008	($0.002)	($0.006)
Weighted average number of shares outstanding, basic and diluted	126,389,716	121,039,651	125,642,115	107,729,462

See accompanying notes to consolidated financial statements

Silvermet Inc.

Interim Consolidated Statements of Deficit
(Expressed in United States Dollars)
(Unaudited)

	Three Months ended September 30		Nine months ended September 30	
	2010	2009	2010	2009
Balance, Beginning of period	$ (17,104,629)	$ (17,539,044)	$ (16,629,065)	$ (15,937,555)
Net income (loss) for the period	200,675	908,670	(274,889)	(692,819)
Balance, end of period	$ (16,903,954)	$ (16,630,374)	$ (16,903,954)	$ (16,630,374)

The notes to the unaudited interim consolidated financial statements are an integral part of these statements.

Silvermet Inc.

Interim Consolidated Statements of Cash Flows
(Expressed in United States Dollars)
(Unaudited)

	Three months ended September 30, 2010	Three months ended September 30, 2009	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Cash generated (used by)				
Operating activities				
Net income (loss)	$ 200,675	$ 908,670	$ (274,889)	$ (692,819)
Stock option expense	267,253	9,860	293,813	183,791
Investment and other loss	11,960	8,921	6,943	6,401
Accrued interest	-	47,672	-	47,672
Unrealized foreign exchange loss (gain)	7,488	(4,879)	2,329	(8,205)
Accretion	101,252	133,374	226,326	165,466
Amortization	103,782	28,407	298,362	79,177
Gain on dilution	-	(1,503,776)	(83,748)	(1,503,776)
Non-controlling interest in consolidated affiliates	524,736	- 224,053	128,562	(224,053)
	1,217,146	(595,804)	597,698	(1,946,346)
Non-cash working capital items:				
Accounts receivable	(1,015,911)	(273,076)	(1,114,379)	(543,587)
Prepaid expenses	5,834	28,551	396,117	(153,030)
Inventory	(342,464)	(357,208)	1,012,593	(586,869)
Unearned revenue	-	-	(749,437)	-
Bank Indebtedness	-	-	(41,000)	-
Other	-	-	(397,860)	-
Accounts payable and accrued liabilities	(283,559)	(187,219)	(258,115)	(912,767)
	(418,954)	(1,384,756)	(554,383)	(4,142,599)
Financing activities				
Shares issued for cash		537,438		1,838,236
Share issue costs	-	-	-	(26,982)
Bank loan repayments	(123,529)	(120,000)	(636,682)	(280,000)
Loan payable repayments	(329,907)	-	(844,342)	-
Loan payable proceeds	-	-	1,415,700	2,000,000
Fixed payments	-	-	(128,000)	-
Warrants exercised	872,062	-	900,840	-
	418,626	417,438	707,516	3,531,254
Investing activities				
Cash paid on closing of Turkish acquisition	-	-	-	(727,710)
Proceeds from sale of investment	-	750,000	518,333	750,000
Acquisition of equipment - net of cash received on disposals	(96,861)	(128,045)	(295,533)	(303,489)
	(96,861)	621,955	222,800	(281,199)
Net change in cash and cash equivalents	(97,189)	(345,363)	375,933	(892,544)
Effect of exchange rate changes on cash and cash equivalents		-		-
Cash and cash equivalents, beginning of period	519,291	329,984	46,169	877,165
Cash and cash equivalents, end of period	$ 422,102	$ (15,379)	$ 422,102	$ (15,379)

The notes to the unaudited interim consolidated financial statements are an integral part of these statements.

Silvermet Inc.

Interim Consolidated Statements of Changes in Shareholders' Equity
(Expressed in United States Dollars)

	Share Capital	Warrants	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Total
Balance, December 31, 2008	**12,848,956**	**349,706**	**3,105,947**	**(15,993,998)**	**273,890**	**584,501**
Issue of units for cash	1,794,428	-	-	-	-	1,794,428
Allocated to warrants	(192,718)	192,718	-	-	-	-
Allocated to broker warrants	(3,215)	3,215	-	-	-	-
Unit and broker warrants expired	-	(349,706)	349,706	-	-	-
Stock option expense	-	-	150,078	-	-	150,078
Issued for interest payment on loan	47,671	-	-	-	-	47,671
Tax effect on expiry of warrants	-	-	(57,701)	-	-	(57,701)
Loss for the year	-	-	-	(635,067)	-	(635,067)
Balance, December 31, 2009	**$ 14,495,122**	**$ 195,933**	**$ 3,548,030**	**$ (16,629,065)**	**$ 273,890**	**$ 1,883,910**
Other					(232,895)	(232,895)
Exercise of unit warrants	963,154	(71,929)		-	-	891,225
Warrants issued		176,868	-	-	-	176,868
Stock option expense	-	-	312,068	-	-	312,068
Income for the nine months ended September 30, 2010	-	-	-	(274,889)	-	(274,889)
Balance, September 30, 2010	**$ 15,458,276**	**$ 300,872**	**$ 3,860,098**	**$ (16,903,954)**	**$ 40,995**	**$ 2,756,287**

The notes to the unaudited interim consolidated financial statements are an integral part of these statements.

1. Nature of Operations

Silvermet Inc. (the “Company” or “Silvermet”) is a corporation incorporated under the laws of Ontario and its principal business activity has been mineral exploration and processing in Canada and Turkey. The Company’s Waelz kiln operations have been running since May 2009 and process Electric Arc Furnace Dust (“EAFD”) obtained from steel companies to recover zinc concentrates that are then treated by zinc smelters.

These unaudited interim consolidated financial statements have been prepared using Canadian generally accepted accounting principles (“GAAP”) applicable to a going concern, which assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business.

For the three months ended September 30, 2010 the Company had a net income of $200,675 (2009 – income of $908,670). For the nine months ended September 30, 2010, the Company had a net loss of $274,889 (2009 – loss of $692,819) and had cash outflows from operations of $554,383 (2009 – outflows of $4,142,599). As at September 30, 2010 the Company had a shareholders’ equity of $2,756,287.

2. Summary of Significant Accounting Policies

The unaudited interim consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (“GAAP”) using standards for interim financial statements and do not contain all of the information required for annual financial statements. These statements follow the same accounting policies and methods of application as the most recent annual audited consolidated financial statements, and accordingly, should be read in conjunction with the annual financial statements dated December 31, 2009. These unaudited interim consolidated financial statements reflect all normal and recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the respective interim periods presented.

3. Investments

(a) Until its sale on April 16, 2010, the Company held an investment in Logan Resources Ltd. (“Logan”), which trades on the TSX Venture Exchange. The investment had been classified as a held-for-trading instrument. The Company recorded a gain of $5,017 on its sale.

(b) In connection with its Muskox exploration work, the Company held an Inuit Owned Lands (“IOL”) license, issued by the Kitikmeot Inuit Association (“KIA”). The Company provided a letter of credit for $50,000 (C$) to KIA. The KIA may draw upon the letter of credit if certain environmental conditions of the license are breached. The letter of credit has not been drawn upon and no conditions of the license have been breached. The company expects to close out the letter of credit over the next twelve months. The $46,965 (C$ 50,000) has been placed on deposit with the financial institution that issued the letter of credit and is recorded as an investment at September 30, 2010.

(Expressed in United States Dollars)

4. Property and Equipment

September 30, 2010	Cost	Accumulated amortization	Net carrying Value
Turkey			
Land	$ 3,147,636	$ -	$ 3,147,636
Building	904,671	70,178	834,493
Land improvements	285,725	22,620	263,105
Machinery and equipment	3,135,738	459,292	2,676,446
Capitalized leases	92,379	16,166	76,213
Software	5,830	5,830	-
Vehicles	17,931	4,768	13,162
Office equipment	69,642	19,174	50,468
Furniture, fixtures and other	3,368	1,179	2,189
	7,662,920	599,207	7,063,712
Canada			
Furniture and fixtures	5,444	5,444	-
Office and computer equipment	16,139	10,998	5,141
Leasehold improvements	2,574	2,374	200
	24,157	18,817	5,341
	$ 7,687,077	$ 618,024	$ 7,069,053

December 31, 2009	Cost	Accumulated amortization	Net carrying Value
Turkey			
Land	$ 3,147,636	$ -	$ 3,147,636
Building	877,210	36,550	840,660
Land improvements	285,725	11,905	273,820
Machinery and equipment	2,884,839	236,105	2,648,734
Capitalized leases	92,379	9,238	83,141
Software	5,830	4,858	972
Vehicles	14,811	2,469	12,342
Office equipment	57,445	9,574	47,871
Furniture and fixtures	2,424	485	1,939
Other	944	189	755
	7,369,243	311,373	7,057,870
Canada			
Furniture and fixtures	5,444	2,916	2,528
Office and computer equipment	28,679	15,367	13,312
Leasehold improvements	2,754	1,134	1,620
	36,877	19,417	17,460
	$ 7,406,120	$ 330,790	$ 7,075,330

5. Non-Controlling Interest

On February 21, 2009, the Company entered into a financing with Cooper Island Investments, LLC. ("Cooper Island"), a company related to a major shareholder, Greyling Investments Inc. Subsequently, this financing was amended. The amended financing was a loan of up to $4,000,000 to be released in tranches of $500,000. The loan bore interest at 12%, matured at February 21, 2010, and was repayable at any time without penalty. The Company drew down $500,000 in February 2009, $500,000 in March 2009 and $1,000,000 in April 2009 under the loan facility.

Additionally, Cooper Island was entitled to receive 3.4 warrants per $1 advanced. In connection with the cumulative $2,000,000 advanced on the loan, the Company contracted to issue to Cooper Island 6.8 million warrants, exercisable at a price of $0.10 (C$) per share for the lesser of the term of the loan or 5 years, should there be any loan maturity extensions. The exercise price per share of warrants to be issued in connection with subsequent tranches, if any, was to be the greater of $0.10 (C$) and the market price of the Company's common shares at the time of the grant.

On July 27, 2009, the Company transferred its investment in the Turkish operations, along with the associated rights and obligations, including the $2,000,000 Cooper Island financing to one of its wholly-owned subsidiaries in exchange for equity.

On July 28, 2009, the Cooper Island financing was exchanged for an indirect equity position in the Company's Turkish Waelz kiln business (the "Turkish Operations") which had previously been approved and confirmed by the shareholders on June 10, 2009. At the date of conversion, all advances under the Cooper Island loan facility were converted to 6.25% equity in the Turkish Operations per $500,000 amount. The $2,000,000 advanced through April was therefore converted to a 25% equity position in the Turkish Operations. In connection with such conversion, the warrants that had been contracted for under the loan facility were cancelled. Additionally, Silvermet issued 367,000 shares to Cooper Island as payment for interest of $47,672 up to the date of conversion.

At any time prior to March 31, 2010 Silvermet could call on Cooper Island to make additional equity investments in its Turkish Operations in $250,000 tranches up to an aggregate of $2,000,000. Silvermet had the right to maintain its interest by contributing its proportionate share of additional capital within 60 days of Cooper Island's investment. This facility expired on March 31, 2010.

During 2009, $1,000,000 was drawn on this facility, and during the three months ended March 31, 2010, a further $500,000 was drawn. During 2009, the Company raised $531,048 to offset a portion of the resulting dilution. As at September 30, 2010, Cooper Island held a 41.5% interest (32.1% at September 30, 2009) in the Turkish Operations.

As a result of Cooper Island investing $500,000 in the subsidiary during the three months ended March 31, 2010, the Company recognized gains on dilution of its ownership in the subsidiary totaling $83,748. Cooper Island's interest in the assets and earnings of the subsidiary are shown as Non-Controlling interest on the Balance Sheet, and Non-Controlling interest in Net Income (Losses) of consolidated affiliates.

On October 27, 2010 Cooper Island sold its 41.5% interest in the Turkish Operations to an affiliate of Befesa Medio Ambiente, S.A. ("Befesa"). (See Note 18 – Subsequent Events)

6. Loan Payable

On January 17, 2010 (and as subsequently amended on February 24, 2010), the Company borrowed $932,000 from Cooper Island, bearing interest 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 (see Note 5). The loan was securitized by the residual receivables from sales of zinc concentrate to third parties and was paid down out of such residual receivable payments. On June 18, 2010 Cooper Island assigned the remaining loan balance of $417,565 to one of the Company's directors, who extended the maturity date to August 31, 2010, with all other terms and conditions remaining unchanged. As at September 30, 2010, the remaining unpaid balance including accrued interest was $87,658. Subsequently on October 8, 2010, the loan and accrued interest was paid off completely.

7. Bank Loan

Pursuant to the acquisition of its Turkish Operations the Company assumed a term loan from a financial institution in Turkey in the amount of $1,130,800. The term loan had an interest rate of 10% and matured on February 17, 2010. The term loan called for interest payments every calendar quarter with the principal due at maturity. On April 5, 2010 the Company repaid $430,800 and extended the remaining $700,000 for 18 months, payable in equal monthly installments and bearing interest at 12%. The loan is secured by land, building and equipment of the Turkish Operations. The outstanding balance at September 30, 2010 is $494,118.

8. Convertible Debenture

On July 23, 2010, the Company closed a 13.2% convertible debenture financing for $483,700 (C$ 500,000), C$ 250,000 of which was placed with one of the Company's directors. The debentures are convertible into common shares of the Company at a price of $0.10 (C$) 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 $0.10 (C$) per share at any time prior to June 30, 2011. The convertible debenture was recorded with liability and equity components. The liability component was recorded as debt at its net present fair value of $334,994 (C $345,245), including a $44,217 (C $45,500) accretion expense booked during the quarter ending September 30, 2010. The equity component consisted of a value conversion component (valued at C $18,255) and a cost of issuance of the convertible debenture of $176,868 (C $ 182,000) representing the valuation of 5,000,000 warrants at C $0.036 per unit.

(Expressed in United States Dollars)

9. Long-Term Liabilities

The acquisition of the Waelz kiln assets was paid for by cash of $727,710, the assumption of liabilities of $3,669,006, a loan payable of $960,000 to the vendor and contingent consideration up to a maximum of $2,348,372 for a total gross purchase price of $7,705,088.

	As at September 30, 2010	As at December 31, 2009
Turkey		
Loan payable[(a)]	$ 442,145	$ 522,036
Contingent consideration[(b)]	1,964,707	1,814,707
	2,406,852	2,336,743
Due in twelve months	442,145	450,203
	$ 1,964,707	$ 1,886,540

(a) At September 30, 2010 management estimates that the total undiscounted amount of the estimated cash flows required to settle the Company's loan payable is $448,000. In connection with its acquisition, the Company had the right to discontinue payments on the loan payable and contingent consideration if the vendors had not resolved certain retained liabilities. As these liabilities were still unresolved, the Company discontinued further payments in April 2010, pending resolution of these retained liabilities. The credit-adjusted interest rate used to discount estimated cash flows related to the loan payable was 12%. No change in assumptions has occurred since December 31, 2009. Accretion expense is recorded in the income statement to accrete the loan payable back to its face value.

(b) At September 30, 2010, management estimates that the total undiscounted amount of the estimated cash flows required to settle the Company's contingent consideration is approximately $2.3 million. This amount is payable based on 25% of earnings before interest, taxes, depreciation and amortization after the Company has recovered its acquisition costs and future capital expenditures in Turkey plus a 12% per annum return. Any amount not paid within 5 years of the acquisition date of February 16, 2009 is not required to be paid. The ultimate amount of the contingent consideration is therefore dependent on the performance of the operations during this earn-out period. The credit-adjusted interest rate used to discount estimated cash flows related to this contingent liability was 12%. No change in assumptions has occurred since December 31, 2009. Accretion expense is recorded in the income statement to accrete the contingent consideration back to its undiscounted value.

10. Related Party Transactions

(a) During the nine months ended September 30, 2010 the Company received reimbursement for rent and other expenses from companies with a director, or directors, in common to Silvermet, as well as reimbursing such other companies for certain expenses incurred on behalf of Silvermet. These transactions were conducted in the normal course of business on terms that approximate market value and measured at the exchange amounts. The Company charged a total of $28,875 and $85,231 to the related companies concerning these expenses for the three and nine months ended September 30, 2010 respectively (for the three and nine months ended September 30, 2009 - $28,615 and $33,877 respectively). Included in receivables is $22,030 ($54,139 at December 31, 2009) related to these amounts which are due on demand.

(b) During the three and nine months ended September 30, 2010 the Company accrued or paid $114,337 and $355,142 to related parties or companies controlled by related parties for management services provided to the Company (2009 - $71,556 and $195,966). There were no amounts payable or accrued at September 30, 2010 or 2009 related to these amounts. These transactions were in the normal course of operations and recorded at exchange value.

(Expressed in United States Dollars)

(c) On June 18, 2010, a director of the Company assumed the remaining balance of $417,565 on the Cooper Island loan (see Note 6) and extended its maturity. On July 23, 2010 this same director participated in C $250,000 of the C $500,000 convertible debenture financing.

11. Share Capital

a) Authorized - Unlimited number of common shares

b) Common shares issued

	Number of Shares	Amount
Balance, December 31, 2008	87,709,216	$ 12,848,956
Issue of units for cash	14,386,000	555,040
Issue of units for cash	16,859,000	718,776
Issue of units for cash	4,000,000	360,412
Issue of units for cash	1,800,000	160,200
Shares issued for payment of interest	367,000	47,671
Allocated to warrants	-	(195,933)
Balance, December 31, 2009	125,112,216	$ 14,495,122
Exercise of unit warrants[(a)]	9,293,000	963,154
Balance, September 30, 2010	134,405,216	$ 15,458,276

(a) On January 21, 2010, the Company issued 100,000 common shares in exchange for 100,000 warrants at C$ 0.10 per share. On May 6, 2010, the Company issued 200,000 common shares in exchange for 200,000 warrants at C$ 0.10 per share. On September 20, 2010, the Company issued 8,993,000 common shares in exchange for 8,993,000 warrants and broker warrants at C$ 0.10 per share.

12. Stock Options

The following table reflects the continuity of stock options for the nine months ended September 30, 2010:

	Number of Stock options	Weighted average exercise price (C$)
Balance, December 31, 2008	5,270,000	0.33
Cancelled	(3,150,000)	0.28
Granted	6,950,000	0.11
Balance, December 31, 2009	9,070,000	0.18
Cancelled	(2,220,000)	0.15
Granted[(a)]	3,250,000	0.15
Balance, September 30, 2010	10,100,000	0.18

(a) Using Black-Scholes valuation method, the options were valued at $265,866. The following assumptions were used to determine the value: expected dividend yield of 0%, risk free interest rate of 2.10%, expected volatility of 192% and an expected maturity of 5 years.

(Expressed in United States Dollars)

The following table reflects the actual stock options issued and outstanding as of September 30, 2010:

Expiry Date	Exercise price (C$)	Weighted Average Remaining Contractual Life (years)	Number of Options Outstanding	Number of Options Vested (Exercisable)	Number of Options Unvested
October 5, 2010	0.15	0.01	200,000	200,000	-
May 31, 2012	0.50	1.67	1,420,000	1,420,000	-
July 24, 2013	0.15	2.82	250,000	250,000	-
March 12, 2014	0.10	3.45	4,150,000	3,266,667	883,333
June 10, 2014	0.20	3.70	600,000	600,000	-
November 19, 2014	0.15	4.14	250,000	83,333	166,667
September 01, 2015	0.15	4.92	3,250,000	2,150,000	1,100,000
	0.18	3.62	10,100,000	7,950,000	2,150,000

13. Warrants

The following table reflects the continuity of warrants for the nine months ended September 30, 2010:

	Number of warrants	Value ($)	Weighted average exercise price (C$)
Balance, December 31, 2008	7,507,151	349,706	0.26
Unit and broker warrants expired	(7,507,151)	(349,706)	(0.26)
Unit warrants issued	18,518,000	192,718	0.12
Broker warrants issued	300,000	3,215	0.10
Balance, December 31, 2009	18,818,000	195,933	0.12
Unit warrants issued[(a)]	5,000,000	176,868	0.10
Broker warrants exercised	(300,000)	(3,215)	0.10
Unit warrants exercised	(8,993,000)	(68,714)	(0.10)
Balance, September 30, 2010	14,525,000	300,872	0.12

(a) The fair market values of the 5,000,000 unit warrants which represent a cost of issuance for the convertible debenture (see Note 8) are estimated at $176,868 using the Black-Scholes option pricing model with the following assumptions as appropriate at the specific dates:

Risk-free interest rate	1.15%
Expected dividend yield	nil
Expected stock price volatility	94%
Expected Life	12 months

(Expressed in United States Dollars)

The following table reflects the actual warrants issued and outstanding as of September 30, 2010:

Expiry Date	Exercise Price (C$)	Type	Number of Warrants
November 6, 2010	0.10	Unit warrants	6,625,000
February 25, 2011	0.20	Unit warrants	2,000,000
March 16, 2011	0.20	Unit warrants	900,000
June 30, 2011	0.10	Unit warrants	5,000,000
	0.12		14,525,000

14. Segmented Information

Details of the Company's assets by geographic area are as follows:

	September 30, 2010	December 31, 2009
Canada	$ 1,502,225	$ 363,249
Turkey	8,747,898	9,829,288
Singapore	16,430	14,263
	$ 10,266,553	$ 10,206,800

15. Capital Management

In managing its capital, the Company's objective is to ensure the entity continues as a going concern as well as to achieve optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support its business strategy. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management team to sustain the future development of the business. The Company considers its capital to be shareholder's equity (managed capital), which at September 30, 2010 totaled $2,756,287 (December 31, 2009 - $1,883,910).

The Company invests all capital not required for its immediate needs in short-term, liquid and highly rated financial instruments, such as cash and other short-term guaranteed deposits, all held with major Canadian financial institutions.

At September 30, 2010, the Company is operating with positive cash flow. In order to carry out the planned development of the Waelz kiln and pay for administrative costs, the Company will spend its cash generated from operations and raise additional amounts as needed. The Company will continue to assess new projects and seek to acquire an interest in additional projects if it believes there is economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate. There were no changes in the

Company's approach to capital management during the nine months ended September 30, 2010. The Company is not subject to externally imposed capital requirements.

16. Financial Risk Factors

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rates, foreign exchange rates and commodity and equity price risks).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under polices approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

Credit Risk

Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributed to cash and cash equivalents and accounts receivable. The Company has a concentration of credit risk with a small number of customers. Cash and cash equivalents are held with reputable financial institutions, from which management believes the risk of loss to be minimal. Account receivables include expenses paid on behalf of related companies, sales tax receivables from the Turkish and Canadian governments and sales receivables from various smelters. Accounts receivables are in good standing as at September 30, 2010. Management believes that the credit risk concentration with respect to accounts receivable is minimal.

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital markets is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities and kiln operations. As at September 30, 2010, the Company had a cash and cash equivalents balance of $422,102 (December 31, 2009 - $46,169) to settle current liabilities of $3,898,706 (December 31, 2009 - $5,169,346). The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity.

The Company expects available funding from future equity financing and future cash flows from production at its Waelz kiln will support the current cash and cash equivalents shortfall and payments of future operating costs.

Market Risk

(a) Interest rate risk

The Company has cash balances and interest-bearing debt. The Company has a policy to invest its excess cash in short-term bankers' acceptances issued by Canadian banking institutions. The Company manages its interest rate risk on these investments by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis. Fluctuations in market rates of interest on cash and cash equivalents do not have significant impact on the Company's results of operations due to the short term maturity of the investments. The effect of a one basis point increases or decreases on the short-term investments is not material. Interest-bearing debts have fixed interest rates and the Company is therefore not subject to fluctuations in market rates on its debt. The Company regularly monitors compliance to its cash management policy.

16. Financial Risk Factors (cont'd)

(b) Foreign currency risk

Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company's functional currency is the US dollar and sales and coke purchases are transacted in US dollars. The Company funds certain of its Turkish operations on a cash call basis using US dollars transferred from its bank account held in Canada. The Company maintains US dollar bank accounts in Canada, Singapore and Turkey and Turkish Lira bank accounts in Turkey. The Company is subject to gains and losses due to fluctuations in the US dollar against the Canadian Dollar and Turkish Lira. Sensitivity to a plus or minus 5% change in all foreign currencies against the US dollar with all other variables held constant as at September 30, 2010 would have an impact of approximately $45,000.

Balances in non-US dollar currencies are as follows:

As of September 30, 2010		Canadian Dollar		Turkish Lira
Cash and Cash Equivalents	$	348,429	TL	9,435
Accounts receivable		56,359		1,594,678
Accounts payable and accrued liabilities		(833,932)		(2,318,417)

(c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. Sales of zinc concentrate are recognized in revenue on a provisional pricing basis when title transfers and the rights and obligations of ownership pass to the customer, which can occur at different times depending on the contract. Final pricing is typically not determined until a subsequent date. Accordingly, revenue in any period is based on current prices for sales occurring in the period and ongoing pricing adjustments from sales that are still subject to final pricing. These pricing adjustments result in additional revenues in a rising price environment and reductions to revenue in a declining price environment. The effect of these adjustments on earnings is mitigated by the effect that changing commodity prices have on treatment charges, taxes and non-controlling interests. For the nine months ending September 30, 2010, a plus or minus 10% change in the price of zinc, if all other variables were held constant would affect net and comprehensive income by approximately $770,000.

17. Commitments and Contingent Liabilities

Provisions for all outstanding and pending legal claims are considered by the Company to be adequate. The final outcome with respect to actions outstanding or pending as at September 30, 2010, or with respect to future claims, cannot be predicted with certainty. Significant commitments and contingencies not disclosed elsewhere in the notes to our financial statements are as follows:

The Company has entered into an office lease agreement for a period of five years commencing July 1, 2007 and ending June 30, 2012. On April 23, 2009, the Company entered into a sublease arrangement for a portion of the office space. The sublease commenced on July 1, 2009, for a period of three years. The net annual commitments are estimated as follows:

2010	$21,814
2011	$90,055
2012	$45,728

Companies with a director or directors in common with the Company share the office space and reimburse the Company for a share of the rent.

18. Subsequent Events

On October 27, 2010, Silvermet and an affiliate of Befesa Medio Ambiente, S.A. (“Befesa”) established a new joint venture known as Befesa Silvermet Turkey, S.L. (“Befesa Silvermet”) to hold the Turkish operations. In conjunction with the formation of the joint venture, Befesa invested $10 million directly and indirectly. Befesa acquired a 10% shareholding in Silvermet by completing a private placement of 16 million shares at C $0.125 per share (C $2 million), which funds were then invested in Befesa Silvermet. Befesa invested the balance of the $10 million directly into Befesa Silvermet. Befesa Silvermet acquired Cooper Island’s 41.5% interest in the Turkish operations for $4 million and Silvermet transferred its 58.5% interest in the Turkish operations to Befesa Silvermet.

As a result of these transactions, Befesa Silvermet is held 51% by Befesa and 49% by Silvermet. On closing of the transactions, Befesa Silvermet held 100% of the Turkish operations, assumed the loan payable and contingent consideration (See Note 9) and assumed a loan payable to Silvermet of $500,000 (payable in connection with the funds advanced under the Convertible Debenture – see Note 8). Befesa Silvermet began operations with a cash balance of $6 million.

On November 6, 2010, an additional 5,725,000 warrants of the 6,625,000 maturing warrants were exercised for gross proceeds of C $572,500.