

SILVERMET INC.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE THREE MONTHS ENDED
MARCH 31, 2011**

(EXPRESSED IN UNITED STATES DOLLARS)

(UNAUDITED)

Management's Comments on Unaudited Interim Consolidated Financial Statements

The accompanying unaudited interim consolidated financial statements of Silvermet Inc. (the "Company" or "Silvermet") for the three months ended March 31, 2011 and 2010 have been prepared by management, reviewed by the Audit Committee and approved by the Board of Directors of the Company.

In accordance with National Instrument 51-102, Continuous Disclosure Obligations of the Canadian Securities Administrators, the Company herewith discloses that the accompanying unaudited interim consolidated financial statements have not been reviewed by an auditor.

June 27, 2011

"Stephen G. Roman"
Stephen G. Roman
Chairman, President & CEO

"Ian D. Atacan"
Ian D. Atacan
Chief Financial Officer

Silvermet Inc.**Interim Consolidated Statements of Financial Position****(Expressed in United States Dollars)**

(unaudited)

	Note reference	As at March 31, 2011	As at December 31, 2010	As at January 1, 2010
ASSETS				
Current assets				
Cash and cash equivalents		\$ 522,038	\$ 1,188,247	\$ 46,169
Credit facility receivable	10	2,652,322	2,597,324	-
Accounts receivable	15	1,227,297	1,121,559	1,081,508
Inventory		135,388	246,886	1,521,980
Investments	5	52,821	52,821	62,537
Prepaid expenses		91,863	29,004	419,276
		4,681,729	5,235,841	3,131,470
Property and equipment	6	4,538,673	4,452,494	7,624,248
		\$ 9,220,402	\$ 9,688,335	\$ 10,755,718
LIABILITIES				
Current liabilities				
Bank indebtedness		\$ -	\$ -	\$ 41,000
Accounts payable and accrued liabilities		851,911	1,050,009	2,797,906
Unearned revenue		-	-	749,437
Bank loan	12	121,601	181,588	1,130,800
Convertible debenture	9, 13	-	392,855	-
Tax payable		245,841	142,952	-
Current portion of long-term liabilities		219,520	218,050	450,203
		1,438,873	1,985,454	5,169,346
Long-term liabilities	14	776,160	751,170	1,886,540
		2,215,033	2,736,624	7,055,886
Equity				
Equity attributable to shareholders		7,005,369	6,951,711	2,432,828
Non-controlling interest	7	-	-	1,267,004
Total equity		7,005,369	6,951,711	3,699,832
		\$ 9,220,402	\$ 9,688,335	\$ 10,755,718

Commitments and contingent liabilities 23

See accompanying notes to the interim consolidated financial statements.

On behalf of the Board:

"Stephen G. Roman"
Stephen G. Roman

"Douglas Scharf"
Douglas Scharf

Silvermet Inc.**Interim Consolidated Statements of Net Income (Loss)****(Expressed in United States Dollars)**

(unaudited)

	Note reference	For the three months ended March 31,	
		2011	2010
Revenue			
Gross sales revenue		\$ 2,432,068	\$ 4,345,210
Treatment and transportation costs		(669,570)	(1,522,362)
Net revenue		1,762,498	2,822,848
Cost of sales		1,149,450	2,622,960
Income from Operations		613,048	199,888
Expenses			
General and administration	17	177,878	280,342
Interest and financing	11,12, 13	174,118	81,469
Investment and other income		(72,081)	(3,241)
		279,915	358,570
Net income (loss) before income taxes		333,133	(158,682)
Current income tax expense		(120,772)	-
Future income tax recovery		31,340	-
Net income		243,701	(158,682)
Net income (loss) attributable to:			
Silvermet shareholders		243,701	(250,736)
Non-controlling interest	7	-	(92,054)
		243,701	(158,682)
Basic income (loss) per share		\$0.002	(\$0.001)
Diluted income (loss) per share		\$0.002	(\$0.001)
Basic weighted-average number of shares outstanding		156,305,193	125,162,216
Diluted weighted-average number of shares outstanding		157,920,206	125,162,216

See accompanying notes to the interim consolidated financial statements.

Silvermet Inc.**Interim Consolidated Statements of Comprehensive Income (Loss)****(Expressed in United States Dollars)**

(unaudited)

	Three Months ended March 31,	
	2011	2010
Net income (loss) for the period	\$ 243,701	\$ (158,682)
Other comprehensive income (loss)		
Currency translation adjustments	(225,733)	(451,544)
Other comprehensive income (loss) for the period	(225,733)	(451,544)
Comprehensive income (loss)	\$ 17,968	\$ (610,226)

See accompanying notes to the interim consolidated financial statements.

Silvermet Inc.
**Consolidated Statements of Changes in Equity
(Expressed in United States Dollars)**

	Attributable to Silvermet equity holders						Non-controlling	Total Equity
	Share Capital	Warrants	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Total	interest	
Balance, January 1, 2010	\$ 14,495,122	\$ 195,933	\$ 3,548,030	\$ (15,806,257)	\$ -	\$ 2,432,828	\$ 1,267,004	\$ 3,699,832
Effect of dilution	-	-	-	(83,748)	83,748	-	475,768	475,768
Exercise of unit warrants	9,615	(9,615)	-	-	-	-	-	-
Stock option expense	-	-	14,687	-	-	14,687	-	14,687
Comprehensive income (loss)	-	-	-	(166,988)	(535,292)	(702,280)	92,054	(610,226)
Balance, March 31, 2010	\$ 14,504,737	\$ 186,318	\$ 3,562,717	\$ (16,056,993)	\$ (451,544)	\$ 1,745,235	\$ 1,834,826	\$ 3,580,061
Effect of dilution	-	-	-	-	-	-	70,078	70,078
Acquisition of non-controlling interest	-	-	-	-	-	-	(1,999,451)	(1,999,451)
Issue of shares for cash	1,953,247	-	-	-	-	1,953,247	-	1,953,247
Exercise of unit warrants	1,594,245	(116,678)	-	-	-	1,477,567	-	1,477,567
Share issue costs	(42,502)	-	-	-	-	(42,502)	-	(42,502)
Warrants issued	-	176,868	-	-	-	176,868	-	176,868
Warrants expired	-	(8,546)	8,546	-	-	-	-	-
Stock option expense	-	-	362,506	-	-	362,506	-	362,506
Convertible debt - equity component	-	-	18,255	-	-	18,255	-	18,255
Comprehensive income	-	-	-	1,186,809	73,726	1,260,535	94,547	1,355,082
Balance, December 31, 2010	\$ 18,009,727	\$ 237,962	\$ 3,952,024	\$ (14,870,184)	\$ (377,818)	\$ 6,951,711	-	\$ 6,951,711
Issue of shares for cash	8,333	-	-	-	-	8,333	-	8,333
Warrants expired	-	(61,094)	61,094	-	-	-	-	-
Stock option expense	-	-	27,357	-	-	27,357	-	27,357
Comprehensive income (loss)	-	-	-	243,701	(225,733)	17,968	-	17,968
Balance, March 31, 2011	\$ 18,018,060	\$ 176,868	\$ 4,040,475	\$ (14,626,483)	\$ (603,551)	\$ 7,005,369	-	\$ 7,005,369

See accompanying notes to the consolidated financial statements.

Silvermet Inc.
Notes to Interim Consolidated Financial Statements
(Expressed in United States Dollars)
Three months ended March 31, 2011

1. Nature of Operations

Silvermet Inc. (the "Company" or "Silvermet") is a corporation incorporated under the laws of Ontario, Canada and its registered office is 8 King Street East, Suite 1700, Toronto, Ontario, M5C 1B5. Silvermet's principal business activity is the processing of electric arc furnace dust ("EAFD") obtained from steel companies through a Waelz kiln to recover zinc concentrates that are then treated by zinc smelters. The Company's owns 49% of a joint venture, Befesa Silvermet Turkey S.L. ("BST"), which operates Waelz kiln facility located in Iskenderun, Turkey.

These consolidated financial statements were approved by the Board of Directors on June 27, 2011.

2. Basis of presentation and statement of compliance

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in these interim consolidated financial statements. In the financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

These interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34 - Interim Financial Reporting and IFRS 1 - First Time Adoption of International Financial Reporting Standards ("IFRS 1"). Subject to certain transition elections disclosed in Note 24, the Company has consistently applied the same accounting policies in its opening IFRS statement of financial position at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 24 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended December 31, 2010.

The policies applied in these interim consolidated financial statements are based on IFRS issued and outstanding as of June 27, 2011, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

The interim consolidated financial statements should be read in conjunction with the Company's Canadian GAAP annual financial statements for the year ended December 31, 2010. Note 24 discloses IFRS information for the year ended December 31, 2010 not provided in the 2010 annual financial statements.

Silvermet Inc.
Notes to Interim Consolidated Financial Statements
(Expressed in United States Dollars)
Three months ended March 31, 2011

These consolidated financial statements include the accounts of the Company and its subsidiaries. The interest in the joint venture, Befesa Silvermet Turkey S.L. ("BST"), has been accounted for using the proportionate consolidation method, under which the Company includes in its accounts the Company's proportionate share of assets, liabilities, revenues and expenses, since the formation of BST on October 27, 2010 (Note 8). The Company's operating results for the three months ended March 31, 2010 are therefore at 100%, whereas at 49% for the three months ending March 31, 2011. The balance sheet at December 31, 2010 reflects the impact of proportionate consolidation in which each asset and liability of the BST joint venture is included on a 49% basis.

Non-controlling interest in the net assets of consolidated subsidiaries are identified separately from the Company's equity. Non-controlling interest consists of the minority shareholders' interest at the date of the original business combination plus their share of changes in equity since the date of acquisition. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

The reporting currency of the Company is the United States ("US\$") dollar and amounts included in these interim consolidated financial statements are expressed in US\$, unless otherwise noted.

3. Significant Accounting Policies

(a) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year.

The following are the critical judgments that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

i. Property, plant and equipment

Management estimates the useful lives of property, plant and equipment based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for amortization of property, plant and equipment for any period are affected by these estimated useful lives. The estimates are reviewed at each reporting date and are updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence and legal or other limits to use. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Company's property, plant and equipment in the future.

ii. Income taxes

Deferred tax assets and liabilities are determined based on temporary differences between the financial statement carrying values of assets and liabilities and their respective income tax bases and losses carried forward. The determination of the ability of the Company to utilize loss carry-forwards to offset deferred tax payable requires management to exercise judgment and make certain assumptions about the future performance of the Company. Management is required to assess whether it is probable that the Company will benefit from these prior losses and other deferred tax assets. Changes in economic conditions, metal prices and other factors could result in revisions to the estimates of the benefits to be realized or the timing of utilizing the losses.

Silvermet Inc.
Notes to Interim Consolidated Financial Statements
(Expressed in United States Dollars)
Three months ended March 31, 2011

iii. Stock-based compensation

The Company grants stock options to directors, officers, employees and consultants of the Company under its incentive stock option plan. The fair value of stock options is estimated using the Black-Scholes option pricing model and are expensed over their vesting periods. In estimating fair value, management is required to make certain assumptions and estimates such as the life of options, volatility and forfeiture rates. Changes in assumptions used to estimate fair value could result in materially different results.

(b) Consolidations

These interim consolidated financial statements include the financial statements of the Company and all its subsidiaries. All intercompany balances and transactions, including unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the interim consolidated financial statements.

(c) Non-controlling interests

Non-controlling interests represent equity interests in subsidiaries owned by outside parties. The share of net assets of subsidiaries attributable to non-controlling interests is presented as a component of equity. Their share of net income and comprehensive income is recognized directly in equity. Changes in the parent company's ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions.

(d) Cash and cash equivalents

Cash and cash equivalents include cash and liquid cash investments with an original term to maturity of 90 days or less. Cash and cash equivalents exclude cash subject to restrictions (Note 5).

(e) Inventory

Finished products, work in process and raw material inventories are valued at the lower of cost and net realizable value. Work in process inventory includes inventory at various stages of completion at the kiln site. Work in process and finished product inventories include all direct costs incurred during production including direct labour and materials.

(f) Investments

The Company's investments are recorded at fair value, determined based on quoted market prices.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated amortization. Amortization of assets is calculated using the straight line basis over the estimated life of the specific asset (for leasehold improvements, over the term of the lease), as follows:

Land	- Not applicable
Building	- 40 years
Machinery and equipment	- 10 years
Vehicles	- 3 years
Office equipment	- 4 years
Refractory	- 2 years

Silvermet Inc.
Notes to Interim Consolidated Financial Statements
(Expressed in United States Dollars)
Three months ended March 31, 2011

Computer equipment	- 2 years
Software	- 2 years

Assets under construction are recorded at cost and when substantially complete and available for their intended use, the amortization is charged against the asset based on its/their estimated useful life.

The Company reviews the estimated useful lives, residual values and depreciation methods of property, plant and equipment at the end of each financial year and when events or circumstances indicate that such a review should be made. Changes to estimated useful lives, residual values or depreciation methods resulting from such review are accounted for prospectively.

(h) Impairment of assets

The carrying amount of the Company's long-lived assets is reviewed at each statement of financial position date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Recoverability of assets to be held and used are measured by a comparison of the carrying value of the asset to future discounted net cash flows expected to be generated by the asset.

An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recorded in net income (loss). Impairment losses recognized in prior periods are assessed at each reporting period for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years, net of accumulated amortization. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash - generating unit, or CGU"). The Turkish operations are the Company's only cash-generating unit.

(i) Revenue recognition

Sales of zinc concentrate are recognized in revenue on a provisional pricing basis when title transfers, collectability is reasonably assured, and the rights and obligations of ownership pass to the customer, which can occur at different times depending on the contract. Final pricing is not determined until after the zinc concentrate has been received at the destination port. For these sales, the price is determined on a provisional basis at the date of sale and revenues are recorded at that time based on forward prices. At each reporting date, provisionally priced sales contracts are marked to market using the forward selling prices for which there exists an active and freely traded commodity market such as the London Metals Exchange. The period between provisional pricing and final pricing is typically between one to three months. The marking to market of provisionally priced sales contracts is recorded as an adjustment to gross sales revenue.

(j) Foreign exchange

The Company's entities measure the items in their financial statements in their functional currency (the currency of the primary economic environment they operate in). Silvermet Inc.'s functional

Silvermet Inc.
Notes to Interim Consolidated Financial Statements
(Expressed in United States Dollars)
Three months ended March 31, 2011

currency is the Canadian dollar; BST's functional currency is the US dollar and the Turkish entity's functional currency is the Turkish Lira.

Monetary items denominated in foreign currencies are translated into each entity's functional currency at the rate of exchange on the balance sheet date, and gains and losses on translation are recognized in the statement of income for the period. The Company recognizes all other transactions in foreign currencies at the exchange rate at the time of the transaction.

For operations that have a functional currency other than the US dollar, the Company translates the statement of income and balance sheet as follows:

- Assets and liabilities: translated at the closing rate at the end of the financial period.
- Revenues and expenses: translated for each statement of income at rates approximating the exchange rates at the time of the transactions
- Resulting differences: recognized as a separate component of accumulated other comprehensive income.

The Company also recognizes exchange differences relating to long-term intercompany loan balances with foreign operations that form part of the net investment in the foreign operation in this separate component of accumulated other comprehensive income. When the Company sells all or part of a foreign operation, or repays its share capital or intercompany debt considered part of the net investment, the Company recognizes exchange differences arising from the translation of the net investment in the statement of income.

(k) Stock based compensation

The Company has a stock option plan which is described in Note 17. Stock based compensation is accounted for at fair value. The fair value of stock options issued is estimated based on the Black-Scholes option pricing model using amounts that are believed to approximate the volatility of the trading price of the Company's stock, the expected lives of awards of stock-based compensation, the fair value of the Company's stock and the risk-free interest rate. The estimated fair value of awards of stock based compensation are charged to expense as awards vest, with offsetting amounts recognized as contributed surplus. The Company estimates the number of stock options likely to vest at the time of grant and annually updates this forfeitures estimate based on actual forfeitures.

(l) Income Taxes

Income tax comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are determined on a non-discounted basis using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is

Silvermet Inc.
Notes to Interim Consolidated Financial Statements
(Expressed in United States Dollars)
Three months ended March 31, 2011

recognized in operations in the year that includes the date of enactment or substantive enactment. Deferred income tax assets are recognized to the extent that it is probable that taxable income will be available against which the assets can be utilized. Deferred tax assets and liabilities are not recognized if the temporary differences arise from the initial recognition of goodwill or an asset or liability in a transaction (other than in a business combination) that affects neither accounting profit nor taxable profit. Deferred income tax assets and liabilities are presented as non-current.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the company and it is probable that the temporary difference will not reverse in the foreseeable future.

Tax on income in interim periods accrued using the tax rate that would be applicable to expected total annual earnings.

(m) Income (loss) per common share

Basic income (loss) per common share is based on the weighted average number of common shares outstanding during the period. Diluted income (loss) per share is calculated using the treasury stock method, whereby all "in-the-money" options, warrants and equivalents are assumed to have been exercised at the beginning of the period and the proceeds from the exercise are assumed to have been used to purchase common shares at the average market price during the year. Dilution for convertible bonds and debentures is calculated on an if-converted basis.

(n) Segment disclosures

The Company identifies operating segments based on geographic area; accordingly Turkey, Canada and Singapore are the reported segments. The reportable operating segment is the cash generating unit, Turkey.

(o) Financial Instruments

All financial instruments are included on the Company's balance sheet and measured either at fair value or amortized cost. Changes in fair value are recognized in the net income (loss) or accumulated other comprehensive income, depending on the classification of the related instruments. Transaction costs are expensed as incurred for financial instruments.

All financial assets and liabilities are recognized when the entity becomes a party to the contract creating the asset or liability. All financial instruments are classified into one of the following categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets, or other financial liabilities. Initial and subsequent measurement and recognition of changes in the value of financial instruments depends on their initial classification:

- Held-to-maturity investments, loans and receivables, and other financial liabilities are initially measured at fair value and subsequently measured at amortized cost. Amortization of premiums or discounts and losses due to impairment are included in current period net income (loss).

Silvermet Inc.**Notes to Interim Consolidated Financial Statements****(Expressed in United States Dollars)****Three months ended March 31, 2011**

- Available-for-sale financial assets are measured at fair value. Changes in fair value are included in other comprehensive income (loss) until the gain or loss is recognized in net income (loss). The Company does not have any available-for-sale financial assets.
- Held-for-trading financial instruments are measured at fair value. All changes in fair value are included in net income (loss) in the period in which they arise.
- All derivative financial instruments are measured at fair value, even when they are part of a hedging relationship. Changes in fair value are included in net income (loss) in the period in which they arise, except for cash flow hedge transactions which qualify for hedge accounting treatment in which case gains and losses are recognized in other comprehensive income (loss).

The Company had classified its financial instruments as follows:

Financial Instrument	Classification	Measurement
Cash and cash equivalents	Loans and Receivables	Amortized cost
Credit facility receivable	Loans and Receivables	Amortized cost
Settlements receivables	Loans and Receivables	Amortized cost
Investments	Held-for-Trading	Fair Value
Bank indebtedness	Loans and Receivables	Amortized cost
Accounts payable and accrued liabilities	Other Financial Liability	Amortized cost
Loan payable	Other Financial Liability	Fair Value
Bank loan	Other Financial Liability	Fair Value
Convertible debenture	Other Financial Liability	Fair Value
Current portion of long-term liabilities	Other Financial Liability	Amortized cost
Long-term liabilities	Other Financial Liability	Amortized cost

(p) Interests in Joint ventures

A joint venture can take the form of a jointly controlled entity, jointly controlled operation or jointly controlled asset. All joint ventures involve a contractual arrangement that establishes joint control. A jointly controlled entity is an entity in which we share joint control over the strategic, financial and operating decisions with one or more venturers through the establishment of a corporation, partnership or other entity. A jointly controlled operation involves the use of the assets and resources of the venturers rather than the establishment of a corporation, partnership or other entity. The operation incurs its own expenses and liabilities and raises its own finances. A jointly controlled asset involves joint control of one or more of the assets acquired or contributed for the purpose of the joint venture. Each venturer takes on a share of the output from the assets and bears an agreed share of the expenses.

All joint ventures are accounted for using the proportionate consolidation method. Our proportionate share of the assets, liabilities, revenues, expenses, and cash flows of the joint venture are included in our consolidated financial statements.

4. Future Changes in Accounting Policies

The International Accounting Standards Board ("IASB") has issued a new standard, IFRS 9, "Financial Instruments" ("IFRS 9"), which will ultimately replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). IFRS 9 provides guidance on the classification and

Silvermet Inc.
Notes to Interim Consolidated Financial Statements
(Expressed in United States Dollars)
Three months ended March 31, 2011

measurement of financial assets and financial liabilities. This standard becomes effective for the Company's fiscal year-end beginning January 1, 2013. The Company is currently assessing the impact of the new standard on its financial statements.

IFRS 10 "Consolidated Financial Statements" requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 "Consolidation - Special Purpose Entities" and parts of IAS 27 "Consolidated and Separate Financial Statements". This standard is effective for all annual periods beginning on or after January 1, 2013. The Company is currently assessing the impact of the new standard on its financial statements.

IFRS 11, "Joint Arrangements" ("IFRS 11") was issued by the IASB on May 12, 2011 and will replace IAS 31, "Interest in Joint Ventures". The new standard will apply to the accounting for interests in joint arrangements where there is joint control. Under IFRS 11, joint arrangements are classified as either joint ventures or joint operations. The structure of the joint arrangement will no longer be the most significant factor in determining whether a joint arrangement is either a joint venture or a joint operation. Proportionate consolidations will no longer be allowed and will be replaced by equity accounting. IFRS 11 is effective for the Company's fiscal year-end beginning January 1, 2013, with early adoption permitted. The Company is currently assessing the impact of IFRS 11 on its results of operations and financial position.

IFRS 12 "Disclosure of Interests in Other Entities" establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. This standard is effective for all annual periods beginning on or after January 1, 2013. The Company is currently assessing the impact of the new standard on its financial statements.

IFRS 13, "Fair Value Measurement" ("IFRS 13") was also issued by the IASB on May 12, 2011. The new standard creates a single source of guidance for fair value measurements. IFRS 13 is effective for the Company's fiscal year-end beginning January 1, 2013, with early adoption permitted. The Company is assessing the impact of IFRS 13 on its consolidated financial statements.

5. Investments

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 \$51,135 (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 March 31, 2011.

Silvermet Inc.
Notes to Interim Consolidated Financial Statements
(Expressed in United States Dollars)
Three months ended March 31, 2011

6. Property and Equipment

	Land	Building	Machinery and equipment	Office equipment and other	Total
Turkey					
January 1, 2010, net of accumulated depreciation (IFRS, consolidated at 100%)	\$ 2,774,430	\$ 1,304,573	\$ 3,500,158	\$ 27,626	\$ 7,606,788
Additions	-	31,560	302,633	19,276	353,469
Disposals	-	-	(18,534)	-	(18,534)
Amortization	-	(28,070)	(416,994)	(11,882)	(456,946)
Foreign exchange	(71,675)	(33,636)	(149,564)	(755)	(255,630)
Impact of joint venture and proportionate consolidation ⁽¹⁾	(1,378,405)	(649,958)	(736,878)	(17,475)	(2,782,717)
Canada - December 31, 2010, net of accumulated depreciation (consolidated at 49%)	\$ 1,324,350	\$ 624,469	\$ 2,480,821	\$ 16,790	\$ 4,446,430
Canada					
January 1, 2010, net of accumulated depreciation	\$ -	\$ -	\$ -	\$ 17,460	\$ 17,460
Additions	-	-	-	3,115	3,115
Disposals	-	-	-	(4,526)	(4,526)
Amortization	-	-	-	(9,985)	(9,985)
Turkey - December 31, 2010, net of accumulated depreciation	\$ -	\$ -	\$ -	\$ 6,064	\$ 6,064
December 31, 2010, net of accumulated depreciation	\$ 1,324,350	\$ 624,469	\$ 2,480,821	\$ 22,854	\$ 4,452,494
Turkey					
December 31, 2010, net of accumulated depreciation (consolidated at 49%)	\$ 1,324,350	\$ 624,469	\$ 2,480,821	\$ 16,790	\$ 4,446,430
Additions	-	29,275	112,821	22,017	164,113
Amortization	-	(3,447)	(59,056)	(2,374)	(64,877)
Foreign exchange	(687)	(1,873)	(8,336)	(1,169)	(12,066)
Turkey - March 31, 2011, net of accumulated depreciation (consolidated at 49%)	\$ 1,323,663	\$ 648,423	\$ 2,526,250	\$ 35,265	\$ 4,533,600
Canada					
December 31, 2010, net of accumulated depreciation	\$ -	\$ -	\$ -	\$ 6,064	\$ 6,064
Amortization	-	-	-	(991)	(991)
Canada - March 31, 2011, net of accumulated depreciation	\$ -	\$ -	\$ -	\$ 5,073	\$ 5,073
March 31, 2011, net of accumulated depreciation	\$ 1,323,663	\$ 648,423	\$ 2,526,250	\$ 40,338	\$ 4,538,674

(1) December 31, 2010 property and equipment balance reflects the 49% ownership of the Company in the BST joint venture.

7. 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.

Silvermet Inc.
Notes to Interim Consolidated Financial Statements
(Expressed in United States Dollars)
Three months ended March 31, 2011

On July 27, 2009, the Company transferred its investment in the Company's Turkish Waelz kiln business (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 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 never issued. 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. In the same year, the Company raised \$531,048 to offset a portion of the resulting dilution. During the three months ended March 31, 2010, a further \$500,000 was drawn and as a result Cooper Island's interest rose to 41.5% in the Turkish Operations.

On the conversion of the \$2,000,000 advances to equity and on subsequent drawdowns under the Cooper Island facility, the Company recognized changes in equity on dilution of its ownership in the subsidiary totaling \$1,591,456 in 2009 and \$70,078 in 2010.

On October 27, 2010, in connection with the formation of the BST joint venture, the Company acquired Cooper Island's 41.5% interest in the Turkish Operations for \$4,000,000 (see Note 8).

8. Interests in Joint Venture

On October 27, 2010, Silvermet and Befesa Medio Ambiente, S.A. ("Befesa") established a joint venture known as Befesa Silvermet Turkey, S.L. ("BST") to hold the shares of the Company's Turkish subsidiary, SYI Metalurji Madencilik Sanayi ve Ticaret A.S. ("SYI"). The Company's Turkish Operations were conducted entirely through SYI, subject to certain additional liabilities, that were also transferred to the BST joint venture.

The resulting ownership of the BST joint venture is 51% to Befesa and 49% to Silvermet. The BST joint venture is governed by the Shareholders Agreement between the joint venture partners that requires unanimous approval for certain key strategic, operating, investing and financing policies of the BST joint venture.

As its contribution to the BST joint venture, Befesa invested \$10,000,000 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 \$2,000,000), which funds were then invested in BST joint venture. Befesa advanced \$4,000,000 to the Company, which funds were used to acquire Cooper Island's

Silvermet Inc.
Notes to Interim Consolidated Financial Statements
(Expressed in United States Dollars)
Three months ended March 31, 2011

41.5% interest in the Turkish Operations. The balance of the \$10,000,000 was invested directly into the BST joint venture by Befesa.

Upon the completion of the BST joint venture formation, BST held 100% of the shares of SYI and \$6,000,000 cash, subject to a \$500,000 note payable to Silvermet, \$445,000 loan payable and \$1,500,000 contingent consideration payable to the original vendor of the Turkish Waelz kiln assets (see Notes 9 and 14). A gain of \$1,486,497 was recognized on the Company's contribution to the BST joint venture based on the 51% investment by Befesa.

The Company's 49% interest in the assets and liabilities of the BST joint venture as at March 31, 2011 and December 31, 2010 are as follows:

		As at March 31, 2011		As at December 31, 2010
Assets				
Current assets	\$	4,372,293	\$	3,854,048
Property and equipment		4,533,600		4,446,430
Liabilities				
Current liabilities	\$	1,287,906	\$	1,297,692
Long-term liabilities		776,160		751,170

Included within the Company's consolidated statements of net income (loss) and comprehensive income (loss) for the quarter ended March 31, 2011 and for the year ended December 31, 2010 is the Company's 49% interest in the operations of the BST joint venture since inception on October 27, 2010. This 49% interest is summarized as follows:

		Three month period ended March 31, 2011		Two month period ended December 31, 2010
Revenues	\$	2,432,068	\$	1,557,973
Treatment and transportation costs		669,570		433,480
Operating expenses		1,149,450		743,853
Other expenses (income)		(25,987)		178,797
Net income before taxes	\$	639,035	\$	201,843

Included within the cash flows of the Company for the quarter ended March 31, 2011 and for the year ended December 31, 2010, is the Company's 49% interest in the cash flows of the BST joint venture. This 49% interest is summarized as follows:

		Three month period ended March 31, 2011		Two month period ended December 31, 2010
Operating activities	\$	678,111	\$	432,221
Investing activities				(2,597,324)
Financing activities				2,695,000

Silvermet Inc.
Notes to Interim Consolidated Financial Statements
(Expressed in United States Dollars)
Three months ended March 31, 2011

9. Promissory Note Receivable

In connection with the issuance of the Convertible Debenture (Note 13), the Company advanced \$500,000 for use in the Turkish Operations by way of a demand promissory note bearing interest at 13.2% per annum. On its formation, the BST joint venture assumed this liability to Silvermet. On December 22, 2010, BST paid \$500,000 plus interest of \$9,734 to Silvermet to extinguish the liability under this promissory note.

10. Credit Facility Receivable

The cash invested by Befesa into the BST joint venture was intended to fund major capital improvements on the existing plant as well as expansion capital expenditures. The working capital position of the Turkish Operations was very strong at the end of 2010 and no immediate projects existed that would require funding out of the cash in the BST joint venture. Accordingly, a decision was made to repay the Silvermet promissory note of \$500,000 (Note 9) and \$5,300,661 of the remaining cash was therefore advanced to Befesa under a credit facility (Silvermet's proportionate share as of March 31, 2011 - \$2,652,322). The credit facility provides that Befesa will accrue interest payable to the BST joint venture at an annual rate of 8.35% and calculated on the daily balances advanced under the credit facility. The accrued interest is payable to the BST joint venture at the earlier of its cancellation or the end of the fiscal year. The BST joint venture may cancel the credit facility at any time with no penalty and upon so doing, the principal plus accrued interest must be paid to the BST joint venture by Befesa within two days.

11. 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% and convertible into common shares of a subsidiary company under certain circumstances. The loan was securitized by the residual receivables from sales of zinc concentrate to third parties and was to be paid down out of such residual receivable payments, with a maturity date of July 15, 2010. 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. Subsequently on October 8, 2010, the loan and accrued interest were paid off completely.

12. 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 as part of the \$3,669,006 assumed liabilities (Note 3). The term loan had an interest rate of 10% and matured on February 17, 2010. Interest payments were due quarterly, 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 March 31, 2011 was \$248,165

Silvermet Inc.
Notes to Interim Consolidated Financial Statements
(Expressed in United States Dollars)
Three months ended March 31, 2011

and the Company's proportionate share was \$121,601 (December 31, 2010 - \$370,588 and \$181,588, respectively).

13. Convertible Debenture

On July 23, 2010, the Company completed 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 were 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. At the time, the liability component was recorded as debt at its net present fair value of \$288,577 (C\$ 299,745). The equity component consisted of a value conversion component (valued at \$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. In relation to this convertible debenture, an accretion expense of \$109,255 was booked in the three months ending March 31, 2011 (2010 - \$89,963). On February 9, 2011, the Company repaid the C\$ 500,000 convertible debenture plus accrued interest of C\$ 33,000.

14. Long-Term Liabilities

The acquisition of the Waelz kiln assets included the assumption of a loan payable of \$960,000 plus contingent consideration up to a maximum of \$2,348,372.

The loan payable was payable in 24 monthly installments of \$40,000 through March 16, 2011. No interest was payable on the loan payable and the Company recorded the total payable at its estimated fair value of \$849,735 at February 16, 2009 based on a credit-adjusted interest rate of 12% used to discount the payments. Accretion expense was recorded in the income statement to accrete the loan payable back to its face value over its term.

The contingent consideration was payable based on 25% of income before interest, taxes, depreciation and amortization after the Company had recovered its acquisition costs and future capital expenditures in Turkey plus a 12% per annum return on investment. 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. Based on expected operating results at the time of the acquisition, the contingent consideration was estimated to have a fair value of \$1,649,207 at February 16, 2009, using a credit-adjusted interest rate of 12% to discount estimated cash flows related to this contingent liability. Accretion expense was recorded in the income statement to accrete the contingent consideration back to its undiscounted value over time.

In view of the actual performance of the Turkish Operations since their acquisition and estimated future operating results, management revised its estimate of the fair value of the contingent consideration on the formation of the BST joint venture to an estimated amount of \$1,500,000. At that date, the accreted balance of the contingent consideration was \$1,964,707. The recorded balance of the contingent consideration was reduced to the \$1,500,000. The difference of

Silvermet Inc.
Notes to Interim Consolidated Financial Statements
(Expressed in United States Dollars)
Three months ended March 31, 2011

\$464,707 was recorded as a reduction of the fixed assets at that date and a new accretion schedule developed.

The liabilities under both the loan payable and contingent consideration were assumed by the BST joint venture as of October 27, 2010. The Company's proportionate share of the liabilities at December 31, 2010 is summarized as follows:

	As at March 31, 2011 (proportionally consolidated)	As at December 31, 2010 (proportionally consolidated)	As at December 31, 2010 (at 100%)	As at January 1, 2010
Turkey				
Loan payable ^(a)	\$219,520	\$218,050	\$445,000	\$522,036
Contingent consideration ^(b)	776,160	751,170	1,533,000	1,814,707
	995,680	969,220	1,978,000	2,336,743
Due in twelve months	219,520	218,050	445,000	450,203
	\$776,160	\$751,170	\$1,533,000	\$1,886,540

(a) At March 31, 2011, management estimates that the total undiscounted amount of the estimated cash flows required to settle the Company's loan payable is \$448,000 (2009 - \$560,000). In connection with its acquisition, the Company had the right to discontinue payments on the loan payable and contingent consideration if the vendor had not resolved certain retained liabilities. As these liabilities were not resolved within the requisite period, the Company discontinued further payments in April 2010, pending resolution of these retained liabilities.

(b) At March 31, 2011, management estimates that the total undiscounted amount of estimated cash flows required to settle the Company's contingent consideration is approximately \$2.3 million. No amounts of contingent consideration have been paid to the vendor.

15. Related Party Transactions

During the three months March 31, 2011 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 fair value. The Company charged a total of \$34,500 to the related companies concerning these expenses for the three months ended March 31, 2011 (2010 - \$21,328). Included in receivables is \$58,899 (\$49,177 at December 31, 2010) related to these amounts which are due on demand.

During the three months ended March 31, 2011 the Company paid key management personnel, including officers, directors, or their related entities for management services. Compensation of key management personnel for services provided during the periods was \$81,000 (2010 - \$116,245). There were no amounts payable or accrued at March 31, 2011 or 2010 related to these amounts. These transactions were in the normal course of operations and recorded at exchange value.

On June 18, 2010, a director of the Company assumed the remaining balance of \$417,565 on the Cooper Island loan (see Note 11) and extended its maturity. On July 23, 2010 this same director participated in C \$250,000 of the C \$500,000 convertible debenture financing (see Note 13).

Silvermet Inc.
Notes to Interim Consolidated Financial Statements
(Expressed in United States Dollars)
Three months ended March 31, 2011

16. Share Capital

- a) Authorized - Unlimited number of common shares, at no par value.
- b) Common shares issued

	Number of Shares	Amount
Balance, January 1, 2010	125,112,216	\$ 14,495,122
Exercise of unit warrants ⁽ⁱ⁾	15,018,000	1,587,322
Issue of shares for cash	16,000,000	1,910,745
Exercise of options for cash	166,667	16,538
Balance, December 31, 2010	156,296,883	\$ 18,009,727
Exercise of options for cash	83,333	8,333
Balance, March 31, 2011	156,380,216	\$ 18,018,060

(i) 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. On November 5, 2010, the Company issued 5,725,000 common shares in exchange for 5,725,000 warrants at C\$ 0.10 per share.

17. Stock Options

The following table reflects the continuity of stock options for the three months ended March 31, 2011:

	Number of Stock options	Weighted average exercise price (C\$)
Balance, January 1, 2010	9,070,000	0.18
Expired / Forfeited	(3,370,000)	0.15
Exercised	(166,667)	0.10
Granted ^{(a) (b)}	3,750,000	0.15
Balance, December 31, 2010	9,283,333	0.18
Exercised	(83,333)	0.10
Balance, March 31, 2011	9,200,000	0.18

(a) On September 1, 2010 the Company granted 3,250,000 options to directors and officers of the Company, exercisable at \$0.15 (C\$) per common share through September 1, 2015. These options vest as to 2,150,000 immediately, 550,000 at the end of 12 months and 550,000 at the end of 24 months. Using the Black-Scholes valuation method, the options were valued at \$390,000. 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.

(b) On November 25, 2010 the Company granted 500,000 options to a director of the Company, exercisable at \$0.15 (C\$) per common share through November 25, 2015. These options vested immediately. Using the Black-Scholes valuation method, the options were valued at \$72,080. The following assumptions were used to determine the value:

Silvermet Inc.
Notes to Interim Consolidated Financial Statements
(Expressed in United States Dollars)
Three months ended March 31, 2011

expected dividend yield of 0%, risk free interest rate of 2.10%, expected volatility of 192% and an expected maturity of 5 years.

The following table reflects the actual stock options issued and outstanding as of March 31, 2011:

Expiry Date	Exercise price (C\$)	Weighted Average Remaining Contractual Life (years)	Number of Options Outstanding	Number of Options Vested (Exercisable)	Number of Options Unvested
May 31, 2012	0.50	1.17	1,300,000	1,300,000	-
July 24, 2013	0.15	2.32	250,000	250,000	-
March 12, 2014	0.10	2.95	3,600,000	3,600,000	-
June 10, 2014	0.20	3.20	300,000	300,000	-
September 01, 2015	0.15	4.42	3,250,000	2,150,000	1,100,000
November 25, 2015	0.15	4.66	500,000	500,000	-
	0.18	3.30	9,200,000	8,100,000	1,100,000

18. Warrants

The following table reflects the continuity of warrants for the three months ended March 31, 2011:

	Number of warrants	Value (\$)	Weighted average exercise price (C\$)
Balance, January 1, 2010	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 expired	(900,000)	(8,546)	(0.10)
Unit warrants exercised	(14,718,000)	(123,078)	(0.10)
Balance, December 31, 2010	7,900,000	237,962	0.14
Unit warrants expired	(2,900,000)	(61,094)	(0.20)
Balance, March 31, 2011	5,000,000	176,868	0.10

(a) The fair market values of the 5,000,000 unit warrants which represent a cost of issuance for the convertible debenture (see Note 13) 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

Silvermet Inc.
Notes to Interim Consolidated Financial Statements
(Expressed in United States Dollars)
Three months ended March 31, 2011

The following table reflects the actual warrants issued and outstanding as of March 31, 2011:

Expiry Date	Exercise Price (C\$)	Type	Number of Warrants
June 30, 2011	0.10	Unit warrants	5,000,000
	0.10		5,000,000

19. Segmented Information

The Company's assets by geographic area are as follows:

	March 31, 2011	December 31, 2010	January 1, 2010
Canada	\$ 376,926	\$ 1,335,690	\$ 363,249
Turkey	8,843,042	8,352,143	10,378,206
Singapore	434	502	14,263
	\$ 9,220,402	\$ 9,688,335	\$ 10,755,718

The Company's statement of income (loss) by geographic area is as follows:

For the three months ended March 31, 2011 (proportionally consolidated)				
		Turkey	Canada & Singapore	Total
Gross sales revenues	\$	2,432,068	\$ -	\$ 2,432,068
Treatment and transportation costs		669,570	-	669,570
Cost of sales		1,149,450	-	1,149,450
Income from operations	\$	613,048	\$ -	\$ 613,048
General and administration		-	138,662	138,662
Interest and financing		31,863	142,255	174,118
Investment and other income		(72,081)	-	(72,081)
Foreign exchange loss		11,859	-	11,859
Stock option expense		-	27,357	27,357
Current income tax expense		120,772	-	120,772
Future income tax recovery		(31,340)	-	(31,340)
Net income (loss)	\$	551,975	\$ (308,274)	\$ 243,701

Silvermet Inc.
Notes to Interim Consolidated Financial Statements
(Expressed in United States Dollars)
Three months ended March 31, 2011

For the three months ended March 31, 2010

(at 100%)	Turkey	Canada & Singapore	Total
Gross sales revenues	\$ 4,345,210	\$ -	\$ 4,345,210
Treatment and transportation costs	1,522,362	-	1,522,362
Cost of sales	2,622,960	-	2,622,960
Income from operations	\$ 199,888	\$ -	\$ 199,888
General and administration	-	214,673	214,673
Interest and financing	65,672	15,797	81,469
Investment and other income	-	(3,241)	(3,241)
Foreign exchange loss	50,982	-	50,982
Stock option expense	-	14,687	14,687
Non-controlling interest	-	-	(92,054)
Net income (loss)	\$ 83,234	\$ (241,916)	\$ (158,682)

20. Capital Management

In managing its capital, the Company's objective is to ensure the Company is able to continue its operations and that it has sufficient ability to satisfy its capital obligations and ongoing operational expenses. The Company considers the components of shareholders' equity, as its capital (managed capital), which at March 31, 2011 totaled \$7,005,369 (December 31, 2010 - \$6,951,711). 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.

21. 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).

Credit Risk

The Company's credit risk is attributed to accounts receivable. The Company has a concentration of credit risk within the international zinc smelting industry which resulted in approximately 74% of sales from one account in the three months ended March 31, 2011 (2010 – 100%). Cash is held with reputable financial institutions, from which management believes the risk of loss to be minimal. The BST joint venture has advanced excess funds to Befesa under a credit facility receivable, which funds can be demanded for payment with two day notice. 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 March 31, 2011. Management

Silvermet Inc.
Notes to Interim Consolidated Financial Statements
(Expressed in United States Dollars)
Three months ended March 31, 2011

believes that the credit risk concentration with respect to accounts receivable is mitigated by the use of provisional payments made against shipments.

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 March 31, 2011 the Company had a cash and cash equivalents balance of \$522,038 (December 31, 2010 - \$1,188,247) and a credit facility receivable of \$2,652,322 (December 31, 2010 - \$2,597,324) to settle current liabilities of \$1,438,873 (December 31, 2010 - \$1,985,454). The Company utilizes planning, budgeting and forecasting processes to help ensure that funding requirements for contractual and other obligations are met. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity.

The following are the principal contractual maturities of financial liabilities:

As of March 31, 2011	Contractual Obligations (proportionally consolidated at 49%)	
		2011
Accounts payable and accrued liabilities	\$ 851,911	\$ 851,911
Bank loan	121,601	121,601
Tax payable	245,841	245,841
Current portion of long-term liabilities	219,520	219,520
Total financial liabilities	\$ 1,438,873	\$ 1,438,873

Market Risk

(a) Interest rate risk

At March 31, 2011, the Company had a credit facility receivable bearing a fixed interest rate. Debt balances bear interest at either fixed or no rates of interest. Accordingly, the Company was not exposed to any significant interest rate risks at March 31, 2011.

(b) Foreign currency risk

The Company's operations are based in Turkey and the majority of expenses are incurred in Turkish lira. Sales are made outside Turkey and are denominated in US dollars. The Turkish Operations are therefore subject to foreign currency risk in the US dollar versus the Turkish lira. Additionally, the Company's head office is located in Canada, so corporate overhead costs expose the Company to changes in the US dollar versus the Canadian dollar. Sensitivity to a plus or minus 5% change in all foreign currencies against the US dollar with all other variables held constant as at March 31, 2011 would have an impact of approximately \$10,000 on the balance sheet values; and \$90,000 on revenues.

Silvermet Inc.
Notes to Interim Consolidated Financial Statements
(Expressed in United States Dollars)
Three months ended March 31, 2011

Balances in non-US dollar currencies are as follows:

As of March 31, 2011 (proportionally consolidated at 49%)	Canadian Dollar	Turkish Lira
Cash and Cash Equivalents	\$ 154,283	102,218 TL
Accounts receivable	176,223	669,304
Accounts payable and accrued liabilities	(87,437)	(1,443,083)

(c) Commodity price risk

The Company sells zinc concentrates and is exposed to changes in the price of international zinc prices as quoted on the London Metals Exchange (“LME”). 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 income is mitigated by the effect that changing commodity prices have on treatment charges, taxes and non-controlling interests. For the three months ending March 31, 2011, 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 \$180,000.

22. Financial Instruments

Certain of our financial assets and liabilities are measured at fair value and are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Marketable equity securities are valued using quoted market prices in active markets, obtained from securities exchanges and accordingly, are included in Level 1 of the fair value hierarchy.

Settlements receivable, which is included under accounts receivable, from provisional pricing on concentrate sales are included in Level 2 of the fair value hierarchy as they are valued using a variety of inputs, including, but not limited to, contractual terms, market prices, forward price curves, and yield curves. These inputs are obtained from or corroborated with the market where possible.

Long-term liabilities are included in Level 3 of the fair value hierarchy as their value were determined as part of the purchase price (see Note 14). Management reviews the fair value of

Silvermet Inc.
Notes to Interim Consolidated Financial Statements
(Expressed in United States Dollars)
Three months ended March 31, 2011

these instruments periodically and estimate any change required based on management's best estimates, which are unobservable inputs.

The following table illustrates the classification of the Company's financial instruments recorded at fair value within the fair value hierarchy as at March 31, 2011 and December 31, 2010:

As of March 31, 2011 (proportionally consolidated at 49%)	Level 1	Level 2	Level 3	Total
Financial assets				
Credit facility receivable	-	2,652,322	-	2,652,322
Restricted investments	-	52,821	-	52,821
Settlements receivable	-	614,530	-	614,530
	\$	- \$	3,319,673 \$	- \$
				3,319,673
Financial liabilities				
Long-term liabilities	\$	- \$	- \$	995,680 \$
	\$	- \$	- \$	995,680 \$
				995,680

As of December 31, 2010 (proportionally consolidated at 49%)	Level 1	Level 2	Level 3	Total
Financial assets				
Credit facility receivable	-	2,597,324	-	2,597,324
Restricted investments	-	52,821	-	52,821
Settlements receivable	-	601,655	-	601,655
	\$	- \$	3,251,800 \$	- \$
				3,251,800
Financial liabilities				
Long-term liabilities	\$	- \$	- \$	969,220 \$
	\$	- \$	- \$	969,220 \$
				969,220

The following table reconciles the Company's Level 3 fair value measurements from January 1, 2010 to March 31, 2011:

	Fair value measurements using Level 3 inputs
	Long-term liabilities
Balance at December 31, 2009	\$ 2,336,743
Accretion included in net income	201,134
Payments made during the year	(128,000)
Determination of fair value at joint venture transaction date	(448,707)
Proportional consolidation at 49%	(991,950)
Balance at December 31, 2010	\$ 969,220
Accretion included in net income	26,460
Balance at March 31, 2011	\$ 995,680

Silvermet Inc.
Notes to Interim Consolidated Financial Statements
(Expressed in United States Dollars)
Three months ended March 31, 2011

23. Commitments and Contingent Liabilities

The Company is involved in various legal proceedings and claims, which arise in the ordinary course of its business. The Company believes these claims are without merit and is vigorously defending them. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position, results of operations or cash flow of the Company. 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 March 31, 2011, or with respect to future claims, cannot be estimated with certainty.

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 gross annual commitments, sublease amounts and net commitment are estimated as follows:

	Gross	Sublease	Net
2011	\$191,345	\$(133,650)	\$57,695
2012	\$127,564	\$(89,100)	\$38,464

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.

24. International Financial Reporting Standards

The Company has adopted International Financial Reporting Standards ("IFRS") beginning January 1, 2010 and as a result the 2010 comparative information has been adjusted and presented in accordance with IFRS. However, the January 1, 2010 and December 31, 2010 comparative consolidated statements of financial position for the year ending December 31, 2011 may differ from herein if there are future changes to IFRS standards requiring retroactive adjustment.

As stated in Note 2, these are the Company's first interim consolidated financial statements prepared in accordance with IFRS. The accounting policies described in Note 3 have been applied in preparing the comparative consolidated financial statements for the year ended December 31, 2010 and in preparation of the opening IFRS consolidated statement of financial position at January 1, 2010.

(a) First time adoption of IFRS

Under IFRS 1, IFRS has been applied retrospectively at the transition consolidated statement of financial position date with all adjustments to assets and liabilities as stated under Canadian GAAP taken to retained earnings except where certain exemptions and exceptions were applied.

The primary exemptions and exceptions that were applied by the Company are:

Silvermet Inc.
Notes to Interim Consolidated Financial Statements
(Expressed in United States Dollars)
Three months ended March 31, 2011

Functional currency

The Company reset the cumulative translation gains and losses in accumulated other comprehensive income to nil at January 1, 2010 and made the corresponding adjustment to retained earnings.

Business combinations

IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3 Business Combinations ("IFRS 3") retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has taken this election and applied IFRS 3 only to business combinations that occurred on or after January 1, 2010.

Share-based payment transactions

IFRS 1 allows first-time adopters to apply IFRS 2 Share-based Payments ("IFRS 2") to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005.

Estimates

In accordance with IFRS 1, estimates made under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company's estimates as of January 1, 2010 under IFRS are consistent with its Canadian GAAP estimates for the same date.

(b) Adjustments recorded on transition and for comparative periods

IFRS employs a conceptual framework that is similar to Canadian GAAP. However, significant differences exist in certain matters of recognition, measurement and disclosure. While adoption of IFRS has not changed the Company's actual cash flows, it has resulted in changes to the Company's reported financial position and results of operations. In order to allow the users of the consolidated financial statements to better understand these changes, the Company's Canadian GAAP consolidated statement of financial position, consolidated statement of net income (loss), comprehensive income (loss), and deficit for the quarter ended March 31, 2010 and the year ended December 31, 2010 have been reconciled to IFRS, with the resulting significant differences explained below.

Silvermet Inc.
Notes to Interim Consolidated Financial Statements
(Expressed in United States Dollars)
Three months ended March 31, 2011

The December 31, 2009 closing Canadian GAAP consolidated statement of financial position has been reconciled to IFRS for the opening January 1, 2010 consolidated statement of financial position balances as follows:

Silvermet Inc.
Consolidated Statements of Financial Position
(Expressed in United States Dollars)
(unaudited)

	Notes	As at December 31, 2009	Effect of Transition to IFRS	As at January 1, 2010
ASSETS				
Current assets				
Cash and cash equivalents		\$ 46,169	\$ -	\$ 46,169
Accounts receivable		1,081,508	-	1,081,508
Inventory		1,521,980	-	1,521,980
Investments		62,537	-	62,537
Prepaid expenses		419,276	-	419,276
		3,131,470	-	3,131,470
Property and equipment	a	7,075,330	548,918	7,624,248
		\$ 10,206,800	\$ 548,918	\$ 10,755,718
LIABILITIES				
Current liabilities				
Bank indebtedness		\$ 41,000	\$ -	\$ 41,000
Accounts payable and accrued liabilities		2,797,906	-	2,797,906
Unearned revenue		749,437	-	749,437
Bank loan		1,130,800	-	1,130,800
Current portion of long-term liabilities		450,203	-	450,203
		5,169,346	-	5,169,346
Long-term liabilities		1,886,540	-	1,886,540
		7,055,886	-	7,055,886
Non-controlling interest	b	1,267,004	(1,267,004)	-
Equity	a,b,c,d	1,883,910	1,815,922	3,699,832
		\$ 10,206,800	\$ 548,918	\$ 10,755,718

Silvermet Inc.
Notes to Interim Consolidated Financial Statements
(Expressed in United States Dollars)
Three months ended March 31, 2011

The March 31, 2010 Canadian GAAP consolidated statement of financial position has been reconciled to IFRS as follows:

Silvermet Inc.

Interim Consolidated Statements of Financial Position

(Expressed in United States Dollars)

(unaudited)

	Notes	As at March 31, 2010		
		Canadian GAAP	Effect of Transition to IFRS	IFRS
ASSETS				
Current assets				
Cash and cash equivalents		\$ 926,935	\$ -	\$ 926,935
Accounts receivable		1,502,658	-	1,502,658
Inventory		303,135	-	303,135
Investments		67,995	-	67,995
Prepaid expenses		3,045	-	3,045
		2,803,768	-	2,803,768
Property and equipment	a	7,535,066	(41,160)	7,493,906
		\$ 10,338,834	\$ (41,160)	\$ 10,297,674
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		\$ 2,596,284	\$ -	\$ 2,596,284
Bank loan		1,130,800	-	1,130,800
Loan payable		684,114	-	684,114
Current portion of long-term liabilities		440,253	-	440,253
		4,851,451	-	4,851,451
Long-term liabilities		1,866,162	-	1,866,162
		6,717,613	-	6,717,613
Non-controlling interest (note 7)	b	1,834,826	(1,834,826)	-
Equity	a,b,c,d	1,786,395	1,793,666	3,580,061
		\$ 10,338,834	\$ (41,160)	\$ 10,297,674

Silvermet Inc.
Notes to Interim Consolidated Financial Statements
(Expressed in United States Dollars)
Three months ended March 31, 2011

The December 31, 2010 Canadian GAAP consolidated statement of financial position has been reconciled to IFRS as follows:

Silvermet Inc.

Interim Consolidated Statements of Financial Position
(Expressed in United States Dollars)
(unaudited)

	Notes	As at December 31, 2010		
		Canadian GAAP	Effect of Transition to IFRS	IFRS
ASSETS				
Current assets				
Cash and cash equivalents		\$ 1,188,247	\$ -	\$ 1,188,247
Credit facility receivable		2,597,324	-	2,597,324
Accounts receivable		1,121,559	-	1,121,559
Inventory		246,886	-	246,886
Investments		52,821	-	52,821
Prepaid expenses		29,004	-	29,004
		5,235,841	-	5,235,841
Property and equipment	a	4,365,142	87,352	4,452,494
		\$ 9,600,983	\$ 87,352	\$ 9,688,335
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		\$ 1,050,009	\$ -	\$ 1,050,009
Bank loan		181,588	-	181,588
Convertible debenture		392,855	-	392,855
Tax payable		142,952	-	142,952
Current portion of long-term liabilities		218,050	-	218,050
		1,985,454	-	1,985,454
Long-term liabilities		751,170	-	751,170
		2,736,624	-	2,736,624
Equity	a,b,c,d	6,864,359	87,352	6,951,711
		\$ 9,600,983	\$ 87,352	\$ 9,688,335

Silvermet Inc.
Notes to Interim Consolidated Financial Statements
(Expressed in United States Dollars)
Three months ended March 31, 2011

The Canadian GAAP consolidated statement of income (loss), comprehensive income (loss) and deficit for the three months ended March 31, 2010 have been reconciled to IFRS as follows:

Silvermet Inc.

Interim Consolidated Statements of Net Income (Loss) and Comprehensive Income (Loss)

(Expressed in United States Dollars)

(unaudited)

		For the three months ended March 31, 2010		
	Notes	Canadian GAAP	Effect of Transition to IFRS	IFRS
Revenue				
Gross sales revenue		\$ 4,345,210	\$ -	\$ 4,345,210
Treatment and transportation costs		(1,522,362)	-	(1,522,362)
Net revenue		2,822,848	-	2,822,848
Direct operating costs		2,512,673	-	2,512,673
Amortization - Turkey	a	55,501	54,786	110,287
Income from Operations		254,674	(54,786)	199,888
Expenses				
General and administration		212,303	-	212,303
Interest and financing		15,797	-	15,797
Amortization - Canada		2,370	-	2,370
Investment and other (gain) loss		(3,241)	-	(3,241)
Foreign exchange loss (gain)		50,982	-	50,982
Stock option expense		14,687	-	14,687
Accretion of liabilities		65,672	-	65,672
Gain on dilution	b	(83,748)	83,748	-
		274,822	83,748	358,570
Net income (loss) before income taxes		(20,148)	(138,534)	(158,682)
Current Income tax		-	-	-
Future income tax (expense) recovery		-	-	-
		(20,148)	(138,534)	(158,682)
Non-controlling interest in net income of consolidated affiliates		(92,054)	-	(92,054)
Net income (loss) available to common shareholders		(112,202)	(138,534)	(250,736)
Other Comprehensive Income		-	-	-
Comprehensive income/(loss)	b	(112,202)	(138,534)	(250,736)
Basic income/(loss) per share		(\$0.001)	(\$0.001)	(\$0.002)
Diluted income/(loss) per share		(\$0.001)	(\$0.001)	(\$0.002)
Basic weighted-average number of shares outstanding		125,162,216	125,162,216	125,162,216
Diluted weighted-average number of shares outstanding		125,162,216	125,162,216	125,162,216

Silvermet Inc.
Notes to Interim Consolidated Financial Statements
(Expressed in United States Dollars)
Three months ended March 31, 2011

The Canadian GAAP consolidated statement of loss, comprehensive loss and deficit for the twelve months ended December 31, 2010 has been reconciled to IFRS as follows:

Silvermet Inc.		For the year ended December 31, 2010		
Consolidated Statements of Net Income (Loss) and Comprehensive Income (Loss)				
(Expressed in United States Dollars)				
(unaudited)				
	Notes	Canadian GAAP	Effect of Transition to IFRS	IFRS
Revenue				
Gross sales revenue		\$ 14,276,672	\$ -	\$ 14,276,672
Treatment and transportation costs		(4,363,839)	-	(4,363,839)
Net revenue		9,912,833	-	9,912,833
Direct operating costs		7,839,763	-	7,839,763
Amortization - Turkey		351,602	-	351,602
Income from Operations		1,721,468	-	1,721,468
Expenses				
General and administration		1,169,156	-	1,169,156
Interest and financing		120,594	-	120,594
Amortization - Canada		9,985	-	9,985
Investment and other loss		16,766	-	16,766
Foreign exchange loss		259,984	-	259,984
Stock option expense		377,193	-	377,193
Accretion of liabilities		291,097	-	291,097
Gain on dilution	b	(1,593,898)	83,748	(1,510,150)
		650,877	83,748	734,625
Net income (loss) before income taxes		1,070,591	(83,748)	986,843
Current income tax		(132,062)	-	(132,062)
Future income tax expense		(13,255)	-	(13,255)
		925,274	(83,748)	841,526
Non-controlling interest in net income of consolidated affiliates		94,547	-	94,547
Net income (loss) available to common shareholders		1,019,821	(83,748)	936,073
Other Comprehensive Income		-	-	-
Comprehensive income/(loss)	b	1,019,821	(83,748)	936,073
Basic income/(loss) per share		\$0.008	(\$0.001)	\$0.007
Diluted income/(loss) per share		\$0.008	(\$0.001)	\$0.007
Basic weighted-average number of shares outstanding		131,591,447	131,591,447	131,591,447
Diluted weighted-average number of shares outstanding		133,206,460	133,206,460	133,206,460

Silvermet Inc.
Notes to Interim Consolidated Financial Statements
(Expressed in United States Dollars)
Three months ended March 31, 2011

Reclassifications and adjustments:

Notes to the balance sheet reconciliations as at January 1, 2010, March 31, 2010 and December 31, 2010, and income statements for the three month period ended March 31, 2010; and, for the twelve-month period ended December 31, 2010 are disclosed below, where applicable.

The amounts disclosed below for the three-months ended March 31, 2010 and twelve-months ended December 31, 2010 are year to date ["YTD"] adjustments.

- (a) **Functional currency** – At January 1, 2010, the translation of financial statements of the Turkish entity, which has a functional currency of Turkish Lira, had a net effect of \$548,918 on the property and equipment balance.
- (b) **Non-controlling interest** - To conform to IFRS, non-controlling interests are reclassified under a separate component of equity. Under Canadian GAAP, they were reported as a liability. Under Canadian GAAP, companies that dilute their interest in an entity they already control must account for it as dilution gain or loss. Under IFRS, acquiring a non-controlling interest is not considered a business combination, and is instead accounted for as an equity transaction. Under IFRS, the Company has accounted for Cooper Island's acquisition of interest in Turkish Operations as an equity transaction, because the Company control of the operation did not change.
- (c) **Cumulative translation adjustment** - At January 1, 2010, the cumulative translation gains and losses in accumulated other comprehensive income were reset to nil, and a corresponding increase of \$273,890 in retained earnings, were recognised using an election under IFRS 1.
- (d) **Cash flow statement** - The IFRS transition adjustments above did not have an impact on our cash and short-term investments. Differences in our cash flow statements between Canadian GAAP and IFRS are the result of non-cash adjustments to items in the statements of income outlined above.
- (e) **Equity reconciliation** – The table below reconciles total equity under Canadian GAAP to total equity under IFRS, and illustrates the effect of each of the most significant adjustments had on equity.

	Notes	As at January 1, 2010	As at March 31, 2010	As at December 31, 2010
Canadian GAAP equity		\$ 1,883,910	\$ 1,786,395	\$ 6,864,359
IFRS adjustments:				
Effect of functional currency	a	548,918	(41,160)	87,352
Reclassification of non-controlling interest to equity	b	1,267,004	1,834,826	
IFRS equity		\$ 3,699,832	\$ 3,580,061	\$ 6,951,711