Empire Resources, Inc.
2010 Annual Report

EMPIRE RESOURCES, INC.

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Important Information Regarding Forward Looking Statements

When used in this report, the terms "Company," "we," "our," and "us" refers to Empire Resources, Inc. and its subsidiaries, consolidated for purposes of the Company's financial statements.

Certain matters discussed under the captions "Business," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and elsewhere in this Annual Report and the information incorporated by reference in this report may constitute forward-looking statements for purposes of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements generally are identified by the words "believes," "project," "expects," "anticipates," "estimates," "intends," "strategy," "plan," "may," "will," "would," "will be," "will continue," "will likely result," and similar expressions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. Our particular risks include those factors listed under "Risk Factors". We are also subject to many other uncertainties, including but not limited to changes in general, national or regional economic conditions; an act of war or terrorism that disrupts international shipping; changes in laws, regulations and tariffs; the imposition of anti-dumping duties on the products imported, changes in the size and nature of the Company's competition; changes in interest rates, foreign currencies or spot prices of aluminum; loss of one or more foreign suppliers or key executives; loss of one or more significant customers; increased credit risk from customers; failure of the Company to grow internally or by acquisition and to integrate acquired businesses; and failure to improve operating margins and efficiencies. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Overview

We are principally engaged in the purchase, sale and distribution of semi-finished aluminum and steel products to a diverse customer base located throughout the Americas, Europe, Australia and New Zealand. We sell our products through our own marketing and sales personnel as well as through independent sales agents who are located in North America and in Europe and who receive commissions on sales. We purchase products from suppliers located throughout the world. Our two largest suppliers furnished approximately 39% of our products during 2010 as compared to our two largest suppliers during 2009 which furnished 50% of our products. While in general we place orders with our suppliers based upon orders that we have received from our customers, we also purchase material for our own stock, which we use for shorter term deliveries to our customers.

Growth Strategy

Our strategy for growth consists of the following key elements:

Provide Customers with a High Level of Service and Cost Effective, Quality Products. We work closely with our customers to understand their specific requirements. This enables us to provide each customer with cost-effective, quality materials matching that customer's particular needs. We also provide various ancillary services to our customers, such as

- arranging for products to be stored in warehouse facilities for release to them on a just-in-time delivery basis,
- providing them with timely information about market trends and product development,
- upon their request, arranging for subsequent metal processing or finishing services, and
- making material available from our own stock to meet our customers' short term requirements.

Expand Volumes and Product Breadth with Existing Suppliers and Customers. We continually seek to build on our market knowledge. We try to maintain a current understanding of our suppliers' production capabilities and of our customers' needs and markets. This enables us to recognize opportunities to introduce new product lines to our customers and to increase volume from our suppliers.

Strengthen and Expand Our Supplier Relationships. We endeavor to continue building our supply sources, both by expanding our relationships with existing suppliers and by adding new suppliers. In cultivating supplier relationships, we emphasize our combination of market knowledge and customer base, which we believe makes us an effective marketing and distribution channel for our suppliers. Conversely, we believe that our supplier relationships position us to offer our customers a wider range of products and services.

Provide Increasingly Efficient and Cost-Competitive Handling and Delivery Services. We utilize our own warehouse and distribution facility in Baltimore that serves the dual purpose of providing depot/warehousing capacity for just-in-time delivery and providing handling capability and inventory control at the Baltimore port of entry, our most active import location. This arrangement reduces freight and handling expenses while increasing efficiency. It also enables us to monitor deliveries and serve customers more effectively.

Provide Additional Products and Value Added Services. We may add capability to provide our customers with additional value-added services (such as processing, manufacturing, finishing, and distribution services) through establishing joint venture arrangements with existing service providers or by selectively making acquisitions.

The Industry

The industry in which we operate is the sale and distribution of semi-finished aluminum and steel products. These products are manufactured worldwide by rolling facilities, some of which are owned by large integrated companies and others by independent producers. The products we purchase are in turn sold to distributors as well as to varied metal working industries including the automotive, housing and packaging industries.

Although demand for aluminum products in the United States has been cyclical, over the longer-term demand has continued to increase. We believe that this growth reflects general population and economic growth, and the advantages of aluminum products, including light weight, high degree of formability, recyclability and resistance to corrosion.

Our Products

We derive most of our revenues from the sale of semi-finished aluminum products, which are produced by processing primary aluminum and/or aluminum scrap. A product is considered “semi-finished” if it has not yet been converted into a final end-product. Semi-finished aluminum products include aluminum sheet, plate and foil, rod, bar and wire, extruded and cast products. We offer many of these forms of semi-finished aluminum products to our customers. Demand for our products is not seasonal.

Sales, Marketing and Services

We endeavor to build our distribution capabilities by providing customers with quality products, access to alternative sources of supply, and customer service. We offer customers a range of services, including:

- sourcing products from the appropriate supplier in order to meet pricing and delivery requirements;
- handling foreign exchange transactions for sales in local currency;
- assuming responsibility for the shipment and timely delivery of the product to the customer;
- assisting customers in identifying materials and matching their particular needs;
- where necessary, arranging for subsequent metal processing and/or finishing services which may be required by the customer;
- arranging for materials that have been ordered by a customer (and are subject to a firm purchase commitment) to be stored at an appropriate warehouse for release to the customers on a just-in-time delivery basis;
- providing customers with information concerning market trends and product development; and
- making available material from our own local stocks to meet customers’ short term requirements.

We carefully monitor the timing and processing of orders to meet customers' needs and commit to deliver orders within a time-period mutually agreed with the customer, generally within a 30-day window. We maintain constant and ongoing communication with our suppliers in order to ensure that these delivery dates are met and that customers are apprised of the delivery status of their orders.

We sell our products primarily through our own marketing and sales personnel. In addition, we sell our products through independent sales agents located in North America and in Europe who receive a commission on sales. Our inventory is comprised of material that has been ordered by customers and is in transit or is being held pending delivery to such customers and material which we stock to meet shorter delivery times to our customers.

Suppliers

We maintain distribution arrangements and/or ongoing commitments with several foreign mills. We strive to maintain long-term relationships with our suppliers and to be a significant distributor for them. As a result, we are often able to obtain competitive pricing and to influence quality standards and delivery practices.

We continuously work with our existing suppliers and explore other sources to strengthen our position in the market. To this end, our services include:

- serving as an integrated marketing, distribution, and service channel for export volume;
- purchasing manufacturing capacity from suppliers in bulk;
- assuming responsibility for transporting the products that we purchase;
- eliminating foreign currency risks for suppliers; and
- ensuring prompt payment to suppliers for materials purchased.

Customers

We serve more than 300 customers in diverse industries, such as distribution, transportation, automobile, housing, appliances and packaging. In 2010, our top ten customers represented approximately 44% of our total revenues, with two customers, Samuel Son & Co. and Ryerson Inc., accounting for 10.7% and 10.4% of total revenues, respectively. These ten customers included nine full-service distribution centers (i.e., distributors that have the capacity to provide additional processing services), as well as a producer of various consumer and industrial products. Our customers are principally located throughout the Americas, Australia, New Zealand and Europe. Our U.S. customer base is not regional.

We insure our accounts receivable against credit risk by purchasing credit insurance. This insurance is generally subject to a 10% co-insurance provision with respect to each claim, and there are limits on the amount of credit that our insurance carrier will underwrite with respect to each customer. We may decide in particular instances to exceed the limits granted by the credit insurance provider.

Transportation

We arrange for transportation and delivery of the products purchased by each customer. When we purchase products from an overseas supplier, we accept delivery either at the port in the supplier's home country or at the port of destination. If we take delivery at a foreign port, we will generally arrange for transportation to the port of destination on regularly scheduled port-to-port, sea-going transportation. Upon delivery of the products at the destination port, we use trucking and rail services to deliver the products to our customers.

Competition

Our principal competitors are global aluminum producers and rolling mills, including for example, Alcoa Inc., which dominates the aluminum industry in North America. These companies are significantly larger, have significantly greater financial resources, and are active in significantly more areas of the aluminum products business than we are, including mining, refining, smelting and recycling. These companies also have access to material produced and imported from their own subsidiaries, which compete with us. We also compete with other importers and agents that act for or purchase from foreign aluminum producers, including Hulamin Ltd. Our principal means of competition is market knowledge, customer service, and the ability to offer competitive terms and product quality, including providing value-added services to our customers and providing a full range of product offerings. We also believe that agents of foreign mills are generally less capable of providing the same value-added services to our customers because these agents are generally captive to a single foreign source and often lack the flexibility and range of product offerings that we offer our customers. We also believe that by offering our customers a full range of products from independent sources we enable our customers to avoid dependency in an increasingly concentrated domestic supply chain.

Employees

As of December 31, 2010, we had approximately 55 employees. We also have independent sales representatives located in the United States and in Europe. None of our employees are represented under a collective bargaining agreement.

History

The Company was incorporated in the State of Delaware in 1990 under the name Integrated Technology USA, Inc. Until September 17, 1999, the Company was in the business of designing, developing and marketing products for emerging computer related markets.

On September 17, 1999, the Company merged with Empire Resources, Inc. ("Empire"), a distributor of value added, semi-finished aluminum products. Since the merger, the Company has continued the business of Empire under the name of Empire Resources, Inc.

In conjunction with the merger, Empire Resources Pacific Ltd. (“Empire-Pacific”), then an affiliate of Empire operating in Australia, became a wholly owned subsidiary of the Company. Empire-Pacific acts as our sales agent in Australia and New Zealand.

Our Belgian subsidiary, Imbali Metals BVBA, was incorporated in 2005 and began operations in that year.

Our extrusion manufacturing business, Empire Resources Extrusions, LLC, commenced the manufacturing of aluminum extrusions in the third quarter of 2006. During the third quarter of 2009 the facility was permanently closed.

Available Information

We maintain a website at www.empireresources.com. We make copies of our Annual Report and quarterly reports available on our website. Additionally, our code of business conduct and ethics is also available on our website.

RISK FACTORS

We are Highly Dependent on a Few Suppliers.

We purchased approximately 39% of our products from our two largest suppliers in 2010. Accordingly, the termination or limitation by one or more of our largest suppliers of their relationship with us could have a material adverse effect on our business and results of operations. In addition, our loss of any one of our other suppliers (or material default by any of them in its obligations to us) for any reason including but not limited to bankruptcy, financial difficulties, expropriation, social unrest, destruction, sabotage, strikes, acquisition by a person or entity unwilling to provide products to us, or for any other reason, could have a material adverse effect on our business.

Risk of Default by Our Suppliers.

We rely on our suppliers to fulfill contractual obligations. The failure of any one of our suppliers to fulfill their obligations to us may expose us to serious losses by requiring us to purchase material at a loss in the open market and/or absorb losses for hedges applied to the defaulting supplier's transaction.

Consolidation of Suppliers May Materially Affect Our Operations.

During the last several years, consolidations have been taking place among aluminum suppliers. Although we have in the past successfully replaced suppliers lost as a result of industry consolidations, there can be no assurance that we would be able to replace the volume of production or the type of products supplied by any of our current vendors if they were acquired or their operations terminated or were interrupted.

We Are Highly Dependent on a Few Significant Customers.

Our sales are highly concentrated among a few customers. In 2010, 44% of our revenues were derived from sales to ten customers. Two major customers accounted for approximately 21% of our consolidated net sales for the year ended December 31, 2010. Over the last several years, there have been consolidations in the industry that may increase our sales concentration and the related risks. Any material reduction in sales to any of these customers could have a material adverse effect on our business. Our sales contracts tend to be short term in nature. We typically sell our products on monthly or quarterly customer commitments.

Limitations on Access to Credit may Negatively Impact our Business.

Although we believe we have adequate access to sources of contractually committed borrowings and expect to refinance same prior to June 30, 2011, we could be adversely affected if our banks refused to honor their contract commitments or ceased lending beyond June 30, 2011. We also believe the banks participating in our credit arrangements are financially reliable; however, recent events in the global credit markets, including the failure, takeover or rescue by various government entities of major financial institutions, have created uncertainty of credit availability.

Rising Interest Rates May Increase Our Borrowing Costs.

Our borrowings are primarily short-term LIBOR or money market based loans. If interest rates rise, our cost of borrowing will increase and lower our profitability. Higher interest rates may also adversely affect some of the markets for our products, such as transportation, housing and commercial construction.

We Are Dependent on Our Executive Officers and Key Personnel.

We are highly dependent on our executive officers and other key employees, the loss of any of one of which could have a significant adverse impact on our business.

Our Supply Sources Are Subject to Substantial Risks.

We generally purchase metal products from foreign suppliers. Thus, our operations could be materially and adversely affected by changes in economic, political and social conditions in the countries where we currently purchase or may in the future purchase such products. Among other things, changes in laws, regulations, or the interpretation thereof, or restrictions on currency conversions and exports, could negatively affect our business. Although the trend in the markets in which we operate for our sourcing has been towards open markets and trade policies and the fostering of private economic activity, no assurance can be given that the governments will continue to pursue these policies or that such policies may not be significantly altered, especially in the event of a change in the leadership, or as a result of social or political upheaval or unforeseen circumstances affecting economic, political or social life. Additionally, should the economy in our suppliers' countries strengthen, our suppliers may divert part or a substantial part of their production to their domestic markets thus negatively affecting quantity available for shipment to us.

Changing Metal Prices Could Impact Our Profit Margins.

We rely on long-term relationships with our suppliers but generally have no long-term, fixed-price purchase contracts. Instead we purchase at prevailing market prices at the time orders are placed, typically with discounts for quantity purchases. The metal industry is highly cyclical and pricing can be volatile. The prices that we pay for metal and the prices we charge will be influenced by a variety of factors outside of our control, including general economic conditions (both domestic and international), competition, production levels, import duties and other trade restrictions, and currency fluctuations.

Price Volatility May Affect Profit Margins.

Extreme price volatility may cause customers to withdraw from the market due to uncertainty, which would negatively impact our sales and/or margins.

Risk of Counterparty Defaults

In order to minimize risk associated with fluctuations in foreign currency, and commodity prices, we use financial instruments to hedge metal pricing and foreign currency, as we deem appropriate for a portion of our purchase and sales contracts. The risk of a counterparty default exists in fulfilling the hedge contract. Should there be a counterparty default, we could be exposed to losses on the original hedged contract or be unable to recover anticipated gains from the transactions.

If Suppliers Fail to Provide Products of Sufficient Quality Customer Relationships and Prices Could be Negatively Affected.

Our relationships with our customers depend, in part, on our ability to deliver products of the quality specified by those customers. We obtain certifications from our suppliers as to the quality of the products being supplied. However, if the product is not of the quality certified or if a supplier fails to deliver products we have ordered, we may be forced to buy products of the specified quality from another source to fulfill the customer's order. While we would then be left with a claim against the supplier for any loss sustained by us, we may not be able to bring these claims successfully, particularly in foreign jurisdictions.

We Are Exposed to Credit Risk from Our Customers.

We do not require collateral for customer receivables. We have significant balances owing from customers that operate in cyclical industries and under leveraged conditions, which may impair our collection of these receivables. We carry credit insurance with a 10% co-pay provision covering the majority of our customers, and we have set specific limits on each customer's receivables. However, we sometimes elect to exceed these specific credit limits. Our failure to collect a significant portion of the amount due on our receivables directly from customers or through insurance claims (or other material default by customers) could have a material adverse effect on our financial condition and results of operations. In selected instances the co-pay may be increased.

Risk of Default by Our Customers.

We rely on our customers to fulfill contractual obligations. The failure of any one of our customers to do so may expose us to serious losses and may force us to sell material at a loss in the open market and/or absorb losses for metal hedges applied to the defaulting customer's transaction.

Unexpected Equipment Failures or Production Difficulties May Lead To Production Curtailments or Product Failure.

As a result of the production that took place at our extrusion facility we may be exposed to new and potentially serious risks such as product failure following distribution in the market. Defects in the products that we manufactured may result in serious and potentially fatal accidents which may in turn result in substantial losses to us.

Increased Tariffs Could Adversely Affect Our Financial Condition.

During 2010, approximately 42% of our purchases of aluminum products were from countries that were considered developing countries whose exports were eligible for preferential tariff treatment for import into the United States under the generalized system of preferences ("GSP") or duty free. There can be no assurance that any of our suppliers will continue to be eligible for such preferential tariff treatment or that the generalized system of preference will be renewed after its expiration on December 31, 2010. If the preferential tariff treatment of any of our suppliers that are currently eligible for such treatment becomes unavailable, then imports from such supplier may be subjected to a tariff, instead of the duty-free treatment those imports now enjoy. To the extent these increased costs could not be passed on to our customers, our profit margins could be negatively affected. This could result in higher costs to us and have a material adverse effect on our business, financial condition and results of operations.

Antidumping and Other Duties Could be Imposed on Us, Our Suppliers and Our Products.

The imposition of an antidumping or other increased duty on any products that we import could have a material adverse effect on our financial condition. For example, under United States' law, an antidumping duty may be imposed on any imports if two conditions are met. First, the Department of Commerce must decide that the imports are being sold in the United States at less than fair value. Second, the International Trade Commission (the "ITC") must determine that the United States' industry is materially injured or threatened with material injury by reason of the imports. The ITC's determination of injury involves a two-prong inquiry: first, whether the industry is materially injured, and second, whether the dumping, not other factors, caused the injury. The ITC is required to analyze the volume of imports, the effect of imports on United States prices for like merchandise, and the effects the imports have on United States producers of like products, taking into account many factors, including lost sales, market share, profits, productivity, return on investment, and utilization of production capacity.

Our Business Could be Adversely Affected by Economic Downturns.

Demand for our products is affected by a number of general economic factors. A decline in economic activity in the U.S. and other markets in which we operate could materially affect our financial condition and results of operations.

If We Fail to Deliver Products on a Timely Basis, We May Suffer Losses.

Interruption of shipping schedules upon which we rely for foreign purchases could result in untimely deliveries to our customers or force us to purchase the products in the United States at a higher cost in order to meet delivery schedules. Consequently, our profit margins could be reduced or we could suffer losses. We guarantee our customers that we will deliver products within the period specified in their purchase orders. Any interruption of the means of transportation used by us to transport products could cause delays in delivery of products, could force us to buy the products from domestic suppliers at a higher cost in order to fulfill our commitments, and also could result in the loss of customers.

Failure by our Suppliers to Honor Claims for Defective Material.

From time to time we lodge claims against our suppliers for defective material. Failure by any one of our suppliers to honor or remit against such claims may cause us to suffer substantial losses.

We Compete with Global Companies that Have Captive Sources of Supply.

Many of our competitors are significantly larger than us, and many have captive sources of supply and significantly greater access to capital and other resources. These companies may be more aggressive in pricing, which would negatively impact our sales and our margins. Additionally, if our sources of supply were interrupted, our competitors could be in a position to capture our customers.

We Are Exposed to Increased Energy Costs.

To the extent that we utilize both over-the-road and ocean transportation, the imposition of any additional fuel or bunker surcharges may adversely affect our results. Should we be unable to pass along any such charges to our customers, our results would be adversely affected.

Rising freight rate costs and lack of adequate cargo space may affect our operations.

Substantially all of the products we distribute require transportation, either via ocean vessels, rail or trucks. Increasing freight rates may adversely affect our profit margin and lack of cargo space may affect our ability to deliver products in a timely manner.

An Act of War or Terrorism or Natural Catastrophes Could Disrupt Our Supply of Products.

We purchase our aluminum products primarily from foreign suppliers. An act of war or terrorism could disrupt international shipping schedules, cause additional delays in importing our Company's products into the United States or increase the costs required to do so. Any natural disaster that disrupts the normal course of international or domestic shipping could also adversely affect our business.

Our Business Requires Continuous Working Capital Funding that We May Not Be Able to Borrow.

We may not always be in a position to fund our current and/or future subsidiaries in an adequate fashion. Our banking arrangements are based on working capital ratios, leverage ratios and other covenants. Should business circumstances force us into a default, or should we need to borrow in excess of what we have available under our current line of credit we may not be in a position to fund operations. Our current banking facility expires on June 30, 2011 and there can be no guarantees or assurances that the Company will be able to close on its new facility prior to June 30, 2011.

PROPERTIES

Our corporate headquarters are located in Fort Lee, New Jersey, where we lease office space pursuant to a lease expiring in March 2015. The lease provides for a minimum annual rental payment of $274,000, plus escalations.

We own a distribution and warehouse facility at 6900 Quad Avenue, Baltimore, Maryland.

We believe that our facilities are adequate to meet our current and proposed needs.

SHARE STRUCTURE

The Company has approximately 2,650 beneficial shareholders as of year end.

CUSIP: 29206E100
Common Stock
Par Value $0.01 per share
20 million shares authorized
11,749,651 shares issued
9,258,906 shares outstanding

LEGAL PROCEEDINGS

A. W. Financial Services, S.A., a French company ("AWF"), filed a complaint against us, as well as against the transfer agent for our shares, American Stock Transfer & Trust Company ("AST"), and AST's agent or sub-contractor, Affiliated Computer Services, Inc. ("ACS"), on September 28, 2007, in the U.S. District Court, Southern District of New York, claiming that 30,426 shares of the Company's common stock owned by AWF, as well as related dividends, were improperly delivered to the State of Delaware as unclaimed (escheated) property. AWF alleges that the escheatment resulted from, among other things, the negligence of each defendant and a breach of fiduciary duty and a failure to register their shares by us. In addition, AWF alleges that through the escheatment we and the other defendants converted its property. AWF claims that it has suffered damages of not less than $870,000, reflecting in general the difference between the value of the shares when liquidated by the State of Delaware (or its agent, ACS) and when AWF claims to have inquired about selling the shares in the spring of 2006, plus dividends that it would have received in that period, plus interest, plus an amount reflecting the loss in value of the dollar against the euro. AWF also is seeking specific performance, namely, that we deliver to it a stock certificate in its name representing 30,426 shares of the Company's common stock. AST subsequently filed cross-claims against us and ACS seeking indemnity for any losses resulting to it from AWF's claims. We first received actual notice of this lawsuit on March 5, 2008. On March 18, 2008, we filed an answer to the complaint denying its material allegations and asserting affirmative defenses. On April 4, 2008, AWF filed an amended complaint making allegations and asserting claims against us that were very similar to what was alleged in the original complaint. Counsel for AST agreed that, as a result of the filing of the amended complaint, AST's cross-claims were then moot. On May 2, 2008, we and the other defendants filed motions to dismiss the amended complaint for failure to state a claim. On January 29, 2009, the U.S. District Court denied the motions to dismiss without prejudice and instead certified four questions of law raised by the motions to the Supreme Court of Delaware. On September 15, 2009, the Supreme Court of Delaware issued its ruling on the certified questions substantially in favor of AWF. On January 13, 2010, we and the other defendants filed renewed motions to dismiss the amended complaint for failure to state a claim. On September 30, 2010, the Court granted in part and denied in part defendants' motions to dismiss, permitting claims of negligence and conversion against each of the defendants, as well as a claim against us for failure to register plaintiff's stock, to go forward. The Court's opinion dismissed the claims for breach of fiduciary duty and specific performance against us, and the claims for breach of contract against each of AST and

ACS. On October 14, 2010, we filed an answer denying the material allegations of, and affirmative defenses in response to, the remaining counts of plaintiff's amended complaint. That same day, AST and ACS also jointly filed their answer and affirmative defenses to the remaining counts of plaintiff's amended complaint, but also lodged cross claims against us for contractual indemnification and contribution and for common law indemnification and contribution. On November 4, 2010, we filed our answer denying the material allegations of, and affirmative defenses in response to, AST's and ACS' cross claims and asserted a cross claim against AST and ACS for common law indemnification and contribution. AST and ACS subsequently filed an answer denying the material allegations of, and affirmative defenses in response to, our cross claim for common law indemnification and contribution. We believe that we have meritorious defenses to both (i) the remaining counts of the amended complaint and (ii) the cross claims and intend to defend against all these claims vigorously.

Dividends

During 2010, our Board of Directors declared quarterly dividends on our common stock. The Board of Directors determined that we were able to return some of our cash to stockholders without impacting future revenue and earnings growth or restricting strategic opportunities. The Board of Directors declared a regular cash dividend of $0.025 per share on March 19, 2010, June 23, 2010, and September 16, 2010. On November 15, 2010, the Board of Directors declared a regular cash dividend of $0.025 and a special dividend of $0.10. The Board of Directors intends to review our dividend policy on a quarterly basis and make a determination with respect to a dividend distribution, subject to profitability, free cash flow and the other requirements of the business. There can be no assurance that dividends will be paid in the future.

Share Repurchase

In July 2008, the Board of Directors authorized the repurchase of up to 2 million shares of our common stock. As of December 31, 2010, we repurchased a total of 577,278 shares with an aggregate cost of $1,221,576.

Equity Compensation Plan Information

The following table provides information as of December 31, 2010 regarding the only compensation plan, our 2006 Stock Option Plan (the “2006 Plan”), under which our common stock is authorized for issuance.

Plan category	Number of securities to be issued upon exercise of outstanding options (a)	Weighted Average exercise price of outstanding options (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
	Equity Compensation Plan Information		
Equity compensation plans approved by security holders	418,000	$1.54	407,000
Equity compensation plans not approved by security holders	-	-	-
Total	418,000	$1.54	407,000

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Introduction

All statements except historical statements contained herein constitute "forward looking statements" as that terms is defined in the Private Securities Litigation Reform Act of 1995. These forward-looking statements generally are identified by the words "believes," "project," "expects," "anticipates," "estimates," "intends," "strategy," "plan," "may," "will," "would," "will be," "will continue," "will likely result," and similar expressions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause our actual results, performance, or achievements to be different from those expressed or implied in the forward-looking statements. Readers should carefully consider other factors that might affect the Company's operations including but not limited to economic and competitive factors. The Company undertakes no obligation to update, and is not responsible for updating, the information contained herein beyond the publication date, whether as a result of new information or future events.

Our Business

We are engaged in the purchase, sale and distribution of principally semi-finished aluminum and steel products to a diverse customer base located throughout the Americas, Europe, Australia and New Zealand. We sell our products through our own marketing and sales personnel as well as through independent sales agents who are located in North

America and in Europe and who receive commissions on sales. We purchase products from suppliers located throughout the world. Our two largest suppliers furnished approximately 39% of our material during 2010 as compared to 50% during 2009. While in general we place orders with our suppliers based upon orders that we have received from our customers, we also purchase material for our own stock, which we use for shorter term deliveries to our customers.

The industry in which we operate is the sale and distribution of semi-finished aluminum and steel products. These products are manufactured worldwide by rolling and extrusion facilities, many of which are owned by large integrated companies and others by independent producers. The products we purchase are in turn sold to varied metal working industries including automotive, housing, packaging, as well as distributors.

We typically place orders for aluminum with suppliers based upon orders that we have received from our customers and also purchase material for stock. Inherent in our business is the risk of matching the timing of our contracts. We buy and sell aluminum products which are based on a constantly moving terminal market price determined by the London Metal Exchange ("LME"). Were we not to hedge such exposures we could be exposed to significant losses due to the continually changing aluminum prices.

We use aluminum future contracts to manage our exposure to commodity price risk inherent in our activities. It is generally our policy to hedge such risks, to the extent practicable. We enter into hedges to limit our exposure to volatile price fluctuations in metals which would impact our gross margins on firm purchase and sales commitments. As an example, we may enter into fixed price contracts with our suppliers and variable priced sales contracts with our customers. We will utilize the futures market to match the terms of the purchase and sale through hedging our fixed purchase commitment by entering into a futures contract and selling the aluminum for future delivery in the month when the aluminum is to be priced and delivered to the customer and repurchasing this position once the pricing has been fixed with our customer. We use hedges for no purpose other than to avoid exposure to changes in aluminum prices and foreign currency rates between when we buy a shipment of aluminum from a supplier and when we deliver it to a customer.

If the underlying metal price increases since a sales contract is initiated, we would suffer a hedging loss and have a derivative liability, but the sales price to the customer would be based on a higher market price and offset the loss. Conversely, if the metal price decreases, we would have a hedging gain and recognize a derivative asset, but the sales price to the customer would be based on the lower market price and offset the gain.

We also enter into foreign exchange forward contracts to hedge our exposure related to commitments to purchase or sell metals denominated in some international currencies. In such cases, we will purchase or sell the foreign currency through a bank for an approximate date when we anticipate making a payment to a supplier, or receiving payment from the foreign customer. In instances where a foreign currency is sold and when payment is received, we will deliver the foreign currency to the bank and receive U.S. dollar equivalent based upon our hedged rate.

In accordance with GAAP, we designate these derivative contracts as fair value hedges and recognize them on our balance sheet at fair value as well as offsetting changes in the fair value of the related hedged firm purchase and sales commitment attributable to the hedged risk. The fair value adjustment related to the hedged commitment is recognized in earnings upon revenue recognition which occurs at the time of delivery to our customers.

As disclosed in our Risk Factors, the potential for losses using our hedging methodology is based on either counterparty defaults with banks for our foreign exchange hedging, the LME for our aluminum hedges, or customer defaults. LME or foreign exchange counterparty default could impact our results of operations in the event that we had a derivative asset and were owed monies by these counterparties. In the event of customer defaults we may be forced to sell the material in the open market and absorb losses for metal or foreign exchange hedges that were applied to the defaulting customers' transactions. Results of operations could be materially impacted in these instances as our hedge would effectively be cancelled due to the default.

Our derivatives are straightforward hedging and are held for price protection and not for purposes of trading in the futures market. We earn our gross profit margin on the underlying physical product and not on the movement of aluminum prices. Utilizing this strategy, we insulate our results to the extent practicable from changes in market prices.

As part of our business we also engage in the purchase, sale and distribution of steel products. For any products which are unsold in our inventory we currently do not or are unable to hedge the price risk. As such, any decline in pricing for such products may adversely impact our profitability.

Our long-term growth will continue to depend upon understanding our customers' particular requirements and delivering a high-level of service and quality products that meet those requirements consistently. Our growth and profitability will also depend upon our ability to continue building our market knowledge and in particular our understanding of the production capabilities of our suppliers. We will also need to maintain, strengthen and expand our supplier relationships in light of continued pricing pressures. Finally, we will need to succeed in identifying and executing opportunities to provide our customers additional value added offerings, in both our existing markets and product offerings as well as in broader or new product groups and geographic areas.

Critical Accounting Policies and Estimates

The following discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. Certain accounting policies have a significant impact on amounts reported in our financial statements. A summary of those significant accounting policies can be found in Note B to our financial statements.

Among the significant judgments made by management in the preparation of our financial statements are the determination of the allowance for doubtful accounts and accruals for inventory claims.

Allowance for Doubtful Accounts

As of December 31, 2010, we had $41,174,000 in trade receivables including an allowance for doubtful accounts of $331,000. We report accounts receivable, net of an allowance for doubtful accounts, to represent our estimate of the amount that ultimately will be realized in cash. We review the adequacy of our allowance for doubtful accounts on an ongoing basis, using historical collection trends, aging of receivables, as well as review of specific accounts, and make adjustments in the allowance as we believe necessary. We maintain a credit insurance policy on the majority of our customers. In general, this policy has a 10% co-insurance; however there are some instances where the co-insurance may vary and instances where we may exceed the insured values. Changes in economic conditions could have an impact on the collection of existing receivable balances or future allowance considerations. In addition, changes in the credit insurance environment could affect the availability of credit insurance and our ability to secure the same.

Accruals for Inventory Claims

Generally, our exposure on claims for defective material is relatively minimal as we generally refer all claims on defects back to the mill supplying the material. If we do not believe the mill will honor a claim, we will record an allowance for inventory adjustments.

Results of Operations

Comparison of Fiscal Years Ended December 31, 2010 and 2009 (in thousands)

Our business in 2010 was characterized by a rebuilding of revenues following last year's significant decline due to the worldwide downturn in the global economy. Our ability to manage the competitive economic environment through the expansion and upgrading of our service to our suppliers and customers is essential in the strong competitive environment in which we operate. This includes our ability to ship material on a just-in-time basis from company owned or public warehouses, the expansion and upgrading of our service to our suppliers and customers, and our use of proprietary on-line service modules for customers to track their shipments. By carefully deploying our warehoused inventory, we are able to ship material to our customers with a good on time rate even when shipments from our suppliers may be late. We continue to use our customer relationships to leverage sales per employee by developing long term relationships with our customers and understanding their needs.

During 2010 our sales increased by $218,951 or 89%, from $246,062 to $465,013. Our increase in sales during 2010 was driven by increases in volumes in all the geographic areas we serve. Our domestic sales during 2010 were $276,802 as compared to $166,665 in 2009 and international sales during 2010 were $188,211 as compared to $79,397 in 2009. Our top ten customers represented 44% of our sales in 2010 as compared to 39% in 2009. Our sales volume has been, and will continue to be, a function of our ongoing ability to secure quality products from our suppliers. Our two largest suppliers furnished approximately 39% of our products during 2010 as compared to our two largest suppliers during 2009 which furnished 50% of our products. Termination or limitation by one or more of our largest suppliers could have a material adverse affect on our business and results of operations.

Our gross profit margin increased from $16,549 in 2009 as compared to $30,228 in 2010, as a result of the increase in sales. The gross profit percentage remained relatively stable in 2010 as compared to 2009.

Our selling, general and administrative expenses increased by 37%, during 2010 primarily due to increased payroll and sales commissions.

Our interest expense declined by $1,625 or 29% from $5,622 in 2009 to $3,997 in 2010 as a result of the expiration of unfavorable interest rate swaps which terminated in August 2010.

Net income for 2010 was $9,145 as compared to a net (loss) of $(511) for 2009. The increase in sales in 2010 as well as the asset impairment of $2,966 in 2009 were the main components of the year on year change in our net income.

Liquidity and Capital Resources (in thousands)

Restricted cash decreased from $2,149 in 2009 to zero in 2010 as a result of repayment from our LME brokers. Net cash of $44,579 was used in operating activities, as inventories and accounts receivables increased. Net cash of $44,411 was provided by financing activities, primarily from proceeds of bank loans.

Our amended and restated credit agreement with JPMorgan Chase Bank, N.A. for itself and as the agent for Rabobank International, New York branch, Citicorp USA, Inc., Brown Brothers Harriman & Co., and Fortis Capital Corp. provides for a $175 million revolving line of credit, including a commitment to issue letters of credit and a swing-line loan sub facility. The credit agreement provides that amounts under the facility may be borrowed and repaid, and re-borrowed, subject to a borrowing base test, until the maturity date of June 30, 2011. We are negotiating a new committed line of credit however there can be no assurance that we will be able to successfully conclude a new line of credit. As of December 31, 2010 the credit utilized under this agreement amounted to $137,331 (including $41,931 of outstanding letters of credit).

Amounts borrowed by the Company bear interest of Eurodollar, money market, or base rates, at the Company’s option, plus an applicable margin. The applicable margin is determined by our leverage ratios. Borrowings under the credit agreement are collateralized by security interests in substantially all of our assets. The credit agreement contains financial and other covenants including but not limited to, covenants requiring maintenance of minimum tangible net worth and compliance with leverage ratios, as well as an ownership minimum and limitations on other indebtedness, liens, and investments and dispositions of assets.

On June 21, 2010, our wholly owned Belgian subsidiary, Imbali Metals BVBA ("Imbali"), replaced its credit line with Fortis Bank S.A./N.V., and entered into a new credit facility with ING Belgium S.A./N.V., (“ING”)with an uncommitted EUR 5 million line of credit for loans and documentary letters of credit. Loan advances are limited to a percentage of Imbali’s pledged accounts receivables and inventory. This secured credit arrangement is unconditionally guaranteed by us. As of December 31, 2010 the outstanding loan amounted to EUR 3.8 million (US $5,047) as compared to EUR 2.8 million (US $4,049) on December 31, 2009.

In addition, we are a party to a mortgage and an interest rate swap that we entered into in 2004 in connection with the purchase of our Baltimore warehouse. The mortgage loan, which had an outstanding balance of $1.8 million at December 31, 2010 and $1.9 million at December 31, 2009, requires monthly payments of approximately $21,600, including interest at LIBOR + 1.75%, and matures in December 2014. Under the related interest rate swap, which has been designated as a cash flow hedge and remains effective through the maturity of the mortgage loan, we will pay a monthly fixed interest rate of 6.37% to the counterparty bank on a notional principal equal to the outstanding principal balance of the mortgage. In return, the bank will pay us a floating rate, namely, LIBOR, to reset monthly, plus 1.75% on the same notional principal amount.

Management believes that cash from operations, together with funds available under our credit facility and proposed new credit facility, will be sufficient to fund the cash requirements relating to our existing operations for the next twelve months. However there can be no guarantees or assurances that the Company will close on its new credit facility prior to June 30, 2011. We will require additional debt or equity financing in connection with the future expansion of our operations.

We have commitments in the form of letters of credit to some of our suppliers.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements as of December 31, 2010.

EisnerAmper LLP
750 Third Avenue
New York, NY 10017-2703
T 212.949.8700
F 212.891.4100
www.eisneramper.com

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Empire Resources, Inc.
Fort Lee, New Jersey

We have audited the accompanying consolidated balance sheets of Empire Resources, Inc. (the "Company") and subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards as established by the Auditing Standards Board (United States) and in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Empire Resources, Inc. and subsidiaries as of December 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

EisnerAmper LLP

New York, New York
March 28, 2011

EMPIRE RESOURCES, INC. AND SUBSIDIARIES

Consolidated Balance Sheets
(In thousands except share amounts)

	December 31, 2010	December 31, 2009
ASSETS		
Current assets:		
Cash	$ 1,270	$ 1,142
Restricted Cash	0	2,149
Trade accounts receivable (less allowance for doubtful accounts of $331 and $331)	41,174	28,109
Inventories	132,196	115,067
Other current assets	11,406	5,930
Total current assets	186,046	152,397
Property and equipment, net	4,078	4,191
Deferred financing costs, net of accumulated amortization of $292	0	234
Total Assets	$ 190,124	$ 156,822
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable - banks	$ 100,447	$ 54,049
Current maturities of mortgage payable	151	141
Trade accounts payable	31,482	52,807
Income taxes payable	6,143	1,703
Accrued expenses and derivative liabilities	10,537	14,792
Dividends payable	0	233
Total current liabilities	148,760	123,725
Mortgage payable, net of current maturities	1,621	1,772
Commitments and Contingencies (Note P)		
Stockholders' equity:		
Common stock $.01 par value, 20,000,000 shares authorized and 11,749,651 shares issued at December 31, 2010 and 2009	117	117
Additional paid-in capital	11,937	11,919
Retained earnings	31,235	23,942
Accumulated other comprehensive loss	(96)	(1,275)
Treasury stock (2,490,745 shares and 2,447,201 shares at December 31, 2010 and 2009, respectively)	(3,450)	(3,378)
Total stockholders' equity	39,743	31,325
Total Liabilities and Stockholders' Equity	$ 190,124	$ 156,822

See notes to consolidated financial statements

EMPIRE RESOURCES, INC. AND SUBSIDIARIES

Consolidated Statements of Operations
(In thousands except per share amounts)

	Year Ended December 31, 2010	2009
Net sales	$ 465,013	$ 246,062
Cost of goods sold	434,785	229,513
Gross profit	30,228	16,549
Selling, general and administrative expenses	12,031	8,770
Operating income before asset impairment	18,197	7,779
Asset (recovery)/impairment	(346)	2,966
Operating income	18,543	4,813
Interest expense	3,997	5,622
Income before income taxes	14,546	(809)
Income taxes	5,401	(298)
Net income (loss)	$ 9,145	$ (511)
Weighted average shares outstanding:		
Basic	9,260	9,437
Diluted	9,435	9,437
Earnings (loss) per share:		
Basic	$ 0.99	$ (0.05)
Diluted	$ 0.97	$ (0.05)

See notes to consolidated financial statements

EMPIRE RESOURCES, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity
(In thousands except per share amounts)

	Common Stock Number of Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Stockholders' Equity	Total Comprehensive Income
Balance at December 31, 2008	**11,750**	**$ 117**	**$ 11,709**	**$ 25,394**	**$ (2,896)**	**$ (3,063)**	**$ 31,261**	
Treasury stock acquired						(315)	(315)	
Stock options awarded			210				210	
Net change in cumulative translation adjustment					(14)		(14)	$ (14)
Increase in value of interest rate swap derivative contract, net of deferred tax of $980					1,632		1,632	1,632
Increase in value of marketable securities net of deferred tax					3		3	3
Dividends ($0.10 per share)				(941)			(941)	
Net loss				(511)			(511)	(511)
								1,110
Balance at December 31, 2009	**11,750**	**117**	**11,919**	**23,942**	**(1,275)**	**(3,378)**	**31,325**	
Treasury stock acquired						(83)	(83)	
Stock options exercised			7			11	18	
Tax benefit applicable to exercise of stock options			11				11	
Net change in cumulative translation adjustment					(120)		(120)	(120)
Decrease in value of interest rate swap liability, net of deferred tax of $782					1,303		1,303	1,303
Decrease in value of marketable securities net of deferred tax of ($2)					(4)		(4)	(4)
Dividends ($0.20 per share)				(1,852)			(1,852)	
Net income				9,145			9,145	9,145
								$10,324
Balance at December 31, 2010	**11,750**	**$ 117**	**$ 11,937**	**$ 31,235**	**$ (96)**	**$ (3,450)**	**$ 39,743**	

See notes to consolidated financial statements

EMPIRE RESOURCES, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(In thousands)

	Year Ended December 31, 2010	2009
Operating activities:		
Net income/(loss)	$ 9,145	$ (511)
Adjustments to reconcile net income/(loss) to net cash (used in)/provided by operating activities:		
Depreciation and amortization	374	428
(Impairment recovery)/asset impairment	(346)	2,966
Deferred income taxes	(32)	(1,486)
Non-cash compensation	0	210
Foreign exchange loss /(gain) and other	155	(74)
Changes in:		
Restricted cash	2,149	(2,149)
Trade accounts receivable	(13,245)	13,034
Inventories	(17,564)	(7,865)
Other current and derivative assets	(6,240)	17,303
Trade accounts payable	(1,542)	26,846
Income taxes payable	4,440	(645)
Accrued expenses and derivative liabilities	(21,873)	6,213
Net cash (used in)/provided by operating activities	(44,579)	54,270
Investing activities:		
Net proceeds from sale of property and equipment	346	0
Purchases of property and equipment	(27)	(14)
Net cash provided by/(used in) investing activities	319	(14)
Financing activities:		
Proceeds from/(repayments of) notes payable – banks	46,691	(53,920)
Repayments - mortgage payable	(141)	(133)
Dividends paid	(2,085)	(1,184)
Treasury stock purchased	(83)	(315)
Deferred financing costs	-	(50)
Stock options exercised	18	-
Tax benefit from stock options exercised	11	-
Net cash provided by/(used in) financing activities	44,411	(55,602)
Net increase in cash	151	(1,346)
Effect of exchange rate	(23)	3
Cash at beginning of year	1,142	2,485
Cash at end of the year	$ 1,270	$ 1,142
Supplemental cash flow information:		
Interest paid during the year	$ 4,037	$ 5,349
Income taxes paid during the year	$ 5,718	$ 642
Non Cash Financing Activities:		
Dividend declared but not yet paid	$ 0	$ 233

See notes to consolidated financial statements

EMPIRE RESOURCES, INC. AND SUBSIDIARIES

Note A - BUSINESS

Empire Resources, Inc ("the Company") is engaged principally in the purchase, sale and distribution of value added semi finished aluminum and steel products to a diverse customer base located throughout the Americas, Australia, Europe and New Zealand. The Company also manufactured prime aluminum extruded products in its own facility located in Baltimore, Maryland. In January 2009, production at this facility was suspended due to decreased market demand and in September 2009 the facility was permanently closed. The Company sells its products through its own marketing and sales personnel and through its independent sales agents located in the U.S. and Europe who receive commissions on sales. The Company purchases from several suppliers located throughout the world (see Note B [14]).

Note B - Summary of Significant Accounting Policies

[1] Principles of consolidation:

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated on consolidation.

[2] Revenue recognition:

Revenue on product sales is recognized at the point in time when the product has been shipped, title and risk of loss has been transferred to the customer, and the following conditions are met: persuasive evidence of an arrangement exists, the price is fixed and determinable, and collectability of the resulting receivable is reasonably assured.

[3] Accounts receivable and allowance policy:

Accounts receivable are stated as the outstanding balance due from customers, net of an allowance for doubtful accounts. The Company maintains a credit insurance policy with a 10% co-pay provision for most accounts receivable. The Company will provide an allowance for doubtful accounts in the event that it determines there may be potential losses beyond the credit insurance coverage.

[4] Inventories:

Inventories which consist of purchased semi-finished metal products are stated at the lower of cost or market. Cost is determined by the specific-identification method. Inventory has generally been purchased for specific customer orders. The carrying amount of inventory which is hedged by futures contracts designated as fair value hedges is adjusted to fair value.

[5] Property and equipment:

Property and equipment are stated at cost and depreciated by the straight-line method over their estimated useful lives. Impaired assets are written down to their net realizable value.

[6] Derivatives:

The Company recognizes all derivatives in the balance sheet at fair value. Derivatives that are not hedges are adjusted to fair value through earnings. If the derivative is a hedge, depending upon the nature of the hedge, changes in the fair value of the derivative are either offset against the change in fair value of the hedged assets, liabilities or firm commitments through earnings (fair value hedge), or recognized in other comprehensive income until the hedged item is recognized in earnings (cash flow hedge). The ineffective portion of a derivative's change in fair value, if any, is immediately recognized in earnings. When a hedged item in a fair value hedge is sold, the adjustment in the carrying amount of the hedged item is recognized in earnings (see Note E).

[7] Foreign currency translation:

The functional currency of Empire Resources Pacific Ltd., a wholly-owned domestic subsidiary which acts as a sales agent in Australia and New Zealand, is the Australian dollar. The Company also has a wholly owned foreign subsidiary incorporated in Belgium which sells semi finished aluminum products in Europe. The functional currency of this subsidiary is the Euro. Cumulative translation adjustments, which are charged or credited to accumulated other comprehensive income, arise from translation of functional currency amounts into U.S. dollars.

[8] Income taxes:

The Company follows the asset and liability approach for deferred income taxes. This method provides that deferred tax assets and liabilities are recorded, using currently enacted tax rates, based upon the difference between the tax bases of assets and liabilities and their carrying amounts for financial statement purposes.

Deferred tax asset valuation allowances are recorded when management does not believe that it is more likely than not that the related deferred tax assets will be realized.

[9] Per share data:

Basic earnings / (loss) per share is computed by dividing net income / (loss) by the weighted average number of common shares outstanding during the year. Diluted earnings per share give effect to all dilutive outstanding stock options, using the treasury stock method.

[10] Stock - based compensation:

Stock-based compensation expense for an award of equity instruments, including stock options, is recognized over the vesting period based on the fair value of the award at the grant date.

[11] Newly Adopted Accounting Pronouncements

In February 2008, the Financial Accounting Standards Board (“FASB”) issued amended guidance to delay the fair value measurement and expanded disclosures about fair value measurements for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), until fiscal years beginning after November 15, 2008. Effective January 1, 2009, the Company adopted the guidance related to fair value measurements for nonfinancial assets and nonfinancial liabilities and the adoption of such guidance did not have any effect on the Company’s consolidated financial statements.

In March 2008, the FASB issued authoritative guidance which requires entities that utilize derivative instruments to provide qualitative disclosures about their objectives and strategies for using such instruments, as well as any details of credit-risk-related contingent features contained within derivatives. The guidance also requires entities to disclose additional information about the amounts and location of derivatives located within the financial statements, how the guidance has been applied and the impact that hedges have on an entity’s financial position, financial performance, and cash flows. The guidance is effective for fiscal years and interim periods beginning after November 15, 2008. The Company adopted this guidance in the 2009 financial statements (see Note E)

In August 2009, the FASB issued amended guidance on the measurement of liabilities at fair value. The guidance provides clarification that in circumstances in which a quoted market price in an active market for an identical liability is not available, the fair value of a liability be measured using one or more of the valuation techniques that uses the quoted price of an identical liability when traded as an asset, or, if unavailable, quoted prices for similar liabilities or similar assets when traded as assets. If none of this information is available, the entity should use a valuation technique in accordance with existing fair valuation principles. This guidance is effective for the first reporting period (including interim periods) after issuance. The Company adopted this guidance in the quarter ended September 30, 2009. The adoption did not have any effect on the Company’s consolidated financial statements.

In January 2010, the FASB issued amended accounting guidance on the disclosure requirements for fair value measurements. Specifically, the changes require a reporting entity to disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers. The changes also clarify existing disclosure requirements related to how assets and liabilities should be grouped by class and valuation techniques used for recurring and nonrecurring fair value measurements. The Company adopted this guidance on January 1, 2010. The adoption did not have any effect on the Company’s consolidated financial statements.

[12] Fair Value

Authoritative guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy consists of three broad levels, as described below:

The three levels of the fair value hierarchy are described below:

- Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 - Inputs that are both significant to the fair value measurement and unobservable. We do not hold any assets or liabilities that would be classified as Level 3.

Derivative contracts consisting of aluminum contracts, foreign currency contracts, and interest rates swaps are valued using quoted market prices and significant other observable inputs. These financial instruments are typically exchange-traded and are generally classified within Level 1 or Level 2 of the fair value hierarchy depending on whether the exchange is deemed to be an active market or not.

Major categories of assets and liabilities measured at fair value at December 31, 2010 and 2009 are classified as follows (in thousands):

	December 31, 2010		December 31, 2009	
	Level 1	**Level 2**	**Level 1**	**Level 2**
Assets:				
Inventory	$ 120,702		$ 115,067	
Aluminum futures contracts	40			
Liabilities:				
Foreign currency futures contracts	2,037		780	
Interest rate swap contracts		$ 176		$ 2,260
Aluminum futures contracts	3,532		7,747	

[13] Use of estimates:

The preparation of financial statements in accordance with generally accepted accounting principles ("GAAP") 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 income and expenses during the reporting period. Actual results could differ from these estimates.

[14] Significant customers and concentration of suppliers:

During 2010 each of two customers accounted for sales slightly in excess of 10%, as compared to no one customer in 2009.

The Company's purchase of metal products is from a limited number of suppliers located throughout the world. Two suppliers, Elval Hellenic Aluminium and P.T. Alumindo Light Metal Industries accounted for 39% of total purchases during the year ended December 31, 2010 as compared to 50% of total purchases from Elval Hellenic Aluminium and Hulamin Ltd. in 2009. The Company's loss of any of its largest suppliers or a material default by any such supplier in its obligations to the Company would have at least a short-term material adverse effect on the Company's business.

[15] Reclassifications:

Certain prior year balances have been reclassified to conform to current year presentation.

Note C – Fair Value of Financial Instruments

The carrying amounts of variable rate notes payable to the banks and the variable rate mortgage payable approximate fair value as of December 31, 2010 and 2009 because these notes reflect market changes to interest rates. Derivative financial instruments are carried at fair value (see Note B [12]).

Note D – Property and Equipment

On September 30, 2009, the Company announced its plan to shutter its extrusion press at its Baltimore facility and, based on management's estimate of net realizable value, recognized a pre-tax impairment charge of $2,966,000 representing the carrying value of the press and related equipment. In 2010, the Company sold the extrusion press for net proceeds of $346,000.

Depreciation expense was $140,000 and $268,000 for the years ended December 31, 2010 and 2009, respectively.

Property and equipment are summarized as follows: (in thousands)

	December 31,		
	2010	**2009**	**Estimated Useful Life**
Cost:			
Land	**$1,180**	**$1,180**	
Buildings and improvements	**3,165**	**3,165**	**40 and 10 years**
Other equipment	**1,212**	**1,185**	**3 to 5 years**
	5,557	**5,530**	
Less: Accumulated depreciation	**1,479**	**1,339**	
Net Book Value	**$4,078**	**$4,191**	

Note E – Derivative Financial Instruments and Risk Management

The Company uses derivative financial instruments designated as fair value hedges to manage its exposure to commodity price risk and foreign currency exchange risk inherent in its operations. It is the Company's policy to hedge such risks to the extent practicable. The Company enters into high-grade aluminum futures contracts to limit its gross margin exposure by hedging the metal content element of firmly committed purchase and sales commitments. The Company also enters into foreign exchange forward contracts to hedge its exposure related to commitments to buy and sell non-ferrous metals denominated in international currencies.

The Company's unrealized assets and liabilities in respect of its fair value hedges measured at fair value at December 31, 2010 and 2009 are as follows (in thousands):

Derivatives designated as fair value hedges	Balance Sheet Location		December 31, 2010		December 31, 2009
Asset derivatives:					
Aluminum futures contracts	Other current assets		40		0
Total		**$**	**40**	**$**	**-**
Liability derivatives:					
Foreign currency futures contracts	Accrued expenses and derivative liabilities	$	2,037	$	780
Aluminum futures contracts	Accrued expenses and derivative liabilities		3,532		7,747
Total		**$**	**5,569**	**$**	**8,527**

For the years ended December 31, 2010, and 2009, hedge ineffectiveness associated with derivatives designated as fair value hedges was insignificant, and no fair value hedges were derecognized.

As discussed in Notes G and H, the Company has entered into interest rate swaps to convert a mortgage and a portion of the revolving credit facility from a variable rate to a fixed rate obligation. These swaps have been designated as cash flow hedges and the Company's unrealized liabilities relating to them measured at fair value at December 31, 2010 and 2009 are as follows (in thousands):

Derivatives designated as cash flow hedges	Balance Sheet Location		December 31, 2010		December 31, 2009
Liability derivatives:					
Interest rate swap contracts	Accrued expenses and derivative liabilities	**$**	**176**	**$**	**2,260**

A corresponding debit, net of deferred taxes, is reflected in accumulated other comprehensive loss in the accompanying balance sheet (see Note K).

The table below summarizes the realized gain or (loss) of the Company's derivative instruments and their location in the income statement (in thousands):

Derivatives in hedging relationships		Location of Gain or (Loss) Recognized		December 31, 2010		December 31, 2009
Foreign currency futures	(a)	Cost of Goods Sold	$	543	$	(604)
Interest rate swaps	(b)	Interest Expense		(2,383)		(3,457)
Aluminum futures	(c)	Cost of Goods Sold		(4,304)		20,165
Total			**$**	**(6,144)**	**$**	**16,104**

(a) Fair value hedge: the related hedged item is accounts receivable and an offsetting loss in 2010 and gain in 2009 in the same respective amounts is included in cost of goods sold.

(b) Cash flow hedge: recognized loss reclassified from accumulated other comprehensive loss.

(c) Fair value hedge: the related hedged item is inventory and an offsetting gain in 2010 and loss in 2009 in the same respective amounts is included in cost of goods sold.

Restricted cash at December 31, 2009 in the accompanying consolidated balance sheet consists of cash held in margin accounts with the Company's London Metal Exchange brokers. There was no cash held in margin accounts at December 31, 2010.

Note F – Accrued expenses and derivative liabilities

Accrued expenses and derivative liabilities consist of the following:
(in thousands)

	December 31, 2010	December 31, 2009
Derivative liabilities	$ 5,745	$ 10,787
Other accrued expenses	4,792	4,005
	$ 10,537	$ 14,792

Note G – Mortgage Payable

In December 2004, the Company entered into a mortgage in connection with the purchase of a warehouse. The mortgage, which requires monthly payments of approximately $21,600 including interest, bears interest at LIBOR + 1.75% and matures in December 2014.

In connection with the mortgage, the Company entered into an interest rate swap with a bank which has been designated as a cash flow hedge. Effective 2004 through December 29, 2014, each month the Company will pay a fixed interest rate of 6.37% to the bank on a notional principal equal to the outstanding principal balance of the mortgage. In return, the bank will pay to the Company a floating rate, namely, LIBOR, to reset monthly plus 1.75% on the same notional principal amount.

The following are the future maturities of the mortgage at December 31, 2010 (in thousands):

Year ending December 31,	
2011	$151
2012	161
2013	171
2014	1,289
	$1,772

Note H - Notes Payable - Banks

On June 13, 2006, the Company entered into an amended and restated credit agreement with five commercial banks. JPMorgan Chase Bank, N.A. acted as the agent for the lenders.

As amended in January 2008, the credit agreement provides for a $175 million revolving line of credit, including a commitment to issue letters of credit and a swing-line loan sub facility. The credit agreement provides that amounts under the facility may be borrowed, repaid and re-borrowed, subject to a borrowing base test, until the maturity date of June 30, 2011. As of December 31, 2010 and 2009, respectively, the credit utilized under this credit agreement amounted to $137,331,000 and $122,124,000 (including $41,931,000 and $72,124,000 of outstanding letters of credit). The Company is negotiating a new committed line of credit and anticipates that a new credit agreement will be in effect upon expiration of the current agreement; however there can be no assurance that it will be able to successfully conclude a new agreement.

Amounts borrowed by the Company bear interest at LIBOR, Eurodollar, money market or base rates, at the Company's option, plus an applicable margin. The applicable margin is determined by the Company's leverage ratios. Borrowings under the credit agreement are collateralized by security interests in substantially all of the Company's assets. The credit agreement contains financial and other covenants including, but not limited to, covenants requiring maintenance of minimum tangible net worth and compliance with leverage ratios, as well as an ownership minimum and limitations on other indebtedness, liens, and investments and dispositions of assets.

In connection with the revolving line of credit, the Company entered into interest rate swaps with a total notional amount of $70 million which terminated in August 2010. These swaps were designated as cash flow hedges of the variable interest on that portion of the credit agreement up to the notional amount. During the term of the swaps, the Company paid a weighted average fixed rate of 5.14% plus a spread to the bank, and in return the bank paid the Company a floating LIBOR rate plus a spread. This floating rate reset monthly.

On June 21, 2010, our wholly owned Belgian subsidiary, Imbali Metals BVBA ("Imbali"), replaced its credit line with Fortis Bank S.A./N.V., and entered into a new credit facility with ING Belgium S.A./N.V., ("ING")with an uncommitted EUR 5 million line of credit for loans and documentary letters of credit. Loan advances are limited to a percentage of Imbali's pledged accounts receivables and inventory. This secured credit arrangement is unconditionally guaranteed by the Company. As of December 31, 2010 the outstanding loan balance amounted to EUR 3.8 million (US $5,047,000) as compared to EUR 2.8 million (US $4,049,000) on December 31, 2009.

NOTE I - STOCK OPTIONS

The Company's 2006 Stock Option Plan (the "2006 Plan"), as amended, provides for the granting of options to purchase not more than an aggregate of 559,000 shares of common stock. Under the 2006 Plan, all canceled or terminated options are available for grants. All officers, directors and employees of the Company and other persons who perform services for the Company are eligible to participate in the 2006 Plan. Some or all of the options may be "incentive stock options" within the meaning of the Internal Revenue Code of 1986, as amended.

The 2006 Plan provides that it is to be administered by the Board of Directors, or by a committee appointed by the Board, which will be responsible for determining, subject to the provisions of the 2006 Plan, to whom the options are granted, the number of shares of common stock subject to an option, whether an option shall be incentive or non-qualified, the exercise price of each option (which, other than in the case of incentive stock options, may be less than the fair market value of the shares on the date of grant), the period during which each option may be exercised and the other terms and conditions of each option. No options may be granted under the 2006 Plan after June 26, 2016.

The following is a summary of stock option activity for the years ended December 31, 2010 and 2009:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining contractual term (years)	Aggregate Intrinsic Value
Options outstanding and exercisable at December 31, 2008	242,000	$ 1.53	1.07	$ -
Options granted	210,000	$ 1.35		
Options exercised	-			
Options canceled	(9,000)	$ 1.83		
Options outstanding and exercisable at December 31, 2009	443,000	$ 1.54	9.23	$ 25,470
Options granted	-			
Options exercised	(10,000)	$ 1.76		
Options canceled	(15,000)	$ 1.35		
Options outstanding and exercisable at December 31, 2010	418,000	$ 1.54	8.48	$ 1,530,500
Options available for grant under 2006 Plan at December 31, 2010	407,000			

During 2010, there were no stock option grants. The Company recorded share-based compensation expense of $209,900 relating to stock options granted and modified during 2009, based on the weighted average grant-date fair value ($.50) of the options. As of December 31, 2010 and 2009, there was no unrecognized compensation expense as all options granted became vested during 2009. Treasury shares were issued for the 10,000 options exercised in 2010. The intrinsic value of options exercised during the year ended December 31, 2010 was $29,764.

The fair value of each option granted during the year ended December 31, 2009 was estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

Expected dividend yield	7%
Risk-free interest rate	3.39%
Expected volatility	72%
Expected term (in years)	5

The expected dividend yield is based on historical dividends. The risk free interest rate is based on the annual yield on the measurement date of a zero coupon U.S. Treasury Bond, the maturity of which equals the option's expected term. The expected volatility is based on historical fluctuations in the Company's stock price over a period commensurate with the option's expected term. The expected term is based on the average of the contractual term of the option and the vesting period.

NOTE J - TREASURY STOCK

On July 22, 2008, the Board of Directors authorized the Company to repurchase up to 2,000,000 shares of its common stock. As of December 31, 2010, the Company repurchased a total of 577,278 shares under the repurchase program for an aggregate cost of $1,221,576, of which 53,544 shares were purchased in 2010 and 223,734 shares were purchased in 2009.

NOTE K – ACCUMULATED OTHER COMPREHENSIVE LOSS

Components of accumulated other comprehensive loss included in the accompanying consolidated balance sheets are as follows (in thousands):

	December 31,			
	2010		2009	
Foreign currency translation adjustment	$	**30**	$	**150**
Unrealized (loss) on interest-rate swap derivative contract, net of tax ($66) and ($847), respectively		**(110)**		**(1,413)**
Unrealized (loss) on investment in marketable securities, net of tax ($9) and ($7), respectively	**(a)**	**(16)**	**(a)**	**(12)**
	$	**(96)**	**$**	**(1,275)**

(a) Relates to marketable securities classified as available for sale, carried at market value of $16 and $20 at December 31, 2010 and 2009, respectively and is included in other current assets.

Note L - Income Taxes

The components of income/(loss) before income taxes were as follows (in thousands):

	Year Ended December 31,	
	2010	2009
U.S.	$ 13,216	$ (70)
Foreign	1,330	(739)
	$ 14,546	$ (809)

Income tax expense (benefit) consists of the following (in thousands):

	Year Ended December 31,	
	2010	2009
Current		
U.S. Federal	$ 4,459	$ 1,052
State and local	974	136
Foreign	0	0
	5,433	1,188
Deferred		
U.S. Federal	(13)	(1,320)
State and local	(19)	(166)
Foreign	0	0
	(32)	(1,486)
	$ 5,401	$ (298)

The U.S. statutory rate can be reconciled to the effective tax rate as follows (in thousands):

	Year Ended December 31,	
	2010	2009
Provision for taxes at statutory rate	$ 4,991	$ (275)
State and local taxes, net of federal tax effect	596	(23)
Permanent differences and other current year adjustments	(91)	42
Other adjustments to prior year accruals	(95)	(42)
	$ 5,401	$ (298)

Deferred tax assets and liabilities are composed of the following (in thousands):

	Year Ended December 31, 2010	2009
Deferred tax assets		
Allowance for doubtful accounts	$ **126**	$ **126**
Accrued expenses	**302**	**181**
Inventories	**2,068**	**1,651**
Marketable Securities	**9**	**7**
Property and Equipment	**0**	**469**
Stock Options	**79**	**79**
Derivative contracts	**66**	**847**
	2,650	**3,360**
Deferred tax liabilities		
Property and Equipment	**(39)**	**0**
	(39)	**0**
Net deferred tax assets (a)	$ **2,611**	$ **3,360**
(a) included in other current assets in the accompanying consolidated balance sheet.		

Income from foreign subsidiaries and related foreign income taxes primarily relate to Imbali, the Company's Belgian subsidiary. For US income tax purposes, the Company has elected to treat Imbali as a disregarded entity and include its taxable income in the Company's consolidated federal income tax return and separate state income tax returns. Federal income taxes attributable to Imbali's taxable income are offset by tax credits for foreign taxes paid by Imbali. Undistributed earnings of Imbali amounted to approximately $2,427 at December 31, 2010. Upon distribution of the earnings in the form of dividends, the Company would be required to pay Belgian withholding tax at the rate of 5%. As the Company intends to indefinitely reinvest such earnings, no provision for such withholding tax has been provided. For federal income tax purposes, foreign tax credits would be available to the Company for the withholding tax, subject to limitations.

The Company recognizes a tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement.

A reconciliation of the beginning and ending amounts of unrecognized tax benefits for the years ended December 31, 2010 and 2009 is as follows (in thousands).

	Year Ended December 31, 2010	2009
Balance at January 1	$ **329**	$ **100**
Additions based on tax positions related to the current year	**0**	**22**
Additions for tax positions of prior years	**57**	**207**
Balance at December 31	$ **386**	$ **329**

The total amount of unrecognized tax benefits at December 31, 2010 and 2009 would impact the Company's effective tax rate, if recognized. The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. The Company recognized approximately $46 and $144 of interest expense related to unrecognized tax benefits during the year ended December 31, 2010 and 2009, respectively. Interest related to unrecognized tax benefits accrued in the Company's balance sheet at December 31, 2010 and 2009 amounted to approximately $190 and $144, respectively.

The Company's federal and certain other income tax returns remain open to examination by the tax authorities for the tax years 2007 through 2010 and certain other returns remain open to examination by the tax authorities for the years 2006 through 2010.

Note M - Employee Retirement Benefits

The Company has implemented a salary reduction employee benefit plan, under Section 401 (k) of the Internal Revenue Code. Employees may contribute up to the maximum amount allowable by law and the Company will provide a matching contribution of 50% of employee contributions limited to 2% of employee compensation. The plan covers all employees who have attained age 18, and most of the eligible employees have elected to participate.

Each employee's pre-tax contributions are immediately vested upon participation in the plan. The employees' vesting of the Company's matching contribution is based upon length of service as follows:

Years of service	**Vested %**
1	**25%**
2	**50%**
3	**75%**
4	**100%**

Employees who terminate prior to 100% vesting forfeit their non-vested portion of the Company's matching contribution, and those funds are used to reduce future matching contributions. Employees in active service on the effective date of the plan were granted retroactive service credit for the purpose of determining their vested percentage. Company matching contributions amounted to $73,000 in 2010 and $67,000 in 2009.

Note N – Per Share Data

The following is the reconciliation of the numerators and denominators of the basic and diluted earnings/(loss) per share:

	Year Ended December 31,	
	2010	**2009**
Numerator:		
Net Income/(Loss)	**$ 9,145**	**$ (511)**
Denominator:		
Computation of basic earnings per share:		
Weighted average shares outstanding – basic	**9,260**	**9,437**
Basic earnings/(loss) per share	**$ 0.99**	**$ (0.05)**
Computation of diluted earnings (loss) per share:		
Weighted average shares outstanding – basic	**9,260**	**9,437**
Potentially dilutive shares:		
Shares issuable upon exercise of dilutive options	**175**	**0**
Weighted average shares outstanding – diluted	**9,435**	**9,437**
Diluted earnings/ (loss) per share	**$ 0.97**	**$ (0.05)**

Options for 443,000 common shares were not included in the diluted calculation in 2009, as the Company had a net loss and the effect of including these shares would have been anti-dilutive.

NOTE O – BUSINESS SEGMENT AND GEOGRAPHIC AREA INFORMATION

The Company's only business segment is the sale and distribution of non-ferrous and ferrous metals. Sales are attributed to countries based on location of customer. Sales to domestic and foreign customers were as follows (in thousands):

	Year Ended December 31,	
	2010	**2009**
United States	**$ 276,802**	**$ 166,665**
Europe, Canada & New Zealand	**85,920**	**$ 40,886**
Brazil	**61,300**	**14,021**
Australia	**40,991**	**24,490**
	$ 465,013	**$ 246,062**

No country other than the United States and Brazil represented 10% of the Company's net sales.

Note P - Commitments and Contingencies

[1] Lease:

The Company leases office facilities under a lease expiring in 2015. The minimum non-cancelable scheduled rentals under such lease are as follows (in thousands):

Year Ending December 31,	
2011	$ 284
2012	284
2013	284
2014	284
2015	74
	$ 1,210

Rent expense for corporate headquarters for the years ended December 31, 2010 and 2009 was $299,000 and $291,000 respectively.

[2] Letters of credit:

Outstanding letters of credit at December 31, 2010 amounted to approximately $42 million all of which expire prior to April 30, 2011.

[3] Employment agreements:

The Company has an employment agreement with one of its executive officers expiring in December 2011. The agreement provides that the Company may terminate the agreement upon the disability of the executive or for cause (as such terms are defined in the agreement). Base salary under this agreement is $528,000 per annum. The amount may be increased, but not decreased, by the Board of Directors.

The Company has an employment agreement with another officer, expiring in December 2011. The minimum base salary is $349,000 and is subject to possible upward annual adjustments based upon changes in a designated cost of living index.

[4] Litigation:

A. W. Financial Services, S.A., a French company ("AWF"), filed a complaint against the Company, as well as against the transfer agent for our shares, American Stock Transfer & Trust Company ("AST"), and AST's agent or sub-contractor, Affiliated Computer Services, Inc. ("ACS"), on September 28, 2007, in the U.S. District Court, Southern District of New York, claiming that 30,426 shares of the Company's common stock owned by AWF, as well as related dividends, were improperly delivered to the State of Delaware as unclaimed (escheated) property. AWF alleges that the escheatment resulted from, among other things, the negligence of each defendant and a breach of fiduciary duty and a failure of the Company to register their shares. In addition, AWF alleges that through the escheatment the Company and the other defendants converted its property. AWF claims that it has suffered damages of not less than $870,000, reflecting in general the difference between the value of the shares when liquidated by the State of Delaware (or its agent, ACS) and when AWF claims to have inquired about selling the shares in the spring of 2006, plus dividends that it would have received in that period, plus interest, plus an amount reflecting the loss in value of the dollar against the euro. AWF also is seeking specific performance, namely, that the Company deliver to it a stock certificate in its name representing 30,426 shares of the Company's common stock. AST subsequently filed cross-claims against the Company and ACS seeking indemnity for any losses resulting to it from AWF's claims. The Company first received actual notice of this lawsuit on March 5, 2008. On March 18, 2008, the Company filed an answer to the complaint denying its material allegations and asserting affirmative defenses. On April 4, 2008, AWF filed an amended complaint making allegations and asserting claims against the Company that were very similar to what was alleged in the original complaint. Counsel for AST agreed that, as a result of the filing of the amended complaint, AST's cross-claims were then moot. On May 2, 2008, the Company and the other defendants filed motions to dismiss the amended complaint for failure to state a claim. On January 29, 2009, the U.S. District Court denied the motions to dismiss without prejudice and instead certified four questions of law raised by the motions to the Supreme Court of Delaware. On September 15, 2009, the Supreme Court of Delaware issued its ruling on the certified questions substantially in favor of AWF. On January 13, 2010, the Company and the other defendants filed renewed motions to dismiss the amended complaint for failure to state a claim. On September 30, 2010, the Court granted in part and denied in part defendants' motions to dismiss, permitting claims of negligence and conversion against each of the defendants, as well as a claim against the Company for failure to register plaintiff's stock, to go forward. The Court's opinion dismissed the claims for breach of fiduciary duty and specific performance against the Company, and the claims for breach of contract against each of AST and ACS. On October 14, 2010, the Company filed an answer denying the material allegations of, and affirmative defenses in response to, the remaining counts of plaintiff's amended complaint. That same day, AST and ACS also jointly filed their answer and affirmative defenses to the remaining counts of plaintiff's amended complaint, but also lodged cross claims against the Company for contractual indemnification and contribution and for common law indemnification and contribution. On November 4, 2010, the Company filed its answer denying the material allegations of, and affirmative defenses in response to, AST's and ACS' cross claims and asserted a cross claim against AST and ACS for common law indemnification and contribution. AST and ACS subsequently filed an answer denying the material allegations of, and affirmative defenses in response to, the Company’s cross claim for common law indemnification and contribution. The Company believes that it has meritorious defenses to both (i) the remaining counts of the amended complaint and (ii) the cross claims and intend to defend against all these claims vigorously.

Note Q – Subsequent Events

Subsequent events were evaluated through March 28, 2011, the date the financial statements were available to be issued.

I, Nathan Kahn, certify that:

1. I have reviewed this annual disclosure statement of Empire Resources, Inc.
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material aspects the financial condition, results of operations and cash flows of Empire Resources, Inc. as of, and for the periods presented in this disclosure statement.

Date: March 29, 2011 By: /s/ Nathan Kahn
Nathan Kahn
Chief Executive Officer

I, Sandra Kahn, certify that:

1. I have reviewed this annual disclosure statement of Empire Resources, Inc.
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material aspects the financial condition, results of operations and cash flows of Empire Resources, Inc. as of, and for the periods presented in this disclosure statement.

Date: March 29, 2011 By: /s/ Sandra Kahn
Sandra Kahn
Chief Financial Officer

Directors, Executive Officers, and Corporate Governance.

WILLIAM SPIER	Director since 1996
Age 76	

Mr. Spier has been a director of the Company since October 1996 and was Acting Chief Executive Officer from November 1997 until September 1999. Mr. Spier presently is the non-executive Chairman of the Board of the Company. Mr. Spier has been a private investor since 1982. He also served as Chairman of DeSoto, Inc., a manufacturer and distributor of cleaning products, from May 1991 through September 1996, and as Chief Executive Officer of DeSoto, Inc., from May 1991 to January 1994 and from September 1995 through September 1996. Mr. Spier retired as Vice Chairman of Phibro-Salomon, Inc. in 1981.

NATHAN KAHN	Director since 1999
Age 56	

Mr. Kahn has been the Chief Executive Officer, President and a director of the Company since September 1999. Prior to that time, Mr. Kahn was the President and a director of the Company from the time of its formation in 1984 until its merger with Integrated Technology USA, Inc. in September 1999. Mr. Kahn has also been the President and a director of Empire Resources Pacific Ltd. ("Empire-Pacific"), the sales agent in Australia and New Zealand for Empire Resources, since its formation in 1996.

SANDRA KAHN	Director since 1999
Age 53	

Ms. Kahn has been a Vice President, the Chief Financial Officer and a director of the Company since September 1999. Prior to that time, Ms. Kahn was the Secretary and Treasurer and a director of the Company from the time of its formation in 1984 until its merger with Integrated Technology USA, Inc. in September 1999. Ms. Kahn has also been the Secretary and Treasurer and a director of Empire-Pacific since its formation in 1996

HARVEY WRUBEL	Director since 2000
Age 57	

Mr. Wrubel has been the Vice President of Sales/Director of Marketing of the Company since September 1999. Prior to that time, Mr. Wrubel was the Vice President of Sales/Director of Marketing of the Company for more than five years.

JACK BENDHEIM	Director since 1999
Age 64	

Mr. Bendheim has been a director of the Company since September 1999. He has been the Chairman and President of Phibro Animal Health Corporation for more than the past five years.

PETER G. HOWARD	Director since 1999
Age 75	

Mr. Howard has been a director of the Company since September 1999. He has been the Managing Director of Empire-Pacific since its inception in 1996. From 1961 to 1995, Mr. Howard held various positions within the aluminum industry, the most recent of which was Divisional General Manager of Comalco Rolled Products, a unit of Comalco Aluminum Ltd., an aluminum producer.

NATHAN MAZUREK Director since 1999

Age 49

Mr. Mazurek has been the President of Provident Industries, a diversified manufacturer of electrical systems and components, for more than the past five years.

MORRIS J. SMITH Director since 1994

Age 53

Since 1993, Mr. Smith has been a private investor and investment consultant. Prior thereto, Mr. Smith was employed for a period of more than five years by Fidelity Investments as a portfolio manager.

L. RICK MILNER Director since 2005

Age 65

Mr. Milner is retired. He joined Alcoa in 1968 and enjoyed a thirty-six year career with Alcoa before retiring in 2004. He was named Director of Corporate Development in 1987, elected a Vice- President in 1991. From 1999 until retirement he was the Officer in charge of Alcoa's automotive businesses.

Family Relationships

Nathan Kahn and Sandra Kahn are husband and wife.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth as of December 31, 2010 certain information with respect to beneficial ownership of our common stock by (i) each person that is a director and nominee for director, (ii) all such persons as a group and (iii) each person known to us to be the owner of more than 5% of our common stock. None of our executive officers, directors or director nominees have pledged or collateralized shares of our common stock owned by them.

Name and Address (1) **Directors and Executive Officers:**	**Number of Shares Beneficially Owned (2)**	**Percent of Common Stock Owned**
William Spier	175,617 (3)	1.9%
Nathan Kahn	3,702,523 (4)	40.0%
Sandra Kahn..	3,702,523 (4)	40.0%
Harvey Wrubel..	432,927 (5)	4.6%
Jack Bendheim	0	*
Peter G. Howard..	8,000 (6)	0.1%
Nathan Mazurek..	4,000 (7)	0.1%
Morris J. Smith..	39,060	0.4%
L. Rick Milner...	13,000	0.1%
All officers and directors as a group (9 persons).....	4,378,127 (8)	45.9%

* Less than 1%

(1) Unless otherwise indicated, the address of each person listed above is c/o Empire Resources, Inc., One Parker Plaza, Fort Lee, New Jersey 07024.

(2) Unless otherwise indicated, each person has sole investment and voting power with respect to the shares indicated. For purposes of this table, a person or group of persons is deemed to have “beneficial ownership” of any shares as of a given date which such person has the right to acquire within 60 days after such date. For

purposes of computing the percentage of outstanding shares held by each person or group of persons named above on a given date, any security which such person or persons has the right to acquire within 60 days after such date is deemed to be outstanding for the purpose of computing the percentage ownership of such person or persons, but is not deemed to be outstanding for the purpose of computing the percentage ownership of any other person.

(3) Includes 2,000 shares underlying options held by Mr. Spier that are currently exercisable or that will become exercisable within 60 days.

(4) Includes 4,000 shares underlying options held by Nathan and Sandra Kahn that are currently exercisable or that will become exercisable within 60 days. Nathan Kahn and Sandra Kahn share voting power and investment power with respect to all shares reported.

(5) Includes 200,000 shares underlying options held by Mr. Wrubel that are currently exercisable or that will become exercisable within 60 days.

(6) Consists of 8,000 shares underlying options held by Mr. Howard that are currently exercisable or that will become exercisable within 60 days.

(7) Consists of 4,000 shares underlying options held by Mr. Mazurek that are currently exercisable or that will become exercisable within 60 days.

(8) Includes 218,000 shares underlying options that are currently exercisable or that will become exercisable within 60 days.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Since January 1, 2010, the Company has not engaged in any transaction, or series of similar transactions, in which the amount involved exceeded $120,000 or one percent of the average of the Company’s total assets at year end for the last two completed fiscal years and in which any of its directors, executive officers or security holders who beneficially own in excess of 5% of the Company’s outstanding common stock (or any of their immediate family members) had a direct or indirect material interest. In addition, none of the Company’s non-employee directors have any, direct or indirect, business relationships with the Company. Our Code of Ethics sets forth our policies and procedures relating to transactions between us and any of our directors, executive officers and employees. Among other things, our Code of Ethics requires any potential conflict of interest be reported promptly to our Compliance Officer, who may report the conflict to the Board of Directors.

Empire Resources, Inc. Corporate Information

Board of Directors
William Spier, Non Executive Chairman
Jack Bendheim
Peter Howard
Nathan Kahn
Sandra Kahn
Nathan Mazurek
L. Rick Milner
Morris Smith
Harvey Wrubel

Corporate Management

Nathan Kahn
President and Chief Executive Officer

Sandra Kahn
Vice President, Chief Financial Officer
Treasurer and Secretary

Harvey Wrubel
Vice President of Sales

Peter Howard
Managing Director, Pacific Region

Diederik Oosters
Managing Director
Imbali Metals Bvba

Ross Toombs
Director of Information Technology

Additional Information

Corporate Headquarters
One Parker Plaza
Fort Lee, NJ 07024
Telephone (201) 944-2200
Fax (201) 944-2226
www.empireresources.com

Stock Listing
OTC Markets Group
Symbol: ERSO

Independent Auditors
EisnerAmper LLP
750 Third Ave
New York, NY 10017

Transfer Agent
American Stock Transfer
& Trust Company
59 Maiden Lane
New York, NY 10038
(800) 937-5449

Investor Relations
David Kronfeld
(917) 408-1940
dkronfeld@empireresources.com

Common Stock
Par Value $0.01 per share
20 million shares authorized
11,749,651 shares issued
9,258,906 shares outstanding
CUSIP: 29206E100