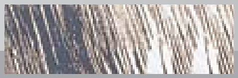
5N PLUS

99.99%
99.999%
99.9999%
99.99999%

pure and simple

2008
Annual Report

About 5N Plus

Launched in June 2000 following a management buyout, 5N Plus is today a fully integrated refiner and producer of highly purified metals and compounds, offering closed-loop recycling solutions to its customers. 5N Plus draws its name from the purity of its products, 99.999% (5 nines or 5N) and more, which consist primarily of tellurium, cadmium, selenium and related compounds such as cadmium telluride (CdTe). Used as starting materials required in the growth of semiconducting crystals, these products find applications in specialized technologies such as solar modules, radiation detectors, thermoelectric coolers, infrared lenses and optical and electronic storage media.

5N Plus is a public company listed on the Toronto Stock Exchange under the symbol “VNP” (VNP-TSX). Headquartered in Montreal (Canada), the Company employs some 148 people at its two state-of-the-art production facilities located in Montreal and Eisenhüttenstadt (Germany).

Summary

5N Plus at a Glance

Pure and Simple

5N Plus is a producer of high purity metals and compounds for electronic applications. The Company strives to tailor its products to the requirements of its customers and to provide means for sustainability through customer-oriented recycling solutions. Purity is the key characteristic in all of 5N Plus products, ensuring performance levels which simply cannot be attained in any other way.

Key Supplier to the Solar Module Market

Products from 5N Plus find uses in a number of electronic materials market segments including medical imaging and photovoltaics. 5N Plus is a key supplier of CdTe and cadmium sulphide (CdS), the essential components of CdTe thin-film solar modules, the leading low cost solar module technology. With a stable source of critical materials and long-term supply agreements with key customers, the highly purified metals and compounds provided by 5N Plus contribute to increase the sustainability of products that impact our everyday lives.

[THE STRONG DEMAND FOR THIN-FILM CdTe PHOTOVOLTAIC MODULES SHOULD CONTINUE TO DRIVE 5N PLUS' ACCELERATED GROWTH. FURTHER DEVELOPMENT OF OTHER END MARKETS SHOULD PROVIDE FOR INCREASED DIVERSIFICATION.]

International Focus

During its 2008 fiscal year, 5N Plus entered into a major international expansion project aimed at building and commissioning a new facility in Eisenhüttenstadt, Germany. Operated by 5N Plus' wholly owned subsidiary 5N PV GmbH, this new state-of-the-art facility is operational since July 29, 2008. With both manufacturing and recycling capabilities, it provides for improved services to the Company's European customer base and offers opportunities for expansion in overseas markets. Overcoming the challenges of operating in a foreign country with different regulations and customs, 5N Plus will greatly benefit from this overseas expansion which strengthens its international focus.

Execution

- Net proceeds of $76 million were raised during the year following 5N Plus' successful initial public offering (IPO) and a subsequent new issue of shares, providing financial means for sustainable growth.
- The Eisenhüttenstadt plant was built and commissioned within the expected budget and schedule, which included achieving commercial operations by July 31, 2008.
- 32 consecutive quarters of positive net earnings, culminating in the best year ever for 5N Plus in 2008.
- 5N Plus obtained its ISO 9001 and ISO 14001 certifications in fiscal year 2008, which further illustrates its commitment towards quality and environmental sustainability, providing peace of mind for customers and end users alike.

Developing Materials and Processes for the Future

With its team of skilled researchers and engineers, 5N Plus is well positioned to tailor products to the requirements of its customers. Processes and products are constantly being improved to optimize cost efficiency and performance. Complete control on the overall purification cycle from raw materials all the way to the ultra high purity products required enables the 5N Plus team to develop materials and processes for the future.

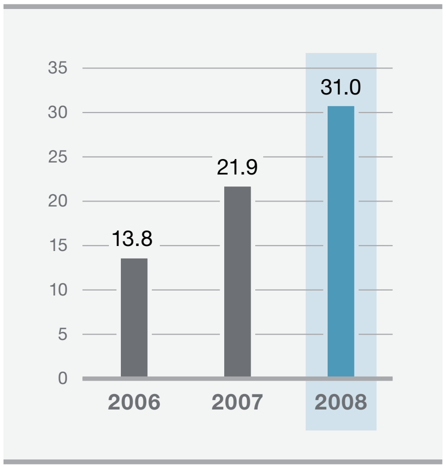
Unique Profile… Enabling Vision

A key supplier to the solar module market, 5N Plus also has a stronghold on all other markets it services. Today, the firm has a number of long-term supply agreements with key customers providing for a significant proportion of predictable revenues, and agreements with several suppliers ensuring a stable supply of critical raw materials. Using its integrated processing facilities, 5N Plus also has the ability to provide customers with recycling solutions tailored to best meet their requirements. With its experienced management team and highly skilled employees, the Company is thus well positioned to take on the growth challenges that lay ahead and ensure that today's vision becomes reality:

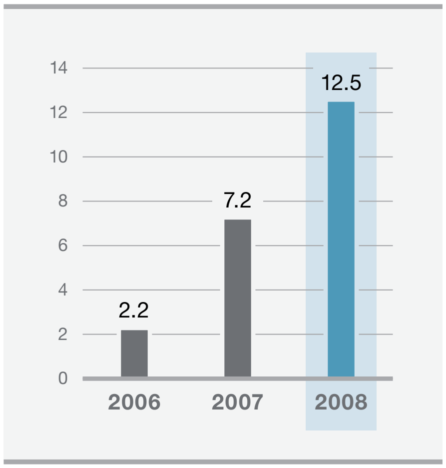
> **TO GROW TOGETHER IN AN ENVIRONMENTALLY RESPONSIBLE WAY, THROUGH INNOVATION AND PRODUCT EXCELLENCE, RESULTING FROM EMPLOYEE KNOW-HOW AND COMMITMENT, ENABLING 5N PLUS TO BECOME THE LEADING PRODUCER OF HIGH PURITY MATERIALS.**

Financial and Operational Highlights

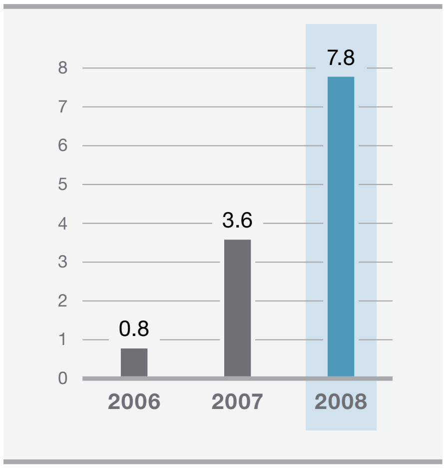
Sales
[In millions of Canadian dollars]



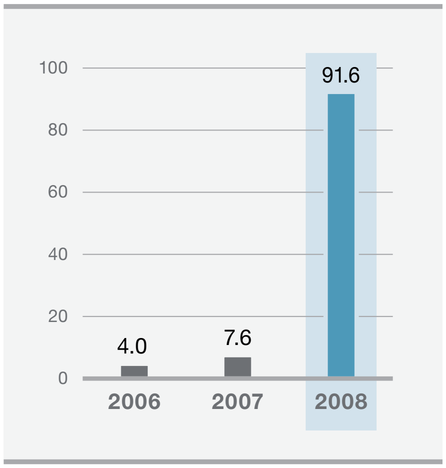
EDITBA
[In millions of Canadian dollars]



Net Earnings
[In millions of Canadian dollars]



Shareholders' Equity
[In millions of Canadian dollars]



Message to Shareholders

Dear Shareholders,

Our last fiscal year, which marked our debut as a publicly traded company, was outstanding in many ways with the achievement of several milestones, all of which are expected to have a long-lasting impact on our future.

First and foremost was the completion in December 2007 of our IPO, a process that allowed us to raise gross proceeds of $34.5 million, strengthening our balance sheet and increasing our visibility. This timely decision provided the key financial flexibility that will allow us to seize existing growth opportunities while diversifying internationally.

Strongly supported by our solid relationship and long-term supply agreements with key customers including First Solar, the leading low cost provider of solar modules using thin-film CdTe photovoltaic technology, proceeds from the IPO were primarily invested in building and commissioning a new state-of-the-art facility in Eisenhüttenstadt (Germany), which is operational since July 29, 2008. This $14.6 million facility enables us to double our existing capacity for the production of CdTe and to provide additional flexibility to serve our expanding customer base, thus strengthening our position as the main producer of CdTe. We also invested more than $3 million to refurbish sections of the Montreal facility to better complement our new German operations.

True to our mission of meeting customer requirements both in terms of supply and environmental sustainability, our Eisenhüttenstadt facility also enables complete recycling of both cadmium and tellurium from various solar module manufacturing residues. We believe this closed-loop recycling approach will give us a significant first-mover advantage while further stabilizing our sources of critical raw materials.

Germany's long-standing tradition of environmental friendliness combined with its very influential position within the European community and the Group of Eight (G8) provided a perfect and complementary showcase to our North-American operations. Therefore, we consider a great achievement to have succeeded in meeting Germany's stringent qualification and environmental compliance standards. For 5N Plus and its shareholders this means that we could now most likely contemplate growth opportunities anywhere in the world, in perfect harmony not only with our mission but also with our environmental values.

Mostly propelled by solar applications, the demand for high purity materials and compounds is expected to continue to grow, as will the need to recycle end products when their useful lives expire. Accordingly, we stand to benefit from our unique integrated supplier business model with dedicated recycling capacities.

With strong sales, a sequence of 32 consecutive quarters of positive net earnings and $59.6 million of liquidities at the end of our fiscal year, following the issuance in April 2008 of four million new shares for additional gross proceeds of $46.2 million, we are now in an excellent position to continue to grow both organically, as we have done in the past, but also through selective and opportunistic value-creating acquisitions.

FROM LEFT TO RIGHT: JACQUES L'ÉCUYER AND DENNIS WOOD

On a final note, we wish to warmly thank our dedicated employees at 5N Plus for their contribution to the Company's success and also welcome our 42 new employees now working at our German facility. 5N Plus has put together, for the benefit of its shareholders, a formidable team of highly skilled professionals headed by a largely independent and distinctive Board of Directors, all of whom have the resources, the will and the commitment to live up to the challenge of bringing 5N Plus to the next level, namely to become the leading producer of high purity materials.

Our future has never looked so bright. The IPO has given us the means to attract, retain and motivate some of the industry's best talents while providing the financial flexibility to pursue growth. The success we anticipate with our German facility should further strengthen the excellent relationships we enjoy with existing customers while providing opportunities to attract new ones and take advantage of our market-leading position.

JACQUES L'ÉCUYER
President and Chief Executive Officer
5N Plus Inc.

DENNIS WOOD
Chairman of the Board of Directors
5N Plus Inc.

Products and Markets

5N Plus products are used in a broad range of electronic applications ranging from solar modules to X-ray medical imaging devices, and from portable refrigerators to optics for carbon dioxide (CO_2) lasers. Focussing on specialty metals including tellurium, cadmium and selenium and on related compounds, 5N Plus is the leading producer and supplier of these products to the electronics industry.

Typical 5N Plus Products

- Base elements (tellurium, cadmium, selenium and zinc) in purities ranging from 99.999% to 99.99999%
- Related compounds including CdTe and CdS

End Markets	Standard Applications
Thin-film photovoltaics	Solar modules based on CdTe
Radiation detectors	X-ray medical imaging cameras
Electronic and Optical storage	Computer memory (PRAM)
Thermoelectric coolers	DNA thermal cyclers
Infrared lenses and detectors	Optics for CO_2 laser

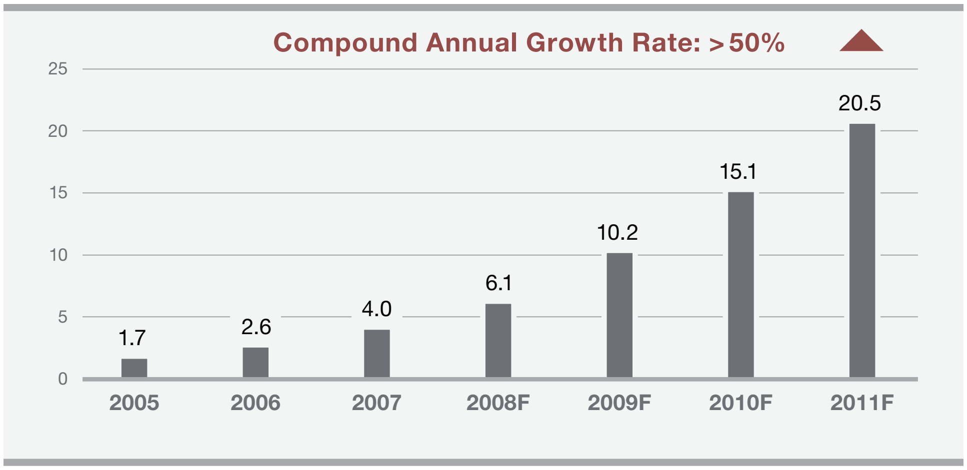
CdTe and CdS for Thin-Film Photovoltaic Modules

Photovoltaic generated energy is considered to be one of the most promising sources of renewable energy for meeting the world's growing electricity needs. The photovoltaic market is thus expected to grow at a rate of nearly 50% per year over the next five years, to the extent where by 2011, in selected countries, new photovoltaic installations will represent between 10% and 15% of the annual additions of electricity generating capacity… exceeding those of coal or nuclear energy.

> **5N PLUS' EXPOSURE TO THE PHOTOVOLTAIC MARKET IS SUBSTANTIAL THROUGH ITS FLAGSHIP PRODUCTS CdTe AND CdS AND ITS LEADERSHIP IN TERMS OF MARKET SHARE.**

With CdTe thin-film photovoltaic module technology leading the way in terms of cost efficiency, this market has the potential to bring tremendous growth and momentum for 5N Plus. 5N Plus has positioned itself as the preferred supplier to customers active in this market, entering into long-term supply agreements guaranteeing minimum revenues for the next few years.

Historical Data and Forecast of Global PV-Module Production
[In gigawatts]



Ultra High Purity Cadmium, Tellurium and Zinc for Radiation Detectors

Solid-state detectors based on cadmium zinc telluride (CZT) have the potential to replace existing scintillator-based technologies such as radiation detectors. Providing for improved performance, smaller size and greater tolerance to environmental conditions, these detectors are being introduced in medical imaging modalities like nuclear medicine and radiography. They are also being used and considered in security and industrial applications for nuclear safeguards, scanning devices and various inspection systems. Driven by requirements for superior and reliable performance, this market is well suited for 5N Plus' highest purity products.

SUBSTANTIAL GROWTH OF THE RADIATION DETECTOR MARKET IS EXPECTED AS CZT DETECTORS ARE GRADUALLY BEING INTRODUCED AND DEPLOYED IN MEDICAL IMAGING AND SECURITY APPLICATIONS, LEADING TO AN INCREASING DEMAND FOR 5N PLUS PRODUCTS.

Tellurium for PRAM Computer Memory...

Optical storage of electronic data is a well-established technology in common use. Alloys of high purity metals including tellurium, germanium and antimony are required in the production of a thin layer into which data is stored and erased for read/write (RW) compact disks and DVDs. Recently, applications of this technology have served to develop the next generation of random access memory (RAM) used in computers and other electronic equipment. This new generation of RAM, known as PRAM, is now being produced by a few major semiconductor companies and stands to become the widely accepted standard, replacing flash memory. As a result, demand for 5N Plus high purity tellurium in this market is expected to increase significantly.

… and Thermoelectric Coolers (TEC)

TEC are solid-state cooling devices with uses in a number of highly specialized applications including laser temperature stabilization and DNA thermal cyclers. Relying on an alloy composed primarily of tellurium, bismuth and antimony, such devices are also widely used in portable refrigerators. 5N Plus products, especially tellurium, are sold extensively into this market.

Zinc and Selenium for CO_2 laser Optics

Zinc selenide (ZnSe) has become the material of choice for CO_2 laser optics since the early 1980s. With the increasing penetration of CO_2 lasers in various military and industrial settings, demand for ZnSe-based optics has grown steadily over the years. 5N Plus supplies zinc (Zn) and selenium (Se) into this market, the demand for which is expected to continue along its steady growth curve for the foreseeable future.

Commitment to Growth

With an annual compounded growth rate in sales of 50% over the last three years and an even larger increase in profitability, 5N Plus has demonstrated its ability to grow. Driven primarily by increasing demand for solar-related products, 5N Plus has positioned itself to take advantage of further expansion of this market, as existing CdTe solar module manufacturers increase capacity and a number of new companies begin production. 5N Plus also expects significant growth in other areas, including the radiation detector market, which should translate into an increasing demand for 5N Plus products.

5N PLUS WAS RANKED 18TH ON THE 2008 LIST OF QUEBEC'S 20 FASTEST-GROWING COMPANIES PUBLISHED BY THE HIGH PROFILE L'ACTUALITÉ MAGAZINE.

5N Plus' objective is to maintain its leading position in the rapidly-expanding markets it currently serves as well as leverage its competitive strengths to diversify its product offering and enter into new electronic materials market segments. To do this, 5N Plus' highest level strategy includes investments in both training and R&D aimed at developing advantages in terms of competencies, technology and costs.

THIS PAST YEAR ALONE, 5N PLUS RECRUITED NEW SPECIALIZED EMPLOYEES, INCREASING ITS WORKFORCE BY MORE THAN 30% AT ITS MONTREAL HEADQUARTERS FACILITY.

Specific elements of 5N Plus' business strategy include organic growth via an expansion of its production capabilities, such as what was done in the case of 5N Plus' new Eisenhüttenstadt facility; intensification of its recycling activities as 5N Plus aims to play an increasing role in the solar module life cycle; and a diversification of its product offering.

5N PLUS INTENDS TO LEVERAGE ITS KEY COMPETENCIES IN REFINING SEMICONDUCTOR MATERIALS, AND ITS MARKET POSITION TO DEVELOP NEW PRODUCT LINES. 5N PLUS BELIEVES THAT OPPORTUNITIES EXIST FOR ACCRETIVE ACQUISITIONS THAT WILL ENABLE IT TO RAPIDLY EXPAND ITS PRODUCT PORTFOLIO.

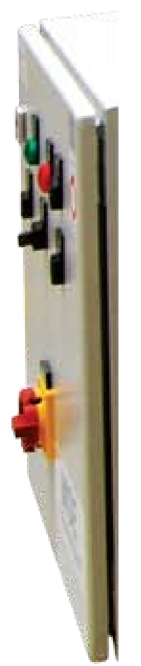
New 5N PV GmbH Facility

5N Plus' new German facility in Eisenhüttenstadt, owned and operated by its 5N PV GmbH subsidiary, is located in an industrial estate ideally suited for both recycling and the production of CdTe. 5N Plus acquired 11,000 square meters of land that provide the necessary space for future expansion.

The commissioning of this new facility, which is operational since July 29, 2008, constitutes an important milestone for 5N Plus as it aims to take advantage of new overseas opportunities. Strategically located in Germany where support for the photovoltaic industry is significant, the new plant enables the Company to address in the best possible way requirements from its European customers including First Solar GmbH and Calyxo GmbH, a subsidiary of Q-Cells AG, one of the world's largest producers of crystalline silicon solar cells. This manufacturing facility enables 5N Plus to double its total production capacity of CdTe for solar applications to reach levels of 200 MT per year, as well as actively participate through its recycling capacities in the product life cycle. The financial benefits of this $14.6 million investment are expected to be quite significant and should be reflected, once the plant is operated at full capacity, by substantial increases in sales.

5N PV GmbH Eisenhüttenstadt Facility Technical Data

Date of commissioning	July 29, 2008
Area	4,000 square meters, 43,000 square feet
Primary manufacturing capacity	100 MT of CdTe
Facility also has closed-loop recycling capabilities as well as facilities for the production of other products including CdS	
Number of employees	42
Grants	$4.1 million
Total cost	$14.6 million



THIS FIRST INTERNATIONAL EXPANSION IS EXPECTED TO BE THE BENCHMARK FOR MANY OTHERS AS THERE ARE CLEAR ADVANTAGES IN BEING STRATEGICALLY LOCATED NEAR CUSTOMER SITES, ESPECIALLY WHEN THE FINANCIAL AND OPERATIONAL RISKS CAN BE MITIGATED THROUGH LONG-TERM SUPPLY AGREEMENTS.

Sustainability

5N Plus believes that sustainability of the corporation is closely linked to its corporate values which are an integral part of daily operations and form the backbone of the Company's culture. As a corporation, 5N Plus encourages all employees to act in accordance with these fundamental values which guide all of its business activities.

Focus on Customers, aiming to meet and exceed expectations with product offerings leading to long-lasting and trustworthy relationships.

[5N PLUS HAS ENTERED INTO A NUMBER OF LONG-TERM SUPPLY AGREEMENTS WITH KEY CUSTOMERS INCLUDING FIRST SOLAR, THE LEADING PRODUCER OF CdTe THIN-FILM PHOTOVOLTAIC MODULES.]

Promotion of Health and Safety considerations in an effort aimed at reducing risks and ensuring a safe and sound work environment.

[IN THE LAST FISCAL YEAR, 5N PLUS REPORTED RECORD-LEVEL PERFORMANCE STANDARDS IN TERMS OF HEALTH AND SAFETY, AS IT ADDED 336 DAYS TO ITS CUMULATIVE NUMBER OF CONSECUTIVE DAYS WITHOUT INCURRING ANY LOSS-OF-TIME ACCIDENT, FOR A TOTAL OF 911 CONSECUTIVE DAYS.]

Commitment, as 5N Plus aims to create a stimulating work environment in which teamwork and solidarity are highly valued.

[AS PART OF THE DECEMBER 2007 IPO, ALL PERMANENT EMPLOYEES WERE GIVEN OPTIONS TO PURCHASE COMMON SHARES OF THE COMPANY. OVER 50% OF EMPLOYEES ARE SHAREHOLDERS.]

Integrity, as 5N Plus pledges to meet the highest level standards both in terms of business relationships and corporate governance.

AT 5N PLUS, EVERYONE "WALKS THE TALK". MANAGEMENT AND EMPLOYEES STRIVE TO KEEP ONE'S WORD, ABIDE BY THE LAW, ONLY PROMISE WHAT THEY CAN DELIVER AND TREAT EVERYONE WITH RESPECT.

Promotion of Excellence, as 5N Plus strives to develop world-class levels of competencies in all of its activities.

IN THE LAST FISCAL YEAR, 5N PLUS OBTAINED ITS ISO 9001 AND ISO 14001 CERTIFICATIONS, ILLUSTRATING THE COMPANY'S COMMITMENT TO THE HIGHEST LEVELS OF QUALITY AND ENVIRONMENTAL STANDARDS.

Reduction of 5N Plus' Environmental Footprint, as it works actively to promote initiatives aimed at responsible resource management, recycling and the reduction of greenhouse emissions. In addition to its customer-oriented recycling programs, 5N Plus has implemented practices aimed at reducing waste generation, water and energy consumption and intends to intensify its efforts in this area over the coming years. 5N Plus also actively encourages recycling of domestic waste in the work environment and the use of bicycles to commute.

5N PLUS IS A COMMITTED PARTNER OF THE CITY OF MONTREAL SUSTAINABLE DEVELOPMENT PROGRAM. IN THE LAST FISCAL YEAR 2008, THE COMPANY'S INVOLVEMENT INCLUDED THE ELIMINATION OF UNNECESSARY MOTOR VEHICLE IDLING AND MEASURES AIMED AT REDUCING URBAN HEAT SPOTS. 5N PLUS WAS ALSO REWARDED FOR ITS PROMOTION OF BICYCLE COMMUTING PRACTICES BY VÉLO-QUÉBEC, WHEN IT WAS RECOGNIZED AS THE MOST BICYCLE-FRIENDLY BUSINESS IN QUEBEC.

5N PLUS INC.

Management's Discussion and Analysis

Fourth Quarter and Year Ended

May 31, 2008

Scope of Financial Management's Analysis

This Management's Discussion and Analysis ("MD&A") of the operating results and the financial position is intended to assist readers in understanding 5N Plus Inc. (the "Company"), its business environment and future prospects. This MD&A should be read in conjunction with the Company's audited consolidated financial statements and the accompanying notes for the fiscal year ended May 31, 2008. Information contained herein includes any significant developments to August 11, 2008, the date on which this MD&A was approved by the Company's Board of Directors. All amounts are expressed in Canadian dollars. The financial information included in this MD&A is based on the Company's accounting policies that are in compliance with Canadian generally accepted accounting principles ("GAAP"). Unless otherwise indicated, the terms "we", "us" and "our" as used herein refer to the Company together with its subsidiary.

The preparation of consolidated financial statements requires the Company's management to make estimates and judgments that affect the amounts recorded as assets, liabilities, shareholders' equity, sales and expenses. These assumptions are revised on a regular basis by the Company, based on historical results and new events.

The Company's management is responsible for maintaining appropriate control systems, procedures and information systems, thereby ensuring that the information it discloses is reliable and complete. The Company applies financial information disclosure rules and takes the necessary actions to comply with new accounting standards when they come into force. The Company also applies the standards set by the capital markets regulatory authorities.

During the fiscal year, on October 1, 2007, 5NPlus Inc. and 6367909 Canada Inc., both held by the same shareholders with identical interests, amalgamated. The new entity arising from this amalgamation operates under the name 5N Plus Inc. Accordingly, comparative figures reflect this amalgamation.

Non-GAAP Measures

In this MD&A, the Company's management uses certain measures which are not in accordance with GAAP and cannot be formally presented in financial statements. These include EBITDA, gross profit and gross profit ratio, working capital, and current ratio. EBITDA means earnings before financing costs, interest income, income taxes, depreciation and start-up costs. Gross profit means sales less cost of goods sold, and gross profit ratio means gross profit divided by sales. Working capital means current assets minus current liabilities, and current ratio means current assets divided by current liabilities. The definitions of these non-GAAP measures used by the Company may differ from those used by other companies.

Forward-Looking Statements and Disclaimer

Certain statements in this MD&A may be forward-looking. Forward-looking statements are based on the best estimates available to the Company at the time and involve known and unknown risks, uncertainties or other factors that may cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. In evaluating these statements, the reader should consider various factors, including the risks outlined under the heading "Risk Factors" in this MD&A. The reader is warned against giving undue reliance on these forward-looking statements.

Corporate Overview and Business

5N Plus Inc. draws its name from the purity of its products, 99.999% (five nines or 5N) and more. We have our head office in Montreal, Québec, and develop and produce high-purity metals and compounds for electronic applications and provide our customers with recycling solutions. We are an integrated producer with both primary and secondary refining capabilities. We focus on specialty metals such as tellurium, cadmium and selenium and on related compounds such as cadmium telluride and cadmium sulphide. Our products are critical precursors in a number of electronic applications, including the rapidly-expanding solar (thin-film photovoltaic) market, for which we are a major supplier of cadmium telluride (CdTe), and the radiation detector market.

Significant Events

Initial Public Offering

In the third quarter of the fiscal year (specifically, on December 20, 2007), we completed our initial public offering ("IPO") and secondary offering for total proceeds of $66,515,403, including the proceeds from the exercise in full of an over-allotment option by the underwriters of the IPO. This allowed us to raise $34,500,000 ($31,417,006 net of the underwriters' commission and issue expenses) by issuing 11,500,000 common shares from treasury and allowed II-VI Incorporated, a selling shareholder, to sell all of its shares of the Company for $32,015,403 ($29,934,402 net of the underwriters' commission). These changes are reflected in the current balance sheet.

Bought Deal Equity Financing

In the fourth quarter (specifically, on April 29, 2008), we issued 4 million common shares from treasury on a bought-deal basis and raised gross proceeds of $46,200,000 ($44,147,461 net of the underwriters' commission and issue expenses). These changes are reflected in the current balance sheet.

Business Strategy

Our goal is to accelerate the growth of our cadmium, selenium and tellurium metals and compounds business in order to meet the increasing demand for these products, in particular in the photovoltaic and medical imaging markets. In doing so, our objective is to maintain our leading position in these rapidly-expanding markets and leverage our competitive strengths to diversify our product offering and enter into new electronic-materials market segments. To accomplish this, our highest-level strategy includes investments in both training and research and development, to develop advantages in terms of competencies, technology and costs.

Highlights of the fourth quarter and of the fiscal year ended May 31, 2008

We intend to become the world's leading producer of high purity materials. In 2008, we executed on some of the most important components of our strategy by improving sales and profitability, strengthening operational performance, adding financial strength and flexibility, and building and commissioning a new German operation.

The increase in sales and profitability was substantial throughout the year and follows a general trend of rapid growth closely linked to the photovoltaic, and to a lesser extent radiation detector, markets. Net earnings, EBITDA and sales all reached record levels in the fourth quarter and the fiscal year.

- Net earnings for the fourth quarter were $3,178,621 or $0.08 per share, representing a 160% increase over net earnings of $1,222,428 or $0.04 per share for the fourth quarter of the previous fiscal year. For the fiscal year, net earnings were $7,766,137 or $0.22 per share, representing an increase of 117.3% over net earnings of $3,574,082 or $0.12 per share for the previous fiscal year.
- EBITDA for the fourth quarter was $4,646,476 representing an increase of 86.7% over EBITDA of $2,488,087 for the fourth quarter of the previous fiscal year. EBITDA reached $12,481,760 for the fiscal year, an increase of 73.3% over EBITDA of $7,202,310 for the previous fiscal year.
- Sales for the fourth quarter were $9,423,908, representing an increase of 43.9% over sales of $6,549,412 for the fourth quarter of the previous fiscal year. Sales for the fiscal year were $30,972,941, an increase of 41.4% compared to sales of $21,897,240 for the previous fiscal year.
- Operational performance was outstanding throughout the year as we increased production throughput at our Montreal facility, to meet the growing requirements of our customers, while improving efficiency and reducing costs.

- Cash flow from operating activities, excluding changes in non-cash working capital items, increased to $3,552,457 for the quarter and $9,880,266 for the fiscal year. This compares to $1,553,438 and $4,738,467 for the corresponding periods of the previous fiscal year.

In terms of financial strength and flexibility, there was a significant change in the competitive landscape as a result of our successful IPO, which closed on December 20, 2007 and allowed us to raise substantial net proceeds to support our investment program. The IPO was followed in the fourth quarter by a new bought-deal equity financing, to further strengthen our balance sheet and enable us to more aggressively implement our growth plans.

- Shareholders' equity significantly increased during the fourth quarter and the fiscal year, reaching $91,553,930 at year end, up from $7,546,467 at the end of the previous fiscal year. During the fourth quarter, we raised $46,200,000 through the issuance of 4 million common shares, which resulted in net proceeds of $44,147,461 (net of issue expenses). This followed the closing of our IPO which occurred during the third quarter of the fiscal year, resulting in net proceeds to us of $31,417,006 (net of issue expenses).
- Cash and cash equivalents totalled $59,576,743 at year end, compared to $1,526,932 at the end of the previous fiscal year.

During the year, we successfully built and pre-commissioned a new production facility in Eisenhüttenstadt, Germany. This new facility, which has been operational since July 29, 2008, enables us to double our production capacity for CdTe and plays an active role in the recycling of solar module manufacturing residues. The facility currently employs 42 people, many of whom have been trained in Montreal or in Germany by personnel from our Montreal facility. This investment is one of many which have been made during the year to increase and upgrade production capacities.

- During the fiscal year, we invested $14,383,791 to build and commission our Eisenhüttenstadt facility and $3,178,784 to upgrade and expand the capabilities of our Montreal facility, for a total investment in capital expenditures of $17,562,575.

Selected Annual Information

(all numbers are in Canadian dollars)

	2008	2007	2006
Sales	$ 30,972,941	$ 21,897,240	$ 13,800,498
EBITDA[1]	$ 12,481,760	$ 7,202,310	$ 2,247,511
Net earnings	$ 7,766,137	$ 3,574,082	$ 767,815
Net earnings per common share			
Basic	$ 0,22	$ 0.12	$ 0.03
Diluted	$ 0.21	$ 0.11	$ 0.02
Dividend per common share	$ 0.034	$ 0.003	$ 0.003
Total assets	$108,334,189	$ 17,363,037	$ 15,062,509
Total debt[2]	$ 6,786,312	$ 5,618,270	$ 8,567,471
Shareholders' equity	$ 91,553,930	$ 7,546,467	$ 3,995,096

1. EBITDA means earnings before financing costs, interest income, income taxes, depreciation and start-up costs.
2. Includes bank overdraft, bank loan, capital lease obligations, long-term debt and other long-term liabilities, including their related current portion.

Quarterly Financial Data

(all numbers are in Canadian dollars)

	2008				2007			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Sales	$9,423,908	$8,358,817	$6,795,743	$6,394,473	$6,549,412	$5,554,737	$4,889,938	$4,903,153
Gross profit	$5,615,838	$4,454,138	$3,276,379	$2,977,434	$3,106,722	$2,135,263	$2,110,620	$1,781,270
EBITDA	$4,646,476	$3,423,415	$2,318,111	$2,093,758	$2,488,087	$1,767,318	$1,553,343	$1,393,562
Net earnings	$3,178,621	$2,268,712	$1,219,548	$1,099,256	$1,222,428	$ 798,073	$ 867,255	$ 686,326
Earnings per share								
Basic	$ 0.08	$ 0.06	$ 0.04	$ 0.04	$ 0.04	$ 0.03	$ 0.03	$ 0.02
Diluted	$ 0.08	$ 0.06	$ 0.04	$ 0.03	$ 0.04	$ 0.02	$ 0.03	$ 0.02

Results of Operations

Introduction

Our sales are generated through the development and production of high-purity metals and compounds which are used in various electronic applications, including solar cells, radiation detectors, infrared optics and systems, thermoelectric and optical storage. We also provide recycling services to our customers where residues from their manufacturing operations are refined and converted back into a usable product. We have one reportable segment, namely refining and recycling of metals.

Our customer base includes manufacturers of thin-film solar cells, original equipment manufacturers (OEM), and Tier 1 and 2 suppliers which provide consumables, components or sub-assemblies. Our customers are located primarily in the United States, Europe, Israel and Asia. Three customers accounted for 81% of our sales during the quarter and 80% during the fiscal year.

Sales, Gross Profit, Net Earnings and Earnings per Share

(all numbers are in Canadian dollars unless otherwise stated)

	Summary					
	Three months ended May 31			Twelve months ended May 31		
	2008	2007	Increase	2008	2007	Increase
Sales	$ 9,423,908	$ 6,549,412	43.9%	$ 30,972,941	$ 21,897,240	41.4%
Gross profit	$ 5,615,838	$ 3,106,722	80.8%	$ 16,323,789	$ 9,133,875	78.7%
Gross profit ratio	59.6%	47.4%		52.7%	41.7%	
Net earnings	$ 3,178,621	$ 1,222,428	160.0%	$ 7,766,137	$ 3,574,082	117.3%
Earnings per share	$ 0.08	$ 0.04		$ 0.22	$ 0.12	

Sales for the fourth quarter reached a record level of $9,423,908, up by 43.9% over sales of $6,549,412 for the corresponding period of the previous fiscal year. For the fiscal year, sales reached $30,972,941, representing a 41.4% increase over sales of $21,897,240 for the previous fiscal year. This increase in sales is mainly attributable to an increase in sales to the photovoltaic (solar module) and radiation detector markets. Sales to other markets were relatively stable.

Gross profit reached $5,615,838 in the fourth quarter and $16,323,789 for the fiscal year, corresponding to gross-profit ratios of 59.6% and 52.7%, respectively. This compares with gross profit of $3,106,722 and $9,133,875 for the corresponding periods of the previous fiscal year and respective gross profit ratios of 47.4% and 41.7%. These improvements in both gross profit and gross profit ratio continue to reflect increased sales and general improvements in efficiency, scalability and production throughput, as well as an increase in our custom-refining or "tolling" volumes, where we incur no cost for raw materials.

Net earnings for the fourth quarter also reached a record level of $3,178,621 ($0.08 per share), representing a 160% increase over net earnings of $1,222,428 ($0.04 per share) for the fourth quarter of the previous fiscal year. For the fiscal year, net earnings were $7,766,137 ($0.22 per share) representing a 117.3% increase over net earnings of $3,574,082 ($0.12 per share) for the previous fiscal year. Earnings per share are calculated based on a weighted average number of common shares outstanding of 42,934,783 for the last quarter, and 35,308,641 for the fiscal year. Earnings per share for the previous fiscal year are calculated based on a weighted average number of common shares of 29,635,954.

This increase in net earnings is the result of an increase in gross profit combined with reduced financial expenses, and interest income generated during the third and fourth quarters from the investment of funds raised during the IPO and bought-deal equity financing. These positively-contributing factors were only partially offset by increased selling, administrative, research and development and depreciation expenses. We also recognised a future income tax asset of $74,826 in the fourth quarter and $219,826 for the fiscal year for expenses incurred in setting up our new German plant, which decreased overall income tax expense. We continued to capitalize in the fourth quarter, as we had done in the third quarter, most of the start-up costs associated with our German plant. Amounts capitalized were $660,490 in the fourth quarter and $821,008 for the fiscal year.

Selling and Administrative and Research and Development Expenses

(all numbers are in Canadian dollars unless otherwise stated)

	Summary			
	Three months ended May 31		Twelve months ended May 31	
	2008	**2007**	**2008**	**2007**
Selling and Administrative expenses	$ 903,514	$ 388,686	$ 2,911,797	$ 1,266,697
Percentage of sales for the period	9.6%	5.9%	9.4%	5.8%
Research and Development expenses (net of tax credits)	$ 65,848	$ 229,949	$ 930,232	$ 664,868
Percentage of sales for the period	0.7%	3.5%	3.0%	3.0%

Selling and administrative expenses were $903,514 or 9.6% of sales for the fourth quarter, and $2,911,797 or 9.4% of sales for the fiscal year. This compares with selling and administrative expenses of $388,686 and $1,266,697 for the corresponding periods of the previous fiscal year, representing respectively 5.9% and 5.8% of sales. The current level of selling and administrative expenses is more consistent with that of publicly-traded companies and reflects additions to our management team and increased legal, auditing and consulting fees.

Research and development expenses, net of tax credits, were $65,848 or 0.7% of sales in the fourth quarter compared to $229,949 or 3.5% of sales for the fourth quarter of the previous fiscal year. For the fiscal year, research and development expenses, net of tax credits, reached $930,232 or 3.0% of sales, which is greater than the expenses of $664,868 or 3.0% of sales incurred during the previous fiscal year. The decrease in the fourth quarter is associated with minor adjustments to the research and development credit rate. Overall, research and development expenses increased during the fiscal year primarily because of expenses incurred during the first quarter, which were made to increase our product offering for the radiation-detector market and develop and optimize the associated processes.

Reconciliation of EBITDA and Net Earnings

(all numbers are in Canadian dollars unless otherwise stated)

	Summary					
	Three months ended May 31			Twelve months ended May 31		
	2008	**2007**	**Increase**	**2008**	**2007**	**Increase**
Net earnings	$ 3,178,621	$ 1,222,428	160.0%	$ 7,766,137	$ 3,574,082	117.3%
PLUS:						
Income taxes	1,294,472	620,696		3,383,161	1,774,000	
Financial expenses & Interest income	(395,861)	243,404		(183,708)	666,446	
Depreciation	297,737	233,138		1,048,886	869,974	
Expensed start-up costs	271,507	168,421		467,284	317,808	
EBITDA	$ 4,646,476	$ 2,488,087	86.7%	$ 12,481,760	$ 7,202,310	73.3%

EBITDA was $4,646,476 for the fourth quarter of fiscal 2008, an increase of 86.7% when compared with EBITDA of $2,488,087 for the corresponding period of the previous fiscal year. EBITDA for the fiscal year was $12,481,760, an increase of 73.3% when compared to EBITDA of $7,202,310 for the previous fiscal year. EBITDA increased at a lower rate than net earnings for both the quarter and the fiscal year because it was not positively impacted by the recognition of the future income tax asset, reduced financing expenses and interest income.

Financial Expenses, Depreciation, Start-up Costs and Income Taxes

Following the IPO, we paid back substantially all of our debt and generated interest income of $250,682 in the fourth quarter, for a total of $419,901 during the fiscal year, from the investment of the net proceeds raised during the IPO and the bought-deal equity financing. The combined financial expenses and interest income thus netted a gain of $395,861 for the fourth quarter, as we also incurred a foreign exchange gain of $202,271 in the quarter and $124,710 for the fiscal year. This compares favourably with expenses of $243,404 and $666,446 for the corresponding periods of the previous fiscal year.

Depreciation for the quarter increased by 27.7%, to $297,737 from $233,138, and increased for the fiscal year by 20.6%, to $1,048,886 from $869,974. Expensed start-up costs for the quarter were $271,507 and $467,284 for the fiscal year. We also capitalized in the third and fourth quarters certain of the start-up costs associated with our new German facility. In the previous fiscal year, a period in which no start-up costs were capitalized, we expensed start-up costs of $168,421 in the fourth quarter and $317,808 for the entire year.

Income taxes were $1,294,472 for the fourth quarter and $3,383,161 for the fiscal year. These figures correspond to effective tax rates of 28.9% and 30.3%, respectively. This compares with income taxes of $620,696 and $1,774,000 for the corresponding periods of the previous fiscal year, representing effective tax rates of 33.6% and 33.2%, respectively. The decrease in our effective tax rate is attributable to the recognition of our future income tax assets in both the fourth quarter and fiscal year.

Liquidity and Capital Resources

(all numbers are in Canadian dollars, except for current ratio)

Balance Sheet	As at	
	May 31, 2008	**May 31, 2007**
Working capital	$ 71,921,979	$ 2,026,457
Current ratio	7.34	1.36
Property, plant and equipment	$ 21,220,889	$ 9,669,876
Total assets	$ 108,334,189	$ 17,363,037
Total debt	$ 6,786,312	$ 5,618,270
Shareholders' equity	$ 91,553,930	$ 7,546,467

Working Capital and Current Ratio

Our working capital and current ratio increased substantially during the fiscal year as a result of the successful IPO and bought-deal equity financing. Working capital increased to $71,921,979 on May 31, 2008 from $2,026,457 on May 31, 2007 and the current ratio increased to 7.34 from 1.36. The main balance sheet items having a material impact on the working capital and the observed changes included cash, accounts receivable, inventories and future income tax assets, as well as accounts payable and accrued liabilities, income taxes and current portion of long term debt liabilities, with cash and cash equivalents being the dominant factor.

As at May 31, 2008, our cash position was $59,576,743, primarily as a result of the net proceeds from the IPO and bought-deal equity financing. Accounts receivable continued to rise and totalled $10,164,562 compared to $2,550,370 as at May 31, 2007. This is explained by an increase in trades accounts receivable, which is somewhat correlated with increasing sales levels, a substantial increase in commodity taxes, related to increasing purchases of raw materials and capital expenditures, and the inclusion of outstanding amounts related to the subsidy provided to our German subsidiary by the German authorities. Inventories also increased substantially compared to May 31, 2007 levels, to $12,727,564 from $3,307,810, primarily as a result of an increase in our raw-materials inventory, as we aim to further strengthen our supply chain. Increases in both inventories and capital expenditures led to increases in accounts payable and accrued liabilities, which increased to $7,486,227 as at May 31, 2008 from $2,299,279 as at May 31, 2007.

Future Income Taxes

At May 31, 2008, future income taxes represented a net asset position of $1,365,861 compared to a net liability of $793,000 in 2007. The change of approximately $2.2 million is largely attributable to expenses related to the two issuances of the Company shares which are accounted for as a reduction of retained earnings for accounting purposes but generally deductible for tax purposes on a straight-line basis over a five-year period, and to the recognition of a non-taxable grant receivable which is accounted for as a reduction of the related property, plant and equipment for accounting purposes.

Losses carried forward future income tax assets are associated with taxes on expenses incurred in setting up the new German facility. These amounted to $74,826 in the fourth quarter and $219,826 for the fiscal year.

Property, Plant and Equipment and Deferred Costs

Property, plant and equipment increased by $17,562,575 from May 31, 2007 to May 31, 2008. Of this amount, $14,383,791 was related to the new German facility and the associated land and $3,178,784 for capital expenditures made at the Montreal facility to improve capacity and plant efficiency. We also capitalized deferred costs of $821,008 which correspond to the start-up costs incurred in the fiscal year and related to the German facility. We intend to continue capitalizing start-up costs moving forward until the plant is fully operational.

Total Debt and Deferred Revenue

Debt increased during the fourth quarter as we contracted a new loan of $5,000,000. Total debt as at May 31, 2008 was $6,786,312, up from $5,618,270 one year earlier. During the first quarter of the fiscal year, we contracted a new loan of $3,400,000, which was paid back in the third quarter of the fiscal year with the net proceeds of the IPO. We also received during the year a subsidy of €540,000 by a German company which was granted to our German subsidiary 5N PV GmbH to promote employment in the city of Eisenhüttenstadt, and on the basis that the subsidiary will create a given number of full-time jobs over the next three years. This subsidy is recognized as deferred revenue. A letter of credit for the same amount was issued in favour of the German company in the event that 5N PV GmbH is not able to comply with the terms of this agreement. As of May 31, 2008, an amount of €23,542 was recognized as revenues.

Shareholders' Equity

Shareholders' equity stood at $91,553,930 or 84.5% of total assets on May 31, 2008. This compares with $7,546,467 or 43.5% of total assets on May 31, 2007. This substantial increase is the result of the net proceeds raised during the IPO and bought-deal equity financing as well as strong net earnings throughout the fiscal year.

Cash Flow

The following table provides an overview of our cash flows for the periods indicated:

(all numbers are in Canadian dollars)

	Three months ended May 31		Twelve months ended May 31	
	2008	**2007**	**2008**	**2007**
Operating activities[1]	$ 3,552,457	$ 1,553,438	$ 9,880,266	$ 4,738,467
Add:				
Net change in non-cash working capital items	(7,174,822)	(204,605)	(11,290,220)	1,281,836
Operating activities (total)	(3,622,365)	1,348,833	(1,409,954)	6,020,303
Financing activities	49,738,474	371,744	76,297,401	(2,601,626)
Investing activities	(6,439,436)	(668,895)	(16,837,636)	(1,663,474)
Net Increase in cash and cash equivalents	$ 39,676,673	$ 1,051,682	$ 58,049,811	$ 1,755,203

1. Before net change in non-cash working capital items

Cash flow from operating activities before changes in non-cash working capital items for the quarter ended May 31, 2008 was $3,552,457, an increase of 128.7% compared to $1,553,438 for the corresponding quarter in the previous fiscal year. For the fiscal year, cash flow from operating activities before changes in non-cash working capital items was $9,880,266, an increase of 108.5% compared to $4,738,467 for the previous fiscal year. These increases reflect higher net earnings for the fiscal year compared to the previous fiscal year. Net working capital requirements continued to increase and were significantly higher in both the quarter and fiscal year than in the corresponding periods of the previous fiscal year. This increase results from substantial increases in inventory levels, in particular raw materials and accounts receivable, both of which were only partially offset by an increase in accounts payable.

Cash flow from financing activities reached $49,738,474 in the fourth quarter following the issuance in April 2008 of four million common shares from treasury for additional gross proceeds of $46,200,000 ($44,225,061 net of the issue expenses). For the fiscal year, cash flow from financing activities reached $76,297,401 as a result of the successful IPO ($31,417,006 net of the issue expenses) combined with the subsequent bought-deal new issue of common shares from treasury. We also have $3,784,595 available under our $5,046,800 credit line.

Cash consumed in investing activities continued to be substantial as we invested in our new German facility, which became operational in July 2008, and in the Montreal facility. Total investments reached $6,439,436 for the quarter and $16,837,636 for the fiscal year, compared to investments of $668,895 and $1,663,474 for the corresponding periods of the previous fiscal year.

Our cash position improved by $39,676,673 for the fourth quarter and by $58,049,811 for the fiscal year. Our cash position on May 31, 2008 was $59,576,743, which compares favourably with the cash position of $1,526,932 on May 31, 2007. We believe that this amount of cash combined with the available credit facilities and cash generated from operations will be sufficient to fund our working capital requirements and expected capital expenditures in both Germany and Montreal, as well as enable us to execute our growth plan.

Contractual Obligations

The following table summarizes our principal contractual obligations for our normal business operations as at May 31, 2008:

Payment due by period in thousands of Canadian dollars	**2009**	**2010**	**2011**	**2012**	**2013**	**Thereafter**	**Total**
Long-term debt	$ 579	$ 550	$ 500	$ 500	$ 500	$ 2,497	**$ 5,126**
Other long-term liabilities	270	128	-	-	-	-	**398**
Operating leases	662	585	584	584	182	15	**2,612**
Purchase obligations	1,186	-	-	-	-	-	**1,186**
	$ 2,697	$ 1,263	$ 1,084	$ 1,084	$ 682	$ 2,512	**$ 9,322**

As at May 31, 2008, the Company had placed orders with suppliers for the purchase of fixed assets of $1,186,184.

The Company's German subsidiary is commited to a number of conditions in its supply agreement with First Solar. These conditions include the date of commencement of commercial production of the new German facility, minimum quantities of products to be sold to First Solar and certain recycling obligations. At this date, we have met all of our contractual obligations.

Related Party Transactions

In the normal course of our activities, we concluded the following transactions with II-VI Incorporated, which was a shareholder of the Company until December 20, 2007, under terms and conditions agreed upon by the parties:

(all numbers are in Canadian dollars)

	Years ended May 31	
	2008	**2007**
Sales	$ 1,129,323	$ 1,517,395
Purchases	$ 28,698	$ 106,633
Interest expense	$ 19,179	$ 35,842

Off-Balance Sheet Agreements

Other than operating leases, there were no off-balance sheet agreements as at May 31, 2008.

Deferred Costs

Since December 1, 2007 the expenditures incurred during the start-up period of the new German subsidiary have been deferred and will be amortized on a straight-line basis over 24 months upon commencement of commercial operations.

Order Backlog

The backlog of orders expected to translate into sales within the next twelve months strengthened during the quarter and reached $30,174,000 on May 31, 2008, 77.6% higher than the corresponding backlog of $16,992,000 on May 31, 2007.

Subsequent Events

5N PV GmbH Eisenhüttenstadt Facility

As of July 29, 2008, our German facility is operational and we have met both our cost objectives and schedule.

Financial Instruments

On June 9, 2008, the Company concluded a foreign currency forward contract totalling €4,500,000 at an average conversion rate of 1.58. This foreign currency forward contract of €500,000 by month will be effective from September 15, 2008 until May 15, 2009.

Comparative Figures

Certain figures previously reported on for 2007, have been reclassified to conform with the current year's presentation.

Governance

Disclosure Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer evaluated the effectiveness of the Company's disclosure controls and procedures for financial year ended May 31, 2008. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective as at May 31, 2008 to provide reasonable assurance that material information relating to the Company would be made known to them by others within the Company.

Internal Control over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer have designed internal control over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP. There were no changes in our internal controls over financial reporting during fiscal year 2008 that have materially affected, or are likely to materially affect, our internal controls over financial reporting.

Critical Accounting Estimates

Use of Estimates

The preparation of financial statements in conformity with Canadian 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 revenues and expenses during the reporting period. Significant areas requiring the use of management estimates include estimating the useful lives of long-lived assets, as well as assessing the recoverability of accounts receivable, research tax credits and future income taxes. Reported amounts and note disclosure reflect the overall economic conditions that are most likely to occur and anticipated measures to be taken by management. Actual results could differ from those estimates.

Changes in Accounting Policies

On June 1, 2007, we adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1530, "Comprehensive Income", CICA Handbook Section 3251, "Equity", CICA Handbook Section 3855, "Financial Instruments - Recognition and Measurement", CICA Handbook Section 3861, "Financial Instruments - Disclosure and Presentation", and CICA Handbook Section 3865, "Hedges". These new CICA Handbook Sections, which apply to fiscal years beginning on or after October 1, 2006, provide comprehensive requirements for the recognition and measurement of financial instruments, as well as standards on when and how hedge accounting may be applied.

Handbook Section 1530 also establishes standards for reporting and displaying comprehensive income. Comprehensive income is defined as the change in equity from transactions and other events from non-shareholder sources. "Other comprehensive income" refers to items recognized in comprehensive income, but that are excluded from net income calculated in accordance with generally accepted accounting principles.

Under these new standards, all financial instruments are classified into one of the following five categories: held for trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets, or other financial liabilities. All financial instruments, including derivatives, are included on the consolidated balance sheet and are measured either at fair market value with the exception of loans and receivables, investments held-to-maturity and other financial liabilities, which are measured at amortized cost. Subsequent measurement and recognition of changes in fair value of financial instruments depend on their initial classification. Held-for-trading financial investments are measured at fair value and all gains and losses are included in net income in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in other comprehensive income until the assets are removed from the balance sheet.

The standards also require derivative instruments to be recognized as either assets or liabilities measured at their fair value unless exempted from derivative treatment as a normal purchase and sale. Certain derivatives embedded in other contracts must also be measured at fair value. All changes in the fair value of derivatives are recognized in earnings unless specific hedge criteria are met, which requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting.

The adoption of standards of Sections 1530, 3251, 3855, 3861 and 3865 had no significant impact on the audited combined consolidated financial statements for the year ended May 31, 2008.

Future Accounting Standards

The CICA published the following new sections that apply to our interim and annual financial statements beginning on or after June 1, 2008.

- Section 1400, "General Standards on Financial Statement Presentation", has been amended to include requirements to assess and disclose an entity's ability to continue as a going concern.
- Section 1535, "Capital Disclosures", establishes standards for disclosing information about an entity's capital and how it is managed. It describes the disclosure of the entity's objectives, policies and processes for managing capital as well as summary quantitative data on the elements included in the management of capital. The section seeks to establish whether the entity has complied with capital requirements and if not, the consequences of such non-compliance.
- Section 3031, "Inventories", provides guidance on the determination of cost and the subsequent recognition as an expense, including any write-down to net realizable value. The standard also permits the reversal of previous write-downs when there is a subsequent increase in the value of inventories. Finally, the standard provides guidance on the cost formulas that are used to assign costs to inventories and requires the consistent use of inventory policies by type of inventory with similar nature and use.
- Section 3862, "Financial Instruments - Disclosures", describes the required disclosures to evaluate the significance of financial instruments for the entity's financial position and performance as well as the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks.
- Section 3863, "Financial Instruments - Presentation", establishes standards for the presentation of financial instruments and non-financial derivatives. It details the presentation of standards described in Section 3861, "Financial Instruments - Disclosure and Presentation".

We have concluded that these new standards will not significantly impact our future financial position or results of operations.

June 1, 2011, will be the changeover date from Canadian GAAP to International Financial Reporting Standards ("IFRS") for us. As of today, we have not evaluated the impact of these new standards.

Financial Instruments

Credit Risk

We are exposed to a credit risk with our accounts receivable. We have entered into an agreement with Export Development Canada ("EDC") pursuant to which EDC partially insures the risk of loss. In addition, management evaluates each account individually and considers that no provision for doubtful accounts is necessary under current circumstances.

Interest Rate Risk

We are exposed to a risk of interest rate fluctuations on our bank loan and certain long-term liabilities. However, a change of 1% would not materially affect our net earnings, retained earnings and cash flows.

Currency Risk

Currency translation and transaction risk may negatively affect our net sales, cost of sales and gross margins, and could result in significant exchange losses. We report our financial results in Canadian dollars, while more than 97% of our sales are denominated in foreign currencies. We also incur most of our costs in the local currency, which means the Canadian dollar for our Montreal facility and the Euro for our new German manufacturing facility. Although, the purchases of raw materials are denominated in U.S. dollars, thus reducing exchange rate fluctuations, we are subject to currency translation risk which can negatively impact our sales and operating margins. Management has implemented a policy for managing foreign exchange risk against the relevant functional currency. We manage foreign exchange by entering into various foreign-exchange forward contracts when deemed appropriate.

Fair Value

The carrying value of cash and cash equivalents, temporary investments, accounts receivable, long-term loans, accounts payable and long-term debt approximates their fair value due to their short term to maturity or because they are at rates that do not vary significantly from current market rates.

Risk Factors

We are subject to a number of risk factors which may limit our ability to execute our strategy and achieve our long-term growth objectives. These include:

Market Acceptance and Reliance on Thin-Film and Photovoltaic Technologies

We depend on market acceptance of our customers' products and the technology associated therewith. Any delay or failure by our customers to successfully penetrate their respective markets could lead to a reduction in our sales and operating margins. Most of our products are sold either into emerging markets or alternatively in existing markets, in which they are used to manufacture replacement products intended to represent new and improved technologies. If our customers are unable to meet the performance and cost targets required for commercial viability, their products are subject to regulations which limit their use, or the new or improved technology associated with their products proves unsuitable for widespread adoption, it may have an adverse effect on our sales and operating margins.

Price Risk

We are exposed to a risk of fluctuations in market prices for metals. To reduce this risk, we have signed agreements with set prices for certain customers and raw materials suppliers.

Sources of Supply

We may not be able to secure the critical tellurium and selenium feedstock on which we depend for our operations. In particular, tellurium supply is essential to the production of CdTe. We currently procure our raw materials from a number of suppliers with whom we have had long-term commercial relationships. The loss of any one of these suppliers or a reduction in the level of deliveries to us may reduce our production capacity and impact deliveries to customers. This would in turn negatively impact our sales, net margins and may lead to liabilities with respect to our supply contracts.

Reliance on Major Customers

For the year ended May 31, 2008, 80% of our sales were made to three customers. The loss of, or a decrease in the amount of business from these customers could significantly reduce our net sales and harm our operating results.

Environmental Regulations

Our operations involve the use, handling, generation, processing, storage, transportation, recycling and disposal of hazardous materials and are subject to extensive environmental laws and regulations at the national, provincial, local and international level. These environmental laws and regulations include those governing the discharge of pollutants into the air and water, the use, management and disposal of hazardous materials and wastes, the clean-up of contaminated sites and occupational health and safety. We have incurred and will continue to incur capital expenditures in order to comply with these laws and regulations. In addition, violations of, or liabilities under, environmental laws or permits may result in restrictions being imposed on our operating activities or in our being subject to substantial fines, penalties, criminal proceedings, third party property damage or personal injury claims, clean-up costs or other costs. While we believe that we are currently in compliance with applicable environmental requirements, future developments such as the implementation of new, more stringent laws and regulations, or the discovery of currently unknown environmental conditions may require expenditures that could have a material adverse effect on our business, results of operations and financial condition.

Competition

The forecasted growth in demand for high-purity metals, especially those used by the solar power industry, is expected to attract more metal refiners into this industry and increase competition. Competition could arise from new low-cost metal refiners or from certain of our customers who could decide to integrate backward. We may not be able to compete with lower-cost competitors who operate in developing countries. Our operations are currently based in Canada and Europe. While the labour component of our cost structure remains relatively small, it may be difficult for us to compete on equal footing with competitors based in developing countries. Although we believe that proximity to our customers' operations is an important competitive advantage because of environmental and recycling considerations, our competitors may gain market share, which could have an adverse effect on our sales and operating margins, should we not be able to compensate for the volume lost to our competition.

Dependence on Key Personnel

We are dependent on the services of our senior management team and the loss of any member of this team could have a material adverse effect on us. Our future success also depends on our ability to retain key employees and attract, train, retain and successfully integrate new talent into our management and technical teams. Recruiting and retaining talented personnel, particularly those with expertise in the electronic materials industry, refining technology and cadmium, tellurium- and selenium-based compounds, is vital to our success and may prove difficult.

Business Interruptions

We may incur losses resulting from business interruptions. In many instances, especially those related to our long-term contracts, we have contractual obligations to deliver product in a timely manner. Any disruption in our activities which leads to a business interruption could harm customers' confidence level and lead to the cancellation of our contracts and legal recourse against us. Although we believe that we have taken the necessary precautions to avoid business interruptions and carry business interruption insurance, we could still experience interruptions which would adversely impact our financial results.

Protection of Intellectual Property

Protection of our proprietary processes, methods and other technologies is critical to our business. We rely almost exclusively on a combination of trade secrets and employee confidentiality agreements to safeguard our intellectual property. We have deliberately chosen to limit our patent position to avoid disclosing valuable information. Failure to protect and monitor the use of our existing intellectual property rights could result in the loss of valuable technologies and processes.

Risks Related to the New German Manufacturing Facility

Option to First Solar to Purchase the German Manufacturing Facility

As described in our prospectus dated December 12, 2007, filed in connection with our IPO, one of our supply agreements with First Solar Inc. contains a "call" option under which First Solar Inc. may, if we are unable to comply with our contractual obligations, purchase all of our equity interest in our German subsidiary. As a result, we may be obligated to sell the German subsidiary for a fixed price, which would adversely impact our growth prospects and have a material adverse effect on our results of operations.

In addition, the fact that the purchase option may be triggered upon a change of control adversely affecting First Solar Inc. could reduce our attractiveness for potential take-over bids and business combinations, correspondingly affecting our share price. It could also limit our ability to raise funds through the issuance of additional common shares, depending on the level of dilution resulting therefrom.

Outstanding Share Data

As at the date hereof, there are 45,500,000 common shares of the Company issued and outstanding.

Additional Information

Our common shares trade on the Toronto Stock Exchange (TSX) under the ticker symbol "VNP". Additional information relating to the Company, including the Company's annual information form is available under the Company's profile on SEDAR at www.sedar.com.

5N PLUS INC.

Consolidated Financial Statements

Years ended May 31, 2008 and 2007

Summary

Management's Report to the Shareholders of 5N Plus Inc.

The accompanying consolidated financial statements are the responsibility of the management of 5N Plus Inc., and have been reviewed by the Audit Committee and approved by the Board of Directors.

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and include certain estimates that reflect management's best judgment.

Management is also responsible for all other information included in this Annual Report and for ensuring that this information is consistent with the Company's consolidated financial statements and business activities.

The Management of the Company is responsible for the design, establishment and maintenance of appropriate internal controls and procedures for financial reporting, to ensure that financial statements for external purposes are fairly presented in conformity with generally accepted accounting principles. Such internal controls systems are designed to provide reasonable assurance on the reliability of the financial information and the safeguarding of assets.

External auditors have free and independent access to the Audit Committee, which is comprised of outside independent directors. The Audit Committee, which meets regularly throughout the year with members of management reviews the consolidated financial statements and recommends their approval to the Board of Directors.

The consolidated financial statements have been audited by KPMG LLP.

SIGNED:

Jacques L'Écuyer

President and Chief Executive Officer

SIGNED:

Christian Dupont, CA

Chief Financial Officer

Montreal, Canada

August 11, 2008

Auditors' Report to the Shareholders of 5N Plus Inc.

We have audited the consolidated balance sheets of 5N Plus Inc. as at May 31, 2008 and 2007 and the consolidated statements of earnings, retained earnings 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 audit.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

SIGNED:

KPMG LLP

Chartered Accountants

Montreal, Canada

July 18, 2008

Consolidated Statements of Earnings

Years ended May 31

(in Canadian dollars)	2008	2007
Sales	$ 30,972,941	$ 21,897,240
Cost of goods sold	14,649,152	12,763,365
Gross profit	16,323,789	9,133,875
Expenses		
Selling and administrative	2,911,797	1,266,697
Research and development	930,232	664,868
Financial (note 15)	236,193	666,446
Interest income	(419,901)	-
Depreciation of property, plant and equipment (note 5)	1,048,886	869,974
	4,707,207	3,467,985
Earnings before undernoted items	11,616,582	5,665,890
Start-up costs, new plant	467,284	317,808
Earnings before income taxes	11,149,298	5,348,082
Income taxes		
Current	3,395,315	1,540,000
Future	(12,154)	234,000
	3,383,161	1,774,000
Net earnings	$ 7,766,137	$ 3,574,082
Earnings per share (note 18)		
Basic	$ 0.22	$ 0.12
Diluted	$ 0.21	$ 0.11
Weighted average number of common shares (note 18)		
Basic	35,308,641	29,635,954
Diluted	36,884,776	31,909,531

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Retained Earnings

Years ended May 31

(in Canadian dollars)	2008	2007
Retained earnings, beginning of year	$ 6,466,347	$ 2,966,345
Net earnings	7,766,137	3,574,082
Dividends	(1,000,000)	(74,080)
Share issue expenses, net of income taxes of $1,492,199	(3,643,334)	-
Excess of purchase price over stated value of shares purchased by the Company (note 11)	(66,050)	-
Retained earnings, end of year	**$ 9,523,100**	**$ 6,466,347**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Balance Sheets

As at May 31

(in Canadian dollars)	2008	2007
Assets		
Current assets		
Cash and cash equivalents	$ 59,576,743	$ 1,526,932
Accounts receivable (note 3)	10,164,562	2,550,370
Inventories (note 4)	12,727,564	3,307,810
Prepaid expenses	348,504	203,944
Future income taxes (note 13)	456,325	-
	83,273,698	7,589,056
Property, plant and equipment (note 5)	21,220,889	9,669,876
Grant receivable (note 16)	2,053,377	-
Future income taxes (note 13)	909,536	-
Deferred start-up costs	821,008	-
Other assets	55,681	104,105
	$ 108,334,189	**$ 17,363,037**
Liabilities and Shareholders' Equity		
Current liabilities		
Bank loan (note 6)	$ 1,262,205	$ 1,040,000
Accounts payable and accrued liabilities (note 7)	7,486,227	2,299,605
Income taxes payable	1,754,114	1,105,695
Current portion of long-term debt (note 8)	578,922	538,060
Current portion of other long-term liabilities (note 9)	270,251	539,565
Future income taxes (note 13)	-	40,000
	11,351,719	5,562,925
Long-term debt (note 8)	4,547,028	3,236,393
Other long-term liabilities (note 9)	127,906	264,252
Deferred revenue (note 10)	753,606	-
Future income taxes (note 13)	-	753,000
	16,780,259	9,816,570
Shareholders' Equity		
Share capital (note 11)	81,788,694	998,338
Contributed surplus (note 12)	242,136	81,782
Retained earnings	9,523,100	6,466,347
	91,553,930	7,546,467
	$ 108,334,189	**$ 17,363,037**

Commitments (note 17)
Subsequent event (note 21)
The accompanying notes are an integral part of these consolidated financial statements.

On behalf of the Board:

SIGNED:

Jacques L'Écuyer, Director

SIGNED:

Jean-Marie Bourassa, Director

Consolidated Statements of Cash Flows

Years ended May 31

(in Canadian dollars)	2008	2007
Cash flows from operating activities		
Net earnings	$ 7,766,137	$ 3,574,082
Adjustments for:		
Future income taxes	(12,154)	234,000
Depreciation of property, plant and equipment	1,048,886	869,974
Loss (gain) on disposal of property, plant and equipment	38,766	(7,020)
Other amortizations	33,027	16,681
Deferred revenue	753,606	-
Stock-based compensation	251,998	50,750
	9,880,266	4,738,467
Net changes in non-cash working capital items		
Accounts receivable	(6,073,430)	98,150
Inventories	(9,419,754)	(253,727)
Prepaid expenses	(144,560)	(155,594)
Accounts payable and accrued liabilities	3,555,078	379,341
Income taxes	792,446	1,213,666
	(1,409,954)	6,020,303
Cash flows from financing activities		
Net change in bank loan	222,205	(1,090,000)
Net change in other assets and long-term liabilities	(405,660)	28,443
Increase in long-term debt, net of related financial expenses	8,400,000	-
Repayment of long-term debt	(7,045,610)	(1,659,178)
Deferred financing fees	(64,990)	(10,500)
Purchase of shares	(70,063)	-
Issuance of shares, net of issue expenses of $5,135,533	75,644,793	945
Dividends paid	(1,000,000)	(74,080)
Grants - property, plant and equipment	616,726	202,744
	76,297,401	(2,601,626)
Cash flows from investing activities		
Additions to property, plant and equipment	(16,004,152)	(1,695,839)
Proceeds from disposal of property, plant and equipment	-	16,845
Deferred start-up costs	(821,008)	-
Deposits	(12,476)	15,520
	(16,837,636)	(1,663,474)
Net increase in cash and cash equivalents	58,049,811	1,755,203
Cash and cash equivalents (bank overdraft), beginning of year	1,526,932	(228,271)
Cash and cash equivalents, end of year	$ 59,576,743	$ 1,526,932
Supplementary information		
Property, plant and equipment not paid and included in accounts payable and accrued liabilities	$ 1,715,915	$ -
Interest paid	$ 301,515	$ 460,396
Income taxes paid (recovered)	$ 2,105,015	$ (107,587)

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

(In Canadian dollars)

1. Company Reorganization

On October 1, 2007, 5NPlus Inc., and 6367909 Canada Inc. both held by the same shareholders with identical ownership interests, amalgamated. The new entity arising from this amalgamation operates under the name of 5N Plus Inc. ("the Company"). Accordingly, the comparative figures reflect this amalgamation. 5N Plus Inc. became a public company during an initial public offering ("IPO") on December 20, 2007.

2. Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

a) Consolidated financial statements

These consolidated financial statements include the accounts of 5N Plus Inc. and the wholly-owned subsidiary 5N PV GmbH. All significant intercompany transactions and balances have been eliminated.

b) Cash and cash equivalents

Cash and cash equivalents consists of cash on hand and balances with banks as well as all highly liquid short-term investments with original maturities of three months or less. They are accounted for at their estimated fair value which approximates cost.

c) Inventories

Raw materials are valued at the lower of cost and replacement value, cost being determined under the average cost method. Finished goods are valued at the lower of cost and net realizable value, cost being determined under the average cost method and representing the value of raw materials, direct labour and a reasonable proportion of factory overhead.

d) Property, plant and equipment

Property, plant and equipment are recorded at cost. Equipment under capital leases is recorded at the discounted value of minimum rental payments. Depreciation is calculated under the straight-line method at the following annual rates:

	Periods
Buildings	25 years
Leasehold improvements	10 to 20 years
Production equipment	10 years
Automotive equipment	10 years
Furniture and office equipment	3, 5 and 10 years
Computer equipment	3 years

(In Canadian dollars)

e) Deferred costs

Since December 1, 2007, the expenditures incurred during the start-up period of our new German subsidiary are deferred and will be amortized on a straight-line basis over twenty-four months upon commencement of commercial operations.

f) Impairment and disposal of long-lived assets

Long-lived assets, including property, plant and equipment and intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by comparing the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount of which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and would no longer be depreciated. The assets and liabilities of a disposed group classified as held-for-sale would be presented separately in the appropriate asset and liability sections of the balance sheet.

g) Revenue recognition

Under the terms of the agreements entered into with customers, the Company produces and sells a range of metals and compounds that have to meet specific requirements. The Company considers that all the material risks and advantages inherent in ownership are transferred to these customers at the time of their receipt of the products or delivery in accordance with the terms of the agreements.

h) Research and development

Research expenditures are expensed as incurred. They include a reasonable proportion of indirect costs. Development expenditures are deferred when they meet the capitalization criteria provided for by Canadian GAAP, and it is considered reasonably certain that future advantages will be realized. As at May 31, 2008 and 2007, no development expenses were deferred.

i) Foreign exchange

Foreign-denominated monetary assets and liabilities are translated into Canadian dollars at the exchange rates prevailing at the balance sheet date. Non-monetary foreign-denominated assets and liabilities are translated at the exchange rates prevailing on the transaction date. Foreign-denominated revenues and expenses are translated at the exchange rate in effect on the transaction date. Foreign exchange gains and losses are included in the determination of earnings.

The foreign subsidiary is considered an integrated foreign operation and is translated using the temporal method. Accordingly, gains and losses are accounted for in earnings.

j) Income taxes

Income taxes are provided for using the liability method. Under this method, differences between the accounting and the income tax bases of the Company's assets and liabilities are recorded using the substantially enacted tax rates anticipated to be in effect when the tax differences are expected to reverse. A valuation allowance is recorded against any future tax asset if it is more likely than not that the asset will not be realized.

(In Canadian dollars)

k) Guarantees

In the normal course of business, the Company enters into various agreements that may contain features that meet the definition of a guarantee. A guarantee is defined to be a contract (including an indemnity) that contingently requires the Company to make payments to a third party based on (i) changes in an underlying interest rate, foreign exchange rate, equity or commodity instrument, index or other variable that is related to an asset, a liability or an equity security of the guaranteed party, (ii) failure of another party to perform under an obligating agreement, or (iii) failure of another party to pay its indebtedness when due.

A liability is recorded when the Company considers probable that a payment relating to a guarantee has to be made to the other party of the contract or agreement.

l) Stock-based compensation and other stock-based payments

The Company accounts for the cost of stock-based compensation awards granted to employees and non-employees using the estimated average fair value method based on the Black-Scholes model. Under this method, compensation costs are calculated at their fair value on the grant date and are expensed over the period of acquisition of the awards.

m) Earnings per share

Basic earnings per share are determined using the weighted average number of common shares outstanding during the fiscal year. Diluted earnings per share are computed in a manner consistent with basic earnings per share, except that the weighted average shares outstanding are increased to include additional shares from the assumed exercise of options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding options and warrants were exercised, and that the proceeds from such exercises were used to acquire shares of common stock at the average market price during the reporting year. The dilutive effect of the convertible notes is reflected in diluted earnings per share by application of the “if-converted” method, if dilutive. Under the if-converted method, convertible notes are assumed to have been converted at the beginning of the period (or at time of issuance, if later) and the resulting common shares are included in the denomination for purposes of calculating diluted earnings per share.

n) Government assistance

Government assistance, consisting of research tax credit and grants, is recorded as a reduction of the related expense or cost of the asset acquired. Government grants are recognized when there is reasonable assurance that the Company has met the requirements of the approved grant program. Research tax credits are recorded when there is reasonable assurance that they will be realized.

o) Use of estimates

The preparation of financial statements in conformity with 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 revenues and expenses during the reporting period. Significant areas requiring the use of management estimates include estimating the useful lives of long-lived assets, as well as assessing the recoverability of accounts receivable, research tax credits and future income taxes. Reported amounts and note disclosure reflect the overall economic conditions that are most likely to occur and anticipated measures to be taken by management. Actual results could differ from those estimates.

p) Changes in accounting policies

On June 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1530, "Comprehensive Income", CICA Handbook Section 3251, "Equity", CICA Handbook Section 3855, "Financial Instruments - Recognition and Measurement", CICA Handbook Section 3861, "Financial Instruments - Disclosure and Presentation", and CICA Handbook Section 3865, "Hedges". These new CICA Handbook Sections, which apply to fiscal years beginning on or after October 1, 2006, provide comprehensive requirements for the recognition and measurement of financial instruments, as well as standards on when and how hedge accounting may be applied.

Handbook Section 1530 also establishes standards for reporting and displaying comprehensive income. Comprehensive income is defined as the change in equity from transactions and other events from non-shareholder sources. "Other comprehensive income" refers to items recognized in comprehensive income, but that are excluded from net income calculated in accordance with generally accepted accounting principles.

Under these new standards, all financial instruments are classified into one of the following five categories: held for trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are included in the consolidated balance sheet and are measured either at fair market value with the exception of loans and receivables, investments held-to-maturity and other financial liabilities, which are measured at amortized cost. Subsequent measurement and recognition of changes in fair value of financial instruments depend on their initial classification. Held-for-trading financial investments are measured at fair value and all gains and losses are included in net income in the period in which they arise.

Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in other comprehensive income until the assets are removed from the balance sheet.

The standards also require derivative instruments to be recorded as either assets or liabilities measured at their fair value unless exempted from derivative treatment as a normal purchase and sale. Certain derivatives embedded in other contracts must also be measured at fair value. All changes in the fair value of derivatives are recognized in earnings unless specific hedge criteria are met, which requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting.

The adoption of standards of Sections 1530, 3251, 3855, 3861 and 3865 had no significant impact on the consolidated financial statements for the year ended May 31, 2008.

q) Future accounting changes

The CICA published the following new sections that apply to the Company's interim and annual financial statements relating to fiscal years beginning on or after June 1, 2008.

a) Section 1400, "General Standards on Financial Statement Presentation", has been amended to include requirements to assess and disclose an entity's ability to continue as a going concern.

b) Section 1535, "Capital Disclosures", establishes standards for disclosing information about an entity's capital and how it is managed. It describes the disclosure of the entity's objectives, policies and processes for managing capital as well as summary quantitative data on the elements included in the management of capital. The section seeks to establish whether the entity has complied with capital requirements and if not, the consequences of such non-compliance.

(In Canadian dollars)

c) Section 3031, "Inventories", provides guidance on the determination of cost and the subsequent recognition as an expense, including any write-down to net realizable value. The standard also permits the reversal of previous write-downs when there is a subsequent increase in the value of inventories. Finally, the standard provides guidance on the cost formulas that are used to assign costs to inventories and requires the consistent use of inventory policies by type of inventory with similar nature and use.

d) Section 3862, " Financial Instruments - Disclosures", describes the required disclosures to evaluate the significance of financial instruments for the entity's financial position and performance as well as the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks.

e) Section 3863, "Financial Instruments - Presentation", establishes standards for the presentation of financial instruments and non-financial derivatives. It details the presentation of standards described in Section 3861, "Financial Instruments - Disclosure and Presentation".

The Company has concluded that these new standards will not significantly impact the Company's future financial position or its results of operations.

June 1, 2011 will be the changeover date from Canadian GAAP to International Financial Reporting Standards ("IFRS") for us. As of today, we have not evaluated the impact of these new standards.

3. Accounts Receivable

		2008		2007
Trade accounts receivable	$	6,380,487	$	2,239,884
Commodity taxes		2,203,808		165,757
Grant receivable (note 16)		1,540,760		-
Other		39,507		144,729
	$	**10,164,562**	**$**	**2,550,370**

4. Inventories

		2008		2007
Raw materials	$	9,809,207	$	1,856,925
Finished goods		2,918,357		1,450,885
	$	**12,727,564**	**$**	**3,307,810**

(In Canadian dollars)

5. Property, Plant and Equipment

	2008		
	Cost	Accumulated depreciation	Net book value
Land	$ 534,380	$ -	$ 534,380
Building	4,497,408	398,714	4,098,694
Leasehold improvements	1,355,026	252,007	1,103,019
Production equipment	8,567,120	2,781,503	5,785,617
Automotive equipment	47,441	33,820	13,621
Furniture and equipment	107,336	24,936	82,400
Computer equipment	402,381	104,674	297,707
Construction project	13,430,327	-	13,430,327
Less: Grants and Government assistance (note 16)	(4,125,371)	-	(4,125,371)
Furniture and equipment under capital leases	43,179	42,684	495
	$ 24,859,227	**$ 3,638,338**	**$ 21,220,889**

	2007		
	Cost	Accumulated depreciation	Net book value
Land	$ 470,796	$ -	$ 470,796
Building	3,353,651	214,871	3,138,780
Leasehold improvements	955,109	175,538	779,571
Production equipment	7,142,012	2,064,943	5,077,069
Automotive equipment	37,764	27,092	10,672
Furniture and equipment	72,197	16,462	55,735
Computer equipment	183,223	133,072	50,151
Construction project	78,737	-	78,737
Furniture and equipment under capital leases	43,179	34,814	8,365
	$ 12,336,668	**$ 2,666,792**	**$ 9,669,876**

Depreciation of property, plant and equipment presented in the consolidated statement of earnings relates to the following activities:

	2008	**2007**
Cost of goods sold	$ 985,931	$ 813,331
Administrative expenses	57,061	50,941
Research and development expenses	5,894	5,702
	$ 1,048,886	**$ 869,974**

(In Canadian dollars)

6. Bank Loan

The Company has a Canadian line of credit available up to $3,500,000 at the Bank's prime rate plus 0.4% and a line of credit in euros up to €1,000,000 at the interbank offered rate plus 2.5%.

The Canadian line of credit is secured by accounts receivable, inventories and all the other assets and the line of credit in euros is secured by assets in Germany.

7. Accounts Payable and Accrued Liabilities

		2008		2007
Trade accounts payable and accrued liabilities	$	6,641,201	$	1,814,106
Salaries and vacations		845,026		485,499
	$	**7,486,227**	**$**	**2,299,605**

8. Long-Term Debt

		2008		2007
Loan at the lender's floating rate less 1.40%, repayable commencing June 17, 2008 in 120 monthly installments of $41,667, principal only, secured by a building.	$	4,997,107	$	-
Loan, effective interest rate of 5%, repayable until April 2010 in semi-annual installments of $24,967.		99,843		149,765
Loan, 6.8%, repayable until September 2008 in monthly installments of $5,825 principal and interest, secured by production equipment of a net book value of $204,807.		29,000		93,075
Loan reimbursed during the year which was secured by a building and personal guarantees of two shareholders in the amount of $273,000.		-		2,803,875
Loan reimbursed during the year which was secured by a building and personal guarantees of two shareholders in the amount of $45,000.		-		207,500
Notes payable to shareholders paid during the year, prime rate of the BDC plus 0.25%, convertible into Class A shares at the price of $11 per share as of April 2008.		-		300,000
Loan, 6.61%, reimbursed during the year which was secured by, property plant and equipment.		-		220,238
		5,125,950		3,774,453
Current portion of long-term debt		(578,922)		(538,060)
	$	**4,547,028**	**$**	**3,236,393**

Installments to be paid over the next fiscal years ended May 31 are as follows:

2009	$	578,922
2010	$	549,921
2011	$	500,000
2012	$	500,000
2013	$	500,000
Thereafter	$	2,497,107

(In Canadian dollars)

The Company is required to maintain certain ratios in order to comply with the respective loan agreements. As of May 31, 2008, the Company complied with the terms and conditions of the loans.

9. Other Long-Term Liabilities

		2008		2007
Deposit received from a customer, effective interest rate of 5%, repayable in U.S. dollars, at the rate of $70 per kilogram of sales made to this customer until April 2010.	$	279,593	$	428,491
Deposit received from a customer, effective interest rate of 5%, repayable in U.S. dollars by May 2009.		118,038		230,029
Deposits received from other customers		-		138,990
Other		526		6,307
Total		398,157		803,817
Current portion		(270,251)		(539,565)
	$	**127,906**	**$**	**264,252**

10. Deferred Revenue

Our 5N PV GmbH wholly-owned German subsidiary received €540,000 from a German company for the creation of new jobs. This deferred income will be amortized over a three-year period in conjunction with the creation of new jobs at our German plant. A letter of credit for the same amount was issued in favor of the German company in the event that 5N PV GmbH is not able to comply with the terms of this agreement. As of May 31, 2008, an amount of €23,542 was recognized as revenue.

11. Share Capital

Authorized

An unlimited number of common shares, with no par value, participating, entitling the holder to one vote per share.

An unlimited number of Class B shares, with no par value, non-participating, without voting rights and retractable at an amount determined according to a formula taking into account the Company's income and net book value.

Issued and fully paid

	Number		Amount
Common shares			
Outstanding as at May 31, 2007 and 2006	29,635,954	$	963,756
Issuance of shares following the IPO	11,500,000		34,500,000
Issuance of shares following a bought deal	4,000,000		46,200,000
Issuance of shares following the conversion of Class B shares	364,046		124,938
Outstanding as at May 31, 2008	**45,500,000**	**$**	**81,788,694**
Class B shares			
Outstanding as at May 31, 2006	182,909	$	18,231
Issuance of shares pursuant to options	68,591		16,351
Outstanding as at May 31, 2007	251,500		34,582
Issuance of shares pursuant to options	135,181		94,369
Repurchases from shareholders	(22,635)		(4,013)
Conversion of Class B shares in common shares	(364,046)		(124,938)
Outstanding as at May 31, 2008	-	$	-

(In Canadian dollars)

The number of common shares and Class B shares outstanding and the weighted average number of common shares, basic and diluted outstanding as well as the calculation of net earnings per basic and diluted shares were adjusted retroactively taking into consideration the stock split following the IPO.

a) Share issue

During the year ended May 31, 2008, the Company issued 135,181 Class B shares (68,591 for the year ended May 31, 2007) for a cash consideration of $2,726 ($945 for the year ended May 31, 2007) upon the exercise of stock options. The amount previously recorded in contributed surplus of $91,644 ($15,406 in 2007) relating to these exercised options has been reclassified into share capital.

b) Repurchases from shareholders

The Company purchased 22,635 Class B shares for a cash consideration of $70,063 of which $66,050 was recorded as a reduction of retained earnings and $4,013 as a reduction of share capital.

c) Stock option plan

In October 2007, the Company introduced a new stock option plan for directors, officers and employees. The maximum number of common shares that can be issued upon the exercise of options granted is equal to 10% of the aggregate number of common shares issued and outstanding from time-to-time. The maximum period during which an option may be exercised is ten years from the date of the grant. On December 20, 2007 the Company granted 1,042,200 options at a price of $3.00 per option. Options vest at a rate of 25% (100% for the directors) per year, beginning one year following the grant date of the options.

Compensation costs related to these granted stock options on December 20, 2007 were computed using the Black-Scholes option valuation model using the following assumptions: expected volatility; 72%, dividend; nil, risk free interest rate; 4.25% (4.00% for the directors), expected life; 3.5 years (one year for the directors). The related stock-based compensation cost of $242,136 (including $106,175 for the directors) for the period of twelve months ending May 31, 2008 was recorded as an expense and as an increase to the contributed surplus.

The weighted average fair value of the options granted during the year was $1.42.

	Stock options		**Weighted average exercise price**
As at May 31, 2007	10,750	$	0.26
Granted	1,042,200		3.00
Cancelled	(9,700)		(3,00)
Exercised	(10,750)		(0.26)
As at May 31, 2008	**1,032,500**	**$**	**3.00**

Stock-based compensation cost is allocated as follows:

		2008		**2007**
Cost of goods sold	$	59,839	$	19,107
Selling and administrative expenses		163,897		15,567
Research and development expenses		28,262		16,076
	$	**251,998**	**$**	**50,750**

(In Canadian dollars)

12. Contributed surplus

Years ended May 31		2008		2007
Opening balance	$	81,782	$	46,438
Compensation costs related to stock options		251,998		50,750
Options exercised		(91,644)		(15,406)
Closing balance	**$**	**242,136**	**$**	**81,782**

13. Income taxes

The following table reconciles the difference between the statutory tax rate and the effective tax rate used by the Company in the determination of net income:

	2008	2007
Statutory tax rate	31.3%	32.0%
Increase (decrease) resulting from:		
Non-deductible expenses	0.8	0.3
Change in future income tax balances due to a change in enacted tax rates	(0.3)	(0.4)
Effect of non-recognition (recognition) of losses of a foreign subsidiary for the year ended May 31, 2007	(0.8)	1.9
Non-taxable research and development tax credits	(0.2)	(0.4)
Difference of rate applicable to the foreign subsidiary, small business deduction and other	(0.5)	(0.2)
	30.3%	**33.2%**

The tax effects of significant items comprising the Company's net future income tax balances are as follows:

		2008		2007
Future income tax assets				
Losses carried forward	$	219,825	$	135,000
Property, plant and equipment		798,536		-
Share issue expenses		1,348,172		-
Other		21,828		-
		2,388,361		135,000
Valuation allowance		-		(96,000)
		2,388,361		39,000
Future income tax liabilities				
Property, plant and equipment		(919,104)		(742,000)
Investment tax credits		(83,500)		(66,000)
Other		(19,896)		(24,000)
		(1,022,500)		(832,000)
Net future income tax assets (liabilities)	**$**	**1,365,861**	**$**	**(793,000)**

(In Canadian dollars)

The current and long-term future income tax assets and liabilities are as follows:

	2008	2007
Future income tax assets		
Short-term	$ 456,325	$ -
Long-term	909,536	-
	1,365,861	-
Future income tax liabilities:		
Short-term	-	(40,000)
Long-term	-	(753,000)
	-	(793,000)
	$ 1,365,861	**$ (793,000)**

14. Financial Instruments:

a) Credit risk and significant customers

The Company is exposed to a credit risk with its accounts receivable. The Company has entered into an agreement with Export Development Canada ("EDC") pursuant to which EDC insures the risk of loss of up to 90% of the accounts receivable of certain customers in the event of non-payment, up to a maximum of $1,500,000. In addition, management evaluates each account individually and considers that no provision for doubtful accounts is necessary under the circumstances.

Three customers represented approximately the following percentages of sales and accounts receivable:

Years ended May 31	2008	2007
Percentage of sales	80%	73%

As at May 31	2008	2007
Percentage of accounts receivable	64%	70%

b) Interest rate risk

The Company is exposed to a risk of interest rate fluctuations on the bank loan and certain long-term liabilities. However, a change of 1% would not materially affect the Company's net earnings, retained earnings and cash flows.

A loan of $99,843 included in the long-term debt bears a fixed interest rate. The risk of exposure to interest rate fluctuations is therefore limited.

c) Price risk

The Company is exposed to a risk of fluctuations in market prices for metals. To reduce this risk, it has signed agreements with set prices for certain customers and raw materials suppliers.

(In Canadian dollars)

d) Exchange risk

The Company makes approximately 97% of its sales and 100% of its raw materials purchases in foreign currencies. Accordingly, certain assets, liabilities, revenues and expenses are exposed to currency rate fluctuations. As at May 31, 2008, it was anticipated that the following assets and liabilities would be realized, recoverable or payable as follows:

	Euros	U.S. dollars
Cash	949,440	1,615,352
Accounts receivable	566,183	5,369,097
Bank loan	869,092	-
Accounts payable and accrued liabilities	897,820	3,264,612

e) Fair value

Fair value estimates are made at a specific point in time, using available information about the financial instrument. These estimates are subjective in nature and often cannot be determined with precision.

The Company has determined that the carrying value of its short-term financial assets and liabilities, including cash, accounts receivable and other receivables, as well as accounts payable and accrued liabilities, approximates their fair value because of the relatively short period to maturity of these instruments.

The fair value of the long-term debt and deposits received from a customer at variable interest rates approximates their carrying value because rates vary in relation with the market conditions.

The fair value of the long-term debt and obligations under capital leases at fixed interest rates approximates their carrying value as the Company's borrowing terms and conditions reflect current market conditions.

The fair value of long-term debt and other long-term liabilities received, without interest, approximated their carrying value as at May 31, 2008 and was estimated at $990,000 as at May 31, 2007 (carrying value of $1,108,000).

15. Financing Expenses

Years ended May 31		**2008**		**2007**
Interest and bank charges	$	90,599	$	88,202
Foreign exchange (gain) loss		(124,710)		162,001
Interest on long-term debt		258,259		401,743
Amortization of deferred charges		12,045		14,500
	$	**236,193**	**$**	**666,446**

16. Government Assistance

During the years ended May 31, 2008 and 2007, the Company recorded research and development tax credits amounting to $499,079 and $430,000 respectively. These tax credits are subject to review and approval from taxation authorities.

During the years ended May 31, 2008 and 2007, the Company received grants from Investissement Québec totaling $85,492 and $202,744, respectively. These grants were recorded as a reduction of property, plant and equipment.

During the year ended May 31, 2008, the Company recorded, in its German subsidiary, two grants received from the tax authorities and economic support groups totaling $4,125,371, of which an amount of $531,234 was paid to 5N PV GmbH. A balance of $3,594,137 remains outstanding of which the current portion amounts to $1,540,760. The remaining $2,053,377 is recorded as a long-term receivable and is expected to be received during fiscal year ending May 31, 2010.

(In Canadian dollars)

17. Commitments

a) The Company rents certain premises and equipment under the terms of operating leases expiring in May 2012 for the premises with options to renew and June 2013 for the equipment. Future minimum payments excluding operating costs for the next years are as follows:

2009	$	662,030
2010		584,166
2011		584,166
2012		584,166
2013		182,114
Thereafter		15,176
	$	**2,611,818**

b) As at May 31, 2008, the Company had placed orders with suppliers for the purchase of fixed assets in the aggregate amount of $1,186,184.

c) The Company's German subsidiary is committed to a number of conditions in its supply agreement with First Solar. These conditions include the date of commencement of commercial production of the new German facility, minimum quantities of products to be sold to First Solar and certain recycling obligations. In the event the Company is unable to fulfill these conditions within the prescribed time frame, the Company could be forced to transfer the ownership of its German facility to First Solar for a consideration approximating the Company's acquisition cost of the new German facility.

18. Earnings Per Share

Years ended May 31		**2008**		**2007**
Numerator				
Net earnings	**$**	**7,766,137**	**$**	**3,574,082**
Denominator				
Weighted average number of common shares		35,308,641		29,635,954
Effect of dilutive securities				
Stock options		321,319		-
Convertible notes		1,254,816		2,273,577
		36,884,776		**31,909,531**
Earnings per share				
Basic	$	0.22	$	0.12
Diluted	$	0.21	$	0.11

19. Related Party Transactions

In the normal course of its activities, the Company has concluded the following transactions with a corporate shareholder which was until December 20, 2007 under terms and conditions agreed upon between the parties:

Years ended May 31		**2008**		**2007**
Sales	**$**	**1,129,323**	$	1,517,395
Purchases	**$**	**28,698**	$	106,633
Interest expenses	**$**	**19,179**	$	35,842

As at May 31		**2008**		**2007**
Accounts receivable	**$**	**-**	$	216,917
Accounts payable and accrued liabilities	**$**	**-**	$	52,761

(In Canadian dollars)

20. Segment information

The Company has only one reportable segment, namely refining and recycling of metals.

Years ended May 31	2008	2007
Geographical information		
Sales to customers located in the following geographical areas		
United States	$ 15,526,294	$ 15,283,537
Europe	12,521,891	3,314,200
Asia	634,251	1,118,738
Canada	979,822	191,239
Other countries	1,310,683	1,989,526
	$ 30,972,941	**$ 21,897,240**

Sales are allocated based on the country of origin of the customer with whom the agreement has been signed.

As of May 31	2008	2007
Property, plant and equipment in the following countries		
Canada	$ 11,501,758	$ 9,410,632
Germany	9,719,131	259,244
	$ 21,220,889	**$ 9,669,876**

21. Subsequent event

Financial instruments

On June 9, 2008, the Company concluded a foreign currency forward contract totaling €4,500,000 at an average conversion rate of 1.58. This foreign currency forward contract of €500,000 by month will be effective from September 15, 2008 until May 15, 2009.

22. Comparative Figures

Certain figures, previously reported on for 2007, have been reclassified to conform with the current year's presentation.

Corporate Information

Stock Exchange

5N Plus is listed on the Toronto Stock Exchange, under the symbol VNP.TSX

Transfer Agent and Registrar

Computershare Investor Services Inc.

Auditors

KPMG LLP

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Annual Meeting

The annual shareholders meeting will be held on Wednesday, October 8, 2008 at 10:00 AM
Novotel Hotel
2599, Alfred-Nobel Blvd.
Montreal (Québec)

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