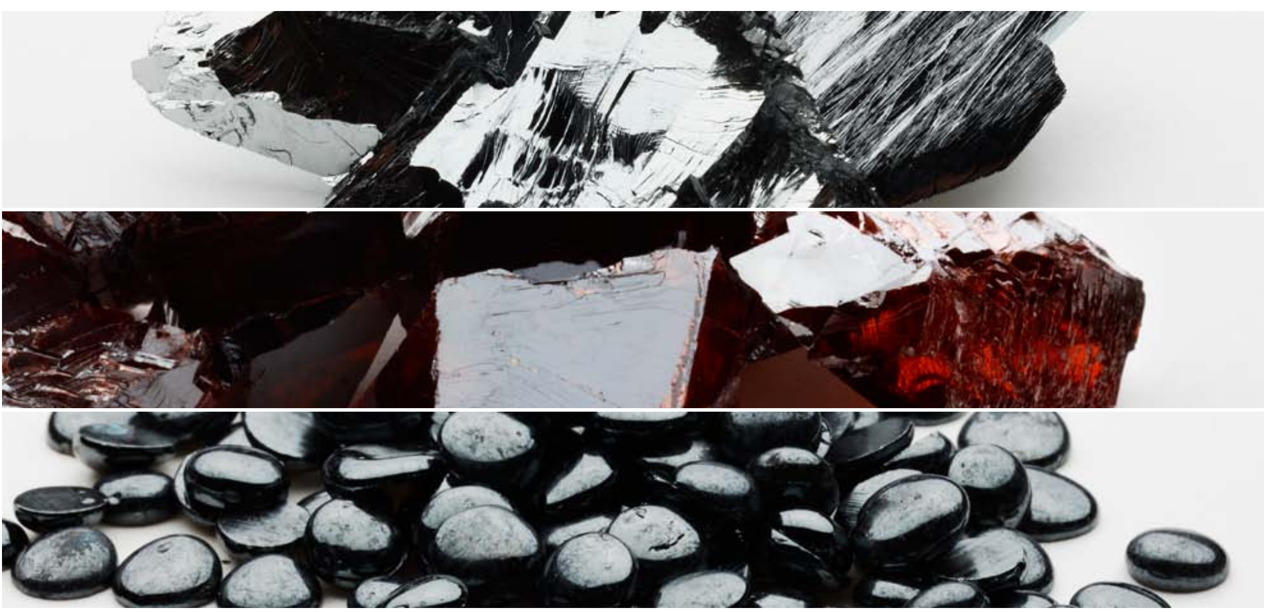
Enriching our offering

5N PLUS

10 YEARS



annual report 2010

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5N Plus is a fully integrated producer and closed-loop recycler of highly purified metals and compounds, that customers use in a range of electronic applications, including solar modules and medical devices. 5N Plus draws its name from the purity of its products—99.999%, or 5 nines and more—which consist primarily of tellurium, cadmium, germanium, indium, antimony, selenium and related compounds such as cadmium telluride (CdTe), cadmium sulphide (CdS) and indium antimonide (InSb). The company employs nearly 200 people and operates state-of-the-art production, R&D and recycling facilities in Montréal, Canada (adjacent to its head offices) and Eisenhüttenstadt, Germany. It also operates a production facility in Trail, British Columbia, Canada, and a recycling centre in near Madison, Wisconsin, U.S. 5N Plus is listed on the Toronto Stock Exchange under the ticker symbol VNP.

Our vision

TO GROW TOGETHER IN AN ENVIRONMENTALLY RESPONSIBLE WAY, THROUGH THE INNOVATION AND PRODUCT EXCELLENCE MADE POSSIBLE BY OUR EMPLOYEES' KNOW-HOW AND COMMITMENT, THEREBY ENABLING 5N PLUS TO BECOME THE WORLD'S LEADING PRODUCER OF HIGH-PURITY MATERIALS.

Seizing a precious opportunity for growth

Operational highlights

- Extended and strengthened supply agreements with world's leading manufacturer of CdTe thin-film solar modules.
- Acquired Firebird Technologies ("Firebird"), a manufacturer of high purity metals and semiconductor for electronic applications.
- Entered into long-term agreement with Calyxo to supply semiconductor compounds and recycling services in Europe.
- Entered into long-term agreement with Teck Metals to supply germanium and indium feedstocks to Firebird.
- Signed a photovoltaic module recycling agreement with Abound Solar and a MOU for semiconductor compounds supply.

5N Plus

Seizing precious opportunities for growth

5N Plus significantly expanded its geographic footprint and product portfolio in 2009, while consolidating its leading position as a producer of essential products for the thin-film solar power generation industry.

Our new facilities are the wholly owned Canadian subsidiary, Firebird, which adds strategic products to our portfolio, and a recycling plant in Wisconsin that enables us to better serve U.S. customers.

Among the industries it serves, 5N Plus occupies the vanguard in the thin-film solar module value chain, producing essential products for two of the leading technologies. Equally important, we provide customers with a closed-loop recycling solution. In a world where every industry is expected by its stakeholders to look hard at their products' total life cycle, this is an important differentiator for 5N Plus.

By offering closed-loop recycling services for manufacturing waste, defective and spent products, 5N Plus transcends the supplier-customer relationship and becomes an essential business partner.

5N Plus values

THE RIGOUR AND SCIENCE THAT SUPPORT OUR PRODUCTS AND SERVICES ARE MATCHED BY THE RIGOUR OF OUR APPROACH TO DOING BUSINESS. WE ARE AN ETHICAL COMPANY WHOSE PEOPLE "LIVE" THE VALUES OF THEIR ORGANIZATION.

Commitment

Transforming our vision into reality is possible only through the commitment and effort of our employees. We therefore aim to develop a stimulating work environment that values teamwork and excellence.

Continuous Improvement

We promote excellence in everything we do, with the ultimate goal of being recognized as the industry leader. We therefore continually seek to improve our skills, along with the quality of our products and services.

Customer focus

Our goal is to exceed customer expectations by delivering outstanding services and products shaped by the customer's needs. To achieve this, we have the confidence and resourcefulness to propose solutions that establish lasting relationships of trust.

Health and Safety

Employee health and safety guides all our operations. We act responsibly to minimize risks and promote prevention, with the goal of continually improving our health and safety performance.

Integrity

We adhere to the highest standards of integrity, which means keeping our word, complying with the letter and spirit of the law, and treating every person with whom we do business with respect and dignity.

Sustainable Development

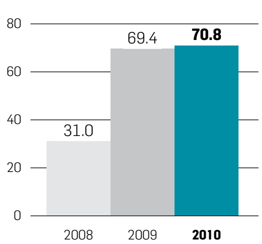
We encourage individual and corporate initiatives that help to protect the environment. This includes promoting—both internally and with clients and suppliers—the recycling of products and industrial waste, and setting objectives that reduce our environmental footprint.

at a glance

Financial and operational highlights

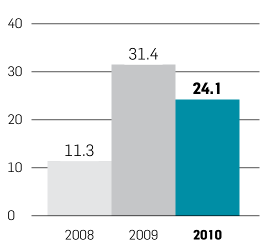
Sales

(in millions of Canadian dollars)



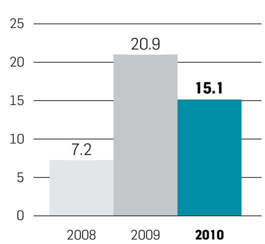
EBITDA

(in millions of Canadian dollars)



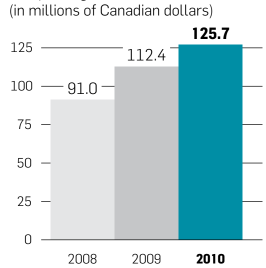
Net earnings from continued operations

(in millions of Canadian dollars)



Shareholders' equity

(in millions of Canadian dollars)



Cadmium telluride production is 5N Plus's main growth engine, as we occupy a commanding market position in the industry

Consolidating our lead

CADMIUM TELLURIDE THIN-FILM SOLAR MODULES REPRESENT THE LEADING EDGE OF THE SOLAR POWER INDUSTRY, WITH ANNUAL PRODUCTION SURGING FROM 1 GW (1 BILLION WATTS) IN 2009 TO 2 GW BY 2012.

Dazzling prospects for CdTe thin-film solar modules

Cadmium telluride production is 5N Plus's main growth engine, as we occupy a commanding market position in the industry, supplying several manufacturers of CdTe thin-film solar modules with products and recycling services. Among these is the largest producer in the world, which operates plants on several continents.

With their low manufacturing costs and environmental advantages versus conventional crystalline silicon modules, CdTe thin-film solar modules represent the fastest-growing photovoltaic technology.

We currently provide primary and secondary refining of CdTe at our Montreal and German plants. Both our Montreal and our wholly owned German facilities also produce cadmium sulfide, another high-purity compound essential to the production of thin-film CdTe and CIGS solar modules. Germany is the European centre for thin-film solar module production.

5N Plus is therefore well positioned indeed. Potential competitors face significant barriers to entry, including a well protected patent portfolio, strategic agreements with primary producers, highly developed recycling services and, not least, mature relationships with the world's leading CdTe solar module manufacturers.

The CdTe thin-film solar module industry is extremely robust, enjoying an annual growth rate in production of 90%.

Jens Peschke
Plant Manager,
5N PV GmbH

The acquisition of Firebird generates a series of new growth opportunities

Spreading our wings

LOCATED IN BRITISH COLUMBIA, CANADA, FIREBIRD ENHANCES 5N PLUS'S OFFERING WITH SPECIALIZED EXPERTISE IN CRYSTAL GROWTH FOR THE ALSO PRODUCES HIGH PURITY ANTIMONY, INDIUM AND TIN. FIREBIRD IS EXPECTED TO BEGIN LARGE-SCALE PROCESSING OF INDIUM AND GERMANIUM FEEDSTOCKS INTO HIGH-VALUE PRODUCTS IN THE FALL OF 2010, ONCE CONSTRUCTION OF ITS NEW FACILITY IS COMPLETED.

Firebird kindles value

The acquisition of Firebird generates a series of new growth opportunities for 5N Plus, chiefly in the semiconductor industry, where Firebird's specialized expertise in crystal growth has made it a key player.

The Firebird acquisition dovetails with our strategy to accelerate our deployment into emerging and therefore underserved markets. As part of this strategy, plans call for ramping up production at Firebird, securing larger orders from more customers, and expanding the product portfolio.

These plans also include turning Firebird into an integrated supplier of germanium for optical and solar module applications. We took two significant steps toward this goal early in 2010. First, we entered into a long-term agreement with Teck Metals to supply critical feedstocks to Firebird. And second, we committed to building a plant dedicated to advanced semiconductor processing, metal purification and recycling. The $10 million, 40,000 square-foot plant, announced at a groundbreaking ceremony on March 29, 2010, is scheduled for completion in 2010. The plant has been designed for rapid expansion, to accommodate the expected growth in business.

Don Freschi
General Manager,
Firebird Technologies Inc.

New capability in semi-conductor industry

To diversify
its customer base
and thereby reduce
overall business risk

Diversifying our offering

Taking the inside track on CIGS

In order to diversify its customer base and thereby reduce overall business risk, 5N Plus is accelerating its efforts to become a key supplier to more than one thin-film solar module technology.

For example, we currently provide several products to manufacturers of CIGS (copper, indium, gallium, selenium) solar modules. Like other thin-film technologies, the business model supporting CIGS solar modules is based on delivering a lower cost-per-watt.

Our long-term agreements with suppliers of primary materials are expected to further enhance our competitive position and attractiveness to existing and potential customers. Together with its closed-loop recycling, this strongly differentiates 5N Plus in the CIGS solar module industry.

Based on delivering a lower cost-per-watt

CIGS

Sustainable solutions

Our corporate commitment is to supply customers with sustainable solutions, while also championing sustainability within our own operations

In many respects, 5N Plus occupies a unique position within the solar power generating industry. In an age when regulatory and public pressures to provide total lifecycle solutions are increasing, our closed-loop recycling service gives us a significant competitive edge.

5N Plus is indeed gaining a reputation for sustainable solutions that enhance our customers' and suppliers' own reputations. For example, the primary metals industry and solar module makers ship various concentrates and residues to 5N Plus. Using our advanced refining techniques on these "raw materials" we're able to extract metals of interest that become part of our product portfolio.

In short, we're able to transform what would otherwise be an environmental liability into a significant source of supply. We offer recycling services at our Canadian and German manufacturing facilities, and soon at our dedicated U.S. recycling plant in Wisconsin.

Sustainability begins at home

Our recycling services represent just one facet of our commitment to the principles of sustainability, and to supporting our overall corporate social responsibility.

In addition to being ISO 14001 (environmental management) and ISO 9001 (quality management) certified, we invite employees to sit on our 5N Plus Sustainability Committee. Active in the communities where we live, 5N Plus has won honours and notice for its sustainability efforts. We have participated in drafting Montreal's former strategic plan for sustainable development, and are currently helping to draft the current one, which will be in effect until 2015.

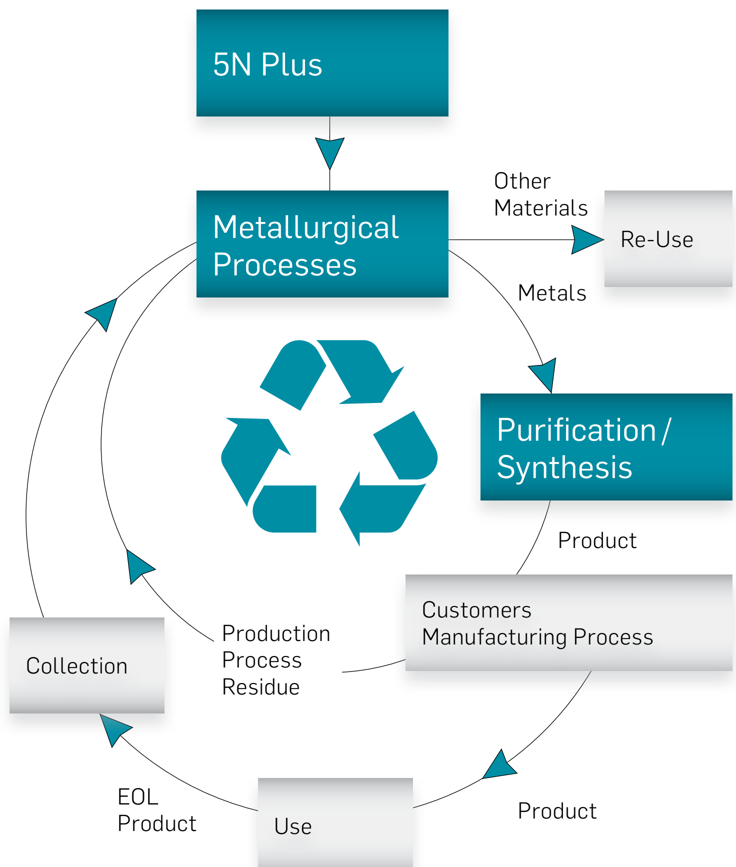
We have programs in place to reduce our drinking water and energy consumption, encouraging employees to car-pool or, better still, commute by company-supplied bikes. Our bicycle program won an award from Vélo-Québec.

In 2009, we have started using Life Cycle Assessment to give a 'cradle to cradle' evaluation of the environmental impact of our product manufacturing and recycling activities.

As a result of all these efforts, 5N Plus was listed for the second consecutive year on the Corporate Knights Cleantech 10™ list of Canada's best publicly held companies in clean technologies, and listed on the Jantzi-Maclean's Corporate Social Responsibility Report 2009 of the 50 Most Socially Responsible Canadian Corporations.

Closer to home, in 2009 we were honoured with the Ecosustainable Production and Design Competition award, presented by the Chamber of Commerce and Industry of St-Laurent, in partnership with the Centre d'expertise sur les matières residuelles. The award, which recognizes waste and pollution reduction at source, in manufacturing, transportation and at the end of the product's life cycle, cites our efforts to tailor our recycling solutions to customers' needs.

Cradle to Cradle Solutions



NOTCHING UP ANOTHER HIGHLY PROFITABLE YEAR, WE'RE CELEBRATING OUR 10TH ANNIVERSARY AND SETTING THE STAGE FOR LONG TERM SUSTAINABLE GROWTH

THERE IS MUCH TO CELEBRATE IN 2010, EVEN BEYOND OUR TENTH YEAR OF OPERATION—CAPPING A PERIOD DURING WHICH REVENUES AND NET PROFITS GREW MORE THAN TENFOLD. CONSIDER THAT OVER THE PAST DECADE THIN-FILM CADMIUM TELLURIDE-BASED PHOTOVOLTAIC MODULES EMERGED AS THE DOMINANT TECHNOLOGY. THIS IN TURN LED TO EVER INCREASING DEMAND FOR OUR FLAGSHIP PRODUCT, CADMIUM TELLURIDE. WE EXPANDED OUR GLOBAL FOOTPRINT FROM MONTREAL INTO GERMANY TO MEET THE NEED, AND MOST RECENTLY ENTERED THE UNITED STATES WITH A NEW RECYCLING FACILITY IN WISCONSIN. 2010 ALSO SAW US BEGIN TO IMPLEMENT OUR "GROWTH BY ACQUISITION" STRATEGY, ACQUIRING FIREBIRD TECHNOLOGIES, A LEADING PRODUCER OF SEMICONDUCTOR WAFERS. WITHIN WEEKS OF THE ACQUISITION, WE BROKE GROUND ON A NEW FACILITY TO EXPAND FIREBIRD'S CAPACITY AND PRODUCT PORTFOLIO.

Letter to shareholders

we added more products and more capabilities **to expand our client base**

In terms of financial performance, we're celebrating our first decade with equally spectacular results. Despite some currency headwinds, we again turned in record revenues and net profit margins exceeded 20% for a third consecutive year. More to the point, we believe we have now laid the foundation for sustainable growth. We made great strides to strengthen our business, leveraging our existing facilities and positioning ourselves to play a larger role in recycling. At the same time, we broadened our product portfolio to include semiconductor wafers, germanium and products for other thin film photovoltaic technologies.

CdTe photovoltaic modules leading the way

Led by the remarkable progress of First Solar, the world's largest photovoltaic module manufacturer, thin film CdTe-based solar modules are now widely recognized as the most cost efficient technology available. But this is only the beginning. CdTe technology is rapidly growing its share of an expanding market, fueled by financial support from a number of new jurisdictions beyond Germany's pioneering position. This includes the United States, China, France and Italy. With its recent capacity increase announcements, to reach over 2 GW in production by early 2012, First Solar is signaling its intention to continue growing aggressively, and to do so using thin film CdTe technology. At the same time, a number of competitors using similar technology, including Abound Solar, Calyxo and General Electric, through its PrimeStar subsidiary, are also making steady progress. More exciting yet is the stated objective of all of these companies to eventually compete in an unsubsidized market on the basis that grid parity using this technology is within reach. Indeed, as this relatively new technology continues to develop, we expect further improvements in the cost structure of CdTe modules, driven mainly by improvements in conversion efficiency. A growing number of academic groups are in fact working on the efficiency front, including 5N Plus through a consortium led by Colorado State University. This should ultimately translate into significant increases in demand for CdTe and continue to generate significant business opportunities.

Broadening our product portfolio

As our goal is to diversify into other electronic materials markets and expand our activities, growing our product portfolio remains a key priority. In this respect 2010 was a watershed year, as we acquired Firebird Technologies and entered the semiconductor wafer business. Firebird is the leading producer of indium antimonide (InSb) wafers, which are used for infrared imaging. We subsequently announced a major investment in Trail, B.C. to expand Firebird's production capacity and leverage their unique skills in crystal growth and refining. This will enable us to enter the germanium metals and optics business. Concurrently, we entered into a long-term supply agreement for germanium and indium with Teck Metals, also located in Trail. Teck is the leading producer of these critical feedstocks.

Taken together, we expect these measures will enable Firebird to develop into a significant business over the next three years. More specifically, Firebird's supply agreement with Teck Metals will expand our offering to customers producing solar cells based on copper indium gallium diselenide (CIGS).

From left to right: Jacques L'Écuyer and Dennis Wood

New Wisconsin facility strengthens recycling offer

We are positioning 5N Plus to play a leading role in the world's recycling of solar modules. To that end, we announced agreements during the year with two customers, Abound and Calyxo, and set up a new module recycling facility near Madison, Wisconsin. We also expanded our recycling capabilities in Germany.

As CdTe module production grows, so does the need to recycle manufacturing waste, along with spent and defective products. The photovoltaic industry is proactively adopting a cradle-to-grave approach, based on comprehensive life cycle analysis. As for CdTe module manufacturers, they're leveraging the economic and environmental benefits of closed loop recycling to recover cadmium and tellurium. Given our extensive operational experience with cadmium and tellurium-bearing substances, given the depth of our environmental and health and safety activities, and given the support we already provide to our customers, we're positioning 5N Plus as the ideal partner for recycling.

A bright future

With demand for CdTe products expected to sharply increase in the coming years, and as our new facility in Trail ramps up, we see a bright and exciting future for 5N Plus. We remain committed to a growth strategy of acquisitions, in addition to organic growth, and have a healthy balance sheet and sizeable amounts of cash to execute on this strategy. Indeed, we recently announced an investment in the form of convertible debt in Sylarus, a manufacturer of germanium wafers, which will soon be an important customer of Firebird. Through our germanium supply agreements and a potential minority ownership in Sylarus, should we chose to exercise the conversion feature of our loan, we are thereby positioning 5N Plus in the germanium wafer business. Germanium wafers are used to manufacture very high efficiency solar cells for space and terrestrial applications—another exciting market that we believe harbours great opportunity for 5N Plus.

All of these accomplishments would not have been possible without our employees' support and dedication. I would like to thank them for another great year. At this time, I also welcome the Firebird employees who joined the 5N Plus team and have already made positive contributions to our top and bottom lines.

Providing value-added and sustainable electronic material solutions to our customers is now more than ever what our company is all about. This is a mission we can all be proud of and passionate about. As we continue to build and grow our business, let's remember that by continuing to do what we're best at, we'll contribute to making this world a better place to live.

Jacques L'Écuyer
President and Chief Executive Officer

Dennis Wood
Chairman of the Board of Directors

Our facilities

5N Plus Inc.
4385 Garand Street
Montreal, Québec
H4R 2B4
Canada

5N PV GmbH
Oderlandstrasse 104
D-15890
Eisenhüttenstadt
Germany

Firebird Techonologies Inc.
2950 Highway Drive
Trail, British-Columbia
V1R 2T3
Canada

5N Plus Corp.
6474 Blanchar's Crossing
Deforest, Wisconsin, 53598
USA

This Management's Report 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 Management's Report should be read while referring to the audited consolidated financial statements and the accompanying notes for the fiscal year ended May 31, 2010. Information contained herein includes any significant developments to August 10, 2010, the date on which the Management's Report was approved by the Company's board of directors. The financial information presented in this Management's Report is based on the Company's accounting policies that are in compliance with Canadian generally accepted accounting principles ("GAAP"). It also includes some figures that are not performance measures consistent with GAAP. Information regarding these non-GAAP financial measures is provided under the heading Non-GAAP Measures of this Management's Report. All amounts are expressed in Canadian dollars. Unless otherwise indicated, the terms "we", "us" and "our" as used herein refer to the Company together with its subsidiaries.

Notice Regarding Forward-Looking Statements

Certain statements in this Management's Report may be forward-looking within the meaning of securities legislation. Forward-looking information and 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. Factors of uncertainty and risk that might result in such differences include the risk related to the reliance on major customer, credit, interest rate, pricing and currency fluctuation, fair value, source of supply, market acceptance and reliance on thin-film and photovoltaic technologies, environmental regulations, competition, dependence on key personnel, business interruptions, business acquisition, protection of intellectual property and the option granted to First Solar to purchase our German manufacturing facility. As a result, we cannot guarantee that any forward-looking statements will materialize. Forward-looking statements can generally be identified by the use of terms such as "may", "should", "would", "believe", "expect", or any terms of similar nature. Except as required under applicable securities legislation, management does not undertake to update these forward-looking statements as a result of new information, future events or other changes. In evaluating these statements, the reader should consider various factors, including the risks outlined above. 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 own two material subsidiaries which are 5N PV GmbH ("5N PV") located in Eisenhüttenstadt, Germany and Firebird Technologies Inc. ("Firebird") located in Trail, Canada. 5N Plus is a fully integrated producer and closed-loop recycler of highly purified metals and compounds. We use a range of proprietary and proven technologies to produce metals such as tellurium, cadmium, germanium, indium, antimony, selenium and related compounds such as cadmium telluride ("CdTe"), cadmium sulphide ("CdS") and indium antimonide ("InSb"). Our products are critical precursors that customers use in a number of electronic applications, including the rapidly-expanding solar (thin-film photovoltaic) market, for which we are a major supplier of CdTe, as well as the radiation detector and infrared markets.

Management's report

Business Strategy

To deliver on our vision of becoming the leading provider of sustainable material solutions to the electronic industry which is aimed at providing all stakeholders with long-term value, our strategy is aligned along three main axis namely organic growth via an expansion of our production capabilities, an increase in our product portfolio mainly through acquisitions, and a strong emphasis on recycling.

Business Strategy	Implemented measures and accomplishments in fiscal year 2010
Organic growth	■ On June 24, 2009, increased and extended supply agreements with main customer First Solar, Inc. ■ Signed MOU with Abound Solar, Inc. on January 25, 2010 and with Calyxo GmbH on March 18, 2010.
Increase product portfolio	■ On December 1, 2009, announced the acquisition of Firebird and subsequently the construction of a new facility in Trail, British Columbia to expand semiconductor wafer and germanium activities. ■ On March 9, 2010, entered into long-term supply agreements for germanium and indium feedstock with Teck Metals Ltd.
Focus on recycling	■ Setting up of a solar module recycling plant in Wisconsin to better serve U.S. customers which should be operational in the second quarter of fiscal year 2011. ■ Entered into recycling agreements with Abound Solar in January 2010 and with Calyxo, a Q-Cells' Subsidiary in March 2010. ■ Second consecutive year on the Corporate Knights Cleantech 10 list featuring Canada's ten best publicly held companies in the cleantech technology.

Setting the stage for long-term sustainable growth

We are proudly celebrating our 10th anniversary and 40th consecutive profitable quarter. Despite some currency headwinds, we turned in record revenues in fiscal year 2010 and net profit margins exceeded 20% for a third consecutive year. More to the point, we believe we have now laid the foundation for sustainable growth. We made great strides to strengthen our business, leveraging our existing facilities and positioning ourselves to play a larger role in recycling. At the same time, we broadened our product portfolio to include semiconductor wafers, germanium and products for other thin-film photovoltaic technologies.

All of these accomplishments would not have been possible without the support and dedication of our employees. Many thanks to them again for another great year and a special welcome to the Firebird employees who not only recently joined the 5N Plus team but also managed to make a positive contribution to both our top and bottom lines.

Providing value added electronic material solutions to our customers in a highly sustainable way is now more than ever what our company is all about. As we continue to build and grow our business, this is what we must remain best at doing if we are to contribute in our own special way in making this world a better place.

Jacques L'Écuyer
President and Chief Executive Officer

Selected Financial Information

Years ended May 31	**2010**	2009	2008
Consolidated Results			
Sales	**$ 70,763,345**	$ 69,373,117	$ 30,972,941
EBITDA[1]	**$ 24,109,939**	$ 31,409,878	$ 11,318,178
Net earnings from continuing operations	**$ 15,143,310**	$ 20,868,124	$ 7,175,011
Basic earnings per share from continuing operations	**$ 0.33**	$ 0.46	$ 0.20
Diluted earnings per share from continuing operations	**$ 0.33**	$ 0.45	$ 0.19
Net loss from discontinued operations	**$ 495,770**	$ –	$ –
Net earnings	**$ 14,647,540**	$ 20,868,124	$ 7,175,011
Basic earnings per share	**$ 0.32**	$ 0.46	$ 0.20
Diluted earnings per share	**$ 0.32**	$ 0.45	$ 0.19
Dividend per common share	**–**	–	$ 0.034
Cash flow from continuing operating activities	**$ 16,828,300**	$ 16,239,645	$ (2,163,317)
Balance Sheet Data			
Total assets	**$ 138,521,308**	$ 128,168,856	$ 107,743,063
Long-term debt	**$ 4,197,803**	$ 3,997,923	$ 4,674,934
Shareholders' equity	**$ 125,678,537**	$ 112,368,764	$ 90,962,804

[1] Calculated on continued operations earnings – See Non-GAAP Measures

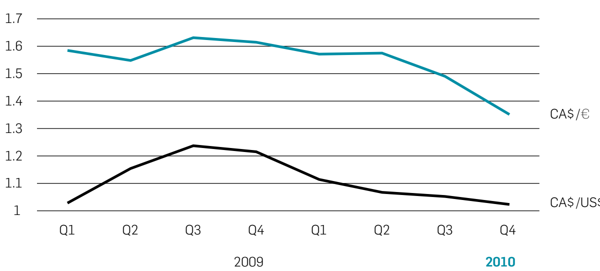
Selected Quarterly Financial Information

in thousands of dollars except per share amounts
(unaudited)

				FY2010				FY2009
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Sales	**19,730**	**19,227**	**15,753**	**16,053**	18,057	19,150	18,136	14,030
Gross profit[2]	**8,671**	**8,204**	**7,359**	**7,618**	8,497	9,840	9,230	7,632
EBITDA	**6,742**	**6,783**	**5,535**	**5,050**	8,576	8,012	8,799	6,023
Net earnings from continuing operations	**4,363**	**4,362**	**3,403**	**3,015**	5,708	5,190	5,876	4,094
Net loss from discontinued operations	**23**	**287**	**186**	**–**	–	–	–	–
Net earnings	**4,339**	**4,076**	**3,217**	**3,015**	5,708	5,190	5,876	4,094
Basic earnings per share from continuing operations	**$ 0.10**	**$ 0.10**	**$ 0.07**	**$ 0.07**	$ 0.13	$ 0.11	$ 0.13	$ 0.09
Diluted earnings per share from continuing operations	**$ 0.09**	**$ 0.09**	**$ 0.07**	**$ 0.07**	$ 0.12	$ 0.11	$ 0.13	$ 0.09
Basic earnings per share	**$ 0.09**	**$ 0.09**	**$ 0.07**	**$ 0.07**	$ 0.13	$ 0.11	$ 0.13	$ 0.09
Diluted earnings per share	**$ 0.09**	**$ 0.09**	**$ 0.07**	**$ 0.07**	$ 0.12	$ 0.11	$ 0.13	$ 0.09
Backlog[2]	**52,651**	**53,791**	**53,268**	**56,964**	52,224	52,024	54,722	53,647

[2] See Non-GAAP Measures

Average Exchange Rates



Highlights of Fiscal Year 2010

$70.8 million	$68.0 million	$16.8 million
Sales	Net Cash Position	Cash flows provided by continuing activities

- Sales reached a record level of $70,763,345 over sales of $69,373,117 in fiscal year 2009.
- Net earnings from continuing operations were $15,143,310 ($0.33 per share), compared to net earnings of $20,868,124 ($0.46 per share) for the previous fiscal year.
- EBITDA were $24,109,939 or 34.1% of sales compared to $31,409,878 or 45.3% of sales for the previous fiscal year.
- The Company's balance sheet position remained solid, with cash and cash equivalents of $67,992,321 as at May 31, 2010 compared to $65,066,530 for the previous fiscal year. Cash flow provided by continuing operating activities were $16,828,300 compared to $16,239,645 for the previous fiscal year. Shareholders' equity increased during the fiscal year to $125,678,537 up from $112,368,764 one year earlier.
- As at May 31, 2010 our backlog of orders expected to translate into sales over the following twelve months stood at $52,650,764 compared to $52,224,368 one year earlier. Changes in currency exchange rates had an adverse impact of approximately $4,300,000 on the backlog comparisons.
- Announced on December 1, 2009, the acquisition of Firebird, a leading manufacturer of compound semiconductor products and pure metals located in Trail, British Columbia.

Highlights of the Fourth Quarter 2010

- For a second consecutive quarter, sales reached a record level and stood at $19,729,553 compared to sales of $18,057,223 for the same period last year.
- Net earnings from continuing operations were $4,362,612 ($0.10 per share), compared to net earnings of $5,708,451 ($0.13 per share) for the same period last year.
- EBITDA were $6,742,096 or 34.2% of sales compared to $8,576,126 or 47.5% of sales for the same period last year.
- In March 2010, 5N Plus sold its entire interest in ZT Plus, a joint venture with BSST, a subsidiary of Amerigon Incorporated.

Business Acquisition

On December 1, 2009, the Company acquired Firebird Technologies Inc. for an amount of $7,912,055 including acquisition costs of $61,078. Firebird is a manufacturer of pure metals and semiconductor compounds. Firebird's main products include indium antimonide wafers as well as purified metals such as antimony, indium and tin, sold worldwide and used in a number of electronic and optical applications.

The Company has accounted this transaction using the purchase method. The results of Firebird have been consolidated in the Company's consolidated financial statements starting December 1, 2009.

Discontinued operation

On September 1, 2009, the Company had established a joint venture called ZT Plus with BSST, a subsidiary of Amerigon Incorporated in which the Company had a 50% ownership interest. The contribution of each partner in cash or in kind was expected to be US$5,500,000. ZT Plus was accounted for using the proportionate consolidation method. The commercial progress of ZT Plus was slower to develop than anticipated and on March 26, 2010, the Company sold its interest for an amount of US$1,600,000 ($1,632,000). This sale was classified as a discontinued operation and financial results for the second and third quarters have been recalculated.

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. One customer accounted for 65% of our sales during the quarter and 74% during the fiscal ended May 31, 2010.

Sales, Gross Profit, Net Earnings and Earnings per Share

(from continuing operations)	Three months ended May 31			Twelve months ended May 31		
	2010	2009	Increase (Decrease)	**2010**	2009	Increase (Decrease)
Sales	**$ 19,729,553**	$ 18,057,223	9.3%	**$ 70,763,345**	$ 69,373,117	2.0%
Gross profit	**$ 8,671,360**	$ 8,496,616	2.1%	**$ 31,852,704**	$ 35,198,886	(9.5%)
Gross profit ratio[1]	**44.0%**	47.1%		**45.0%**	50.7%	
Net earnings from continuing operations	**$ 4,362,612**	$ 5,708,451	(23.6%)	**$ 15,143,310**	$ 20,868,124	(27.4%)
Earnings per share from continuing operations (basic)	**$ 0.10**	$ 0.13		**$ 0.33**	$ 0.46	

[1] See Non-GAAP Measures

In comparison with the same periods last year and despite the significant appreciation of the Canadian dollar, sales for the fourth quarter and year ended May 31, 2010 both reached a record level. Sales for the fourth quarter were $19,729,553 up by 9.3% over sales of $18,057,223. For the fiscal year, sales reached $70,763,345 representing a 2.0% increase over sales of $69,373,117 for the previous fiscal year.

The growth was driven primarily by higher sales of products aimed at non-solar applications and the positive contribution of Firebird. The appreciation of the Canadian dollar in relation to the U.S. dollar and the Euro had an adverse impact on the Company's sales of approximately $3,500,000 during the quarter and $5,800,000 for the year ended May 31, 2010.

Sales in the solar market represented 70.4% for the fourth quarter and 78.3% for the fiscal year ended May 31, 2010 of total sales compared with 80.2% and 79.5% for the corresponding periods of the previous fiscal year. Overall, volumes of products sold for solar applications increased in the current fiscal year with the corresponding sales numbers being partially offset by a reduction in the average unit price and the adverse impact of the foreign exchange rates.

Gross profit increased to $8,671,360 in the fourth quarter from $8,496,616 for the same period last year mainly reflecting the positive impact of Firebird. For the fiscal year ended May 31, 2010, gross profit reached $31,852,704 compared to $35,198,886 a year ago with gross profit ratios of 45.0% and 50.7% respectively. The decrease observed in gross profit and gross profit ratios are mainly due to the negative impact on the Company's sales of the strengthening of the Canadian dollar in relation to the U.S. dollar and Euro. To a lesser extent, the decrease in average selling unit price also accounts for the gross profit and gross profit ratio decreases together with higher operating costs.

Net earnings from continuing operations for the fourth quarter ended May 31, 2010 were $4,362,612 ($0.10 per share) representing a 23.6% decrease over net earnings from continuing operations of $5,708,451 ($0.13 per share) for the same period last year. Lower foreign exchange gain is mainly responsible for the decrease in net earnings for the quarter as it represented only $532,954 compared to $2,175,813 for the same period last year.

Net earnings from continuing operations for the fiscal year 2010 were $15,143,310 ($0.33 per share) compared to $20,868,124 ($0.46 per share) representing a 27.4% decrease. This decrease was driven by the same factors described above along with acquisition-related charges for uncompleted acquisition projects, and lower interest income. Earnings per share for the current fiscal year are calculated based on a weighted average number of common shares outstanding of 45,625,024 for the fourth quarter and of 45,578,992 for the fiscal year ended May 31, 2010. Earnings per share of the previous fiscal year are calculated based on a weighted average number of common shares of 45,515,577 for the fourth quarter and of 45,505,213 for the fiscal year ended May 31, 2009.

Selling and Administrative and Research and Development Expenses

	Three months ended May 31		Twelve months ended May 31	
	2010	2009	**2010**	2009
Selling and administrative expenses	**$ 1,783,426**	$ 1,670,869	**$ 7,068,705**	$ 5,277,745
Percentage of sales for the period	**9.0%**	9.3%	**10.0%**	7.6%
Research and Development expenses (net of tax credits)	**$ 678,792**	$ 423,277	**$ 1,858,038**	$ 1,241,142
Percentage of sales for the period	**3.44%**	2.3%	**2.6%**	1.8%

Selling and administrative expenses were $1,783,426 for the fourth quarter compared to $1,670,869 for the corresponding period of the previous year. As a percentage of sales, selling and administrative expenses decreased from 9.3% to 9.0%. Selling and administrative expenses for the fiscal year were $7,068,705 or 10.0% of sales compared to $5,277,745 or 7.6% of sales for the previous fiscal year. The Company is maintaining an appropriate level of selling and administrative expenses in order to achieve its growth objectives. During the first quarter of fiscal year 2010, $1,165,000 was incurred relating to acquisition charges for uncompleted acquisition projects.

R&D expenses, net of tax credits were $678,792 in the fourth quarter compared to $423,277 in the same period last year, representing 3.44% and 2.3% of sales respectively. For the fiscal year ended May 31, 2010, R&D expenses, net of tax credits, were $1,858,038 compared to $1,241,142 for the previous fiscal year representing 2.6% and 1.8% of sales respectively. Current levels of R&D are consistent with our continued effort to proactively support the recycling activities and to develop new products.

Reconciliation of EBITDA

	Three months ended May 31			Twelve months ended May 31		
	2010	2009	(Decrease)	**2010**	2009	(Decrease)
Net earnings from continuing operations	**$ 4,362,612**	$ 5,708,451	(23.6%)	**$ 15,143,310**	$ 20,868,124	(27.4%)
Add (deduct):						
Income taxes	**1,734,901**	2,345,056		**6,512,004**	9,128,634	
Financial expenses & Interest income	**(60,442)**	(78,822)		**(278,166)**	(741,432)	
Depreciation and amortization	**705,025**	601,441		**2,732,791**	2,154,552	
EBITDA	**$ 6,742,096**	$ 8,576,126	(21.4%)	**$ 24,109,939**	$ 31,409,878	(23.2%)

EBITDA decreased by 21.4% for the fourth quarter of fiscal year 2010 when compared to the same period last year reaching $6,742,096, down from $8,576,126. EBITDA for the fiscal year ended May 31, 2010 decreased by 23.2% when compared to the same period last year reaching $24,109,939, down from $31,409,878. EBITDA were negatively impacted by the lower net earnings, higher selling and administrative expenses and lesser foreign exchange gains.

Financial Expenses, Interest Income, Depreciation, Amortization and Income Taxes

The combined financial expenses and interest income netted a gain of $60,442 for the fourth quarter and of $278,166 for the fiscal year ended May 31, 2010. This compares with a gain of $78,822 and $741,432 for the corresponding periods of previous fiscal year. This decrease is consistent with lower interest rates offered by banks on cash and cash equivalents.

Depreciation and amortization expenses for the quarter ended May 31, 2010 were $705,025 compared to $601,441 for same period last year. For the fiscal year ended May 31, 2010, depreciation and amortization expenses were $2,732,791 compared to $2,154,552 in fiscal year 2009. The increase in depreciation and amortization expenses are due to additions of capital assets made over the last fiscal year mainly related to our German facility. The amortization of the intellectual property related to Firebird which started on December 1st, 2009 also accounted for the increase.

Income taxes were $1,734,901 for the fourth quarter ended May 31, 2010, compared to $2,345,056 for the same period last year. These figures correspond to effective tax rates of 28.6% and 29.1% respectively. The reclassification of ZT Plus as discontinued operation is responsible for the decrease of the effective income tax rates in the fourth quarter of fiscal year 2010. Income taxes for the fiscal year ended May 31, 2010 were $6,512,004 compared to $9,128,634 for the previous fiscal year representing effective tax rates of 30.0% and 30.4% respectively. The increase in the effective tax rate is primarily due to adjustments related to prior year and the impact of non-deductible expenses associated with uncompleted acquisition projects.

Liquidity and Capital Resources

	As at May 31, 2010	As at May 31, 2009
Working capital[1]	**97,817,431**	90,558,261
Current ratio[1]	**18.0**	9.5
Property, plant and equipment and intangible assets	**28,208,215**	26,178,423
Total assets	**138,521,308**	128,168,856
Total debt[1]	**4,820,623**	4,589,570
Shareholders' equity	**125,678,537**	112,368,764

[1] See Non-GAAP Measures

Working Capital and Current Ratio

As at May 31, 2010, working capital were $97,817,431 compared to $90,558,261 as at May 31, 2009. The increase in the current ratio mainly reflects a more than $5,000,000 decrease in income taxes payable, accounts payable and accrued liabilities combined with higher cash and cash equivalents.

Property, Plant and Equipment, intangible assets and other assets

We incurred $947,424 of capital expenditures during the quarter ended May 31, 2010 mostly in line with $1,014,632 during the same period last year. Capital expenditures for the fiscal year 2010 were $4,837,107 compared to $7,140,343 for the same period last year as we finalized commissioning of our German facility. Capital expenditures in fiscal year 2010 include $1,648,295 related to the construction of Firebird's new plant in Trail. This 40,000 square-foot facility will be dedicated to advanced semiconductor processing, metal purification and recycling activities. The construction of the facility will represent an investment of over $10 million and should be completed early September.

Goodwill

As at May 31, 2010, goodwill related to the acquisition of Firebird amounted to $4,381,762.

Accounts payable and accrued liabilities

Daily cash management reflects the decrease in accounts payable and accrued liabilities from $6,791,675 as at May 31, 2009, to $4,646,220 as at May 31, 2010.

Total Debt and Deferred Revenue

Total debt increased from $4,589,570 as at May 31, 2009 to $4,820,623 as at May 31, 2010 reflecting the inclusion of Firebird's long-term debt.

During the year ended May 31, 2010, an amount of $173,000 was recognized as revenue associated with a €540 000 subsidy provided to our German subsidiary 5N PV to promote employment in the city of Eisenhüttenstadt.

Shareholders' Equity

Shareholders' equity was $125,678,537 or 90.7% of total asset as at May 31, 2010 compared to $112,368,764, or 87.7% of total assets as at May 31, 2009, illustrating the positive impact of net earnings of the current fiscal year. Foreign exchange losses arising from the translation of foreign subsidiaries' accounts into Canadian dollars are deferred and reported as accumulated other comprehensive income in the Consolidated Statements of Comprehensive Income as well as a portion of the foreign exchange gain related to certain foreign exchange forward contracts designated as cash flow hedges.

Cash Flows

	Three months ended May 31		Twelve months ended May 31	
	2010	2009	**2010**	2009
Cash flow provided by continuing operating activities	**$ 6,188,039**	$ 4,965,655	**$ 16,828,300**	$ 16,239,645
Investing activities	**(784,603)**	(1,129,436)	**(12,577,665)**	(8,660,804)
Financing activities	**(169,334)**	(756,927)	**(295,299)**	(2,257,973)
Effect of foreign exchange rate changes on cash and cash equivalents	**(280,794)**	(200,325)	**(533,775)**	168,919
Net increase in cash and cash equivalents from continuing activities	**$ 4,953,308**	$ 2,878,967	**$ 3,421,561**	$ 5,489,787

Cash flow provided by continuing operating activities generated $6,188,039 in the fourth quarter ended May 31, 2010 compared to $4,965,655 for the same period last year. For the fiscal year ended May 31, 2010, cash provided by continuing operating activities generated $16,828,300 compared to $16,239,645 for the previous fiscal year. These increases reflect lesser non-cash working capital requirements in the corresponding periods.

Cash flow from investing activities consumed $784,603 for the fourth quarter compared to $1,129,436 for the same period last year. Cash flow from investing activities consumed $12,577,665 for the fiscal year compared to $8,660,804 for the previous fiscal year. This increase mainly reflects the disbursement of $7,747,997 related to the acquisition of Firebird.

Reconciliation of capital expenditures and cash flows from investing activities

	Three months ended May 31		Twelve months ended May 31	
	2010	2009	**2010**	2009
Additions to property, plant and equipment, intangible assets and other assets	**$ 947,424**	$ 1,014,632	**$ 4,837,107**	$ 7,137,342
Acquisition of a business (net of cash and cash equivalents)	**–**	–	**7,747,997**	–
Additions to property, plant and equipment, intangible assets and other assets not paid and included in accounts payable and accrued liabilities:				
Beginning of the period	**37,071**	307,257	**192,453**	1,715,915
End of the period	**(199,892)**	(192,453)	**(199,892)**	(192,453)
Cash flows from investing activities	**$ 784,603**	$ 1,129,436	**$ 12,577,665**	$ 8,660,804

Financing activities consumed $169,334 during the fourth quarter and $295,299 in fiscal year 2010 reflecting the repayment of scheduled instalments on our long-term debt partly offset by the proceeds from the exercise of stock options. For the corresponding periods of the previous fiscal year, financing activities consumed $756,927 during the fourth quarter of fiscal year 2009 and $2,257,973 in fiscal year 2009 as we reimbursed our bank loan while continuing to pay back long-term debt and other long term liabilities.

Our cash position increased by $6,519,565 in the fourth quarter and $2,925,791 for the fiscal year ended May 31, 2010, reaching a level of $67,992,321 compared to an increase of $2,878,967 and $5,489,787 for the same periods last fiscal year. We are very confident that this amount of cash combined with the cash flow from our operations will be sufficient to fund our working capital and capital expenditure requirements, and enable us to pursue our growth plan including acquisition opportunities.

Share Capital

Authorized

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

The Company has an unlimited number of preferred shares that may be issued in one or more series with specific terms, privileges and restrictions to be determined for each class by the Board of Directors.

Issued and fully paid	**As at May 31, 2010**		As at May 31, 2009	
	Number	Amount	Number	Amount
Common shares				
Outstanding	**45,627,450**	**$ 82,389,870**	45,520,225	$ 81,881,914

Stock Option Plan

In October 2007, the Company adopted a Stock Option Plan ("the Plan") for directors, officers and employees. The aggregate number of shares which may be issued upon the exercise of options granted under the Plan may not exceed 10% of the issued shares of the Company at the time of granting the options. Options granted under the Plan may be exercised during a period not exceeding ten years from the date of the grant. The outstanding stock options as at May 31, 2010 may be exercised during a period not exceeding six years from their date of grant. Options vest at a rate of 25% (100% for directors) per year, beginning one year following the grant date of the options.

As at May 31	2010		2009	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Beginning of period	**1,439,055**	**3.78**	1,032,500	3.00
Granted	**436,500**	**5.38**	466,430	5.42
Cancelled	**(171,715)**	**4.00**	(39,650)	3.00
Exercised	**(107,225)**	**3.09**	(20,225)	3.00
End of period	**1,596,615**	**4.24**	1,439,055	3.78

Under the plan, a total of 2,966,130 stock options remained authorized for issuance as at May 31, 2010.

Order Backlog

The backlog of orders which are expected to translate into sales within the next 12 months was of $52,650,764 as at May 31, 2010 which is higher than the corresponding backlog of $52,224,368 as at May 31, 2009. Changes in currency exchange rates had an adverse impact of approximately $4,300,000 on the backlog comparisons.

Off-Balance Sheet Arrangements

The Company has certain off-balance sheet arrangements, consisting of leasing certain premises and equipment under the terms of operating leases.

The Company's Germany subsidiary is committed to a number of conditions in its supply agreement with its major client. The reader will find more details related to this agreement in Note 14 to the consolidated financial statements as well as in the Risks and Uncertainties section of this Management's Report.

The Company is exposed to currency risk on sales of Canadian-made products in US dollars and in Euros therefore periodically enters into foreign currency forward contracts to protect itself against currency fluctuation. The reader will find more details related to these contracts in Note 14 to the consolidated financial statements as well as in the Risks and Uncertainties section of this Management's Report.

Contractual Obligations

The following table summarizes our principal contractual obligations for our normal business operations as at May 31, 2010:

Payment due by period	2011	2012	2013	2014	2015 and thereafter	Total
Total debt and interest	$ 622,820	$ 655,000	$ 850,000	$ 694,920	$ 1,997,883	$ 4,820,623
Leases	910,453	827,377	748,021	476,371	970,104	3,932,326
Purchase obligations	55,535	–	–	–	–	55,535
	$ 1,588,808	$ 1,482,377	$ 1,598,021	$ 1,171,291	$ 2,967,987	$ 8,808,484

Critical Accounting Policies

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 and the valuation of intangible assets, goodwill and other long-lived assets. 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.

Intangible assets

Intangible assets are recorded at cost and amortized on a straight-line method on their estimated useful life at the following rates:

	Periods
Software	5 years
Intellectual property	10 years

Goodwill

Goodwill represents the excess of the purchase price of an acquired business over the fair value assigned to assets acquired and liabilities assumed. Goodwill is assessed for impairment at least annually or more frequently if events or changes in circumstances indicate that the goodwill might be impaired. The assessment of impairment is based on fair values derived from certain valuation models, which may consider various factors such as normalized and estimated future earnings, price earnings multiples, terminal values and discount rates. The Company has designated May 31 as the date for its annual impairment test. As at May 31, 2010, goodwill was not considered to be impaired.

Cash flow hedges

Derivative financial instruments designated as cash flow hedges are measured at fair value. The effective portion of the change in fair value of the derivative financial instruments is recorded in other comprehensive income, while the ineffective portion, if any is recognized in net income.

Cash flow hedges related to the purchase of raw materials

The Company also designated as cash flow hedges a portion of its cash denominated in US dollars for future purchase of raw materials. The designated cash denominated in US dollars is accounted for at fair value in the Company's balance sheet. Foreign exchange gain or loss on this designated US cash and cash equivalents is recorded in other comprehensive income. When raw material is purchased, the foreign exchange gain or loss is accounted as part of the cost of the raw material in the inventory.

Future changes in accounting policies

Business combination and Consolidated Financial Statements

In January 2009, the CICA approved three new accounting standards Handbook Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-Controlling Interests".

Section 1582 replaces former Section 1581 "Business Combinations" and establishes standards for the accounting of a business combination. Section 1582 provides the Canadian equivalent to IFRS 3—"Business Combinations. Section 1582 requires additional use of fair value measurements, recognition of additional assets and liabilities, and increased disclosure for the accounting of a business combination and that acquisition costs will be recognized as expenses.

Sections 1601 and 1602 replace former Section 1600, "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements and Section 1602, which converges with the requirements of International Accounting Standard 27 ("IAS 27"), "Consolidated and Separate Financial Statements", establishes standards for accounting of a non-controlling interest resulting from a business acquisition, recognized as a distinct component of shareholders' equity. Net income will present the allocation between the controlling and non-controlling interests.

All three standards are effective at the same time Canadian public companies will have adopted IFRS, for fiscal year beginning on or after January 1, 2011 but early adoption is permitted. As of today, we have not evaluated the impact of these new standards.

Adoption of International Financial Reporting Standards (IFRS)

On February 13, 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that publicly accountable entities will be required to prepare financial statements in accordance with IFRS, in full and without modification, for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. For the Company, this represents that its financial statements will be prepared in accordance with IFRS standards starting June 1, 2011 (the "Changeover date"). In the Company's reporting for those periods following the Changeover date, comparative data for equivalent periods in the previous fiscal year will be required, making June 1, 2010 ("date of transition") for the Company. IFRS uses a conceptual framework similar to Canadian GAAP, but presents significant differences on certain recognition, measurement and disclosure principles. In the period leading up to the Changeover, the AcSB will continue to issue accounting standards that are better aligned with IFRS thus mitigating the impact of conversion to IFRS. Further, the International Accounting Standards Board (IASB) will also continue to issue new, or amend existing accounting standards during the conversion period, and as a result, the final impact on the Company's consolidated financial statements of applying IFRS in full will only be entirely measurable once all applicable IFRS requirements at the final changeover date are known. To ensure adequate management of this process, the Company has developed a plan, assessed the resource requirements for its implementation, and commenced to work with its auditors to confirm positions. Above are the steps the Company needs to achieve in order to be ready for this important transition.

Phase 1—Preliminary Study

This phase involves performing a high-level assessment to identify areas of accounting differences and their impact that may arise from the transition to IFRS.

Phase 2—Evaluation

During this phase, the Company prioritizes the areas identified in Phase 1 (high, medium or low) and performs an evaluation of the key areas that may be impacted by the transition to IFRS. A detailed conversion plan has been developed. Since changes are expected to IFRS standards during the conversion period and could impact the conversion plan, a monitoring process is established.

Phase 3—Conversion

In this phase, the Company designs and develops solutions to address the differences identified in phase 2. Changes required to the existing accounting policies, information systems, business processes and internal controls over financial reporting will be identified in order to perform conversion to IFRS. Impacts on contractual arrangements are evaluated and reported appropriately; modifications will be made as required. It also involves the development of a communication and training program for the Company's finance and other staff, as necessary.

Phase 4—Implementation

The objective of this final phase is to enable continued IFRS reporting and to facilitate knowledge sharing. Changes identified in phase 3 are implemented and tested to ensure that any difference is addressed prior to the changeover date. Implementation also involves further training of staff as revised systems begin to take effect and will continue until completion of the implementation.

The project will culminate in the collection of financial information necessary to compile IFRS-compliant financial statements, embedding IFRS in business processes, eliminating unnecessary data collection processes and submitting IFRS financial statements to the Audit Committee for approval. Progress reporting to the Audit Committee on the status of the IFRS implementation project has been instituted. The Company completed the Phase 1 in February 2010 and phase 2 in May 2010. The IFRS team is now focusing on the detailed conversion plan.

Potential Impact of Implementation on 5N Plus

The comparisons of IFRS with Canadian GAAP have helped identify a number of areas of differences. IFRS 1, First-Time Adoption of International Financial Reporting Standards, provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS. The Company is analyzing the various accounting policy choices available and will implement those determined to be most appropriate in the circumstances.

Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as of the date of the first comparative balance sheet presented based on standards applicable at that time. Transitional adjustments relating to those standards where comparative figures are not required to be restated will only be made as of the first day of the year of adoption. The following are selected key areas of accounting differences where changes in accounting policies in conversion to IFRS may impact the Company's consolidated financial statements. The list and comments should not be construed as a comprehensive list of changes that will result from transition to IFRS but rather highlights those areas of accounting differences the Company currently believes to be most significant. Notwithstanding, analysis of changes is still in progress and certain decisions remain to be made where choices relating to accounting policies are available. The areas of differences highlighted below are based on existing Canadian GAAP and IFRS effective at May 31, 2010. At this stage, the Company is not able to reliably quantify the full impact of these and other differences on 5N Plus' consolidated financial statements.

Functional currency

IAS 1 and IAS 21—According to IFRS, an entity must measure its assets, liabilities, revenues and expenses in its functional currency, which is the currency of the primary economic environment in which it operates. Preliminary assessment by management is that the functional currency will be the US dollar.

Hedge accounting

IAS 39—Since the Company will change its functional currency, the actual hedge accounting would have to be reassessed to meet IFRS rules.

Property, plant and equipment

IAS 16—Property, plant and equipment, requires a more rigorous and broader separation accounting for the asset's components. Other differences between IFRS and Canadian GAAP exist in relation to the guidance when accounting for the replacement of components and the capitalization of administration and services costs is not allowed under IFRS. At the date of Transition, the fair value can be used as deemed cost under IFRS 1.

Business combinations

IFRS 3—Business combinations, requirements differ from the actual Canadian GAAP. See the new CICA HB 1582 at the beginning of this section.

Stock-based compensation

IFRS 2—IFRS requires different method of amortization of the expense related to stock options. Also, in evaluating the fair value of the stock option issued, the Company has to determine the expected forfeiture of options. This will change the calculation of the fair value of the options issued.

Impairment of assets

Mainly IAS 36—impairment of assets. IFRS contains a single comprehensive impairment standard under which assets are tested for impairment either individually or within cash-generating units (CGUs). CGUs will have to be established and are typically identified at a lower level within the Company than an operating unit under Canadian GAAP. Differences also exist in the measurement methods of impairment charges and rules may more frequently conclude to an impairment charge.

Provisions

IAS 37—Provisions, contingent liabilities and contingent assets, requires a provision to be recognized when: there is a present obligation as a result of a past transaction or event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the obligation "Probable" in this context means more likely than not. Under Canadian GAAP, the criterion for recognition in the financial statements is "likely", which is a higher threshold than "probable". Therefore, it is possible that there may be some provisions or contingent liabilities which would meet the recognition criteria under IFRS that were not recognized under Canadian GAAP.

Other differences between IFRS and Canadian GAAP exist in relation to the measurement of provisions, such as the methodology for determining the best estimate where there is a range of equally possible outcomes (IFRS uses the mid-point of the range, whereas Canadian GAAP uses the low-end of the range), and the requirement under IFRS for provisions to be discounted where material.

The Company will continue to review all proposed and ongoing projects of the IASB and assess their impact on its conversion process.

Risks and uncertainties

The Company is subject to a number of risk factors which may limit our ability to execute our strategy and achieve our long-term growth objectives. Management analyses these risks and implements strategies in order to minimize their impact on the Company's performance.

Reliance on Major Customer

For the year ended May 31, 2010, 74% of our sales were made to one customer. The loss of, or a decrease in the amount of business, from this customer, could significantly reduce our net sales and harm our operating results.

Credit risk

The Company is exposed to credit risk that is mainly associated with its accounts receivable, arising from its normal commercial activities. The Canadian Company concluded an agreement with Export Development Canada under which it will assume a portion of losses for certain export clients in case of non-payment, for an annual amount up to a maximum of $1,500,000. The Company does not require additional guarantee or other securities from its clients in regard to its accounts receivable. However, credit is granted only to clients after a credit analysis is performed.

The Company conducts ongoing evaluation of its clients and establishes provisions for doubtful accounts should an account be considered non recoverable. One costumer represented 33% of accounts receivable as at May 31, 2010.

Interest rate risk

The Company's level of debt is currently low and bears interest at floating rate. Should its indebtedness increase, the Company's policy would be to limit its exposure to interest rate risk variations by ensuring that a reasonable portion of its debt is at fixed rates. Management does not believe that the impact of interest rate fluctuations will be significant on its operating results.

Price risk

The Company is exposed to metals' market price fluctuation risk. This risk is managed adequately by forecasting and scheduling the acquisition of inventories to meet its customers' contractual obligations. Financial instruments do not expose the Company to raw material price risk.

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 most 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 German manufacturing facility. Although the purchases of raw materials are denominated in US 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. The company manages the foreign exchange risk by entering into various foreign exchange forward contracts.

Fair Value

The Company has determined that the carrying value of its short-term financial assets and liabilities, including cash and cash equivalents, accounts receivable and other receivable, as well as accounts payable and accrued liabilities, approximates their carrying value due to the short-term maturities of these instruments.

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 our deliveries to customers. This would in turn negatively impact our sales, net margins and may lead to liabilities with respect to our supply contracts.

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 in emerging markets or, alternatively, in existing markets, for 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.

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 more aggressive enforcement policies, 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 in 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 will be 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 our 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 our 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.

Acquisition-Related Risk

The Company's growth strategy is built notably on business acquisitions aimed at broadening its products portfolio and increasing its presence in its targeted markets. Therefore, any new acquisition may involve new challenges liable to slow down the integration process or reduce the economic or operational advantages.

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.

Option to First Solar to Purchase our German Manufacturing Facility

One of our supply agreements with First Solar contains a "call" option under which First Solar may, if we are unable to comply with our contractual obligations, purchase all of our equity interests in our German subsidiary. As a result, we may be obligated to sell our German subsidiary for a fixed price, which would adversely impact our growth prospects and have an adverse material 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 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 therefore.

As at May 31, 2010, the Company complied with the terms and conditions of the agreement.

Controls and Procedures

As required by Multilateral Instrument 52-109 of the Canadian Securities Administrators (" MI 52-109 "), 5N Plus has filed certificates signed by the Chief Executive Officer and that Chief Financial Officer that, among others, attest to the design and effectiveness of the disclosure controls and procedures and the design and effectiveness of internal control over financial reporting.

Disclosure Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer have designed disclosure controls and procedures, or have caused them to be designed under their supervision, in order to provide reasonable assurance that:

- material information relating to the Company has been made known to them; and
- information required to be disclosed in the Company's filings is recorded, processed, summarized and reporting within the time periods specified in securities legislation.

An evaluation was carried out, under the supervision of the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the disclosure controls and procedures are effective.

Internal Control over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer have also designed internal controls over financial reporting, or have caused them to be designed under their supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

An evaluation was carried out, under the supervision of the Chief Executive Officer and the Chief Financial Officer, of the design and effectiveness of the Company's internal controls over financial reporting. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the internal controls over financial reporting are effective, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Changes in Internal Control over Financial Reporting

No changes were made to the Company's internal controls over financial reporting that occurred during the fourth quarter ended May 31, 2010 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

Non-GAAP Measures

In this Management's Report, the Company's management uses certain measures which are not in accordance with GAAP. Non-GAAP measures are useful supplemental information but may not have a standardized meaning according to GAAP. These non-GAAP measures include EBITDA, gross profit and gross profit ratio, working capital and current ratio and total debt.

EBITDA means earnings from continuing operations before financing costs, interest income, income taxes, depreciation and amortization and is presented on a consistent basis from period to period. We use EBITDA because we believe it is a meaningful measure of the operating performance of our ongoing business without the effects of certain expenses. The definition of this non-GAAP measure used by the Company may differ from that used by other companies.

Gross profit is a financial measure equivalent to the sales excluding cost of sales. Gross profit ratio is displayed as a percentage of sales.

Working capital is a measure that shows us how much cash we have available for the growth of our Company. We use it as an indicator of our financial strength and liquidity. We calculate it by taking current assets and subtracting current liabilities.

Total debt is a measure we use to monitor how much debt we have and calculate it by taking our total long-term debt and including the current portion. We use it as an indicator of our overall indebtedness.

Backlog is also a non-GAAP measure that represents the expected value of orders we have received but have not yet executed and that are expected to translate into sales within the next 12 months.

Comparative Figures

Certain comparative figures have been reclassified to conform to the current period presentation.

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.

Subsequent event

On June 18, 2010, the Company acquired, for an amount of US$3,000,000 (approximately $3,072,000), a convertible note of Sylarus Technologies, LLC ("Sylarus") a leading producer of germanium substrates for solar cells located in Saint George, Utah. This convertible note bears interest at 6% annually and is repayable on May 31, 2015 at the latest. This note, including accrued interest, is convertible into 18% of voting and participating units of Sylarus. The Company has the possibility, until September 30, 2011, to subscribe to additional convertible notes for a maximum amount of US$4,000,000 (approximately $4,185,000) which would bear interest at the same rate and with the same maturity to the initial note convertible and can be converted into 15% of additional voting and participating units of Sylarus. Concurrently, 5N Plus and Sylarus have also entered into a long-term supply and recycling agreement under which 5N Plus will provide high-purity germanium feedstock to Sylarus and will recycle various germanium containing residues.

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

David Langlois, CA
Chief Financial Officer

Montréal, Canada
August 10, 2010

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

We have audited the consolidated balance sheets of 5N Plus Inc. as at May 31, 2010 and 2009 and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for each of the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with 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, 2010 and 2009 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[1]
Chartered Accountants

Montréal, Canada
July 23, 2010

[1] CA Auditor permit no 13381

Consolidated Statements of Income

Years ended May 31

(in Canadian dollars, except number of shares)	Note	2010	2009
		$	$
Sales		70,763,345	69,373,117
Cost of sales	13	38,910,641	34,174,231
Gross profit		31,852,704	35,198,886
Expenses			
Selling and administrative		7,068,705	5,277,745
Depreciation of property, plant and equipment	4	2,544,542	2,154,552
Amortization of intangible assets		188,249	–
Research and development		1,858,038	1,241,142
Foreign exchange gain	15a	(1,183,978)	(3,441,588)
Financial	16	185,512	377,449
Interest income		(463,678)	(1,118,881)
		10,197,390	4,490,419
Earnings before the following:		21,655,314	30,708,467
Start-up costs, new plant		–	711,709
Earnings before income taxes from continuing operations		21,655,314	29,996,758
Income taxes	12		
Current		6,441,776	7,727,016
Future		70,228	1,401,618
		6,512,004	9,128,634
Net earnings from continuing operations		15,143,310	20,868,124
Net loss from discontinued operations	22	(495,770)	–
Net earnings		14,647,540	20,868,124
Earnings per share from continuing operations	20		
Basic		0.33	0.46
Diluted		0.33	0.45
Earnings per share	20		
Basic		0.32	0.46
Diluted		0.32	0.45
Weighted average number of common shares outstanding	20		
Basic		45,578,992	45,505,213
Diluted		45,833,291	45,876,122

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

Consolidated Financial Statements

Consolidated Statements of Comprehensive Income

Years ended May 31

(in Canadian dollars)	Note	2010	2009
		$	$
Net earnings		14,647,540	20,868,124
Other comprehensive income			
Net gain on derivative financial instruments designated as cash flow hedges	15b	1,255,048	–
Net loss on translating financial statements of self-sustaining foreign operations		(3,675,494)	(343,467)
Other comprehensive income		(2,420,446)	(343,467)
Comprehensive income		12,227,094	20,524,657

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

Consolidated Statements of Shareholders' Equity

Years ended May 31

(in Canadian dollars)	Note	2010	2009
		$	$
Share Capital	11a		
Beginning of year		81,881,914	81,788,694
Shares issued under stock option plan		507,956	93,220
End of year		82,389,870	81,881,914
Contributed Surplus			
Beginning of year		797,800	242,136
Stock option compensation cost	11b	750,879	588,209
Shares issued under stock option plan		(176,156)	(32,545)
End of year		1,372,523	797,800
Accumulated other comprehensive income			
Beginning of year		(111,048)	–
Net gain on derivative financial instruments designated as cash flow hedges	15b	1,255,048	–
Net loss on translating financial statements of self-sustaining foreign operations		(3,675,494)	(343,467)
Translation from temporal method to current rate method		–	232,419
End of year		(2,531,494)	(111,048)
Retained earnings			
Beginning of year		29,800,098	8,931,974
Net earnings		14,647,540	20,868,124
End of year		44,447,638	29,800,098
Shareholders' equity		125,678,537	112,368,764

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

Consolidated Balance Sheets

As at May 31

(in Canadian dollars)	Note	2010	2009
		$	$
Assets			
Current assets			
Cash and cash equivalents		67,992,321	65,066,530
Accounts receivable	2	4,774,460	6,702,197
Inventories	3	27,705,149	27,054,960
Prepaid expenses and deposits		1,073,025	516,391
Derivative financial instruments	15c	1,362,804	1,685,076
Income taxes recoverable		516,602	–
Future income taxes	12	150,598	249,958
		103,574,959	101,275,112
Property, plant and equipment	4	26,437,302	25,823,473
Intangible assets	5	1,770,913	354,950
Goodwill	6	4,381,762	–
Future income taxes	12	2,311,191	662,639
Other assets		45,181	52,682
		138,521,308	128,168,856
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	8	4,646,220	6,791,675
Income taxes payable		43,826	3,021,632
Current portion of long-term debt	9	622,820	549,922
Current portion of other long-term liabilities		–	41,725
Future income taxes	12	444,662	311,897
		5,757,528	10,716,851
Long-term debt	9	4,197,803	3,997,923
Deferred revenues	10	553,578	641,618
Future income taxes	12	2,333,862	443,700
		12,842,771	15,800,092
Shareholders' equity			
Share capital	11	82,389,870	81,881,914
Contributed surplus		1,372,523	797,800
Accumulated other comprehensive income		(2,531,494)	(111,048)
Retained earnings		44,447,638	29,800,098
		125,678,537	112,368,764
		138,521,308	128,168,856

Commitments (note 19)
Subsequent event (note 23)
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)	Note	2010	2009
		$	$
Operating activities			
Net earnings		14,647,540	20,868,124
Net loss from discontinued operations	22	495,770	–
Net earnings from continuing operations		15,143,310	20,868,124
Non-cash items:			
Depreciation of property, plant and equipment	4	2,544,542	2,154,552
Amortization of intangible assets		188,249	–
Future income taxes		70,228	1,401,618
Unrealized gain on derivative financial instruments		–	(1,685,076)
Realized gain on cash flow hedges, net of taxes		1,177,489	–
Foreign exchange loss on cash and cash equivalents		–	(168,919)
Deferred revenues		(2,980)	(115,986)
Stock option compensation	11b	750,879	588,209
Other		81,168	84,525
		19,952,885	23,127,047
Net changes in non-cash working capital items			
Accounts receivable		2,011,130	6,107,602
Inventories		(290,107)	(14,438,064)
Prepaid expenses and deposits		(398,131)	(165,501)
Income taxes recoverable		(1,291,971)	–
Derivative financial instruments		438,614	–
Accounts payable and accrued liabilities		(616,314)	323,341
Income taxes payable		(2,977,806)	1,285,220
		(3,124,585)	(6,887,402)
		16,828,300	16,239,645
Investing activities from continuing operations			
Acquisition of property, plant and equipment		(4,587,910)	(8,663,805)
Acquisition of intangible assets		(249,258)	–
Acquisition of a business net of cash acquired	6	(7,747,997)	–
Other		7,500	3,001
		(12,577,665)	(8,660,804)
Financing activities from continuing operations			
Net change in bank loan		–	(1,384,111)
Repayment of long-term debt		(585,374)	(578,105)
Net change in other long-term liabilities		(41,725)	(356,432)
Proceeds from exercise of stock options		331,800	60,675
		(295,299)	(2,257,973)
Effect of foreign exchange rates changes on cash and cash equivalents from continuing operations		(533,775)	168,919
Net increase from continuing operations in cash and cash equivalents		3,421,561	5,489,787
Net decrease from discontinued operations in cash and cash equivalents	22	(495,770)	–
Net increase in cash and cash equivalents		2,925,791	5,489,787
Cash and cash equivalents at beginning of year		65,066,530	59,576,743
Cash and cash equivalents at end of year		67,992,321	65,066,530
Supplementary information			
Property, plant and equipment unpaid and included in accounts payables and accrued liabilities		199,892	192,453
Interest paid		121,138	278,088
Income taxes paid		8,902,980	6,111,194

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

1. Summary of Significant Accounting Policies

The consolidated financial statements of 5N Plus Inc., the ("Company") are expressed in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

Basis of consolidation

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

Use of estimates

The preparation of the consolidated 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 consolidated 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 life of long-lived assets, as well as assessing the recoverability of accounts receivable, research tax credits, future income taxes and the valuation of intangible assets, goodwill and other long-lived assets. 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 these estimates.

Foreign exchange

Revenues and expenses denominated in foreign currencies are recorded at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates prevailing at the balance sheet date. Realized and unrealized translation gains and losses are reflected in net earnings.

All assets and liabilities of self-sustaining foreign subsidiaries are accounted for using the current rate method. Under this method, assets and liabilities of subsidiaries denominated in a foreign currency are translated into Canadian dollars at exchange rates in effect at the consolidated balance sheet date. Revenues and expenses are translated at average exchange rates prevailing during the period. Foreign exchange gain and loss on translation of self-sustaining subsidiaries' financial statements are presented under "Accumulated other comprehensive income" which have no impact on the consolidated statements of income, unless the Company reduces its net investment in these foreign operations.

Cash and cash equivalents

Cash and cash equivalents consist of cash and highly liquid investments held with investment-grade financial institutions having an initial maturity of 90 days or less. Cash and cash equivalents are designated as held for trading and accounted for at fair value.

Inventories

Raw materials are valued at the lower of cost and net realizable value, cost being determined using 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.

From time to time, when substantially all required raw material is in inventory, the Company may choose to enter into long-term sales contracts at fixed prices. The quantity of raw material required to fulfill these contracts is specifically assigned and the average cost of the raw material of this inventory is accounted for throughout the duration of the contract.

1. Summary of Significant Accounting Policies (continued)

Property, plant and equipment

Property, plant and equipment are recorded at cost, net of government assistance. 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
Rolling stock	10 years
Furniture and office equipment	3 and 10 years
Computer equipment	3 years

Intangible assets

Intangible assets are recorded at cost and amortized on a straight-line method on their estimated useful life at the following rates:

	Periods
Software	5 years
Intellectual property	10 years

Goodwill

Goodwill represents the excess of the purchase price of an acquired business over the fair value assigned to assets acquired and liabilities assumed. Goodwill is assessed for impairment at least annually or more frequently if events or changes in circumstances indicate that the goodwill might be impaired. The assessment of impairment is based on fair values derived from certain valuation models, which may consider various factors such as normalized and estimated future earnings, price earnings multiples, terminal values and discount rates. The Company has designated May 31 as the date for its annual impairment test. As at May 31, 2010, goodwill was not considered to be impaired.

Impairment and disposal of long-lived assets

Long-lived assets, including property, plant and equipment and intangible assets subject to amortization and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of long-lived assets may not be recoverable. Recoverability of assets to be held and used is measured by comparing the carrying value 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 for the amount by 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 section of the balance sheet.

Revenue recognition

Revenues are recognized when products are shipped or delivered in accordance with the customer contract and the ability to collect is reasonably assured.

Revenues from custom refining activities are recognized when products are delivered and all the material risks and advantages inherent in ownership are transferred to the customers.

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, 2010 and 2009, no development expenses have been deferred.

1. Summary of Significant Accounting Policies (continued)

Income taxes

The Company uses the liability method of accounting for income taxes. Under this method, temporary differences between carrying amount and the income tax bases of assets and liabilities are recorded using the substantively enacted tax rates expected to be in effect for the year in which the temporary 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.

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.

Stock-based compensation and other stock-based payments

All awards granted to employees and directors are recorded using the fair value method. Under this method, the estimated fair value of the options is determined using the Black-Scholes option pricing model. The value of the compensation expense is recognized over the vesting period of the stock options with a corresponding increase in contributed surplus.

Earnings per share

Basic and diluted earnings per share have been determined by dividing the consolidated net income for the year by the basic and diluted weighted average number of shares outstanding, respectively.

The diluted weighted average number of common shares outstanding is calculated as if all dilutive options had been exercised and that proceeds from the exercise of such dilutive options were used to repurchase common shares at the average market price for the period.

Government assistance

Government assistance, consisting of research tax credits 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 of realization.

Financial instruments

Financial instruments are contracts that give rise to a financial asset or a financial liability. Financial assets and liabilities are recognized on the consolidated balance sheet at fair value and their subsequent measurement depends on their classification, as described in Note 14. Classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments.

The accounting policy the Company has elected to apply to each of its categories of financial instruments is as follows:

Assets and liabilities	Category	Measurement
Cash and cash equivalents	Held for trading	Fair value
Trade accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Long-term debt	Other liabilities	Amortized cost

1. Summary of Significant Accounting Policies (continued)

The amortized cost is established using the effective interest method. The Company has elected to account for transaction costs related to the issuance of the financial instruments as a reduction of the carrying value of the related financial instruments. The credit facility includes revolving credit, a term loan and standby letter of credit. The costs related to the issuance of these financial instruments are presented as a reduction of the financial instrument it relates to. Transaction costs are amortized using the straight-line method over the expected life of the facilities.

Derivative instruments

The Company enters into derivative instruments, namely forward exchange contracts to manage risk against the fluctuations in foreign exchange rates. These instruments are carried at fair value at each balance sheet date. Short-term and long-term derivative assets have been included as part of accounts receivable and other assets, respectively. Short-term and long-term derivative liabilities have been included as part of accounts payable and accrued liabilities, and deferred gains and other long-term liabilities, respectively.

Hedging

Cash flow hedges

Derivative financial instruments designated as cash flow hedges are measured at fair value. The effective portion of the change in fair value of the derivative financial instruments is recorded in other comprehensive income, while the ineffective portion, if any, is recognized in net income.

Cash flow hedges related to the purchase of raw materials

The Company also designated as cash flow hedges a portion of its cash denominated in US dollar for future purchase of raw materials. The designated cash denominated in US dollar is accounted for at fair value in the Company's balance sheet. Foreign exchange gain or loss on this designated in US cash and cash equivalents is recorded in other comprehensive income. When raw material is purchased, the foreign exchange gain or loss is accounted as part of the cost of the raw material in the inventory.

Futures changes in accounting policies

International Financial Reporting Standards (IFRS)

In February 2008, the Canadian Accounting Standards Board confirmed that all publicly accountable enterprises would be required to report under IFRS for fiscal years beginning on or after January 1, 2011. The Company will apply IFRS commencing June 1, 2011. It will present its consolidated financial statements for the quarter ending August 31, 2011 prepared on an IFRS basis and will present comparatives for the year commencing June 1, 2010.

The Company is currently evaluating the impact of adopting IFRS on its information technology systems, education and training requirements, internal control over financial reporting and impact of business activities. The Company is unable to quantify how the transition to IFRS will impact its consolidated financial statements, but believes that the impact could be significant. In the periods preceeding the first fiscal year in which IFRS will be applied, the impacts of the transition to IFRS on the Company's consolidated financial statements will be disclosed as they become known.

Business combination and Consolidated Financial Statements

In January 2009, the CICA approved three new accounting standards Handbook Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-Controlling Interests".

Section 1582 replaces former Section 1581 "Business Combinations" and establishes standards for the accounting of a business combination. Section 1582 provides the Canadian equivalent to IFRS 3—"Business Combinations. Section 1582 requires additional use of fair value measurements, recognition of additional assets and liabilities, and increased disclosure for the accounting of a business combination and that acquisition costs will be recognized as expenses.

1. Summary of Significant Accounting Policies (continued)

Sections 1601 and 1602 replace former Section 1600, "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements and Section 1602, which converges with the requirements of International Accounting Standard 27 ("IAS 27"), "Consolidated and Separate Financial Statements", establishes standards for accounting of a non-controlling interest resulting from a business acquisition, recognized as a distinct component of shareholders' equity. Net income will present the allocation between the controlling and non-controlling interests.

All these standards are effective at the same time Canadian public companies will have adopted IFRS, for fiscal year beginning on or after January 1, 2011 but early adoption is permitted. As of today, we have not evaluated the impact of these new standards.

2. Accounts Receivable

As at May 31	2010	2009
	$	$
Trade accounts receivable	3,913,429	3,826,686
Commodity taxes	416,031	417,073
Other	470,000	39,508
Grant receivable	–	2,518,930
Allowance for doubtful accounts	(25,000)	(100,000)
	4,774,460	6,702,197

Chronological history of trade accounts receivable:

As at May 31	2010	2009
	$	$
Current	3,757,582	3,327,781
0 to 30 days overdue	25,453	301,225
31 to 60 days overdue	52,989	1,915
61 to 120 days overdue	77,405	195,765
	3,913,429	3,826,686

3. Inventories

As at May 31	2010	2009
	$	$
Raw materials	15,634,041	18,183,623
Finished goods and work in process	12,071,108	8,871,337
	27,705,149	27,054,960

4. Property, Plant and Equipment

As at May 31			2010			2009
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
	$	$	$	$	$	$
Land	**998,715**	**–**	**998,715**	534,632	–	534,632
Buildings	**11,176,387**	**1,209,335**	**9,967,052**	11,425,865	824,312	10,601,553
Leasehold improvements	**1,697,888**	**433,667**	**1,264,221**	1,545,668	335,958	1,209,710
Production equipment	**19,716,633**	**5,877,203**	**13,839,430**	17,266,938	4,259,315	13,007,623
Rolling stock	**9,677**	**2,296**	**7,381**	47,441	39,093	8,348
Furniture and office equipment	**263,033**	**80,271**	**182,762**	278,802	89,995	188,807
Computer equipment	**448,855**	**271,114**	**177,741**	493,892	221,092	272,800
	34,311,188	**7,873,886**	**26,437,302**	31,593,238	5,769,765	25,823,473

Depreciation expense on property, plant and equipment presented in the consolidated statement of income are related to the following activities:

Years ended May 31	2010	2009
	$	$
Cost of goods sold	**2,364,629**	2,002,747
Administrative expenses	**166,713**	145,141
Research and development expenses	**13,200**	6,664
	2,544,542	2,154,552

5. Intangible Assets

As at May 31			2010
	Cost	Accumulated amortization	Net book value
	$	$	$
Software	**604,208**	**120,499**	**483,709**
Intellectual property	**1,354,954**	**67,750**	**1,287,204**
	1,959,162	**188,249**	**1,770,913**

As at May 31			2009
	Cost	Accumulated amortization	Net book value
	$	$	$
Software[1]	354,950	–	354,950
	354,950	–	354,950

[1] Under development in 2009

6. Business Acquisition

Firebird Technologies Inc.

On December 1st, 2009, the Company acquired Firebird Technologies Inc. ("Firebird") for an amount of $7,912,055 including acquisition costs of $61,078. Firebird is a manufacturer of pure metals and semiconductor compounds. Firebird's main products include indium antimonide wafers as well as purified metals such as antimony, indium and tin, sold worldwide and used in a number of electronic and optical applications.

The Company has accounted for this transaction using the purchase method. The results of Firebird have been consolidated in the Company's consolidated financial statements starting December 1, 2009. The purchase price was allocated to the net identifiable assets acquired and liabilities assumed based on their estimated fair values as follows:

	$
Cash and cash equivalents	164,058
Accounts receivable	424,958
Prepaid expenses and deposits	226,742
Inventories	1,229,535
Property, plant and equipment	1,521,520
Intangible assets	1,354,954
Accounts payable and accrued liabilities	(16,443)
Long-term debt	(858,152)
Future income taxes	(516,879)
Net assets of business acquired	3,530,293
Goodwill	4,381,762
Total purchase price	7,912,055
Less: cash and cash equivalents at acquisition	164,058
Cash consideration paid for the acquisition of a business presented on consolidated statements of cash flows	7,747,997

7. Bank Loan

On November 30, 2009, the Company renewed its credit facility which consists of a $7,500,000 revolving facility, a $10,000,000 term facility and a $7,500,000 credit letter. With the exception of a €540,000 letter of credit (note 10) this facility was undrawn as at May 31, 2010.

The revolving facility is available for general corporate purposes. The term facility is used for financing capital projects and requires equal quarterly capital repayments based on a seven year amortization schedule. This agreement also includes an accordion feature allowing the Company to have access to an additional amount of $5,000,000.

8. Accounts payable and accrued liabilities

As at May 31	**2010**	2009
	$	$
Trade accounts payable and accrued liabilities	**3,564,152**	5,336,843
Salaries and vacations	**1,082,068**	1,324,469
Commodity taxes	**–**	130,363
	4,646,220	6,791,675

9. Long-Term Debt

As at May 31	2010	2009
	$	$
Term loan, lender's floating rate less 1.40%, monthly repayment of $41,667, principal only, maturing in June 2018, secured by a building.	**3,997,883**	4,497,923
Term loan, bearing no interest, repayment of 2.6% of sales in excess of $1,200,000 of the subsidiary Firebird , maturing in 2023. If the loan has not been repaid in full by the end of 2023, the remaining balance will be forgiven.	**772,740**	–
Loan from a supplier, bearing no interest and repayable in instalments of US$20 per kilogram of germanium purchased by Firebird, maturing no later than July 31, 2010.	**50,000**	–
Loan, effective interest rate of 5%, repaid in April 2010.	**–**	49,922
	4,820,623	4,547,845
Current portion of long-term debt	**(622,820)**	(549,922)
	4,197,803	3,997,923

Principal repayments of the long-term debt over the forthcoming years are as follows:

	$
2011	622,820
2012	655,000
2013	850,000
2014	694,920
2015	500,000
Thereafter	1,497,883
Total principal payments on long-term debt	4,820,623

The term loan contains restrictive covenants that require the Company to maintain financial ratios. As at May 31, 2010 these restrictive covenants were respected.

10. Deferred Revenue

Deferred revenues partially consist of amounts billed to clients in excess of revenue recognized according to the corresponding revenue recognition method.

In 2008, the wholly-owned German subsidiary 5N PV GmbH, received €540,000 from a German company in support of job creation. This deferred revenue is amortized according to each job created over a period of three years. Under the terms of the agreement, a letter of credit of €540,000 (approximately $694,000) was issued to the German company, should 5N PV be unable to fulfill its commitment. An amount of €115,416 was recognized as revenue in 2010 and €102 083 in 2009 (approximately $173,000 and $163,000 respectively).

11. Share Capital

Authorized

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

An unlimited number of preferred shares may be issued in one or more series with specific terms, privileges and restrictions to be determined for each class by the Board of Directors.

A) Issued and fully paid

	Number	$
Common shares		
Outstanding as at May 31, 2008	45,500,000	81,788,694
Shares issued under stock option plan	20,225	93,220
Outstanding as at May 31, 2009	45,520,225	81,881,914
Shares issued under stock option plan	107,225	507,956
Outstanding as at May 31, 2010	**45,627,450**	**82,389,870**

B) Stock option plan

In October 2007, the Company adopted a Stock Option Plan ("the Plan") for directors, officers and employees. The aggregate number of shares which may be issued upon the exercise of options granted under the Plan may not exceed 10% of the issued shares of the Company at the time of granting the options. Options granted under the Plan may be exercised during a period not exceeding ten years from the date of the grant. The stock options outstanding as at May 31, 2010 may be exercised during a period not exceeding six years from their date of grant. Options vest at a rate of 25% (100% for directors) per year, beginning one year following the grant date of the options.

The following table presents the weighted average assumptions used to establish the stock option compensation cost, using the Black-Scholes option price model:

As at May 31	2010	2009
Expected stock price volatility	**40%**	68%
Dividend	**None**	None
Risk-free interest rate	**2.325%**	2.50%
Risk-free interest rate (directors)	**2.325%**	2.25%
Expected option life	**4 years**	3.5 years
Expected option life (directors)	**4 years**	1 year
Fair value–weighted average of options issued	**1.89**	2.46

As at May 31	2010		2009	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		$		$
Beginning of period	**1,439,055**	**3.78**	1,032,500	3.00
Granted	**436,500**	**5.38**	466,430	5.42
Cancelled	**(171,715)**	**4.00**	(39,650)	3.00
Exercised	**(107,225)**	**3.09**	(20,225)	3.00
End of period	**1,596,615**	**4.24**	1,439,055	3.78

Stock-based compensation cost is allocated as follows:

Years ended May 31	2010	2009
	$	$
Cost of goods sold	**250,695**	133,276
Selling and administrative	**351,949**	370,254
Research and development expense	**148,235**	84,679
	750,879	588,209

12. Income Taxes

The following table presents the reconciliation between the income tax expense calculated using statutory Canadian tax rates to the effective income tax expense in the Company's consolidated statements of income.

Years ended May 31	2010	2010	2009	2009
		$		$
Income tax expense at statutory tax rates	6,601,189	30.5%	9,268,998	30.9%
Increase (decrease) resulting from:				
Non-deductible expenses for tax purposes	112,365	0.5%	217,935	0.7%
Non-taxable research and development tax credits	(17,942)	-0.1%	(83,221)	-0.3%
Effect of difference of foreign tax rates compared to Canadian tax rates	(26,840)	-0.1%	(112,232)	-0.4%
Adjustments of preceding taxation years and others	(156,768)	-0.7%	(162,846)	-0.5%
	6,512,004	30.1%	9,128,634	30.4%

Significant components of the Company's future income tax assets and liabilities were as follows:

As at May 31	2010	2009
	$	$
Future income tax assets		
Inventory	431,869	249,958
Property, plant and equipment	995,086	662,639
Share issue expenses and professional fees	1,034,834	1,051,210
Others	–	62,586
	2,461,789	2,026,393
Future income tax liabilities		
Property, plant and equipment	(1,971,788)	(1,263,303)
Intangible assets	(359,074)	–
Non-taxable research and development tax credits	(102,584)	(93,380)
Unrealized foreign exchange gain	(35,174)	(512,710)
Other	(309,904)	–
	(2,778,524)	(1,869,393)
Net future income tax (liabilities) assets	(316,735)	157,000

Future income taxes are classified as follows:

As at May 31	2010	2009
	$	$
Current future income tax assets	150,598	249,958
Long-term future income tax assets	2,311,191	662,639
Current future income tax liabilities	(444,662)	(311,897)
Long-term future income tax liabilities	(2,333,862)	(443,700)
Net future income taxes	(316,735)	157,000

13. Cost of Sales

The following table presents the inventories recognized as cost of sales:

Years ended May 31	2010	2009
	$	$
Cost of sales	38,910,641	34,174,231
Depreciation of property, plant and equipment related to the transformation of inventories	2,364,629	2,002,747
	41,275,270	36,176,978

14. Financial Instruments

Fair value of financial instruments

All financial assets classified as held-to-maturity or loans and receivables, as well as financial liabilities classified as other liabilities, are initially measured at their fair values and subsequently at their amortized cost using the effective interest rate method. All financial assets and liabilities classified as held for trading are measured at their fair values. Gains and losses related to periodic revaluations are recorded in net earnings.

The Company has determined that the carrying value of its short-term financial assets and liabilities, including cash and cash equivalents, accounts receivable and other receivable, as well as accounts payable and accrued liabilities, approximates their carrying value due to the short-term maturities of these instruments.

As at May 31, 2010, the fair value of the long-term debt is $4,820,623 ($4,547,845 as at May 31, 2009) and is calculated using the present value of future cash flows at year-end rates for similar debt with same terms and maturities.

The fair value of financial assets by level of hierarchy was as follows as at May 31, 2010:

	Level 1	Level 2	Level 3	Total financial assets
	$	$	$	$
Cash and cash equivalents	67,992,321	–	–	67,992,321
Derivative financial instruments[1]	–	1,362,804	–	1,362,804
	67,992,321	1,362,804	–	69,355,125

[1] Derivative financial instruments consist of forward exchange contracts.

Financial Risk Management

In the normal course of its operations, the Company is exposed to credit risk, liquidity and funding risk, interest rate risk as well as currency risk. Management analyses these risks and implements strategies in order to minimize their impact on the Company's performance.

Credit risk and significant customers

The Company has a conservative approach with regard to the management of its cash and cash equivalents. Its investment policy requires the funds to be entirely guaranteed by the financial institution and to be allocated amongst three recognized financial institutions.

The Company is exposed to credit risk that is mainly associated with its accounts receivable, arising from its normal commercial activities. The Company considers its credit risk to be limited for the following reasons:

a) The Canadian Company concluded an agreement with Export Development Canada under which it will assume a portion of losses for certain export clients in case of non-payment, for an annual amount up to a maximum of $1,500,000;

b) The Company does not require additional guarantee or other securities from its clients in regard to its accounts receivable. However, credit is granted only to clients after a credit analysis is performed. The Company conducts ongoing evaluation of its clients and establishes provisions for doubtful accounts should an account be considered non recoverable;

14. Financial Instruments (continued)

c) One customer represented approximately 74% (78% in 2009) of the sales in the fiscal year 2010 and 33% of accounts receivable as of May 31, 2010 (79% in 2009).

Liquidity and financing risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due or can do so only at excessive cost. One of management's primary goals is to maintain an optimal level of liquidity through the active management of its assets and liabilities as well as the cash flows.

As at May 31, 2010, the Company's cash and cash equivalents amounted to $67,992,321 ($65,066,530 as at May 31, 2009). The Company also has available up to $30,000,000 in credit facility (Note 7). Given the Company's available liquid resources as compared to the timing of the payments of liabilities, management assesses the Company's liquidity risk to be low.

The contractual maturities of financial liabilities as at May 31, 2010 are as follows:

	Carrying Amount	Contractual Cash Flows	0 to 6 months	6 to 12 months	12 to 24 months	After 24 months
	$	$	$	$	$	$
Accounts payable and accrued liabilities	4,646,220	4,646,220	4,352,930	293,290	–	–
Long-term debt	4,820,623	5,532,850	379,713	515,515	1,072,404	3,565,218
	9,466,843	10,179,070	4,732,643	808,805	1,072,404	3,565,218

Contractual cash flows include interest charges.

Interest rate risk

The Company's level of debt is currently low and bears interest at floating rate. Should its indebtedness increase, the Company's policy would be to limit its exposure to interest rate risk variations by ensuring that a reasonable portion of its debt is at fixed rates.

Interest revenue on cash and cash equivalents are at variable rate. For each $10,000,000 in cash and cash equivalents, a fluctuation in interest rate of 0.50% would annually impact interest income by $50,000. Therefore, management believes that the impact on net earnings would not be significant on its operating results.

Price risk

The Company is exposed to metals' market price fluctuation risk. This risk is managed adequately by forecasting and scheduling the acquisition of inventories to meet its customers contractual obligations. Financial instruments do not expose the Company to raw material price risk.

Exchange risk

The Company is exposed to risk from changes in foreign currency rates on sales of Canadian-made products in US dollars and in Euros. The Company mitigates this risk principally through forward contracts and by the natural hedging provided by purchasing raw materials in US dollars.

On September 25, 2009, the Company concluded a €10,500,000 foreign exchange forward contract (€500,000 per month) to hedge its sales made by its German subsidiary 5N PV. This foreign exchange forward contract was effective from October 1, 2009 to June 30, 2011, at an average conversion rate of 1.6.

On January 13, 2010, the Company terminated prior to maturity this foreign exchange forward contract for cash proceeds of $800,000. The effective portion of gain was recorded under accumulated other comprehensive income and is amortized through earnings as if the previously hedged transactions occur. The ineffective portion of the gain was accounted for in the consolidated statement of income.

14. Financial Instruments (continued)

On January 13, 2010, the Company concluded a €8,500,000 foreign exchange forward contract (€500,000 per month) to hedge its sales made by its German subsidiary 5N PV. This foreign exchange forward contract is effective from January 13, 2010 until May 31, 2011, at an average exchange rate of 1.4975. The fair value of the foreign exchange forward contract is $1,246,462 as at May 31, 2010, and was accounted for in the consolidated statements of income.

On May 25, 2010, the Company concluded a US$4,500,000 foreign exchange forward contract (US$750,000 per month) to hedge a portion of its US dollar sales. This foreign exchange forward contract will be effective from June 1, 2010 to November 30, 2010 at an average conversion rate of 1.07. The fair value of the foreign exchange forward contract is $116,342 as at May 31, 2010. This contract has been designated as cash flow hedges and the change in its fair value was recorded in the consolidated statement of comprehensive income.

The Company designated as cash flow hedges a portion of its cash denominated in US dollar for future purchase of raw materials until April 2011. The designated cash denominated in US dollar is accounted for at fair value in the Company's balance sheet. Foreign exchange gain or loss on the designated US cash and cash equivalents is recorded in other comprehensive income. When raw material is purchased which is anticipated to be recorded in the next twelve months, the foreign exchange gain or loss is accounted for as part of raw material in the inventory. The amount of US cash and cash equivalents designated under this strategy amounted to $28,075,353 as at May 31, 2010. Foreign exchange gains related to this cash and cash equivalents included in comprehensive income amounted to $1,208,826 as at May 31, 2010.

The Company had the following exposure on May 31, 2010:

	US$	€
Financial assets and liabilities measured at amortized costs[1]:		
Cash and cash equivalents[2]	10,544,970	608,564
Accounts receivable	3,019,111	1,100
Receivable from the wholly-owned subsidiary	–	3,477,716
Accounts payable and accrued liabilities	(867,238)	(4,349)
Total exposure from above	12,696,843	4,083,031

[1] Amounts above do not include the wholly-owned subsidiary account balances as it is using the Euro as functional currency. However, intercompany account balances in Euros are included in these amounts.

[2] US$28,075,353 designated for future purchases of raw materials not included.

Scenario of the Canadian dollar exchange rate fluctuation with regard to gross amount at risk:

	CA$/US$	CA$/€
Exchange rate as at May 31, 2010	1.046	1.284
Impact on net earnings based on a fluctuation of five cents in the Canadian dollar exchange rate	458,943	181,175

15. Foreign Exchange Gain

Years ended May 31	2010	2009
	$	$
Foreign exchange loss (gain) related to operations	194,296	(1,523,887)
Realized foreign exchange gain on derivative financial instruments	(131,812)	(232,625)
Unrealized foreign exchange gain on derivative financial instruments	(1,246,462)	(1,685,076)
a) Included in the consolidated statement of income	(1,183,978)	(3,441,588)

15. Foreign Exchange Gain (continued)

Years ended May 31	2010	2009
	$	$
Realized foreign exchange gain on designated derivative financial instruments	(491,110)	–
Realized foreign exchange gain on cash designated	(1,208,826)	–
Unrealized foreign exchange gain on derivative financial instruments	(116,342)	–
	(1,816,278)	–
Income tax on the above	561,230	–
b) Included in the consolidated statement of comprehensive income	(1,255,048)	–

As at May 31	2010	2009
	$	$
c) Reported in the consolidated balance sheet	1,362,804	1,685,076

16. Financial expenses

Years ended May 31	2010	2009
	$	$
Interest and banking fees	50,964	112,560
Interest on long-term debt	134,548	195,732
Amortization of other assets	–	69,157
	185,512	377,449

17. Capital Management

The Company's objectives when managing its capital are:

- To optimize its capital structure in order to reduce costs and strengthen its ability to seize strategic opportunities;
- To ensure that operations remain competitive and stable and to sustain future development of the Company, including research and development activities, expansion of existing facilities or construction of new facilities and potential acquisitions of complementary businesses or products and;
- To provide the Company's shareholders an appropriate return on their investment.

The Company defines its capital as its shareholders' equity.

The capital of the Company amounted to $125,678,537 as at May 31, 2010 and $112,368,764 as at May 31, 2009. The increase reflects principally the current year's net earnings.

18. Government Assistance

During the years ended May 31, 2010 and 2009, the Company recorded research and development tax credits amounting to $478,755 and $423,603 respectively. These tax credits are subject to review and approval of taxation authorities.

19. Commitments

a) The Company rents certain premises and equipment under the terms of operating leases. The maturity of the premises leases ranges from May 2011 to May 2017 with options to extend, and for the equipment in June 2013. The rental expenses related to operating leases for the year ended May 31, 2010 were $758,187.

19. Commitments (continued)

Future minimum payments excluding operating costs for the next years are as follows:

	$
2011	910,453
2012	827,377
2013	748,021
2014	476,371
2015 and thereafter	970,104

b) As at May 31, 2010, the Company had placed orders in the amount of $55,535 ($239,321 in 2009) with suppliers for the purchase of fixed assets.

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

20. Earnings Per Share

Years ended May 31	2010	2009
	$	$
Numerator		
Net earnings from continuing operations	15,143,310	20,868,124
Net earnings	14,647,540	20,868,124
Denominator		
Weighted average number of common shares	45,578,992	45,505,213
Effect of dilutive securities		
Stock options	254,299	370,909
	45,833,291	45,876,122
Earnings per share from continuing operations		
Basic	0.33	0.46
Diluted	0.33	0.45
Earnings per share		
Basic	0.32	0.46
Diluted	0.32	0.45

21. Segment Information

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

Geographical information

Years ended May 31	2010	2009
	$	$
Sales to customers located in the following geographical areas:		
United States	47,393,186	40,559,556
Europe	18,969,244	20,774,725
Asia	3,654,303	6,431,033
Canada	669,354	1,591,612
Other countries	77,258	16,191
	70,763,345	69,373,117

21. Segment Information (continued)

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

As at May 31	2010	2009
	$	$
Property, plant and equipment and intangible assets in the following countries:		
Canada	22,695,350	13,424,454
Germany	9,894,627	12,753,969
	32,589,977	26,178,423

22. Discontinued Operation

On September 1, 2009, the Company had established a joint venture called ZT Plus with BSST, a subsidiary of Amerigon Incorporated. The Company had a 50% ownership interest in ZT Plus. The contribution of each partner in cash or in kind was expected to be US$5,500,000. ZT Plus was accounted for using the proportionate consolidation method. On March 26, 2010, the commercial progress of ZT Plus was slower to develop than anticipated and the Company sold its interest for an amount of US$1,600,000 ($1,632,000). This sale was classified as a discontinued operation.

Loss of discontinued operation	2010
	$
Revenues	–
Research and development expenses	886,997
Loss before income tax	886,997
Recovery of income taxes	(545,110)
Net loss	341,887
Loss on sale net of tax of $133,963	153,883
Net loss from discontinued operation	495,770

23. Subsequent Event

On June 18, 2010, the Company acquired, for an amount of US$3,000,000 (approximately $3,072,000), a convertible note of Sylarus Technologies, LLC ("Sylarus") a leading producer of germanium substrates for solar cells located in Saint George, Utah. This convertible note bears interest at 6% annually and is repayable on May 31, 2015 at the latest. This note, including accrued interest, is convertible into 18% of voting and participating units of Sylarus. The Company has the possibility, until September 30, 2011, to subscribe to additional convertible notes for a maximum amount of US$4,000,000 (approximately $4,185,000) which would bear interest at the same rate and with the same maturity as the initial note convertible and can be converted into 15% of additional voting and participating units of Sylarus. Concurrently, 5N Plus and Sylarus have also entered into a long-term supply and recycling agreement under which 5N Plus will provide high-purity germanium feedstock to Sylarus and will recycle various germanium containing residues.

24. Comparative Figures

Certain comparative figures have been reclassified to conform to the presentation adopted in the current period.

Board of directors

1

Dennis Wood

Chairman of the Board
Member of the Audit and Compensation Committees
Independent

Mr. Wood is President and Chief Executive Officer of DWH Inc., a position he has held since 1973. A highly respected businessman, Mr. Wood is a board member of many companies, including National Bank Trust, Transat A.T. Inc., the Jean Coutu Group (PJC) Inc., Rite Aid Corporation and Azimut Exploration Inc. and GBO Inc. (formerly Le Groupe Bocenor Inc.). He received in 1987 an honorary PhD from the Université de Sherbrooke, and was awarded the Order of Canada, the country's highest civilian award.

2

John H. Davis

President of the Compensation Committee
Member of the Audit Committee Independent

John Davis retired from Noranda Inc.
after twenty-five years in technical development and management. As Director, Strategic Planning and Coordination, he led Noranda to develop new businesses in several advanced technologies, including those that are now the basis for 5N Plus, and was involved in assessments for a number of successful investment initiatives.
Mr. Davis has a Bachelor's degree in Chemistry from Imperial College, University of London. He is an Associate of the Royal College of Science and has completed the Management Development Program at Northeastern University.

3

Pierre Shoiry

Administrateur
Member of the Compensation Committee
Independent

Pierre Shoiry is President and Chief Executive Officer of GENIVAR, a leading Canadian engineering company.
Mr. Shoiry has been a member of the Ordre des Ingénieurs du Quebec since 1980. He holds a Bachelor's degree in applied science with a major in civil engineering, as well as a Master's degree in applied science from Université de Laval in Québec City.

4

Jacques L'Écuyer

Director
Non independent

Mr. L'Écuyer is one of our founders and has served as President and Chief Executive Officer and as a director since the company's inception in June 2000.
Mr. L'Écuyer previously acted as the pure metals and compounds Business Unit Manager within Noranda Inc. and, subsequently, ANRAD Corporation. Mr. L'Écuyer holds BS and MS degrees in metallurgical engineering from École Polytechnique de Montréal and a PhD in materials science from the University of Birmingham in England.

5

Jean-Marie Bourassa

Director
President of the Audit Committee
Independent

Mr. Bourassa is Founding President and CEO of Bourassa Boyer inc., an accounting firm. He also serves on the Board of Directors of Savaria Corporation, which is listed on the TSX, and is involved with various private companies as a shareholder and director. Mr. Bourassa has been a chartered accountant since 1976 and attained corporate governance certification at Université Laval in 2009.

Management team

1

Jean Bernier

General Manager

Mr. Bernier joined 5N Plus in 2007 and serves as General Manager of the Montréal head office and our German subsidiary 5N PV. During his more than 20 years experience in operations management and business management, Mr. Bernier held the position of Manager at ABB, Avestor Corporation Inc., BPB Westroc Inc., and Tioxide Americas, a division of ICI Chemicals. Mr. Bernier holds a BS degree in mechanical engineering from the Université Laval in Québec City.

2

Jacques l'Écuyer

President and Chief Executive Officer

Mr. L'Écuyer has served as President and Chief Executive Officer and as a director since the company's inception in June 2000. Mr. L'Écuyer previously acted as the Pure Metals and Compounds Business Unit Manager within Noranda Inc. and, subsequently, ANRAD Corporation. Mr. L'Écuyer holds BS and MS degrees in metallurgical engineering from École Polytechnique de Montréal and a PhD in materials science from the University of Birmingham in England.

3

David Langlois

Chief Financial Officer

Mr. Langlois has nearly 20 years experience from the banking, financial and auditing sectors. Prior to joining 5N Plus in November 2009, Mr. Langlois was the Vice President of Corporate Accounting and Information Management at National Bank Financial, one of the top investment dealers in Canada. Mr. Langlois is a Chartered Accountant and holds a degree from the Université du Québec in Montréal.

4

Nicholas Audet

Vice President

Mr. Audet joined 5N Plus in 2003 as Process Engineer. He was subsequently appointed Product Manager and then promoted to Manager of Research and Development. Previously, Mr. Audet acted as a lead engineer for EMS Technologies Inc. and as a Process Development Engineer for Amistar Technologies. Mr. Audet holds a BS in mechanical engineering from the Université Laval in Québec City as well a M.Eng. degree from the University of Victoria in British Columbia.

5

Marc Suys

Vice President Sustainable Development and Environmental Affairs

Mr. Suys has occupied various functions since the company's inception, including Environment, Health and Safety Manager, and was recently promoted to Vice President Sustainable Development and Environmental Affairs. Mr. Suys acted as the General Manager during the construction and commissioning of our subsidiary 5N PV and is one the key players responsible for its success. Mr. Suys holds BS and MS degrees in engineering physics from École Polytechnique de Montréal.

Corporate information

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

Transfer Agent And Registrar
Computershare Investor Services Inc.

Auditors
KPMG LLP

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Montreal, Québec
H4R 2B4

Annual Meeting
The annual shareholders meeting will be held on Thursday, October 7, 2010 at 10:00 a.m.
McCord Museum
J. Armand Bombardier Amphitheatre
690 Sherbrooke Street West
Montreal, Québec

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