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.

Management 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 control systems are designed to provide reasonable assurance on the reliability of the financial information and the safeguarding of assets.

The Company's external auditors have free and independent access to the Audit Committee, which is comprised of 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 PricewaterhouseCoopers LLP.

SIGNED

Jacques L'Ecuyer
President and Chief Executive Officer

SIGNED

David Langlois, CA
Chief Financial Officer

Montréal, Canada
August 24, 2011

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

We have audited the accompanying consolidated financial statements of 5N Plus Inc., which comprise the consolidated balance sheet as at May 31, 2011 and the consolidated statement of income, statement of comprehensive income, statement of shareholders' equity and statement of cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of 5N Plus Inc. as at May 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Other matter

The consolidated financial statements of 5N Plus Inc. for the year ended May 31, 2010 were audited by another auditor who expressed an unqualified opinion on those statements, dated July 23, 2010.

PricewaterhouseCoopers LLP [1]

Montréal, Canada
August 24, 2011

[1] Chartered accountant auditor permit No. 19042

Consolidated Statements of Income

Years ended May 31

(in thousands of Canadian dollars, except weighted average number of shares and per share amount)	Note	2011	2010
		$	$
Revenues		178,828	70,763
Cost of goods sold	13	126,503	38,911
Gross profit		52,325	31,852
Expenses			
Selling, general and administrative		13,309	7,069
Amortization of property, plant and equipment	13	3,974	2,545
Amortization of intangible assets		1,394	188
Research and development, net of tax credit of $754 ($574 in 2010)		2,577	1,858
Foreign exchange gain	15	(1,007)	(1,184)
Financial	16	2,515	185
Interest income		(604)	(464)
		22,158	10,197
Earnings before income taxes from continuing operations and non-controlling interest		30,167	21,655
Income taxes	12		
Current		7,896	6,442
Future		962	70
		8,858	6,512
Net earnings from continuing operations before non-controlling interest		21,309	15,143
Non-controlling interest		332	–
Net loss from discontinued operations	21	–	(496)
Net Earnings		21,641	14,647
Earnings per share from continuing operations	19		
Basic		0.44	0.33
Diluted		0.44	0.33
Earnings per share	19		
Basic		0.44	0.32
Diluted		0.44	0.32
Weighted average number of common shares outstanding	19		
Basic		49,205,470	45,578,992
Diluted		49,673,087	45,833,291

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

Years ended
May 31, 2011 and 2010
(in Canadian dollars)

Consolidated Financial Statements

Consolidated Statements of Comprehensive Income

Years ended May 31

(in thousands of Canadian dollars)	Note	2011	2010
		$	$
Net Earnings		21,641	14,647
Other comprehensive income			
Cash flow hedges, net of income taxes of $561 (($561) in 2010)	15	(1,255)	1,255
Gain (loss) on translating financial statements of self-sustaining foreign operations		1,622	(3,675)
Other comprehensive income		367	(2,420)
Comprehensive Income		22,008	12,227

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

Consolidated Statements of Shareholders' Equity

Years ended May 31

(in thousands of Canadian dollars)	Note	2011	2010
		$	$
Share Capital	11		
Beginning of year		82,390	81,882
Shares issued under stock option plan		1,425	508
Shares issued for cash		125,028	–
Shares issued for the acquisition of MCP Group SA	6	78,621	–
End of year		287,464	82,390
Contributed Surplus			
Beginning of year		1,372	797
Stock option compensation cost	11	816	751
Shares issued under stock option plan		(511)	(176)
End of year		1,677	1,372
Accumulated Other Comprehensive Loss			
Beginning of year		(2,531)	(111)
Cash flow hedges, net of income taxes of $561 (($561) in 2010)	15	(1,255)	1,255
Gain (loss) on translating financial statements of self-sustaining foreign operations		1,622	(3,675)
End of year		(2,164)	(2,531)
Retained Earnings			
Beginning of year		44,447	29,800
Net earnings		21,641	14,647
Share issue costs, net of income taxes of $1,526		(4,147)	–
End of year		61,941	44,447
Shareholders' Equity		348,918	125,678

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

Consolidated Balance Sheets

As at May 31

(in thousands of Canadian dollars)	Note	2011	2010
		$	$
Assets			
Current assets			
Cash and cash equivalents		**27,916**	65,992
Temporary investments (restricted)	7	**49,587**	2,000
Accounts receivable	2	**114,099**	4,774
Inventories	3	**293,069**	27,705
Prepaid expenses and deposits		**1,387**	1,073
Derivative financial instruments	14	**321**	1,363
Income taxes recoverable		**2,831**	517
Future income taxes	12	**1,856**	151
		491,066	103,575
Property, plant and equipment	4	**97,223**	26,437
Intangible assets	5	**71,888**	1,771
Goodwill	6	**116,203**	4,382
Future income taxes	12	**5,051**	2,311
Other assets		**2,207**	45
		783,638	138,521
Liabilities			
Current liabilities			
Bank indebtedness and short-term debt	7	**170,675**	–
Accounts payable and accrued liabilities	8	**67,492**	4,646
Derivative financial instruments	14	**441**	–
Income taxes payable		**6,992**	44
Current portion of long-term debt and balance of purchase price	9	**18,824**	623
Future income taxes	12	**526**	445
		264,950	5,758
Long-term debt	9	**54,106**	4,198
Balance of purchase price	9	**72,279**	–
Other payables	10	**18,590**	553
Future income taxes	12	**23,202**	2,334
		433,127	12,843
Non-controlling interest	6	**1,593**	–
Shareholders' Equity			
Share capital	11	**287,464**	82,390
Contributed surplus		**1,677**	1,372
Accumulated other comprehensive loss		**(2,164)**	(2,531)
Retained earnings		**61,941**	44,447
		348,918	125,678
		783,638	138,521
Commitments and contingencies	18		
Subsequent events	24		

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

On behalf of the Board of Directors:

SIGNED: Jacques L'Ecuyer, Director

SIGNED: Jean-Marie Bourassa, Director

Consolidated Statements of Cash Flows

Years ended May 31

(in thousands of Canadian dollars)	Note	2011	2010
		$	$
Operating activities			
Net earnings		**21,641**	14,647
Net loss from discontinued operations	21	**–**	496
Net earnings from continuing operations		**21,641**	15,143
Non-cash items:			
Amortization of property, plant and equipment		**3,974**	2,545
Amortization of intangible assets		**1,394**	188
Future income taxes		**2,488**	70
Realized (loss) gain on cash flow hedges, net of taxes of $123 ($364 in 2010)		**(420)**	1,177
Deferred revenues		**(12)**	(3)
Stock option compensation cost	11	**816**	751
Other		**(312)**	520
		29,569	20,391
Net changes in non-cash working capital items			
Accounts receivable		**(26,322)**	2011
Inventories		**(52,497)**	(290)
Prepaid expenses and deposits		**331**	(398)
Income taxes recoverable		**(2,312)**	(1,292)
Accounts payable and accrued liabilities		**(15,150)**	(616)
Income taxes payable		**6,922**	(2,978)
		(89,028)	(3,563)
		(59,459)	16,828
Investing activities used for continuing operations			
Acquisition of property, plant and equipment		**(20,063)**	(4,588)
Acquisition of intangible assets		**(1,036)**	(249)
Acquisition of businesses net of cash acquired	6	**(119,158)**	(7,748)
Temporary investments (restricted)		**(29,343)**	–
Other payables		**(1,088)**	–
Other		**764**	7
		(169,924)	(12,578)
Financing activities from continuing operations			
Net change in bank indebtedness and short-term debts		**44,620**	–
Increase of long-term debt		**28,970**	–
Repayment of long-term debt		**(500)**	(585)
Net change in other long-term liabilities		**–**	(42)
Proceeds from issuance of shares	11	**125,942**	332
Share issue costs		**(5,673)**	–
		193,359	(295)
Realized exchange loss on cash designated		**(2,214)**	–
Effect of foreign exchange rate changes on cash and cash equivalents from continuing operations		**162**	(534)
		(2,052)	(534)
Net (decrease) increase from continuing operations in cash and cash equivalents		**(38,076)**	3,421
Net decrease from discontinued operations in cash and cash equivalents	21	**–**	(496)
Net (decrease) increase in cash and cash equivalents		**(38,076)**	2,925
Cash and cash equivalents at beginning of year		**65,992**	63,067
Cash and cash equivalents at end of year		**27,916**	65,992
Supplementary information	6		
Property, plant and equipment unpaid and included in accounts payables and accrued liabilities		**2,108**	200
Reclassification to inventories of foreign exchange loss on designated cash		**(1,324)**	–
Interest paid		**1,777**	121
Income taxes paid		**3,850**	8,903
Future income taxes included in retained earnings		**1,526**	–

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, its subsidiaries and its joint ventures. 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, the valuation of intangible assets, inventories, goodwill, provision for pension benefits and provision for site remediation. 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 gains and losses 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 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.

Temporary investments

Temporary investments are classified as loans and receivables and accounted for at amortized cost.

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. Writedown to net realizable value may be reversed, limited to the original writedown, when circumstances have changed to support an increased inventory value.

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. Amortization is calculated under the straight-line method at the following annual rates:

	Periods
Buildings	25 years
Leasehold improvements	over the lease terms
Production equipment	10 years
Furniture, office equipment and rolling stock	3 and 10 years

Construction in process is not amortized until the asset is put into use.

Intangible assets

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

	Periods
Software	5 years
Intellectual property	10 years
Customer relationships	10 years
Technology	5 years
Development costs	not exceeding 10 years
Trade name and non-compete agreements	2 to 5 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, 2011, 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 from the sale of manufactured products are recognized and recorded in the accounts when the ownership and control of goods passes to the buyers, which generally occurs upon shipment and the ability to collect is reasonably assured.

Revenue 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.

1 Summary of significant accounting policies (continued)

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.

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. The effect of a change in income tax rates on future income tax assets and liabilities is recognized in income in the period that the change occurs. A valuation loss 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 on a straight-line basis over the vesting period of the stock options with a corresponding increase in contributed surplus.

The Company accounts for restricted share units at fair value based on the closing stock price at the date of grant. The units are to be settled for cash and are marked to the current market price at each balance sheet date.

Share issue costs

Share issue costs are accounted for as a reduction of the retained earnings.

Earnings per share

Basic and diluted earnings per share have been determined by dividing the consolidated net earnings 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.

1 Summary of significant accounting policies (continued)

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
Temporary investments	Loans and receivables	Amortized cost
Trade accounts receivable	Loans and receivables	Amortized cost
Derivative financial instruments	Held for trading	Fair value
Bank indebtedness and short-term debt	Other liabilities	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Long-term debt	Other liabilities	Amortized cost
Balance of purchase price	Other liabilities	Amortized cost

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. Transaction costs related to credit facilities 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, interest rate swaps and forward contracts on the price of certain metals to manage risk against the fluctuations in foreign exchange rates, interest rates and metal prices. These financial instruments are valued at fair value at each balance sheet date.

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. The ineffective portion, if any, is recognized in net earnings.

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 purchases 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 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.

① Summary of significant accounting policies (continued)

Employee future benefits

The Company contributes to a defined benefit pension plan.

The significant policies related to employee future benefits are as follows:

- The cost of pension and other post-retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service, market interest rates and management's best estimate of expected plan investment performance, retirement ages of employees and expected health care costs.
- Fair value is used to value the plan assets for the purpose of calculating the expected return on plan assets. Under this method, the differences between the actual returns and the expected returns, in excess of 10% of the greater of the accrued benefit obligation or market-related value of plan assets, are amortized over the average future expected lifetime of plan participants.
- Cumulative unrecognized net actuarial gains and losses in excess of 10% of the greater of the accrued benefit obligation or market-related value of plan assets at the beginning of the year are amortized over the estimated average remaining service life of plan participants.

Accounting standards issued but not yet adopted

Business Combinations and Consolidated Financial Statements

Section 1582, "Business Combinations and Consolidated Financial Statements" was published in January 2009 and replaces Section 1581 "Business Combinations". It provides the Canadian equivalent to the IFRS standard, IFRS 3 (Revised), "Business Combinations". The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier application is permitted. Section 1601, "Consolidated Financial Statements" and Section 1602, "Non-controlling Interests". These sections were published in January 2009 and replace Section 1600, "Consolidated Financial Statements".

Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS standard, IAS 27 (Revised),"Consolidated and Separate Financial Statements". The Sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

Beginning on June 1, 2011, the Corporation will cease to prepare its consolidated financial statements in accordance with Canadian GAAP as set out in Part V of the CICA Handbook—Accounting and will apply as its primary basis of accounting, International Financial Reporting Standards as published by the International Accounting Standards Board as set out in Part I of the CICA Handbook—Accounting. Consequently, management has not determined the impact of the aforementioned future accounting changes to Canadian GAAP that are for periods beginning on or after June 1, 2011.

2 Accounts Receivable

As at May 31	**2011**	2010
	$	$
Trade accounts receivable	**108,220**	3,913
Commodity taxes	**4,769**	416
Other	**1,294**	470
Allowance for doubtful accounts	**(184)**	(25)
	114,099	4,774

Chronological history of trade accounts receivable:

As at May 31	**2011**	2010
	$	$
Current	**68,724**	3,758
0 to 60 days overdue	**30,031**	78
60 to 120 days overdue	**3,678**	77
More than 120 days overdue	**5,787**	–
	108,220	3,913

3 Inventories

As at May 31	**2011**	2010
	$	$
Raw materials	**92,623**	15,634
Finished goods and work in process	**200,446**	12,071
	293,069	27,705

4 Property, Plant and Equipment

As at May 31			**2011**
	Cost	Accumulated amortization	Net book value
	$	**$**	**$**
Land and buildings	**37,534**	**1,783**	**35,751**
Production equipment	**67,403**	**14,397**	**53,006**
Furniture, office equipment, leasehold improvements and rolling stock	**10,050**	**1,584**	**8,466**
	114,987	**17,764**	**97,223**

As at May 31			2010
	Cost	Accumulated amortization	Net book value
	$	$	$
Land and buildings	12,174	1,209	10,965
Production equipment	19,717	5,878	13,839
Furniture, office equipment, leasehold improvements and rolling stock	2,420	787	1,633
	34,311	7,874	26,437

As at May 31, 2011, property, plant and equipment that were not being amortized amounted to $16.5 million.

5 Intangible Assets

As at May 31			2011
	Cost	Accumulated amortization	Net book value
	$	$	$
Software	1,052	559	493
Customer relationships	46,223	671	45,552
Technology	17,413	506	16,907
Development costs	1,016	49	967
Intellectual property	3,287	560	2,727
Trade name and non-compete agreements	5,489	247	5,242
	74,480	2,592	71,888

As at May 31			2010
	Cost	Accumulated amortization	Net book value
	$	$	$
Software	604	120	484
Intellectual property	1,355	68	1,287
	1,959	188	1,771

6 Business Acquisitions

The Company acquired two businesses in 2011 and one in 2010. These acquisitions were recorded under the purchase method and the earnings of the acquired business were consolidated from the date of their acquisition.

2011

MCP Group SA

On April 8, 2011, the Company acquired MCP Group SA ("MCP") for the following consideration: Cash consideration: $144,027 (€105,794), Promissory note and holdback to vendors: $85,455 (€61,879) and common shares of 5N Plus: 11,377,797 common shares at $6.91 per share for consideration of $78,621. Transaction costs were approximately $2,100 for a total consideration of $310,203. The price of $6.91 per share was established by taking the average market price of 5N Plus shares for three days before and after the announcement on April 11, 2011 minus a 20% discount, based on the value of a put option estimated using the Black-Scholes pricing model to reflect the lock-up period on these shares. The purchase price was allocated on a preliminary basis. The Company is in the process of evaluating mainly the fair value of the intangible assets and of the property, plant and equipment.

Sylarus Technologies LLC

On June 21, 2010, the Company acquired, for an amount of US$3,000 (approximately $3,072), a convertible note from Sylarus Technologies ("Sylarus"), a producer of germanium substrates for solar cells located in St. George, Utah. This convertible note was bearing interest at 6% annually and was repayable on May 31, 2015 at the latest. This note, including accrued interest, was convertible at the Company's option, into 18% of voting and participating units of Sylarus.

This convertible debenture was a hybrid financial instrument, for which the loan and the embedded derivative components included therein are measured separately. The loan component was classified as a loan and receivable and the embedded derivative representing the conversion option included therein was classified as held for trading.

6 Business acquisitions (continued)

On January 10, 2011, the Company converted the debenture into a 66.67% majority interest of Sylarus. 5N Plus also agreed to provide additional funding of US$766 in the form of secured debt to enable the repayment of short term debt contracted by Sylarus.

The following table summarizes the purchase allocation of the net assets acquired on a preliminary basis for 2011, and the final purchase allocation for 2010:

	MCP	Sylarus	**2011**	2010
	$	$	**$**	$
Assets acquired				
Temporary investments (restricted)	18,061	–	**18,061**	–
Non-cash working capital	292,919	681	**293,600**	1,881
Property, plant and equipment	43,837	8,048	**51,885**	1,521
Intangible assets	70,471	–	**70,471**	1,355
Goodwill (not deductible)	112,596	–	**112,596**	4,382
Future income tax assets	3,625	–	**3,625**	–
Other assets	2,919	200	**3,119**	–
	544,428	8,929	**553,357**	9,139
Liabilities assumed				
Non-cash working capital	93,486	2,706	**96,192**	16
Bank indebtedness and short-term debt	125,393	–	**125,393**	–
Long-term debt	23,780	1,096	**24,876**	858
Future income tax liabilities	21,370	–	**21,370**	517
Note payable to 5N Plus	–	769	**769**	–
Non-controlling interest	–	1,560	**1,560**	–
	264,029	6,131	**270,160**	1,391
Total consideration	280,399	2,798 [1]	**283,197**	7,748
Consideration				
Cash paid to the vendors	144,027	3,307	**147,334**	7,851
Shares issued to the vendors	78,621	–	**78,621**	–
Balance of purchase price and holdback	85,455	–	**85,455**	–
Cash and cash equivalents acquired	(29,804)	(509)	**(30,313)**	(164)
Acquisition costs	2,100	–	**2,100**	61
Purchase consideration	280,399	2,798	**283,197**	7,748

[1] Book value of the loan and the embedded derivative (convertible option) at the date of the acquisition for this non-cash transaction.

2010

Firebird Technologies Inc.

On December 1, 2009, the Company acquired Firebird Technologies Inc. ("Firebird") for an amount of $7,912 including acquisition costs of $61. 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.

7 Bank Indebtedness and Short-Term Debt

The Company has various credit lines with many financial institutions around the world. Some are related to the level of accounts receivable and inventories, others are guaranteed by other group companies and others are guaranteed by the assets of the related company that borrowed the money. Credit available under these lines totalled 140 million dollars as at May 31, 2011 to which a line of credit of approximately 50 million dollars (390 million Hong Kong dollars) was added relating to a temporary investment. (See below). As at May 31, 2011, 170.7 million dollars was drawn under these lines (see the table for the split by currency).

As at May 31, 2011	Hong Kong Dollar	Sterling Pound	USD	Euro	RMB	Total
Facility available	**390,000**	**10,000**	**40,000**	**42,789**	**192,500**	**N/A**
Amount drawn	**390,000**	**7,855**	**35,941**	**39,185**	**135,260**	**N/A**

As at May 31, 2011	CDN	CDN	CDN	CDN	CDN	CDN
Facility available	**48,550**	**15,970**	**38,726**	**59,592**	**28,307**	**191,145**
Amount drawn	**48,550**	**12,545**	**34,797**	**54,573**	**20,210**	**170,675**

The loan in Hong Kong dollars bears interest at HIBOR 3 months plus 1.00%. This rate is covered by an instrument to fix the rate at 2.48% until maturity. The loan in sterling pounds bears interest at the Bank of England Base Rate plus 2.00%. Loans in US dollars bear interest ranging from LIBOR plus 1.10% to LIBOR plus 1.25% and others bear interest at the cost of funds of the lender bank from which the funds were borrowed plus 1.40% to 1.70%. Certain Euro loans bear interest at variable rates ranging from 1.80% to 2.60%. Other Euro loans bear interest at a rate of Eurobor plus 2.05% to 4.00%. RMB loans bear interest from 105% to 110% of the Chinese rate. Certain loans have maintenance fees of 0.50% on the undrawn amount.

Hong Kong dollar loans are secured by deposits in Chinese currency (RMB) which are recorded on the balance sheet in the line temporary investments. The deposits have the same maturity as the loans. At maturity, in May 2012 at the latest, the deposits will be cashed in and converted into Hong Kong dollars and the proceeds will reimburse the related loans. The Company has derivative instruments to fix the conversion between RMB and the Hong Kong dollar to cover itself against the currency risk. The deposits of $47,587 bear interest at a rate of 2.55%.

The loans in Hong Kong dollar mature between February 2012 and May 2012. The loans in RMB mature between October 2011 and March 2012. All other loans will be reimbursed with the new credit facility signed in August 2011 (note 24).

8 Accounts Payable and Accrued Liabilities

As at May 31	**2011**	2010
	$	$
Trade accounts payable and accrued liabilities	**62,925**	3,564
Salaries and vacations	**3,537**	1,082
Commodity taxes	**1,030**	–
	67,492	4,646

9 Long-Term Debt and Balance of Purchase Price

As at May 31	2011	2010
	$	$
Unsecured balance of purchase price and holdback to the former shareholders of MCP for an amount of €61,879 (€46,908 as promissory note and €14,971 as holdback), bearing interest at Interest Rate Swap 3 year rate plus 3.00%. The promissory note is repayable in three annual instalments beginning April 2012 (note 6) and the holdback is repayable in April 2014. The balance of purchase price and holdback include an amount of €31,925 payable to one board member and an executive vice president of the Company.	86,180	–
Senior secured revolving facility with a Canadian bank for $50 million maturing in April 2013.[1]	27,847	–
Unsecured term loan of US$13 million, maturing in January 2017 bearing interest at LIBOR plus 2.3%. The term loan is subject to convenants.	12,197	–
Term loan in Euro, bearing interest at 6.23%, secured by a mortgage on assets on a plant in Germany for an amount of €1,534 and maturing in December 2014.	2,611	–
Loan from an employee pension plan in Germany, bearing interest at Euribor plus 2% and with no terms of repayment.	2,641	–
Subordinated loan of €1 million, maturing in 2017, bearing interest at a rate of 5.50%, not secured.	1,393	–
Term loan at authorized amount of £450, reimbursed in August 2011.	719	–
Term loans bearing interest at floating rates as determined on a regular basis with the banks, maturing in 2014 and 2015, secured by assets of the Belgium plant for an amount of €3,814.	3,763	–
Term loan at the lender's floating rate less 1.40%, monthly repayments of $41.66, principal only, maturing in June 2018, secured by a land and building in Canada with a carrying amount of $4.5 million.	3,500	3,998
Term loan, non-interest bearing, repayable under certain conditions, maturing in 2023. If the loan has not been repaid in full by the end of 2023, the remaining balance will be forgiven.	1,063	773
Debt in the amount of US$1,541 bearing interest at a rate of the three-month LIBOR plus 3.00%, repayable in two equal instalments of 50% on January 11, 2012 and December 31, 2012. Obligation under a capital lease bearing interest at 12.30%, repayable in monthly instalments of $12.5.	1,873	–
Other loans prevailing from joint ventures and others	1,422	50
	145,209	4,821
Current portion of long-term debt and balance of purchase price	(18,824)	(623)
	126,835	4,198

[1] This revolving credit facility can be drawn in USD, Canadian dollars or in Euro. The interest rate depends on a Debt/EBITDA ratio and can vary from LIBOR, banker acceptance or Euribor plus 2.75% to 3.50% or US base rate or prime rate plus 1.75% to 2.50%. This revolving line of credit is guaranteed by a pledge on all the assets of certain entities of the group (note 24).

9 Long-term debt and balance of purchase price (continued)

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

	$
2012	18,824
2013	66,568
2014	48,005
2015	3,804
2016	2,991
Thereafter	5,017
Total principal payments on long-term debt	145,209

Term loans contain restrictive covenants that require the Company to maintain financial ratios. As at May 31, 2011 these restrictive covenants were respected.

10 Other Amounts Payable

As at May 31	Note	**2011**	2010
		$	$
Provision for pension benefits	22	**10,071**	–
Provision for site remediation		**4,320**	–
Other		**4,199**	553
		18,590	553

Provision for site remediation

The facility acquired from MCP in Tilly, Belgium is currently undergoing corrective measures under a remediation plan as a result of industrial legacy at this site, which has been in industrial use for more than 100 years, and in order to comply with more stringent environmental regulations. The remediation plan has been approved by the local authorities and estimated resulting costs have been properly accounted for.

11 Share Capital

a) 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.

b) Issued and fully paid

	Number	Amount
	$	
Common shares		
Outstanding as at May 31, 2009	45,520,225	81,882
Shares issued under stock option plan	107,225	508
Outstanding as at May 31, 2010	45,627,450	82,390
Shares issued for the acquisition of MCP	11,377,797	78,621
Shares issued for cash	13,590,000	125,028
Shares issued under stock option plan	297,380	1,425
Outstanding as at May 31, 2011	70,892,627	287,464

On April 11, 2011, the Company issued 13,590,000 common shares at a price of $9.20 per share for gross proceeds of $125,028 pursuant to a bought-deal agreement.

11 Share capital (continued)

c) Stock option plan

On April 11, 2011, the Company adopted a new stock option plan (the "Plan") replacing the previous plan (the "Old Plan") in place since October 2007 with the same features as the old plan, with the exception of a maximum number of options granted which cannot exceed 5 million options. No options were granted under the new plan as at May 31, 2011. The aggregate number of shares which could be issued upon the exercise of options granted under the Old Plan could not exceed 10% of the issued shares of the Company at the time of granting the options. Options granted under the Old 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, 2011 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 fair value of the options granted during the year, using the Black-Scholes option pricing model:

	2011	2010
Expected stock price volatility	**40%**	40%
Dividend	**None**	None
Risk-free interest rate	**2.325%**	2.325%
Expected option life	**4 years**	4 years
Fair value—weighted average of options issued	**1.70**	1.89

For the years ended	**2011**		2010	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		$		$
Beginning of period	**1,596,615**	**4.24**	1,439,055	3.78
Granted	**262,308**	**4.95**	436,500	5.38
Cancelled	**(177,518)**	**5.12**	(171,715)	4.00
Exercised	**(297,380)**	**3.07**	(107,225)	3.09
End of period	**1,384,025**	**4.52**	1,596,615	4.24

The outstanding stock options as at May 31, 2011 are as follows:

Maturity	Exercise Price		Number of options
	Low	High	
	$	$	
December 2013	3.00	3.00	478,475
October 2014	3.81	3.81	2,500
January 2015 to October 2016	4.87	6.16	888,050
June and August 2014	9.13	10.32	15,000
			1,384,025

As at May 31, 2011, 628,765 stock options were exercisable, at a weighted average exercise price of $4.16.

Stock-based compensation cost is allocated as follows:

Years ended May 31	**2011**	2010
	$	$
Cost of goods sold	**185**	251
Selling and administrative	**577**	352
Research and development	**54**	148
	816	751

11 Share capital (continued)

Restricted stock unit incentive plan

On June 7, 2010, the Company adopted a Restricted Share Unit ("RSU") Plan to complement the stock option plan. The RSU Plan enables the Company to award eligible participants phantom share units that vest after a three-year period. RSU is settled in cash and is recorded as liabilities. The measurement of the compensation expense and corresponding liability for these awards is based on the fair value of the award, and is recorded as a charge to selling, general and administrative expenses ("SG&A") over the vesting period of the award. At the end of each financial period, changes in the Company's payment obligation due to changes in the market value of the common shares on the TSX are recorded as a charge to SG&A expenses. During the year ended May 31, 2011, the Company granted 33,129 RSU and recorded a provision of $92.

Restricted stock unit incentive plan for foreign employees

On June 7, 2010, the Company adopted a Restricted Share Unit for Foreign Employees ("RSUFE") Plan. RSUFE granted under the RSUFE Plan may be exercised during a period not exceeding ten years from the date of the grant. The RSUFE outstanding as at May 31, 2011 may be exercised during a period not exceeding six years from their date of grant. RSUFE vest at a rate of 25% per year, beginning one year following the grant date of the award. During the year ended May 31, 2011, the Company granted 8,549 RSUFE and recorded a provision of $15.

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		2011		2010
	$		$	
Income tax expense at statutory tax rates	8,833	29.3%	6,602	30.5%
Increase (decrease) resulting from:				
Losses of subsidiaries for which no tax benefit is recognized	40	0.1%	–	0.0%
Non-deductible expenses	206	0.7%	112	0.5%
Benefits araising from a financing structure	(260)	−0.9%	(260)	−1.2%
Effect of difference of foreign tax rates compared to Canadian tax rates	(42)	−0.1%	(27)	−0.1%
Others	81	0.3%	85	−0.4%
	8,858	29.4%	6,512	30.1%

12 Income taxes (continued)

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

As at May 31	2011	2010
	$	$
Future income tax assets		
Inventory	**2,314**	432
Property, plant and equipment	**2,674**	995
Share issue expenses and professional fees	**1,906**	1,035
Others	**13**	–
	6,907	2,462
Future income tax liabilities		
Inventory	**(197)**	–
Property, plant and equipment	**(3,864)**	(1,972)
Intangible assets	**(19,300)**	(359)
Unrealized foreign exchange gain	**–**	(35)
Others	**(367)**	(413)
	(23,728)	(2,779)
Net future income tax liabilities	**(16,821)**	(317)

Future income taxes are classified as follows:

As at May 31	2011	2010
	$	$
Current future income tax assets	**1,856**	151
Long-term future income tax assets	**5,051**	2,311
Current future income tax liabilities	**(526)**	(445)
Long-term future income tax liabilities	**(23,202)**	(2,334)
Net future income taxes	**(16,821)**	(317)

Loss carry forward

The Company has non-capital losses of approximately $13.5 million available to reduce future taxable income all of which were incurred in the U.S. The future tax benefit of $5.4 million of these losses has not been recognized. These non-capital losses will start to expire in 2029.

13 Cost of Goods Sold

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

Years ended May 31	2011	2010
	$	$
Cost of goods sold	**126,503**	38,911
Amortization of property, plant and equipment related to the transformation of inventories	**3,171**	2,365
	129,674	41,276

14 Financial Instruments

Fair value

All financial assets classified as 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, temporary investments, accounts receivable, bank indebtedness, 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, 2011, the fair value of the long-term debt and balance of purchase price payable is approximately $145,209 ($4,821 as at May 31, 2010) and is calculated using the present value of future cash flows at year-end rate for similar debt with same terms and maturities.

The fair value of financial assets and liabilities by level of hierarchy was as follows as at May 31, 2011:

	Level 1	Level 2	Level 3	Total financial assets and liabilities
	$	$	$	$
Cash and cash equivalents	**27,916**	–	–	**27,916**
Derivative financial instruments [1]	–	(120)	–	(120)

[1] Derivative financial instruments consist of forward exchange contracts and interest rate swaps.

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 customer

The Company has policies in place with regards to the management of its cash and cash equivalents and temporary investments. Its investment policy requires funds to be entirely guaranteed by the financial institution and to be allocated amongst numerous recognized financial institutions.

The Company is exposed to credit risk 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 the risk of losses for certain export clients in case of non-payment, for an annual amount up to a maximum of $1,500;

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

c) One customer represented approximately 29% (74% in 2010) of the sales in the fiscal year 2011 and 4.6% of accounts receivable as of May 31, 2011 (33% in 2010).

14 Financial instruments (continued)

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, 2011, the Company's cash and cash equivalents amounted to $27,916 ($65,992 as at May 31, 2010). The Company also has credit availability of approximately $191,604 (Note 7). Given the Company's available liquid resources, credit availability and the new credit facility as compared to the timing of the payments of liabilities, management assesses the Company's liquidity risk to be moderate.

The contractual maturities of financial liabilities as May 31, 2011 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	67,492	67,492	67,492	–	–	–
Bank indebtedness and short-term debt	170,675	171,166	122,126	49,040	–	–
Derivative financial instruments	441	441	441	–	–	–
Balance of purchase price and holdback	86,180	96,604	2,495	15,148	33,375	45,586
Long-term debt	59,030	71,855	2,898	4,900	40,199	23,858
	383,818	407,558	195,452	69,088	73,574	69,444

Contractual cash flows include interest charges.

Interest rate risk

The Company's debt mainly bears interest at floating rates (Notes 7 and 9). The Company is therefore exposed to interest rate risk variations. The Company entered into interest rate swaps in order to reduce the impact of interest rate fluctuations. As at May 31, 2011, the Company has USD$27 million, €8.5 million and HK$390,000 of nominal value of interest rate swaps. The fair value of these interest rate swaps was ($153) as at May 31, 2011. The interest rate swaps mature between January 2012 and January 2018.

The company has $315 million of financing on which approximately $86 million are covered by interest rate swaps and $8 million at fixed rate. A 1% change in the interest rate would have an effect of $2.2 million on the consolidated earnings before income tax.

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

Exchange risk

The Company is exposed to risk from changes in foreign currency rates on sales around the world for its products manufactured in its different plants. The Company mitigates this risk principally through forward contracts and by the natural hedges provided by purchasing raw materials in US dollar.

The Company designated as a cash flow hedge a portion of its cash denominated in US dollar for future purchases of raw materials. The designated US demoninated dollar cash is accounted for at fair value in the Company's balance sheet. Foreign exchange gains or losses arising on the US cash and cash equivalents designated are recorded in other comprehensive income. When raw material is purchased, which is anticipated to be recorded in the next months, the foreign exchange gain or loss is accounted for as part of raw materials in the inventory. No amount of cash and cash equivalents was designated under this strategy as at May 31, 2011. Foreign exchange gains related to this cash and cash equivalents included in the other comprehensive income amounted to nil as at May 31, 2011.

14 Financial instruments (continued)

The Company had the following currency exposures on May 31, 2011:

	USD	EUR	GBP	RMB	HKD
	$	€	£	¥	$
Financial assets and liabilities [1]:					
Cash and cash equivalents	8,808	244	2	314	2,257
Accounts receivable	41,925	856	25	–	–
Receivable from wholly-owned subsidiaries	972	1,917	–	–	–
Accounts payable and accrued liabilities	(51,808)	(88)	(933)	–	390
Total exposure from above	(103)	2,929	(906)	314	2,647

[1] Amounts above do not include the subsidiaries' account balances of their related functional currency.

Impact of exchange rate fluctuations with regards to gross amount at risk:

	$CA/$US	€/$US	£/$US	¥/$US	$US/$HK
Exchange rates as at May 31, 2011	0.9688	1.4385	1.6439	0.1495	0.1286
Impact on net earnings based on a fluctuation of five cents of the exposes currencies	(3)	146	(51)	2	12

US dollar exposure is against the euro and the Chinese renminbi. Euro exposure is against the US dollar, sterling pound and the Chinese renminbi. Sterling pound exposure is against the US dollar and the euro. The Chinese renminbi exposure is against the US dollar and the euro. Hong Kong dollar exposure is against the US dollar.

15 Foreign exchange (gain) loss

Years ended May 31	2011	2010
	$	$
Foreign exchange (gain) loss related to operations	(408)	194
Realized foreign exchange gain on derivative financial instruments	(6)	(132)
Unrealized foreign exchange gain on derivative financial instruments	(593)	(1,246)
A) Included in the consolidated statement of income	(1,007)	(1,184)

Years ended May 31	2011	2010
	$	$
Realized foreign exchange loss (gain) on designated derivative financial instruments	491	(491)
Realized foreign exchange loss (gain) on designated cash	2,214	(1,209)
Realized foreign exchange gain on designated cash transferred to inventories	(1,005)	–
Unrealized foreign exchange loss (gain) on derivative financial instruments	116	(116)
	1,816	(1,816)
Income tax on the above	(561)	561
B) Included in the consolidated statement of comprehensive income	1,255	(1,255)

16 Financial Expenses

Years ended May 31	2011	2010
	$	$
Interest and bank fees	2,022	185
Interest on long-term debt	426	–
Amortization of other assets	67	–
	2,515	185

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 shareholder's equity.

The capital of the Company amounted to $348,918 as at May 31, 2011 and $125,678 as at May 31, 2010. The increase reflects the net earnings as well as shares issued through a bought-deal and for the acquisition of MCP.

The Company manages its capital structure based on the relationship between the net debt and capital. Net debt represents the sum of short-term and long-term debt, for both current and long-term portions, net of cash and cash equivalents and temporary investments.

18 Commitments and Contingencies

Commitments

The Company rents certain premises and equipment under the terms of operating leases. The maturity of the leases on the premises range from May 2011 to May 2017 with options to extend, and June 2013 on the equipment. The rental expenses related to operating leases for the year ended May 31, 2011 were $1,145.

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

	$
2012	1,175
2013	1,136
2014	501
2015	325
2016 and thereafter	649
	3,786

Contingencies

In the normal course of operations, the Company is exposed to events that could give rise to contingent liabilities or assets. As at the date of issue of the financial statements, the Company was not aware of any significant events that would have a material effect on its financial statements.

19 Earnings Per Share

Years ended May 31	2011	2010
	$	$
Numerator		
Net earnings from continuing operations	**21,641**	15,143
Net earnings	**21,641**	14,647
Denominator		
Weighted average number of common shares outstanding	**49,205,470**	45,578,992
Effect of dilutive securities		
Stock options	**467,617**	254,299
	49,673,087	45,833,291
Earnings per share from continuing operations		
Basic	**0.44**	0.33
Diluted	**0.44**	0.33
Earnings per share		
Basic	**0.44**	0.32
Diluted	**0.44**	0.32

20 Segment Information

The Company has two reportable business segments, namely Electronic Materials and Eco-Friendly Materials. Corresponding operations and activities are managed accordingly by the Company's key decision makers. Segmented operating and financial information, labeled key performance indicators, are available and used to manage these business segments, review performance and allocate resources. Financial performance of any given segment is evaluated primarily in terms of revenues and segment operating profit which are reconciled to consolidated numbers by taking into account corporate income and expenses.

The Electronic Materials segment is headed by a Vice-President which oversees locally managed operations in North America, Europe and Asia. The Electronic Materials segment manufactures and sells refined metals, compounds and alloys which are primarily used in a number of electronic applications. Typical end-markets include photovoltaics (solar energy), medical imaging, light emitting diodes (LED), displays, high-frequency electronics and thermoelectrics. Main products are associated with the following metals: cadmium, gallium, germanium, indium and tellurium. These are sold either in elemental or alloyed form as well as in the form of chemicals and compounds. Revenues and earnings associated with recycling services and activities provided to customers of the Electronic Materials segment are also included in the Electronic Materials segment and management of such activities is also the responsibility of the Electronic Materials Vice-President.

The Eco-Friendly Materials segment is so labeled because it is mainly associated with bismuth, one of the very few heavy metals known for having no detrimental effect on either human health or in the environment. As a result bismuth is being increasingly used in a number of applications as a replacement for more harmful metals and chemicals. The Eco-Friendly Materials segment is headed by a Vice-President which oversees locally managed operations in Europe and China. The Eco-Friendly Materials segment manufactures and sells refined bismuth and bismuth chemicals, low melting point alloys as well as refined selenium and selenium chemicals. These are used in the pharmaceutical and animal-feed industry as well as in a number of industrial applications including coatings, pigments, metallurgical alloys and electronics.

Corporate expenses associated with the head office and unallocated selling, general and administrative expenses together with financing costs, gains and/or losses on foreign exchange and the amortization of intangible assets have been regrouped under the heading Corporate. The head office is also responsible for managing businesses which are still in the development stage and corresponding costs are netted of any revenues.

All inter-segment transactions between the Electronic Materials and Eco-Friendly Materials have been eliminated on consolidation.

20 Segment information (continued)

A comparative breakdown of business segment information for the year ended May 31, 2011 and 2010 is as follows:

	Electronic Materials	Eco-Friendly Materials	Corporate	Total
Year ended May 31, 2011				
Revenues	**121,453**	**57,375**	**–**	**178,828**
Operating profit	**34,925**	**4,772**	**(3,258)**	**36,439**
Foreign exchange gain	**–**	**–**	**(1,007)**	**(1,007)**
Financial	**–**	**–**	**2,515**	**2,515**
Interest income	**–**	**–**	**(604)**	**(604)**
Amortization	**3,562**	**412**	**1,394**	**5,368**
Earnings before non-controling interest and income taxes	**N/A**	**N/A**	**N/A**	**30,167**
Property plant and equipment and intangible assets expenditures	**17,985**	**3,114**	**1,036**	**20,063**
Year ended May 31, 2010				
Revenues	70,763	–	–	70,763
Operating profit	24,336	–	(1,411)	22,925
Foreign exchange gain	–	–	(1,184)	(1,184)
Financial	–	–	185	185
Interest income	–	–	(464)	(464)
Amortization	2,545		188	2,733
Earnings from continuing operations before income taxes	N/A	N/A	N/A	21,654
Property plant and equipment and intangible assets expenditures	4,588	–	249	4,837

	Electronic Materials	Eco-Friendly Materials	Corporate	Total
As at May 31, 2011				
Total assets, excluding goodwill and intangibles	**259,358**	**331,104**	**5,084**	**595,546**
Goodwill	**104,571**	**11,656**	**–**	**116,203**
As at May 31, 2010				
Total assets, excluding goodwill and intangibles	132,368	–	–	132,368
Goodwill	4,382	–	–	4,382

Geographical information

Years ended May 31	2011	2010
	$	$
Revenues with customers located in the following geographical areas:		
Asia	**62,559**	3,654
United States	**61,620**	47,393
Europe	**50,428**	18,969
Canada	**1,561**	669
Other countries	**2,660**	78
	178,828	70,763

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

20 Segment information (continued)

As at May 31	2011	2010
	$	$
Property, plant and equipment, intangible assets and goodwill in the following countries:[1]		
Canada	**59,666**	22,695
Belgium	**12,394**	–
Hong Kong	**93**	–
Germany	**16,726**	9,895
China	**5,839**	–
United Kingdom	**5,003**	–
Unites States	**13,218**	–
Others	**4,690**	–
	117,629	32,590

[1] Excluding the intangible assets and goodwill of MCP as the allocation purchase price is not completed.

21 Discontinued Operations

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. 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 ($1,632). This sale was classified as discontinued operation.

Year ended May 31	2010
	$
Loss of discontinued operations	
Revenues	–
Research and development expenses	887
Loss before income tax	887
Recovery of income taxes	(545)
Net loss	342
Loss on sale of a discontinued operation net of tax of $134	154
Net loss from a discontinued operation	496

ZT Plus had $10,964 of assets and $105 of cash and cash equivalents at the time that the Company sold its participation, 50% were part of the Company's consolidated assets.

22 Pension Benefits

Defined benefit pension plan

The Company has one defined benefit pension plan that covers certain employees of a German subsidiary. This plan loaned €1,896 (approximately $2,640) to the German subsidiary where the employees are located. The plan is updated each year for the calculation of the defined benefit obligations and the fair value of the assets.

The Company has a liability of €6,586 (approximately $9,172) relating to the plan. As at May 31, 2011, the plan assets totalled €2,644 (approximately $3,862) and the Company's expense relating to this plan totalled €70 (approximately $98) for the year ended May 31, 2011. The defined benefit obligation of the plan totalled €6,636 (approximately $9,241) as at May 31, 2011.

23 Comparative Figures

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

24 Subsequent Events

In August 2011, the Company signed a new $250 million senior secured multi-currency revolving credit facility to replace its existing $50 million two-year senior secured revolving facility with National Bank of Canada. The new credit facility will be used to refinance existing indebtedness and for other corporate purposes, including capital expenditures and growth opportunities. The new credit facility has a four-year term and bears interest at either prime rate, U.S. base rate, LIBOR or EURO LIBOR plus a margin based on 5N Plus' senior consolidated debt to EBITDA ratio. 5N Plus also has a US$35 million credit facilities in Asia. At any time, 5N Plus has the option to request that the new credit facilities be expanded to $350 million through the exercise of an additional $100 million accordion feature, subject to review and approval by the lenders. In connection with the new credit facility, National Bank of Canada and HSBC Bank acted as colead arrangers and joint book runners, and five other banks as lenders.

On August 24, 2011, we announced the approval from our Board of Directors to change our financial year-end from May 31 to December 31. This change will align the financial year ends of 5N Plus and MCP, simplifying internal processes as all business units will use the same reporting periods. The first quarter ending September 30, 2011 will include four months of results and the annual period ending December 31, 2011 will contain seven months of 5N Plus' results.