Management's report

Year ended
May 31,
2010

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

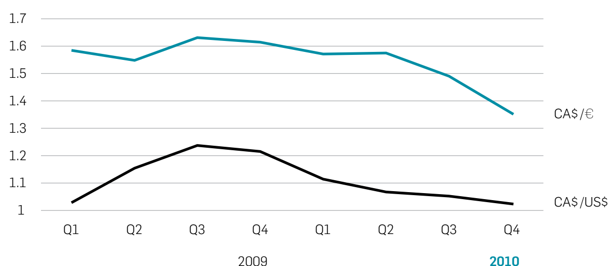
Selected Quarterly Financial Information

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

- 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.