5N PLUS

Interim Consolidated Financial Statements (unaudited)

Three and nine-month periods ended February 28, 2010 and 2009

5N Plus Inc.
Interim Consolidated Statements of Earnings
(unaudited)

(in Canadian dollars)	Three months ended February 28 **2010**	Three months ended February 28 2009 (Restated)	Nine months ended February 28 **2010**	Nine months ended February 28 2009 (Restated)
Sales	**$ 19,227,127**	$ 19,150,195	**$ 51,033,792**	$ 51,315,894
Cost of sales (note 8)	**11,023,594**	9,309,927	**27,852,448**	24,613,624
Gross profit	**8,203,533**	9,840,268	**23,181,344**	26,702,270
Expenses				
Selling and administrative	**1,512,646**	1,343,814	**5,285,279**	3,606,876
Research and development	**827,584**	333,238	**1,971,690**	817,865
Depreciation of property, plant and equipment (note 4)	**662,008**	603,077	**1,919,425**	1,553,111
Amortization of intangible assets	**103,142**	-	**202,894**	-
Foreign exchange (gain) loss (note 10)	**(390,209)**	96,926	**(520,083)**	(1,265,775)
Financial (note 11)	**64,675**	130,812	**160,908**	333,706
Interest income	**(108,781)**	(227,205)	**(378,632)**	(996,316)
	2,671,065	2,280,662	**8,641,481**	4,049,467
Earnings before undernoted items	**5,532,468**	7,559,606	**14,539,863**	22,652,803
Start-up costs, new plant	**-**	53,882	**-**	709,552
Earnings before income taxes	**5,532,468**	7,505,724	**14,539,863**	21,943,251
Income taxes	**1,456,955**	2,316,051	**4,231,994**	6,783,578
Net earnings	**$ 4,075,513**	$ 5,189,673	**$ 10,307,869**	$ 15,159,673
Earnings per share (note 7)				
Basic	**$ 0.09**	$ 0.11	**$ 0.23**	$ 0.33
Diluted	**$ 0.09**	$ 0.11	**$ 0.23**	$ 0.33
Weighted average number of common shares (note 7)				
Basic	**45,615,999**	45,505,413	**45,563,382**	45,501,804
Diluted	**46,016,585**	45,815,527	**45,772,957**	45,889,182

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

5N Plus Inc.
Interim Consolidated Statements of Comprehensive Income
(unaudited)

(in Canadian dollars)	Three months ended February 28 2010	2009 (Restated)	Nine months ended February 28 2010	2009 (Restated)
Net earnings	**$ 4,075,513**	$ 5,189,673	**$ 10,307,869**	$ 15,159,673
Other comprehensive income, net of income taxes:				
Effective portion of gain on foreign exchange contracts	**260,702**	-	**417,680**	-
Unrealized (loss) gain on translating financial statements of self-sustaining foreign operation	**(1,807,615)**	347,736	**(1,437,664)**	384,773
Comprehensive income	**$ 2,528,600**	$ 5,537,409	**$ 9,287,885**	$ 15,544,446

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

5N Plus Inc.
Interim Consolidated Statements of Shareholders' Equity
(unaudited)

(in Canadian dollars)	Three months ended February 28 2010	2009 (Restated)	Nine months ended February 28 2010	2009 (Restated)
Share Capital (note 6)				
At beginning of period	**$ 82,319,580**	$ 81,788,694	**$ 81,881,914**	$ 81,788,694
Issuance of shares	**40,441**	49,895	**478,107**	49,895
At end of period	**$ 82,360,021**	$ 81,838,589	**$ 82,360,021**	$ 81,838,589
Contributed Surplus				
At beginning of period	**$ 977,498**	$ 520,623	**$ 797,800**	$ 242,136
Compensation costs related to stock options	**197,382**	135,376	**528,695**	413,863
Options exercised	**(10,741)**	(17,420)	**(162,356)**	(17,420)
At end of period	**$ 1,164,139**	$ 638,579	**$ 1,164,139**	$ 638,579
Accumulated Other Comprehensive Income				
At beginning of period	**$ 415,881**	$ 269,456	**$ (111,048)**	$ -
Foreign exchange contracts	**260,702**	-	**417,680**	-
Unrealized (loss) gain on translating financial statements of self-sustaining foreign operation	**(1,807,615)**	347,736	**(1,437,664)**	384,773
Translation from the temporal method to the current rate method	**-**	-	**-**	232,419
At end of period	**$ (1,131,032)**	$ 617,192	**$ (1,131,032)**	$ 617,192
Retained Earnings				
At beginning of period	**$ 36,032,454**	$ 18,901,974	**$ 29,800,098**	$ 8,931,974
Net earnings	**4,075,513**	5,189,673	**10,307,869**	15,159,673
At end of period	**$ 40,107,967**	$ 24,091,647	**$ 40,107,967**	$ 24,091,647
Shareholders' Equity	**$ 122,501,095**	$ 107,186,007	**$ 122,501,095**	$ 107,186,007

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

5N Plus Inc.
Interim Consolidated Balance Sheets

(in Canadian dollars)	As at February 28, 2010 (unaudited)	As at May 31, 2009 (audited)
Assets		
Current assets		
Cash and cash equivalents	**$ 61,472,756**	$ 65,066,530
Accounts receivable (note 2)	**5,836,242**	6,702,197
Inventories (note 3)	**29,362,033**	27,054,960
Prepaid expenses and deposits	**664,212**	516,391
Income taxes recoverable	**312,034**	-
Future income taxes	**205,488**	249,958
Foreign currency forward contracts	**482,926**	1,685,076
	98,335,691	101,275,112
Property, plant and equipment (note 4)	**28,082,085**	25,823,473
Intangible assets (note 5)	**4,593,152**	354,950
Goodwill (note 13)	**4,566,726**	-
Future income taxes	**1,825,270**	662,639
Other assets	**45,181**	52,682
	$ 137,448,105	$ 128,168,856
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	**$ 7,229,956**	$ 6,791,675
Income taxes payable	**-**	3,021,632
Current portion of long-term debt	**587,875**	549,922
Current portion of other long-term liabilities	**24,961**	41,725
Future income taxes	**65,338**	311,897
	7,908,130	10,716,851
Long-term debt	**4,654,145**	3,997,923
Deferred revenue	**472,643**	641,618
Future income taxes	**1,912,092**	443,700
	14,947,010	15,800,092
Shareholders' equity		
Share capital (note 6)	**82,360,021**	81,881,914
Contributed surplus	**1,164,139**	797,800
Accumulated other comprehensive income	**(1,131,032)**	(111,048)
Retained earnings	**40,107,967**	29,800,098
	122,501,095	112,368,764
	$ 137,448,105	$ 128,168,856

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

5N Plus Inc.
Interim Consolidated Statements of Cash Flows
(unaudited)

(in Canadian dollars)	Three months ended February 28		Nine months ended February 28	
	2010	2009 (Restated)	**2010**	2009 (Restated)
Operating activities				
Net earnings	**$ 4,075,513**	$ 5,189,673	**$ 10,307,869**	$ 15,159,673
Adjustments for:				
Future income taxes	**(933,291)**	1,229	**(366,103)**	393,483
Depreciation of property, plant and equipment	**662,008**	603,077	**1,919,425**	1,553,111
Amortization of intangible assets	**103,142**	-	**202,894**	-
Deferred revenue	**(43,807)**	(41,348)	**(132,343)**	(121,249)
Stock-based compensation	**197,382**	135,376	**528,695**	413,863
Other	**-**	23,241	**-**	68,860
	4 060 947	5,911,248	**12,460,437**	17,467,741
Net change in non-cash working capital items				
Accounts receivable	**(1,414,836)**	1,588,721	**1,067,482**	5,574,775
Inventories	**1,818,217**	(4,789,107)	**(1,334,128)**	(15,173,711)
Prepaid expenses and deposits	**(143,863)**	(350,990)	**86,186**	(394,816)
Income taxes recoverable	**1,232,486**	-	**(315,147)**	-
Foreign currency forward contracts	**(27,200)**	-	**1,619,830**	-
Accounts payable and accrued liabilities	**(3,579,620)**	1,975,086	**(1,090,436)**	3,406,900
Income taxes payable	**12,757**	1,398,781	**(3,011,315)**	736,872
Cash flows from operating activities	**1,958,888**	5,733,739	**9,482,909**	11,617,761
Financing activities				
Net change in bank loan	**-**	(2,389,294)	**-**	(755,600)
Net change in other long-term liabilities	**-**	(106,411)	**(16,764)**	(349,786)
Issuance of shares	**29,700**	32,475	**315,751**	32,475
Repayment of long-term debt	**(125,010)**	(124,858)	**(424,952)**	(428,135)
Cash flows from financing activities	**(95,310)**	(2,588,088)	**(125,965)**	(1,501,046)
Investing activities				
Additions to property, plant and equipment	**(1,138,716)**	(1,497,028)	**(3,671,461)**	(7,534,369)
Acquisition of a joint venture (note 12)	**(778,553)**	-	**(1,002,714)**	-
Acquisition of a business (note 13)	**(7,912,085)**		**(7,912,085)**	
Cash of an acquired business	**164,058**		**164,058**	
Additions to intangible assets	**(104,325)**	-	**(381,075)**	-
Other assets	**85,038**	-	**7,501**	3,001
Cash flows from investing activities	**(9,684,583)**	(1,497,028)	**(12,795,776)**	(7,531,368)
Effect of changes in foreign exchange rates on cash and cash equivalents	**(194,815)**	10,705	**(154,942)**	25,473
Net (decrease) increase in cash and cash equivalents	**(8,015,820)**	1,659,328	**(3,593,774)**	2,610,820
Cash and cash equivalents, beginning of period	**69,488,576**	60,528,235	**65,066,530**	59,576,743
Cash and cash equivalents, end of period	**$ 61,472,756**	$ 62,187,563	**$ 61,472,756**	$ 62,187,563
Supplementary information				
Unpaid property, plant and equipment and intangible assets included in accounts payable and accrued liabilities	**$ 37,071**	$ 307,257	**$ 37,071**	$ 307,257
Unpaid acquisition of a joint venture included in accounts payable and accrued liabilities	**$ 1,902,480**	$ -	**$ 1,902,480**	$ -
Interest paid	**$ 33,315**	$ 80,283	**$ 108,350**	$ 232,014
Income taxes paid	**$ (91,252)**	$ 690,000	**$ 6,047,846**	$ 4,749,759

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

1. Summary of Significant Accounting Policies

Basis of presentation

These interim consolidated financial statements are expressed in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and follow the same accounting policies and methods in their application as the most recent annual Consolidated Financial Statements, except for the changes in accounting policies as disclosed further. The unaudited interim consolidated financial statements do not include all disclosures required for annual financial statements and should be read in conjunction with the Company's most recent audited consolidated financial statements.

Comparative figures

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

In January 2008, the CICA issued Section 3064 "Goodwill and Intangible Assets", which replaces Section 3062 "Goodwill and Others Intangible Assets", and results in the withdrawal of Section 3450 "Research and Development Costs", and Emerging Issues Committee Abstract 27 "Revenues and Expenditures during the Pre-operating Period", and amendments to Accounting Guideline No 11 "Enterprises in the Development Stage". The standard provides guidance on the recognition of intangible assets in accordance with the definition of an asset and the criteria for asset recognition as well as clarifying the application of the concept of matching revenues and expenses, whether these assets are separately acquired or internally developed. This standard applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. The Company has adopted retroactively this accounting standard to the Company's consolidated financial statements for the year ended May 31, 2008 and the main impacts for the three and nine-month periods ended February 28, 2009 are:

	Three months ended February 28, 2009	Nine months ended February 28, 2009
Consolidated Statement of Earnings	Increase (decrease)	
Start-up costs	$ 53,882	$ 503,162
Amortization of deferred start-up costs	$ (172,912)	$ (380,356)
Earnings before income taxes	$ 119,030	$ (122,806)
Income taxes	$ 33,328	$ (34,386)
Net earnings	$ 85,702	$ (88,420)

	As at February 28, 2009
Consolidated Balance Sheet	
Current assets - Future income taxes	$ 264,268
Deferred start-up costs	$ (978,504)
Retained earnings	$ (714,236)

Changes in accounting policies

Intangible assets

Intangible assets are accounted for at cost and amortized on a straight-line basic over their estimated useful lives of 5 to 17 years.

Hedges

The Company uses foreign exchange contracts to manage its cash flow risks. The Company applies hedge accounting for certain foreign currency forward contracts designated as cash flow hedges. These derivatives are measured at fair value in the consolidated balance sheet. The effective portion of the variation of the fair value of these contracts is included in comprehensive income.

Joint Venture

On September 1, 2009, the Company has established a joint venture called ZT Plus with BSST, a subsidiary of Amerigon Incorporated. As at February 28, 2010, the Company had a 50% ownership interest in ZT Plus. This joint venture would have developed and manufactured advanced, more efficient thermoelectric materials designed to enable the use of advance thermoelectric technology in a wide variety of heating and cooling and power generation applications for industrial, consumer, medical, electronics and automotive markets. ZT Plus is accounted for using the proportionate consolidation method (note 12). On March 26, 2010, the Company sold its investment for an amount of US$1,600,000.

Future changes in accounting policies

International Financial Reporting Standards (IFRS)

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

To prepare for the transition to IFRS, the Company has already established the main differences and works with external consultants. Senior management of the Company is well aware of all the steps required to comply with IFRS. The Company has developed a plan, assessed the resource requirements for its implementation, and commenced to work with its auditors to confirm certain positions. It has already identified the major differences between existing Canadian GAAP and current IFRS. Standards that could have a significant impact on the Company's consolidated financial statements include those relating to the functional currency of the Company. As IFRS are in constant evolution, the Company and its consultants are on the lookout for any changes and impacts on the Company.

The Company is currently assessing how adoption of IFRS will impact information technology, operations and internal controls. A strategy has been defined for the dual-accounting period. At this time, the Company is unable to quantify how the transition to IFRS will affect its consolidated financial statements, but believes the impact could be significant. In the periods preceding the first fiscal year in which IFRS will be adopted, the impacts of transitioning to international standards on the Company's consolidated financial statements will be disclosed as they become known.

Business combination and Consolidated Financial Statements

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

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

(in Canadian dollars)

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.

2. Accounts receivable

	As at February 28,2010	As at May 31, 2009
Trade accounts receivable	$ 4,469,783	$ 3,826,686
Commodity taxes	602,067	417,073
Grant receivable	-	2,518,930
Other	849,392	39,508
Allowance for doubtful accounts	(85,000)	(100,000)
	$ 5,836,242	$ 6,702,197

Chronological history of trade accounts receivable:

	As at February 28,2010	As at May 31,2009
Current	$ 3,981,440	$ 3,327,781
0 to 30 days overdue	275,948	301,225
31 to 60 days overdue	60,646	1,915
61 to 120 days overdue	151,749	195,765
	$ 4,469,783	$ 3,826,686

3. Inventories

	As at February 28, 2010	As at May 31, 2009
Raw materials	$ 16,393,310	$ 18,183,623
Finished goods and work in progress	12,968,723	8,871,337
	$ 29,362,033	$ 27,054,960

(in Canadian dollars)

4. Property, plant and equipment

	As at February 28, 2010		
	Cost	Accumulated depreciation	Net book value
Land	**$ 1,027,145**	**$ -**	**$ 1,027,145**
Buildings	**11,072,254**	**1,142,992**	**9,929,262**
Leasehold improvements	**1,697,888**	**408,184**	**1,289,704**
Production equipment	**20,966,557**	**5,544,834**	**15,421,723**
Rolling stock	**47,441**	**39,819**	**7,622**
Furniture and equipment	**311,764**	**116,556**	**195,208**
Computer equipment	**490,997**	**279,576**	**211,421**
	$ 35,614,046	**$ 7,531,961**	**$ 28,082,085**

	As at May 31, 2009		
	Cost	Accumulated Depreciation	Net book value
Land	$ 534,632	$ -	$ 534,632
Buildings	11,425,865	824,312	10,601,553
Leasehold improvements	1,545,668	335,958	1,209,710
Production equipment	17,266,938	4,259,315	13,007,623
Rolling stock	47,441	39,093	8,348
Furniture and equipment	278,802	89,995	188,807
Computer equipment	493,892	221,092	272,800
	$ 31,593,238	$ 5,769,765	$ 25,823,473

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

	Three months ended February 28		Nine months ended February 28	
	2010	2009	**2010**	2009
Cost of goods sold	**$ 615,989**	$ 565,026	**$ 1,777,717**	$ 1,439,199
Administrative expenses	**44,222**	36,500	**131,884**	109,411
Research and development expenses	**1,797**	1,551	**9,824**	4,501
	$ 662,008	$ 603,077	**$ 1,919,425**	$ 1,553,111

5. Intangible Assets

	As at February 28, 2010		
	Cost	Accumulated amortization	Net book value
Software	**$ 604,207**	**$ 90,288**	**$ 513,919**
Intellectual property	**4,191,839**	**112,606**	**4,079,233**
	$ 4,796,046	**$ 202,894**	**$ 4,593,152**

(in Canadian dollars)

	As at May 31, 2009		
	Cost	Accumulated amortization	Net book value
Software	$ 354,950	$ -	$ 354,950

6. Share Capital

Authorized

An unlimited number of common shares, with no par value, participating, are 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.

Issued and fully paid

	As at February 28, 2010		As at May 31, 2009	
	Number	Amount	Number	Amount
Common shares				
Outstanding	**45,618,000**	**$ 82,360,021**	45,520,225	$ 81,881,914

Stock Option Plan

In October 2007, the Company introduced a new stock option plan for directors, officers and employees. The maximum number of common shares that can be issued upon the exercise of options granted is equal to 10% of the aggregate number of common shares issued and outstanding from time-to-time. The maximum period during which an option may be exercised is ten years from the date of the grant. For the three-month period ended February 28, 2010, the Company granted 376,500 options at a weighted average price of $5.23 per option (399,430 options at a weighted average price of $5.47 per option for the three-month period ended February 28, 2009). For the nine-month period ended February 28, 2010, the Company granted 426,500 options at a weighted average price of $5.38 per option (466,430 at a weighted average price of $5.42 for the nine-month period ended February 28, 2009). Options vest at a rate of 25% (100% for the directors) per year, beginning one year following the grant date of the options.

The following presents the assumptions used to establish the fair value assigned to the options issued using the Black-Scholes valuation model:

	2010	2009
Expected volatility	**68%**	68%
Dividend	**None**	None
Risk-free interest rate	**2.50%**	2.50%
Risk-free interest rate (directors)	**2.25%**	2.25%
Expected life	**3.5 years**	3.5 years
Expected life (directors)	**1 year**	1 year
Fair value – weighted average of options issued	**1.96**	1.74

(in Canadian dollars)

	Three months ended February 28				Nine months ended February 28			
	2010		2009		**2010**		2009	
	Stock Options	**Weighted average exercise price**	Stock Options	Weighted average exercise price	**Stock Options**	**Weighted average exercise price**	Stock Options	Weighted average exercise price
Beginning of period	**1,239,985**	**$3.91**	1,099,500	$3.13	**1,439,555**	**$3.78**	1,032,500	$3.00
Granted	**376,500**	**$5.23**	399,430	$5.47	**426,500**	**$5.38**	466,430	$5.42
Cancelled	**-**	**-**	(27,575)	$3.00	**(157,595)**	**$4.00**	(27,575)	$3.00
Exercised	**(5,800)**	**$3.00**	(10,825)	$3.00	**(97,775)**	**$3.10**	(10,825)	$3.00
End of period	**1,610,685**	**$4.23**	1,460,530	$3.77	**1,610,685**	**$4.23**	1,460,530	$3.77

Stock-based compensation cost is allocated as follows:

	Three months ended February 28		Nine months ended February 28	
	2010	2009	**2010**	2009
Cost of goods sold	**$ 38,510**	$ 114,336	**$ 108,880**	$ 173,144
Selling and administrative expenses	**119,742**	9,202	**301,977**	197,667
Research and development expenses	**39,130**	11,838	**117,838**	43,052
	$ 197,382	135,376	**$ 528,695**	$ 413,863

7. Earnings Per Share

	Three months ended February 28		Nine months ended February 28	
	2010	2009	**2010**	2009
Numerator				
Net earnings	**$ 4,075,513**	$ 5,189,673	**$ 10,307,869**	$ 15,159,673
Denominator				
Weighted average number of common shares	**45,615,999**	45,505,413	**45,563,382**	45,501,804
Effect of dilutive securities				
Stock options	**400,586**	310,114	**209,575**	387,378
	46,016,585	45,815,527	**45,772,957**	45,889,182
Earnings per share				
Basic	**$ 0.09**	$ 0.11	**$ 0.23**	$ 0.33
Diluted	**$ 0.09**	$ 0.11	**$ 0.23**	$ 0.33

(in Canadian dollars)

8. Cost of sales

The following table presents the reconciliation of the cost of sales reflected in earnings to the inventory amount charged to expense during the period:

	Three months ended February 28		Nine months ended February 28	
	2010	2009	**2010**	2009
Cost of sales	**$ 11,023,594**	$ 9,309,927	**$ 27,852,448**	$ 24,613,624
Depreciation of property, plant and equipment related to the transformation of inventories	**615,989**	565,026	**1,777,717**	1,439,199
Inventory amount charged to expense	**$ 11,639,583**	$ 9,874,953	**$ 29,630,165**	$ 26,052,823

9. Financial Instruments

Risk management policies and processes

In the normal course of its operations, the Company is exposed to credit risk, liquidity and financing risk, interest rate risk as well as price risk and 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 a conservative approach with regard to the management of its cash and cash equivalents. The Investment Policy stipulates that the funds have to be 100% guaranteed and allocated among three recognized financial institutions, and finally the President and Chief Executive Officer, and the Chief Financial Officer jointly authorize the type and terms of the investments.

The Company is exposed to credit risk that is mainly associated with its accounts receivable, which is the risk that a client will not be able to pay amounts in full when due. The Company considers its credit risk to be limited for the following reasons:

a) The Company concluded an agreement with Export Development Canada (“EDC”) which stipulates that EDC will assume a portion of risk loss for certain clients in the event of non-payment, up to a maximum of $1,500,000 per year.

b) The Company does not require additional guarantee 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 not recoverable.

c) One customer represented approximately 67% and 77% of sales for the three and nine-month periods ended February 28, 2010 respectively (85% and 84% for the three and nine-month periods ended February 28, 2009) and 40% of accounts receivable as at February 28, 2010 (79% as at May 31, 2009).

Liquidity and financing risk

The Company makes use of short and long-term financing at several financial institutions. Should a significant decrease in cash and cash equivalents occur, the Company could make use of these facilities.

The following are the contractual maturities of financial liabilities as at February 28, 2010:

	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	$ 7,229,956	$ 7,229,956	$ 6,305,808	$ 924,148	$ -	$ -
Long-term debt	5,242,020	5,778,947	360,860	303,739	696,789	4,417,559
Other long-term liabilities	24,961	24,961	24,961	-	-	-
	$ 12,496,937	$ 13,033,864	$ 6,691,629	$ 1,227,887	$ 696,789	$ 4,417,559

Contractual cash flows include interest charges.

Interest rate risk

As at February 28, 2010 the Company's level of cash and equivalents are $61,472,756. Therefore, 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 the debt is at fixed rates. Management does not believe that the impact of interest rate fluctuations will be significant on its operating results. A fluctuation of interest rate of 0.50% on every $10,000,000 in cash and cash equivalents would annually impact interest income by $50,000.

Price risk

The Company is exposed to a risk of fluctuations in market prices for metals. This risk is managed by adequately forecasting and scheduling the acquisition of inventories to meet its fixed price contractual obligations to its customers. Financial instruments do not expose the Company to raw material price risks.

Currency risk

The Company is exposed to currency risk on sales of Canadian-made products in US dollars and in Euros. The Company considers currency risk to be limited because in terms of raw material purchases, prices are mainly denominated in US dollars. The Company's purchases represent a partial natural hedge against sales in US dollars.

On September 25, 2009, the Company concluded a foreign currency forward contract totaling 10,500,000 Euro at an average conversion rate of 1.6 to hedge the sales made by its German subsidiary 5N PV. This foreign currency forward contract of 500,000 Euro by month was effective from October 1, 2009 until June 30, 2011. On January 13, 2010, this contract was sold for an amount of $800,000 and on the same day, the Company concluded another foreign currency forward contract for an amount of 8,500,000 Euro with an average exchange rate of 1.4975. This foreign currency forward contract of 500,000 Euro by month is effective from January 13, 2010 until May 31, 2011. The fair value of the foreign exchange contract is $482,926 as at February 28, 2010 and was accounted for in the consolidated statements of earnings.

As at February 28, 2010 the Company had the following exposure on:

	USD	**EUR**
Financial assets and liabilities measured at amortized costs:		
Cash and cash equivalents	**3,664,404**	**2,431,009**
Accounts receivable	**3,238,689**	**79,915**
Receivable from the wholly-owned subsidiary	**-**	**476,446**
Accounts payable and accrued liabilities	**(3,325,393)**	**(1,856)**
Payable to the wholly-owned subsidiary	**(365,709)**	**(1,168,500)**
Total exposure from above	**3,211,991**	**1,817,014**

(in Canadian dollars)

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

	CDN/USD	CDN/EUR
Exchange rates as at February 28, 2010	**1.0526**	**1.4377**
Impact on net earnings based on a fluctuation of five cents in the Canadian dollar exchange rate	**$ 116,811**	**$ 90,255**

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

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 receivables, as well as accounts payable and accrued liabilities, approximates their fair value because of the relatively short period to maturity of these instruments.

The fair value of the long-term debt approximates their carrying value as the Company's borrowing terms and conditions reflect current market conditions.

10. Foreign exchange (gain) loss

	Three months ended February 28		Nine months ended February 28	
	2010	2009	**2010**	2009
Foreign exchange loss (gain) related to operations	**$ 306,927**	$ (345,898)	**$ 24,882**	$ (1,565,211)
Realized (gain) loss on derivative financial instruments	**(236,592)**	192,057	**(54,926)**	(332,943)
Unrealized (gain) loss on derivative financial instruments	**(460,544)**	250,767	**(490,039)**	632,379
	$ (390,209)	$ 96,926	**$ (520,083)**	$ (1,265,775)

11.Financial expenses

	Three months ended February 28		Nine months ended February 28	
	2010	2009	**2010**	2009
Interest and bank charges	**$ 31,848**	$ 75,197	**$ 58,524**	$ 117,356
Interest on long-term debt	**32,827**	32,267	**102,384**	162,791
Amortization of other asset	**-**	23,348	**-**	53,559
	$ 64,675	$ 130,812	**$ 160,908**	$ 333,706

12. Joint venture

On September 1, 2009, the Company has established a joint venture called ZT Plus. As at February 28, 2010, the Company disbursed $2,005,428 related to this joint venture. On March 26, 2010, the Company sold its investment in ZT Plus for an amount of US$1,600,000. The loss before income tax attributable to the disposition was approximately $148,000. The significant numbers of the joint venture included in the consolidated financial statements are:

(in Canadian dollars)

Balance Sheet		As at February 28, 2010
Accounts receivable from joint venture partners	$	**1,902,480**
Current assets	$	**52,624**
Long-term assets	$	**3,444,651**
Short-term liabilities	$	**350,643**

The receivable from joint venture partners above are before offsetting amounts owing to the joint venture that are included in accounts payable and accrued liabilities.

Statement of earnings		Three months ended February 28, 2010		Nine months ended February 28, 2010
Expenses	$	**351, 665**	$	**1,017,939**
Net loss	$	**351, 665**	$	**1,017,939**

Statement of cash flows		Three months ended February 28, 2010		Nine months ended February 28, 2010
Cash flow from operating activities	$	**(1,061,339)**	$	**(717,904)**
Cash flow from investing activities	$	**138,516**	$	**(26,909)**
Cash flow from financing activities	$	**768,334**	$	**997,732**

13. Business combination

Firebird Technologies Inc.

On December 1st, 2009, the Company acquired for the amount of $7,912,085, Firebird Technologies Inc., a manufacturer of compound semiconductor products and pure metals. Firebird's main products, which include indium antimonide wafers as well as pure metals such as antimony, indium and tin, are 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. The preliminary allocation of the fair values of acquired assets and the liabilities assumed is as follows:

Cash and cash equivalents	$	**164,058**
Accounts receivable		**424,958**
Prepaid expenses and deposits		**226,742**
Inventories		**1,229,535**
Property, plant and equipment		**1,521,520**
Intangible assets		**1,354,954**
Goodwill		**4,566,726**
Accounts payable and accrued liabilities		**(22,964)**
Long-term debt		**(1,119,127)**
Future income taxes		**(434,317)**
Price paid including acquisition costs	$	**7,912,085**