5N PLUS INC.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FOUR-MONTH PERIOD ENDED SEPTEMBER 30, 2011 AND
THE THREE-MONTH PERIOD ENDED AUGUST 31, 2010

5N PLUS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited – all figures in thousands of United States dollars)

	September 30, 2011	May 31, 2011 (Note 18)	June 1, 2010 (Note 18)
	$	$	$
ASSETS			
Current			
Cash and cash equivalents	29,028	28,050	63,077
Temporary investments (restricted) (Note 9)	49,298	51,121	1,911
Accounts receivable (Note 4)	98,070	117,153	4,584
Inventories (Note 5)	339,634	300,055	26,110
Derivative financial assets	-	331	1,303
Income taxes receivable	4,212	2,479	443
Other current assets	1,717	1,337	1,026
Total current assets	521,959	500,526	98,454
Property, plant and equipment (Note 6)	97,747	98,371	27,235
Intangible assets (Note 7)	71,408	74,862	1,672
Deferred tax asset	6,442	5,988	1,484
Goodwill (Note 8)	123,916	123,916	4,200
Investments accounted for using the equity method	1,306	1,084	-
Other assets	5,426	1,522	43
Total non-current assets	306,245	305,743	34,634
Total assets	**828,204**	**806,269**	**133,088**
LIABILITIES AND EQUITY			
Current			
Bank indebtedness and short-term debt (Note 9)	152,383	174,703	-
Accounts payable and other accrued charges	57,941	68,320	4,449
Income taxes payable	11,512	7,421	52
Derivative financial liabilities	4,119	456	-
Long-term debt due within one year (Note 9)	17,612	19,430	595
Total current liabilities	243,567	270,330	5,096
Long-term debt (Note 9)	160,672	128,973	4,012
Deferred tax liability	23,049	23,782	2,984
Retirement benefit obligations	9,689	10,395	-
Derivative financial liabilities	1,902	-	-
Other liabilities	10,341	8,799	618
Total liabilities	449,220	442,279	12,710
Equity	378,324	362,698	120,378
Non-controlling interest	660	1,292	-
Total equity	378,984	363,990	120,378
Total liabilities and equity	**828,204**	**806,269**	**133,088**

Commitments (Note 20)

See accompanying notes.

5N PLUS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited – all figures in thousands of United States dollars, except per share information)
For the four months ended September 30, 2011 with comparative figures for the three months ended August 31, 2010 (Note 1)

	2011 (4 months)	2010 (3 months) (Note 18)
	$	$
Revenues	242,289	18,042
Cost of sales (Note 19)	199,432	10,545
Selling, general and administrative expenses (Note 19)	16,054	1,734
Other expenses, net (Note 19)	5,454	1,067
Share of profit from joint ventures	(221)	-
	220,719	13,346
Operating income	21,570	4,696
Financial expenses		
Interest on long-term debt	2,889	87
Other interest expense	551	(127)
Foreign exchange (gain) loss and derivative	(1,760)	756
	1,680	716
Earnings before income tax	19,890	3,980
Income tax	4,957	1,186
Net earnings for the period	14,933	2,794
Attributable to:		
Equity holders of 5N Plus Inc.	15,565	2,794
Non-controlling interest	(632)	-
	14,933	2,794
Earnings per share attributable to equity holders of 5N Plus Inc. (Note 14)	0.22	0.06
Basic earnings per share	0.21	0.06
Diluted earnings per share	0.21	0.06

See accompanying notes.

5N PLUS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited – all figures in thousands of United States dollars)
For the four months ended September 30, 2011 with comparative figures for the three months ended August 31, 2010 (Note 1)

	2011 (4 months)	2010 (3 months) (Note 18)
	$	$
Net earnings for the period	14,933	2,794
Other comprehensive income		
Cash flow hedges, net of income tax of $122 (2010 – nil)	(307)	-
Currency translation adjustment	114	-
Comprehensive income for the period	14,740	2,794
Attributable to equity holders of 5N Plus Inc.	15,372	2,794
Attributable to non-controlling interest	(632)	-

See accompanying notes.

5N PLUS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited – all figures in thousands of United States dollars)
For the four months ended September 30, 2011 with comparative figures for the three months ended August 31, 2010 (Note 1)

	2011 (4 months)	2010 (3 months) (Note 18)
	$	$
Operating activities		
Net earnings for the period	14,933	2,794
Net earnings attributable to Non-controlling interest	(632)	-
Net earnings attributable to equity holders of 5N Plus Inc	15,565	2,794
Adjustments to reconcile net earnings to cash flows		
Amortization of property, plant and equipment and intangible assets	7,334	702
Share-based compensation expense	168	255
Deferred income tax	(1,187)	(50)
Share of profit from joint ventures	(221)	-
Unrealized loss on non-hedge financial instrument	3,213	-
Unrealized gain on long term liabilities	(7,124)	-
Other	(759)	(70)
	16,989	3,631
Net change in non-cash working capital balances related to operations (Note 12)	(28,969)	(3,832)
Cash flows used in operating activities	(11,980)	(201)
Investing activities		
Acquisition of property, plant and equipment	(4,645)	(2,679)
Acquisition of intangible assets	(472)	(24)
Temporary investments (restricted)	1,823	32
Acquisition of a convertible debenture and conversion option	-	(3,024)
Cash flows used in investing activities	(3,294)	(5,695)
Financing activities		
Repayment of long-term debt	(6,740)	(166)
Proceeds from issuance of long-term debt	42,740	-
Net decrease in bank advances and other short-term debt	(22,320)	-
Issuance of common shares	212	17
Financial instruments – net	1,923	1,303
Others	437	(46)
Cash flows from financing activities	16,252	1,108
Net increase (decrease) in cash and cash equivalents	978	(4,788)
Cash and cash equivalents, beginning of period	28,050	63,077
Cash and cash equivalents, end of period	29,028	58,289

Supplemental information		
Income tax paid (1)	4,396	2,045
Interest paid (1)	3,248	29

(1) Amounts paid for interest and income taxes were reflected as cash flows from operating activities in the condensed interim consolidated statements of cash flows.

See accompanying notes.

5N PLUS INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Unaudited – all figures in thousands of United States dollars except number of common shares)
For the four months ended September 30, 2011 with comparative figures for the three months ended August 31, 2010 (Note 1)

Total Equity	Number of shares	2011 (4 months)	2010 (3 months) (Note 18)
		$	$
Share Capital			
Shareholder's Equity			
Balance at beginning of period	70,892,627	305,463	81,467
Shares issued on exercise of stock options	66,498	327	27
Balance at end of period	70,959,125	305,790	81,494
Contributed Surplus			
Balance at beginning of period		2,367	2,062
Share-based compensation expense		168	255
Exercise of stock options		(115)	(11)
Balance at end of period		2,420	2,306
Retained Earnings			
Balance at beginning of period		54,868	36,895
Net earnings attributable to equity holders of 5N Plus Inc. for the period		15,565	2,794
Share issue expenses (net of income tax of $36; 2010 – nil)		(126)	-
Balance at end of period		70,307	39,689
Accumulated Other Comprehensive Income			
Balance at beginning of period		-	-
Cash flow hedges (net of income tax of $122; 2010 – nil)		(307)	-
Currency translation adjustment		114	-
Balance at end of period		(193)	-
Total shareholder's equity at end of period		**378,324**	**123,489**
Non-Controlling Interest			
Balance at beginning of period		1,292	-
Non-controlling interest		(632)	-
Balance at end of period		660	-
Total Equity		**378,984**	**123,489**

See accompanying notes.

NOTE 1 – GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH IFRS

Nature of operations

5N Plus Inc. ("5N" or the "Company") is a Canadian-based international company whose shares are listed on the Toronto Stock Exchange ("TSX"). The head office is located at 4385 Garand, Ville St-Laurent, Quebec H4R 2B4. 5N and its subsidiaries represent the "Company" mentioned throughout these condensed interim consolidated financial statements. The Company has two reportable business segments, namely Electronic Materials and Eco-Friendly Materials. Corresponding operations and activities are managed accordingly by the Company's key decision-makers.

The Electronic Materials segment is headed by a Vice-President who oversees locally managed operations in North America, Europe and Asia. Main products are associated with the following metals: cadmium, gallium, germanium, indium and tellurium. These metals are sold either in elemental or alloyed form as well as in the form of chemicals and compounds.

The Eco-Friendly Materials segment is so labelled because it is associated mainly with bismuth, one of the very few heavy metals known for having no detrimental effect on either human health or the environment. This segment is headed by a Vice-President who oversees locally managed operations in Europe and China. The segment manufactures and sells refined bismuth and bismuth chemicals, low melting point alloys as well as refined selenium and selenium chemicals.

The Company changed its financial year-end from May 31 to December 31. These first interim financial statements for the four-month period ended September 30, 2011 include four months of results with comparative figures for the three-month period ended August 31, 2010.

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34 and IFRS 1. Subject to certain transition elections disclosed in Note 18, the Company has consistently applied the same accounting policies in its opening IFRS statement of financial position as at June 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 18 discloses the impact of the transition of IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended May 31, 2011.

These unaudited condensed interim consolidated financial statements do not include all the information required for full annual financial statements. The accounting policies have been selected to be consistent with policies the Company expects to adopt in its consolidated financial statements as at and for the seven-month period ending December 31, 2011, the Company's first annual IFRS reporting date. Previously, the Company prepared its interim and annual consolidated financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

The adoption of IFRS resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Canadian GAAP. Subject to certain transition elections disclosed in Note 18, the accounting policies set out below were consistently applied to all periods presented unless otherwise noted. They also have been applied in the preparation of an opening IFRS statement of financial position as at June 1, 2010, as required by IFRS 1. The impact of the transition from Canadian GAAP to IFRS is explained in Note 18.

The standards and interpretations within IFRS are subject to change and accordingly, the accounting policies for the annual period that are relevant to these unaudited condensed interim consolidated financial statements will be finalized only when the first annual IFRS financial statements are prepared for the period ending December 31, 2011.

The policies applied in these financial statements are based on IFRS issued and outstanding as of December 5, 2011. These unaudited interim consolidated financial statements should be read in conjunction with the Company's May 31, 2011 annual consolidated financial statements prepared in accordance with Canadian GAAP and in consideration of the IFRS transition disclosures included in Note 18 to these unaudited condensed interim consolidated financial statements.

These unaudited condensed interim consolidated financial statements for the four-month period ended September 30, 2011 were authorized for issuance by the Board of Directors of the Company on December 5, 2011.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

Basis of preparation

The unaudited condensed interim consolidated financial statements of 5N have been prepared in accordance with IFRS and IFRIC interpretations. These financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the unaudited condensed interim consolidated financial statements are also disclosed in Note 2.

Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method. The acquisition method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. On initial recognition, the assets and liabilities of the acquired subsidiary are included in the condensed consolidated statement of financial position at their fair values, which are also used as the basis for subsequent measurement in accordance with the Company's accounting policies. Non-controlling interest is measured at the fair value of the identifiable assets and liabilities acquired. Goodwill represents the excess of the fair value of the consideration paid over the fair value of the Company's share of the identifiable net assets of the acquiree at the date of acquisition. Acquisition-related costs paid to third parties are expensed as incurred unless they are costs related to the issuance of debt or equity instruments.

Subsidiaries

Subsidiaries are entities controlled by the parent company, where control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities. In general, the parent company owns more than 50% of the voting rights of its subsidiaries. The effects of potential voting rights that are currently exercisable are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date that control commences, and are deconsolidated from the date that control ceases.

Jointly controlled entities

A joint venture is a contractual arrangement whereby a company and other parties undertake an economic activity that is subject to joint control; that is, when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control. The Company reports its interests in jointly controlled entities using the equity method of accounting.

Under this method, an acquired investment in a joint venture is also subject to the acquisition method. However, any goodwill or fair value adjustment attributable to the Company's share in the joint venture is included in the amount recognized as investment in a joint venture. The results, assets and liabilities of the joint venture are incorporated in the condensed consolidated financial statements using the equity method of accounting. Under the equity method, investments in joint ventures are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Company's share of the net assets of the joint venture less any impairment in the value of the investment. All subsequent changes to the Company's share of interest in the equity of the joint venture are recognized in the carrying amount of the investment. Changes resulting from the net earnings or loss generated by the joint venture are reported within share of equity from joint ventures in the condensed consolidated statement of earnings. These changes include subsequent amortization or impairment of the fair value adjustments of assets and liabilities. When the Company's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any unsecured receivables, the Company does not recognize further losses unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Company resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Changes resulting from other comprehensive income of the joint venture or items recognized directly in the joint venture's equity are recognized in other comprehensive income or equity of the Company, as applicable.

Foreign currency translation

a) Functional and presentation currency

   The Company's presentation currency is the US dollar. Functional currency is determined for each of the Company's entities, and items included in the financial statements of each entity are measured using that functional currency.

b) Transactions and balances

   Transactions denominated in a foreign currency are translated into the functional currency using the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the rate of exchange in effect at each reporting date. Foreign exchange gains and losses are recognized in profit or loss.

c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transaction); and

iii) all resulting exchange differences are recognized in other comprehensive income.

Upon consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are included in other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

Borrowing costs

Borrowing costs are generally expensed as incurred except when they relate to the financing of qualifying assets that require a substantial period of time to get ready for their intended use. Qualifying assets include the cost of developing intangible assets and constructing new facilities. Borrowing costs related to qualifying assets are capitalized up to the date when the asset is ready for its intended use.

Where funds are borrowed specifically to finance a project, the amount capitalized represents the actual borrowing costs incurred net of any investment income earned on the investment of those borrowings.

Where the funds used to finance a project form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to relevant general borrowings of the Company during the period.

Segment reporting

In identifying its operating segments, management generally follows the Company’s service lines, which represent the main products provided by the Company. The Company operates in two principal segments: the Electronic Materials division and the Eco-Friendly Materials division. Discrete operating and financial information is available for these segments and is used to determine operating performance for each segment and to allocate resources.

The Electronic Materials segment is associated with the following metals: cadmium, gallium, germanium, indium and tellurium. These are sold either in elemental or alloyed form as well as in the form of chemicals and compounds. Typical end-markets include photovoltaics (solar energy), medical imaging, light emitting diodes (LED), displays, high-frequency electronics and thermoelectrics.

The Eco-Friendly Materials segment manufactures and sells refined bismuth and bismuth chemicals, low melting point alloys as well as refined selenium and selenium chemicals. These are used in the pharmaceutical and animal-feed industry as well as in a number of industrial applications including coatings, pigments, metallurgical alloys and electronics.

Each operating segment is managed separately as each of these service lines requires different technologies, resources and marketing approaches. All inter-segment transactions between the Electronic Materials and the Eco-Friendly Materials segments have been eliminated on consolidation.

Corporate expenses associated with the head office and unallocated selling, general and administrative expenses together with financing costs, gains and/or losses on foreign exchange and the amortization of intangible assets have been regrouped under the heading Corporate.

Revenue recognition

Revenue is comprised of the sale of manufactured products and the rendering of services and is measured at the fair value of the sale of manufactured products, net of intercompany sales, value-added tax, and estimated customer returns and allowances at the time of recognition. The estimates of fair value are based on the Company's historical experience with each customer and the specifics of each arrangement.

Revenue from the sale of manufactured products and custom refining activities is recognized when the risks and rewards of ownership have been transferred to the buyer (which generally occurs upon shipment) and collectability of the related receivables is reasonably assured. Revenue is recognized when: (i) it can be measured reliably; (ii) it is probable that the economic benefits associated with the transaction will flow to the entity and; (iii) the costs incurred or to be incurred can be measured reliably.

Management uses its best estimate to record revenue when the measurement of the revenue is not yet determined and the criteria above are met.

Goodwill

Goodwill represents the excess of the cost of an acquired business over the fair value of the identifiable assets acquired, and liabilities assumed. Goodwill is tested for impairment on an annual basis and is carried at cost less accumulated impairment losses.

Property, plant and equipment

Property, plant and equipment are recorded at cost and depreciated over their estimated useful lives on a straight-line basis over 25 years for buildings, 10 years for production equipment, ranging from 3 to 10 years for furniture, office equipment and rolling stock, and over the term of the lease for leasehold improvements. As no finite useful life for land can be determined, related carrying amounts are not depreciated. Consistent with IAS 16, "significant components" with different useful lives from the original asset purchased or constructed are identified and depreciated using a representative useful life. Maintenance and repairs are charged to expense as incurred.

However, "major overhauls and replacements" are capitalized to the statement of financial position as a separate component, with the replaced part or previous overhaul derecognized from the statement.

Construction in progress is not depreciated until put into use. Costs are only capitalized if they are directly attributable to the construction or development of the assets.

Residual values, method of amortization and useful life of the assets are reviewed annually and adjusted if appropriate.

The carrying values of property, plant and equipment which exceed their recoverable amounts are written down to their recoverable amount and are recognized in the condensed consolidated statement of earnings (see impairment section below). Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in the consolidated statement of earnings in expenses, net.

Intangible assets

Intangible assets are amortized on a straight-line basis over the period stated below.

	Periods
Software	5 years
Intellectual property	10 years
Customer relationships	10 years
Technology	5 years
Development costs	Not exceeding 10 years
Trade name and non-compete agreements	2 to 5 years

Tests for impairment of intangible assets are conducted whenever facts or circumstances indicate that the carrying amount may exceed its recoverable amount.

Leases

Leases are classified as finance leases if the Company bears substantially all risks and rewards of ownership of the leased asset. At the inception of the lease, the related asset is recognized at the lower of fair value and the present value of the minimum lease payments and a corresponding amount is recognized as a finance lease obligation. Lease payments are split between finance charges and the reduction of the finance lease obligation to achieve a constant proportion of the capital balance outstanding. Finance charges are charged to net earnings over the lease term.

All other leases are classified as operating leases. Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Impairment of non-financial assets

Impairment of goodwill

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows. As a result, some assets are tested individually for impairment and some are tested at the cash-generating unit ("CGU") level. Goodwill is allocated to CGUs or groups of CGUs for impairment testing purposes based on the level at which management monitors it, which is not higher than an operating segment. The allocation is made to those CGUs or group of CGUs that are expected to benefit from synergies of the related business combination in which the goodwill arises.

Corporate head office assets and expenses are not allocated to CGUs or groups of CGUs. CGUs to which goodwill has been allocated are tested for impairment at least annually and whenever there is an indication that the unit may be impaired. This testing is done by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit.

The recoverable amount of an asset or CGU is the greater of its value-in-use and its fair value less costs to sell. To determine the value-in-use, management estimates expected future cash flows from each CGU and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of future reorganizations and asset enhancements. Discount factors are determined individually for each CGU and reflect their respective risk profiles as assessed by management. Impairment losses for a CGU are first allocated to reduce the carrying amount of goodwill allocated to that CGU and the remainder is allocated to other assets of the unit on a pro rata basis. Goodwill impairment losses are not reversed.

Impairment of other non-financial assets

Non-financial assets with finite lives are tested for impairment when events or changes in circumstances indicate that their carrying amounts may not be recoverable. In addition, non-financial assets that are not amortized are subject to an annual impairment assessment. Any impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount within earnings of continuing or discontinued operations, as appropriate. The Company evaluates impairment losses for potential reversals, other than goodwill impairment, when events or changes in circumstances warrant such consideration.

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires. Financial assets and financial liabilities are measured initially at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value. Financial assets and financial liabilities are measured subsequently as described below.

Financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- Loans and receivables;
- Financial assets at fair value through profit or loss;
- Held to maturity investments; and
- Available-for-sale financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognized in net earnings or other comprehensive income. All financial assets except those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below. All income and expenses relating to financial assets that are recognized in the condensed consolidated statement of earnings, except for impairment of trade receivables, are presented in Other expenses, net.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, they are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's trade and other receivables fall into this category of financial instruments. Individually, significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Impairment of trade receivables are presented in Selling, general and administrative expenses.

Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading (previously under Canadian GAAP) or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

The Company may designate financial assets as fair value through profit or loss based on the nature and timing of when those financial assets may be settled. Financial assets which management holds to settle in cash within the near term (1 year) are usually designated as fair value through profit or loss. Examples include, but are not limited to, investments in short-term money market funds and bankers' acceptance notes. Designating financial assets of this nature as fair value through profit or loss will significantly reduce recognition inconsistencies by capturing gains and losses in the period which they occurred.

Assets in this category are measured at fair value with gains or losses recognized in net earnings. The fair values of derivative financial instruments are determined by reference to active market transactions or using a valuation technique where no active market exists.

Financial liabilities

The Company's financial liabilities include borrowings, trade and other payables and derivative financial instruments. Financial liabilities are measured at amortized cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, which are carried subsequently at fair value with gains or losses recognized in net earnings.

All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at fair value through the consolidated statement of earnings. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in the consolidated statement of earnings are included in foreign exchange (gain) loss and derivative.

Hedge accounting

Designation as a hedge is only allowed if, both at the inception of the hedge and throughout the hedge period, the changes in the fair value of the derivative and non-derivative hedging financial instruments are expected to substantially offset the changes in the fair value of the hedged item attributable to the underlying risk exposure. The Company formally documents all relationships between the hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. This process includes linking all derivatives to forecasted cash flows or to a specific asset or liability. The Company also formally documents and assesses, both at the hedge's inception and on an ongoing basis, whether the hedging instruments are highly effective in offsetting the changes in the fair value or cash flows of the hedged items. There are two permitted hedging strategies.

Fair value hedges

The Company generally applies fair value hedge accounting to certain interest-rate derivatives and foreign exchange forward contracts hedging the exposures to changes in the fair value of recognized financial assets and financial liabilities. In a fair value hedge relationship, gains or losses from the measurement of derivative hedging instruments at fair value are recorded in net earnings, while gains or losses on hedged items attributable to the hedged risks are accounted for as an adjustment to the carrying amount of hedged items and are recorded in net earnings.

Cash flow hedges

The Company generally applies cash flow hedge accounting to forward foreign exchange contracts and interest-rate derivatives entered into to hedge foreign exchange risks on forecasted transactions and recognized assets and liabilities. In a cash flow hedge relationship, the portion of gains or losses on the hedging item that is determined to be an effective hedge is recognized in Other comprehensive income, while the ineffective portion is recorded in net earnings. The amounts recognized in Other comprehensive income are reclassified in net earnings as a reclassification adjustment when the hedged item affects net earnings. However, when an anticipated transaction is subsequently recorded as a non-financial asset, the amounts recognized in Other comprehensive income are reclassified at the initial carrying amount of the related asset.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads based on normal operating capacity. Costs of ordinarily interchangeable items are assigned using a weighted average formula. Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed (i.e. the reversal is limited to the amount of the original write-down) so that the new carrying amount is the lower of the cost and the revised net realizable value.

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

Income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognized in the condensed consolidated statement of earnings, except to the extent that it relates to items recognized in Other comprehensive income or directly in Equity. In this case, the tax is also recognized in Other comprehensive income or directly in Equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the statement of financial position in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the condensed consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits. Cash equivalents may also include bank notes, as well as short-term money market instruments with maturities of three months or less at the date of acquisition, which can be immediately converted into cash upon acquisition.

Employee future benefits

The Company contributes to a defined benefit pension plan.

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

The cost of pension and other post-retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service, market interest rates and management's best estimate of expected plan investment performance, retirement ages of employees and expected health care costs.

- Fair value is used to value the plan assets for the purpose of calculating the expected return on plan assets.
- Under this method, the differences between the actual returns and the expected returns, in excess of 10% of the greater of the accrued benefit obligation or market-related value of plan assets, are amortized over the average future expected lifetime of plan participants.
- Cumulative unrecognized net actuarial gains and losses in excess of 10% of the greater of the accrued benefit obligation or market-related value of plan assets at the beginning of the year are amortized over the estimated average remaining service life of plan participants.

Share-based payment transactions

The fair value of equity-settled share-based payment plans is determined using the Black-Scholes model on the grant date. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility, weighted average expected life of the instrument, expected dividends, expected forfeiture rate, and the risk-free interest rate. The impact of service and non-market vesting conditions is not taken into account in determining fair value. The compensation expense of the equity-settled awards is recognized in the condensed consolidated statement of earnings over the graded vesting period where the fair value of each tranche is recognized over its respective vesting period.

For cash-settled share-based payment plans, the compensation expense is determined based on the fair value of the liability incurred at each reporting date until the award is settled. The fair value of the liability is measured using the Black-Scholes model, taking into consideration the terms and conditions attached to each grant and the extent to which the employees have rendered service to date.

Earnings per share

Basic earnings per share is calculated by dividing the net earnings for the period attributable to equity owners of the Company by the weighted average number of common shares outstanding during the period.

Diluted earnings per share is calculated using the treasury stock method. Under this method, earnings per share data are computed as if the options were exercised at the beginning of the year (or at the time of issuance, if later) and as if the funds obtained from the exercise were used to purchase common shares of the Company at the average market price during the period.

Significant management estimation and judgment in applying accounting policies

The following are significant management judgments used in applying the accounting policies of the Company that have the most significant effect on the financial statements.

Estimation uncertainty

When preparing the condensed consolidated financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, revenues and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, revenues and expenses are discussed below.

Impairment

An impairment loss is recognized for the amount by which an asset's or CGU's carrying amount exceeds its recoverable amount, which is the higher of fair value less cost to sell and value-in-use.

To determine the value-in-use, management estimates expected future cash flows from each asset or CGU and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Company's assets in future periods. In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

Business combinations

On initial recognition, the assets and liabilities of the acquired business are included in the consolidated statement of financial position at their fair values. In measuring fair value, management uses estimates about future cash flows and discount rates; however, the actual results may vary. Any measurement changes from initial recognition would affect the measurement of goodwill.

Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date. At September 30, 2011, management assessed that the useful lives represented the expected use of the assets to the Company.

Inventories

Inventories are measured at the lower of cost and net realizable value. In estimating net realizable values, management takes into account the most reliable evidence available at the time the estimates are made. The Company's core business is subject to changes in foreign policies and internationally accepted metal prices which may cause selling prices to change rapidly.

Income taxes

The Company is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

NOTE 3 – BUSINESS ACQUISITIONS

The Company acquired two businesses in the year ended May 31, 2011. These acquisitions were recorded under the purchase method and the earnings of the acquired businesses were consolidated from the date of their acquisition.

2011

MCP Group SA

On April 8, 2011, the Company acquired 100% of MCP Group SA ("MCP"). MCP is a producer and distributor of specialty metals and their chemicals, including bismuth, indium, gallium, selenium and tellurium. It was acquired for the following considerations: cash consideration: $149,226 (€105,794), promissory note and holdback to vendors: $89,335 (€61,879), and common shares of 5N: 11,377,797 common shares at CA$7.73 per share for a consideration of US$91,917, for a total consideration of $330,478. Transaction costs were approximately $1,810 and were recorded as an expense. The price of CA$7.73 per share was established by taking the closing market price of 5N shares on April 8, 2011 minus a 20% discount, based on the value of a put option estimated using the Black-Scholes pricing model to reflect the lock-up period on these shares. The purchase price was allocated on a preliminary basis. The Company is in the process of evaluating the fair value of the intangible assets and property, plant and equipment.

The acquisition of MCP enhances the Company's leadership position in the clean technology market, creates a worldwide sourcing, production and distribution Platform. It allows 5N to significantly expand its offering of metals, chemicals and compounds to the clean technology market with a worldwide platform. It is also expected to create a number of opportunities to source raw materials, reduce production costs and develop new markets.

MCP has provided more than $200 million of revenues for the 4 months ended September 30, 2011. The Company is unable to calculate with precision the contribution of MCP to net earnings due to the combination of the operations and financing of 5N and MCP since the acquisition.

Sylarus Technologies LLC

On June 21, 2010, the Company acquired, for an amount of US$3,000, a convertible note from Sylarus Technologies LLC ("Sylarus"), a producer of germanium substrates for solar cells located in St. George, Utah. This convertible note bore interest at 6% annually and was repayable on May 31, 2015 at the latest. This note, including accrued interest, was convertible at the Company's option into 18% of voting and participating units of Sylarus. This convertible debenture was a hybrid financial instrument, for which the loan and the embedded derivative components included therein are measured separately. The loan component was classified as a loan and receivable and the embedded derivative representing the conversion option included therein was classified as held for trading.

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

The following table summarizes the purchase price allocation of the net assets acquired on a preliminary basis for 2011:

	MCP	**Sylarus**	**Total**
	$	**$**	**$**
Assets acquired			
Temporary investments (restricted)	18,919	-	18,919
Non-cash working capital	305,399	680	306,079
Property, plant and equipment	45,124	8,030	53,154
Goodwill (Note 8)	119,645	-	119,645
Intangible assets	70,049	-	70,049
Deferred income tax	3,797	-	3,797
Other assets	3,584	200	3,784
	566,517	8,910	575,427
Liabilities assumed			
Non-cash working capital	90,083	2,700	92,783
Bank indebtedness and short-term debt	130,269	-	130,269
Long-term debt	23,833	1,094	24,927
Deferred income tax	22,355	-	22,355
Note payable to 5N	-	767	767
Non-controlling interest	-	1,557	1,557
	266,540	6,118	272,658
TOTAL IDENTIFICATION NET ASSETS	**299,977**	**2,792**	**302,769**
Total consideration			
Cash paid to vendors	149,226	3,300	152,526
Shares issued to vendors	91,917	-	91,917
Balance of purchase price and holdback	89,335	-	89,335
Cash and cash equivalents acquired	(30,501)	(508)	(31,009)
Purchase consideration	**299,977**	**2,792**	**302,769**

NOTE 4 – ACCOUNTS RECEIVABLE

	September 30, 2011	**May 31, 2011**	**June 1, 2010**
	$	**$**	**$**
Gross trade receivables	94,010	111,085	3,761
Allowance for doubtful accounts	(179)	(190)	(24)
Trade receivables	93,831	110,895	3,737
Other receivables	4,239	6,258	847
Accounts receivable	**98,070**	**117,153**	**4,584**

All of the Company’s accounts receivable are short-term. The net carrying value of accounts receivable is considered a reasonable approximation of fair value. The Company reviews all amounts periodically for indications of impairment and the amounts impaired have been provided for as an allowance for doubtful accounts.

The Company’s exposure to credit risks and impairment losses related to accounts receivable is disclosed in Note 17.

Most of the accounts receivable are pledged as security for the revolving line of credit (Note 9).

NOTE 5 – INVENTORIES

Inventories consist of the following:

	September 30, 2011	May 31, 2011	June 1, 2010
	$	$	$
Raw materials	102,213	103,481	14,758
Work-in-progress and finished goods	237,421	196,574	11,352
Total	**339,634**	**300,055**	**26,110**

For the four months ended September 30, 2011, a total of $175,531 of inventories was included in cost of sales as an expense (three-month period ended August 31, 2010 – $7,505). This includes an amount of $1,376 of write-down for inventories (three-month period ended August 31, 2010 – nil).

No amounts previously written down were recognized as a reduction of expense during the four-month period ended September 30, 2011 (no reduction of expense during the three-month period ended August 31, 2010).

Most of the inventories are pledged as security for the revolving line of credit (Note 9).

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Production equipment	Furniture, office equipment and rolling stock	Leasehold improvements	Total
	$	$	$	$	$
Cost					
As at June 1, 2010	12,771	19,254	674	1,408	34,107
Additions	26,394	44,143	2,601	2,282	75,420
Disposals	-	(59)	(205)	-	(264)
Effect of foreign exchange	(130)	(213)	(22)	-	(365)
As at May 31, 2011	39,035	63,125	3,048	3,690	108,898
Additions	854	1,497	227	139	2,717
As at September 30, 2011	**39,889**	**64,622**	**3,275**	**3,829**	**111,615**
Amortization					
As at June 1, 2010	1,095	5,132	313	332	6,872
Amortization	592	2,870	276	181	3,919
Disposals	-	(59)	(205)	-	(264)
As at May 31, 2011	1,687	7,943	384	513	10,527
Amortization	527	2,633	172	76	3,408
Adjustment	-	(67)	-	-	(67)
As at September 30, 2011	**2,214**	**10,509**	**556**	**589**	**13,868**
Net book value					
As at June 1, 2010	11,676	14,122	361	1,076	27,235
As at May 31, 2011	37,348	55,182	2,664	3,177	98,371
As at September 30, 2011	**37,675**	**54,113**	**2,719**	**3,240**	**97,747**

Property, plant and equipment that were not amortized amounted to $3.8 million as at September 30, 2011 (as at May 31, 2011 – $15.8 million).

NOTE 7 – INTANGIBLE ASSETS

The following table illustrates the carrying amounts of the Company's intangible assets:

	Customer relationships	Technology	Trade name and non-compete agreements	Software, development costs and intellectual property	Total
	$	$	$	$	$
Cost					
As at May 31, 2011	42,966	23,108	6,209	4,919	77,202
Additions	-	-	-	472	472
As at September 30, 2011	42,966	23,108	6,209	5,391	77,674
Amortization					
As at May 31, 2011	578	333	217	1,212	2,340
Amortization	1,463	1,545	686	232	3,926
As at September 30, 2011	2,041	1,878	903	1,444	6,266
Net book value as at September 30, 2011	**40,925**	**21,230**	**5,306**	**3,947**	**71,408**

	Customer relationships	Technology	Trade name and non-compete agreements	Software, development costs and intellectual property	Total
	$	$	$	$	$
Net book value as at June 1, 2010	-	-	-	1,672	1,672
Cost					
As at June 1, 2010	-	-	-	1,846	1,846
Additions	42,966	23,108	6,209	3,073	75,356
As at May 31, 2011	42,966	23,108	6,209	4,919	77,202
Amortization					
As at June 1, 2010	-	-	-	174	174
Amortization	578	333	217	1,038	2,166
As at May 31, 2011	578	333	217	1,212	2,340
Net book value as at May 31, 2011	**42,388**	**22,775**	**5,992**	**3,707**	**74,862**

NOTE 8 – GOODWILL

	$
As at June 1, 2010	4,200
Acquired through business combinations (Note 3)	119,645
Other	71
As at May 31, 2011 and September 30, 2011	**123,916**

Goodwill is allocated to the following CGUs for the purpose of annual impairment testing:

	September 30, 2011	May 31, 2011	June 1, 2010
	$	$	$
Electronic Materials division	109,584	109,584	4,200
Eco-Friendly Materials division	14,332	14,332	-
Total goodwill allocated	**123,916**	**123,916**	**4,200**

At the date of transition to IFRS (June 1, 2010) and as of May 31, 2011, the Company performed goodwill impairment testing for both the Electronic Materials and Eco-Friendly Materials divisions in accordance with its policy and based on conditions at that date. The recoverable amounts of the CGUs were determined on the basis of value-in-use, covering a detailed cash flow forecast based on the five-year budget, the planning period, approved by management. The forecasted cash flows are then discounted to calculate the present value of the cash flows expected to be derived from the CGUs under review. This approach involves estimates and assumptions about revenue growth rates, operating margins, tax rates and discount rates.

The impairment testing at May 31, 2011 and June 1, 2010 showed that no impairment was necessary for both the Electronic Materials and Eco-Friendly Materials divisions.

NOTE 9 – BANK INDEBTEDNESS, SHORT- AND LONG-TERM DEBT

a. Bank indebtedness and short-term debt

The Company has various credit lines with many financial institutions around the world. Some are related to the level of accounts receivable and inventories, some are guaranteed by other group companies and others are guaranteed by the assets of the related company that borrowed the money. Credit available under these lines totalled approximately $125 million as at September 30, 2011 to which a line of credit of approximately $50 million (HK$390 million) was added relating to a temporary investment (see below).

As at September 30, 2011	HKD	USD	Euro	RMB	Total
Facility available	390,000	47,119	35,527	192,500	n/a
Amount drawn	390,000	41,310	27,587	151,750	n/a

As at September 30, 2011	USD	USD	USD	USD	USD
Facility available	50,052	47,119	47,972	30,152	175,295
Amount drawn	50,052	41,310	37,251	23,770	152,383

As at May 31, 2011	HKD	USD	Euro	RMB	British pound sterling	Total
Facility available	390,000	40,000	40,800	192,500	10,000	n/a
Amount drawn	390,000	35,941	38,160	135,260	7,855	n/a

As at May 31, 2011	USD	USD	USD	USD	USD	USD
Facility available	50,115	40,000	58,654	29,671	16,485	194,925
Amount drawn	50,115	35,941	54,858	20,840	12,949	174,703

The loan in Hong Kong dollars bears interest at three-month HIBOR plus 1.00%. This rate is covered by an instrument to fix the rate at 2.48% until maturity. The loans in US dollars bear interest ranging from LIBOR plus 1.10% to LIBOR plus 1.25% and others bear interest at the cost of funds of the lender bank from which the funds were borrowed plus 1.40% to 1.70%. Certain euro loans bear interest at variable rates ranging from 1.80% to 2.60%. Other euro loans bear interest at EURIBOR plus 2.05% to 4.00%. RMB loans bear interest from 105% to 110% of the Chinese rate. Certain loans have maintenance fees of 0.50% on the undrawn amount.

Hong Kong dollar loans are secured by deposits in Chinese currency (RMB) which are recorded on the statement of financial position in the line item temporary investments (restricted). The deposits have the same maturity as the loans. At maturity, in May 2012 at the latest, the deposits will be cashed in and converted into Hong Kong dollars and the proceeds will be used to reimburse the related loans. The Company has derivative instruments to fix the conversion between RMB and the Hong Kong dollar to cover itself against the currency risk. The deposits of $49,298 bear interest at a rate of 2.55%.

The loans in Hong Kong dollars mature in February 2012 and May 2012. The loans in RMB mature in October 2011.

The US dollar and Euro loans above were reimbursed with the proceeds from the CA$250 million revolving credit facility after September 30, 2011 (Note 9(b)).

b. Long-term debt

	September 30, 2011	May 31, 2011	June 1, 2010
	$	$	$
Unsecured balance of purchase price and holdback to the former shareholders of MCP for an amount of €61,879 (€46,908 as a promissory note and €14,971 as holdback), bearing interest at interestrate swap 3-year rate plus 3.00%. The promissory note is repayable in three annual instalments beginning April 2012 (Note 3) and the holdback is repayable in April 2014. The balance of purchase price and holdback includes an amount of €31,925 payable to two Board members of the Company	83,215	88,958	-
Senior secured revolving facility of CA$50 million with a Canadian bank, maturing in April 2013[1]	-	28,773	-
Senior secured revolving facility of CA$250 million (USD$250 million since December 2, 2011) with a syndicate of banks, maturing in August 2015[2]	71,500	-	-
Unsecured term loan of US$13 million, bearing interest at LIBOR plus 2.3%, maturing in January 2017. The term loan is subject to covenants	13,082	12,591	-
Term loan in euros, bearing interest at 6.23%, secured by a mortgage on assets of a plant in Germany for an amount of €1,534, maturing in December 2014, repaid in September 2011	-	2,695	-
Loan from an employee pension plan in Germany, bearing interest at EURIBOR plus 2% and with no terms of repayment	2,661	2,725	-
Subordinated loan of €1 million, bearing interest at a rate of 5.50%, maturing in 2017, not secured	1,210	1,438	-
Term loan at authorized amount of £450, repaid in August 2011	-	742	-
Term loans, bearing interest at floating rates as determined on a regular basis with the banks, secured by assets of the Belgian plant for an amount of €3,814, maturing in 2014 and 2015	3,242	3,884	-
Term loan at the lender's floating rate less 1.40%, monthly repayments of $41,667, repaid in September 2011[1]	-	3,613	3,821
Term loan, non-interest bearing, repayable under certain conditions, maturing in 2023. If the loan has not been repaid in full by the end of 2023, the remaining balance will be forgiven	786	827	786
Debt in the amount of US$1,541, bearing interest at a rate of the three-month LIBOR plus 3.00%, repayable in two equal instalments of 50% on January 11, 2012 and December 31, 2012 and obligation under a capital lease, bearing interest at 12.30%, repayable in monthly instalments of $12,500	1,852	1,872	-
Other loans	736	285	-
	178,284	148,403	4,607
Current portion of long-term debt	17,612	19,430	595
	160,672	128,973	4,012

[1] This loan was replaced by the CA$250 million secured senior revolving facility in August 2011.

[2] This revolving credit facility can be drawn in US dollars, Canadian dollars or euros. The interest rate depends on a debt/EBITDA ratio and can vary from LIBOR, bankers' acceptance or EURIBOR plus 1.25% to 2.75% or US base rate or prime rate plus 0.25% to 1.75%. Also, stand-by fees are paid on the unused portion of the credit. The revolving credit facility can be increased to $350 million subject to acceptance by the lenders. This revolving line of credit is guaranteed by a pledge on almost all of the assets of certain entities of the Company. The total amount drawn is in US dollars as at September 30, 2011.

NOTE 10 – CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Fair value

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

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

As at September 30, 2011, the fair value of the long-term debt approximates its carrying value (as at May 31, 2011 – $148,403) and is calculated using the present value of future cash flows at the period-end rate for similar debt with the same terms and maturities.

The following table presents financial assets and financial liabilities measured at fair value in the condensed consolidated statement of financial position in accordance with the fair value hierarchy. This hierarchy groups financial assets and financial liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or financial liability is classified is determined based on the lowest level of significant input to the fair value measurement. The financial assets and financial liabilities measured at fair value in the condensed consolidated statements of financial position are grouped into the fair value hierarchy as follows as at September 30, 2011:

	Level 1	Level 2	Level 3
Financial liabilities			
Derivative financial instruments	-	6,021	-

Derivative asset and liability

The Company currently has derivative financial instruments which relate to the following:

1- Interest rate swap to fix the interest rate on part of its revolving credit facilities (interest rate swap);
2- Foreign exchange forward contracts to cover non-US future cash flows (FX forward); and
3- Options sold to a financial institution related to hedge strategies.

The derivatives are measured at fair value as follows:

Liability (asset)	September 30, 2011	May 31, 2011	June 1, 2010
	$	$	$
Interest rate swap[(a)]	1,902	125	-
Foreign exchange forward contracts[(b)]	226	-	(1,303)
Options[(c)]	3,893	-	-
Total	**6,021**	**125**	**(1,303)**

[(a)] The interest rate swap has a nominal value of $100 million commencing in January 2013 and ending in August 2015. This interest rate swap fixed the LIBOR interest rate at 1.82%. The Company received $1.7 million when entering into this interest rate swap in September 2011. The amount has been recorded as a long-term liability and will be amortized during the contract period as interest expense. The Company designated this contract as a cash flow hedge of future payments of interest and the change in its fair value was recorded in the condensed consolidated statement of comprehensive income.

[(b)] The foreign exchange forward contracts are to sell US dollars in exchange for Canadian dollars. The nominal value is $6 million for a period of 12 months starting October 2011 at US$/CA$ rate of 1.0114. The Company designated this contract as a cash flow hedge of future payments of salaries and the change in its fair value was recorded in the condensed consolidated statement of comprehensive income.

[(c)] The Company sold options to a financial institution giving it the right to put Euros to the Company on specific dates. The options have a nominal value of €81,500 with Euro/US$ rate ranging from 1.375 to 1.40 with maturity from October 6, 2011 to October 21, 2011. Options with a nominal value of €20,000 were exercised by the counterparty in October 2011. The Company delivered the US dollars and received €20,000 in order to reimburse the Euro debt as part of the refinancing of the Company. The options in the amount of €61,500 werenot exercised by the counterparty.

NOTE 11 – OPERATING SEGMENTS

A comparative breakdown of business segment information is as follows:

September 30, 2011 (4 months)	Eco-Friendly Materials	Electronic Materials	Corporate	Total
	$	$	$	$
Segment revenues	126,034	116,255	-	242,289
Operating income (loss) excluding amortization	13,208	18,893	(3,197)	28,904
Interest on long-term debt and other interest expense, net	-	-	3,440	3,440
Foreign exchange gain and derivative	-	-	(1,760)	(1,760)
Amortization	-	-	7,334	7,334
Earnings before income taxes	13,208	18,893	(12,211)	19,890
Capital expenditures	1,201	1,455	61	2,717

August 31, 2010 (3 months)	Eco-Friendly Materials	Electronic Materials	Corporate	Total
	$	$	$	$
Segment revenues	-	18,042	-	18,042
Operating income (loss) excluding amortization	-	5,751	(353)	5,398
Interest on long-term debt and other interest expense, net	-	(40)	-	(40)
Foreign exchange gain and derivative	-	756	-	756
Amortization	-	655	47	702
Earnings (loss) before income taxes	-	4,380	(400)	3,980
Capital expenditures	-	2,915	62	2,977

As at September 30, 2011	Eco-Friendly Materials	Electronic Materials	Corporate	Total
	$	$	$	$
Total assets excluding goodwill	311,255	377,073	15,960	704,288
Goodwill	14,332	109,584	-	123,916
Investment accounted for using equity method	-	1,306	-	1,306

As at May 31, 2011	Eco-Friendly Materials	Electronic Materials	Corporate	Total
	$	$	$	$
Total assets excluding goodwill	324,653	345,048	12,652	682,353
Goodwill	14,332	109,584	-	123,916
Investment accounted for using equity method	-	1,084	-	1,084

As at June 1, 2010	Eco-Friendly Materials	Electronic Materials	Corporate	Total
	$	$	$	$
Total assets excluding goodwill	-	128,359	529	128,888
Goodwill	-	4,200	-	4,200

The geographic distribution of the Company's revenues based on the location of the customers for the periods ended September 30, 2011 and August 31, 2010, and the identifiable non-current assets as at September 30, 2011, May 31, 2011 and June 1, 2010 are summarized as follows:

Revenues	September 30, 2011 (4 months)	August 31, 2010 (3 months)
	$	$
Asia	59,486	2,145
United States	43,859	12,486
Europe	121,570	3,309
Canada	1,538	102
Others	15,836	-
Total	**242,289**	**18,042**

Non-current assets as at	September 30, 2011	May 31, 2011	June 1, 2010
	$	$	$
Asia			
Hong Kong	97,410	99,651	-
Other	7,675	12,960	-
United States	16,159	21,695	1,361
Europe			
Germany	67,535	53,259	13,105
Belgium	36,337	34,736	-
Other	16,455	31,418	-
Canada	64,648	52,024	20,168
Others	26	-	-
Total	**306,245**	**305,743**	**34,634**

NOTE 12 – SUPPLEMENTAL CASH FLOW INFORMATION

Net change in non-cash working capital balances related to operations consists of the following:

	September 30, 2011 (4 months)	August 31, 2010 (3 months)
	$	$
Decrease (increase) in assets:		
Accounts receivable	19,082	(531)
Inventories	(39,465)	(2,568)
Other assets	(1,661)	(1,355)
Increase (decrease) in liabilities:		
Accounts payable and other accrued charges	(11,019)	674
Income taxes payable	4,094	(52)
Total net change	**(28,969)**	**(3,832)**

The consolidated statement of cash flows excludes or includes the following transactions:

	September 30, 2011 (4 months)	August 31, 2010 (3 months)
i) Excludes additions that were unpaid at the end of period:		
	$	$
Additions to property, plant and equipment	316	486
ii) Includes additions that were unpaid at beginning of period:		
	$	$
Additions to property, plant and equipment	2,176	188

NOTE 13 – SHARE CAPITAL

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

An unlimited number of preferred shares may be issued in one or more series with specific terms, privileges and restrictions to be determined for each class by the Board of Directors. As at September 30, 2011, no preferred shares were issued.

None of the Company's shares are held by any subsidiary or joint venture.

NOTE 14 – EARNINGS PER SHARE

The following table reconciles the numerators and denominators used for the computation of basic and diluted earnings per share:

	September 30, 2011 (4 months)	**August 31, 2010 (3 months)**
	$	**$**
Net earnings attributable to Equity holders of 5N (numerator)	15,565	2,794

Weighted average number of shares outstanding – Basic (denominator):

	September 30, 2011 (4 months)	**August 31, 2010 (3 months)**
Weighted average number of shares outstanding – **Basic**	70,924,984	45,630,102
Effect of dilutive securities	609,792	355,007
Weighted average number of shares outstanding – Diluted	**71,534,776**	**45,985,109**

NOTE 15 – SHARE-BASED COMPENSATION

As at September 30, 2011, the Company has the following share-based compensation plans:

Stock option plan

On April 11, 2011, the Company adopted a new stock option plan (the "Plan") replacing the previous plan (the "Old Plan") in place since October 2007 with the same features as the Old Plan with the exception of a maximum number of options granted which cannot exceed 5 million. The aggregate number of shares which could be issued upon the exercise of options granted under the Old Plan could not exceed 10% of the issued shares of the Company at the time of granting the options. Options granted under the Old Plan may be exercised during a period not exceeding ten years from the date of the grant. The stock options outstanding as at September 30, 2011 may be exercised during a period not exceeding six years from their date of grant. Options vest at a rate of 25% (100% for directors) per year, beginning one year following the grant date of the options. Any unexercised options will expire one month after the date a beneficiary ceases to be an employee, director or officer.

Restricted stock unit incentive plan

On June 7, 2010, the Company adopted a Restricted Share Unit ("RSU") Plan to complement the stock option plan. The RSU Plan enables the Company to award phantom share units to eligible participants that vest after a three-year period. The RSU is settled in cash and is recorded as a liability. The measurement of the compensation expense and corresponding liability for these awards is based on the fair value of the award, and is recorded as a charge to selling, general and administrative ("SG&A") expenses over the vesting period of the award. At the end of each financial period, changes in the Company's payment obligation due to changes in the market value of the common shares on the TSX are recorded as a charge to SG&A expenses. For the four months ended September 30, 2011, the Company granted 24,758 RSUs and 57,887 RSUs were outstanding as at September 30, 2011 (as at May 31, 2011 – 33,129 RSUs).

Restricted share unit incentive plan for foreign employees

On June 7, 2010, the Company adopted a Restricted Share Unit for Foreign Employees ("RSUFE") Plan. The RSUFE granted under the RSUFE Plan may be exercised during a period not exceeding ten years from the date of the grant. The RSUFE outstanding as at May 31, 2011 may be exercised during a period not exceeding six years from their date of grant. RSUFE vest at a rate of 25% per year beginning one year following the grant date of the award. For the four months ended September 30, 2011, the Company granted 33,428 RSUFE and 41,350 RSUFE were outstanding as at September 30, 2011 (as at May 31, 2011 – 8,549 RSUFE).

The following table presents information concerning all outstanding stock options:

	September 30, 2011		August 31, 2010	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
		CA$		**CA$**
Outstanding, beginning of period	1,384,025	4.52	1,596,615	4.24
Granted	275,249	8.60	244,308	4.89
Cancelled	(4,396)	4.42	(11,820)	3.93
Exercised	(66,498)	3.17	(5,950)	3.00
Outstanding, end of period	1,588,380	5.28	1,823,153	4.34
Exercisable, end of period	701,107	4.43	655,885	3.72

The outstanding stock options as at September 30, 2011 are as follows:

	Grant price		
Maturity	**Low**	**High**	**Number of options**
	CA$	**CA$**	
December 2013	3.00	3.00	414,675
October 2014	3.81	3.81	2,500
January 2015 to October 2016	4.87	6.16	881,556
June and August 2014	9.13	10.32	15,000
June and September 2017	8.50	8.64	274,649
			1,588,380

The grant date fair value of share options was measured using the Black-Scholes option pricing model. Historical share price of the Company's common shares is used to estimate expected volatility and the government bond rates are used to estimate the risk-free interest rate. The following table illustrates the inputs used in the measurement of the grant date fair values of the stock options granted during the periods ended September 30, 2011 and May 31, 2011:

	September 30, 2011 (4 months)	**August 31, 2010 (3 months)**
Expected stock price volatility	39%	40%
Dividend	None	None
Risk-free interest rate	1.475%	2.325%
Expected option life	4 years	4 years
Fair value – weighted average of options issued (CA$)	$3.22	$1.69

The following table shows the stock-based compensation expense recorded in the condensed consolidated statements of earnings for the four months ended September 30, 2011 and the three months ended August 31, 2010:

Expense	**September 30, 2011 (4 months)**	**August 31, 2010 (3 months)**
	$	**$**
Stock options	168	255
RSUs	17	12
RSUFE	1	1
Total	**186**	**268**

The following table shows the carrying amount and the intrinsic value of the stock-based compensation liabilities as at September 30, 2011, May 31, 2011 and June 1, 2010:

Liability	**September 30, 2011**	**May 31 , 2011**	**June 1, 2010**
	$	**$**	**$**
RSUs	115	95	-
RSUFE	16	15	-
Total	**131**	**110**	-

NOTE 16 – RELATED PARTY TRANSACTIONS

The Company's related parties are its joint ventures, directors and executive members.

Unless otherwise stated, none of the transactions incorporates special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

Ingal Stade GmbH ("Ingal") supplies gallium metal to other companies of the group. The Company supplies gallium to MCP Shenzhen. During the quarter ended September 30, 2011, the Company purchased $2,256 worth of gallium from Ingal and sold $63 worth of gallium to MCP Shenzhen.

The Company has a payable balance of nil with Ingal and a receivable of $631 with MCP Shenzhen as at September 30, 2011 (a payable of $545 and a receivable of $634 as at May 31, 2011 respectively and nil and nil as at June 1, 2010 respectively). The Company has a loan receivable with Ingal of $3,564 (€2,650) as at September 30, 2011 ($2,947 (€2,050) as at May 31, 2011).

NOTE 17 – FINANCIAL RISK MANAGEMENT

In the normal course of operations, the Company is exposed to a number of different financial risks. These risk factors include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, equity prices and interest rates will affect the Company's net earnings or the value of financial instruments.

The objective of market risk management is to mitigate exposures within acceptable limits, while maximizing returns.

Currency risk

Currency risk refers to the fluctuation of financial commitments, assets, liabilities, income or cash flows due to changes in foreign exchange ("FX") rates. The Company conducts business transactions and owns assets in several countries; as a result, the Company is subject to fluctuations in respect to the currencies in which it operates. The Company's income is exposed to FX risk largely in the following ways:

- Translation of foreign currency-denominated revenues and expenses into US dollars, the Company's functional currency – When the foreign currency changes in relation to the US dollar, earnings reported in US dollars will change. The impact of a weakening foreign currency in relation to the US dollar for foreign currency-denominated revenues and expenses will result in higher net earnings because the Company has more foreign currency-based expenses than revenues.

- Translation of foreign currency-denominated debt and other monetary items – A weakening foreign currency in respect of the Company's foreign currency-denominated debt will decrease the debt in US dollar terms and generate a FX gain on bank advances and other short-term debt, which is recorded in earnings. The Company calculates the FX on the short-term debt using the difference in FX rates at the beginning and end of each reporting period. Other foreign currency-denominated monetary items will also be impacted by changes in FX rates.

The following table summarizes in US dollar equivalents the Company's major currency exposures as of September 30, 2011:

	CA$	**€**	**£**	**RMB**	**HKD**
Cash and cash equivalents	266	4,653	1,648	378	314
Temporary investments (restricted)	-	-	-	49,298	-
Accounts receivable	1,552	35,388	13,669	-	-
Bank indebtedness and short-term debt	-	(37,251)	-	(23,770)	(50,052)
Accounts payable and other accrued charges	(3,929)	(11,931)	(304)	(155)	(33)
Long-term debt	(1,522)	(90,328)	-	-	-
Net financial assets (liabilities)	(3,633)	(99,469)	15,013	25,751	(49,771)

The following table shows the impact on earnings before income tax of a one-percentage point strengthening or weakening of foreign currencies against the US dollar as of September 30, 2011 for the Company's financial instruments denominated in non-functional currencies:

	CA$	**€**	**£**	**RMB**	**HKD**
1% Strengthening					
Earnings before tax	(36)	(995)	150	257	(498)
1% Weakening					
Earnings before tax	36	995	(150)	(257)	498

Occasionally, the Company will enter into short-term foreign exchange forward contracts to sell US dollars in exchange for Canadian dollars, Euros, Hong Kong dollars and British pounds sterling. These contracts will effectively hedge a portion of ongoing foreign exchange risk on the Company's cash flows since much of its non-US dollar expenses outside of China are incurred in Canadian dollars, Euros, Hong Kong dollars and British pounds sterling.

Foreign exchange

As at September 30, 2011, the Company has entered into a forward contract to sell US dollars in exchange for Canadian dollars. The nominal value of $6 million for a period of 12 months after September 30, 2011 was fixed at a US$/CA$ rate of 1.0114. The fair value of the contract is ($0.2) million as at September 30, 2011 and is recorded as part of the derivative financial liabilities in the consolidated statement of financial position.

As at September 30, 2011, the Company has outstanding options that give rights to the counterparty to put euros to the Company on specific dates. The nominal value of these options is €81,500 with the Euro/US$ rate ranging from 1.375 to 1.40 with maturities from October 6, 2011 to October 21, 2011.

Interest rate risk

This refers to the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate fluctuations on its revolving line of credit which bears a floating interest rate.

As at September 30, 2011, the Company has an outstanding interest rate swap contract to hedge part of its interest rate risk on the revolving line of credit. The nominal value is $100 million commencing in January 2013 and ending in August 2015. This interest rate swap fixed the LIBOR interest rate at 1.82%. The Company received $1.7 million when entering into this interest rate swap in September 2011 which was the fair value of the instrument on signing. The fair value of the contract is $1.9 million as at September 30, 2011 and is recorded as part of the derivative financial instruments in the consolidated statement of financial position.

Credit risk

Credit risk refers to the possibility that a customer or counterparty will fail to fulfill its obligations under a contract and, as a result, create a financial loss for the Company. The Company has a credit policy that defines standard credit practice. This policy dictates that all new customer accounts be reviewed prior to approval, and establishes the maximum amount of credit exposure per customer. The creditworthiness and financial well-being of the customer are monitored on an ongoing basis.

The Company establishes an allowance for doubtful accounts as determined by management based on their assessment of collection; therefore, the carrying amount of accounts receivable generally represents the maximum credit exposure. As at September 30, 2011 and May 31, 2011, the Company has an allowance for doubtful accounts of $0.2 million. The provision for doubtful accounts, if any, will be included in Selling, general and administrative expenses in the consolidated statement of earnings, and will be net of any recoveries that were provided for in prior periods.

Counterparties to financial instruments may expose the Company to credit losses in the event of non-performance. Counterparties for derivative and cash transactions are limited to high credit quality financial institutions, which are monitored on an ongoing basis. Counterparty credit assessments are based on the financial health of the institutions and their credit ratings from external agencies. As at September 30, 2011, the Company does not anticipate non-performance that would materially impact the Company's consolidated financial statements.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages liquidity risk through the management of its capital structure. It also manages liquidity risk by continuously monitoring actual and projected cash flows, taking into account the Company's sales and receipts and matching the maturity profile of financial assets and financial liabilities. The Board of Directors reviews and approves the Company's annual operating and capital budgets, as well as any material transactions out of the ordinary course of business, including proposals on acquisitions and other major investments.

The following table reflects the contractual maturity of the Company's financial liabilities as at September 30, 2011:

	Carrying amount	**1 year**	**2-3 years**	**4-5 years**	**Beyond 5 years**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Bank indebtedness and short-term debt	152,383	152,383	-	-	-	152,383
Long-term debt	178,284	20,865	84,533	79,944	5,846	191,188
Accounts payable and other accrued charges	57,941	57,941	-	-	-	57,941
Derivative financial instruments	6,021	4,119	-	1,902	-	6,021
Total	**394,629**	**235,308**	**84,533**	**81,846**	**5,846**	**407,533**

NOTE 18 – TRANSITION TO IFRS

These condensed consolidated financial statements are the Company's first interim financial statements prepared in accordance with IFRS. The Company has adopted IFRS 1, *First-time Adoption of International Financial Reporting Standards*, and the first date at which IFRS was applied was June 1, 2010 ("Transition Date").

In preparing these first IFRS condensed consolidated financial statements, the Company has adjusted amounts reported previously in consolidated financial statements prepared in accordance with Canadian GAAP. The effects of the transition to IFRS on the Company's financial position, total comprehensive income, equity and reported cash flows are set out in the following tables and the accompanying notes.

The Company has applied the following transition exceptions and exemptions to full retrospective application of IFRS:

- deemed cost of property, plant and equipment;
- cumulative translation adjustment; and
- business combination.

Reconciliations of Canadian GAAP to IFRS

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior periods. The impact of converting to IFRS on the Company's consolidated statements of cash flows compared with its previously released Canadian GAAP consolidated statements of cash flows is directly related to the impacts on the consolidated statements of earnings, comprehensive income and financial position as described below. The items of the consolidated statements of cash flows most affected by the conversion to IFRS are: net earnings, business acquisition, deferred income tax expense and change in functional currency.

The following table represents the reconciliation of equity from Canadian GAAP to IFRS:

	Note	June 1, 2010	August 31, 2010	May 31, 2011
		$	$	$
Total Equity under Canadian GAAP (CA$)		125,678	130,198	348,918
Differences reported to equity (US$)				
Business combination	a	-	-	1,649
Stock-based compensation reported in contributed surplus	b	855	901	859
Stock-based compensation reported in retained earnings	b	(855)	(901)	(859)
Functional and presentation currency adjustment	c	(5,300)	(6,697)	11,878
Amortization of property, plant and equipment		-	(12)	(48)
Non-controlling interest	e	-	-	1 593
Total Equity under IFRS (US$)		**120,378**	**123,489**	**363,990**

The following table represents the reconciliation of net earnings from Canadian GAAP to IFRS:

	Note	August 31, 2010 (3 months)
		$
Net earnings under Canadian GAAP (CA$)		4,032
Stock-based compensation expense	b	(46)
Functional currency adjustment	c	(1,180)
Amortization of property, plant and equipment	d	(12)
Net earnings under IFRS (US$)		**2,794**

The following table summarizes the reconciliations of total comprehensive income:

	August 31, 2010				May 31, 2011			
	Canadian GAAP	Effect of transition to IFRS	Functional currency	IFRS	Canadian GAAP	Effect of transition to IFRS	Functional currency	IFRS
	CA$	CA$	US$	US$	CA$	CA$	US$	US$
Net income for the period	4,032	(58)	(1,180)	2,794	21,641	(8,565)	9,224	22,300
Net gain on translation of financial statements of self-sustaining foreign operations	701	-	(701)	-	1,622	-	(1,622)	-
Cash flow hedges, net of tax	(452)	-	452	-	(1,255)	-	1,255	-
Comprehensive income for the period	**4,281**	**(58)**	**(1,429)**	**2,794**	**22,008**	**(8,565)**	**8,857**	**22,300**

The following are the notes to the reconciliations:

a. Business combinations

In accordance with IFRS transitional provisions, the Company elected to apply IFRS relating to business combinations prospectively from June 1, 2010. As such, Canadian GAAP balances relating to business combinations entered into before that date, including goodwill, have been carried forward without adjustment.

i. **Acquisition-related costs:** Under Canadian GAAP, direct and incremental costs incurred to effect a business combination are included in the cost of purchase. Under IFRS, acquisition-related costs paid to third parties are expensed as incurred unless they are costs related to the issue of debt or equity instruments. The effect is to decrease goodwill by $1,810 and increase acquisition-related costs by the same amount for the year ended May 31, 2011.

ii. **Restructuring costs:** Under Canadian GAAP, certain restructuring costs incurred related to the company acquired are part of the purchase price allocation. Under IFRS, these restructuring costs are expensed as incurred. The effect of this difference is to decrease goodwill by $5,848 and increase restructuring costs by the same amount for the year ended May 31, 2011.

iii. **Measurement date of shares issued in a business combination:** Under Canadian GAAP, shares issued as part of the purchase price for a business combination are measured using the average of a few days before and after the announcement of the transaction. Under IFRS, shares issued as part of the purchase price for a business combination are measured at the acquisition date. The effect of this difference is to increase share capital and goodwill by $9,307 for the year ended May 31, 2011.

The effect of the above changes for the year ended May 31, 2011 is the following:

	Goodwill $	Retained earnings $	Share capital $
Acquisition related costs	(1,810)	(1,810)	-
Restructuring costs	(5,848)	(5,848)	-
Share capital	9,307	-	9,307
Total effects	**1,649**	**(7,658)**	**9,307**

b. Share-based compensation expense

i. Recognition of expense: Under Canadian GAAP, share-based compensation expenses are recognized in net earnings on a straight-line basis over the vesting period of the awards. Under IFRS, each tranche in an award is considered a separate grant with a different vesting period and fair value.

ii. Cash-settled share-based compensation expenses: Under Canadian GAAP, share-based compensation expenses are recognized in net earnings on a straight-line basis over the vesting period of the awards. Under IFRS, each tranche in an award is considered a separate grant with a different vesting period and fair value.

The effects of the above changes are to:

- increase contributed surplus by $855 and decrease retained earnings by $855 at the Transition Date;
- increase contributed surplus by $859 and decrease retained earnings by $859 for the year ended May 31, 2011; and
- increase contributed surplus by $46 and increase stock-based compensation expense by $46 for the three-month period ended August 31, 2010, for a cumulative increase of $901 as at August 31, 2010.

c. Foreign currency adjustments

i. Presentation currency

The Company elected to change its presentation currency from the Canadian dollar to the US dollar. Accordingly, the Canadian GAAP financial information previously expressed in Canadian dollars has been presented in US dollars for all periods shown using the exchange rate applicable at the financial position date for assets and liabilities, and the average exchange rate of the corresponding periods for the consolidated statements of earnings, comprehensive income and cash flows. Equity transactions have been translated at historical rates. The net adjustment arising from the effect of the translation was included in equity.

ii. Functional currency

Under IFRS, the framework used to determine the functional currency is similar to that used to determine the currency of measurement under Canadian GAAP; however, under IAS 21, *The Effects of Changes in Foreign Exchange Rates*, the indicators for determining the functional currency are broken down into primary and secondary indicators when determining the functional currency. Primary indicators are closely linked to the primary economic environment in which the entity operates and are given more weight. Secondary indicators provide supporting evidence to determine an entity's functional currency. Primary indicators receive more weight under IFRS than Canadian GAAP.

On transition, the Company performed an assessment of the historical functional currencies for all group companies based on the requirements of IFRS. Based on that assessment, all group companies retained the US dollar as the functional currency except for some foreign operations in Asia, where it was deemed that the local currency should be the functional currency. The change in historical functional currency required the retroactive restatement of these subsidiaries into their functional currencies using the methodology prescribed under IAS 21.

In accordance with IFRS transitional provisions, the Company has elected not to reset the cumulative translation adjustment account, which includes gains and losses arising from the translation of foreign operations, to zero at the date of transition to IFRS.

The retrospective change in the functional currencies of several companies of the group had the following impacts on the previously reported 2010 Canadian GAAP retained earnings amounts: loss of $6,742 million as of June 1, 2010, and $1,180 million for the three-month period ended August 31, 2010 and a gain of $1,492 million for the year ended May 31, 2011.

d. Income taxes

Certain deferred tax balances are affected by changes to the carrying value of the related assets or liabilities arising from IFRS treatment. Under Canadian GAAP, non-taxable grants related to property, plant and equipment give rise to a deferred tax asset and a reduction of fixed assets. Under IFRS, a non-taxable grant is a permanent difference. The effects of the changes to the carrying values of property, plant and equipment are as follows:

i. increase in property, plant and equipment by $862 and decrease in deferred tax assets by $862 at the Transition Date;
ii. increase in property, plant and equipment by $814 and decrease in deferred tax assets by $814 for the year ended May 31, 2011; and
iii. decrease in net earnings and property, plant and equipment by $12 for the three-month period ended August 31, 2010, for a cumulative decrease of $850 as at August 31, 2010.

e. Reclassification

i. IFRS requires items of dissimilar nature or function to be presented separately on the financial statements unless the item is not in itself material. The Company has elected to present the statement of earnings by function. Therefore, adjustments to the classification of expenses were made for the year ended May 31, 2011 and the three-month period ended August 31, 2010. As a result, there are numerous presentation changes in the Company's consolidated financial statements. There is no impact on the Company's net earnings as a result of these changes. Note 19 presents expenses by nature for the four-month period ended September 30, 2011 as required by IFRS in financial statements when a statement of earnings is presented by function.

ii. There is further break-out of balances on the face of the consolidated statement of financial position including investments accounted for using the equity method, income taxes payable and derivative liability.

iii. Under IFRS, it is not appropriate to classify deferred income tax balances as current, irrespective of the classification of the assets or liabilities to which the deferred income tax relates or the expected timing of reversal. Under Canadian GAAP, deferred income tax relating to current assets or current liabilities must be classified as current.

The following represents the reconciliation from Canadian GAAP to IFRS for the respective periods noted for equity, net earnings and comprehensive income as at:

		June 1, 2010					May 31, 2011				
	Note	Canadian GAAP[1]	Effect of transition to IFRS	Reclassi-fication	Functional currency and presentation US$	IFRS	Canadian GAAP[1]	Effect of transition to IFRS	Reclassi-fication	Functional currency and presentation US$	IFRS
ASSETS											
Current											
Cash, cash equivalents and temporary investments (restricted)		67,992	-	-	(3,004)	64,988	77,503	-	-	1,668	79,171
Accounts receivable		4,774	-	-	(190)	4,584	114,099	-	-	3,054	117,153
Inventories		27,705	-	-	(1,595)	26,110	293,069	-	-	6,986	300,055
Derivative financial assets		1,363	-	-	(60)	1,303	321	-	-	10	331
Other current assets		1,741	-	(151)	(121)	1,469	6,074	-	(1,856)	(402)	3,816
Total current assets		**103,575**	**-**	**(151)**	**(4,970)**	**98,454**	**491,066**	**-**	**(1,856)**	**11,316**	**500,526**
Property, plant and equipment	d	26,437	862	-	(64)	27,235	97,223	814	-	334	98,371
Intangible assets		1,771	-	-	(99)	1,672	71,888	-	-	2,974	74,862
Deferred tax asset	d,e	2,311	(862)	151	(116)	1,484	5,051	(862)	1,856	(57)	5,988
Goodwill	a	4,382	-	-	(182)	4,200	116,203	1,649	-	6,064	123,916
Investments accounted for using equity method		-	-	-	-	-	1,051		-	33	1,084
Other assets		45	-	-	(2)	43	1,156		-	366	1,522
Total assets		**138,521**	**-**	**-**	**(5,433)**	**133,088**	**783,638**	**1,601**	**-**	**21,030**	**806,269**
LIABILITIES AND EQUITY											
Current											
Bank indebtedness and short-term debt		-	-	-	-	-	170,675	-	-	4,028	174,703
Accounts payable and other accrued charges		4,646	-	-	(197)	4,449	67,492	-	-	828	68,320
Derivative financial liabilities		-	-	-	-	-	441	-	-	15	456
Income taxes payable		44	-	-	8	52	6,992	-	-	429	7,421
Long-term debt due within one year	e	1,068	-	(445)	(28)	595	19,350	-	(526)	606	19,430
Total current liabilities		**5,758**	**-**	**(445)**	**(217)**	**5,096**	**264,950**	**-**	**(526)**	**5,906**	**270,330**
Long-term debt		4,198	-		(186)	4,012	126,385	-		2,588	128,973
Deferred tax liability		2,334	-	445	205	2,984	23,202	-	526	54	23,782
Retirement benefit obligations		-	-	-	-	-	10,071	-	-	324	10,395
Other liabilities	e	553	-	-	65	618	10,112	-	(1,593)	280	8,799
Total liabilities		**12,843**	**-**	**-**	**(133)**	**12,710**	**434,720**	**-**	**(1,593)**	**9,152**	**442,279**
Equity											
Share capital	a	82,390	-	-	(923)	81,467	287,464	9,307	-	8,692	305,463
Contributed surplus	b	1,372	855	-	(166)	2,061	1,677	859	-	(169)	2,367
Retained earnings	a,b	44,447	(855)	-	(6,742)	36,850	61,941	(8,565)	-	1,492	54,868
Accumulated other comprehensive income (loss)		(2,531)	-	-	2,531	-	(2,164)	-	-	2,164	-
Total Shareholders' equity		**125,678**	**-**	**-**	**(5,300)**	**120,378**	**348,918**	**1,601**	**-**	**12,179**	**362,698**
Non-controlling interest	e	-	-	-	-	-	-	-	1,593	(301)	1,292
Total equity		**125,678**	**-**	**-**	**(5,300)**	**120,378**	**348,918**	**1,601**	**1,593**	**11,878**	**363,990**
Total liabilities and equity		**138,521**	**-**	**-**	**(5,433)**	**133,088**	**783,638**	**1,601**	**-**	**21,030**	**806,269**

(1) Certain Canadian GAAP figures were reclassified to conform to the Company's IFRS financial statement presentation.

The following table summarizes the reconciliations of net earnings:

		August 31, 2010				
	Note	Canadian GAAP[1] CA$	Effect of transition to IFRS	Reclassification	Functional currency and presentation US$	IFRS US$
Revenues		18,770			(728)	18,042
Cost of sales	b, d	10,418	48	474	(395)	10,545
Selling, general, administrative and other expenses	b, d	3,371	10	(474)	(106)	2,801
Operating income		4,981	(58)	-	(227)	4,696
Financial expenses						
Interest on long-term debt		88	-	-	(1)	87
Other interest expense (income), net		(129)	-	-	2	(127)
Foreign exchange (gain) loss and derivative		(595)	-	-	1,351	756
Earnings (loss) before income tax		5,617	(58)	-	(1,579)	3,980
Income tax expense (benefit)		1,585	-	-	(399)	1,186
Net earnings		**4,032**	**(58)**	**-**	**(1,180)**	**2,794**
Attributable to:						
Equity holders of 5N		**4,032**	**(58)**	**-**	**(1,180)**	**2,794**
Earnings per share data attributable to equity holders of 5N		**4,032**	**(58)**	**-**	**(1,180)**	**2,794**
Earnings per share – basic		**0.09**				**0.06**
Earnings per share – diluted		**0.09**				**0.06**

[1] Certain Canadian GAAP figures were reclassified to conform to the Company's IFRS financial statement presentation

NOTE 19 – KEY MANAGEMENT COMPENSATION AND EXPENSE BY NATURE

Key management compensation

Key management includes directors (executive and non-executive) and certain senior management. The compensation expense to key management for employee services is as follows:

Key management compensation	September 30, 2011 (4 months)	August 31, 2010 (3 months)
	$	$
Salaries and wage benefits	1,560	723
Share-based compensation	199	203
Total	**1,759**	**926**

Expense by nature	September 30, 2011 (4 months)	August 31, 2010 (3 months)
	$	$
Wages and salaries (including research and development)	17,313	3,245
Share-based compensation	168	255
Amortization	7,334	702

NOTE 20 – SUBSEQUENT EVENTS

On October 1, 2011, the Company committed to buy a plant in Malaysia. Under this agreement, the Company would purchase a plant for the amount of 8,250 Ringgit (approximately US$2,584). The Company is waiting for approval from the Malaysian authorities to proceed with this purchase.

On October 31, 2011, the Company acquired the remaining 40% ownership interest in one of its subsidiaries, Lao Industrial Resources Co. Ltd., a metal refinery, for an amount of approximately $2 million.

On November 1, 2011, the Company granted 252,000 Stock Appreciation Rights ("SARs") to most of its employees except senior management. These SARs are vested and paid over a period of three years. These SARs are exercisable automatically for cash at each anniversary date and the Company is obligated to pay the holders. The amount of cash payout is calculated based on the number of SARs multiplied by the average price of the Company's shares for the month immediately before vesting. At the end of each financial period, changes in the Company's payment obligations due to changes in the market value of the common shares on the TSX are recorded as an expense.