5N PLUS

Third Quarter Report

Three and nine-month periods ended February 28, 2010

This Management's Report of the operating results and the financial position is intended to assist readers in understanding 5N Plus Inc. ("the Company"), its business environment and future prospects. This Management's Report should be read while referring to the unaudited consolidated financial statements and the accompanying notes for the three and nine-month periods ended February 28, 2010 and with the most recent audited consolidated financial statements and accompanying notes for the fiscal year ended May 31, 2009. Information contained herein includes any significant developments to April 6, 2010, the date on which the Management's Report was approved by the Company's board of directors. The financial information presented in this Management's Report is based on the Company's accounting policies that are in compliance with Canadian generally accepted accounting principles ("GAAP"). It also includes some figures that are not performance measures consistent with GAAP. Information regarding these non-GAAP financial measures is provided under the heading Non-GAAP Measures of this Management's Report. All amounts are expressed in Canadian dollars. Unless otherwise indicated, the terms "we", "us" and "our" as used herein refer to the Company together with its subsidiaries.

Notice Regarding Forward-Looking Statements

Certain statements in this Management's Report may be forward-looking within the meaning of securities legislation. Forward-looking statements are based on the best estimates available to the Company at the time and involve known and unknown risks, uncertainties or other factors that may cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. As a result, we cannot guarantee that any forward-looking statements will materialize. Forward-looking statements can generally be identified by the use of terms such as "may", "should", "would", "believe", "expect", or any terms of similar nature. Except as required under applicable securities legislation, management does not undertake to update these forward-looking statements as a result of new information, future events or other changes. In evaluating these statements, the reader should consider various factors, including the risks outlined under the heading Risks and Uncertainties in the 2009 Annual Report. The reader is warned against giving undue reliance on these forward-looking statements.

Corporate Overview and Business

5N Plus Inc. draws its name from the purity of its products, 99.999% (five nines or 5N) and more. We have our head office in Montreal, Québec, and we develop and produce high-purity metals and compounds for electronic applications and provide our customers with recycling solutions. We are an integrated producer with both primary and secondary refining capabilities. We focus on specialty metals such as tellurium, cadmium and selenium and on related compounds such as cadmium telluride ("CdTe") and cadmium sulphide ("CdS"). Our products are critical precursors in a number of electronic applications, including the rapidly-expanding solar (thin-film photovoltaic) market, for which we are a major supplier of CdTe and the radiation detector market.

Business Strategy

Our goal is to accelerate the growth of our cadmium, selenium and tellurium metals and compounds business in order to meet the increasing demand for these products, in particular in the photovoltaic and medical imaging markets. In doing so, our objective is to maintain our leading position in these rapidly-expanding markets and leverage our competitive strengths to diversify our product offering and enter into new electronic-materials market segments. To accomplish this, our highest-level strategy includes investments in both training and research and development, to develop advantages in terms of competencies, technology and costs. Increasing shareholder value remains a priority and we are well positioned to implement our growth strategy through organic growth and strategic acquisitions.

Highlights of the Third Quarter 2010

- Net earnings for the third quarter were of $4,075,513 ($0.09 per share), which represents a 21.5% decrease over net earnings of $5,189,673 ($0.11 per share) for the third quarter of the previous fiscal year. Sales reached a record level of $19,227,127 over sales of $19,150,195 for the third quarter of the previous fiscal year. EBITDA[1] decreased by 22.0% to $6,253,513 down from $8,012,408 during the third quarter of the previous fiscal year.

- For the nine-month period ended February 28, 2010, net earnings decreased by 32.0% to $10,307,869 ($0.23 per share) and sales by 0.5% to $51,033,792. This compares with net earnings of $15,159,673 ($0.33 per share) and sales of $51,315,894 for the same period of the previous fiscal year. EBITDA also decreased during the nine-month period ended February 28, 2010 to $16,444,458 down by 28.0% from $22,833,752 for the corresponding period of the previous fiscal year.

- As at February 28, 2010 our backlog[1] of orders expected to translate into sales over the following twelve months stood at $53,791,253 which represents a 3.4% increase over its level of $52,024,064 one year earlier.

- On December 1, 2009, 5N Plus announced the acquisition of Firebird Technologies Inc., a leading manufacturer of compound semiconductor products and pure metals.

- On December 1, 2009, 5N Plus announced that it had signed a memorandum of understanding for long-term supply of strategic metals including indium, cadmium and germanium with Teck Metals Ltd.

- On January 25, 2010, 5N Plus and Abound Solar announced that they had signed a photovoltaic module recycling agreement and a memorandum of understanding for the supply of semiconductor compounds.

- The Company's balance sheet position remained solid, with cash and cash equivalents of $61,472,756 as at February 28, 2010 after taking into account the acquisition of Firebird.

To our Shareholders

We (TSX:VNP) are pleased to report the results of our third quarter which was characterized by record sales and an improved profitability with respect to the previous two quarters. This is despite a continuing strengthening of the Canadian dollar with respect to its European and American counterparts which had a negative impact on sales of approximately $3 million. Demand for our solar grade products continued to be strong but it is the increase in sales of our non-solar products which was largely responsible for the record quarter. These non-solar products include for the first time those produced by our subsidiary Firebird Technologies, the performance of which positively impacted both our sales and earnings in the quarter.

We made several announcements in the quarter primarily centered on our compound semiconductor wafer business and our recycling activities. Concurrently with the acquisition of Firebird Technologies, we announced the signature of a memorandum of understanding which Teck Metals Ltd, which was later converted into binding agreements ensuring that our subsidiary is provided with a reliable supply of

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[1] See Non-GAAP Measures

critical feedstock including indium and germanium. We also made great strides in the quarter to further establish our recycling business and announced an agreement with Abound Solar for the recycling of solar modules and manufacturing scrap. A similar announcement was made shortly after the quarter ended with Calyxo, another manufacturer of solar modules. Both agreements together with our joint development efforts carried out with First Solar are aimed at providing our customers and more generally the solar industry with environmentally sustainable recycling solutions.

We also announced more recently and after the end of the quarter some further changes including the promotion of Nicholas of Audet to Vice President, with the corresponding additional responsibilities, as well as the sale of our stake in ZT Plus, which follows the slower than anticipated commercial development of this venture.

We are grateful to our employees for this recent quarter and would like to thank the Firebird team for their first contribution to our quarterly results. We are very hopeful about Firebird's future prospects and have begun construction of a new facility in Trail which will allow for expansion of their current activities. We are confident that our investment in this new facility will enable Firebird to develop into a major producer of semiconductor wafers and a significant provider of products for the germanium and solar markets. This is in line with the growth plan to which we remain committed which calls for diversification of our product offering and accretive acquisitions.

Jacques L'Ecuyer
President and Chief Executive Officer

Selected Quarterly Financial Information

in thousands of dollars except per share amounts
(unaudited)

	FY2010			FY2009				FY2008
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Sales	**19,227**	15,753	16,053	18,057	19,150	18,136	14,030	9,424
Gross profit[1]	**8,204**	7,359	7,618	8,497	9,840	9,230	7,632	5,616
EBITDA	**6,254**	5,141	5,050	8,576	8,012	8,799	6,023	3,917
Net earnings	**4,076**	3,218	3,015	5,708	5,190	5,876	4,094	2,703
Earnings per share								
Basic	**$ 0.09**	$ 0.07	$ 0.07	$ 0.13	$ 0.11	$ 0.13	$ 0.09	$ 0.06
Diluted	**$ 0.09**	$ 0.07	$ 0.07	$ 0.12	$ 0.11	$ 0.13	$ 0.09	$ 0.06
Backlog	**53,791**	53,268	56,964	52,224	52,024	54,722	53,647	30,174

Results of Operations

Introduction

Our sales are generated through the development and production of high-purity metals and compounds which are used in various electronic applications, including solar cells, radiation detectors, infrared optics and systems, thermoelectric and optical storage. We also provide recycling services to our customers where residues from their manufacturing operations are refined and converted back into a usable product. We have one reportable segment, namely refining and recycling of metals.

Our customer base includes manufacturers of thin-film solar cells, original equipment manufacturers (OEM), and Tier 1 and 2 suppliers which provide consumables, components or sub-assemblies. Our customers are located primarily in the United States, Europe, Israel and Asia. For the nine months ended February 28, 2010, one customer accounted for 77% of our sales compared to 84% for the corresponding period of the previous fiscal year.

Sales, Gross Profit, Net Earnings and Earnings per Share

	Three months ended February 28			Nine months ended February 28		
	2010	2009	Increase (Decrease)	**2010**	2009	Increase (Decrease)
Sales	**$ 19,227,127**	$ 19,150,195	0.4%	**$ 51,033,792**	$ 51,315,894	(0.5%)
Gross profit	**$ 8,203,533**	$ 9,840,268	(16.6%)	**$ 23,181,344**	$ 26,702,270	(13.2%)
Gross profit ratio[1]	**42.7%**	51.4%		**45.4%**	52.0%	
Net earnings	**$ 4,075,513**	$ 5,189,673	(21.5%)	**$ 10,307,869**	$ 15,159,673	(32.0%)
Earnings per share (basic)	**$ 0.09**	$ 0.11		**$ 0.23**	$ 0.33	

Sales for the third quarter ended February 28, 2010 reached a record level of $19,227,127 up by 0.4% over sales of $19,150,195 for the corresponding period of the previous fiscal year. This increase reflects higher sales of products aimed at non-solar applications. The appreciation of the Canadian dollar in relation to

[1] See Non-GAAP Measures

the U.S. dollar and the Euro had an adverse impact of approximately $3,000,000 on the sales during the quarter.

For the nine-month period, sales reached $51,033,792 representing a 0.5% decrease over sales of $51,315,894 for the corresponding period of previous fiscal year. For the nine-month period considered, sales were relatively constant as compared to the corresponding period of the previous fiscal year. The appreciation of the Canadian dollar in relation to the U.S. dollar and the Euro had an adverse impact of approximately $2,500,000 on the sales.

Sales into the solar market represented 71.2% of total sales in the third quarter and 81.4% for the nine-month period ended February 28, 2010. This compares with 82.2% and 79.3% for the corresponding periods of the previous fiscal year. Overall, volumes of product sold for solar applications increased in both the quarter and the nine-month period ended February 28, 2010 relative to those sold in the corresponding periods of the previous fiscal year, with the corresponding sales numbers being partially offset by a reduction in the average unit price and the adverse impact of the foreign exchange rates.

Gross profit reached $8,203,533 in the third quarter and $23,181,344 for the nine-month period ended February 28, 2010, corresponding to gross profit ratios of 42.7% and 45.4% respectively. This compares with a gross profit of $9,840,268 and $26,702,270 for the corresponding periods of the previous fiscal year and respective gross profit ratios of 51.4% and 52.0%. The decreases observed in gross profit and gross profit ratio in the quarter are mainly accounted due the appreciation of the Canadian dollar in relation to the U.S. dollar and Euro which had an adverse impact on the Company's sales when compared to the corresponding period of the previous fiscal year. For the nine-month period considered, the decrease in average selling unit price also accounts to a lesser extend for the gross profit and gross profit ratio decreases together with higher operating costs.

Net earnings for the third quarter ended February 28, 2010 were $4,075,513 ($0.09 per share) representing a 21.5% decrease over net earnings of $5,189,673 ($0.11 per share) for the third quarter of the previous fiscal year. Lower gross profit and higher research and development ("R&D") expenses are mainly responsible for the decrease in net earnings for the quarter.

For the nine-month period ended February 28, 2010, net earnings decreased by 32.0% from $15,159,673 ($0.33 per share) to $10,307,869 ($0.23 per share). This decrease was driven by the same factors described above for the third quarter along with acquisition-related charges for uncompleted acquisition projects and ZT Plus, lower foreign exchange rate gain and lower interest income. Earnings per share for the current fiscal year are calculated based on a weighted average number of common shares outstanding of 45,615,999 for the third quarter and of 45,563,382 for the nine-month period ended February 28, 2010. Earnings per share of the previous fiscal year are calculated based on a weighted average number of common shares of 45,505,413 for the third quarter and of 45,501,804 for the nine-month period ended February 28, 2009.

During the last quarter of the fiscal year ended May 31, 2009 , the Company retroactively adopted the recommendations of the Canadian Institute of Chartered Accountants ("CICA") Section 3064 "Goodwill and Intangible Assets". As a result, all of the German facility start-up expenses which had previously been capitalized were expensed leading to the following changes in net earnings of the quarter ended February 28, 2009 as shown in the table below.

Restated net earnings

	Three months ended February 28, 2009	Nine months ended February 28, 2009
Net earnings	$ 5,103,971	$ 15,248,093
Deferred start-up costs	(53,882)	(503,162)
Amortization of deferred start-up costs	172,912	380,356
Income taxes	(33,328)	34,386
Restated net earnings	$ 5,189,673	$ 15,159,673

Selling and Administrative and Research and Development Expenses

	Three months ended February 28		Nine months ended February 28	
	2010	2009	**2010**	2009
Selling and administrative expenses	**$ 1,512,646**	$ 1,343,814	**$ 5,285,279**	$ 3,606,876
Percentage of sales for the period	**7.9%**	7.0%	**10.4%**	7.0%
Research and Development expenses (net of tax credits)	**$ 827,584**	$ 333,238	**$ 1,971,690**	$ 817,865
Percentage of sales for the period	**4.3%**	1.7%	**3.9%**	1.6%

Selling and administrative expenses were $1,512,646 or 7.9% of sales for the third quarter and $5,285,279 or 10.4% of sales for the nine months ended February 28, 2010. This compares with selling and administrative expenses of $1,343,814 and $3,606,876 for the corresponding periods of previous fiscal year representing 7.0% of sales. The Company is maintaining an appropriate level of administrative expenses in order to achieve its growth objectives. Selling and administrative expenses in the quarter were impacted by the inclusion of Firebird Technologies ("Firebird") and higher stock-based compensation expense. The Company also incurred significant administrative expenses during the first quarter of fiscal year 2010, in support of its growth objectives resulting in a $1,165,000 acquisition-related charge for uncompleted acquisition projects and ZT Plus.

R&D expenses, net of tax credits reached $827,584 in the third quarter as we expanded our R&D efforts to develop products for new or existing applications, compared to $333,238 in the third quarter of the previous fiscal year. These current expenses represent 4.3% of sales compared to 1.7% in the third quarter of the previous fiscal year. For the nine-month period ended February 28, 2010, R&D expenses, net of tax credits, reached $1,971,690 or 3.9% of sales which is higher than the expenses of $817,865 or 1.6% of sales incurred during the same period of previous fiscal year. Current levels of R&D are consistent with anticipated levels with the exception that $ 442,439 for the third quarter and $792,444 for the nine-month period are related to the joint venture ZT Plus.

Reconciliation of EBITDA

	Three months ended February 28			Nine months ended February 28		
	2010	2009	(Decrease)	**2010**	2009	(Decrease)
Net earnings	**$ 4,075,513**	$ 5,189,673	(21.5%)	**$ 10,307,869**	$ 15,159,673	(32.0%)
Add (deduct):						
Income taxes	**1,456,955**	2,316,051		**4,231,994**	6,783,578	
Financial expenses & Interest income	**(44,106)**	(96,393)		**(217,724)**	(662,610)	
Depreciation and amortization	**765,150**	603,077		**2,122,319**	1,553,111	
EBITDA	**$ 6,253,513**	$ 8,012,408	(22.0%)	**$ 16,444,458**	$ 22,833,752	(28.0%)

EBITDA decreased by 22.0% for the third quarter of fiscal year 2010 when compared with the corresponding period of the previous fiscal year reaching $6,253,513 down from $8,012,408. EBITDA for the nine-month period ended February 28, 2010 decreased by 28.0% down from $22,833,752 for the nine-month period ended February 28, 2009 to $16,444,458. EBITDA was negatively impacted in both of the periods considered by the lower net earnings resulting from lower gross profits, higher selling and administrative expenses and the fact that we incurred significant foreign exchange gains in the corresponding periods of the previous fiscal year.

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

The combined financial expenses and interest income netted a gain of $44,106 for the third quarter of the current fiscal year and of $217,724 for the nine-month period ended February 28, 2010. This compares with a gain of $96,393 for the third quarter of the previous fiscal year and $662,610 for the nine-month period ended February 28, 2009. This decrease is consistent with lower interest rates offered by banks on cash and cash equivalents.

Depreciation and amortization expenses for the quarter ended February 28, 2010 increased to $765,150 up from $603,077 for the third quarter of the previous fiscal year. For the nine-month period ended February 28, 2010 depreciation and amortization expenses increased to $2,122,319 up from $1,553,111 in the corresponding period of the previous fiscal year. This follows the sizeable increase in our property, plant and equipment mainly related to our German facility. The amortization of the intellectual property related to ZT Plus which started on September 1st, 2009 also accounted for the increase.

Income taxes were $1,456,955 for the third quarter ended February 28, 2010, compared with $2,316,051 for the third quarter of the previous fiscal year. These figures correspond to effective tax rates of 26.3% and 30.9% respectively. The effective income tax rate decrease is mainly due to the effect of tax planning efficiency. For the nine-month period ended February 28, 2010 income taxes were $4,231,994 and the effective tax rate of 29.1%. This compares with income taxes of $6,783,578 and an effective income tax rate of 30.9% for the corresponding period of the previous fiscal year.

Liquidity and Capital Resources

	As at February 28, 2010	As at May 31, 2009
Working capital[1]	**$ 90,427,561**	$ 90,558,261
Current ratio[1]	**12.4**	9.5
Property, plant and equipment	**$ 28,082,085**	$ 25,823,473
Total assets	**$ 137,448,105**	$ 128,168,856
Total debt[1]	**$ 5,266,981**	$ 4,589,570
Shareholders' equity	**$ 122,501,095**	$ 112,368,764

Working Capital and Current Ratio

Working capital increased to $90,427,561 on February 28, 2010, up from $90,558,261 on May 31, 2009. The current ratio increased from 9.5 to 12.4, mainly due to the decrease of $3,011,315 of the income taxes payable.

Property, Plant and Equipment, intangible assets and other assets

We incurred $996,296 of capital expenditures during the quarter ended February 28, 2010 compared to $706,275 incurred during the third quarter of the previous fiscal year. The level of capital expenditures has

[1] See Non-GAAP Measures

increased mainly due to the purchase of land in Trail by our subsidiary Firebird and, additional investments made at both our German and Montreal facilities to increase production capacity and recycling capabilities. Capital expenditures for the nine-month periods considered were of $3,889,653 compared to $6,122,710 for the corresponding period of the previous fiscal year. Capital expenditures were higher in the previous fiscal year as we finalized commissioning of our German facility.

Goodwill

As at February 28, 2010, goodwill related to the acquisition of Firebird amounts to $4,566,726.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities increased to $7,229,956 as at February 28, 2010, up from $6,791,675 as at May 31, 2009 mainly due to the unpaid acquisition of ZT Plus for $1,902,480.

Total Debt and Deferred Revenue

Total debt increased from $4,589,570 as at May 31, 2009 to $5,266,981 as at February 28, 2010 due to the inclusion of Firebird's long-term debt. Deferred revenue is associated with a subsidy of 540 000 Euros provided to our German subsidiary 5N PV GmbH to promote employment in the city of Eisenhüttenstadt. During the quarter ended February 28, 2010, an amount of $43,807 was recognized as revenue.

Shareholders' Equity

Shareholders' equity was $122,501,095 or 89.1% of total assets on February 28, 2010. This compares with $112,368,764, or 87.7% of total assets on May 31, 2009 illustrating the positive net earnings incurred during the current quarter and nine-month period considered. Foreign exchange gains and losses arising from the translation of the foreign subsidiary's accounts into Canadian dollars are deferred and reported as accumulated other comprehensive income (loss) in the Consolidated Statements of Comprehensive Income as well as a portion of the foreign exchange gain related to the termination of certain foreign exchange contracts on which we had applied hedge accounting.

Cash Flows

	Three months ended February 28		Nine months ended February 28	
	2010	2009	**2010**	2009
Operating activities	**$ 1,958,888**	$ 5,733,739	**$ 9,482,909**	$ 11,617,761
Financing activities	**(95,310)**	(2,588,088)	**(125,965)**	(1,501,046)
Investing activities	**(9,684,583)**	(1,497,028)	**(12,795,776)**	(7,531,368)
Effect of changes in foreign currency exchange	**(194,815)**	10,705	**(154,942)**	25,473
(Decrease) Increase in cash and cash equivalents	**$ (8,015,820)**	$ 1,659,328	**$ (3,593,774)**	$ 2,610,820

Cash flow from operating activities generated $1,958,888 in the quarter ended February 28, 2010. This compares to cash flow from operating activities of $5,733,739 for the corresponding period of the previous fiscal year. This decrease is accounted by lower net earnings and the payment of the accounts payable and accrued liabilities. For the nine-month period ended February 28, 2010, cash flow from operating activities generated $9,482,909 compared to cash flow from operating activities of $11,617,761 for the corresponding period of the previous fiscal year.

Financing activities consumed $95,310 during the third quarter and $125,965 in the nine-month period considered reflecting the repayment of scheduled installments on our long-term debt partly offset by the cash flow from issuance of share capital following exercise of stock options. This compares with a cash consumption related to financing activities of $2,588,088 and $1,501,046 for the corresponding periods of the previous fiscal year as we reimbursed our bank loan during the last fiscal year while continuing to pay back long term debt and other long term liabilities.

Cash consumed in investing activities increased to $9,684,583 for the third quarter and $12,795,776 for nine-month period compared to $1,497,028 and $7,531,368 for the corresponding periods of the previous fiscal year. These increases are mainly due the disbursement related to the acquisition of Firebird of $7,912,085 and $778,553 related to ZT Plus.

Reconciliation of capital expenditures and cash flows from investing activities

	Three months ended February 28		Nine months ended February 28	
	2010	2009	**2010**	2009
Additions to property, plant and equipment intangible asset and other asset	**$ 996,296**	$ 706,275	**$ 3,889,653**	$ 6,122,710
Acquisition of a joint venture	**778,553**	-	**1,002,714**	-
Acquisition of a business (net of cash and cash equivalent)	**7,748,027**	-	**7,748,027**	-
Additions to property, plant and equipment, intangible assets and other assets not paid and included in accounts payable and accrued liabilities:				
Beginning of the period	**198,778**	1,098,010	**192,453**	1,715,915
End of the period	**(37,071)**	(307,257)	**(37,071)**	(307,257)
Cash flows from investing activities	**$ 9,684,583**	$ 1,497,028	**$ 12,795,776**	$ 7,531,368

Our cash position decreased by $8,015,820 in the third quarter and $3,593,774 for the nine-month period ended February 28, 2010, reaching a level of $61,472,756 compared with a cash increase of $1,659,328 and $2,610,820 for the corresponding periods of the previous fiscal year. We are very confident that this amount of cash combined with the cash flow from our operations will be sufficient to fund our working capital and capital expenditure requirements, and enable us to pursue our growth plan including acquisition opportunities.

Share Capital

Authorized

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

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

Issued and fully paid

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

Stock Option Plan

In October 2007, the Company introduced a new stock option plan for directors, officers and employees. The maximum number of common shares that can be issued upon the exercise of options granted is equal to 10% of the aggregate number of common shares issued and outstanding from time-to-time. The maximum period during which an option may be exercised is ten years from the date of the grant. For the three-month period ended February 28, 2010, the Company granted 376,500 options at a weighted average price of $5.23 per option compared to 399,430 options at a weighted average price of $5.47 per option for the three-month period ended February 28, 2009. For the nine-month period ended February 28, 2010, the Company granted 426,500 options at a weighted average price of $5.38 per option compared to 466,430 at a weighted average price of $5.42 for the nine-month period ended February 28, 2009 for a total of 1,610,685 granted options.

Under the stock option plan, a total of 2,951,115 stock options remained authorized for issuance as at February 28, 2010.

Order Backlog

The backlog of orders which are expected to translate into sales within the next 12 months was of $53,791,253 as at February 28, 2010 which is 3.4% higher than the corresponding backlog of $52,024,064 as at February 28, 2009. Changes in currency exchange rates had an adverse impact of approximately $10 million on the backlog comparisons.

Accounting Policies

The accounting policies are in accordance with those used in the preparation of the audited consolidated financial statements as at May 31, 2009 with the exception of the new accounting policies listed below.

Intangible assets

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

Hedges

The Company uses foreign exchange contracts to manage its cash flow risks. The Company applies hedge accounting for certain of its foreign exchange contracts designated as cash flow hedge. These derivative financial instruments are measured at fair value in the consolidated balance sheet. When applicable, the effective portion of the variation of the fair value of these contracts is included in the consolidated statements of comprehensive income.

Joint Venture

On September 1, 2009, the Company has established a joint venture called ZT Plus with BSST, a subsidiary of Amerigon Incorporated. As at February 28, 2010, the Company had a 50% ownership interest in ZT Plus. This joint venture would have developed and manufactured advanced, more efficient thermoelectric materials designed to enable the use of advance thermoelectric technology in a wide variety of heating and cooling and power generation applications for industrial, consumer, medical, electronics and automotive markets. On March 26, 2010, the Company sold its entire interest for an amount of US$1,600,000. The loss before income tax attributable to the disposition was approximately $148,000.

Business combination

On December 1, 2009, the Company acquired Firebird, a manufacturer of compound semiconductor products and pure metals. Firebird's main products, which include indium antimonide wafers as well as pure metals such as antimony, indium and tin, are sold worldwide and used in a number of electronic and optical applications. The Company has accounted this transaction using the purchase method. The results of Firebird have been consolidated in the Company's consolidated financial statements starting December 1, 2009.

Future changes in accounting policies

International Financial Reporting Standards (IFRS)

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

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

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

Business combination and Consolidated Financial Statements

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

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

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

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

Risk Factors

The Company is subject to a number of risk factors which may limit our ability to execute our strategy and achieve our long-term growth objectives. Management analyses these risks and implements strategies in order to minimize their impact on the Company's performance. The reader is referred to the Risk and Uncertainties section described in the 2009 Annual Report.

Disclosure Controls and Procedures

The Company's management is responsible for establishing and maintaining appropriate control systems, procedures and information systems, thereby ensuring that the information it discloses is reliable and complete. The Company applies financial information disclosure rules and takes the necessary actions to comply with new accounting standards once they come into force. The Company also applies the standards set by the capital markets regulatory authorities. No material changes were made to internal control over financial information during the three and nine-month periods ended February 28, 2010 that could have a significant impact or that could have been reasonably believed to have a significant impact on internal control over financial reporting.

Internal Control over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer are responsible for establishing and maintaining appropriate internal controls over financial reporting (ICFR) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP.

Non-GAAP Measures

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

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

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

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

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

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

Comparative Figures

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

Additional Information

Our common shares trade on the Toronto Stock Exchange (TSX) under the ticker symbol "VNP". Additional information relating to the Company, including the Company's annual information form is available under the Company's profile on SEDAR at www.sedar.com.

Subsequent event

On March 26, 2010, the Company announced that it has sold its entire interest in ZT Plus.