5N PLUS INC.

Management's Discussion and Analysis

Fourth Quarter and Year Ended

May 31, 2008

Scope of Financial Management's Analysis

This Management's Discussion and Analysis ("MD&A") 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 MD&A should be read in conjunction with the Company's audited consolidated financial statements and the accompanying notes for the fiscal year ended May 31, 2008. Information contained herein includes any significant developments to August 11, 2008, the date on which this MD&A was approved by the Company's Board of Directors. All amounts are expressed in Canadian dollars. The financial information included in this MD&A is based on the Company's accounting policies that are in compliance with Canadian generally accepted accounting principles ("GAAP"). Unless otherwise indicated, the terms "we", "us" and "our" as used herein refer to the Company together with its subsidiary.

The preparation of consolidated financial statements requires the Company's management to make estimates and judgments that affect the amounts recorded as assets, liabilities, shareholders' equity, sales and expenses. These assumptions are revised on a regular basis by the Company, based on historical results and new events.

The Company's management is responsible for 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 when they come into force. The Company also applies the standards set by the capital markets regulatory authorities.

During the fiscal year, on October 1, 2007, 5NPlus Inc. and 6367909 Canada Inc., both held by the same shareholders with identical interests, amalgamated. The new entity arising from this amalgamation operates under the name 5N Plus Inc. Accordingly, comparative figures reflect this amalgamation.

Non-GAAP Measures

In this MD&A, the Company's management uses certain measures which are not in accordance with GAAP and cannot be formally presented in financial statements. These include EBITDA, gross profit and gross profit ratio, working capital, and current ratio. EBITDA means earnings before financing costs, interest income, income taxes, depreciation and start-up costs. Gross profit means sales less cost of goods sold, and gross profit ratio means gross profit divided by sales. Working capital means current assets minus current liabilities, and current ratio means current assets divided by current liabilities. The definitions of these non-GAAP measures used by the Company may differ from those used by other companies.

Forward-Looking Statements and Disclaimer

Certain statements in this MD&A may be forward-looking. 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. In evaluating these statements, the reader should consider various factors, including the risks outlined under the heading "Risk Factors" in this MD&A. 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 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 and cadmium sulphide. 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 cadmium telluride (CdTe), and the radiation detector market.

Management's Discussion and Analysis

Significant Events

Initial Public Offering

In the third quarter of the fiscal year (specifically, on December 20, 2007), we completed our initial public offering ("IPO") and secondary offering for total proceeds of $66,515,403, including the proceeds from the exercise in full of an over-allotment option by the underwriters of the IPO. This allowed us to raise $34,500,000 ($31,417,006 net of the underwriters' commission and issue expenses) by issuing 11,500,000 common shares from treasury and allowed II-VI Incorporated, a selling shareholder, to sell all of its shares of the Company for $32,015,403 ($29,934,402 net of the underwriters' commission). These changes are reflected in the current balance sheet.

Bought Deal Equity Financing

In the fourth quarter (specifically, on April 29, 2008), we issued 4 million common shares from treasury on a bought-deal basis and raised gross proceeds of $46,200,000 ($44,147,461 net of the underwriters' commission and issue expenses). These changes are reflected in the current balance sheet.

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.

Highlights of the fourth quarter and of the fiscal year ended May 31, 2008

We intend to become the world's leading producer of high purity materials. In 2008, we executed on some of the most important components of our strategy by improving sales and profitability, strengthening operational performance, adding financial strength and flexibility, and building and commissioning a new German operation.

The increase in sales and profitability was substantial throughout the year and follows a general trend of rapid growth closely linked to the photovoltaic, and to a lesser extent radiation detector, markets. Net earnings, EBITDA and sales all reached record levels in the fourth quarter and the fiscal year.

- Net earnings for the fourth quarter were $3,178,621 or $0.08 per share, representing a 160% increase over net earnings of $1,222,428 or $0.04 per share for the fourth quarter of the previous fiscal year. For the fiscal year, net earnings were $7,766,137 or $0.22 per share, representing an increase of 117.3% over net earnings of $3,574,082 or $0.12 per share for the previous fiscal year.
- EBITDA for the fourth quarter was $4,646,476 representing an increase of 86.7% over EBITDA of $2,488,087 for the fourth quarter of the previous fiscal year. EBITDA reached $12,481,760 for the fiscal year, an increase of 73.3% over EBITDA of $7,202,310 for the previous fiscal year.
- Sales for the fourth quarter were $9,423,908, representing an increase of 43.9% over sales of $6,549,412 for the fourth quarter of the previous fiscal year. Sales for the fiscal year were $30,972,941, an increase of 41.4% compared to sales of $21,897,240 for the previous fiscal year.
- Operational performance was outstanding throughout the year as we increased production throughput at our Montreal facility, to meet the growing requirements of our customers, while improving efficiency and reducing costs.

- Cash flow from operating activities, excluding changes in non-cash working capital items, increased to $3,552,457 for the quarter and $9,880,266 for the fiscal year. This compares to $1,553,438 and $4,738,467 for the corresponding periods of the previous fiscal year.

In terms of financial strength and flexibility, there was a significant change in the competitive landscape as a result of our successful IPO, which closed on December 20, 2007 and allowed us to raise substantial net proceeds to support our investment program. The IPO was followed in the fourth quarter by a new bought-deal equity financing, to further strengthen our balance sheet and enable us to more aggressively implement our growth plans.

- Shareholders' equity significantly increased during the fourth quarter and the fiscal year, reaching $91,553,930 at year end, up from $7,546,467 at the end of the previous fiscal year. During the fourth quarter, we raised $46,200,000 through the issuance of 4 million common shares, which resulted in net proceeds of $44,147,461 (net of issue expenses). This followed the closing of our IPO which occurred during the third quarter of the fiscal year, resulting in net proceeds to us of $31,417,006 (net of issue expenses).
- Cash and cash equivalents totalled $59,576,743 at year end, compared to $1,526,932 at the end of the previous fiscal year.

During the year, we successfully built and pre-commissioned a new production facility in Eisenhüttenstadt, Germany. This new facility, which has been operational since July 29, 2008, enables us to double our production capacity for CdTe and plays an active role in the recycling of solar module manufacturing residues. The facility currently employs 42 people, many of whom have been trained in Montreal or in Germany by personnel from our Montreal facility. This investment is one of many which have been made during the year to increase and upgrade production capacities.

- During the fiscal year, we invested $14,383,791 to build and commission our Eisenhüttenstadt facility and $3,178,784 to upgrade and expand the capabilities of our Montreal facility, for a total investment in capital expenditures of $17,562,575.

Selected Annual Information

(all numbers are in Canadian dollars)

	2008	2007	2006
Sales	$ 30,972,941	$ 21,897,240	$ 13,800,498
EBITDA[1]	$ 12,481,760	$ 7,202,310	$ 2,247,511
Net earnings	$ 7,766,137	$ 3,574,082	$ 767,815
Net earnings per common share			
Basic	$ 0,22	$ 0.12	$ 0.03
Diluted	$ 0.21	$ 0.11	$ 0.02
Dividend per common share	$ 0.034	$ 0.003	$ 0.003
Total assets	$108,334,189	$ 17,363,037	$ 15,062,509
Total debt[2]	$ 6,786,312	$ 5,618,270	$ 8,567,471
Shareholders' equity	$ 91,553,930	$ 7,546,467	$ 3,995,096

1. EBITDA means earnings before financing costs, interest income, income taxes, depreciation and start-up costs.
2. Includes bank overdraft, bank loan, capital lease obligations, long-term debt and other long-term liabilities, including their related current portion.

Quarterly Financial Data

(all numbers are in Canadian dollars)

	2008				2007			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Sales	$9,423,908	$8,358,817	$6,795,743	$6,394,473	$6,549,412	$5,554,737	$4,889,938	$4,903,153
Gross profit	$5,615,838	$4,454,138	$3,276,379	$2,977,434	$3,106,722	$2,135,263	$2,110,620	$1,781,270
EBITDA	$4,646,476	$3,423,415	$2,318,111	$2,093,758	$2,488,087	$1,767,318	$1,553,343	$1,393,562
Net earnings	$3,178,621	$2,268,712	$1,219,548	$1,099,256	$1,222,428	$ 798,073	$ 867,255	$ 686,326
Earnings per share								
Basic	$ 0.08	$ 0.06	$ 0.04	$ 0.04	$ 0.04	$ 0.03	$ 0.03	$ 0.02
Diluted	$ 0.08	$ 0.06	$ 0.04	$ 0.03	$ 0.04	$ 0.02	$ 0.03	$ 0.02

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. Three customers accounted for 81% of our sales during the quarter and 80% during the fiscal year.

Sales, Gross Profit, Net Earnings and Earnings per Share

(all numbers are in Canadian dollars unless otherwise stated)

	Summary					
	Three months ended May 31			Twelve months ended May 31		
	2008	2007	Increase	2008	2007	Increase
Sales	$ 9,423,908	$ 6,549,412	43.9%	$ 30,972,941	$ 21,897,240	41.4%
Gross profit	$ 5,615,838	$ 3,106,722	80.8%	$ 16,323,789	$ 9,133,875	78.7%
Gross profit ratio	59.6%	47.4%		52.7%	41.7%	
Net earnings	$ 3,178,621	$ 1,222,428	160.0%	$ 7,766,137	$ 3,574,082	117.3%
Earnings per share	$ 0.08	$ 0.04		$ 0.22	$ 0.12	

Sales for the fourth quarter reached a record level of $9,423,908, up by 43.9% over sales of $6,549,412 for the corresponding period of the previous fiscal year. For the fiscal year, sales reached $30,972,941, representing a 41.4% increase over sales of $21,897,240 for the previous fiscal year. This increase in sales is mainly attributable to an increase in sales to the photovoltaic (solar module) and radiation detector markets. Sales to other markets were relatively stable.

Gross profit reached $5,615,838 in the fourth quarter and $16,323,789 for the fiscal year, corresponding to gross-profit ratios of 59.6% and 52.7%, respectively. This compares with gross profit of $3,106,722 and $9,133,875 for the corresponding periods of the previous fiscal year and respective gross profit ratios of 47.4% and 41.7%. These improvements in both gross profit and gross profit ratio continue to reflect increased sales and general improvements in efficiency, scalability and production throughput, as well as an increase in our custom-refining or "tolling" volumes, where we incur no cost for raw materials.

Net earnings for the fourth quarter also reached a record level of $3,178,621 ($0.08 per share), representing a 160% increase over net earnings of $1,222,428 ($0.04 per share) for the fourth quarter of the previous fiscal year. For the fiscal year, net earnings were $7,766,137 ($0.22 per share) representing a 117.3% increase over net earnings of $3,574,082 ($0.12 per share) for the previous fiscal year. Earnings per share are calculated based on a weighted average number of common shares outstanding of 42,934,783 for the last quarter, and 35,308,641 for the fiscal year. Earnings per share for the previous fiscal year are calculated based on a weighted average number of common shares of 29,635,954.

This increase in net earnings is the result of an increase in gross profit combined with reduced financial expenses, and interest income generated during the third and fourth quarters from the investment of funds raised during the IPO and bought-deal equity financing. These positively-contributing factors were only partially offset by increased selling, administrative, research and development and depreciation expenses. We also recognised a future income tax asset of $74,826 in the fourth quarter and $219,826 for the fiscal year for expenses incurred in setting up our new German plant, which decreased overall income tax expense. We continued to capitalize in the fourth quarter, as we had done in the third quarter, most of the start-up costs associated with our German plant. Amounts capitalized were $660,490 in the fourth quarter and $821,008 for the fiscal year.

Selling and Administrative and Research and Development Expenses

(all numbers are in Canadian dollars unless otherwise stated)

	Summary			
	Three months ended May 31		Twelve months ended May 31	
	2008	**2007**	**2008**	**2007**
Selling and Administrative expenses	$ 903,514	$ 388,686	$ 2,911,797	$ 1,266,697
Percentage of sales for the period	9.6%	5.9%	9.4%	5.8%
Research and Development expenses (net of tax credits)	$ 65,848	$ 229,949	$ 930,232	$ 664,868
Percentage of sales for the period	0.7%	3.5%	3.0%	3.0%

Selling and administrative expenses were $903,514 or 9.6% of sales for the fourth quarter, and $2,911,797 or 9.4% of sales for the fiscal year. This compares with selling and administrative expenses of $388,686 and $1,266,697 for the corresponding periods of the previous fiscal year, representing respectively 5.9% and 5.8% of sales. The current level of selling and administrative expenses is more consistent with that of publicly-traded companies and reflects additions to our management team and increased legal, auditing and consulting fees.

Research and development expenses, net of tax credits, were $65,848 or 0.7% of sales in the fourth quarter compared to $229,949 or 3.5% of sales for the fourth quarter of the previous fiscal year. For the fiscal year, research and development expenses, net of tax credits, reached $930,232 or 3.0% of sales, which is greater than the expenses of $664,868 or 3.0% of sales incurred during the previous fiscal year. The decrease in the fourth quarter is associated with minor adjustments to the research and development credit rate. Overall, research and development expenses increased during the fiscal year primarily because of expenses incurred during the first quarter, which were made to increase our product offering for the radiation-detector market and develop and optimize the associated processes.

Reconciliation of EBITDA and Net Earnings

(all numbers are in Canadian dollars unless otherwise stated)

	Summary					
	Three months ended May 31			Twelve months ended May 31		
	2008	2007	Increase	2008	2007	Increase
Net earnings	$ 3,178,621	$ 1,222,428	160.0%	$ 7,766,137	$ 3,574,082	117.3%
PLUS:						
Income taxes	1,294,472	620,696		3,383,161	1,774,000	
Financial expenses & Interest income	(395,861)	243,404		(183,708)	666,446	
Depreciation	297,737	233,138		1,048,886	869,974	
Expensed start-up costs	271,507	168,421		467,284	317,808	
EBITDA	$ 4,646,476	$ 2,488,087	86.7%	$ 12,481,760	$ 7,202,310	73.3%

EBITDA was $4,646,476 for the fourth quarter of fiscal 2008, an increase of 86.7% when compared with EBITDA of $2,488,087 for the corresponding period of the previous fiscal year. EBITDA for the fiscal year was $12,481,760, an increase of 73.3% when compared to EBITDA of $7,202,310 for the previous fiscal year. EBITDA increased at a lower rate than net earnings for both the quarter and the fiscal year because it was not positively impacted by the recognition of the future income tax asset, reduced financing expenses and interest income.

Financial Expenses, Depreciation, Start-up Costs and Income Taxes

Following the IPO, we paid back substantially all of our debt and generated interest income of $250,682 in the fourth quarter, for a total of $419,901 during the fiscal year, from the investment of the net proceeds raised during the IPO and the bought-deal equity financing. The combined financial expenses and interest income thus netted a gain of $395,861 for the fourth quarter, as we also incurred a foreign exchange gain of $202,271 in the quarter and $124,710 for the fiscal year. This compares favourably with expenses of $243,404 and $666,446 for the corresponding periods of the previous fiscal year.

Depreciation for the quarter increased by 27.7%, to $297,737 from $233,138, and increased for the fiscal year by 20.6%, to $1,048,886 from $869,974. Expensed start-up costs for the quarter were $271,507 and $467,284 for the fiscal year. We also capitalized in the third and fourth quarters certain of the start-up costs associated with our new German facility. In the previous fiscal year, a period in which no start-up costs were capitalized, we expensed start-up costs of $168,421 in the fourth quarter and $317,808 for the entire year.

Income taxes were $1,294,472 for the fourth quarter and $3,383,161 for the fiscal year. These figures correspond to effective tax rates of 28.9% and 30.3%, respectively. This compares with income taxes of $620,696 and $1,774,000 for the corresponding periods of the previous fiscal year, representing effective tax rates of 33.6% and 33.2%, respectively. The decrease in our effective tax rate is attributable to the recognition of our future income tax assets in both the fourth quarter and fiscal year.

Liquidity and Capital Resources

(all numbers are in Canadian dollars, except for current ratio)

Balance Sheet	As at			
		May 31, 2008		**May 31, 2007**
Working capital	$	71,921,979	$	2,026,457
Current ratio		7.34		1.36
Property, plant and equipment	$	21,220,889	$	9,669,876
Total assets	$	108,334,189	$	17,363,037
Total debt	$	6,786,312	$	5,618,270
Shareholders' equity	$	91,553,930	$	7,546,467

Working Capital and Current Ratio

Our working capital and current ratio increased substantially during the fiscal year as a result of the successful IPO and bought-deal equity financing. Working capital increased to $71,921,979 on May 31, 2008 from $2,026,457 on May 31, 2007 and the current ratio increased to 7.34 from 1.36. The main balance sheet items having a material impact on the working capital and the observed changes included cash, accounts receivable, inventories and future income tax assets, as well as accounts payable and accrued liabilities, income taxes and current portion of long term debt liabilities, with cash and cash equivalents being the dominant factor.

As at May 31, 2008, our cash position was $59,576,743, primarily as a result of the net proceeds from the IPO and bought-deal equity financing. Accounts receivable continued to rise and totalled $10,164,562 compared to $2,550,370 as at May 31, 2007. This is explained by an increase in trades accounts receivable, which is somewhat correlated with increasing sales levels, a substantial increase in commodity taxes, related to increasing purchases of raw materials and capital expenditures, and the inclusion of outstanding amounts related to the subsidy provided to our German subsidiary by the German authorities. Inventories also increased substantially compared to May 31, 2007 levels, to $12,727,564 from $3,307,810, primarily as a result of an increase in our raw-materials inventory, as we aim to further strengthen our supply chain. Increases in both inventories and capital expenditures led to increases in accounts payable and accrued liabilities, which increased to $7,486,227 as at May 31, 2008 from $2,299,279 as at May 31, 2007.

Future Income Taxes

At May 31, 2008, future income taxes represented a net asset position of $1,365,861 compared to a net liability of $793,000 in 2007. The change of approximately $2.2 million is largely attributable to expenses related to the two issuances of the Company shares which are accounted for as a reduction of retained earnings for accounting purposes but generally deductible for tax purposes on a straight-line basis over a five-year period, and to the recognition of a non-taxable grant receivable which is accounted for as a reduction of the related property, plant and equipment for accounting purposes.

Losses carried forward future income tax assets are associated with taxes on expenses incurred in setting up the new German facility. These amounted to $74,826 in the fourth quarter and $219,826 for the fiscal year.

Property, Plant and Equipment and Deferred Costs

Property, plant and equipment increased by $17,562,575 from May 31, 2007 to May 31, 2008. Of this amount, $14,383,791 was related to the new German facility and the associated land and $3,178,784 for capital expenditures made at the Montreal facility to improve capacity and plant efficiency. We also capitalized deferred costs of $821,008 which correspond to the start-up costs incurred in the fiscal year and related to the German facility. We intend to continue capitalizing start-up costs moving forward until the plant is fully operational.

Total Debt and Deferred Revenue

Debt increased during the fourth quarter as we contracted a new loan of $5,000,000. Total debt as at May 31, 2008 was $6,786,312, up from $5,618,270 one year earlier. During the first quarter of the fiscal year, we contracted a new loan of $3,400,000, which was paid back in the third quarter of the fiscal year with the net proceeds of the IPO. We also received during the year a subsidy of €540,000 by a German company which was granted to our German subsidiary 5N PV GmbH to promote employment in the city of Eisenhüttenstadt, and on the basis that the subsidiary will create a given number of full-time jobs over the next three years. This subsidy is recognized as deferred revenue. A letter of credit for the same amount was issued in favour of the German company in the event that 5N PV GmbH is not able to comply with the terms of this agreement. As of May 31, 2008, an amount of €23,542 was recognized as revenues.

Shareholders' Equity

Shareholders' equity stood at $91,553,930 or 84.5% of total assets on May 31, 2008. This compares with $7,546,467 or 43.5% of total assets on May 31, 2007. This substantial increase is the result of the net proceeds raised during the IPO and bought-deal equity financing as well as strong net earnings throughout the fiscal year.

Cash Flow

The following table provides an overview of our cash flows for the periods indicated:

(all numbers are in Canadian dollars)

	Three months ended May 31		Twelve months ended May 31	
	2008	**2007**	**2008**	**2007**
Operating activities[1]	$ 3,552,457	$ 1,553,438	$ 9,880,266	$ 4,738,467
Add:				
Net change in non-cash working capital items	(7,174,822)	(204,605)	(11,290,220)	1,281,836
Operating activities (total)	(3,622,365)	1,348,833	(1,409,954)	6,020,303
Financing activities	49,738,474	371,744	76,297,401	(2,601,626)
Investing activities	(6,439,436)	(668,895)	(16,837,636)	(1,663,474)
Net Increase in cash and cash equivalents	$ 39,676,673	$ 1,051,682	$ 58,049,811	$ 1,755,203

1. Before net change in non-cash working capital items

Cash flow from operating activities before changes in non-cash working capital items for the quarter ended May 31, 2008 was $3,552,457, an increase of 128.7% compared to $1,553,438 for the corresponding quarter in the previous fiscal year. For the fiscal year, cash flow from operating activities before changes in non-cash working capital items was $9,880,266, an increase of 108.5% compared to $4,738,467 for the previous fiscal year. These increases reflect higher net earnings for the fiscal year compared to the previous fiscal year. Net working capital requirements continued to increase and were significantly higher in both the quarter and fiscal year than in the corresponding periods of the previous fiscal year. This increase results from substantial increases in inventory levels, in particular raw materials and accounts receivable, both of which were only partially offset by an increase in accounts payable.

Cash flow from financing activities reached $49,738,474 in the fourth quarter following the issuance in April 2008 of four million common shares from treasury for additional gross proceeds of $46,200,000 ($44,225,061 net of the issue expenses). For the fiscal year, cash flow from financing activities reached $76,297,401 as a result of the successful IPO ($31,417,006 net of the issue expenses) combined with the subsequent bought-deal new issue of common shares from treasury. We also have $3,784,595 available under our $5,046,800 credit line.

Cash consumed in investing activities continued to be substantial as we invested in our new German facility, which became operational in July 2008, and in the Montreal facility. Total investments reached $6,439,436 for the quarter and $16,837,636 for the fiscal year, compared to investments of $668,895 and $1,663,474 for the corresponding periods of the previous fiscal year.

Our cash position improved by $39,676,673 for the fourth quarter and by $58,049,811 for the fiscal year. Our cash position on May 31, 2008 was $59,576,743, which compares favourably with the cash position of $1,526,932 on May 31, 2007. We believe that this amount of cash combined with the available credit facilities and cash generated from operations will be sufficient to fund our working capital requirements and expected capital expenditures in both Germany and Montreal, as well as enable us to execute our growth plan.

Contractual Obligations

The following table summarizes our principal contractual obligations for our normal business operations as at May 31, 2008:

Payment due by period in thousands of Canadian dollars	**2009**	**2010**	**2011**	**2012**	**2013**	**Thereafter**	**Total**
Long-term debt	$ 579	$ 550	$ 500	$ 500	$ 500	$ 2,497	**$ 5,126**
Other long-term liabilities	270	128	-	-	-	-	**398**
Operating leases	662	585	584	584	182	15	**2,612**
Purchase obligations	1,186	-	-	-	-	-	**1,186**
	$ 2,697	$ 1,263	$ 1,084	$ 1,084	$ 682	$ 2,512	**$ 9,322**

As at May 31, 2008, the Company had placed orders with suppliers for the purchase of fixed assets of $1,186,184.

The Company's German subsidiary is commited to a number of conditions in its supply agreement with First Solar. These conditions include the date of commencement of commercial production of the new German facility, minimum quantities of products to be sold to First Solar and certain recycling obligations. At this date, we have met all of our contractual obligations.

Related Party Transactions

In the normal course of our activities, we concluded the following transactions with II-VI Incorporated, which was a shareholder of the Company until December 20, 2007, under terms and conditions agreed upon by the parties:

(all numbers are in Canadian dollars)

	Years ended May 31	
	2008	**2007**
Sales	$ 1,129,323	$ 1,517,395
Purchases	$ 28,698	$ 106,633
Interest expense	$ 19,179	$ 35,842

Off-Balance Sheet Agreements

Other than operating leases, there were no off-balance sheet agreements as at May 31, 2008.

Deferred Costs

Since December 1, 2007 the expenditures incurred during the start-up period of the new German subsidiary have been deferred and will be amortized on a straight-line basis over 24 months upon commencement of commercial operations.

Order Backlog

The backlog of orders expected to translate into sales within the next twelve months strengthened during the quarter and reached $30,174,000 on May 31, 2008, 77.6% higher than the corresponding backlog of $16,992,000 on May 31, 2007.

Subsequent Events

5N PV GmbH Eisenhüttenstadt Facility

As of July 29, 2008, our German facility is operational and we have met both our cost objectives and schedule.

Financial Instruments

On June 9, 2008, the Company concluded a foreign currency forward contract totalling €4,500,000 at an average conversion rate of 1.58. This foreign currency forward contract of €500,000 by month will be effective from September 15, 2008 until May 15, 2009.

Comparative Figures

Certain figures previously reported on for 2007, have been reclassified to conform with the current year's presentation.

Governance

Disclosure Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer evaluated the effectiveness of the Company's disclosure controls and procedures for financial year ended May 31, 2008. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective as at May 31, 2008 to provide reasonable assurance that material information relating to the Company would be made known to them by others within the Company.

Internal Control over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer have designed internal control 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. There were no changes in our internal controls over financial reporting during fiscal year 2008 that have materially affected, or are likely to materially affect, our internal controls over financial reporting.

Critical Accounting Estimates

Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates include estimating the useful lives of long-lived assets, as well as assessing the recoverability of accounts receivable, research tax credits and future income taxes. Reported amounts and note disclosure reflect the overall economic conditions that are most likely to occur and anticipated measures to be taken by management. Actual results could differ from those estimates.

Changes in Accounting Policies

On June 1, 2007, we adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1530, "Comprehensive Income", CICA Handbook Section 3251, "Equity", CICA Handbook Section 3855, "Financial Instruments - Recognition and Measurement", CICA Handbook Section 3861, "Financial Instruments - Disclosure and Presentation", and CICA Handbook Section 3865, "Hedges". These new CICA Handbook Sections, which apply to fiscal years beginning on or after October 1, 2006, provide comprehensive requirements for the recognition and measurement of financial instruments, as well as standards on when and how hedge accounting may be applied.

Handbook Section 1530 also establishes standards for reporting and displaying comprehensive income. Comprehensive income is defined as the change in equity from transactions and other events from non-shareholder sources. "Other comprehensive income" refers to items recognized in comprehensive income, but that are excluded from net income calculated in accordance with generally accepted accounting principles.

Under these new standards, all financial instruments are classified into one of the following five categories: held for trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets, or other financial liabilities. All financial instruments, including derivatives, are included on the consolidated balance sheet and are measured either at fair market value with the exception of loans and receivables, investments held-to-maturity and other financial liabilities, which are measured at amortized cost. Subsequent measurement and recognition of changes in fair value of financial instruments depend on their initial classification. Held-for-trading financial investments are measured at fair value and all gains and losses are included in net income in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in other comprehensive income until the assets are removed from the balance sheet.

The standards also require derivative instruments to be recognized as either assets or liabilities measured at their fair value unless exempted from derivative treatment as a normal purchase and sale. Certain derivatives embedded in other contracts must also be measured at fair value. All changes in the fair value of derivatives are recognized in earnings unless specific hedge criteria are met, which requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting.

The adoption of standards of Sections 1530, 3251, 3855, 3861 and 3865 had no significant impact on the audited combined consolidated financial statements for the year ended May 31, 2008.

Future Accounting Standards

The CICA published the following new sections that apply to our interim and annual financial statements beginning on or after June 1, 2008.

- Section 1400, "General Standards on Financial Statement Presentation", has been amended to include requirements to assess and disclose an entity's ability to continue as a going concern.
- Section 1535, "Capital Disclosures", establishes standards for disclosing information about an entity's capital and how it is managed. It describes the disclosure of the entity's objectives, policies and processes for managing capital as well as summary quantitative data on the elements included in the management of capital. The section seeks to establish whether the entity has complied with capital requirements and if not, the consequences of such non-compliance.
- Section 3031, "Inventories", provides guidance on the determination of cost and the subsequent recognition as an expense, including any write-down to net realizable value. The standard also permits the reversal of previous write-downs when there is a subsequent increase in the value of inventories. Finally, the standard provides guidance on the cost formulas that are used to assign costs to inventories and requires the consistent use of inventory policies by type of inventory with similar nature and use.
- Section 3862, "Financial Instruments - Disclosures", describes the required disclosures to evaluate the significance of financial instruments for the entity's financial position and performance as well as the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks.
- Section 3863, "Financial Instruments - Presentation", establishes standards for the presentation of financial instruments and non-financial derivatives. It details the presentation of standards described in Section 3861, "Financial Instruments - Disclosure and Presentation".

We have concluded that these new standards will not significantly impact our future financial position or results of operations.

June 1, 2011, will be the changeover date from Canadian GAAP to International Financial Reporting Standards ("IFRS") for us. As of today, we have not evaluated the impact of these new standards.

Financial Instruments

Credit Risk

We are exposed to a credit risk with our accounts receivable. We have entered into an agreement with Export Development Canada ("EDC") pursuant to which EDC partially insures the risk of loss. In addition, management evaluates each account individually and considers that no provision for doubtful accounts is necessary under current circumstances.

Interest Rate Risk

We are exposed to a risk of interest rate fluctuations on our bank loan and certain long-term liabilities. However, a change of 1% would not materially affect our net earnings, retained earnings and cash flows.

Currency Risk

Currency translation and transaction risk may negatively affect our net sales, cost of sales and gross margins, and could result in significant exchange losses. We report our financial results in Canadian dollars, while more than 97% of our sales are denominated in foreign currencies. We also incur most of our costs in the local currency, which means the Canadian dollar for our Montreal facility and the Euro for our new German manufacturing facility. Although, the purchases of raw materials are denominated in U.S. dollars, thus reducing exchange rate fluctuations, we are subject to currency translation risk which can negatively impact our sales and operating margins. Management has implemented a policy for managing foreign exchange risk against the relevant functional currency. We manage foreign exchange by entering into various foreign-exchange forward contracts when deemed appropriate.

Fair Value

The carrying value of cash and cash equivalents, temporary investments, accounts receivable, long-term loans, accounts payable and long-term debt approximates their fair value due to their short term to maturity or because they are at rates that do not vary significantly from current market rates.

Risk Factors

We are subject to a number of risk factors which may limit our ability to execute our strategy and achieve our long-term growth objectives. These include:

Market Acceptance and Reliance on Thin-Film and Photovoltaic Technologies

We depend on market acceptance of our customers' products and the technology associated therewith. Any delay or failure by our customers to successfully penetrate their respective markets could lead to a reduction in our sales and operating margins. Most of our products are sold either into emerging markets or alternatively in existing markets, in which they are used to manufacture replacement products intended to represent new and improved technologies. If our customers are unable to meet the performance and cost targets required for commercial viability, their products are subject to regulations which limit their use, or the new or improved technology associated with their products proves unsuitable for widespread adoption, it may have an adverse effect on our sales and operating margins.

Price Risk

We are exposed to a risk of fluctuations in market prices for metals. To reduce this risk, we have signed agreements with set prices for certain customers and raw materials suppliers.

Sources of Supply

We may not be able to secure the critical tellurium and selenium feedstock on which we depend for our operations. In particular, tellurium supply is essential to the production of CdTe. We currently procure our raw materials from a number of suppliers with whom we have had long-term commercial relationships. The loss of any one of these suppliers or a reduction in the level of deliveries to us may reduce our production capacity and impact deliveries to customers. This would in turn negatively impact our sales, net margins and may lead to liabilities with respect to our supply contracts.

Reliance on Major Customers

For the year ended May 31, 2008, 80% of our sales were made to three customers. The loss of, or a decrease in the amount of business from these customers could significantly reduce our net sales and harm our operating results.

Environmental Regulations

Our operations involve the use, handling, generation, processing, storage, transportation, recycling and disposal of hazardous materials and are subject to extensive environmental laws and regulations at the national, provincial, local and international level. These environmental laws and regulations include those governing the discharge of pollutants into the air and water, the use, management and disposal of hazardous materials and wastes, the clean-up of contaminated sites and occupational health and safety. We have incurred and will continue to incur capital expenditures in order to comply with these laws and regulations. In addition, violations of, or liabilities under, environmental laws or permits may result in restrictions being imposed on our operating activities or in our being subject to substantial fines, penalties, criminal proceedings, third party property damage or personal injury claims, clean-up costs or other costs. While we believe that we are currently in compliance with applicable environmental requirements, future developments such as the implementation of new, more stringent laws and regulations, or the discovery of currently unknown environmental conditions may require expenditures that could have a material adverse effect on our business, results of operations and financial condition.

Competition

The forecasted growth in demand for high-purity metals, especially those used by the solar power industry, is expected to attract more metal refiners into this industry and increase competition. Competition could arise from new low-cost metal refiners or from certain of our customers who could decide to integrate backward. We may not be able to compete with lower-cost competitors who operate in developing countries. Our operations are currently based in Canada and Europe. While the labour component of our cost structure remains relatively small, it may be difficult for us to compete on equal footing with competitors based in developing countries. Although we believe that proximity to our customers' operations is an important competitive advantage because of environmental and recycling considerations, our competitors may gain market share, which could have an adverse effect on our sales and operating margins, should we not be able to compensate for the volume lost to our competition.

Dependence on Key Personnel

We are dependent on the services of our senior management team and the loss of any member of this team could have a material adverse effect on us. Our future success also depends on our ability to retain key employees and attract, train, retain and successfully integrate new talent into our management and technical teams. Recruiting and retaining talented personnel, particularly those with expertise in the electronic materials industry, refining technology and cadmium, tellurium- and selenium-based compounds, is vital to our success and may prove difficult.

Business Interruptions

We may incur losses resulting from business interruptions. In many instances, especially those related to our long-term contracts, we have contractual obligations to deliver product in a timely manner. Any disruption in our activities which leads to a business interruption could harm customers' confidence level and lead to the cancellation of our contracts and legal recourse against us. Although we believe that we have taken the necessary precautions to avoid business interruptions and carry business interruption insurance, we could still experience interruptions which would adversely impact our financial results.

Protection of Intellectual Property

Protection of our proprietary processes, methods and other technologies is critical to our business. We rely almost exclusively on a combination of trade secrets and employee confidentiality agreements to safeguard our intellectual property. We have deliberately chosen to limit our patent position to avoid disclosing valuable information. Failure to protect and monitor the use of our existing intellectual property rights could result in the loss of valuable technologies and processes.

Risks Related to the New German Manufacturing Facility

Option to First Solar to Purchase the German Manufacturing Facility

As described in our prospectus dated December 12, 2007, filed in connection with our IPO, one of our supply agreements with First Solar Inc. contains a "call" option under which First Solar Inc. may, if we are unable to comply with our contractual obligations, purchase all of our equity interest in our German subsidiary. As a result, we may be obligated to sell the German subsidiary for a fixed price, which would adversely impact our growth prospects and have a material adverse effect on our results of operations.

In addition, the fact that the purchase option may be triggered upon a change of control adversely affecting First Solar Inc. could reduce our attractiveness for potential take-over bids and business combinations, correspondingly affecting our share price. It could also limit our ability to raise funds through the issuance of additional common shares, depending on the level of dilution resulting therefrom.

Outstanding Share Data

As at the date hereof, there are 45,500,000 common shares of the Company issued and outstanding.

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.