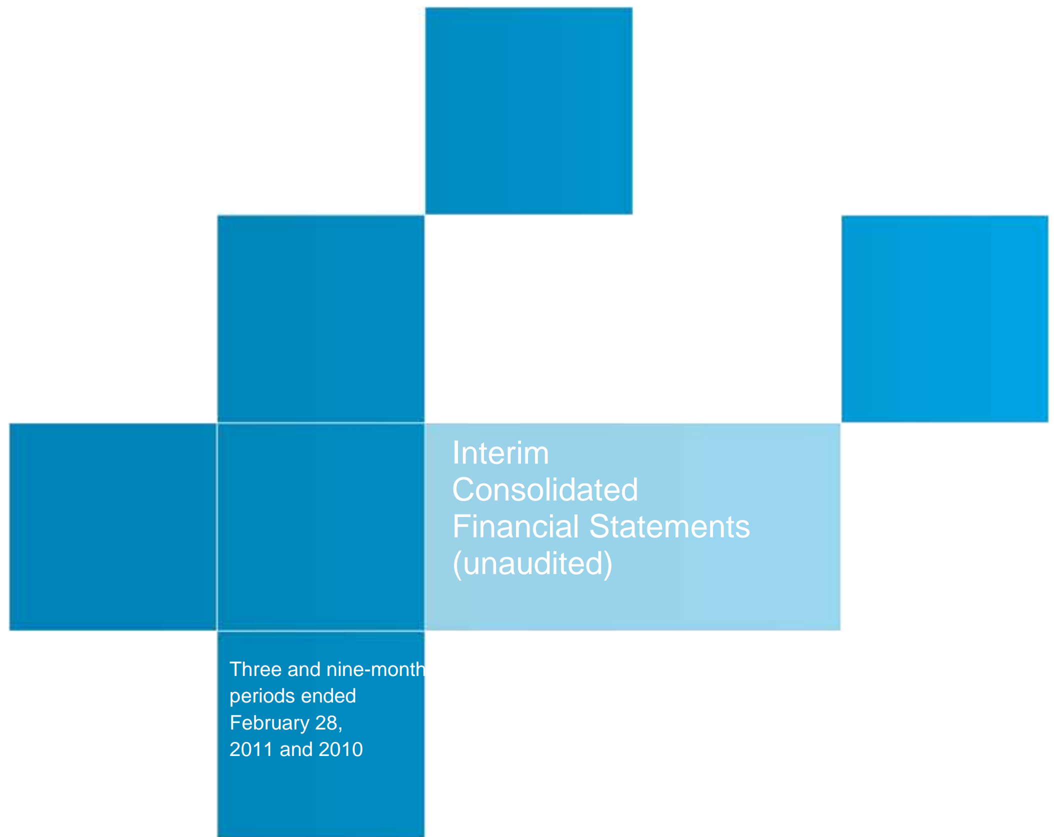

Interim Consolidated Financial Statements (unaudited)

Three and nine-month periods ended February 28, 2011 and 2010

5N Plus Inc.
Interim Consolidated Statements of Income
Three and nine-month periods ended February 28
(unaudited)

(in Canadian dollars, except number of shares)	Note	Three months 2011	Three months 2010	Nine months 2011	Nine months 2010
		$	$	**$**	$
Sales		**20,582,100**	19,227,127	**59,020,206**	51,033,792
Cost of sales		**11,930,381**	11,023,594	**33,153,993**	27,852,448
Gross profit		**8,651,719**	8,203,533	**25,866,213**	23,181,344
Expenses					
Selling, general and administrative		**1,775,445**	1,556,060	**5,909,852**	5,285,279
Research and development		**921,571**	385,145	**2,379,163**	1,179,246
Depreciation of property, plant and equipment		**759,126**	656,045	**2,028,851**	1,903,601
Amortization of intangible assets		**67,461**	64,084	**197,260**	124,164
Foreign exchange loss (gain)	6	**217,859**	(521,150)	**(640,420)**	(651,024)
Financial	7	**121,412**	64,675	**313,502**	160,908
Interest income		**(118,314)**	(108,781)	**(495,196)**	(378,632)
Minority interest		**(24,830)**	-	**(24,830)**	-
		3,719,730	2,096,078	**9,668,182**	7,623,542
Earnings before income taxes from continuing operations		**4,931,989**	6,107,455	**16,198,031**	15,557,802
Income taxes		**1,392,366**	1,745,146	**4,605,921**	4,777,103
Net earnings from continuing operations		**3,539,623**	4,362,309	**11,592,110**	10,780,699
Net loss from discontinued operations	9	**-**	(286,796)	**-**	(472,830)
Net earnings		**3,539,623**	4,075,513	**11,592,110**	10,307,869
Earnings per share from continuing operations	4	**$**	$	**$**	$
Basic		**0.08**	0.10	**0.25**	0.24
Diluted		**0.08**	0.09	**0.25**	0.24
Earnings per share	4	**$**	$	**$**	$
Basic		**0.08**	0.09	**0.25**	0.23
Diluted		**0.08**	0.09	**0.25**	0.23
Weighted average number of common shares outstanding	4				
Basic		**45,859,418**	45,615,999	**45,745,154**	45,563,382
Diluted		**46,420,780**	46,016,585	**46,236,932**	45,772,957

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

5N Plus Inc.
Interim Consolidated Statements of Comprehensive Income
Three and nine-month periods ended February 28
(unaudited)

(in Canadian dollars)	Note	Three months 2011	Three months 2010	Nine months 2011	Nine months 2010
		$	$	**$**	$
Net earnings		**3,539,623**	4,075,513	**11,592,110**	10,307,869
Other comprehensive income, net of income taxes:					
Cash flow hedges	6	**(1,254,751)**	260,702	**(2,164,305)**	417,680
Net (loss) gain on translating financial statements of self-sustaining foreign operations		**(84,782)**	(1,807,615)	**390,391**	(1,437,664)
Other comprehensive income		**(1,339,533)**	(1,546,913)	**(1,773,914)**	(1,019,984)
Comprehensive income		**2,200,090**	2,528,600	**9,818,196**	9,287,885

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

Interim Consolidated Statements of Shareholders' Equity
Three and nine-month periods ended February 28
(unaudited)

(in Canadian dollars)	Note	Three months 2011	Three months 2010	Nine months 2011	Nine months 2010
Share Capital	3	**$**	$	**$**	$
Beginning of period		**83,426,845**	82,319,580	**82,389,870**	81,881,914
Shares issued under stock option plan		**187,743**	40,441	**1,224,718**	478,107
End of period		**83,614,588**	82,360,021	**83,614,588**	82,360,021
Contributed Surplus					
Beginning of period		**1,414,300**	977,498	**1,372,523**	797,800
Stock option compensation cost	3	**197,127**	197,382	**614,305**	528,695
Shares issued under stock option plan		**(65,292)**	(10,741)	**(440,693)**	(162,356)
End of period		**1,546,135**	1,164,139	**1,546,135**	1,164,139
Accumulated Other Comprehensive Income					
Beginning of period		**(2,965,875)**	415,881	**(2,531,494)**	(111,048)
Cash flow hedges	6	**(1,254,751)**	260,702	**(2,164,305)**	417,680
Net (loss) gain on translating financial statements of self-sustaining foreign operations		**(84,782)**	(1,807,615)	**390,391**	(1,437,664)
End of period		**(4,305,408)**	(1,131,032)	**(4,305,408)**	(1,131,032)
Retained Earnings					
Beginning of period		**52,500,125**	36,032,454	**44,447,638**	29,800,098
Net earnings		**3,539,623**	4,075,513	**11,592,110**	10,307,869
End of period		**56,039,748**	40,107,967	**56,039,748**	40,107,967
Shareholders' Equity		**136,895,063**	122,501,095	**136,895,063**	122,501,095

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

5N Plus Inc.
Interim Consolidated Balance Sheets

(in Canadian dollars)	Note	**As at February 28, 2011 (unaudited)**	As at May 31, 2010 (audited)
Assets		**$**	$
Current assets			
Cash and cash equivalents		**42,758,819**	65,992,321
Temporary investment		**2,000,000**	2,000,000
Accounts receivable		**7,713,008**	4,774,460
Inventories	2	**48,264,501**	27,705,149
Prepaid expenses and deposits		**2,263,719**	1,073,025
Derivative financial instruments		**-**	1,362,804
Income taxes recoverable		**1,288,029**	516,602
Future income taxes		**37,649**	150,598
		104,325,725	103,574,959
Property, plant and equipment		**46,124,815**	26,437,302
Intangible assets		**2,324,749**	1,770,913
Goodwill		**4,454,762**	4,381,762
Future income taxes		**2,041,703**	2,311,191
Other assets	8	**1,324,438**	45,181
		160,596,192	138,521,308
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**12,106,273**	4,646,220
Current portion of long-term debt		**1,409,004**	622,820
Derivative financial instruments		**473,203**	-
Future income taxes		**258,870**	444,662
Income taxes payable		**119,298**	43,826
		14,366,648	5,757,528
Long-term debt		**5,006,799**	4,197,803
Deferred revenues		**547,578**	553,578
Future income taxes		**2,244,448**	2,333,862
		22,165,473	12,842,771
Minority interest	8	**1,535,656**	-
Shareholders' Equity			
Share capital	3	**83,614,588**	82,389,870
Contributed surplus		**1,546,135**	1,372,523
Accumulated other comprehensive income		**(4,305,408)**	(2,531,494)
Retained earnings		**56,039,748**	44,447,638
		136,895,063	125,678,537
		160,596,192	138,521,308

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

5N Plus Inc.
Interim Consolidated Statements of Cash Flows
Three and nine–month periods ended February 28
(unaudited)

		Three months		Nine months	
(in Canadian dollars)	Note	**2011**	2010	**201 1**	2010
Operating activities		**$**	$	**$**	$
Net earnings		**3,539,623**	4,075,513	**11,592,110**	10,307,869
Net loss from discontinued operations	9	**-**	286,796	**-**	472,830
Net earnings from continuing operations		**3,539,623**	4,362,309	**11,592,110**	10,780,699
Non-cash items					
Future income taxes		**274,861**	(933,291)	**492,352**	(366,103)
Depreciation of property, plant and equipment		**759,126**	662,008	**2,028,851**	1,919,425
Amortization of intangible assets		**67,461**	103,142	**197,260**	202,894
Deferred revenues		**63,006**	(43,807)	**(18,210)**	(132,343)
Stock option compensation cost	3	**197,127**	197,382	**614,305**	528,695
Other		**(264,443)**	-	**(491,111)**	-
		4,636,761	4,347,743	**14,415,557**	12,933,267
Net change in non-cash working capital items					
Accounts receivable		**(703,019)**	(1,414,836)	**(2,562,320)**	1,067,482
Income taxes recoverable		**(229,144)**	1,232,486	**(292,887)**	1,619,830
Foreign currency forward contracts		**-**	(27,200)	**1,246,462**	(315,147)
Inventories		**(11,149,294)**	1,818,217	**(20,422,740)**	(1,334,128)
Prepaid expenses and deposits		**167,800**	(143,863)	**(1,174,529)**	86,186
Accounts payable and accrued liabilities		**4,645,690**	(3,579,620)	**6,521,941**	(1,090,436)
Income taxes payable		**119,298**	12,757	**75,471**	(3,011,315)
		(7,148,669)	(2,102,059)	**(16,608,602)**	(2,977,528)
		(2,511,908)	2,245,684	**(2,193,045)**	9,955,739
Investing activities from continuing operations					
Acquisition of property, plant and equipment		**(6,543,374)**	(1,138,716)	**(15,064,994)**	(3,671,461)
Acquisition of intangible assets		**(722,329)**	(104,325)	**(751,096)**	(381,075)
Acquisition of a business		**-**	(7,912,085)	**-**	(7,912,085)
Acquisition and accretion of convertible debenture		**(152,739)**	-	**(2,326,431)**	-
Acquisition of conversion option		**-**	-	**(1,001,385)**	-
Cash from an acquired business		**509,156**	164,058	**509,156**	164,058
Other assets		**(1,246,767)**	85,038	**(1,279,256)**	7,501
		(8,156,053)	(8,906,030)	**(19,914,006)**	(11,793,062)
Financing activities from continuing operations					
Proceeds from exercise of stock option		**122,450**	29,700	**784,025**	315,751
Repayment of long-term debt		**(91,156)**	(125,010)	**(288,233)**	(424,952)
Net change in other long-term liabilities		**-**	-	**-**	(16,764)
		31,294	(95,310)	**495,792**	(125,965)
Realized exchange loss on cash designated	6	**(1,328,707)**	-	**(1,634,358)**	-
Effect of foreign exchange rates changes on cash and cash equivalents from continuing operations		**(24,647)**	(194,815)	**12,115**	(154,942)
		(1,353,354)	(194,815)	**(1,622,243)**	(154,942)
Net decrease from continuing operations in cash and cash equivalents		**(11,990,021)**	(6,950,471)	**(23,233,502)**	(2,118,230)
Net decrease from discontinued operations in cash and cash equivalents		**-**	(1,065,349)	**-**	(1,475,544)
Net decrease in cash and cash equivalents		**(11,990,021)**	(8,015,820)	**(23,233,502)**	(3,593,774)
Cash and cash equivalents, beginning of period		**54,748,840**	69,488,576	**65,992,321**	65,066,530
Cash and cash equivalents, end of period		**42,758,819**	61,472,756	**42,758,819**	61,472,756
Supplementary information					
Property, plant and equipment unpaid and included in accounts payable and accrued liabilities		**1,814,134**	37,071	**1,814,134**	37,071
Unpaid acquisition of a joint venture included in accounts payable and accrued liabilities		**-**	1,902,480	**-**	1,902,480
Reclassification to inventories of foreign exchange (loss) gain on cash designated	6	**(204,014)**	-	**538,325**	-
Interest paid		**49,788**	33,315	**121,304**	108,350
Income taxes paid		**1,424,432**	(91,252)	**4,635,056**	6,047,846

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

1. Summary of Significant Accounting Policies

Basis of presentation

These interim consolidated financial statements of 5N Plus Inc. (the "Company") are expressed in Canadian dollars and have been prepared in accordance with the Canadian generally accepted accounting principles (“GAAP”) and follow the same accounting policies and methods in their application as the most recent annual consolidated financial statements. The unaudited interim consolidated financial statements do not include all disclosures required for annual financial statements and should be read in conjunction with the Company's most recent audited consolidated financial statements.

Use of estimates

The preparation of the consolidated 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 consolidated 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 life of long-lived assets, as well as assessing the recoverability of accounts receivable, research tax credits, future income taxes and the valuation of inventories, intangible assets, goodwill and other long-lived assets. Reported amounts and note disclosure reflect the overall economic conditions that are most likely to occur and anticipated measures to be taken by management. Actual results could differ from these estimates.

Property, plant and equipment

As at February 28, 2011, property, plant and equipment that were not being depreciated amounted to $12,991,568 including $9,229,052 and $2,628,107 for new plants in British Columbia and Wisconsin respectively.

Development costs

The company incurred development costs during the third quarter which were capitalized as intangible assets for an amount of $716,203. These development costs were not being depreciated. These costs will be amortized when specific criteria will be met on their expected useful lives which will not exceed ten years.

Long term debt

With the acquisition of Sylarus Technologies, LLC (“Sylarus”), the Company assumed a long term debt in the amount of US$1,541,515 which bears interest at a rate of the three-month LIBOR plus 3% and is repayable in two equal instalments of 50% on January 11, 2012 and December 31, 2012. In addition, the Company assumed an obligation under a capital lease bearing interest at 12.3% and repayable in 32 remaining monthly instalments of $12,500.

Other assets

Other assets includes $890,383 of costs relating to the acquisition of MCP which will become part of the purchase price paid for this acquisition and a related $375,000 of costs for a new revolving credit facility of $50 million which will be amortized over the life of this financing arrangement which is 24 months (note 8).

Contingency

In 2007, the Company’s wholly-owned subsidiary, 5N PV GmbH, entered into a subsidy agreement in which the Company is a guarantor. As of February 28, 2011, the value of the guarantee is €1,195,504. This guarantee will be terminated in October 2014.

Comparative figures

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

2. Inventories

	As at February 28, 2011	As at May 31, 2010
	$	$
Raw materials	**32,078,351**	15,634,041
Finished goods and work in process	**16,186,150**	12,071,108
	48,264,501	27,705,149

3. Share Capital

Authorized
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.

Issued and fully paid	Number	Amount
Common shares		$
Outstanding as at May 31, 2009	45,520,225	81,881,914
Shares issued under stock option plan	107,225	507,956
Outstanding as at May 31, 2010	**45,627,450**	**82,389,870**
Shares issued under stock option plan	**258,050**	**1,224,718**
Outstanding as at February 28, 2011	**45,885,500**	**83,614,588**

Stock Option Plan
In October 2007, the Company adopted a Stock Option Plan ("the Plan") for directors, officers and employees. The aggregate number of shares which may be issued upon the exercise of options granted under the Plan may not exceed 10% of the issued shares of the Company at the time of granting the options. Options granted under the Plan may be exercised during a period not exceeding ten years from the date of the grant. The stock options outstanding as at February 28, 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.

The following table presents the weighted average assumptions used to establish the stock option compensation cost, using the Black-Scholes option price model:

	Nine months ended February 28	
	2011	2010
Expected stock price volatility	**40%**	68%
Dividend	**None**	None
Risk-free interest rate	**2.325%**	2.50%
Risk-free interest rate (directors)	**2.325%**	2.25%
Expected option life	**4 years**	3.5 years
Expected option life (directors)	**4 years**	1 year
Fair value – weighted average of options issued	**1.70**	1.79

The following table presents information concerning all outstanding stock options:

	Three months ended February 28			
		2011		2010
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
		$		$
Beginning of period	**1,460,880**	**4.45**	1,239,985	3.91
Granted	**-**	**-**	376,500	5.23
Cancelled	**-**	**-**	-	-
Exercised	**(37,525)**	**3.26**	(5,800)	3.00
End of period	**1,423,355**	**4.48**	1,610,685	4.23

3. Share Capital (continued)

	Nine months ended February 28			
		2011		2010
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
		$		$
Beginning of period	**1,596,615**	**4.24**	1,439,555	3.78
Granted	**262,308**	**4.95**	426,500	5.38
Cancelled	**(177,518)**	**5.12**	(157,595)	4.00
Exercised	**(258,050)**	**3.04**	(97,775)	3.10
End of period	**1,423,355**	**4.48**	1,610,685	4.23

The outstanding stock options as at February 28, 2011 are as follows:

	Grant Price		
Maturity	**Low**	**High**	**Number of options**
	$	**$**	
December 2013	**3.00**	**3.00**	**513,000**
October 2014	**3.81**	**3.81**	**2,500**
January 2015 to October 2016	**4.87**	**6.16**	**892,855**
June and August 2014	**9.13**	**10.32**	**15,000**
			1,423,355

As at February 28, 2011, 666,220 stock options were exercisable, at a weighted average exercise price of $4.11.

Stock-based compensation cost is allocated as follows:

	Three months ended February 28		Nine months ended February 28	
	2011	2010	**2011**	2010
	$	$	**$**	$
Cost of sales	**70,070**	38,510	**218,688**	108,880
Selling, general and administrative expenses	**116,911**	119,742	**351,603**	301,977
Research and development expenses	**10,146**	39,130	**44,014**	117,838
	197,127	197,382	**614,305**	528,695

Restricted stock unit incentive plan

On June 7, 2010, the Company adopted a Restricted Share Unit ("RSU") Plan to complement the Plan. The RSU Plan enables the Company to award eligible participants phantom share units that vest after a three-year period. RSU is settled in cash and is recorded as liabilities. 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 expenses ("SG&A") 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.

During the nine-month period ended February 28, 2011, the Company granted 33,129 RSU and recorded a provision of $72,097.

Restricted stock unit incentive plan for foreign employees

On June 7, 2010, the Company adopted a Restricted Share Unit for Foreign Employees ("RSUFE") Plan. 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 February 28, 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.

During the nine-month period ended February 28, 2011, the Company granted 8,549 RSUFE and recorded a provision of $12,873.

4. Earnings Per Share

	Three months ended February 28		Nine months ended February 28	
	2011	2010	**2011**	2010
Numerator	**$**	$	**$**	$
Net earnings from continuing operations	**3,539,623**	4,362,309	**11,592,110**	10,780,699
Net earnings	**3,539,623**	4,075,513	**11,592,110**	10,307,869
Denominator				
Weighted average number of common shares	**45,859,418**	45,615,999	**45,745,154**	45,563,382
Effect of dilutive securities				
Stock options	**561,362**	400,586	**491,778**	209,575
	46,420,780	46,016,585	**46,236,932**	45,772,957
Earnings from continuing operations per share	**$**	$	**$**	$
Basic	**0.08**	0.10	**0.25**	0.24
Diluted	**0.08**	0.09	**0.25**	0.24
Earnings per share	**$**	$	**$**	$
Basic	**0.08**	0.09	**0.25**	$0.23
Diluted	**0.08**	0.09	**0.25**	$0.23

5. Financial Instruments

Fair value
All financial assets classified as held-to-maturity or 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 rate method. All financial assets and 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 liabilities, including cash and cash equivalents, temporary investment, accounts receivable and other receivable, as well as accounts payable and accrued liabilities, approximates their fair value due to the short-term maturities of these instruments.

As at February 28, 2011, the fair value of the long-term debt is approximately $6,415,803 ($4,820,623 as at May 31, 2010) and is calculated using the present value of future cash flows at year-end rates for similar debt with same terms and maturities.

The fair value of financial assets and liabilities by level of hierarchy was as follows as at February 28, 2011:

	Level 1	Level 2	Level 3	Total
	$	**$**	**$**	**$**
Cash and cash equivalents	**42,758,819**	**-**	**-**	**42,758,819**
Derivative financial instruments	**-**	**(473,203)**	**-**	**(473,203)**
	42,758,819	**(473,203)**	**-**	**42,285,616**

Risk management policies and processes
In the normal course of its operations, the Company is exposed to credit risk, liquidity and funding risk, interest rate risk as well as currency risk. Management analyses these risks and implements strategies in order to minimize their impact on the Company's performance.

Credit risk and significant customer
The Company has a conservative approach with regard to the management of its cash and cash equivalents. Its investment policy requires the funds to be entirely guaranteed by the financial institution and to be allocated amongst three recognized financial institutions.

5. Financial Instruments (continued)

The Company is exposed to credit risk that is mainly associated with its accounts receivable, arising from its normal commercial activities. The Company considers its credit risk to be limited for the following reasons:

a) The Canadian Company has an agreement with Export Development Canada under which it will assume a portion of losses for certain export clients in case of non-payment, for an annual amount up to a maximum of $1,500,000;

b) The Company does not require additional guarantees or other securities from its clients in regard to its accounts receivable. However, credit is granted only to clients after a credit analysis is performed. The Company conducts ongoing evaluation of its clients and establishes provisions for doubtful accounts should an account be considered non recoverable;

One customer represented approximately 66% of sales for the three and nine-month periods ended February 28, 2011 respectively (67% and 77% for the three and nine-month periods ended February 28, 2010 respectively) and 55% of accounts receivable as at February 28, 2011 (33% as at May 31, 2010).

Liquidity and financing risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due or can do so only at excessive cost. One of management's primary goals is to maintain an optimal level of liquidity through the active management of its assets and liabilities as well as the cash flows.

As at February 28, 2011, the Company's cash and cash equivalents amounted to $42,758,819 ($65,992,321 as at May 31, 2010). The Company has $7,500,000 revolving credit facility, a $10,000,000 term facility and a $7,500,000 letter of credit. With the exception of a €540,000 letter of credit, this facility was undrawn as at February 28, 2011. The revolving credit facility is available for general corporate purposes. The term facility is used for financing capital projects and requires equal quarterly payments based on a seven year amortization schedule. The agreement also includes an accordion feature allowing the Company to have access to an additional amount of $5,000,000. In addition, the Company also has a foreign exchange line of credit guaranteed by collateral on a temporary investment of $2,000,000. Given the Company's available liquid resources as compared to the timing of the payments of liabilities, management assesses the Company's liquidity risk to be low.

The contractual maturities of financial liabilities as at February 28, 2011 are as follows:

	Carrying Amount	Contractual Cash Flows	0 to 6 months	6 to 12 months	12 to 24 months	After 24 months
	$	$	$	$	$	$
Commitments[1]	**635,100**	**635,100**				
Accounts payable and accrued liabilities	**12,106,273**	**12,106,273**	**12,106,273**	**-**	**-**	**-**
Long-term debt	**6,415,803**	**7,099,301**	**319,063**	**1,249,564**	**1,470,561**	**4,060,113**
	19,157,176	**19,840,674**	**12,425,336**	**1,249,564**	**1,470,561**	**4,060,113**

Contractual cash flows include interest charges.
[1]Property Plant and Equipment related to Firebird's new facility.

Interest rate risk
The Company's level of debt is currently low and bears interest at a floating rate. Should its indebtedness increase, the Company's policy would be to limit its exposure to interest rate risk variations by ensuring that a reasonable portion of its debt is at fixed rates.

Interest revenue on cash and cash equivalents are at variable rate. For each $10,000,000 in cash and cash equivalents, a fluctuation in interest rate of 0.50% would annually impact interest income by $50,000. Therefore, management believes that the impact on net earnings would not be significant on its operating results.

5. Financial Instruments (continued)

Exchange risk

The Company is exposed to risk from changes in foreign currency rates on sales of Canadian-made products in US dollars and in Euros. The Company mitigates this risk principally through forward contracts and by the natural hedging provided by purchasing raw materials in US dollars.

On January 13, 2010, the Company concluded a €8,500,000 foreign exchange forward contract (€500,000 per month) to hedge its sales made by its German subsidiary 5N PV. This foreign exchange forward contract was effective from January 13, 2010 until May 31, 2011, at an average exchange rate of 1.4975. On June 4, 2010, the Company terminated prior to maturity this foreign exchange forward contract for cash proceeds of $1,282,400. The change in its fair value was recorded in the consolidated statement of income.

On May 25, 2010, the Company concluded a US$4,500,000 foreign exchange forward contract (US$750,000 per month) to hedge a portion of its US dollar sales. This foreign exchange forward contract was effective from June 1, 2010 to November 30, 2010 at an average exchange rate of 1.07. This contract had been designated as a cash flow hedge.

On June 29, 2010, the Company concluded a €5,500,000 foreign exchange forward contract (€500,000 per month) to hedge its sales made by its German subsidiary 5N PV. This foreign exchange forward contract was effective from July 2, 2010 until June 30, 2011, at an average exchange rate of 1.31. The fair value of the foreign exchange forward contract is ($62,845) as at February 28, 2011. This contract has been designated as a cash flow hedge and the change in its fair value was recorded in the consolidated statement of comprehensive income until February 3, 2011 date on which the company stopped selling its products in Euro dollars. Since February 3, 2011, the change in its fair value has been recorded in the consolidated statement of income. These contracts were sold in March 2011.

On September 29, 2010, the Company concluded a €4,000,000 foreign exchange forward contract to hedge its sales made by its German subsidiary 5N PV. This foreign exchange forward contract was effective from November 1, 2010 until May 31, 2011, at an average exchange rate of 1.39. The fair value of the foreign exchange forward contract is $72,533 as at February 28, 2011. This contract has been designated as a cash flow hedge and the change in its fair value was recorded in the consolidated statement of comprehensive income until February 3, 2011 date on which the Company stopped selling its products in Euro. Since February 3, 2011, the change in its fair value was recorded in the consolidated statement of income. This contract was sold in March 2011.

On February 28, 2011, the Company concluded a €53,000,000 foreign exchange forward contract to hedge part of the cash consideration to acquire MCP Group S.A. This foreign exchange forward contract is effective until April 2011, at rate of 1.3472. The fair value of the foreign exchange forward contract is ($321,124) as at February 28, 2011. This contract has been designated as a cash flow hedge and the change in its fair value was recorded in the consolidated statement of comprehensive income.

On February 28, 2011, the Company concluded a €53,000,000 option contract to hedge the cash consideration to acquire MCP Group S.A. This contract was effective until March 25, 2011 and provided the Company the option to acquire Euro dollars at a rate of 1.32 if the Euro/CAD rate reached that level at the end of the contract. The Company received a cash consideration of $161,000 when it entered this contract. The fair value of the contract is $(161,000) as at February 28, 2011. On March 25, 2011, the option was not exercised and the contract ended. The Company kept the $161,000 received at the beginning of the contract.

The Company designated as cash flow hedges a portion of its cash denominated in US dollars against future purchases of raw materials until May 2012. The designated cash denominated in US dollars is accounted for at fair value in the Company's balance sheet. Foreign exchange gains or losses on the designated US cash and cash equivalents are recorded in other comprehensive income. When raw material is purchased which is anticipated to be recorded in the next months, the foreign exchange gain or loss is accounted for as part of raw materials in inventory. The amount of US cash and cash equivalents designated under this strategy amounted to $28,853,279 as at February 28, 2011. The foreign exchange loss related to these cash and cash equivalents included in comprehensive income amounted to $963,857 as at February 28, 2011.

5. Financial instruments (continued)

The Company had the following exposure on February 28, 2011:

	US$	€
Financial assets and liabilities measured at amortized cost[1]:		
Cash and cash equivalents[2]	**31,718,627**	**3,308,731**
Accounts receivable	**8,406,418**	**164,924**
Net receivables from subsidiaries	**292,095**	**1,291,536**
Accounts payable and accrued liabilities	**(3,949,853)**	**(20,580)**
Total exposure from above	**36,467,287**	**4,744,611**

[1] Amounts above do not include the wholly-owned subsidiary accounts balance as it is using the Euro as functional currency. However, intercompany account balances in Euros are included in these amounts.
[2] US$28,853,279 designated for future purchases of raw materials is included.

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

	CA$ /US$	CA$/€
Exchange rates as at February 28, 2011	**0.9739**	**1.3432**
Impact on net earnings based on a fluctuation of five cents in the Canadian dollar exchange rate	**(1,259,945)**	**(163,926)**

6. Foreign exchange (gain) loss

	Three months ended February 28		Nine months ended February 28	
	2011	2010	**2011**	2010
	$	$	**$**	$
Foreign exchange loss (gain) related to operations	**603,463**	175,986	**314,923**	(106,059)
Realized foreign exchange gain on derivative financial instruments	**(137,583)**	(236,592)	**(656,479)**	(54,926)
Unrealized foreign exchange gain on derivative financial instruments	**(248,021)**	(460,544)	**(298,864)**	(490,039)
Included in the interim consolidated statement of income	**217,859**	(521,150)	**(640,420)**	(651,024)

	Three months ended February 28		Nine months ended February 28	
	2011	2010	**2011**	2010
	$	$	**$**	$
Reclassification to earnings of realized foreign exchange gain on designated derivative financial instruments	**264,442**	-	**491,111**	-
Realized foreign exchange loss on cash designated	**1,328,707**	-	**1,634,358**	-
Reclassification to inventories of foreign exchange (loss) gain on cash designated	**(204,014)**	-	**538,325**	-
Unrealized foreign exchange (gain) loss on derivative financial instruments	**385,126**	(260,702)	**438,233**	(417,680)
	1,774,261	(260,702)	**3,102,027**	(417,680)
Income tax on the above	**(519,510)**	-	**(937,722)**	-
Included in the interim consolidated statement of comprehensive income	**1,254,751**	(260,702)	**2,164,305**	(417,680)

7. Financial expenses

	Three months ended February 28		Nine months ended February 28	
	2011	2010	**2011**	2010
	$	$	**$**	$
Interest and bank charges	**61,205**	31,848	**106,401**	58,524
Interest on long-term debt	**35,352**	32,827	**107,682**	102,384
Implicit interest on long-term debt	**24,855**	-	**99,419**	-
	121,412	64,675	**313,502**	160,908

8. Business acquisitions

Sylarus Technologies

On June 21, 2010, the Company acquired, for an amount of US$3,000,000 (approximately $3,072,000), a convertible note from Sylarus, a producer of germanium substrates for solar cells located in Saint George, Utah. This convertible note was bearing 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 Plus has also agreed to provide additional funding of US$766,000 in the form of secured debt to enable the repayment of short term debt contracted by Sylarus. In addition, 5N Plus intends to support Sylarus' capital expenditures, working capital requirements and development expenses as needed.

The Company has accounted for this transaction using the purchase method. The results of Sylarus have been consolidated in the Company's consolidated financial statements starting January 11, 2011. The purchase price was allocated on a preliminary basis to the net identifiable assets acquired and liabilities assumed based on their estimated fair values as follows:

	$
Cash and cash equivalents	509,156
Inventories	665,273
Other current assets	15,651
Property, plant and equipment	8,048,107
Other assets	200,440
Accounts payable and accrued liabilities	(2,706,383)
Long-term debt	(1,095,922)
Note payable to 5N Plus	(768,577)
Minority Interest	(1,560,486)
Net asset of business acquired	3,307,259
Total purchase price [1)]	3,307,259
Less: cash and cash equivalents at acquisition	509,156
Consideration paid for the acquisition	2,798,103

1) Book value of the loan and the embedded derivative (convertible option) at the date of the acquisition for this non-cash transaction.

8. Business acquisition (continued)

The following table summarizes the Company's related party transactions with Sylarus before January 11, 2011:

	Three month ended February 28	Nine months ended February 28
From June 18, 2010 until January 10, 2011	**2011**	**2011**
	$	**$**
Sales	**210,957**	**728,165**
Purchases	**-**	**328,733**
Interest revenue	**26,144**	**205,200**

MCP Group SA

On February 28, 2011, the Company announced that it has entered into a definitive acquisition agreement with the shareholders of MCP Group SA to acquire all of the outstanding shares of MCP (the "Acquisition"). Pursuant to the acquisition agreement, the shares of MCP would be purchased for a cash consideration of €105,793,548 ($142,757,814), a promissory note and holdback to the vendors of €61,879,244 ($83,499,852) and 11,377,797 common shares of the Company to be issued to the vendors. The parties were subject to a break-up fee of €15 million in the case where they would choose not to complete the transaction under the terms stipulated in the agreement. The closing of the transaction occurred on April 11, 2011. Total costs of $1,265,383 relating to this transaction have been capitalized as at February 28, 2011 and recorded in the balance sheet as other assets (note 1).

9. Discontinued operation

On September 1, 2009, the Company had established a joint venture called ZT Plus with BSST, a subsidiary of Amerigon Incorporated in which the Company had a 50% ownership interest. The contribution of each partner in cash or in kind was expected to be US$5,500,000. ZT Plus was accounted for using the proportionate consolidation method. The commercial progress of ZT Plus was slower to develop than anticipated and on March 26, 2010, the Company sold its interest for an amount of US$1,600,000 ($1,632,000). This sale was classified as a discontinued operation and financial results for the second and third quarters have been recalculated. The Company's financial statements for the three and nine-month period ended February 28, 2010, were reclassified to take into account this discontinued operation and its required presentation.

	Three months ended February 28, 2010	Nine months ended February 28, 2010
	$	$
Sales	-	-
Research and development expenses	444,046	886,998
Foreign exchange loss	130,941	130,941
Loss before income tax	(574,987)	(1,017,939)
Income taxes recoverable	(288,191)	(545,109)
Net loss from discontinued operations	(286,796)	(472,830)

10. Subsequent events and new financing

On March 21, 2011, the Company announced it has entered into a bought deal agreement under which it would issue 13,590,000 subscription receipts to finance part of the Acquisition at a price of $9.20 per subscription receipt for gross proceeds of $125,028,000 (the "Financing"). A short form prospectus was issued on April 1, 2011 related to the Financing. The Financing closed on April 11, 2011.

Because the closing of the Acquisition and the Financing occured on the same date, the Company delivered common shares instead of subscription receipts to investors in the Offering. The Company also gave the underwriters an over-allotment option of 2,038,500 subscription receipts with the same terms and condition as the first 13,590,000 subscription receipts. The underwriters may exercise the over-allotment option until 30 days after closing of the Financing. The gross proceeds would be $143,782,200 if the over-allotment option is exercised in full. The underwriters' fees are 4% of the gross proceeds of the Financing.

On February 25, 2011, the Company obtained a commitment letter from the National Bank of Canada ("NBC") agreeing to provide, as sole lender or as part of a group of financial institutions on a syndicated basis , an aggregate of $140 million of secured credit facilities in our favour, consisting of a: (i) $50 million two-year senior secured revolving facilit ; and (ii) $90 million 270-day senior secured bridge facility.

The Company entered into a definitive agreement with respect to the Revolving Facility on April 11, 2011. The Company intends to use the Revolving Facility for general corporate purposes, including capital expenditures and permitted acquisitions. The Revolving Facility will replace the existing $17.5 million revolving credit facility with another bank, which is currently undrawn. Since the Financing was completed before the closing of the Acquisition, the Company did not use, or enter into a definitive agreement with respect to, the Bridge Facility.