5N PLUS INC.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIODS OF THREE AND SIX MONTHS ENDED
JUNE 30, 2012 AND MAY 31, 2011 (UNAUDITED)

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

	As at June 30, 2012	As at December 31, 2011
	$ (unaudited)	$
ASSETS		
Current		
Cash and cash equivalents	11,846	29,449
Temporary investments (restricted) (Note 6)	-	51,882
Accounts receivable	90,478	76,641
Inventories (Note 4)	216,485	315,333
Income tax receivable	14,677	11,022
Other current assets	4,516	2,762
Total current assets	338,002	487,089
Property, plant and equipment	89,957	86,483
Intangible assets	62,287	68,148
Deferred tax asset	13,800	6,646
Goodwill (Note 5)	124,910	124,910
Investments accounted for using the equity method	1,294	1,513
Other assets	11,753	11,495
Total non-current assets	304,001	299,195
Total assets	642,003	786,284
LIABILITIES AND EQUITY		
Current		
Bank indebtedness and short-term debt (Note 6)	12,017	73,430
Trade and accrued liabilities	48,591	59,029
Income tax payable	2,857	354
Derivative financial liabilities	4,570	3,814
Long-term debt due within one year (Note 6)	27,847	14,757
Total current liabilities	95,882	151,384
Long-term debt (Note 6)	147,759	253,719
Deferred tax liability	23,394	23,083
Retirement benefit obligation	11,423	12,315
Derivative financial liabilities	3,314	1,902
Other liabilities	1,790	4,171
Total liabilities	283,562	446,574
Shareholders’ equity	358,193	339,241
Non-controlling interest	248	469
Total equity	358,441	339,710
Total liabilities and equity	642,003	786,284

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

5N PLUS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)
For the periods of three and six months ended June 30, 2012 and May 31, 2011
(All figures in thousands of United States dollars, except per share information)
(Unaudited)

	Three months		Six months	
	2012	**2011**	**2012**	**2011**
	$	**$**	**$**	**$**
Revenues	140,076	121,976	302,311	142,639
Cost of sales (Note 13)	150,935	96,975	283,182	109,534
Selling, general and administrative expenses (Note 13)	11,551	6,279	23,563	8,123
Other expenses, net (Note 13)	4,100	9,615	10,621	10,599
Share of loss (gain) from joint ventures	55	(197)	219	(197)
	166,641	112,672	317,585	128,059
Operating income (loss)	(26,565)	9,304	(15,274)	14,580
Financial expenses (income)				
Interest on long-term debt	2,391	662	4,777	827
Other interest expense	27	1,476	638	1,313
Foreign exchange loss (gain) and derivative	630	(5,392)	2,312	(6,492)
	3,048	(3,254)	7,727	(4,352)
Earnings (loss) before income tax	(29,613)	12,558	(23,001)	18,932
Income tax	(7,551)	4,384	(5,830)	5,207
Net earnings (loss) for the period	(22,062)	8,174	(17,171)	13,725
Attributable to:				
Equity holders of 5N Plus Inc.	(21,922)	8,549	(16,950)	14,075
Non-controlling interest	(140)	(375)	(221)	(350)
Net earnings (loss) for the period	(22,062)	8,174	(17,171)	13,725
Earnings (loss) per share attributable to equity holders of 5N Plus Inc. (Note 11)	(0.29)	0.14	(0.23)	0.27
Basic earnings (loss) per share	(0.30)	0.14	(0.24)	0.26
Diluted earnings (loss) per share	(0.30)	0.14	(0.24)	0.26

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

5N PLUS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the periods of three and six months ended June 30, 2012 and May 31, 2011
(All figures in thousands of United States dollars)
(Unaudited)

	Three months		Six months	
	2012	**2011**	**2012**	**2011**
	$	**$**	**$**	**$**
Net earnings (loss) for the period	(22,062)	8,174	(17,171)	13,725
Other comprehensive income				
Cash flow hedges (net of income tax of $227 and $457 for the periods of three and six months ended June 30, 2012)	(623)	-	(731)	-
Currency translation adjustment	10	-	205	-
Comprehensive income (loss) for the period	(22,675)	8,174	(17,697)	13,725
Attributable to equity holders of 5N Plus Inc.	(22,535)	8,549	(17,476)	14,075
Attributable to non-controlling interest	(140)	(375)	(221)	(350)

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

5N PLUS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
For the periods of six months ended June 30, 2012 and May 31, 2011
(All figures in thousands of United States dollars)
(Unaudited)

	Six months	
	June 30, 2012	**May 31, 2011**
	$	**$**
Operating activities		
Net earnings (loss) for the period	(17,171)	13,725
Adjustments to reconcile net earnings to cash flows		
Depreciation and amortization of property, plant and equipment and intangible assets	10,281	3,577
Amortization of other assets	522	-
Share-based compensation expense	338	335
Deferred income tax	(6,843)	(759)
Impairment of inventories	26,068	-
Share of loss (profit) from joint ventures	219	(197)
Unrealized gain on non-hedge financial instruments	(449)	-
Unrealized foreign exchange gain on liabilities	(2,136)	(377)
Funds from operations before the following	10,829	16,304
Net change in non-cash working capital balances related to operations (Note 10)	44,034	(76,132)
Cash flows from (used in) operating activities	54,863	(59,828)
Investing activities		
Business acquisition, net of cash acquired	-	(121,517)
Acquisition of property, plant and equipment	(6,615)	(9,376)
Acquisition of intangible assets	(70)	(5,279)
Temporary investments (restricted) (Note 6)	51,882	(32,202)
Cash flows from (used in) investing activities	45,197	(168,374)
Financing activities		
Repayment of long-term debt	(91,059)	(295)
Proceeds from issuance of long-term debt	-	29,523
Net increase (decrease) in bank indebtedness and short-term debt	(61,417)	44,434
Issuance of common shares and warrants	38,641	130,920
Share issuance expense	(1,621)	(5,855)
Financial instruments – net	251	528
Other	(3,161)	1,408
Cash flows from (used in) financing activities	(118,366)	200,663
Effect of foreign exchange rate changes on cash and cash equivalents related to operations	703	366
Net decrease in cash and cash equivalents	(17,603)	(27,173)
Cash and cash equivalents, beginning of period	29,449	55,223
Cash and cash equivalents, end of period	11,846	28,050

Supplemental information[(1)]		
Income tax paid	2,432	2,139
Interest paid	5,444	1,761

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

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

5N PLUS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the periods of three and six months ended June 30, 2012 and May 31, 2011
(All figures in thousands of United States dollars, except number of shares)
(Unaudited)

	Three months		Six months	
Total Equity	**2012**	**2011**	**2012**	**2011**
Shareholders' Equity				
Share Capital				
Number of shares				
Balance at beginning of period	71,004,656	45,885,500	70,961,125	45,847,975
Common shares issued on exercise of stock options	-	39,330	43,531	76,855
Common shares issued for cash (Note 8)	12,903,613	13,590,000	12,903,613	13,590,000
Common shares issued for the acquisition of MCP	-	11,377,797	-	11,377,797
Balance at end of period	83,908,269	70,892,627	83,908,269	70,892,627
	$	**$**	**$**	**$**
Balance at beginning of period	306,146	82,675	305,928	82,486
Common shares issued on exercise of stock options	7	207	225	396
Common shares issued for cash (Note 8)	37,119	130,665	37,119	130,665
Common shares issued for the acquisition of MCP	-	91,917	-	91,917
Balance at end of period	343,272	305,464	343,272	305,464
Contributed Surplus				
Balance at beginning of period	2,812	2,277	2,691	2,172
Share-based compensation expense	148	166	338	335
Exercise of stock options	-	(77)	(69)	(141)
Balance at end of period	2,960	2,366	2,960	2,366
Retained Earnings				
Balance at beginning of period	35,822	50,599	30,850	45,073
Net earnings (loss) attributable to equity holders of 5N Plus Inc. for the period	(21,922)	8,549	(16,950)	14,075
Share issuance expense (net of income tax of $436; May 31, 2011 – $1,575)	(1,185)	(4,280)	(1,185)	(4,280)
Balance at end of period	12,715	54,868	12,715	54,868
Accumulated Other Comprehensive Loss				
Balance at beginning of period	(141)	-	(228)	-
Cash flow hedges (net of income tax of $227 and $457 for the periods of three and six months ended June 30, 2012)	(623)	-	(731)	-
Currency translation adjustment	10	-	205	-
Balance at end of period	(754)	-	(754)	-
Total shareholders' equity at end of period	358,193	362,698	358,193	362,698
Non-Controlling Interest				
Balance at beginning of period	388	1,532	469	-
Share of profits	(140)	(375)	(221)	(350)
Non-controlling interest acquired through business acquisition and adjustment	-	135	-	1,642
Balance at end of period	248	1,292	248	1,292
Total Equity	358,441	363,990	358,441	363,990

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

NOTE 1 – GENERAL INFORMATION

Nature of operations

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

The Electronic Materials segment is headed by a vice president who oversees locally managed operations in North America, Europe and Asia. Main products are associated with the following metals: cadmium, gallium, germanium, indium and tellurium. These metals are sold as elements, alloys, chemicals and compounds.

The Eco-Friendly Materials segment is associated mainly with bismuth. This segment is headed by a vice president who oversees locally managed operations in Europe and China. The segment manufactures and sells refined bismuth and bismuth chemicals, low melting-point alloys, refined selenium and selenium chemicals.

The Company's operations are not subject to seasonality.

In 2011, the Company has changed its financial year-end from May 31 to December 31. These unaudited condensed interim consolidated financial statements are for the periods of three and six months ended June 30, 2012 with comparative figures for the periods of three and six months ended May 31, 2011.These unaudited condensed interim consolidated financial statements were authorized for issuance by the Board of Directors of the Company on August 6, 2012.

NOTE 2 – BASIS OF PRESENTATION

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and as applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, Interim Financial Reporting. The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2011, which have been prepared in accordance with IFRS as issued by the IASB. The accounting policies, methods of computation and presentation applied in these condensed interim consolidated financial statements are consistent with those of the previous financial year and are based on IFRS issued as at August 6, 2012, the date the Board of Directors approved the financial statements, and effective as at December 31, 2012.

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

The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies.

NOTE 3 – BUSINESS ACQUISITIONS

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

a) MCP Group SA

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

The goodwill arising from the MCP acquisition is attributable to supply chain, expected synergies and the assembled workforce. None of the goodwill recognized is deductible for income tax purposes. The measurement period was closed during the quarter ended December 31, 2011.

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

For the allocation of goodwill to the different cash generating units (“CGU”), see Note 5.

b) Sylarus Technologies LLC

On June 21, 2010, the Company acquired, for an amount of $3,000, a convertible debenture from Sylarus Technologies LLC (“Sylarus”), a producer of germanium substrates for solar cells and located in St. George, Utah. This convertible debenture bore interest at 6% annually and was repayable on May 31, 2015 at the latest. This debenture, 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 were measured separately. The loan component was classified as 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 in Sylarus. The Company also agreed to provide additional funding of $767 in the form of secured debt to enable the repayment of short-term debt contracted by Sylarus.

(Figures in thousands of United States dollars, unless otherwise indicated)

The following table summarizes the consideration paid for MCP and Sylarus and the amount of the assets acquired and liabilities assumed as recognized at the acquisition date, as well as the fair value at the acquisition date of the non-controlling interest:

	MCP	Sylarus	Total
	$	$	$
Assets acquired			
Temporary investments (restricted)	18,919	-	18,919
Accounts receivable	85,922	-	85,922
Inventories	218,882	-	218,882
Other non-cash working capital	595	680	1,275
Property, plant and equipment	44,130	8,030	52,160
Goodwill	120,639	-	120,639
Intangible assets	70,049	-	70,049
Deferred income tax	3,797	-	3,797
Other assets	4,540	200	4,740
	567,473	8,910	576,383
Liabilities assumed			
Trade and accrued liabilities	80,604	2,700	83,304
Bank indebtedness and short-term debt	130,269	-	130,269
Long-term debt	21,123	1,094	22,217
Retirement benefit obligation	13,145	-	13,145
Deferred income tax	22,355	-	22,355
Note payable to 5N Plus Inc.	-	767	767
Non-controlling interest	-	1,557	1,557
	267,496	6,118	273,614
TOTAL IDENTIFICATION OF NET ASSETS	299,977	2,792	302,769
Total consideration			
Cash paid to vendors	149,226	3,300	152,526
Shares issued to vendors	91,917	-	91,917
Balance of purchase price and holdback	89,335	-	89,335
Cash and cash equivalents acquired	(30,501)	(508)	(31,009)
Purchase consideration net of cash acquired	299,977	2,792	302,769

NOTE 4 – INVENTORIES

For the respective periods of three and six months ended June 30, 2012, totals of $111,401 and $230,063 of inventories were included in cost of sales as an expense (three and six months ended May 31, 2011 – $76,964 and $84,661). The inventories in the condensed interim consolidated statements of financial position are net of a provision of $28,292 for impairment (year ended December 31, 2011 – $34,790).

Most of the inventories are pledged as security for the revolving credit facility (Note 6).

(Figures in thousands of United States dollars, unless otherwise indicated)

NOTE 5 – GOODWILL

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

	As at June 30, 2012	**As at December 31, 2011**
	$	**$**
Electronic Materials segment	110,460	110,460
Eco-Friendly Materials segment	14,450	14,450
Total goodwill allocated	124,910	124,910

As at June 30, 2012, the carrying amount of the net assets of the Company was higher than its market capitalization. Therefore, the Company is required to perform an assessment of its goodwill for impairment as at June 30, 2012.

In assessing goodwill for impairment, the Company performed testing for both the Electronic Materials and Eco-Friendly Materials business units in accordance with its policy and based on conditions at that date. The Company determined that the goodwill of the Eco-Friendly Materials and Electronic Materials segments were at the lowest level at which the Company monitors its goodwill. The recoverable amounts of those segments were determined based on a fair value less costs to sell method, which uses a discounted cash flow model. The projections used in the cash flows cover a two-year period and were approved by the Board of Directors; a growth rate between 5% to 6% is used for the following three years, and a growth rate of 2% is applied thereafter. The key assumptions used are those of a market participant and are consistent with external sources of information and historical data. Key assumptions included the following:

	Electronic Materials segment	**Eco-Friendly Materials segment**
Discount rate	10.61%	10.61%
Working capital requirement	38%	38%

In the Eco-Friendly Materials business unit, the recoverable amount exceeded the carrying amount by $13,096 as at June 30, 2012 ($8,158 as at December 31, 2011). In the Electronic Materials business unit, the recoverable amount exceeded the carrying amount by $69,920 as at June 30, 2012 ($22,472 as at December 31, 2011). The Company performed its impairment tests as at December 31, 2011, March 31, 2012 and June 30, 2012.

Assumptions used in the goodwill impairment tests are based on a number of factors, including historical experience of the business, current events and other assumptions concerning the industry that management believes are reasonable under the circumstances. Actual results could differ materially from those estimates under different assumptions or conditions.

To monitor potential impairment exposure, the Company performs a sensitivity analysis. Accordingly, as at June 30, 2012, a 0.5% increase in the respective discount rate would decrease the fair value of the Eco-Friendly Materials business unit by $12,686, and the Electronic Materials business unit by $20,863.

(Figures in thousands of United States dollars, unless otherwise indicated)

NOTE 6 – BANK INDEBTEDNESS AND SHORT- AND LONG-TERM DEBT

a) Bank indebtedness and short-term debt

The Company has credit lines with financial institutions in China. These credit lines are guaranteed by other group companies.

As at June 30, 2012

Contractual currency	HK$	RMB	Total
Facility available	-	209,000	n/a
Amount drawn	-	75,817	n/a

As at June 30, 2012

Reporting currency	US$	US$	Total
Facility available	-	33,127	33,127
Amount drawn	-	12,017	12,017

As at December 31, 2011

Contractual currency	HK$	RMB	Total
Facility available	390,000	194,000	n/a
Amount drawn	390,000	146,440	n/a

As at December 31, 2011

Reporting currency	US$	US$	Total
Facility available	50,205	30,826	81,031
Amount drawn	50,205	23,225	73,430

Chinese renminbi (“RMB”) loans bear interest at 105% to 110% of the RMB base rate.

The loans in Hong Kong dollars were reimbursed in the quarter with the proceeds of the RMB deposits recorded as temporary investments (restricted) in the condensed interim consolidated statements of financial position.

(Figures in thousands of United States dollars, unless otherwise indicated)

b) Long-term debt

	As at June 30, 2012	**As at December 31, 2011**
	$	**$**
Unsecured balance of purchase price and holdback to the former shareholders of MCP for an amount of €51,899 (€36,928 as a promissory note and €14,971 as holdback), bearing interest at interest rate swap three-year rate plus 3.00%. The promissory note is repayable in two annual instalments beginning April 2013 (Note 3(a)) and the holdback is repayable in April 2014. The balance of purchase price and holdback includes an amount of €26,692 payable to two Board members of the Company	65,340	80,066
Senior secured revolving facility of $200,000 with a syndicate of banks, maturing in August 2015(1)	108,000	185,000
Term loan, non-interest bearing, repayable under certain conditions, maturing in 2023. If the loan has not been repaid in full by the end of 2023, the remaining balance will be forgiven	824	824
Debt bearing interest at a rate of three-month LIBOR plus 3.00%, repayable in December 2012	810	1,836
Other loans	632	750
	175,606	268,476
Less: Current portion of long-term debt	27,847	14,757
	147,759	253,719

(1) This revolving credit facility can be drawn in US dollars, Canadian dollars or euros. The interest rate depends on a debt/EBITDA ratio and can vary from LIBOR, banker's acceptance or EURIBOR plus 1.25% to 2.75% or US base rate or prime rate plus 0.25% to 1.75%. Also, standby fees from 0.31% to 0.69% are paid on the unused portion of the credit. The revolving credit facility can be increased to $300,000 subject to acceptance by the lenders, and it is guaranteed by a pledge on almost all of the assets of certain entities of the Company. The total amount drawn is in US dollars as at June 30, 2012 and December 31, 2011. The facility is subject to covenants. As at June 30, 2012, the Company met all covenants.

Under the terms of its credit facility, the Company is required to satisfy certain restrictive covenants as to financial ratios. In order to comply with these covenants, the Company has prepared and will need to execute on its budgeted EBITDA and cash flow estimates. Management believes that the assumptions used by the Company in preparing its 2012-2013 budgets are reasonable and that it is not likely that the financial covenants will be violated in the next 12 months. Successful achievement of these budgeted results is dependent on stability in the price of metals and other raw materials and reduction of debt through optimization of the Company's working capital.

(Figures in thousands of United States dollars, unless otherwise indicated)

NOTE 7 – CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Fair value

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

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

As at June 30, 2012, the fair value of long-term debt approximates its carrying value and is calculated using the present value of future cash flows at the period-end rate for similar debt with the same terms and maturities.

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

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

The level within which the financial asset or financial liability is classified is determined based on the lowest level of significant input to the fair value measurement. The financial assets and financial liabilities measured at fair value in the condensed interim consolidated statements of financial position are grouped into the fair value hierarchy as follows as at June 30, 2012:

June 30, 2012	**Level 1**	**Level 2**	**Level 3**
	$	**$**	**$**
Financial liabilities			
Interest rate swap	-	(3,351)	-
Foreign exchange forward contracts	-	(10)	-
Options	-	(3,911)	-
Warrants	(612)	-	-
Derivative financial instruments	(612)	(7,272)	-

December 31, 2011	**Level 1**	**Level 2**	**Level 3**
	$	**$**	**$**
Financial liabilities			
Interest rate swap	-	(2,326)	-
Foreign exchange forward contracts	-	(517)	-
Options	-	(2,873)	-
Derivative financial instruments	-	(5,716)	-

(Figures in thousands of United States dollars, unless otherwise indicated)

Derivative assets and liabilities

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

- Interest rate swap to fix the interest rate on part of its revolving credit facility ("interest rate swap");
- Foreign exchange forward contracts to cover non-US future cash flows ("forward foreign exchange contracts");
- Options sold to a financial institution related to hedge strategies ("options"); and
- Warrants.[d]

The derivatives are measured at fair value as follows:

Liabilities	**As at June 30, 2012**	**As at December 31, 2011**
	$	**$**
Interest rate swap[a]	3,351	2,326
Foreign exchange forward contracts[b]	10	517
Options[c]	3,911	2,873
Warrants[d] (Note 8)	612	-
Total	7,884	5,716

(a) The interest rate swap has a nominal value of $100,000 commencing in January 2013 and ending in August 2015. This interest rate swap fixed the LIBOR interest rate at 1.82%. The Company received $1,700 when entering into this interest rate swap in September 2011. The amount has been recorded as a long-term liability and will be amortized during the contract period as an interest expense. The Company designated this contract as a cash flow hedge of future payments of interest, and the change in its fair value was recorded in the condensed interim consolidated statements of comprehensive income (loss).

(b) The foreign exchange forward contracts are to sell US dollars in exchange for Canadian dollars. The nominal value of the Canadian forward was $1,500 for a period of three months starting after June 30, 2012 at a US$/CA$ rate of 1.0114. The Company designated this contract as a cash flow hedge of future payments of salaries, and the change in its fair value was recorded in the condensed interim consolidated statements of comprehensive income (loss).

(c) The Company sold options to a financial institution, giving it the right to sell euros to the Company on specific dates. The options have a nominal value of €51,500 with a Euro/US$ rate ranging from 1.3321 to 1.3484 and a maturity ranging from July 11, 2012 to July 20, 2012.

(d) On June 6, 2012, the Company issued 6,451,807 warrants (Note 8), which expire on June 6, 2014.

The following methods were used to estimate fair value:

- Interest rate swap: Estimated by discounting expected future cash flows using period-end interest rate yield curves.
- Foreign exchange forward contracts and options: Estimated using period-end market rates, and reflect the amount the Company would receive or pay if the instruments were closed out at those dates.
- Warrants: Refer to note 8.

(Figures in thousands of United States dollars, unless otherwise indicated)

NOTE 8 – ISSUANCE OF UNITS

On June 6, 2012, the Company closed a placement for total gross proceeds of CA$40,001 (US$38,485). The financing consisted of the issuance of 12,903,613 units at a price of CA$3.10 per unit. Each unit consisted of one common share and one-half of a common share purchase warrant, with each such whole warrant entitling the holder to subscribe for one additional common share at a price of CA$5.00 until June 6, 2014.

The initial fair value of the 6,451,807 warrants was estimated using the Black-Scholes option pricing model based on the following assumptions: risk-free interest rate of 1.25%, average expected volatility of 40%, expected dividend per share nil and expected life of warrants of two years. As a result, the fair value of the common share purchase warrants was estimated at CA$1,419 (US$1,366) after a pro rata allocation of the fair value of the units' components.

This amount was allocated to warrants, and the balance of CA$38,582 (US$37,119) to share capital. The warrants were recorded as a derivative liability. In accordance with IFRS, an obligation to issue shares for a price that is not fixed in the Company's functional currency and that does not qualify as a rights offering to all shareholders of that class must be classified as a derivative liability and measured at fair value with changes recognized in the consolidated statements of income as they arise.

The fair value of the warrants as at June 30, 2012 was US$ (612) (Note 7).

The total issuance costs of the units amounting to US$1,185 (net of income tax of $436) was attributed to common shares.

	Number	**Amount CA**	**Amount US**
		$	**$**
Units issued for cash	12,903,613	40,001	38,485
Less: Warrants		(1,419)	(1,366)
Net amount attributable to share capital		38,582	37,119

(Figures in thousands of United States dollars, unless otherwise indicated)

NOTE 9 – OPERATING SEGMENTS

The following tables summarize the information reviewed by the Company's directors when measuring performance:

	Three months			
June 30, 2012	**Eco-Friendly Materials**	**Electronic Materials**	**Corporate**	**Total**
	$	**$**	**$**	**$**
Segment revenues	85,313	54,763	-	140,076
Adjusted EBITDA[1]	1,460	8,366	(4,232)	5,594
Interest on long-term debt and other interest expense	-	-	2,418	2,418
Restructuring costs	454	454	-	908
Impairment of inventories	10,510	15,558	-	26,068
Foreign exchange loss and derivative	-	-	630	630
Depreciation and amortization	-	-	5,183	5,183
Loss before income tax	(9,504)	(7,646)	(12,463)	(29,613)
Capital expenditures	557	2,184	118	2,859

	Three months			
May 31, 2011	**Eco-Friendly Materials**	**Electronic Materials**	**Corporate**	**Total**
	$	**$**	**$**	**$**
Segment revenues	57,749	64,227	-	121,976
Adjusted EBITDA[1]	4,788	17,407	(2,200)	19,995
Interest on long-term debt and other interest expense	-	-	2,138	2,138
Restructuring costs	-	-	5,978	5,978
Acquisition-related costs	-	-	1,861	1,861
Foreign exchange gain and derivative	-	-	(5,392)	(5,392)
Depreciation and amortization	-	-	2,852	2,852
Earnings (loss) before income taxes	4,788	17,407	(9,637)	12,558
Capital expenditures	922	3,247	2,518	6,687

(1) Represents net earnings (loss) before financial expenses (income), income taxes, depreciation and amortization and the following: restructuring costs, impairment of inventories, acquisition-related costs.

For the three months ended June 30, 2012, one client represented approximately 12% of total revenues.

(Figures in thousands of United States dollars, unless otherwise indicated)

	Six months			
June 30, 2012	**Eco-Friendly Materials**	**Electronic Materials**	**Corporate**	**Total**
	$	**$**	**$**	**$**
Segment revenues	174,183	128,128	-	302,311
Adjusted EBITDA[1]	11,527	19,132	(8,198)	22,461
Interest on long-term debt and other interest expense	-	-	5,415	5,415
Restructuring costs	454	454	478	1,386
Impairment of inventories	10,510	15,558	-	26,068
Foreign exchange loss and derivative	-	-	2,312	2,312
Depreciation and amortization	-	-	10,281	10,281
Earnings (loss) before income tax	563	3,120	(26,684)	(23,001)
Capital expenditures	1,464	6,172	197	7,833

	Six months			
May 31, 2011	**Eco-Friendly Materials**	**Electronic Materials**	**Corporate**	**Total**
	$	**$**	**$**	**$**
Segment revenues	57,749	84,890	-	142,639
Adjusted EBITDA[1]	4,788	23,931	(2,723)	25,996
Interest on long-term debt and other interest expense	-	-	2,140	2,140
Restructuring costs	-	-	5,978	5,978
Acquisition-related costs	-	-	1,861	1,861
Foreign exchange gain and derivative	-	-	(6,492)	(6,492)
Depreciation and amortization	-	-	3,577	3,577
Earnings (loss) before income taxes	4,788	23,931	(9,787)	18,932
Capital expenditures	922	7,332	2,796	11,050

As at June 30, 2012	**Eco-Friendly Materials**	**Electronic Materials**	**Corporate**	**Total**
	$	**$**	**$**	**$**
Total assets excluding the following:	280,414	214,785	6,800	501,999
Goodwill	14,450	110,460	-	124,910
Investment accounted for using equity method	52	1,242	-	1,294
Deferred tax asset	9,768	3,298	734	13,800

As at December 31, 2011	**Eco-Friendly Materials**	**Electronic Materials**	**Corporate**	**Total**
	$	**$**	**$**	**$**
Total assets excluding the following:	317,297	332,224	3,694	653,215
Goodwill	14,450	110,460	-	124,910
Investment accounted for using equity method	-	1,513	-	1,513
Deferred tax asset	3,390	3,234	22	6,646

[1] Represents net earnings (loss) before financial expenses (income), income taxes, depreciation and amortization and the following: restructuring costs, impairment of inventories, acquisition-related costs.

(Figures in thousands of United States dollars, unless otherwise indicated)

The geographic distribution of the Company's revenues based on the location of its customers for the periods of three and six months ended June 30, 2012 and May 31, 2011, and the identifiable non-current assets as at June 30, 2012 and December 31, 2011 are summarized as follows:

	Three months		**Six months**	
Revenues	**June 30, 2012**	**May 31, 2011**	**June 30, 2012**	**May 31, 2011**
	$	**$**	**$**	**$**
Asia				
China	23,263	26,946	41,241	26,946
Japan	2,699	13,064	5,496	13,064
Other	19,737	24,639	42,378	24,639
America				
United States	24,122	16,844	57,411	27,795
Others	12,627	6,372	30,033	7,122
Europe				
Germany	20,941	11,022	48,428	19,984
United Kingdom	7,174	4,421	15,623	4,421
France	7,897	6,262	20,013	6,262
Others	21,616	12,406	41,688	12,406
Total	140,076	121,976	302,311	142,639

Non-current assets	**As at June 30, 2012**	**As at December 31, 2011**
	$	**$**
Asia		
Hong Kong	87,550	95,929
Other	19,528	13,429
United States	14,666	15,242
Europe		
Germany	68,995	74,654
Belgium	50,162	42,515
Others	22,481	17,608
Canada	40,619	39,818
Total	304,001	299,195

(Figures in thousands of United States dollars, unless otherwise indicated)

NOTE 10 – SUPPLEMENTAL CASH FLOW INFORMATION

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

	Six months	
	2012	**2011**
	$	**$**
Decrease (increase) in assets:		
Accounts receivable	(14,540)	(25,087)
Inventories	72,780	(44,468)
Income tax receivable	(3,386)	(829)
Other current assets	(1,754)	4,396
Increase (decrease) in liabilities:		
Trade and accrued liabilities	(11,774)	(18,073)
Income tax payable	2,708	7,929
Net change	44,034	(76,132)

The condensed interim consolidated statements of cash flows exclude or include the following transactions:

	Six months	
	2012	**2011**
a) Exclude additions that were unpaid at end of period:	**$**	**$**
Additions to property, plant and equipment	1,408	2,176
b) Include additions that were unpaid at beginning of period:	**$**	**$**
Additions to property, plant and equipment	190	502

(Figures in thousands of United States dollars, unless otherwise indicated)

NOTE 11 – EARNINGS PER SHARE

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

	Three months		Six months	
Numerators	**2012**	**2011**	**2012**	**2011**
	$	**$**	**$**	**$**
Net earnings (loss) attributable to equity holders of 5N Plus Inc.	(21,922)	8,549	(16,950)	14,075
Net earnings (loss) for the period	(22,062)	8,174	(17,171)	13,725

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

	Three months		Six months	
Denominators	**2012**	**2011**	**2012**	**2011**
Weighted average number of shares outstanding – Basic	74,407,807	59,473,582	72,694,793	52,741,303
Effect of dilutive securities	-	683,205	-	607,397
Weighted average number of shares outstanding – Diluted	74,407,807	60,156,787	72,694,793	53,348,700

Given the consolidated net loss incurred by the Company for the periods of three and six months ended June 30, 2012, stock options and warrants were excluded from the computation of diluted loss per share due to their anti-dilutive effect.

(Figures in thousands of United States dollars, unless otherwise indicated)

NOTE 12 – FINANCIAL RISK MANAGEMENT

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

Market risk

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

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

(i) Market risk – Currency risk

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

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

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

The following table summarizes in US dollar equivalents the Company's major currency exposures as at June 30, 2012:

	CA$	**EUR**	**GBP**	**RMB**
Cash and cash equivalents	48	3,478	959	1,876
Accounts receivable	503	30,628	3,739	4,672
Other assets	-	5,158	-	-
Bank indebtedness and short-term debt	-	-	-	(12,017)
Trade and accrued liabilities	(2,093)	(10,418)	(1,615)	(1,610)
Long-term debt	(956)	(65,340)	-	-
Net financial assets (liabilities)	(2,498)	(36,494)	3,083	(7,079)

(Figures in thousands of United States dollars, unless otherwise indicated)

The following table shows the impact on earnings before income tax of a one-percentage point strengthening or weakening of foreign currencies against the US dollar as at June 30, 2012 for the Company's financial instruments denominated in non-functional currencies:

	CA$	**EUR**	**GBP**	**RMB**
1% Strengthening				
Earnings (loss) before tax	(25)	(365)	31	(71)
1% Weakening				
Earnings (loss) before tax	25	365	(31)	71

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

On June 30, 2012, the Company entered into a foreign exchange forward contract to sell US dollars in exchange for Canadian dollars. The nominal value of $1,500 for a period of three months after June 30, 2012 was fixed at a US$/CA$ rate of 1.0114. The fair value of the contract is $(10) as at June 30, 2012 and is recorded as part of derivative financial liabilities in the condensed interim consolidated statements of financial position.

(ii) Market risk – Interest rate risk

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

As at June 30, 2012, the Company has an outstanding interest rate swap contract to hedge part of its interest rate risk on the revolving credit facility. The nominal value is $100,000 commencing in January 2013 and ending in August 2015. This interest rate swap fixed the LIBOR interest rate at 1.82%. The Company received $1,700 when entering into this interest rate swap in September 2011, which was the fair value of the instrument on signing. The fair value of the contract is $(3,351) as at June 30, 2012 and is recorded as part of derivative financial liabilities in the condensed interim consolidated statements of financial position.

(iii) Market risk – Other price risk

Other price risk is the risk that fair value or future cash flows will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk. The Company is exposed to other price risk with respect to the underlying risks of the held-for-trading financial instruments included in the condensed interim consolidated statements of financial position.

Warrants

In June 2012, the Company issued 12,903,613 units at a price of CA$3.10 per unit. Each of the units comprises one common share and one-half of a common share purchase warrant. The Company issued 6,451,807 warrants, which are recorded as part of derivative financial liabilities at fair value based on the stock exchange market. The fair value as at June 30, 2012 is $(612). Fair value depends on several factors, such as market volatility, foreign exchange rate volatility, interest rate fluctuations, the Company's market activity and other market conditions.

Options

The Company sold options to a financial institution, giving it the right to sell euros to the Company on specific dates. The options have a nominal value of €51,000 with €/US$ exchange rates ranging from 1.3321 to 1.3484, and they mature from July 11, 2012 to July 20, 2012. The fair value is $(3,911) as at June 30, 2012.

The market value of those financial instruments depends on several factors, such as foreign market volatility, the remaining duration of the instruments and other market conditions.

Because of the above, it is very difficult for the Company to evaluate market risk. The Company believes that the sensitivity analysis would be unrepresentative.

Credit risk

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

The Company establishes an allowance for doubtful accounts as determined by management based on its assessment of collection; therefore, the carrying amount of accounts receivable generally represents the maximum credit exposure. As at June 30, 2012 and December 31, 2011, the Company has an allowance for doubtful accounts of $304 and $482 respectively. The provision for doubtful accounts, if any, will be included in selling, general and administrative expenses in the condensed interim consolidated statements of earnings (loss) and will be net of any recoveries that were provided for in prior periods.

Counterparties to financial instruments may expose the Company to credit losses in the event of non-performance. Counterparties for derivative and cash transactions are limited to high credit quality financial institutions, which are monitored on an ongoing basis. Counterparty credit assessments are based on the financial health of the institutions and their credit ratings from external agencies. As at June 30, 2012, the Company does not anticipate non-performance that would materially impact the Company's unaudited condensed interim consolidated financial statements.

No financial assets are past due except for trade receivables. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

Liquidity risk

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

(Figures in thousands of United States dollars, unless otherwise indicated)

The following table reflects the contractual maturity of the Company's financial liabilities as at June 30, 2012:

	Carrying amount	1 year	2-3 years	4-5 years	Beyond 5 years	Total
	$	$	$	$	$	$
Bank indebtedness and short-term debt	12,017	12,832	-	-	-	12,832
Trade and accrued liabilities	48,591	48,591	-	-	-	48,591
Derivative financial instruments	7,884	4,570	3,206	108	-	7,884
Long-term debt	175,606	32,819	45,745	108,615	182	187,361
Total	244,098	98,812	48,951	108,723	182	256,668

NOTE 13 – EXPENSE BY NATURE

	Three months		Six months	
Expense by nature	**2012**	**2011**	**2012**	**2011**
	$	$	$	$
Wages and salaries	10,126	8,488	20,496	11,458
Share-based compensation	148	166	338	335
Depreciation and amortization of property, plant and equipment and intangible assets	5,183	2,852	10,281	3,577
Research and development (net of tax credit)	633	255	2,637	1,175
Restructuring costs	908	5,978	1,386	5,978
Acquisition-related costs	-	1,861	-	1,861
Writedown of inventories	26,068	-	26,068	-