Report for the seven-month period

ended December 31, 2011

5N PLUS

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5N Plus is a leading producer of specialty metal and chemical products. Fully integrated with closed-loop recycling facilities, the company is headquartered in Montreal, Québec, Canada and operates manufacturing facilities and sales offices in several locations in Europe, Americas and Asia. 5N Plus deploys a range of proprietary and proven technologies to produce products which are used in a number of advanced pharmaceutical, electronic and industrial applications. Typical products include purified metals such as bismuth, gallium, germanium, indium, selenium and tellurium, inorganic chemicals based on such metals and compound semiconductor wafers. Many of these are critical precursors and key enablers in markets such as solar, light-emitting diodes and eco-friendly materials.

Our Vision

To grow together in an environmentally responsible way, through the innovation and product excellence made possible by our employees' know-how and commitment, thereby enabling 5N Plus to become the world's leading producer of specialty metal and chemical products.

It seems like only yesterday we were announcing the major acquisition of MCP Group. Yet, in our first fiscal year following this acquisition, it is already delivering on its promise of making 5N Plus a world leading provider of specialty metals and chemical products. We generated record-breaking revenues, in spite of the fact that this fiscal year only lasted seven months as we migrated to our new reporting period aligned with the calendar year. This had the effect of making our results "end-of-year-heavy" which, due to the typical seasonality of many of our new markets, negatively impacted both our revenues and our EBITDA.

The year hasn't been all good news however. The downturn in the economy has significantly impacted how our customers manage their business, many taking a much more prudent stance resulting in some softening in demand and pressures on pricing. In addition, one of our important end markets, photovoltaics, underwent structural changes which are leading to significant decreases in anticipated growth rates in the short-term with a corresponding sizeable impact on pricing for some of our products. Although we remain convinced of our ability to generate value at all stages of our business model, including through our procurement activities and our inventory strategy, it has not been possible in the current environment to avoid inventory impairment charges, associated primarily with our solar related products, which greatly impacted our profitability during the year.

Message to Shareholders

2011 was also the year in which we transitioned to the new IFRS accounting standards, a painful and cost-consuming exercise towards a set of accounting standards which we believe are ill suited to our type of business. Perhaps the best example of this is the required constant revaluation of all inventories to the lowest of net realizable value or cost. Given the size of our inventories, this may well lead to significant impairment charges in one quarter that could, under a normal price fluctuation scenario, be partially reversed in the following quarter, resulting in significant volatility in our financial performance. In an effort to provide a better image of our true performance, we have introduced adjusted financial indicators (including adjusted net earnings, adjusted EBITDA and adjusted gross profit) which exclude the impact of impairment charges.

Focusing on growth

Structural changes and uncertainties also create growth opportunities. Our new supply agreement with First Solar stems from one such opportunity that we were able to convert into a long term partnership that holds great promises for both companies. As the supplier now responsible for substantially all of First Solar's CdTe requirements, we are now very well positioned to capture growth opportunities in solar as well as in tellurium itself. Together with our ongoing projects in low-cost areas such as Laos and Malaysia, we believe that we will be ideally positioned to better service our customers and contribute to their success as cost-leaders in their industry.

Throughout the year, we have also continued to promote our growth by establishing strategic collaborations with key suppliers or customers. Our announcement concerning a primary gallium project with Rio Tinto is an example of this proactiveness, and such projects will continue to be evaluated and developed as we grow. The diversification of our activities, our global geographic presence and our dominating position in most of the metals and chemicals we produce have definitely brought the company to the status of world-leader. With this new found scope, 5N Plus is able to seize on growth opportunities we never had before by leveraging our expanded range of products with customers in existing markets in North America and Europe and in new, fast-growing markets located in Asia.

Given that growing consumer demand for end-use products that contain our specialty metals and chemicals ultimately drives our business success, we are shifting our sights from a product-based focus to a global market-based strategy aligned along our two business units. And we now have the infrastructure to profitably supply many growth markets, including:

In the Eco-Friendly Materials Business Unit:

- Lead (Pb) replacement driven applications in various industrial and electronic applications in which our bismuth-based products are being increasingly used;
- Pharmaceutical chemicals where we expect to broaden our offering, leveraging our existing bismuth product portfolio;

And in the Electronic Materials Business Unit:

- Gallium nitride-based light emitting diodes (LEDs), an energy-efficient technology that is transforming the world's display and lighting industry; we are the leading producer of gallium;
- Germanium-based optics and substrates, now that we have both a suitable manufacturing base and the required set of products;
- And, while the solar industry is currently experiencing some consolidation due to a short-term oversupply of large modules, mid- to long-term prospects for thin film photovoltaic energy generation—particularly in emerging countries—remains promising.

In a nutshell, therefore, growth in global demand for end-uses of our full range of products is and will, for the foreseeable future, continue to be strong. 5N Plus is already the leading producer and marketer of the key ingredients in these technologies and is set for future expansion.

Focusing on profitability and sustainability

The integration process of last year's acquisition has already delivered on its promise of directly accretive revenues, and will continue to do so, but still holds many opportunities to increase efficiency, improve productivity and reduce costs through the sharing of best practices and rationalization of activities. The united 5N Plus is already reaping the benefits of strategic alignment and market diversification, but has yet to benefit from the full impact of the operational improvements efforts currently underway. In this respect, a number of initiatives are being deployed, all of which should lead to significant cost savings in the year to come. Such improvements will, unfortunately, be offset to some extent by decreases in margins which will mitigate the impact on our bottom line during the year. This is because it will be difficult to generate any meaningful profit on sales of those product units which were charge impaired in 2011. But this is only true for 2012 and our cost and efficiency improvements should fully impact our bottom line from 2013 onwards once our inventory of cost impaired units is fully depleted.

We remain convinced, now more so than ever, that our combined global sourcing and manufacturing operations offer more efficient procurement opportunities with a critical mass in all of our key metals, and for tellurium a significantly reinforced positioning as a result of our new supply agreement with First Solar. Greater resilience to shifts in supply and commodity pricing, better access to new markets and customers, and improved distribution and customer service are now also part of what we have to offer through a very unique platform which enables us to be well positioned for continued growth and good financial performance.

5N Plus is now a much larger and diversified company—no customer represents more than 15% of our revenues—unified around a single brand and singular mission to provide a full spectrum of the most suitable products to our customers. Recognized for financial performance and contribution to sustainability—most recently by Deloitte as a member of the Technology Fast 50™, Technology Fast 500™ and Technology Green 15™—it is clear that our team of shareholding executives[1] have thought out priorities and have the ability to deliver.

We thank you for your continuing support and trust and remain convinced that, in spite of the more challenging environment we currently face, we can continue to provide sustainable value to all of our shareholders.

[1] Management owns approximately 35% of shares outstanding.

Dennis Wood
Chairman of the Board of Directors

Jacques L'Ecuyer
President and Chief Executive Officer

Our Values

These values are our ethical compass. They keep us grounded and connected to employees, customers and communities. More than ever, they are the foundation that supports our growth.

Commitment

Transforming our vision into reality is possible only through the commitment and effort of our employees. We therefore aim to develop a stimulating work environment that values teamwork and excellence.

Continuous Improvement

We promote excellence in everything we do, with the ultimate goal of being recognized as the industry leader. We therefore continually seek to improve our skills, along with the quality of our products and services.

Health and Safety

Employee health and safety guides all our operations. We act responsibly to minimize risks and promote prevention, with the goal of continually improving our health and safety performance.

Sustainable Development

We encourage individual and corporate initiatives that help to protect the environment. This includes promoting—both internally and with clients and suppliers—the recycling of products and industrial waste, and setting objectives that reduce our environmental footprint.

Customer Focus

Our goal is to exceed customer expectations by delivering outstanding services and products shaped by the customer's needs. To achieve this, we have the confidence and resourcefulness to propose solutions that establish lasting relationships of trust.

Integrity

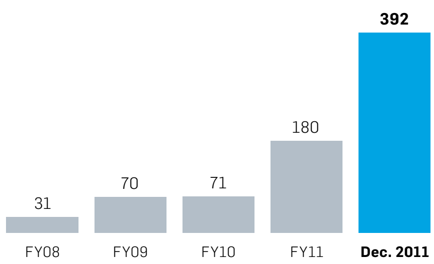
We adhere to the highest standards of integrity, which means keeping our word, complying with the letter and spirit of the law, and treating every person with whom we do business with respect and dignity.

At a Glance

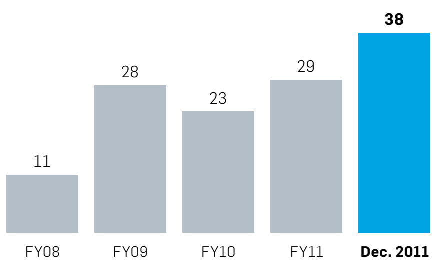
- 725 employees on four continents
- 14 manufacturing facilities
- 18 sales offices
- Strategic supply chain with primary producers
- Strong recycling capabilities

Financial highlights

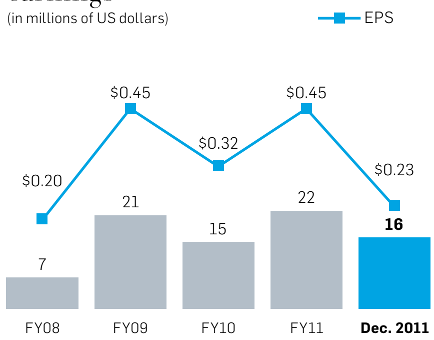
Revenues
(in millions of US dollars)



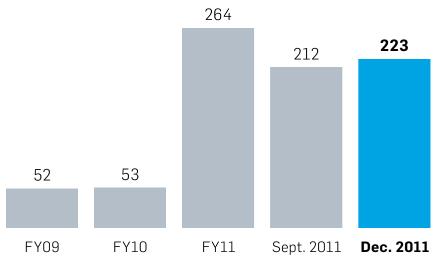
Adjusted EBITDA
(in millions of US dollars)



Adjusted net earnings[1]
(in millions of US dollars)



Backlog
(in millions of US dollars)



[1] Adjusted net earnings attributable to equity holders of 5N Plus.

The figures for fiscal years ended before FY11 have been prepared under Canadian GAAP and are presented in Canadian dollars and have not been restated under IFRS.

This Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations is intended to assist readers in understanding 5N Plus Inc. ("the Company"), its business environment, strategies, performance and risk factors. This MD&A should be read while referring to the audited consolidated financial statements and the accompanying notes for the seven-month period ended December 31, 2011. Information contained herein includes any significant developments to March 12, 2012, the date on which the MD&A was approved by the Company's board of directors. Unless otherwise indicated, the terms "we", "us" and "our" as used herein refer to the Company together with its subsidiaries.

This is the first audited period in which financial statements have been prepared under International Financial Reporting Standards ("IFRS"). Previously, the Company applied Canadian generally accepted accounting principles ("Canadian GAAP"). The comparative figures as at May 31, 2011 and for the twelve-month period ended May 31, 2011 have been restated to comply with IFRS as per guidance provided in IFRS 1, *First-time adoption of IFRS*. For details on the most significant adjustments to equity, net earnings, comprehensive income and cash flows, see Note 28 – Transition to IFRS to the consolidated financial statements. As a result of adoption of IFRS, the Company changed its functional currency from the Canadian dollar to the USD dollar.

The financial information presented in this MD&A, including tabular amounts are in United States dollars. It also includes some figures that are not performance measures consistent with IFRS. Information regarding these non-IFRS financial measures is provided under the heading Non-IFRS Measures of this Management's Discussion and Analysis.

Change in Year-End

On August 24, 2011, the Company changed its financial year-end date from May 31 to December 31. This change was made to better align the financial year-ends of both 5N Plus and MCP Group SA ("MCP"). For further information on the details of this change, please refer to the Notice of Change in Year-End report filed by the Company on SEDAR.

Notice Regarding Forward-Looking Statements

Certain statements in this MD&A may be forward-looking within the meaning of applicable securities laws. Forward-looking information and 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. Factors of uncertainty and risk that might result in such differences include the risks related to the possible failure to realize anticipated benefits of acquisition, additional indebtedness, credit, interest rate, inventory pricing, currency fluctuation, fair value, source of supply, environmental regulations, competition, dependence on key personnel, business interruptions, protection of intellectual property, international operations and collective agreements. A description of the risks affecting 5N Plus' business and activities appears under the heading "Risks and Uncertainties" in this MD&A. Forward-looking statements can generally be identified by the use of terms such as "may", "should", "would", "believe", "expect", the negative of these terms, variations of them or any terms of similar terminology. No assurance can be given that any events anticipated by the forward-looking information in this MD&A will transpire or occur, or if any of them do so, what benefits that 5N Plus will derive therefrom. In particular, no assurance can be given as to the future financial performance of 5N Plus. The forward-looking information contained in this MD&A is made as of the date hereof and 5N Plus undertakes no obligation to publicly update such forward-looking information to reflect new information, subsequent or otherwise, unless required by applicable securities laws. The reader is warned against placing undue reliance on these forward-looking statements.

Corporate Overview and Business

5N Plus is a leading producer of specialty metal and chemical products. Fully integrated with closed-loop recycling facilities, the Company is headquartered in Montreal, Quebec, Canada and operates manufacturing facilities and sales offices in several locations in Europe, Americas and Asia. 5N Plus deploys a range of proprietary and proven technologies to produce products which are used in a number of advanced pharmaceutical, electronic and industrial applications. Typical products include purified metals such as bismuth, gallium, germanium, indium, selenium and tellurium, inorganic chemicals based on such metals and compound semiconductor wafers. Many of these are critical precursors and key enablers in markets such as solar, light-emitting diodes and eco-friendly materials.

Segment Information

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. Segmented operating and financial information, labelled key performance indicators, are available and used to manage these business segments, review performance and allocate resources. Financial performance of any given segment is evaluated primarily in terms of revenues and segment operating profit which is reconciled to consolidated numbers by taking into account corporate income and expenses.

The Electronic Materials segment is headed by a Vice President who oversees locally managed operations in the Americas, Europe and Asia. The Electronic Materials segment manufactures and sells refined metals, compounds and alloys which are primarily used in a number of electronic applications. Typical end-markets include photovoltaics (solar energy), light emitting diodes (LED), displays, high-frequency electronics, medical imaging and thermoelectrics. Main products are associated with the following metals: cadmium, gallium, germanium, indium and tellurium. These are sold either in elemental or alloyed form as well as in the form of chemicals and compounds. Revenues and earnings associated with recycling services and activities provided to customers of the Electronic Materials segment are also included in the Electronic Materials segment and management of such activities is also the responsibility of the Electronic Materials Vice President.

The Eco-Friendly Materials segment is so labelled because it is mainly associated with bismuth, one of the very few heavy metals which has no detrimental effect on either human health or in the environment. As a result, bismuth is being increasingly used in a number of applications as a replacement for more harmful metals and chemicals. The Eco-Friendly Materials segment is headed by a Vice President who oversees locally managed operations in Europe and China. The Eco-Friendly Materials segment manufactures and sells refined bismuth and bismuth chemicals, low melting point alloys as well as refined selenium and selenium chemicals. These are used in the pharmaceutical and animal-feed industry as well as in a number of industrial applications including coatings, pigments, metallurgical alloys and electronics.

Corporate expenses associated with the head office and unallocated selling, general and administrative expenses together with financing costs, gains and/or losses on foreign exchange and the amortization of intangible assets have been regrouped under the heading Corporate. The head office is also responsible for managing businesses which are still in the development stage and corresponding costs are netted of any revenues.

Highlights

- The Company incurred impairment charges of $45.6 million in the quarter and $46.9 million for the seven-month period ended December 31, 2011 resulting mainly from the current turmoil in the solar market and the corresponding impact on the selling price of solar-related products and the value of fixed assets used to manufacture or develop such products. More specifically, these impairment charges include the write-off of fixed and intangible assets amounting to $12.2 million and write-downs of stocks of $33.4 million in the quarter and $34.8 million for the seven-month period ended December, 2011. Financial results are presented including such impairment charges as well as on an adjusted basis in order to reflect the performance of the company prior to such impairment charges.

- Revenues for the quarter ended December 31, 2011 reached $149.4 million, an increase of 674% over revenues of $19.3 million for the quarter ended November 30, 2010. Revenues for the seven-month fiscal year ended December 31, 2011 reached a record level of $391.7 million with a backlog of orders expected to translate into sales over the next twelve months of $223.2 million as at December 31, 2011. This compares to revenues of $180.0 million for the twelve-month fiscal year ended May 31, 2011 and a corresponding backlog of orders of $263.7 million.

- Net losses attributable to equity holders of 5N Plus for the quarter and seven-month fiscal year ended December 31, 2011 were $37.2 million or $0.52 per share, and $21.6 million or $0.31 per share respectively. This compares to net earnings of $6.5 million or $0.14 per share for the quarter ended November 30, 2010 and $21.9 million or $0.45 per share for the year ended May 31, 2011. Adjusted net earnings (loss), that is before impairment charges, for the current periods were ($0.1) million or ($0.01) per share and $16.5 million or $0.23 per share respectively.

- EBITDA for the quarter and for the seven-month period ended December 31, 2011 amounted to losses of $26.1 million and a gain of $3.4 million respectively. This compares to EBITDA of $5.8 million for the quarter ended November 30, 2010 and $28.7 million for the year ended May 31, 2011. Adjusted EBITDA, that is before impairment charges, for the current periods were $7.3 million and $38.2 million respectively.

- Funds from operations, which is defined as the amount of cash generated from operating activities before changes in non-cash working capital, amounted to $10.3 million for the quarter and $27.3 million for the seven-month period ended December 31, 2011. This compares to $6.1 million for the quarter ended November 30, 2010 and $26.8 million for the fiscal year ended May 31, 2011.

- Shareholders' equity amounted to $339.7 million as at December 31, 2011, compared to $364.0 million as at May 31, 2011.

- 5N Plus also announced that it has entered into a new Cadmium Telluride (CdTe) Supply Agreement with First Solar, Inc., which enters into effect on April 1, 2012 and replaces three existing Supply Agreements between 5N Plus and First Solar. The new Supply Agreement, which is evergreen in nature, provides that 5N Plus will supply substantially all of the CdTe required by First Solar in its manufacturing of photovoltaic modules on a worldwide basis. Pricing in the new Supply Agreement has been adjusted downwards from the three existing agreements in line with more competitive environments in both the solar and material-feedstock markets. Either party can terminate the new Supply Agreement by providing two-year advance notice, which in the case of First Solar will be effective only once a minimum quantity of CdTe has been purchased from 5N Plus.

- During the last quarter, 5N Plus acquired the outstanding 40 percent ownership interest in the joint venture company Laos Industrial Resources Co Ltd. 5N Plus also announced today that it has chosen to downsize its credit facility to $200 million from $250 million to better match its actual cash requirements. 5N Plus has also idled its solar module recycling facility in Wisconsin until further notice.

This has been a difficult quarter for 5N Plus in many respects but also one of opportunities. While the Company did experience a significant softening in demand for most of its products, resulting partly from a greater year-end seasonality in the markets of the recently acquired MCP and to a larger extent from the impact of the general downturn in the economy, it was also able to take advantage of the current situation. In this respect, 5N Plus is pleased to have strengthened its relationship with its main customer in the solar market, First Solar, in an otherwise extremely challenging environment. 5N Plus expects its new supply agreement with First Solar to be in effect for a number of years and although it had to adjust its terms and conditions to reflect the new market dynamics, it is confident that it is now better positioned than ever to take advantage of growth opportunities in the solar market.

Seasonality was most strongly felt in the Eco-Friendly business unit where the Company experienced a decrease in its sales. Demand also softened to a lesser extent in its Electronic Materials business unit due mainly to lower than anticipated sales of gallium-based products. This business unit also incurred significant impairment costs as it wrote-down its tellurium stocks by $21.5 million and wrote-off its fixed assets in Wisconsin. The Company also chose to write-off its investment in Sylarus given the current conditions in the solar market. Such impairment charges, although required under IFRS accounting rules, could be partially reversed in the following quarters if market conditions improve sufficiently, leading to a larger than normally expected variability in its financial performance.

The integration of former MCP activities is continuing as planned. Efforts are now largely aimed at improving overall operational efficiency and at reducing costs as the Company aims to right size its activities and eliminate redundancies. 5N Plus has cut back on its work force and is implementing a number of cost-reduction initiatives and expects to continue doing so for most of 2012. The Company believes that this effort, together with a number of investments that it recently announced, should enable it to be very well positioned for future growth.

Despite the latest quarter's results 5N Plus remains very confident in its ability to continue growing the company and increasing shareholder value. In this respect, preliminary results for the current quarter suggest that sales and earnings are reverting back to more standard levels when compared to the quarter ended December 31, 2011, further highlighting the detrimental impact of the year-end seasonality. 5N Plus is also reducing its cash requirements and has correspondingly downsized its credit facility to better match such requirements.

5N Plus would like to thank its employees for their efforts and hard work even though the quarter did not yield a satisfactory financial performance. The Company remains a well-diversified corporation with a large number of customers, a broad range of products and a very unique skill set and asset base.

Selected Yearly Financial Information

	IFRS		Canadian GAAP
(in thousands of United States dollars except per share amounts)	**7 months ended December 31, 2011**	12 months ended May 31, 2011	12 months ended May 31, 2010 (in thousands of CDN$)
	$	$	$
Consolidated Results			
Revenues	**391,712**	179,995	70,763
EBITDA[1]	**3,448**	28,723	22,925
Adjusted EBITDA[1]	**38,238**	28,723	22,925
Net earnings (loss) attributable to equity holders of 5N Plus	**(21,641)**	22,928	15,143
Basic earnings (loss) per share attributable to equity holders of 5N Plus	**(0.31)**	0.45	0.33
Net earnings (loss)	**(22,464)**	21,948	14,647
Basic earnings (loss) per share	**(0.32)**	0.45	0.32
Diluted earnings (loss) per share	**(0.32)**	0.44	0.32
Funds from operations[1]	**27,338**	26,477	20,391
Balance Sheet Data			
Total assets	**786,284**	807,557	138,521
Net debt (net cash)[1]	**260,575**	241,210	(63,171)
Shareholders' equity	**339,710**	363,990	125,678

Selected Quarterly Financial Information

	IFRS						Canadian GAAP	
	FY December 31, 2011		FY May 31, 2011				FY May 31, 2010 (in thousands of CDN $)	
Unaudited (in thousands of United States dollars except per share amounts	**Q2**	Q1 (4 months)	Q4	Q3	Q2	Q1	Q4	Q3
	$	$	$	$	$	$	$	$
Revenues	**149,423**	242,289	121,976	20,663	19,314	18,042	19,730	19,227
Gross profit[1]	**(8,674)**	42,857	24,898	8,157	8,161	7,497	8,671	8,204
Adjusted gross profit[1]	**24,739**	44,233	24,898	8,157	8,161	7,497	8,671	8,204
EBITDA	**(26,088)**	29,536	11,433	6,049	5,843	5,398	6,209	6,262
Adjusted EBITDA	**7,326**	30,912	11,433	6,049	5,843	5,398	6,209	6,262
Net earnings (loss)	**(37,397)**	14,933	7,124	5,576	6,454	2,794	4,339	4,076
Basic earnings (loss) per share	**(0.53)**	0.21	0.14	0.12	0.14	0.06	0.09	0.09
Diluted earnings (loss) per share	**(0.53)**	0.21	0.14	0.12	0.14	0.06	0.09	0.08
Net earnings (loss) attributable to equity holders of 5N Plus	**(37,206)**	15,565	8,080	5,600	6,454	2,794	4,339	4,076
Basic earnings per share attributable to equity holders of 5N Plus	**(0,52)**	0.22	0.17	0.12	0.14	0.06	0.09	0.09
Net earnings from continuing operations	**(37,397)**	14,933	7,124	5,576	6,454	2,794	4,363	4,362
Basic earnings per share from continuing operations	**(0.53)**	0.21	0.14	0.12	0.14	0.06	0.10	0.10
Diluted earnings per share from continuing operations	**(0.53)**	0.21	0.14	0.12	0.14	0.06	0.09	0.09
Backlog[1]	**223,177**	212,264	263,702	73,154	60,986	53,975	52,651	53,791

The quarterly figures for the fiscal year ended May 31, 2010 have been prepared under Canadian GAAP and have not been restated under IFRS.

[1] See Non-IFRS Measures

Sales, Gross Profit, Net Earnings and Earnings per Share

	Three months ended December 31, 2011	Three months ended November 30, 2010	Increase (Decrease)	Seven Months ended December 31, 2011	12 months ended May 31, 2011	Increase (Decrease)
	$	$		$	$	
Revenues	149,423	19,314	674%	391,712	179,995	118%
Gross profit	(8,674)	8,161	(206%)	34,182	48,713	(30%)
Impairment of inventory	(33,413)	-		(34,790)	-	
Adjusted gross profit[1]	24,739	8,161	203%	68,972	48,713	42%
Adjusted gross profit ratio[1]	17%	42%		18%	27%	
Net earnings (loss)	(37,397)	6,454	(679%)	(22,464)	21,948	(202%)
Adjusted net earnings (loss)[1]	(92)	6,454	(101%)	16,505	21,948	(25%)
Basic earnings (loss) per share	(0.53)	0.14		(0.32)	0.45	
Basic adjusted earnings (loss) per share[1]	(0.01)	0.14		0.23	0.45	

[1] See Non-IFRS Measures

Revenues

Revenues for the quarter ended December 31, 2011 reached $149.4 million, a 674% increase over sales of $19.3 million for the three-month ended November 30, 2010. Revenues for the seven-month period ended December 31, 2011 reached $391.7 million, representing a 118% increase over sales of $180.0 million for the fiscal year ended May 31, 2011. These increases in sales are attributed to the inclusion of former MCP sales for the quarter and the seven-month period ended December 31, 2011.

Impairment charges

During the last quarter the Company recorded an inventory impairment charge of $33.4 million of which $21.5 million was related to tellurium. This reflects the sharp decrease in market price of tellurium resulting mainly from the slowdown in the solar market. The Company also wrote off its property, plant and equipment and intangible assets in the Deforest, Wisconsin solar module recycling facility for an amount of $4.9 million. In addition, the Company wrote off its investment in Sylarus for an amount of $6.9 million given the current uncertainty surrounding the solar market.

Gross profit

Gross profit in the quarter ended December 31, 2011 amounted to a loss of $8.7 million and when adjusted to exclude impairment charges ("adjusted gross profit") to $24.7 million or 17% of revenue. This compares with $8.2 million or 42% of revenues for the three-month period ended November 30, 2010. For the seven-month period ended December 31, 2011, gross profit amounted to $34.2 million and adjusted gross profit to $69.0 million or 18% of revenues. This compares with $48.7 million or 27% of revenues for the fiscal year ended on May 31, 2011. Gross profit was negatively impacted mainly by impairment charges in the current quarter and in the seven-month period. Excluding such impairment charges, the adjusted gross profit represented a lower percentage of revenues in the quarter because of the inclusion of the former MCP financial results. Former MCP generally sold products for which the gross profit ratio is less than the Company's historical levels.

Net earnings

Net earnings for the quarter ended December 31, 2011 yielded a loss of $37.4 million or ($0.53) per share and a loss of $22.5 million or ($0.32) per share for the seven-month period ended December 31, 2011. Such losses resulted from impairment charges of $33.4 million booked in the quarter ended December 31, 2011. Excluding such impairment charges adjusted net earnings yielded a loss of $0.1 million or ($0.01) per share in the quarter and earnings of $16.5 million or $0.23 per share in the seven-month period ended December 31, 2011. This compares with net earnings of $6.5 million or $0.14 per share for the quarter ended November 30, 2010 and net earnings of $21.9 million or $0.45 per share, for the year ended May 31, 2011. These decreases are mainly attributable to year-end seasonality amplified by a decrease in average selling price following a general trend of commodity price decreases. Decreases were most strongly felt in the Eco-Friendly business unit where we experienced for our products a decrease in our sales volumes. Demand also softened but to a lesser extent in our Electronic Materials business unit mainly due to lower than anticipated sales of gallium-based products.

Reconciliation of EBITDA and Adjusted EBITDA

	Three months ended December 31, 2011	Three months ended November 30, 2010	Increase (Decrease)	Seven months ended December 31, 2011	Twelve months ended May 31, 2011	Increase (Decrease)
	$	$		$	$	
Net earnings (loss) attributable to equity holders of 5N Plus	(37,206)	6,454	(676%)	(21,641)	22,298	(197%)
Financial expenses & interest income	2,048	(141)	1555%	5,487	1,960	180%
Loss (Gain) on foreign exchange	1,118	(2,903)	139%	(642)	(8,639)	(93%)
Amortization	5,463	719	660%	12,797	4,997	156%
Write-down of property plant and equipment and intangible assets	12,160	-		12,160	-	
Income tax (recovery)	(9,670)	1,714	(664%)	(4,713)	8,107	(158%)
EBITDA	(26,087)	5,843	(546%)	3,448	28,723	(88%)
Inventory write-down	33,413	-		34,790	-	
Adjusted EBITDA	7,326	5,843	25%	38,238	28,723	33%

EBITDA per Business Unit

	Three months ended December 31, 2011	Three months ended November 30, 2010	Seven months ended December 31, 2011	Twelve months ended May 31, 2011
	$	$	$	$
Electronic Materials	(19,607)	6,217	(333)	26,885
Eco-Friendly Materials	1,773	-	14,600	4,641
Corporate	(8,253)	(374)	(10,819)	(2,803)
Total EBITDA	(26,087)	5,843	3,448	28,723

Adjusted EBITDA per Business Unit

	Three months ended December 31, 2011	Three months ended November 30, 2010	Seven months ended December 31, 2011	Twelve months ended May 31, 2011
	$	$	$	$
Electronic Material	11,051	6,217	30,631	26,885
Eco-Friendly Material	4,528	-	18,426	4,641
Corporate	(8,253)	(374)	(10,819)	(2,803)
Total Adjusted EBITDA	7,326	5,843	38,238	28,723

EBITDA

EBITDA of negative $26.1 million for the second quarter compared to EBITDA of $3.4 million in the seven-month period ended December 31, 2011 is primarily attributable to impairment charges. Adjusted EBITDA amounted to $7.3 million in the quarter and $38.2 million in the fiscal year. This compares to $5.8 million for the quarter ended November 30, 2010 and $28.7 million for the fiscal year ended May 31, 2011. The marginal increases in EBITDA reflect the year-end seasonality which lead to lower revenues and gross profits.

Bookings and Backlog

Bookings in the quarter were $160.5 million and $351.2 million in the fiscal year ended December 31, 2011. This compares with bookings of $26.3 million for the quarter ended November 30, 2010 and $393.4 million for the fiscal year ended May 31, 2011. Bookings increased by 510% in the quarter when compared to the quarter ended November 30, 2010 because of the contribution of former MCP's activities. Bookings for the fiscal year ended on May 31, 2011 are not directly comparable because of the acquisition of MCP. Backlog as at December 31, 2011 now stands at $223.2 million which corresponds to a 266% increase over the $61.0 million backlog as at November 30, 2010. Backlog increased by $10.9 million over the September 30, 2011 level as we renewed contracts for 2012 and expanded our products range and customer base. Backlog did not reach the previous fiscal year-end level of $263.7 million and decreased by 15%, reflecting some softness in demand and selling prices. In terms of revenues, backlog remains at a lower percentage of revenues than the level prior to MCP acquisition, reflecting the fact that the Company now has a larger proportion of spot sales and typically runs on a backlog which represents a lower proportion of revenues.

Revenues, EBITDA and bookings for the Company's reportable segments namely Electronic Materials division and Eco-Friendly Materials division are discussed below. Former MCP activities were carried out in both business segments and are accordingly split between the two. 5N Plus activities prior to MCP acquisition are entirely included in the Electronic Materials business segment.

Electronic Materials Division

(in thousands of United States dollars)	**Three months ended December 31, 2011**	Three months ended November 30, 2010	**Seven months ended December 31, 2011**	Twelve months ended May 31, 2011
	$	$	**$**	$
Revenues	**69,761**	19,314	**186,015**	122,246
Cost of goods & expenses, before amortization	**(89,368)**	(13,097)	**(186,348)**	(95,361)
Segmented EBITDA	**(19,607)**	6,217	**(333)**	26,885
Impairment of inventory	**30,658**	-	**30,964**	-
Segmented adjusted EBITDA	**11,051**	6,217	**30,631**	26,885
Bookings	**76,073**	26,325	**179,145**	228,830

Revenues in the quarter ended December 31, 2011 for the Electronic Materials business unit increased by 261% reaching $69.8 million up from $19.3 million in the quarter ended November 30, 2010. Revenues for the fiscal year ended December 31, 2011 increased by 52% to a level of $186.0 million, up from $122.2 million last fiscal year. Revenues in the quarter and the seven-month period included a contribution from the relevant former MCP activities which explains the increase in revenues in both periods. Revenues decreased by $46.5 million in the quarter when compared to the prior four-month period ended September 30, 2011, when adjusted to a quarterly basis represents a 20% decrease. This decrease stems from both a lower demand resulting from year-end seasonality and a decrease in average selling prices following a negative trend in the commodity market.

EBITDA was negatively impacted in the quarter and the seven-month period ended December 31, 2011 by inventory impairment charges of $30.7 million and $31.0 million respectively, of which $21.5 million were related to tellurium and the balance associated primarily with gallium products. Both of these metals are used in the solar market.

Adjusted EBITDA in the quarter for the Electronic Materials business unit increased to $11.1 million up by 78% over the level of $6.2 million in the quarter ended November 30, 2010. Adjusted EBITDA for the period reached a level of $30.6 million which represents a 13.9% increase over EBITDA for the year ended May 31, 2011. The increase for the quarter is essentially related to the contribution of the relevant former MCP activities. For the seven-month period ended December 31, 2011, the increase is due to the contribution of MCP for the entire period compared to the year ended May 31, 2011.

Bookings in the last quarter for the Electronic Materials business unit reached a level of $76.1 million, up from $26.3 million for the quarter ended November 30, 2010. This increase is associated with the contribution of the former MCP backlog together with an increase associated primarily with the renewal of the Company's agreements with First Solar in January 2011. For the seven month period ended December 31, 2011, bookings decreased to $179.1 million down from $228.8 million for the twelve month period ended May 31, 2011 due to the inclusion for the first time of the backlog of former MCP during the last quarter ended May 31, 2011. The backlog for the Electronic Materials business unit now stands at $150.0 million, decreasing by $6.9 million compared to May 31, 2011. This decrease is associated with lower selling prices associated to the negative trends in the commodity markets.

Property, plant and equipment and intangible asset impairment charges of $5.2 million associated with the Electronic Materials business unit recorded in the quarter are entirely associated to the solar market and most of which to the solar module recycling facility in Wisconsin.

Eco-Friendly Material Division

(in thousands of United States dollars)	**Three months ended December 31, 2011**	Three months ended November 30, 2010	**Seven months ended December 31, 2011**	Twelve months ended May 31, 2011
	$	$	**$**	$
Revenues	**79,663**	-	**205,697**	57,749
Cost of goods & expenses, before amortization	**(77,890)**	-	**(191,097)**	(53,108)
Segmented EBITDA	**1,773**	-	**14,600**	4,641
Impairment of inventory	**2,755**	-	**3,826**	-
Segmented adjusted EBITDA	**4,528**	-	**18,426**	4,641
Bookings	**84,444**	-	**172,043**	164,541

The Eco-Friendly Materials activities are entirely composed of former MCP activities as the Company did not carry out any such activities prior to April 8, 2011. Accordingly there is no historical data to compare and discuss the Company's results. In addition, only seven weeks of former MCP's results are included in the year ended May 31, 2011.

Revenues reached $79.7 million during the quarter were primarily composed of sales of bismuth metal and chemicals, selenium metal and chemicals and low melting point alloys. Revenues decreased in the quarter when compared to the prior four-month period ended September 30, 2011, by $46.4 million which when adjusted to a quarterly basis represents a 15.7% decrease. Such a decrease is primarily associated with a lower demand for our products during the quarter. For the seven-month period ended December 31, 2011, revenues reached $205.7 million, up from $57.8 million for the twelve-month period ended May 31, 2011.

EBITDA was negatively impacted in the quarter and the seven-month period ended December 31, 2011 by inventory impairment charges of $2.8 million and $3.8 million. Adjusted EBITDA for the corresponding periods was $4.5 million and $18.4 million respectively.

For the quarter and the seven-month period ended December 31, 2011 bookings were $84.4 million and $172.0 million. The backlog for the Eco-Friendly Materials division now stands at $73.1 million, which corresponds to a $31.1 million decrease over the backlog as at May 31, 2011 as a result of seasonality in contract renewals.

Expenses

	Three months ended December 31, 2011	Three months ended November 30, 2010	Increase (Decrease)	**Seven months ended December 31, 2011**	Twelve months ended May 31, 2011	Increase (Decrease)
	$	$		**$**	$	
Amortization	**5,463**	719	660%	**12,797**	4,997	156%
SG&A	**17,446**	2,937	494%	**33,500**	13,286	152%
Financial Expenses	**3,169**	(3,044)	204%	**4,845**	(6,679)	172%
Income taxes	**(9,670)**	1,714	(664%)	**(4,713)**	8,107	(158%)
	16,408	2,326	605%	**46,429**	19,711	136%

Amortization

Amortization expenses for the quarter ended December 31, 2011 were $5.5 million compared to $0.7 million for the quarter ended November 30, 2010. For the seven months ended December 31, 2011, amortization expenses were $12.8 million compared to $5.0 million for the fiscal year ended May 31, 2011. These increases reflect the larger amortizable asset base, including intangible assets, following the acquisition of MCP.

Selling, General and Administrative Expenses

Selling, General and Administrative Expenses increased to $17.4 million in the last quarter and $33.5 million in the seven-month period ended December 31, 2011 compared to $2.9 million in the quarter ended November 30, 2010 and $13.3 million in the fiscal year ended May 31, 2011. We inherited a larger management team and sales organization as a result of the acquisition of MCP which accounts for these increases.

Financial Expenses, Interest Income and Foreign Exchange Gain

The combined financial expenses, interest income and foreign exchange gain netted an expense of $3.2 million in the last quarter and of $4.9 million in the seven-month period ended December 31, 2011. This compares to a gain of $3.0 million and of $6.7 million in the quarter ended November 30, 2010 and fiscal year ended May 31, 2011 due to foreign exchange gain. This increase in financial expenses results from the debt contracted to finance the acquisition of MCP and the combined operations. As at December 31, 2011 the net debt amounted to $260.6 million.

Income Taxes

For the quarter ended December 31, 2011 recovery of income taxes were $9.7 million compared to an expense of $1.7 million for the three-month period ended November 30, 2010, corresponding to effective tax rates of 21% respectively. Recovery of income taxes for the seven-month period ended December 31, 2011 were $4.7 million compared to an expense of $8.1 million for the fiscal year ended May 31, 2011 representing effective tax rates of 17% and 27% respectively. The decrease in the income tax effective rate is the results of non-taxable impairment charges.

Liquidity and Capital Resources

Cash Flows

(in thousands of United States dollars)	**Three months ended December 31, 2011**	Three months ended November 30, 2010	**Seven months ended December 31, 2011**	Twelve months ended May 31, 2011
	$	$	**$**	$
Funds from operations	**10,349**	6,107	**27,338**	26,477
Net changes in non-cash working capital items	**(9,284)**	6,748	**(38,253)**	(88,267)
Operating activities	**1,065**	(641)	**(10,915)**	(61,790)
Investing activities	**(9,027)**	(5,190)	**(12 321)**	(174,593)
Financing activities	**7,791**	885	**24,043**	202,319
Effect of foreign exchange rate changes	**592**	-	**592**	(963)
Net increase (decrease) in cash and cash equivalents	**421**	(4,946)	**1,399**	(35,027)

Cash generated by operating activities was $1,1 million in the last quarter and cash consumed by operating activities was $10.9 million during the seven-month period ended December 31, 2011. This compares with cash consumed of $0.6 million and 61.8 million in the quarter ended November 30, 2010 and in the fiscal year ended May 31, 2011 respectively. For the seven-month period ended December 31, 2011 cash consumed decrease is attributable to the effect of the general trend of commodity prices decreases which implied less investment in our inventory compared to the year ended May 31, 2011.

Investing activities consumed $9.0 million in the last quarter and $12.3 million in the seven-month period ended December 31, 2011 compared to $5.2 million and $174.6 million for the quarter ended November 30, 2010 and the fiscal year ended May 31, 2011 respectively. Acquisition of MCP, for a total consideration net of cash of $280.4 million, net of the issuance of shares, balance of purchase price and holdback amounts issued to the vendors for a total amount at $119.2 million impacted the cash consumed in the fiscal year ended May 31, 2011. For the last quarter and seven months ended December 31, 2011, investing activities were mainly in property, plant and equipment.

Cash provided by financing activities amounted to $7.8 million in the quarter and $24.0 million in the seven-month period ended December 31, 2011 as the Company refinanced its revolving credit facility. For the three months ended November 30, 2010, financing activities provided $0.9 million. For the fiscal year ended May 31, 2011, financing activities provided $202.3 million resulting mainly from the proceeds from the issuance of new shares for an amount of $125.7 million and an increase in bank indebtedness and short-term and long-term debt amounting to $73.6 million.

Working Capital

(in thousands of United States dollars)	**As at December 31, 2011**	As at May 31, 2011
	$	$
Inventories	**315,333**	300,055
Others current assets	**175,444**	200,471
Current liabilities	**(151,384)**	(271,768)
Working capital[1]	**339,393**	228,758
Working capital current ratio	**3.24**	1.84

[1] See Non-IFRS Measures

Working capital increased to $339.4 million as at December 31, 2011 compared to $228.8 million as at May 31, 2011 reflecting the conversion of bank indebtedness and short term-debt into long-term debt.

Net Debt & Funds from Operations

(in thousands of United States dollars)	As at December 31, 2011	As at May 31, 2011
	$	$
Bank indebtedness and short-term debt	73,430	174,703
Long-term debt including current portion	268,476	145,678
Total Debt	341,906	320,381
Cash and cash equivalents and temporary investments (restricted)	(81,331)	(79,171)
Net Debt	260,575	241,210

Net debt after taking into account cash and cash equivalents and restricted temporary investments amounted to $260.6 million as at December 31, 2011 compared to $241.2 million as at May 31, 2011. The consolidation of the majority of our debt into our new $250 million senior secured revolving facility was completed in October 2011. In August 2011, the Company signed a new $250 million senior secured multi-currency revolving credit facility to replace its existing CA$50 million two-year senior secured revolving facility. 5N Plus also announced today that it has chosen to downsize its credit facility to $200 million from $250 million to better match its actual cash requirements.

Funds from operations amounted to $10.3 million for the three months period ended December 31, 2011 compared with $6.1 million for the quarter ended November 30, 2010. For the seven months ended December 31, 2011, funds from operations amounted to $27.3 million compared to $26.9 million for the year ended May 31, 2011. The contribution of the former MCP activities was responsible for this increase.

(in thousands of United States dollars)	Three months ended December 31, 2011	Three months ended November 30, 2010	Seven months ended December 31, 2011	Twelve months ended May 31, 2011
	$	$	$	$
Funds from operations	10,349	6,108	27,338	28,477
Acquisition of property, plant and equipment and intangible assets	(5,668)	(5,865)	(10,785)	(22,785)
Working capital changes	(9,284)	(6,748)	(38,253)	(88,267)
Business acquisition, net of cash acquired	-		-	(121,517)
Issuance of common shares	134	991	346	131,573
Debt assumed in business combinations	-	-	-	(241,821)
Temporary investment (restricted) acquired in business combinations	-	-	-	18,919
Others	12,704	567	1,989	(4,259)
	(2,114)	(11,055)	(46,703)	(328,157)
Total movement in net debt	8,235	(4,947)	(19,365)	(299,680)
(Net debt) net cash[1], beginning of period	(252,340)	60,170	(241,210)	58,470
(Net debt) net cash, end of period	(260,575)	55,223	(260,575)	(241,210)

[1] See Non-IFRS Measures

Net debt to annualized adjusted EBITDA for the seven-month period ended December 31, 2011 ratio was 4. Annualized funds from operations generated in the seven-month period ended December 31, 2011 represented 18.0% of our net debt.

	Seven months ended September 30, 2011	Twelve months ended May 31, 2011
Net debt to annualized adjusted EBITDA ratio	4.0	8.5
Annualized funds from operations to net debt (%)	18.0	11.1

Share Capital

Authorized

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

The Company has an unlimited number of preferred shares that may be issued in one or more series with specific terms, privileges and restrictions to be determined for each class by the Board of Directors. As at December 31, 2011 no preferred shares were issued.

Issued and fully paid
(in thousands of United States dollars)

	As at December 31, 2011		As at May 31, 2011	
Common shares	Number	Amount	Number	Amount
Outstanding	**70,961,125**	**$ 305,928**	70,892,627	$ 305,464

As at March 12, 2012 a total of 70,985,556 common shares were issued and outstanding, and no preferred shares were issued or outstanding.

Stock Option Plan

On April 11, 2011, the Company adopted a new stock option plan (the "Plan") replacing the previous plan (the "Old Plan") in place since October 2007, with the same features as the Old Plan with the exception of a maximum number of options granted which cannot exceed five million. The aggregate number of shares which could be issued upon the exercise of options granted under the Old Plan could not exceed 10% of the issued shares of the Company at the time of granting the options. Options granted under the Old Plan may be exercised during a period not exceeding ten years from the date of grant. The stock options outstanding as at December 31, 2011 may be exercised during a period not exceeding six years from their date of grant. Options vest at a rate of 25% (100% for directors) per year, beginning one year following the grant date of the options. Any unexercised options will expire one month after the date a beneficiary ceases to be an employee, director or officer.

The number of stock options and the weighted average exercise price for each share-based compensation plan are as follows:

	Seven-month period ended December 31, 2011		**Twelve-month period ended May 31, 2011**	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
		CA$		**CA$**
Outstanding, beginning of period	1,384,025	4.52	1,596,615	4.24
Granted	275,249	8.60	262,308	4.95
Cancelled	(47,565)	5.40	(177,518)	5.12
Exercised	(68,498)	3.17	(297,380)	3.07
Outstanding, end of period	1,543,211	5.28	1,384,025	4.52
Exercisable, end of period	908,657	4.28	628,765	4.16

Restricted stock unit incentive plan

On June 7, 2010, the Company adopted a Restricted Share Unit ("RSU") Plan to complement the stock option plan. The RSU Plan enables the Company to award to eligible participants phantom share units that vest after a three-year period. The RSU is settled in cash and is recorded as a liability. The measurement of the compensation expense and corresponding liability for these awards is based on the fair value of the award, and is recorded as a charge to selling, general and administrative ("SG&A") expenses over the vesting period of the award. At the end of each financial period, changes in the Company's payment obligation due to changes in the market value of the common shares on the TSX are recorded as a charge to SG&A expenses. For seven-month period ended December 31, 2011, the Company granted 24,758 RSUs, and 57,887 RSUs were outstanding as at December 31, 2011 (as at May 31, 2011 – 33,129 RSUs outstanding). As at December 31, 2011 and as at May 31, 2011, the Company recorded a provision of $0.09 million.

Restricted share unit incentive plan for foreign employees

On June 7, 2010, the Company adopted a Restricted Share Unit for Foreign Employees ("RSUFE") Plan. Under this plan, the RSUFE granted may be exercised during a period not exceeding ten years from the date of grant. The RSUFE outstanding as at May 31, 2011 may be exercised during a period not exceeding six years from their date of grant. RSUFE vest at a rate of 25% per year beginning one year following the grant date of the award. For the period of seven months ended December 31, 2011, the Company granted 33,428 RSUFE and cancelled 627 RSUFE, and 41,350 RSUFE were outstanding as at December 31, 2011 (as at May 31, 2011 – 8,549 RSUFE outstanding). As at December 31, 2011 and as at May 31, 2011, the Company recorded a provision of $0.01 million.

Stock Appreciation Rights

On November 1, 2011, the Company granted 247,000 Stock Appreciation Rights ("SARs") to most of its employees except senior management. The SARs are vested and paid over a period of three years. The SARs are exercisable automatically for cash at the anniversary date and the Company is obligated to pay the holders. The amount of cash payout is calculated based on the number of SARs multiplied by the average price of the Company's shares for the month immediately before vesting. At the end of each financial period, changes in the Company's payment obligations due to changes in the market value of the common shares on the TSX are recorded as an expense. For the period of seven months ended December 31, 2011, 3,200 SARs were cancelled, and 243,800 SARs were outstanding as at December 31, 2011). As at December 31, 2011, the Company recorded a provision of $0.1 million.

Off-Balance Sheet Arrangements

The Company has certain off-balance sheet arrangements, consisting of leasing certain premises and equipment under the terms of operating leases and contractual obligations in the normal course of business.

The Company is exposed to currency risk on sales in Euros and other currencies and therefore periodically enters into foreign currency forward contracts to protect itself against currency fluctuation. The reader will find more details related to these contracts in Note 26 to the consolidated financial statements as well as in the Risks and Uncertainties section in this MD&A.

The following table reflects the contractual maturity of the Company's financial liabilities as at December 31, 2011:

	Carrying amount	**1 year**	**2-3 years**	**4-5 years**	**Beyond 5 years**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Bank indebtedness and short-term debt	73,430	76,348	-	-	-	76,348
Trade and other payables	59,029	59,029	-	-	-	59,029
Derivative financial instruments	5,716	3,814	-	1,902	-	5,716
Long-term debt	268,476	23,226	83,411	188,090	247	294,974
Total	**406,651**	**162,417**	**83,411**	**189,992**	**247**	**436,067**

Risks and uncertainties

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

Possible Failure to Realize Anticipated Benefits of Acquisitions

There is a risk that some of the expected benefits will fail to materialize, or may not occur within the time periods anticipated by our management. The realization of such benefits may be affected by a number of factors, many of which are beyond our control. These factors include achieving the benefits of the acquisition and any future acquisitions that we may complete and will depend in part on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as our ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with ours. The integration of acquired businesses requires the dedication of substantial management effort, time and resources which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. The integration process may result in the loss of key employees, significant expenses and the disruption of ongoing business, customer and employee relationships that may adversely affect our ability to achieve the anticipated benefits of these acquisitions.

Inventory price risk

The Company monitors its risk associated with the value of its inventories in relation to the market price of such inventories. Because of the highly illiquid nature of many of its inventories, we rely on a combination of standard risk measurement techniques, such as value at risk as well as a more empirical assessment of the market conditions. Decisions on appropriate physical stock levels are taken by considering both the value at risk calculations and the market conditions.

Dependence on Key Personnel

The Company relies on the expertise and know-how of its personnel to conduct its operations. The loss of any member of our senior management team could have a material adverse effect on us. Our future success also depends on our ability to retain and attract our key employees, train, retain and successfully integrate new talent into our management and technical teams. Recruiting and retaining talented personnel, particularly those with expertise in the specialty metals industry and refining technology is vital to our success and may prove difficult.

Sources of Supply

We may not be able to secure the critical raw material feedstock on which we depend for our operations. 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 our deliveries to customers. This would in turn negatively impact our sales, net margins and may lead to liabilities with respect to some of our supply contracts.

Additional Indebtedness

We assumed the indebtedness of former MCP upon the completion of the acquisition. The additional indebtedness has increased the interest payable by us from time to time until such amounts are repaid. In addition, we are required to pay to the selling shareholders the amounts set out in the promissory notes as well as the cash "holdback" described under "Acquisition Agreement and Related Agreements", in the short form prospectus dated April 1, 2011. Although we have signed a $250 million senior secured multi-currency revolving credit facility, we may need to find additional sources of financing to pay the foregoing indebtedness when it becomes due. There can be no guarantee that we will be able to obtain financing on terms acceptable to us or at all at such time or times.

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 more aggressive enforcement policies, 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. Former MCP's facility in Tilly, Belgium is currently undergoing corrective measures under a remediation plan as a result of industrial legacy at this site, which has been in industrial use for more than 100 years, and in order to comply with more stringent environmental regulations. The remediation plan has been approved by the local authorities and estimated resulting costs have been properly accounted for by the Company.

Credit risk

Credit risk corresponds to the risk of loss due to the client's inability to fulfill its obligations with respect to trade and other receivables as well as contracts. The Company has a large number of clients and is no longer dependent on a specific client. We reduce credit risk by ensuring that 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.

Interest rate risk

The Company is exposed to interest rate fluctuations on its multi-currency revolving credit facility which bears interest at either prime rate, U.S. base rate, LIBOR or EURO LIBOR plus a margin based on 5N Plus' senior consolidated debt to EBITDA ratio.

Currency Risk

Our sales are primarily denominated in U.S. dollars whereas a portion of our operating costs are realized in local currencies, such as Euros, Canadian dollars and pounds sterling. Even though, the purchases of raw materials are denominated in U.S. dollars, which reduce to some extent exchange rate fluctuations, we are subject to currency translation risk which can negatively impact our results. Management has implemented a policy for managing foreign exchange risk against the relevant functional currency. The company manages the foreign exchange risk by entering into various foreign exchange forward contracts.

Fair Value

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

Competition

We are the leading producer of specialty metal and chemical products and competition could arise from new low-cost metal refiners or from certain of our customers who could decide to backward integrate. The forecasted growth in demand for our main products may attract more metal refiners into this industry and increase competition. Although we believe that our operations and our commercial network are important competitive advantages, our competitors may gain market share, which could have an adverse effect on our revenues and operating margins, should we not be able to compensate for the volume lost to our competition.

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 our 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 important 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.

International Operations

We operate in a number of countries, including China, and, as such, face risks associated with international business activities. We could be significantly affected by such risks, which include the integration of international operations, challenges associated with dealing with numerous legal systems, the potential for volatile economic and labor conditions, political instability, expropriation, and changes in taxes, tariffs and other regulatory costs. Although we operate primarily in countries with relatively stable economic and political climates, there can be no assurance that our business will not be adversely affected by the risks inherent in international operations.

Collective Agreements

A portion of our workforce is unionized and we are party to collective agreements that are due to expire at various times in the future. If we are unable to renew these collective agreements on similar terms as they become subject to renegotiation from time to time, this could result in work stoppages or other labour disturbances, such as strikes, walk-outs or lock-outs, potentially affecting our performance.

Controls and Procedures

As required by Multilateral Instrument 52-109 of the Canadian Securities Administrators («MI 52-109 »), 5N Plus has filed certificates signed by the Chief Executive Officer and that Chief Financial Officer that, among others, attest to the design and effectiveness of the disclosure controls and procedures and the design and effectiveness of internal control over financial reporting. This attestation limits the scope of our internal controls over financial reporting as permitted under multilateral Instrument 52-109.

Disclosure Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer have designed disclosure controls and procedures, or have caused them to be designed under their supervision, in order to provide reasonable assurance that:

- material information relating to the Company has been made known to them; and
- information required to be disclosed in the Company's filings is recorded, processed, summarized and reported within the time periods specified in securities legislation.

An evaluation was carried out, under the supervision of the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the disclosure controls and procedures are effective.

Internal Control over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer have also designed internal controls over financial reporting, or have caused them to be designed under their supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

With the exception of MCP, for which only the design of internal control over financial reporting was carried out, an evaluation was carried out under the supervision of the Chief Executive Officer and the Chief Financial Officer, of the design and effectiveness of the Company's internal controls over financial reporting. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the internal controls over financial reporting are effective, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The Company maintained its growth strategy by completing a major transaction in April 2011. During the seven-month period ended December 31, 2011 the Company added members to management and staff at the head office to be dedicated to integrating the new businesses and to improve internal controls and procedures. However, the finance resources were devoting significant efforts on integrating the new acquired businesses and implementing tax and financing structures as well as IFRS standards. Consequently, control gaps were encountered in documenting and evaluating non routine and complex transactions, and completing IFRS conversion. In the upcoming quarters, management will continue to improve the internal controls over financial reporting and will implement additional controls in relation to the evaluation of non routine and complex transactions.

Changes in Internal Control over Financial Reporting

No changes were made to the Company's internal controls over financial reporting that occurred during the seven-month period ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

Significant Management Estimation and Judgment in Applying Accounting Policies

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

Estimation uncertainty

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

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

Impairment of non-financial assets

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

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

Business combinations

On initial recognition, the assets and liabilities of the acquired business are included in the consolidated statement of financial position at their fair values. In measuring fair value, management uses estimates about future cash flows and discount rates; however, the actual results may vary. The determination of fair value could include using valuation techniques which are generally based on a forecast of the total expected future net discounted cash flows. These evaluations are linked closely to the assumptions made by management regarding the future performance of the related assets and any changes in the discount rate applied. Any measurement changes occurring in the measurement period from initial recognition would affect the measurement of goodwill.

Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date whenever events or changes in circumstances indicate that their carrying value amounts may not be recoverable.

Inventories

Inventories are measured at the lower of cost and net realizable value, with cost determined on the average cost method. In estimating net realizable values, management takes into account the most reliable evidence available at the time the estimates are made. The Company's core business is subject to changes in foreign policies and internationally accepted metal prices which may cause selling prices to change rapidly. The Company evaluates its inventory on an individual items basis and considered events that have occurred between the balance sheet date and the date of the completion of the financial statements. Net realizable value held to satisfy a specific sale contract is measure at the contract price.

Income taxes

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

Conversion to IFRS

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that Canadian publicly listed companies will be required to use IFRS in the preparation of financial statements for fiscal years beginning on or after January 1, 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosures.

The consolidated financial statements for the seven-month period ended December 31, 2011 are the Company's first audited financial statements prepared under IFRS. For all accounting periods prior to this, the Company prepared its financial statements under Canadian GAAP. In accordance with IFRS 1, certain disclosures relating to the transition to IFRS are provided below. These disclosures are prepared under IFRS as set out in the basis of presentation in Note 1 of the December 31, 2011 audited consolidated financial statements.

IFRS 1 requires that comparative financial information be provided. The date at which the Company began applying IFRS, June 1, 2010, is recognized as the "Transition Date". IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company will be December 31, 2011 and May 31, 2011. However, it also provides for certain optional exemptions and certain mandatory exceptions for first-time adopters.

Initial election upon adoption

The following are the IFRS 1 elections adopted by the Company on the Transition Date:

Business combinations: IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3, *Business Combinations*, retrospectively to business combinations that occurred before the Transition Date. The Company has taken advantage of this election.

Share-based payments: The Company has elected to retrospectively apply IFRS 2, Share-based Payments, to all share-based payment transactions at the Transition Date. IFRS 2 applies to stock options, RSUs and RSUFE outstanding on June 1, 2010.

Functional currency: The Company applied IAS 21 and changed its functional currency from Canadian dollar to US dollar. As such, all the amounts of the consolidated statement of financial position have been restated as of June 1, 2010 as if they were all recorded in US dollars since their initial recognition.

Investment in joint ventures: The Company has elected to apply IAS 28 prospectively in accordance with the relevant transitional provisions. Under IFRS 1, the following amounts represent the aggregate deemed cost of investment in joint ventures: Ingal – $0.4 million; MCP Shenzhen – $0.9 million.

IFRS 1 mandatory exceptions

Hedge accounting – Hedge accounting can only be applied prospectively from the Transition Date to transactions that satisfy the hedge accounting criteria in IAS 39, Financial Instruments: Recognition and Measurement, at that date. Hedging relationships cannot be designated retrospectively and the supporting documentation cannot be created retrospectively. As a result, no hedging relationships that satisfied the hedge accounting criteria as at the Transition Date are reflected as hedges in the Company's results under IFRS.

Estimates – In accordance with IFRS 1, an entity's estimates under IFRS at the Transition Date must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company's estimates as at June 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

Impact of transition to IFRS

The differences between IFRS and Canadian GAAP identified as having a significant effect on the Company's previously reported consolidated financial performance and financial position are summarized in Note 28 to the December 31, 2011 audited consolidated financial statements, which provides a summary of the impacts resulting from the transition to IFRS.

Future Accounting Standards

IFRS 9, Financial Instruments, was issued in November 2009. It addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit and loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are recognized either at fair value through profit and loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends, to the extent not clearly representing a return on investment, are recognized through profit and loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive loss indefinitely. This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not yet assessed the impact of the other standard or determined whether it will adopt it early.

In May 2011, the IASB issued the following standards which have not yet been adopted by the Company: IFRS 10, Consolidated Financial Statements (IFRS 10), IFRS 11, Joint Arrangements (IFRS 11), IFRS 12, Disclosure of Interests in Other Entities (IFRS 12), IAS 27, Separate Financial Statements (IAS 27), IFRS 13, Fair Value Measurement (IFRS 13) and amended IAS 28, Investments in Associates and Joint Ventures (IAS 28). Each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

The following is a brief summary of the new standards:

IFRS 10 – Consolidation

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 *Consolidation—Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements*.

IFRS 11 - Joint Arrangements

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, *Interests in Joint Ventures,* and SIC-13, *Jointly Controlled Entities—Non-monetary Contributions by Venturers*.

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 - Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

Amendments to Other Standards

In addition, there have been amendments to existing standards, including IAS 27, *Separate Financial Statements* (IAS 27), and IAS 28, *Investments in Associates and Joint Ventures* (IAS 28). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 – 13.

Non-IFRS Measures

In this Management's Report, the Company's management uses certain measures which are not in accordance with IFRS. Non-IFRS measures are useful supplemental information but may not have a standardized meaning according to IFRS.

Backlog represents the expected value of orders we have received but have not yet executed and that are expected to translate into sales within the next 12 months. Bookings represents the value of orders received during the period considered and is calculated by adding revenues to the increase or decrease in backlog for the period considered. We use backlog to provide an indication of expected future revenues, and bookings to determine our ability to sustain and increase our revenues.

EBITDA means earnings (losses) attributable to equity holders of 5N Plus before financing costs, interest income, gain and loss on foreign exchange, income taxes and amortization and impairment of property plant and equipment and intangible assets. We use EBITDA because we believe it is a meaningful measure of the operating performance of our ongoing business without the effects of certain expenses. The definition of this non-IFRS measure used by the Company may differ from that used by other companies.

Adjusted EBITDA means EBITDA as defined above before inventory write-down. We use adjusted EBITDA because we believe it is a meaningful measure of the operating performance of our ongoing business without the effects of unusual inventory write-downs. The definition of this non-IFRS measure used by the Company may differ from that used by other companies.

Adjusted net earnings means the net earnings (loss) before the effect of impairment charges related to inventory, property plant and equipment and intangible assets net of the related income tax. We use adjusted net earnings (loss) because we believe it is a meaningful measure of the operating performance of our ongoing business without the effects of unusual inventory write-downs and property plant and equipment and intangible asset impairment charges. The definition of this non-IFRS measure used by the Company may differ from that used by other companies.

Funds from operations means the amount of cash generated from operating activities before changes in non-cash working capital. We consider funds from operations to be a key measure as it demonstrates the Company's ability to generate cash necessary for future growth and debt repayment.

Gross profit is a financial measure equivalent to the sales less cost of sales. The gross profit ratio is displayed as a percentage of sales. We use gross profit and gross profit ratio as measures of our ability to operate effectively and generate value.

Adjusted gross profit is a financial measure equivalent to the sales less cost of sales excluding write-down of inventories. The adjusted gross profit ratio is displayed as a percentage of sales. We use adjusted gross profit and adjusted gross profit ratio as measures of our ability to operate effectively and generate value.

Net debt or net cash is a measure we use to monitor how much debt we have after taking into account cash and cash equivalents and temporary investments. We use it as an indicator of our overall financial position, and calculate it by taking our total debt, including the current portion, and subtracting cash and cash equivalents and temporary investments.

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

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.

Management's Report
To the Shareholders of 5N Plus Inc.

The accompanying consolidated financial statements are the responsibility of the management of 5N Plus Inc. and have been reviewed by the Audit Committee and approved by the Board of Directors.

These consolidated financial statements and related notes have been prepared by management in conformity with International Financial Reporting Standards and necessarily include amounts based on management's informed judgments and estimates.

Management is also responsible for all other information included in this Annual Report and for ensuring that this information is consistent with the Company's consolidated financial statements and business activities.

Management is responsible for the design, establishment and maintenance of appropriate internal controls and procedures for financial reporting, to ensure that financial statements for external purposes are fairly presented in conformity with International Financial Reporting Standards. Such internal control systems are designed to provide reasonable assurance on the reliability of the financial information and the safeguarding of assets.

The Company's external auditors have free and independent access to the Audit Committee, which is comprised of independent directors. The Audit Committee, which meets regularly throughout the year with members of management, reviews the consolidated financial statements and recommends their approval to the Board of Directors.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP.

SIGNED
Jacques L'Ecuyer
President and Chief Executive Officer

SIGNED
David Langlois, CA
Chief Financial Officer

Montreal, Canada
March 12, 2012

pwc

March 12, 2012

Independent Auditor's Report

To the Shareholders of
5N Plus Inc.

We have audited the accompanying consolidated financial statements of 5N Plus Inc., which comprise the consolidated statements of financial position as at December 31, 2011, May 31, 2011 and June 1, 2010 and the consolidated statements of earnings (loss), statements of comprehensive income (loss), statements of changes in equity and statements of cash flows for the seven months period ended December 31, 2011 and for the year ended May 31, 2011 and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l., Chartered Accountants
1250 René-Lévesque Boulevard West, Suite 2800, Montréal, Quebec, Canada H3B 2G4
T: +1 514 205 5000, F: +1 514 876 1502, www.pwc.com/ca

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of 5N Plus Inc. as at December 31, 2011, May 31, 2011 and June 1, 2010 and its financial performance and its cash flows for the seven months period ended December 31, 2011 and for the year ended May 31, 2011 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP[1]

[1] Chartered accountant auditor permit No. 19042

Consolidated Financial Statements

For the period of seven months ended December 31, 2011 and the year ended May 31, 2011

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

	December 31, 2011	May 31, 2011 (Note 28)	June 1, 2010 (Note 28)
	$	$	$
ASSETS			
Current			
Cash and cash equivalents	29,449	28,050	63,077
Temporary investments (restricted) (Note 14)	51,882	51,121	1,911
Accounts receivable (Note 6)	80,329	117,153	4,584
Inventories (Note 7)	315,333	300,055	26,110
Derivative financial assets	-	331	1,303
Income tax receivable	11,022	2,479	443
Other current assets	2,762	1,337	1,026
Total current assets	490,777	500,526	98,454
Property, plant and equipment (Note 8)	86,483	97,024	27,235
Intangible assets (Note 9)	68,148	74,862	1,672
Deferred tax asset (Note 17)	6,646	5,988	1,484
Goodwill (Note 10)	124,910	123,916	4,200
Investments accounted for using the equity method (Note 11)	1,513	1,084	-
Other assets (Note 12)	7,807	4,157	43
Total non-current assets	295,507	307,031	34,634
Total assets	**786,284**	**807,557**	**133,088**
LIABILITIES AND EQUITY			
Current			
Bank indebtedness and short-term debt (Note 14)	73,430	174,703	-
Trade and accrued liabilities (Note 13)	59,029	69,758	4,449
Income tax payable	354	7,421	52
Derivative financial liabilities	3,814	456	-
Long-term debt due within one year (Note 14)	14,757	19,430	595
Total current liabilities	151,384	271,768	5,096
Long-term debt (Note 14)	253,719	126,248	4,012
Deferred tax liability (Note 17)	23,083	23,782	2,984
Retirement benefit obligation (Note 15)	12,315	13,481	-
Derivative financial liabilities	1,902	-	-
Other liabilities (Note 16)	4,171	8,288	618
Total liabilities	446,574	443,567	12,710
Shareholders' equity	339,241	362,698	120,378
Non-controlling interest	469	1,292	-
Total equity	339,710	363,990	120,378
Total liabilities and equity	**786,284**	**807,557**	**133,088**

Commitments and contingencies (Note 24)

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

5N PLUS INC.
CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)
For the period of seven months ended December 31, 2011 with comparative figures for the year ended May 31, 2011 (Note 1)
(All figures in thousands of United States dollars, except per share information)

	December 31, 2011 (7 months) (Note 1)	**May 31, 2011 (12 months) (Note 28)**
	$	**$**
Revenues	391,712	179,995
Cost of sales (Note 29)	357,530	131,282
Selling, general and administrative expenses (Note 29)	33,500	13,286
Other expenses, net (Note 29)	23,443	12,248
Share of profit from joint ventures	(429)	(197)
	414,044	156,619
Operating income (loss)	(22,332)	23,376
Financial expenses		
Interest on long-term debt	5,179	969
Other interest expense	308	991
Foreign exchange gain and derivative	(642)	(8,639)
	4,845	(6,679)
Earnings (loss) before income tax	(27,177)	30,055
Income tax (Note 17)	(4,713)	8,107
Net earnings (loss) for the period	**(22,464)**	**21,948**
Attributable to:		
Equity holders of 5N Plus Inc.	(21,641)	22,298
Non-controlling interest	(823)	(350)
	(22,464)	**21,948**
Earnings (loss) per share attributable to equity holders of 5N Plus Inc. (Note 22)	(0.31)	0.45
Basic earnings (loss) per share	(0.32)	0.45
Diluted earnings (loss) per share	(0.32)	0.44

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

5N PLUS INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the period of seven months ended December 31, 2011 with comparative figures for the year ended May 31, 2011 (Note 1)
(All figures in thousands of United States dollars)

	December 31, 2011 (7 months) (Note 1)	May 31, 2011 (12 months) (Note 28)
	$	$
Net earnings (loss) for the period	(22,464)	21,948
Other comprehensive income (loss)		
Cash flow hedges, net of income tax of $188 (May 31, 2011 – nil)	(474)	-
Currency translation adjustment	246	-
Comprehensive income (loss) for the period	**(22,692)**	**21,948**
Attributable to equity holders of 5N Plus Inc.	(21,869)	22,298
Attributable to non-controlling interest	(823)	(350)

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

5N PLUS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the period of seven months ended December 31, 2011 with comparative figures for the year ended May 31, 2011 (Note 1)
(All figures in thousands of United States dollars)

	December 31, 2011 (7 months) (Note 1)	May 31, 2011 (12 months) (Note 28)
	$	$
Operating activities		
Net earnings (loss) for the period	(22,464)	21,948
Adjustments to reconcile net earnings (loss) to cash flows		
Depreciation and amortization of property, plant and equipment and intangible assets	12,797	4,997
Amortization of other assets	485	-
Share-based compensation expense	443	813
Deferred income tax	(1,357)	(707)
Share of profit from joint ventures	(429)	(197)
Impairment of inventories	34,790	-
Impairment of property, plant and equipment	11,460	-
Impairment of intangible assets	700	-
Unrealized loss on non-hedge financial instruments	1,946	-
Unrealized gain on temporary investments (restricted) and liabilities	(11,033)	(377)
	27,338	26,477
Net change in non-cash working capital balances related to operations (Note 20)	(38,253)	(88,267)
Cash flows used in operating activities	(10,915)	(61,790)
Investing activities		
Business acquisition, net of cash acquired (Note 5)	-	(121,517)
Acquisition of a 40% interest in a subsidiary (Note 4)	(1,007)	-
Acquisition of property, plant and equipment – net	(9,964)	(17,478)
Acquisition of intangible assets	(821)	(5,307)
Temporary investments (restricted)	(529)	(30,291)
Cash flows used in investing activities	(12,321)	(174,593)
Financing activities		
Repayment of long-term debt	(53,736)	(719)
Proceeds from issuance of long-term debt	185,426	29,848
Net increase (decrease) in bank indebtedness and short-term debt	(101,273)	44,434
Issuance of common shares	346	131,573
Share issuance expense	(162)	(5,855)
Financial instruments – net	2,653	1,759
Financing fees and others	(9,211)	1,279
Cash flows from financing activities	24,043	202,319
Effect of foreign exchange rate changes on cash and cash equivalents related to operations	592	(963)
Net increase (decrease) in cash and cash equivalents	1,399	(35,027)
Cash and cash equivalents, beginning of period	28,050	63,077
Cash and cash equivalents, end of period	**29,449**	**28,050**

Supplemental information(1)		
Income tax paid	9,937	5,306
Interest paid	6,786	1,767

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

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

5N PLUS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the period of seven months ended December 31, 2011 with comparative figures for the year ended May 31, 2011
(All figures in thousands of United States dollars except number of shares)

Total Equity	Number of shares December 31, 2011	December 31, 2011 (7 months) (Note 1)	Number of shares May 31, 2011	May 31, 2011 (12 months) (Note 28)
		$		$
Shareholders' Equity				
Share Capital				
Balance at beginning of period	70,892,627	305,464	45,627,450	81,467
Common shares issued on exercise of stock options	68,498	464	297,380	1,415
Common shares issued for cash	-	-	13,590,000	130,665
Common shares issued for the acquisition of MCP (Note 5)	-	-	11,377,797	91,917
Balance at end of period	70,961,125	305,928	70,892,627	305,464
Contributed Surplus				
Balance at beginning of period		2,366		2,060
Share-based compensation expense		443		813
Exercise of stock options		(118)		(507)
Balance at end of period		2,691		2,366
Retained Earnings				
Balance at beginning of period		54,868		36,850
Net earnings (loss) attributable to equity holders of 5N Plus Inc. for the period		(21,641)		22,298
Acquisition of a 40% interest in a subsidiary (Note 4)		(2,251)		-
Share issue expense (net of income tax of $36; May 31, 2011 – $1,575)		(126)		(4,280)
Balance at end of period		30,850		54,868
Accumulated Other Comprehensive Loss				
Balance at beginning of period		-		-
Cash flow hedges (net of income tax of $188; May 31, 2011 – nil)		(474)		-
Currency translation adjustment		246		-
Balance at end of period		(228)		-
Total shareholders' equity at end of period		**339,241**		**362,698**
Non-Controlling Interest				
Balance at beginning of period		1,292		-
Share of profit		(823)		(350)
Non-controlling interest acquired through business acquisition		-		1,642
Balance at end of period		469		1,292
Total Equity		**339,710**		**363,990**

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

NOTE 1 – GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH IFRS

Nature of operations

5N Plus Inc. ("5N" or the "Company") is a Canadian-based international company whose shares are listed on the Toronto Stock Exchange ("TSX"). The head office is located at 4385 Garand, Ville St-Laurent, Quebec H4R 2B4. 5N and its subsidiaries represent the "Company" mentioned throughout these 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 as well as refined selenium and selenium chemicals.

The Company changed its financial year-end from May 31 to December 31. These financial statements for the period of seven months ended December 31, 2011 with comparative figures of twelve months for the year ended May 31, 2011.

These consolidated financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board applicable to the preparation of financial statements, including IFRS 1, *First-time Adoption of International Financial Reporting Standards*. Subject to certain transition elections disclosed in Note 28, the Company has consistently applied the same accounting policies in its opening IFRS statement of financial position as at June 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 28 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended May 31, 2011. Previously, the Company prepared its consolidated financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

The adoption of IFRS resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Canadian GAAP.

These consolidated financial statements should be read in conjunction with the Company's May 31, 2011 annual consolidated financial statements prepared in accordance with Canadian GAAP and in consideration of the IFRS transition disclosures included in Note 28 to these consolidated financial statements.

These consolidated financial statements were authorized for issuance by the Board of Directors of the Company on March 12, 2012.

NOTE 2 – SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

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

Basis of preparation

The consolidated financial statements represent the first annual financial statements of the Company that have been prepared in accordance with IFRS and International Financial Reporting Interpretations Committee ("IFRIC") interpretations. These consolidated financial statements have been prepared under the historical cost convention, except for derivatives financial instruments.

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

Basis of consolidation

Business combinations

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

Subsidiaries

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

Jointly controlled entities

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

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

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

Foreign currency translation

a) Functional and presentation currency

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

b) Transactions and balances

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

c) Group companies

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

i) assets and liabilities are translated at the closing rate at the date of the respective consolidated statement of financial position;

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

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

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

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

Borrowing costs

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

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

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

Segment reporting

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

The Electronic Materials Business Unit is associated with the following metals: cadmium, gallium, germanium, indium and tellurium. These are sold as elements, alloys, chemicals and compounds. Typical end-markets include photovoltaics (solar energy), medical imaging, light emitting diodes (LED), displays, high-frequency electronics and thermoelectrics.

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

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

Corporate expenses associated with the head office and unallocated selling, general and administrative expenses together with financing costs, gains and/or losses on foreign exchange and the amortization of intangible assets have been regrouped under the heading Corporate (Note 19).

Revenue recognition

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

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

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

Goodwill

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

Property, plant and equipment

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

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

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

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

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

Intangible assets

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

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

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

Leases

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

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

Impairment of non-financial assets

Impairment of goodwill

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

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

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

Impairment of other non-financial assets

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

Financial instruments

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

Financial assets

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

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

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

Loans and receivables

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

Financial assets at fair value through profit or loss

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

The Company may designate financial assets as fair value through profit or loss based on the nature and timing of when those financial assets may be settled. Financial assets which management holds to settle in cash within the near term (one year) are usually designated as fair value through profit or loss. Designating financial assets of this nature as fair value through profit or loss will significantly reduce recognition inconsistencies by capturing gains and losses in the period when they occur.

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

Financial liabilities

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

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

Hedge accounting

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

Fair value hedges

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

Cash flow hedges

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

Inventories

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

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

Income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated statements of earnings (loss), except to the extent that it relates to items recognized in other comprehensive income (loss) or directly in equity. In which case, the tax is also recognized in other comprehensive income (loss) or directly in equity, respectively.

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

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

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

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

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

Cash and cash equivalents

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

Temporary investments (restricted)

Temporary investments represent restricted deposits held to secure certain liabilities of the Company.

Employee future benefits

The Company contributes to a defined benefit pension plan. The significant policies related to employee future benefits are as follows:

- The cost of pension and other post-retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service, market interest rates and management's best estimate of expected plan investment performance, retirement ages of employees and expected health-care costs.
- Fair value is used to value the plan assets for the purpose of calculating the expected return on plan assets.
- Cumulative unrecognized net actuarial gains and losses in excess of 10% of the greater of the accrued benefit obligation or market-related value of plan assets at the beginning of the year are amortized over the estimated average remaining service life of plan participants.

Share-based payment transactions

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

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

Earnings (loss) per share

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

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

Significant management estimation and judgment in applying accounting policies

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

Estimation uncertainty

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

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

Impairment of non-financial assets

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

To determine value in use, management estimates expected future cash flows from each asset or CGU and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Company's assets in future periods. In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors (Note 8 and Note 10).

Business combinations

On initial recognition, the assets and liabilities of the acquired business are included in the consolidated statement of financial position at their fair values. In measuring fair value, management uses estimates about future cash flows and discount rates; however, the actual results may vary. The determination of fair value could include using valuation techniques which are generally based on a forecast of the total expected future net discounted cash flows. These evaluations are linked closely to the assumptions made by management regarding the future performance of the related assets and any changes in the discount rate applied. Any measurement changes occurring in the measurement period from initial recognition would affect the measurement of goodwill (Note 5).

Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date whenever events or changes in circumstances indicate that their carrying value amounts may not be recoverable.

Inventories

Inventories are measured at the lower of cost and net realizable value, with cost determined on the average cost method. In estimating net realizable values, management takes into account the most reliable evidence available at the time the estimates are made. The Company's core business is subject to changes in foreign policies and internationally accepted metal prices which may cause selling prices to change rapidly. The Company evaluates its inventory using a group of similar items basis and considered events that have occurred between the balance sheet date and the date of the completion of the financial statements. Net realizable value held to satisfy a specific sale contract are measure at the contract price (Note 7).

Income taxes

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

NOTE 3 – RECENT ACCOUNTING PRONOUNCEMENTS

Unless otherwise noted, the following revised standards and amendments, which are relevant but have not yet been adopted by the Company, are effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. The Company has not yet assessed the impact of these standards and amendments or determined whether it will early adopt them.

(i) IFRS 9, Financial Instruments, was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39, Financial Instruments – Recognition and Measurement, for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39 except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income.

IFRS 9 is applicable for annual periods beginning on or after January 1, 2015.

(ii) IFRS 10, Consolidated Financial Statements, requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12, Consolidation – Special Purpose Entities and parts of IAS 27, Consolidated and Separate Financial Statements.

(iii) IFRS 12, Disclosure of Interests in Other Entities, establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, associates, and unconsolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosures that address the nature of, and risks associated with, an entity's interests in other entities.

(iv) IFRS 13, Fair Value Measurement, is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and does not always reflect a clear measurement basis or consistent disclosures.

(v) There have been amendments to existing standards, including IAS 27, Separate Financial Statements, and IAS 28, Investments in Associates and Joint Ventures (IAS 28). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 – 13.

(vi) IAS 19, Employee Benefits, has been amended to make significant changes to the recognition and measurement of defined benefit pension expense and termination benefits and to enhance the disclosure of all employee benefits. The amended standard requires immediate recognition of actuarial gains and losses in other comprehensive income ("OCI") as they arise, without subsequent recycling to net income. Past service cost (which will now include curtailment gains and losses) will no longer be recognized over a service period but instead will be recognized immediately in the period of a plan amendment. Pension benefit cost will be split between (i) the cost of benefits accrued in the current period (service cost) and benefit changes (past-service cost, settlements and curtailments); and (ii) finance expense or income. The finance expense or income component will be calculated based on the net defined benefit asset or liability. A number of other amendments have been made to recognition, measurement and classification including redefining short-term and other long-term benefits, guidance on the treatment taxes related to benefit plans, guidance on risk/cost sharing features, and expanded disclosures.

(vii) IAS 1, Presentation of Financial Statements, has been amended to require entities to separate items presented in OCI into two groups, based on whether or not items may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately. The amendment is effective for annual periods beginning on or after July 1, 2012 with earlier application permitted.

(viii) IFRS 7, Financial Instruments: Disclosures, has been amended to include additional disclosure requirements in the reporting of transfer transactions and risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial assets. The amendment is applicable for annual periods beginning on or after July 1, 2011, with earlier application permitted.

(ix) IFRS 1, First-time Adoption of International Financial Reporting Standards, has been amended for two changes. The first replaces references to a fixed date of January 1, 2004 with "the date of transition to IFRS". This eliminates the need for entities adopting IFRS for the first time to restate derecognition transactions that occurred before the date of transition to IFRS. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRS after a period when the entity was unable to comply with IFRS because its functional currency was subject to severe hyperinflation. The amendment is effective for annual periods beginning on or after July 1, 2011 with earlier application permitted.

(x) IAS 12, Income Taxes, was amended to introduce an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendment, there is a rebuttable presumption that the carrying amount of the investment property will be recovered through sale when considering the expected manner of recovery or settlement. SIC 21, Income Taxes – Recovery of Revalued Non-Depreciable Assets, will no longer apply to investment properties carried at fair value. The amendment also incorporates into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. The amendment is effective for annual periods beginning on or after July 1, 2012 with earlier application permitted.

NOTE 4 – ACQUISITION OF A 40% INTEREST IN A SUBSIDIARY

On October 31, 2011, the Company acquired the remaining 40% ownership interest in one of its subsidiaries, LAOS Industrial Resources Co. Ltd., a metal refinery, for an amount of $2,014. An amount of $1,007 has been paid, and the balance will be paid in April 2012. The amount of $2,014 and the non-controlling interest balance in the consolidated statements of financial position as at October 31, 2011 of ($237) has been recognized directly to retained earnings for a total of $2,251.

NOTE 5 – 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”). MCP is a producer and distributor of specialty metals and their chemicals, including bismuth, indium, gallium, selenium and tellurium. It was acquired for the following considerations: cash consideration: $149,226 (€105,794); promissory note and holdback to vendors: $89,335 (€61,879); and common shares of 5N: 11,377,797 common shares at CA$7.73 per share for a consideration of $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 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 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.

MCP has provided more than $95 million of revenues for the year ended May 31, 2011. The Company is unable to calculate with precision the contribution of MCP to net earnings (loss) due to the combination of the operations and financing of the Company and MCP since the acquisition.

For the allocation of goodwill to the different CGU, see Note 10.

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

b) Sylarus Technologies LLC

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

On January 10, 2011, the Company converted the debenture into a 66.67% majority interest 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.

The following table summarizes the consideration paid for MCP and Sylarus and the amount of the assets acquired and liabilities assumed 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
Non-cash working capital	305,399	680	306,079
Property, plant and equipment	44,130	8,030	52,160
Goodwill (Note 10)	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			
Non-cash working capital	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 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**

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

NOTE 6 – ACCOUNTS RECEIVABLE

	December 31, 2011	May 31, 2011	June 1, 2010
	$	$	$
Gross trade receivables	75,010	111,085	3,761
Allowance for doubtful accounts	(482)	(190)	(24)
Trade receivables	74,528	110,895	3,737
Other receivables	5,801	6,258	847
Accounts receivable	**80,329**	**117,153**	**4,584**

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

The Company's exposure to credit risks and impairment losses related to accounts receivable is disclosed in Note 26.

Most of the accounts receivable are pledged as security for the revolving credit facility (Note 14).

NOTE 7 – INVENTORIES

Inventories consist of the following:

	December 31, 2011	May 31, 2011	June 1, 2010
	$	$	$
Raw materials	75,511	103,481	14,758
Work-in-progress and finished goods	239,822	196,574	11,352
Total	**315,333**	**300,055**	**26,110**

For the period of seven months ended December 31, 2011, a total of $313,855 of inventories was included in cost of sales as an expense (year ended May 31, 2011 – $97,948). This includes $34,790 of impairment of inventories (year ended May 31, 2011 – nil).

No amounts previously written down were recognized as a reduction of expense during the period of seven months ended December 31, 2011 (no reduction of expense during the year ended May 31, 2011).

Most of the inventories are pledged as security for the revolving credit facility (Note 14).

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

NOTE 8 – PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Production equipment	Furniture, office equipment and rolling stock	Leasehold improvements	Total
	$	$	$	$	$
As at June 1, 2010					
Deemed cost	12,771	19,254	674	1,408	34,107
Accumulated depreciation	(1,095)	(5,132)	(313)	(332)	(6,872)
Net book value	**11,676**	**14,122**	**361**	**1,076**	**27,235**
Year ended May 31, 2011					
As at June 1, 2010	11,676	14,122	361	1,076	27,235
Additions	25,049	43,468	2,186	2,282	72,985
Depreciation	(745)	(1,568)	(337)	(181)	(2,831)
Effect of foreign exchange	(130)	(213)	(22)	-	(365)
As at May 31, 2011	35,850	55,809	2,188	3,177	97,024
As at May 31, 2011					
Cost	37,690	62,450	2,633	3,690	106,463
Accumulated depreciation	(1,840)	(6,641)	(445)	(513)	(9,439)
Net book value	**35,850**	**55,809**	**2,188**	**3,177**	**97,024**
Period of seven months ended December 31, 2011					
As at May 31, 2011	35,850	55,809	2,188	3,177	97,024
Additions	1,870	4,034	815	434	7,153
Disposals	(22)	(147)	-	-	(169)
Impairment losses	-	(8,848)	(181)	(2,431)	(11,460)
Depreciation	(983)	(4,431)	(374)	(111)	(5,899)
Effect of foreign exchange	(127)	(36)	(3)	-	(166)
As at December 31, 2011	36,588	46,381	2,445	1,069	86,483
As at December 31, 2011					
Cost	39,042	52,782	2,836	1,588	96,248
Accumulated depreciation	(2,454)	(6,401)	(391)	(519)	(9,765)
Net book value	**36,588**	**46,381**	**2,445**	**1,069**	**86,483**

Unamortized property, plant and equipment amounted to $4.6 million as at December 31, 2011 (as at May 31, 2011 – $15.8 million).

Solar panel selling prices declined significantly during the past few months, and management assessed that the solar assets could be impaired. The Company performed its impairment tests as at December 31, 2011.

There are three cash generating units (CGU) affected by the indicator of impairment: One for the recycling thin film solar panels, one for germanium-related solar products and another for thin film solar products. The recoverable amount of the cash generating units has all been determined based on the fair value less cost to sell method using the current market prices for the recycling thin film solar panels and for the germanium related solar products CGU's and a discounted cash flow for the thin film solar products.

Management estimated that the fair value of the solar panel recycling assets and the germanium-related solar product assets CGU was insignificant due to the future expected losses and to the very specific nature of this equipment and after an analysis of the market for those assets. The impairment for these CGU's amounted to $11,460.

For the thin film-related products CGU, the recoverable amount has been determined based on a discounted cash flow analysis. The projections used in the cash flow covers a 2 year period. For periods beyond the budget period, cash flows were extrapolated using growth rates that do not exceed a long-term average of 2.00%. Key assumptions included the following:

Weighted average growth rate	2.00%
Pre-tax discount rate	9.41%

Management estimated the budgeted sales based on the past performance of the related plants, adjusted for the new level of expected volumes, and its expectations for market development. Based on this analysis, no impairment was recognized.

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

NOTE 9 – INTANGIBLE ASSETS

	Customer relationships	Technology	Trade name and non-compete agreements	Software, intellectual property and development costs	Total
	$	$	$	$	$
Cost					
As at May 31, 2011	42,966	23,108	7,724	3,404	77,202
Additions	-	-	57	696	753
Impairment losses	-	-	-	(700)	(700)
Effect of foreign exchange	-	-	-	(31)	(31)
As at December 31, 2011	42,966	23,108	7,781	3,369	77,224
Amortization					
As at May 31, 2011	578	333	586	843	2,340
Amortization	2,553	2,696	1,347	302	6,898
Effect of foreign exchange	-	-	(47)	(47)	(94)
Adjustment	-	-	-	(68)	(68)
As at December 31, 2011	3,131	3,029	1,886	1,030	9,076
Net book value as at December 31, 2011	**39,835**	**20,079**	**5,895**	**2,339**	**68,148**

	Customer relationships	Technology	Trade name and non-compete agreements	Software, intellectual property and development costs	Total
	$	$	$	$	$
Net book value as at June 1, 2010	-	-	-	1,672	1,672
Cost					
As at June 1, 2010	-	-	-	1,846	1,846
Additions	42,966	23,108	7,724	1,558	75,356
As at May 31, 2011	42,966	23,108	7,724	3,404	77,202
Amortization					
As at June 1, 2010	-	-	-	174	174
Amortization	578	333	586	669	2,166
As at May 31, 2011	578	333	586	843	2,340
Net book value as at May 31, 2011	**42,388**	**22,775**	**7,138**	**2,561**	**74,862**

As at December 31, 2011, the Company recognized an impairment of $700 in other expenses, in respect of development costs (as at May 31, 2011 – nil), due to the significant decline in the solar market.

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

NOTE 10 – GOODWILL

	$
As at June 1, 2010	4,200
Acquired through business combinations (Note 5)	119,645
Other	71
As at May 31, 2011	**123,916**
Other	994
As at December 31, 2011	**124,910**

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

	December 31, 2011	May 31, 2011	June 1, 2010
	$	$	$
Electronic Materials Business Unit	110,460	109,584	4,200
Eco-Friendly Materials Business Unit	14,450	14,332	-
Total goodwill allocated	**124,910**	**123,916**	**4,200**

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 segments Eco-Friendly and Electronic were the lowest level at which it 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 flow covers a 2 year period. The keys assumptions used are those of a market participant and are consistent with external source of information and historical data. Key assumptions included the following:

	Eco-Friendly Materials	Electronic Materials
Weighted average growth rate	5.79%	3.40%
Pre-tax discount rate	10.46%	10.70%

In both business units, reasonably possible changes in key assumptions would not cause the recoverable amount of goodwill to fall below the carrying value. In the Eco-Friendly Materials Business Unit, the recoverable amount exceeded the carrying amount by $22,472 as at December 31, 2011. In the Electronic Materials Business Unit, the recoverable amount exceeded the carrying amount by $8,158 as at December 31, 2011. The Company performed its impairment test as at December 31, 2011.

Impairment testing as at May 31, 2011 and June 1, 2010 showed that no impairment was necessary for either the Electronic Materials or Eco-Friendly Materials business units.

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

NOTE 11 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31, 2011	May 31, 2011	June 1, 2010
	$	$	$
Beginning of year	1,084	-	-
Acquired through business combinations (Note 5)	-	887	-
Share of profit from joint ventures	429	197	-
End of year	**1,513**	**1,084**	**-**

The following summarizes financial information of the Company's share of assets, liabilities, revenue and profit of Ingal Stade GmbH ("Ingal"), MCP Crystal and MCP Shenzhen, all in which the Company holds a 50% interest.

	December 31, 2011	May 31, 2011	June 1, 2010
	$	$	$
Share of:			
Assets	6,606	5,339	-
Liabilities	4,831	3,726	-
Revenue	6,615	2,352	-
Profit	429	197	-

NOTE 12 – OTHER ASSETS

	December 31, 2011	May 31, 2011	June 1, 2010
	$	$	$
Deferred costs	3,606	757	-
Deposit	1,727	1,384	-
Other	2,474	2,016	43
	7,807	**4,157**	**43**

NOTE 13 – TRADE AND ACCRUED LIABILITIES

	December 31, 2011	May 31, 2011	June 1, 2010
	$	$	$
Trade payables	35,763	34,083	2,447
Accrued liabilities	23,266	35,675	2,002
Trade and accrued liabilities	**59,029**	**69,758**	**4,449**

Trade payables are non-interest bearing.

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

NOTE 14 – BANK INDEBTEDNESS, SHORT- AND LONG-TERM DEBT

a) Bank indebtedness and short-term debt

The Company has credit lines with a number of financial institutions in China and Hong Kong. These credit lines are guaranteed by other group companies and by the temporary investments (restricted) (Hong Kong). Credit available under these lines totalled approximately $80 million as at December 31, 2011 to which a line of credit of approximately $50 million (HK$390 million) was added relating to a temporary investment (restricted) (see below).

As at December 31, 2011

Contractual currency	HK$	US$	EUR	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$	US$	US$	Total
Facility available	50,205	-	-	30,826	81,031
Amount drawn	50,205	-	-	23,225	73,430

As at May 31, 2011

Contractual currency	HK$	US$	EUR	RMB	GBP	Total
Facility available	390,000	40,000	40,800	192,500	10,000	n/a
Amount drawn	390,000	35,941	38,160	135,260	7,855	n/a

As at May 31, 2011

Reporting currency	US$	US$	US$	US$	US$	Total
Facility available	50,115	40,000	58,654	29,671	16,485	194,925
Amount drawn	50,115	35,941	54,858	20,840	12,949	174,703

The loan in Hong Kong dollars bears interest at three-month HIBOR plus 1.00%. This rate is covered by an instrument to fix the rate at 2.48% until maturity. Chinese renminbi ("RMB") loans bear interest from 105% to 110% of the RMB rate.

Hong Kong dollar loans are secured by deposits in RMB, which are recorded in the consolidated statements of financial position as a temporary investments (restricted). The deposits have the same maturity as the loans. At maturity, in May 2012 at the latest, the deposits will be cashed in and translated into Hong Kong dollars, and the proceeds will be used to reimburse the related loans. The Company has derivative instruments to fix the translation from Hong Kong dollars into RMB to cover the Company against currency risk. The deposits of $49,812 bear interest at a rate of 2.55%.

The loans in Hong Kong dollars mature between February 2012 and May 2012.

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

b) Long-term debt

	December 31, 2011	May 31, 2011	June 1, 2010
	$	$	$
Unsecured balance of purchase price and holdback to the former shareholders of MCP for an amount of €61,879 (€46,908 as a promissory note and €14,971 as holdback), bearing interest at interest rate swap three-year rate plus 3.00%. The promissory note is repayable in three annual instalments beginning April 2012 (Note 5) and the holdback is repayable in April 2014. The balance of purchase price and holdback includes an amount of €31,925 payable to two Board members of the Company.	80,066	88,958	-
Senior secured revolving facility of $250 million ($200 million as of March 6, 2012) with a syndicate of banks, maturing in August 2015[1].	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	827	786
Debt in the amount of $1,541, bearing interest at a rate of three-month LIBOR plus 3.00%, repayable in two equal instalments of 50% in March 2012 and December 2012 and obligation under a capital lease, bearing interest at 12.30%, repayable in monthly instalments of $12.5.	1,836	1,872	-
Other loans	750	285	-
Senior secured revolving facility of CA$50 million with a Canadian bank, maturing in April 2013[2].	-	28,773	-
Unsecured term loan of $13 million, bearing interest at LIBOR plus 2.3%, maturing in January 2017. The term loan was repaid with the proceeds of the $250 million senior secured revolving facility above.	-	12,591	-
Term loan in euros, bearing interest at 6.23%, secured by a mortgage on assets of a plant in Germany for an amount of €1,534, maturing in December 2014, repaid in September 2011.	-	2,695	-
Subordinated loan of €1 million, bearing interest at a rate of 5.50%, maturing in 2017, unsecured and repaid in October 2011.	-	1,438	-
Term loan at authorized amount of ₤450, repaid in August 2011.	-	742	-
Term loans, bearing interest at floating rates as determined on a regular basis with the banks, secured by assets of the Belgian plant for an amount of €3,814, maturing in 2014 and 2015 and repaid in October 2011.	-	3,884	-
Term loan at the lender's floating rate less 1.40%, monthly repayments of $41,667, repaid in September 2011[2].	-	3,613	3,821
	268,476	145,678	4,607
Less: Current portion of long-term debt	14,757	19,430	595
	253,719	**126,248**	**4,012**

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, bankers' 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 $350 million ($300 million as of March 6, 2012) subject to acceptance by the lenders, and 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 December 31, 2011. The facility is subject to covenants. As at December 31, 2011, the Company met all covenants.

2 This loan was replaced by the $250 million secured senior revolving facility in August 2011.

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

NOTE 15 – RETIREMENT BENEFIT OBLIGATION

The Company operates a defined pension plan in Germany based on employee pensionable earnings and length of service. Former general and senior managers had been provided with direct benefit commitments. Employees had been provided with indirect benefit commitments via the Unterstützungseinrichtung der HEK GmbH e.V. Such promises had been made for employees with entry date of December 31, 1993 or earlier.

	December 31, 2011	May 31, 2011
	$	$
Present value of unfunded obligations	12,315	13,481

Movement in the defined benefit obligation is as follows:

	December 31, 2011 (7 months)	May 31, 2011 (12 months)
	$	$
Beginning of period	13,481	-
Acquired through business combinations (Note 5)	-	13,145
Current service cost	39	12
Interest cost	355	112
Effect of foreign exchange	(1,285)	380
Benefits paid	(226)	(71)
Actuarial gains/losses	(49)	(97)
End of period	12,315	13,481

Amounts recognized in the consolidated statements of earnings (loss) are as follows:

	December 31, 2011 (7 months)	May 31, 2011 (12 months)
	$	$
Current service cost	39	12
Interest cost	355	112
Total included in wages and salaries (Note 29)	394	124

The principal actuarial assumptions as at period-ends were as follows:

	December 31, 2011	May 31, 2011
Discount rate	5%	5%

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

NOTE 16 – OTHER LIABILITIES

	Site provision	Deferred revenues	Other	Total
	$		$	$
As at June 1, 2010	-	618	-	618
Additional provisions	-	171	-	171
Acquired through business combinations (Note 5)	3,463	-	4,036	7,499
As at May 31, 2011	3,463	789	4,036	8,288
As at June 1, 2011	3,463	789	4,036	8,288
Additional provisions	1,107	467	677	2,251
Unused amounts reversed	-	(5)	-	(5)
Utilized	(1,098)	(191)	(2,486)	(3,775)
As at December 31, 2011	**3,472**	**1,060**	**2,227**	**6,759**
Current	2,588	-	-	2,588
Non-current	**884**	**1,060**	**2,227**	**4,171**

NOTE 17 – INCOME TAX

	December 31, 2011	May 31, 2011
	$	$
Current tax:		
Current tax (recovery) on profits for the year	(4,483)	8,696
Adjustment in respect of prior years	903	100
Total current tax (recovery)	(3,580)	8,796
Deferred tax:		
Origination and reversal of temporary differences	(1,133)	(630)
Change in tax rate	-	(59)
Total deferred tax	(1,133)	(689)
Income tax expense (recovery)	(4,713)	8,107

The tax on the Company’s profit before tax differs from the amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	December 31, 2011 (7 months)		May 31, 2011 (12 months)	
	$		$	
Earning before tax at local statutory rate	(7,719)	28.4%	8,800	29.3%
Increase (decrease) resulting from:				
Unrecorded losses carried forward	4,391	(16.2)%	1,752	5.8%
Non-deductible expenses for tax purpose	400	(1.5)%	(10)	-
Benefits raising from a financing structure	(996)	3.7%	(269)	(0.9)%
Non-taxable foreign exchange	(358)	1.3%	(1,814)	(6.0)%
Effect of difference of foreign tax rates compared to Canadian tax rates	(823)	3.0%	(261)	(0.9)%
Prior year adjustments	903	(3.3)%	100	0.3%
Other	(511)	1.9%	(191)	0.6%
Total income tax (recovery) expense	**(4,713)**	**17.3%**	**8,107**	**27.0%**

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

The variation of the statutory rate between May 2011 (29.3%) and December 2011 (28.4%) is mainly explained by the reduction of the statutory Federal rate from 18% to 16.5%.

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	December 31, 2011	May 31, 2011
	$	$
Deferred tax assets:		
Deferred tax assets to be recovered within 12 months	(3,333)	(1,916)
Deferred tax assets to be recovered after 12 months	(3,313)	(4,072)
Deferred tax liabilities:		
Deferred tax liability to be recovered within 12 months	-	379
Deferred tax liability to be recovered after 12 months	23,083	23,403
Deferred tax liabilities, net	16,437	17,794

Movement in the deferred income tax amounts is as follows:

	December 31, 2011 (7 months)	May 31, 2011 (12 months)
	$	$
Beginning of period	(17,794)	(1,500)
Acquired through business combinations (Note 5)	-	(18,558)
Tax charge (credit) relating to components of other comprehensive income (loss)	188	-
Charge to the consolidated statements of earnings (loss)	1,133	689
Tax charge directly to equity	36	1,575
End of period	**(16,437)**	**(17,794)**

Significant components of the Company's deferred income tax assets and liabilities are as follows:

Deferred tax assets	**Property, plant and equipment**	**Inventories**	**Other liabilities**	**Share issue expenses and professional fees**	**Others**	**Total**
	$	$	$	$	$	$
As at June 1, 2010	-	495	-	989	-	1,484
Acquired through business combinations (Note 5)	166	1,817	1,814	-	-	3,797
Charge to equity	-	-	-	1,575	-	1,575
Charge (credited) to consolidated statement of earnings (loss)	19	77	(367)	(597)	-	(868)
As at May 31, 2011	**185**	**2,389**	**1,447**	**1,967**	**-**	**5,988**
Charge (credited) to consolidated statement of loss	(185)	889	(296)	(381)	407	434
Charge to equity	-	-	-	36	-	36
Charge to other comprehensive loss	-	-	-	-	188	188
As at December 31, 2011	**-**	**3,278**	**1,151**	**1,622**	**595**	**6,646**

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

Deferred tax liabilities	Property, plant and equipment	Inventories	Other liabilities	Others	Total
	$	$	$	$	$
As at June 1, 2010	2,244	290	353	97	2,984
Acquired through business combinations (Note 5)	1,436	74	20,084	761	22,355
Credits to the consolidated statement of earnings	(424)	(148)	(506)	(479)	(1,557)
As at May 31, 2011	**3,256**	**216**	**19,931**	**379**	**23,782**
Charge (credits) to the consolidated statement of loss	(941)	-	89	153	(699)
As at December 31, 2011	**2,315**	**216**	**20,020**	**532**	**23,083**

Losses carried forward

Deferred income tax assets are recognized to the extent that the realization of the related tax benefit is probable. The corporation has unrecognized tax losses carryforwards of $26,118 as at December 31, 2011 (May 31, 2011 – $13,478) for which no deferred income tax assets have been recognized.

Deferred income tax liabilities have not been recognized for the withholding tax and taxes that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are permanently reinvested. Unremitted earnings totalled $272,195 as at December 31, 2011 (May 31, 2011 – $294,532).

NOTE 18 – CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Fair value

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

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 other payables, approximates their carrying value due to the short-term maturities of these instruments.

As at December 31, 2011, 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 financial assets and financial liabilities measured at fair value in the 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).

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

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 consolidated statements of financial position are grouped into the fair value hierarchy as follows as at December 31, 2011:

December 31, 2011	**Level 1**	**Level 2**	**Level 3**
	$	**$**	**$**
Financial liabilities			
Derivative financial instruments	-	(5,716)	-

May 31, 2011	**Level 1**	**Level 2**	**Level 3**
	$	**$**	**$**
Financial liabilities			
Derivative financial instruments	-	(125)	-

June 1, 2010	**Level 1**	**Level 2**	**Level 3**
	$	**$**	**$**
Financial assets			
Derivative financial instruments	-	1,303	-

Derivative asset and liability

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); and
- Options sold to a financial institution related to hedge strategies.

The derivatives are measured at fair value as follows:

Liability (asset)	**December 31, 2011**	**May 31, 2011**	**June 1, 2010**
	$	**$**	**$**
Interest rate swap[(i)]	2,326	125	-
Foreign exchange forward contracts[(ii)]	517	-	(1,303)
Options[(iii)]	2,873	-	-
Total	**5,716**	**125**	**(1,303)**

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

(ii) The foreign exchange forward contracts are to sell US dollars in exchange for Canadian dollars. The nominal value of the Canadian forward was $4.5 million for a period of nine months starting after December 31, 2011 at a US$/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 consolidated statements of comprehensive income (loss).

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

(iii) The Company sold options to a financial institution giving it the right to put euros to the Company on specific dates. The options have a nominal value of €51,500 with a euro/US$ rate ranging from 1.3355 to 1.363 with maturity from January 12, 2012 to January 27, 2012.

NOTE 19 – OPERATING SEGMENTS

A comparative breakdown of business segment information is as follows:

December 31, 2011 (7 months)	**Eco-Friendly Materials**	**Electronic Materials**	**Corporate**	**Total**
	$	**$**	**$**	**$**
Segment revenues	205,697	186,015	-	391,712
Operating income (loss) excluding amortization and impairment	18,426	30,631	(11,644)	37,413
Interest on long-term debt and other interest expense, net	-	-	5,487	5,487
Impairment of inventories	3,826	30,964	-	34,790
Impairment of properties, plant and equipment	-	4,525	6,935	11,460
Foreign exchange gain and derivative	-	-	(642)	(642)
Amortization	-	-	12,797	12,797
Other	-	-	698	698
Earnings (loss) before income tax	14,600	(4,858)	(36,919)	(27,177)
Capital expenditures	**2,742**	**4,313**	**98**	**7,153**

May 31, 2011 (12 months)	**Eco-Friendly Materials**	**Electronic Materials**	**Corporate**	**Total**
	$	**$**	**$**	**$**
Segment revenues	57,749	122,246	-	179,995
Operating income (loss) excluding amortization	4,641	26,885	(2,803)	28,723
Interest on long-term debt and other interest expense, net	-	-	1,960	1,960
Foreign exchange gain and derivative	-	-	(8,639)	(8,639)
Amortization	-	-	4,997	4,997
Other	-	-	350	350
Earnings (loss) before income taxes	4,641	26,885	(1,471)	30,055
Capital expenditures	16,113	922	2,796	19,831

As at December 31, 2011	**Eco-Friendly Materials**	**Electronic Materials**	**Corporate**	**Total**
	$	**$**	**$**	**$**
Total assets excluding goodwill	320,687	336,971	3,716	661,374
Goodwill	14,450	110,460	-	124,910
Investment accounted for using equity method	-	1,513	-	1,513

As at May 31, 2011	**Eco-Friendly Materials**	**Electronic Materials**	**Corporate**	**Total**
	$	**$**	**$**	**$**
Total assets excluding goodwill	324,653	346,336	12,652	683,641
Goodwill	14,332	109,584	-	123,916
Investment accounted for using equity method	-	1,084	-	1,084

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

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

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

Revenues	December 31, 2011 (7 months)	May 31, 2011 (12 months)
	$	$
Asia		
China	39,298	26,827
Other	57,947	36,141
United States	90,493	62,022
Europe		
Germany	64,232	3,545
United Kingdom	55,537	4,670
Other	68,061	42,542
Others	16,144	4,248
Total	**391,712**	**179,995**

Non-current assets as at	December 31, 2011	May 31, 2011	June 1, 2010
	$	$	$
Asia			
Hong Kong	95,929	99,651	-
Other	13,429	12,960	-
United States	15,242	21,695	1,361
Europe			
Germany	70,966	54,547	13,105
Belgium	42,515	34,736	-
Other	17,608	31,418	-
Canada	39,818	52,024	20,168
Total	**295,507**	**307,031**	**34,634**

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

NOTE 20 – SUPPLEMENTAL CASH FLOW INFORMATION

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

	December 31, 2011 (7 months)	May 31, 2011 (12 months)
	$	$
Decrease (increase) in assets:		
Accounts receivable	36,231	(25,685)
Inventories	(49,822)	(53,788)
Income tax receivable	(8,355)	(2,036)
Other current assets	(1,094)	(458)
Increase (decrease) in liabilities:		
Trade and accrued liabilities	(8,146)	(15,244)
Income tax payable	(7,067)	8,944
Net change	**(38,253)**	**(88,267)**

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

	December 31, 2011 (7 months)	May 31, 2011 (12 months)
a) Excludes additions that were unpaid at end of period:		
	$	$
Additions to property, plant and equipment	190	2,176
b) Includes additions that were unpaid at beginning of period:		
	$	$
Additions to property, plant and equipment	2,176	188

NOTE 21 – 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, issuable in one or more series with specific terms, privileges and restrictions to be determined for each class by the Board of Directors. As at December 31, 2011, no preferred shares were issued.

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

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

NOTE 22 – EARNINGS (LOSS) PER SHARE

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

Numerators	**December 31, 2011 (7 months)**	**May 31, 2011 (12 months)**
	$	**$**
Net earnings (loss) attributable to equity holders of 5N Plus Inc.	**(21,641)**	**22,298**
Net earnings (loss) for the period	**(22,464)**	**21,948**

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

	December 31, 2011 (7 months)	**May 31, 2011 (12 months)**
Weighted average number of shares outstanding – **Basic**	70,939,901	49,205,470
Effect of dilutive securities	-	467,617
Weighted average number of shares outstanding – Diluted	**70,939,901**	**49,673,087**

Given the consolidated net loss incurred by the Company for the period ended December 31, 2011, stock options were excluded from the computation of diluted loss per share due to their anti-dilutive effect.

NOTE 23 – SHARE-BASED COMPENSATION

As at December 31, 2011, the Company had the following share-based compensation plans:

Stock option plan

On April 11, 2011, the Company adopted a new stock option plan (the “Plan”) replacing the previous plan (the “Old Plan”) in place since October 2007, with the same features as the Old Plan with the exception of a maximum number of options granted which cannot exceed five million. The aggregate number of shares which could be issued upon the exercise of options granted under the Old Plan could not exceed 10% of the issued shares of the Company at the time of granting the options. Options granted under the Old Plan may be exercised during a period not exceeding ten years from the date of grant. The stock options outstanding as at December 31, 2011 may be exercised during a period not exceeding six years from their date of grant. Options vest at a rate of 25% (100% for directors) per year, beginning one year following the grant date of the options. Any unexercised options will expire one month after the date a beneficiary ceases to be an employee, director or officer.

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

Restricted share unit incentive plan

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

Restricted share unit incentive plan for foreign employees

On June 7, 2010, the Company adopted a Restricted Share Unit for Foreign Employees ("RSUFE") Plan. Under this plan, the RSUFE granted may be exercised during a period not exceeding ten years from the date of grant. The RSUFE outstanding as at December 31, 2011 may be exercised during a period not exceeding six years from their date of grant. RSUFE vest at a rate of 25% per year beginning one year following the grant date of the award. For the period of seven months ended December 31, 2011, the Company granted 33,428 RSUFE and cancelled 627 RSUFE, and 41,350 RSUFE were outstanding as at December 31, 2011 (as at May 31, 2011 – 8,549 RSUFE outstanding).

Stock Appreciation Rights

On November 1, 2011, the Company granted 247,000 Stock Appreciation Rights ("SARs") to most of its employees except senior management. The SARs are vested and paid over a period of three years. The SARs are exercisable automatically for cash at each anniversary date and the Company is obligated to pay the holders. The amount of cash payout is calculated based on the number of SARs multiplied by the average price of the Company's shares for the month immediately before vesting. At the end of each financial period, changes in the Company's payment obligations due to changes in the market value of the common shares on the TSX are recorded as an expense. For the period of seven months ended December 31, 2011, 3,200 SARs were cancelled, and 243,800 SARs were outstanding as at December 31, 2011.

The following table presents information concerning all outstanding stock options:

	December 31, 2011 (7 months)		May 31, 2011 (12 months)	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
		CA$		**CA$**
Outstanding, beginning of period	1,384,025	4.52	1,596,615	4.24
Granted	275,249	8.60	262,308	4.95
Cancelled	(47,565)	5.40	(177,518)	5.12
Exercised	(68,498)	3.17	(297,380)	3.07
Outstanding, end of period	1,543,211	5.28	1,384,025	4.52
Exercisable, end of period	908,657	4.28	628,765	4.16

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

The outstanding stock options as at December 31, 2011 are as follows:

Maturity	Exercise price Low	Exercise price High	Number of options
	CA$	CA$	
December 2013	3.00	3.00	412,675
October 2014	3.81	3.81	2,500
January 2015 to October 2016	4.87	6.16	845,892
June and September 2017	8.50	8.64	267,144
June and August 2014	9.13	10.32	15,000
			1,543,211

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

	December 31, 2011 (7 months)	May 31, 2011 (12 months)
Expected stock price volatility	39%	40%
Dividend	None	None
Risk-free interest rate	1.475%	2.325%
Expected option life	4 years	4 years
Fair value – weighted average of options issued	CA$3.22	CA$1.70

The following table shows the stock-based compensation expense recorded in the consolidated statements of earnings (loss) for the periods ended December 31, 2011 and May 31, 2011:

Expense	December 31, 2011 (7 months)	May 31, 2011 (12 months)
	$	$
Stock options	443	813
RSUs	-	93
RSUFE	10	10
SARs	114	-
Total	**567**	**916**

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

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

Liability	December 31, 2011	May 31, 2011	June 1, 2010
	$	$	$
RSUs	92	93	-
RSUFE	10	10	-
SARs	114	-	-
Total	**216**	**103**	**-**

NOTE 24 – COMMITMENTS AND CONTINGENCIES

Commitments

The Company rents certain premises and equipment under the terms of operating leases. Future minimum payments excluding operating costs for the next years are as follows:

	December 31, 2011	May 31, 2011
	$	$
Within one year	1,511	1,213
After one year but not more than five years	3,426	2,361
More than five years	-	334
Total	**4,937**	**3,908**

Contingencies

In the normal course of operations, the Company is exposed to events that could give rise to contingent liabilities or assets. As at the date of issue of the consolidated financial statements, the Company was not aware of any significant events that would have a material effect on its consolidated financial statements.

NOTE 25 – RELATED PARTY TRANSACTIONS

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

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

Ingal supplies gallium metal to other companies of the group. The Company supplies gallium to MCP Shenzhen. During the period of seven months ended December 31, 2011, the Company purchased $3,945 worth of gallium from Ingal and sold $63 worth of gallium to MCP Shenzhen.

The Company has a payable balance of $25 with Ingal and a balance of nil with MCP Shenzhen as at December 31, 2011 (as at May 31, 2011 – a payable of $545 and a receivable of $634 respectively; as at June 1, 2010 – nil and nil respectively). The Company has a loan receivable with Ingal of $3,688 (€2,850) as at December 31, 2011 (as at May 31, 2011 – $2,947 (€2,050)).

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

NOTE 26 – 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 (loss) or the value of financial instruments.

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

Currency risk

Currency risk refers to the fluctuation of financial commitments, assets, liabilities, income or cash flows due to changes in foreign exchange ("FX") rates. The Company conducts business transactions and owns assets in several countries; as a result, the Company is subject to fluctuations in respect to the currencies in which it operates. The Company's income is exposed to 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 higher net earnings (lower net loss) because the Company has more foreign currency-based expenses than revenues.

- Translation of foreign currency-denominated debt and other monetary items – A weakening foreign currency in respect of the Company's foreign currency-denominated debt will decrease the debt in US dollar terms and generate a FX gain on bank advances and other short-term debt, which is recorded in earnings (loss). 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 impacted by changes in FX rates.

The following table summarizes in US dollar equivalents the Company's major currency exposures as of December 31, 2011:

	CA$	EUR	GBP	RMB	HK$
Cash and cash equivalents	366	7,364	807	3,518	17
Temporary investments (restricted)	-	1,785	-	49,812	-
Accounts receivable	244	17,451	2,329	-	-
Bank indebtedness and short-term debt	-	-	-	(23,225)	(50,205)
Trade and other payables	(3,168)	(14,740)	(3)	(407)	-
Long-term debt	(1,574)	(80,066)	-	-	-
Net financial assets (liabilities)	**(4,132)**	**(68,206)**	**3,133**	**29,698**	**(50,188)**

(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 December 31, 2011 for the Company's financial instruments denominated in non-functional currencies:

	CA$	EUR	GBP	RMB	HK$
1% Strengthening	(41)	(682)	31	297	(502)
Earnings before tax					
1% Weakening					
Earnings (loss) before tax	41	682	(31)	(297)	502

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

Foreign exchange forward contract

As at December 31, 2011, the Company has entered into a forward contract to sell US dollars in exchange for Canadian dollars. The nominal value of $4.5 million for a period of nine months after December 31, 2011 was fixed at a US$/CA$ rate of 1.0114. The fair value of the contract is $(0.5) million as at December 31, 2011 and is recorded as part of derivative financial liabilities in the consolidated statement of financial position.

Interest rate risk

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

As at December 31, 2011, 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 million commencing in January 2013 and ending in August 2015. This interest rate swap fixed the LIBOR interest rate at 1.82%. The Company received $1.7 million when entering into this interest rate swap in September 2011, which was the fair value of the instrument on signing. The fair value of the contract is $(2.3) million as at December 31, 2011 and is recorded as part of derivative financial liabilities in the consolidated statement of financial position.

Credit risk

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

The Company establishes an allowance for doubtful accounts as determined by management based on its assessment of collection; therefore, the carrying amount of accounts receivable generally represents the maximum credit exposure. As at December 31, 2011 and May 31, 2011, the Company has an allowance for doubtful accounts of $482 and $190 respectively. The provision for doubtful accounts, if any, will be included in Selling, general and administrative expenses in the consolidated statements of earnings (loss), and will be net of any recoveries that were provided for in prior periods.

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

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 December 31, 2011, the Company does not anticipate non-performance that would materially impact the Company's consolidated financial statements.

No financial assets are past due except for trade receivables. The aging analysis of the latter two categories of receivables is as follows:

	December 31, 2011	May 31, 2011
	$	$
Past due but not impaired		
Up to 3 months	24,235	28,003
3 to 6 months	1,381	4,612
	25,616	**32,615**

The following table summarizes the changes in the allowance for doubtful accounts for trade receivables:

	December 31, 2011 (7 months)	May 31, 2011 (12 months)
	$	$
Beginning of period	190	24
Provision for impairment	298	166
Unused amounts reversed	(6)	-
End of period	**482**	**190**

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.

The following table reflects the contractual maturity of the Company's financial liabilities as at December 31, 2011:

	Carrying amount	1 year	2-3 years	4-5 years	Beyond 5 years	Total
	$	$	$	$	$	$
Bank indebtedness and short-term debt	73,430	76,348	-	-	-	76,348
Trade and other payables	59,029	59,029	-	-	-	59,029
Derivative financial instruments	5,716	3,814	-	1,902	-	5,716
Long-term debt	268,476	23,226	83,411	188,090	247	294,974
Total	**406,651**	**162,417**	**83,411**	**189,992**	**247**	**436,067**

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

NOTE 27 – CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may amend the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company required the approval of its lenders on some of the capital transactions such as the payment of dividend and capital expenditures over a certain level.

The Company monitors capital on the basis of the debt-to-equity ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (comprising bank indebtedness and short-term debt and long-term debt in the consolidated statements of financial position) less cash and cash equivalents and temporary investments (restricted). Total equity is the equity attributable to equity holders of 5N Plus Inc. in the consolidated statements of financial position.

Debt-to-equity ratios as at period-ends are as follows:

	December 31, 2011	May 31, 2011
	$	$
Total borrowings	341,906	320,381
Less: Cash and cash equivalents and temporary investments (restricted)	(81,331)	(79,171)
Net debt	260,575	241,210
Total equity	339,241	362,698
Debt-to-equity ratio	**77%**	**67%**

NOTE 28 – TRANSITION TO IFRS

These consolidated financial statements are the Company's first financial statements prepared in accordance with IFRS. The Company has adopted IFRS 1, and the first date at which IFRS was applied was June 1, 2010 ("Transition Date").

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

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

- cumulative translation adjustment;
- business combination; and
- borrowing costs.

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

Reconciliations of Canadian GAAP to IFRS

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

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

	June 1, 2010	May 31, 2011
	$	$
Total equity under Canadian GAAP (CA$)	125,678	348,918
Total equity under Canadian GAAP (US$)	120,028	363,960
Differences reported to equity (US$)		
Business combinations (Note 28(a))	-	1,890
Share-based compensation reported in contributed surplus (Note 28(b))	798	814
Share-based compensation reported in retained earnings (Note 28(b))	(798)	(814)
Functional currency impact (Note 28(c))	350	(3,405)
Amortization of property, plant and equipment	-	(48)
Non-controlling interest (Note 28(e),(ii))	-	1,593
Total equity under IFRS (US$)	**120,378**	**363,990**

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

	May 31, 2011 (12 months)
	$
Net earnings under Canadian GAAP (CA$)	21,641
Net earnings under Canadian GAAP (US$)	28,274
Business combinations (Note 28(a))	(7,839)
Share-based compensation expense (Note 28(b))	16
Functional currency impact (Note 28(c))	1,356
Share of profit from joint ventures	189
Amortization of property, plant and equipment (Note 28(d))	(48)
Net earnings under IFRS (US$)	**21,948**

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

The following table summarizes the reconciliations of total comprehensive income:

	May 31, 2011				
	Canadian GAAP	Canadian GAAP	Effect of transition to IFRS	Functional currency impact	IFRS
	CA$	US$	US$	US$	US$
Net income for the period	21,641	28,274	(7,682)	1,356	21,948
Net gain on translation of financial statements of self-sustaining foreign operations	1,622	1,613	-	(1,613)	-
Cash flow hedges, net of tax	(1,255)	(1,248)	-	1,248	-
Comprehensive income for the period	**22,008**	**28,639**	**(7,682)**	**991**	21,948

The following are the notes to the reconciliations:

a) Business combinations

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

i) Acquisition-related costs: Under Canadian GAAP, direct and incremental costs incurred to effect a business combination are included in the cost of purchase. Under IFRS, acquisition-related costs paid to third parties are expensed as incurred unless they are costs related to the issue of debt or equity instruments. The effect is to decrease goodwill by $1,861 and increase acquisition-related costs by the same amount for the year ended May 31, 2011.

ii) Restructuring costs: Under Canadian GAAP, certain restructuring costs incurred related to the Company acquired are part of the purchase price allocation. Under IFRS, these restructuring costs are expensed as incurred. The effect of this difference is to decrease goodwill by $5,978 and increase restructuring costs by the same amount for the year ended May 31, 2011.

iii) Measurement date of shares issued in a business combination: Under Canadian GAAP, shares issued as part of the purchase price for a business combination are measured using the average of a few days before and after the announcement of the transaction. Under IFRS, shares issued as part of the purchase price for a business combination are measured at the acquisition date. The effect of this difference is to increase share capital and goodwill by $9,729 for the year ended May 31, 2011.

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

		Equity		
	Goodwill	Retained earnings	Share capital	Total equity
	$	$	$	$
Acquisition-related costs	(1,861)	(1,861)	-	(1,861)
Restructuring costs	(5,978)	(5,978)	-	(5,978)
Share capital	9,729	-	9,729	9,729
Total effects	**1,890**	**(7,839)**	**9,729**	**1,890**

b) Share-based compensation expense

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

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

The effects of the above changes are to:

- increase contributed surplus by $798 and decrease retained earnings by $798 at the Transition Date;
- increase contributed surplus by $814 and decrease retained earnings by $814 for the year ended May 31, 2011.
- increase net earnings by $16 for the year ended May 31, 2011.

c) Presentation and functional currency impact

i) Presentation currency

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

ii) Functional currency

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

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

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

d) Income taxes

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

i) increase in property, plant and equipment by $862 and decrease in deferred tax assets by $862 at the Transition Date;
ii) increase in property, plant and equipment by $814 and decrease in deferred tax assets by $814 for the year ended May 31, 2011.
iii) decrease in net earnings and property, plant and equipment by $48 for the year ended May 31, 2011.

e) Reclassification

i) IFRS requires items of dissimilar nature or function to be presented separately on the financial statements unless the item is not in itself material. The Company has elected to present the consolidated statements of earnings by function. Therefore, adjustments to the classification of expenses were made for the year ended May 31, 2011. As a result, there are numerous presentation changes in the Company's consolidated financial statements. There is no impact on the Company's net earnings (loss) as a result of these changes. Note 29 presents expenses by nature for the period of seven months ended December 31, 2011 as required by IFRS in financial statements when a statement of earnings is presented by function.

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

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

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

NOTE 29 – KEY MANAGEMENT COMPENSATION AND EXPENSE BY NATURE

Key management compensation

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

Key management compensation	December 31, 2011 (7 months)	May 31, 2011 (12 months)
	$	$
Wage and salaries	3,085	1,499
Share-based compensation	301	199
Total	**3,386**	**1,698**

Expense by nature	December 31, 2011 (7 months)	May 31, 2011 (12 months)
	$	$
Wages and salaries (including research and development)	31,677	20,245
Share-based compensation	443	813
Amortization of property, plant and equipment and intangible assets	12,797	4,997
Research and development	3,027	2,586
Impairment of inventories	34,790	-
Impairment of property, plant and equipment	11,460	-
Impairment of intangible assets	700	-
Restructuring costs	-	5,978
Acquisition-related costs	-	1,861

Corporate Information

Stock Exchange
5N Plus is listed on the Toronto Stock Exchange, under the symbol VNP.

Transfer Agent and Registrar
Computershare Investor Services Inc.

Auditors
PricewaterhouseCoopers LLP

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Annual Meeting
The annual shareholders meeting will be held on Thursday, May 17, 2012 at 9:00 a.m.

Club Saint-James
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