Management's Report

Year ended May 31, 2009

management's report

This Management's Report of the operating results and the financial position is intended to assist readers in understanding 5N Plus Inc. ("the Company"), its business environment and future prospects. This Management's Report should be read while referring to the Company's audited consolidated financial statements and accompanying notes for the fiscal year ended May 31, 2009. Information contained herein includes any significant developments to August 12, 2009, the date on which the Management's Report was approved by the Company's board of directors. The financial information presented in this Management's Report is based on the Company's accounting policies that are in compliance with Canadian generally accepted accounting principles ("GAAP"). It also includes some figures that are not performance measures consistent with GAAP. Information regarding these non-GAAP financial measures is provided under the heading Non-GAAP Measures of this Management's Report. All amounts are expressed in Canadian dollars. Unless otherwise indicated, the terms "we", "us" and "our" as used herein refer to the Company together with its subsidiaries.

Notice Regarding Forward-Looking Statements

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

Corporate Overview and Business

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

Business Strategy

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

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Highlights of the Fourth Quarter and Fiscal Year 2009

- Net earnings for the fourth quarter were $5,708,451 or $0.13 per share, representing a 111.2% increase over net earnings of $2,703,068 or $0.06 per share for the fourth quarter of the previous fiscal year. For the fiscal year ended May 31, 2009, net earnings were at a record level of $20,868,124 or $0.46 per share, representing an increase of 190.8% over net earnings of $7,175,011 or $0.20 per share for the previous fiscal year.
- EBITDA[1] for the fourth quarter was $8,576,126, representing an increase of 119% over EBITDA of $3,916,750 for the fourth quarter of the previous fiscal year. EBITDA reached a record level of $31,409,878 for the fiscal year ended May 31, 2009, an increase of 177.5% over EBITDA of $11,318,178 for the previous fiscal year.
- Sales for the fourth quarter were $18,057,223, representing an increase of 91.6% over sales of $9,423,908 for the fourth quarter of the previous fiscal year. Sales for the fiscal year ended May 31, 2009 were at a record level of $69,373,117, an increase of 124.0% compared to sales of $30,972,941 for the previous fiscal year. The backlog[1] of orders expected to translate into sales over the following twelve months stood at $52,224,368 at the fiscal year end which represents a 73.1% increase over its level of $30,174,000 at the end of the previous fiscal year.
- Cash flow from operating activities was $4,965,655 for the quarter and $16,239,645 for the fiscal year ended May 31, 2009. This compares with a cash consumption of $3,519,086 and $2,163,317 for the corresponding periods of the previous fiscal year. Cash and cash equivalents increased by $5,489,787 during the fiscal year to $65,066,530 as at May 31, 2009, up from $59,576,743 as at May 31, 2008. Shareholders' equity also increased during the fiscal year to $112,368,764 as at May 31, 2009 up from $90,962,804 one year earlier.
- Fourth quarter results were in line with those of the previous two quarters and complete a record breaking 2009 fiscal year which was transformational for 5N Plus in many respects, including from an operational standpoint, fiscal 2009 being the year in which we completed our international expansion and successfully commissioned our new German facility in Eisenhüttenstadt. This $18,155,298 investment was completed on time and within budget.

Selected Financial Information

Years ended May 31		**2009**		2008		2007
Consolidated results						
Sales	**$**	**69,373,117**	$	30,972,941	$	21,897,240
EBITDA	**$**	**31,409,878**	$	11,318,178	$	6,722,501
Net earnings	**$**	**20,868,124**	$	7,175,011	$	3,574,082
Net earnings per common share						
Basic	**$**	**0.46**	$	0.20	$	0.12
Diluted	**$**	**0.45**	$	0.19	$	0.11
Dividend per common share	**$**	**–**	$	0.034	$	0.003
Balance sheet data						
Total assets	**$**	**128,168,856**	$	107,743,063	$	17,363,037
Long-term debt	**$**	**3,997,923**	$	4,674,934	$	3,500,645
Shareholders' equity	**$**	**112,368,764**	$	90,962,804	$	7,546,467

[1] See Non-GAAP Measures

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2009 Selected Quarterly Financial Information

(Unaudited)

								2009
		Q4		Q3		Q2		Q1
Sales	**$**	**18,057,223**	**$**	**19,150,195**	**$**	**18,135,824**	**$**	**14,029,875**
Gross profit[1]	**$**	**8,496,616**	**$**	**9,840,268**	**$**	**9,230,178**	**$**	**7,631,824**
EBITDA	**$**	**8,576,126**	**$**	**8,012,408**	**$**	**8,798,520**	**$**	**6,022,824**
Net earnings	**$**	**5,708,451**	**$**	**5,189,673**	**$**	**5,875,610**	**$**	**4,094,390**
Earnings per share								
Basic	**$**	**0.13**	**$**	**0.11**	**$**	**0.13**	**$**	**0.09**
Diluted	**$**	**0.12**	**$**	**0.11**	**$**	**0.13**	**$**	**0.09**
Backlog	**$**	**52,224,368**	**$**	**52,024,064**	**$**	**54,722,363**	**$**	**53,646,727**

[1] See Non-GAAP Measures

2008 Selected Quarterly Financial Information

(Unaudited)

								2008
		Q4		Q3		Q2		Q1
Sales	$	9,423,908	$	8,358,817	$	6,795,743	$	6,394,473
Gross profit	$	5,615,838	$	4,454,138	$	3,276,379	$	2,977,434
EBITDA	$	3,916,750	$	3,179,710	$	2,220,574	$	2,001,144
Net earnings	$	2,703,068	$	2,153,139	$	1,219,548	$	1,099,256
Earnings per share								
Basic	$	0.06	$	0.06	$	0.04	$	0.04
Diluted	$	0.06	$	0.06	$	0.04	$	0.03
Backlog	$	30,174,000	$	29,300,000	$	22,200,000	$	24,423,498

Results of Operations

Introduction

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

Our customer base includes manufacturers of thin-film solar cells, original equipment manufacturers (OEM), and Tier 1 and 2 suppliers which provide consumables, components or sub-assemblies. Our customers are located primarily in the United States, Europe, Israel and Asia. One customer accounted for 78% of our sales during the quarter and 78% during the fiscal ended May 31, 2009.

Sales, Gross Profit, Net Earnings and Earnings per Share

	Three months ended May 31			Twelve months ended May 31		
	2009	2008	Increase	**2009**	2008	Increase
Sales	**$18,057,223**	$ 9,423,908	91.6%	**$69,373,117**	$ 30,972,941	124.0%
Gross profit	**$ 8,496,616**	$ 5,615,838	51.3%	**$35,198,886**	$ 16,323,789	115.6%
Gross profit ratio[1]	**47.1%**	59.6%		**50.7%**	52.7%	
Net earnings	**$ 5,708,451**	$ 2,703,068	111.2%	**$20,868,124**	$ 7,175,011	190.8%
Earnings per share (basic)	**$ 0.13**	$ 0.06		**$ 0.46**	$ 0.20	

[1] See Non-GAAP Measures

Sales for the fourth quarter ended May 31, 2009 reached $18,057,223 up by 91.6% over sales of $9,423,908 for the corresponding period of the previous fiscal year. For the fiscal year ended May 31, 2009, our sales reached a record level of $69,373,117 representing an increase of 124.0% over sales of $30,972,941 for the previous fiscal year. This increase in sales is attributable primarily to an increase in sales of CdTe to the photovoltaic market. Sales into other markets were relatively stable. For the fourth quarter and fiscal year 2009, sales into the photovoltaic market represented 78% of total sales. This compares with 72% and 68% for the corresponding periods of the previous year. These increases in sales are primarily associated with an increase in the volumes of product sold following the commissioning and ramping-up of our new German facility to meet the increasing demand for these solar grade products from our customers. The average selling price for these products also increased contributing to a further increase in our sales following a reduction in the relative amounts of custom refining or "tolling" where we incur no cost for raw materials. During fiscal 2009, the devaluation of the Canadian dollar in relation to the U.S. dollar and to the euro had a significant favorable impact on the Company's sales.

Gross profits reached $8,496,616 in the fourth quarter and $35,198,886 for fiscal year ended May 31, 2009, corresponding to gross profit ratios of 47.1% and 50.7% respectively. This compares with gross profits of $5,615,838 and $16,323,789 for the corresponding periods of the previous fiscal year and respective gross profit ratios of 59.6% and 52.7%. The increase in gross profit results from an increase in sales volume and the positive impact of the foreign currency exchange rates. Gross profit ratio decreased for both the quarter and the fiscal year when compared to the corresponding periods of the previous fiscal year as a result of a sizeable reduction in the relative amounts of "tolling". This decrease was partially offset by general improvements in efficiency, scalability and production throughput throughout the year. Gross profit at our new German facility was in line with expectations and the gross profit ratio similar to our Montreal facility.

Net earnings were $5,708,451 ($0.13 per share) representing a 111.2% increase over net earnings of $2,703,068 ($0.06 per share) for the fourth quarter of the previous fiscal year. For the fiscal year, net earnings were $20,868,124 ($0.46 per share) representing a 190.8% increase over net earnings of $7,175,011 for the previous fiscal year ($0.20 per share). Earnings per share are calculated based on a weighted average number of common shares outstanding of 45,515,577 for the last quarter and 45,505,213 for the fiscal year ended May 31, 2009. Earnings per share for the corresponding periods of the previous fiscal year are calculated based on a weighted average number of common shares of 42,934,783 and 35,308,641 respectively. Net earnings increased in both the quarter and the fiscal year ended May 31, 2009 primarily as a result of an increase in gross profit. Foreign exchange gains net of income taxes also contributed representing 27% of the quarter's net earnings (5% in the previous fiscal year) and 11% of the fiscal year end net earnings (1% in the previous fiscal year). The significance of the foreign exchange gain in the quarter is largely related to the mark to market of several foreign currency forward contracts, most of which were entered into during the fourth quarter.

During the fourth quarter of the fiscal year ended May 31, 2009, the Company retroactively adopted the recently issued recommendations of the Canadian Institute of Chartered Accountants ("CICA") Section 3064 "Goodwill and Intangible Assets". As a result, all of the German facility start-up expenses which had previously been capitalized were expensed leading to the following changes in net earnings in the year ended May 31, 2009, and in fourth quarter and year ended May 31, 2008 as shown in the table below.

Restated net earnings

	Three months ended May 31		Twelve months ended May 31	
	2009	2008	**2009**	2008
Net earnings	**$ 5,708,451**	$ 3,178,621	**$ 20,833,848**	$ 7,766,137
Deferred start-up costs	**–**	(660 ,490)	**(505,319)**	(821,008)
Amortization of deferred start-up costs	**–**	–	**552,925**	–
Income taxes	**–**	184,937	**(13,330)**	229,882
Restated net earnings	**$ 5,708,451**	$ 2,703,068	**$ 20,868,124**	$ 7,175,011

Selling and Administrative and Research and Development Expenses

	Three months ended May 31		Twelve months ended May 31	
	2009	2008	**2009**	2008
Selling and administrative expenses	**$ 1,670,869**	$ 903,514	**$ 5,277,745**	$ 2,911,797
Percentage of sales for the period	**9.3%**	9.6%	**7.6%**	9.4%
Research and development expenses (net of tax credits)	**$ 423,277**	$ 65,848	**$ 1,241,142**	$ 930,232
Percentage of sales for the period	**2.3%**	0.7%	**1.8%**	3.0%

Selling and administrative expenses were $1,670,869 or 9.3% of sales for the fourth quarter, and $5,277,745 or 7.6% of sales for the fiscal year ended May 31, 2009. This compares with selling and administrative expenses of $903,514 and $2,911,797 for the corresponding periods of the previous fiscal year, representing respectively 9.6% and 9.4% of sales. Selling and administrative expenses were higher in the fourth quarter than in the previous quarters of the current fiscal year primarily because of higher consulting fees related to various acquisition projects. When compared to the corresponding periods of the previous fiscal year selling and administrative expenses were higher due to increases in salaries, related mainly to additions to our management team at our new German facility, travel expenses and consulting fees. As a percentage of sales, current levels of selling and administrative expenditures were consistent with anticipated levels although somewhat higher in the fourth quarter of the fiscal year ended May 31, 2009 because of the increase in consulting fees. When compared to the corresponding periods of the previous fiscal year, the selling and administrative expenses as a percentage of sales were lower primarily because of the much larger sales in fiscal 2009 when compared to fiscal 2008.

Research and development expenses, net of tax credits, were $423,277 or 2.3% of sales in the fourth quarter, which is higher than those of the fourth quarter of the previous fiscal year which stood at $65,848 or 0.7% of sales. For the fiscal year ended May 31, 2009, research and development expenses, net of tax credits, reached $1,241,142 or 1.8% of sales, which is higher than the research and development expenses of $930,232 or 3.0% of sales incurred during the same period of the previous fiscal year. As a percentage of sales, current levels of research and development expenses are lower than targeted levels which are closer to the ones encountered in fiscal year ended May 31, 2008.

Reconciliation of EBITDA

	Three months ended May 31			Twelve months ended May 31		
	2009	2008	Increase	**2009**	2008	Increase
Net earnings	**$ 5,708,451**	$ 2,703,068	111.2%	**$20,868,124**	$ 7,175,011	190.8%
Add (deduct):						
Income taxes	**2,345,056**	1,109,535		**9,128,634**	3,153,279	
Financial expenses and interest income	**(78,822)**	(193,590)		**(741,432)**	(58,998)	
Depreciation and amortization	**601,441**	297,737		**2,154,552**	1,048,886	
EBITDA	**$ 8,576,126**	$ 3,916,750	119.0%	**$31,409,878**	$ 11,318,178	177.5%

EBITDA increased by 119% for the fourth quarter of fiscal year 2009 when compared with the corresponding period of the previous fiscal year reaching $8,576,126 up from $3,916,750. EBITDA for the fiscal year ended May 31, 2009 increased by 177.5% up from $11,318,178 to $31,409,878. The EBITDA increases over the periods considered stem from increased sales as well as general improvements in efficiency, scalability, production throughput, and the positive impact of the foreign currency exchange rate which represented 25% of EBITDA during the quarter ended May 31, 2009 and 11% for the current fiscal year.

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

The combined financial expenses and interest income netted a gain of $78,822 for the fourth quarter of the current fiscal year and of $741,432 for the fiscal year ended May 31, 2009. This compares with a gain of $193,590 for the fourth quarter of the previous fiscal year and of $58,998 for the fiscal year ended May 31, 2008. This is largely the result of the interest income of $122,565 and $1,118,881 generated during the fourth quarter and fiscal year ended May 31, 2009 which results from the placement of funds raised during the initial public offering and the bought-deal equity financing. These funds having been raised in the third and fourth quarters of the previous fiscal year only began yielding interest income in the corresponding period of the previous fiscal quarter.

Depreciation and amortization expenses for the quarter ended May 31, 2009 increased to $601,441, up from $297,737 in the fourth quarter of the previous fiscal year. For the fiscal year ended May 31, 2009 depreciation and amortization expenses increased to $2,154,552 up from $1,048,886 in the previous fiscal year. This follows the sizeable increase in our depreciable asset base which went from $15,554,271 (property, plant and equipment with the exception of net construction project) as at May 31, 2008 to $31,948,188 as at May 31, 2009 as we commissioned and began production at our new German facility in August 2008.

Income taxes were $2,345,056 for the fourth quarter ended May 31, 2009 compared with $1,109,535 for the fourth quarter of the previous fiscal year. These figures correspond to effective tax rates of 29.12% and 29.10% respectively. For the fiscal year ended May 31, 2009 income taxes were of $9,128,634 and the effective tax rate of 30.4%. This compares with income taxes of $3,153,279 and an income tax rate of 30.5% for the corresponding period of the previous fiscal year.

Liquidity and Capital Resources

	As at May 31	
	2009	2008
Working capital[1]	**$ 90,558,261**	$ 72,151,861
Current ratio[1]	**9.5**	7.4
Property, plant and equipment	**$ 26,178,423**	$ 21,220,889
Total assets	**$ 128,168,856**	$ 107,743,063
Total debt[1]	**$ 4,589,570**	$ 6,786,312
Shareholders' equity	**$ 112,368,764**	$ 90,962,804

[1] See Non-GAAP Measures

Working capital and current ratio

Working capital increased to $90,558,261 on May 31, 2009 up from $72,151,861 on May 31, 2008 in spite of having made significant capital expenditures during the current fiscal year bringing our net property, plant and equipment assets to $26,178,423 up from $21,220,889. This is primarily the result of strong cash flow generation during the period considered. The current ratio increased from 7.4 to 9.5.

As at May 31, 2009, our cash position was of $65,066,530 up from $59,576,743 on May 31, 2008 as we managed to offset through strong cash flow generation the significant increases in inventory levels and capital expenditures, over half of which were related to our new German facility. Raw-materials inventory levels rose by $8,374,416, as we continued to further strengthen our supply chain, and finished goods increased by $5,952,980, reflecting the relative decrease in tolling volumes and the corresponding increase in average unit cost, for a total inventory increase of $14,327,396. Strengthening of our inventory levels continues to remain an important component of our strategy aimed at ensuring that we can address the anticipated growing requirements for solar grade products.

Property, plant and equipment

Of the $7,140,343 of capital expenditures incurred during the fiscal year ended May 31, 2009, $3,896,276 was associated with our new German facility and $3,244,067 for our Montreal facility. This compares with capital expenditures of $17,720,067 incurred during the previous fiscal year. The level of capital expenditures has been steadily decreasing since July 29, 2008, date at which our new German facility became operational, and totaled $1,014,632 ($104,033 of which at our German facility) during the fourth quarter ended May 31, 2009.

Reconciliation of capital expenditures and cash flows from investing activities:

	Three months ended May 31		Twelve months ended May 31	
	2009	2008	**2009**	2008
Additions to property, plant and equipment	**$ 1,014,632**	$ 7,518,331	**$ 7,140,343**	$ 17,720,067
Additions to property, plant and equipment not paid and included in accounts payable and accrued liabilities:				
Beginning of the period	**307,257**	–	**1,715,915**	–
End of the period	**(192,453)**	(1,715,915)	**(192,453)**	(1,715,915)
Deposits	**–**	(23,470)	**(3,001)**	12,476
Cash flows from investing activities	**$ 1,129,436**	$ 5,778,946	**$ 8,660,804**	$ 16,016,628

Total debt and deferred revenue

Total debt decreased from $6,786,312 to $4,589,570 during fiscal year ended May 31, 2009 as we reduced our foreign currency denominated bank loans and paid off $578,105 of our long term debt. Deferred revenue is associated with a subsidy of 540 000 Euros provided to our German subsidiary 5N PV GmbH to promote employment in the city of Eisenhüttenstadt. As at May 31, 2009, an amount of $115,986 ($34,352 in the fourth quarter) was recognized as revenues.

Shareholders' equity

Shareholders' equity was at $112,368,764 or 87.7% of total assets on May 31, 2009. This compares favorably with $90,962,804 or 84.4% of total assets on May 31, 2008 further illustrating the contribution of the strong net earnings during the current fiscal year considered. On June 1, 2008, the Company has considered its subsidiary to be self-sustaining. Accordingly, foreign exchange gains and losses arising from the translation of the foreign subsidiary's accounts into Canadian dollars are deferred and reported as accumulated other comprehensive income (loss) in the Consolidated Statements of Comprehensive Income.

Cash Flows

	Three months ended May 31		Twelve months ended May 31	
	2009	2008	**2009**	2008
Operating activities	**$ 4,965,655**	$ (3,519,086)	**$ 16,239,645**	$ (2,163,317)
Financing activities	**(756,927)**	48,935,874	**(2,257,973)**	76,297,401
Investing activities	**(1,129,436)**	(5,778,946)	**(8,660,804)**	(16,016,628)
Effect of changes in foreign currency exchange	**(200,325)**	38,831	**168,919**	(67,645)
Increase in cash and cash equivalents	**$ 2,878,967**	$ 39,676,673	**$ 5,489,787**	$ 58,049,811

Cash flow from operating activities generated $4,965,655 in the quarter and $16,239,645 for the fiscal year ended May 31, 2009 which compares favorably to cash consumed by operating activities for the corresponding periods of the previous fiscal year of $3,519,086 and $2,163,317 respectively. These increases in cash flow from operations are primarily due to higher net earnings which were only partially offset by non-cash working capital requirements resulting primarily from an increase in inventories.

Financing activities required cash of $756,927 during the fourth quarter and $2,257,973 for the year ended May 31, 2009 and reflected primarily the repayment of the foreign currency denominated bank loans and scheduled installments on our long term debt. This compares with cash generation from financing activities of $48,935,874 and $76,297,401 for the corresponding periods of the previous fiscal year resulting mainly from the proceeds of our IPO which netted $31,417,006 combined with net proceeds of $44,147,461 for the issuance of four million common shares in April 2008.

Cash consumed in investing activities decreased to $1,129,436 during the fourth quarter down from $5,778,946 for the fourth quarter of the previous fiscal year where we invested in the construction of our new German facility. For the fiscal year ended May 31, 2009 investing activities required cash of $8,660,804 and approximately half of these investments were associated with the final stages of construction of our new German facility. This compares with $16,016,628 for the corresponding period of the previous fiscal year where most of these expenses were associated with the initial stages of construction of the very same facility.

Our cash position increased by $2,878,967 in the fourth quarter and by $5,489,787 during the fiscal year considered to reach a level of $65,066,530 as at May 31, 2009. This compares with cash increases of $39,676,673 and $58,049,811 for the corresponding periods of the previous fiscal year. We are very confident that this amount of cash combined with the cash flow from our operations will be sufficient to fund our working capital and capital expenditure requirements, and enable us to aggressively pursue our growth plan including acquisition opportunities.

The Company does not hold any commercial papers. Consequently, it has not been affected by the asset-backed commercial papers crisis.

Share Capital

Authorized

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

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

Issued and fully paid

	Number
Common shares	
Outstanding as at May 31, 2008	45,500,000
Issued on exercises of options	20,225
Outstanding as at May 31, 2009	**45,520,225**

Normal course issuer bid

On December 2, 2008 the Company announced its intention to repurchase for cancellation up to 2,275,000 common shares over the twelve-month period starting on December 4, 2008 and ending on December 3, 2009, representing 5% of 5N Plus' issued and outstanding common shares. The purchases by the Company will be effected through the facilities of the Toronto Stock Exchange and will be made at the market price of the common shares at the time of the purchase. During in the financial year ended May 31, 2009 no common shares were repurchased.

Stock option plan

In October 2007, the Company introduced a new stock option plan for directors, officers and employees. The maximum number of common shares that can be issued upon the exercise of options granted is equal to 10% of the aggregate number of common shares issued and outstanding from time-to-time. The maximum period during which an option may be exercised is ten years from the date of the grant. For the fiscal year ended May 31, 2009 the Company granted 466,430 options for a total of 1,439,055 granted options.

Under the stock option plan, a total of 3,110,945 common shares remained authorized for issuance as at May 31, 2009.

Order Backlog

The backlog of orders which are expected to translate into sales within the next 12 months was of $52,224,368 as at May 31, 2009 which is 73.1% higher than the corresponding backlog of $30,174,000 as at May 31, 2008.

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.

The Company's Germany subsidiary is committed to a number of conditions in its supply agreement with its major client. The reader will find more details related to this agreement in Note 18 c) to the consolidated financial statements as well as in the Risks and Uncertainties section of this Management's Report.

The Company is exposed to currency risk on sales of Canadian-made products in US dollars and in Euros 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 13 to the consolidated financial statements as well as in the Risks and Uncertainties section of this Management's Report.

Contractual Obligations

The following table summarizes our principal contractual obligations for our normal business operations as at May 31, 2009:

Payment due by period	2010	2011	2012	2013	2014	Thereafter	Total
Total debt and interest	$ 710,992	$ 607,477	$ 593,226	$ 578,975	$ 564,724	$ 2,116,744	$ 5,172,138
Leases	640,268	610,268	610,268	208,216	17,351	–	2,086,371
Purchase obligations	239,321	–	–	–	–	–	239,321
	$ 1,590,581	$ 1,217,745	$ 1,203,494	$ 787,191	$ 582,075	$ 2,116,744	$ 7,497,830

Accounting Policies

The accounting policies are in accordance with those used in the preparation of the audited consolidated financial statements as at May 31, 2008, with the exception of the accounting changes listed below.

Changes in accounting policies

On June 1, 2008, the Company adopted the following sections of the CICA Handbook:

i. Section 1400, "General Standards on Financial Statement Presentation", has been amended to include requirements to assess and disclose an entity's ability to continue as a going concern.

ii. Section 1535, "Capital disclosures", establishes standards for disclosing information about an entity's capital and how it is managed. It describes the disclosure of the entity's objectives, policies and processes for managing capital as well as summary quantitative data on the elements included in the management of capital. The section seeks to establish whether the entity has complied with capital requirements and if not, the consequences of such non-compliance.

iii. Section 3031, "Inventories", provides guidance on the determination of cost and the subsequent recognition as an expense, including any write-down to net realizable value. The standard also permits the reversal of previous write-downs when there is a subsequent increase in the value of inventories. Finally, the standard provides guidance on the cost formulas that are used to assign costs to inventories and requires the consistent use of inventory policies by type of inventory with similar nature and use.

iv. Section 3862, "Financial Instruments—Disclosures", describes the required disclosures to evaluate the significance of financial instruments for the entity's financial position and performance as well as the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks. The cash and cash equivalents have been classified as available-for-sale assets. The Company does not carry any loans receivable, and its accounts receivable and grant receivable are measured at amortized cost, which approximates cost. The Company's accounts payable and accrued liabilities, income taxes payable and the long-term debt have been classified as other financial liabilities and are, therefore, measured at amortized cost.

v. Section 3863, "Financial Instruments—Presentation", establishes standards for the presentation of financial instruments and non-financial derivatives. It details the presentation of standards described in Section 3861, "Financial Instruments—Disclosure and Presentation".

The adoption of these new standards did not significantly impact the Company's financial position or its results of operations.

On March 1, 2009, the Company adopted the following accounting policies:

vi. The Emerging Issues Committee ("EIC") issued EIC-173 "Credit risk and the fair value of financial assets and financial liabilities", which requires that the fair value of financial instruments, including derivative financial instruments, takes into account the counterparties' credit risk for assets and the Company's credit risk for liabilities.

The adoption of these new standards did not significantly impact the Company's financial position or its results of operations.

vii. In January 2008, the CICA issued Section 3064 "Goodwill and Intangible Assets", which replaces Section 3062 "Goodwill and Others Intangible Assets", and results in the withdrawal of Section 3450 "Research and Development Costs", and Emerging Issues Committee Abstract 27 "Revenues and Expenditures during the Pre-operating Period", and amendments to Accounting Guideline No 11 "Enterprises in the Development Stage". The standard provides guidance on the recognition of intangible assets in accordance with the definition of an asset and the criteria for asset recognition as well as clarifying the application of the concept of matching revenues and expenses, whether these assets are separately acquired or internally developed. This standard applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. The Company has adopted retroactively this accounting standard to the Company's consolidated statement of earnings for the year ended May 31, 2008 and the main impacts are:

		Increase (Decrease)
Consolidated statement of earnings		
Start-up costs	$	821,008
Earnings before income taxes	$	(821,008)
Income taxes	$	(229,882)
Net earnings	$	(591,126)
Consolidated balance sheet		
Current assets—Future income taxes	$	229,882
Deferred start-up costs	$	(821,008)
Retained earnings	$	(591 126)

Future changes in accounting policies

i. In 2005, the Accounting Standards Board of Canada announced that accounting standards in Canada are to converge with International Financial Reporting Standards ("IFRS"). In May 2007, the CICA published an updated version of its "Implementation Plan for Incorporating International Financial Reporting Standards" into Canadian GAAP. This plan includes an outline of the key decisions that the CICA will need to make as it implements the Strategic Plan for publicly accountable enterprises that will converge Canadian GAAP with IFRS. In February 2008, the CICA confirmed the change over date from current Canadian GAAP to IFRS to be January 1, 2011. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policies which must be addressed. The Company is currently evaluating the impact of these new standards.

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

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

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

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

Critical Accounting Policies

Use of estimates

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

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.

Reliance on major customer

For the year ended May 31, 2009, 78% of our sales were made to one customer. The loss of, or a decrease in the amount of business from this customer, could significantly reduce our net sales and harm our operating results.

Credit risk

The Company is exposed to credit risk that is mainly associated with its accounts receivable The Company concluded an agreement with Export Development Canada (EDC) which stipulates that EDC will assume a portion of risk loss for certain clients in the event of non-payment, up to a maximum of $1,500,000 per year. The Company does not require additional guarantee or other securities from its clients in regard to its accounts receivable. However, credit is granted only to clients after a credit analysis is performed. The Company conducts ongoing evaluations of its clients and establishes provisions for doubtful accounts, should an account be considered not recoverable. One costumer represented 79% of accounts receivable as at May 31, 2009.

Interest rate risk

The Company's level of debt is currently low, and bears interest at floating rate. Should its indebtedness increase, the Company's policy would be to limit its exposure to interest rate risk variations by ensuring that a reasonable portion of the debt is at fixed rates. Management does not believe that the impact of interest rate fluctuations will be significant on its operating results

Price risk

The Company is exposed to a risk of fluctuations in market prices for metals. This risk is managed by adequately forecasting and scheduling the acquisition of inventories to meet its fixed price contractual obligations to its customers. Financial instruments do not expose the Company to raw material price risks.

Currency risk

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

Fair value

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

Sources of supply

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

Market acceptance and reliance on thin-film and photovoltaic technologies

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

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.

Competition

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

Dependence on key personnel

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

Business interruptions

We may incur losses resulting from business interruptions. In many instances, especially those related to our long-term contracts, we have contractual obligations to deliver product in a timely manner. Any disruption in our activities which leads to a business interruption could harm 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 critical to our business. We rely almost exclusively on a combination of trade secrets and employee confidentiality agreements to safeguard our intellectual property. We have deliberately chosen to limit our patent position to avoid disclosing valuable information. Failure to protect and monitor the use of our existing intellectual property rights could result in the loss of valuable technologies and processes.

Option to First Solar to purchase our German manufacturing facility

One of our supply agreements with First Solar contains a "call" option under which First Solar may, if we are unable to comply with our contractual obligations, purchase all of our equity interests in our German subsidiary. As a result, we may be obligated to sell our German subsidiary for a fixed price, which would adversely impact our growth prospects and have an adverse material effect on our results of operations.

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

As at May 31, 2009, the Company complied with the terms and conditions of the agreement.

Disclosure Controls and Procedures

The Company's management is responsible for establishing and maintaining appropriate control systems, procedures and information systems, thereby ensuring that the information it discloses is reliable and complete. The Company applies financial information disclosure rules and takes the necessary actions to comply with new accounting standards once they come into force. The Company also applies the standards set by the capital markets regulatory authorities. The Chief Executive Officer and the Chief Financial Officer together with Management, after evaluating the effectiveness of the Company's internal control systems, procedures and information systems as of May 31, 2009 concluded that the Company's internal control systems, procedures and information systems were effective. The evaluation was performed in accordance with the Committee of Sponsoring Organizations of the Treadway Commission (COSO) control framework adopted by the Company.

Internal control over financial reporting

The Chief Executive Officer and the Chief Financial Officer are responsible for establishing and maintaining appropriate internal controls over financial reporting (ICFR) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP. The Chief Executive Officer and the Chief Financial Officer together with Management, after evaluating the effectiveness of the Company's internal control over financial reporting as of May 31, 2009 concluded that the Company's internal control over financial reporting was effective.

Non-GAAP Measures

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

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

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

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

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

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

Comparative Figures

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

Additional Information

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