



**5N PLUS INC.**

**ANNUAL INFORMATION FORM**

**For the fiscal year ended December 31, 2011**

**March 28, 2012**

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Unless otherwise indicated, all references to “dollars” and the symbol “\$” in this Annual Information Form are to U.S. dollars. Information is at December 31, 2011, unless otherwise noted.

### INFORMATION INCORPORATED BY REFERENCE

The audited consolidated financial statements of 5N Plus Inc. (the “Corporation” or “5N Plus”) for the seven-month fiscal year ended December 31, 2011 and the notes thereto as well as Management’s Discussion and Analysis of the operating results, cash flow and financial position are specifically incorporated herein by reference.

### CAUTION REGARDING FORWARD-LOOKING INFORMATION

Certain statements in this Annual Information Form 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 Corporation at the time and involve known and unknown risks, uncertainties or other factors that may cause the Corporation’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 acquisitions, additional indebtedness, credit, interest rates, inventory pricing, currency fluctuation, fair value, source of supplies, 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 5N Plus’ Management’s Discussion and Analysis for the year ended December 31, 2011, which may be viewed on SEDAR at [www.sedar.com](http://www.sedar.com). 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 Annual Information Form 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 Annual Information Form 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.

We caution readers that the risks described above are not the only ones that could have an impact on our expectations expressed in or implied by the forward-looking information included in this Annual Information Form. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also have a material adverse effect on our business, financial condition or results of operations.

## **CORPORATE STRUCTURE**

5N Plus results from the amalgamation on October 1, 2007 of 5NPlus Inc. and 6367909 Canada Inc., two affiliated corporations, under the *Canada Business Corporations Act*. On December 18, 2007, our articles of amalgamation were amended so as to sub-divide our common shares on the basis of 83.3636772 common shares for each issued and outstanding common share.

The first of the amalgamated corporations, 5NPlus Inc., was incorporated under the *Canada Business Corporations Act* on July 12, 1999 under the name 3639398 Canada Inc. Its Articles of Incorporation were amended on February 8, 2000 to change the corporate name to 5NPlus Inc. These articles were again amended on January 21, 2003 to effect certain changes to the authorized share capital.

The second of the amalgamated corporations, 6367909 Canada Inc., was incorporated under the *Canada Business Corporations Act* on March 24, 2005. Its Articles of Incorporation were amended on April 1, 2005 to effect certain changes to the authorized share capital.

Prior to the amalgamation, the shareholders of 5NPlus Inc. and 6367909 Canada Inc. were the same, with the exception that: (i) 6367909 Canada Inc. was a shareholder of 5NPlus Inc.; and (ii) a number of our employees held Class B non-voting shares of 5NPlus Inc.

Our head and registered office is located at 4385 Garand Street, Montreal, Québec H4R 2B4.

## **SUBSIDIARIES**

Our activities are conducted either directly or through subsidiaries. The table below lists our principal subsidiaries, as well as their jurisdiction of incorporation and the percentage of voting shares held directly or indirectly by the Corporation. Certain subsidiaries whose total assets did not represent more than 10% of the Corporation's consolidated assets as at December 31, 2011 or whose sales and operating revenues did not represent more than 10% of the Corporation's consolidated sales and operating revenues for the seven-month period ended December 31, 2011 have been omitted.

5N PV GmbH (Germany)	100%
5N Plus Trail Inc. (Canada)	100%
5N Plus Asia Limited (Hong Kong)	100%
5N Plus UK Limited (England)	100%
5N Plus Belgium (Belgium)	100%
5N Plus Lübeck GmbH (Germany)	100%
5N Plus Shangyu Co. Ltd (Shangyu)	100%
5N Plus Fairfield Inc. (United States)	100%

Unless the context indicates otherwise, the terms "we", "our" and "us" as used in this Annual Information Form refer to 5N Plus together with its subsidiaries.

## **GENERAL DEVELOPMENT OF THE BUSINESS**

### **Three-Year History**

The highlights relating to the development of our business over the past three years are described below.

On July 29, 2008, we announced that our new facility in Eisenhüttenstadt, Germany was operational. On that day, the facility began shipments of cadmium telluride (CdTe) and other products as well as recycling activities in accordance with our contractual obligations. The facility is owned and operated by 5N PV GmbH.

On September 1, 2009, we established a joint venture called ZT Plus with BSST, a subsidiary of Amerigon Incorporated, in which we had a 50% ownership interest. ZT Plus was to develop and manufacture advanced, more efficient thermoelectric

materials designed to enable the use of thermoelectric technology in a wide variety of heating and cooling and power-generation applications for the industrial, consumer, medical, electronics and automotive markets. The contribution of each partner in cash or in kind was expected to be US\$5,500,000. The commercial progress of ZT Plus was slower than anticipated and on March 26, 2010, we sold our interest for \$1,600,000.

On December 1, 2009, we acquired Firebird Technologies Inc. ("Firebird") for CDN\$7,912,055. Firebird is a leading manufacturer of pure metals and semiconductor compounds. Firebird's main products, which include indium antimonide wafers as well as purified metals such as antimony, indium and tin, are sold worldwide and used in a number of electronic and optical applications. Firebird is located in Trail, British Columbia.

In September 2010, we were added to the S&P/TSX Small Cap Index and S&P/TSX Clean Technology Index.

Effective January 1, 2011, we entered into a new recycling agreement and three new supply agreements with First Solar, Inc. ("First Solar"), a global leader in solar photovoltaic technology. The new agreements, which were to be in effect until December 31, 2015, replaced the original recycling and supply agreements between us and First Solar, as amended. Under the new agreements, First Solar agreed to increase the minimum prescribed quantities of cadmium telluride (CdTe) that it would order from us.

On January 10, 2011, we agreed to convert a \$3 million debenture that we had provided to Sylarus Technologies, LLC ("Sylarus") in June 2010 into a 66.67% majority interest. We also agreed to provide additional funding of \$766,000 in the form of secured debt, in order to allow Sylarus to repay its short-term debt. We intend to support Sylarus' capital expenditures, working capital requirements and development expenses as needed. Sylarus supplies low-cost, premium-quality germanium wafers to the manufacturers of multi-junction, compound semiconductor photovoltaic cells. These high-efficiency solar cells are used for both space and terrestrial solar power generation.

On February 3, 2011, we announced our intention to build a new recycling plant in Malaysia, in order to position ourselves to meet growing customer demand. The new Malaysian plant, which is expected to be operational by mid-2012, is intended to expand our recycling presence in Asia and provide recycling services for various solar cell manufacturing by-products, including those produced by First Solar.

On February 26, 2011, we entered into a definitive Acquisition Agreement (the "Acquisition Agreement") with the shareholders of MCP Group SA ("MCP") to acquire all of the outstanding shares of MCP. MCP is the world's leading producer and distributor of bismuth and bismuth chemicals, with a market share that management estimates to be more than 50%. It is also an important player in other specialty metals, including gallium, indium, selenium and tellurium. Its products are used mainly in advanced electronic, pharmaceutical and industrial applications.

On April 8, 2011, we completed the acquisition of all of the issued and outstanding shares of MCP for: (i) cash consideration of \$149.2 million (€105,793,548); (ii) promissory notes and holdback to the selling shareholders of MCP in an aggregate amount of \$89.3 million (€61,879,244); and (iii) 11,377,797 common shares to the selling shareholders of MCP at CDN\$7.73 per share for a consideration of \$91.9 million, for a total consideration of \$330.5 million. In addition, we agreed to assume the net debt of MCP, which represented €65.6 million as of December 31, 2010, most of which was comprised of short-term debt used to fund MCP's working capital requirements.

In connection with the acquisition of MCP, on April 11, 2011, Frank Fache, co-Chief Executive Officer of MCP, was appointed as our Executive Vice President, Strategic Supply and to our Board of Directors, and Laurent Raskin, also co-Chief Executive Officer of MCP, was appointed as our Executive Vice President, Business Development. Mr. Raskin joined our Board of Directors at our annual meeting of shareholders held on October 6, 2011.

On April 11, 2011, we completed a bought deal public offering by issuing 13,590,000 common shares at a price of CDN\$9.20 per share, for total proceeds of CDN\$125 million. The public offering was made by way of short-form prospectus filed with the securities commissions of each of the provinces of Canada, as well as in the United States under applicable registration statement exemptions.

In April 2011, we decided to close Atlumin Energy Inc. (“Atlumin”), a subsidiary of MCP located in Sunnyvale, California. Atlumin was a producer of solar-related products.

On July 12, 2011, we completed a new CDN\$250 million senior secured multi-currency revolving credit facility to replace our existing CDN\$50 million two-year senior secured revolving facility with National Bank of Canada. The new credit facility was used to refinance our indebtedness at the time and is currently used for other corporate purposes, including capital expenditures and growth opportunities. The new credit facility has a four-year term and bears interest at either prime rate, U.S. base rate, LIBOR or EURO LIBOR plus a margin based on our senior consolidated debt to EBITDA ratio. We also have a \$35 million credit facility in Asia. At any time, we have the option to request that the new credit facility be expanded to \$350 million through the exercise of an additional \$100 million accordion feature, subject to review and approval by the lenders.

On August 24, 2011, we announced a change to our financial year end from May 31 to December 31. This change has aligned our financial year end with the financial year end of MCP, simplifying internal processes as all of our business units now use the same reporting period. Due to this change, our fiscal year ended December 31, 2011 is comprised of seven months.

On October 14, 2011, we announced the signature of a memorandum of understanding (“MOU”) with Rio Tinto Alcan, a global leader in the aluminum industry. This MOU will allow 5N Plus and Rio Tinto Alcan to pursue discussions regarding a project to recover gallium from an alumina production stream at Rio Tinto Alcan’s alumina facility in Vaudreuil, Québec.

On November 7, 2011, we announced an agreement to acquire the remaining 40% ownership interest in the joint-venture company Laos Industrial Resources Co Ltd., which focuses on metal refining. We also announced that we would set up a gallium chemicals plant in Korea in conjunction with Hong Kong-based Golden Harvest Investments Limited, a leading producer of primary gallium. 5N Plus and Golden Harvest have been joint venture partners in a gallium refining facility located in Shenzhen, China since 2009. The new Korean facility will produce gallium chemicals for the growing LED market.

On March 12, 2012, we entered into a new Cadmium Telluride (CdTe) Supply Agreement with First Solar, which enters into effect on April 1, 2012 and replaces the three existing Supply Agreements between 5N Plus and First Solar referred to above. The new Supply Agreement, which is evergreen in nature, provides that we 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 us. We also announced that we have chosen to downsize our credit facility referred to above to \$200 million from \$250 million to better match our actual cash requirements. We have also idled our solar module recycling facility in Wisconsin until further notice.

## **DESCRIPTION OF THE BUSINESS**

### **Overview**

We are a leading producer of specialty metal and chemical products used in a number of advanced pharmaceutical, electronic and industrial applications. We deploy a range of proprietary and proven technologies to manufacture our products. 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.

We are an integrated supplier having both primary and secondary refining capabilities. Our primary refining capabilities allow us to treat very low-grade metal concentrates, and extract and refine the metals of interest so that they can be fed to our secondary refining operations, where we attain the highest level of purity. Once purified, our metals can be sold to customers in the form of pure metals, alloys or chemicals. Because we can perform extensive refining functions, allowing us to go from one end of the purity spectrum to the other, and we can manufacture chemicals and alloys, we consider ourselves a supplier with integrated refining capabilities. In addition, our primary refining capabilities enable us to treat complex feeds and very low-grade concentrates containing only small amounts of the metals of interest, playing an important role in the recycling of the specialty metals that we produce.

Purification and manufacturing activities are carried out using a variety of metallurgical and chemical processes. Our raw materials or “feedstock” are generally in the form of concentrates or recyclable materials containing the metals of interest. Given the nature of our activities and the metals that we purify, we operate under, and comply with, stringent environmental, health and safety conditions. Several of our operations are either certified (ISO 9001 and ISO 14001 and OHSAS 18001) or have approval from the United States Food and Drug Administration (“FDA”), reinforcing our commitment to best practices in terms of operations, quality and health and safety.

### **Description of Segments**

We have two reportable business segments, namely Electronic Materials and Eco-Friendly Materials. Corresponding operations and activities are managed accordingly by key decision makers. Segmented operating and financial information, and labelled key-performance indicators, are available and used to manage these business segments, review performance and allocate resources. Financial performance of our two segments 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. For the seven-month fiscal year ended December 31, 2011, 47% of our revenues were derived from the Electronic Materials segment and 53% from the Eco-Friendly Materials segment. A comparative breakdown of business segment financial information can be found in Note 19 of our consolidated financial statements for the fiscal years ended December 31, 2011 and May 31, 2011, filed on SEDAR, which note is incorporated by reference in this Annual Information Form.

### **Electronic Materials Segment**

The Electronic Materials segment is headed by a Vice President who oversees locally-managed operations in North America, 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), medical imaging, light emitting diodes (LED), displays, high-frequency electronics 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. Management of such activities is also the responsibility of the Electronic Materials Vice President.

## Main Products, Markets & Demand

Cadmium is primarily used in rechargeable batteries and in low melting-point alloys. It is also extensively used in association with tellurium and sold by us in the form of CdTe for solar module and medical imaging applications. CdTe-based solar modules, pioneered industrially by one of today's largest solar module manufacturers, account for a sizeable portion of the solar module market.

Gallium is extensively used in electronic applications. Gallium arsenide (GaAs), for example, is the semiconductor of choice for wireless devices and high-frequency electronics, whereas gallium nitride (GaN) is preferred for light-emitting diodes (LED) and display applications. We generally sell gallium as a high purity metal or as a gallium chemical.

Germanium has unique properties for infrared optical applications and is also being used as a substrate for solar cells. We produce germanium blanks for semi-finished optics and germanium substrates through our majority-owned subsidiary, Sylarus. Other applications for germanium in the form of oxide or chloride include catalysts and optical fibers.

Indium is used primarily in display applications in the form of indium tin oxide (ITO). When indium is oxidised and alloyed with tin oxide, it forms a transparent oxide which is used to manufacture flat panel displays. Approximately 75% of the worldwide production of indium is used in this way with other applications, including low melting-point alloys and copper indium gallium selenide (CIGS) solar cells. We generally sell indium in the form of pure metal or as a chemical.

Tellurium is mainly used in the solar industry, electronics and metallurgical applications. We are active in all market segments selling, for example, CdTe to solar cell manufacturers, metal to bismuth telluride producers and tellurium alloys for metallurgical applications.

The following table sets out the products manufactured by our Electronic Materials segment and their primary applications as well as total annual worldwide production.

	<b>Cadmium</b>	<b>Gallium and gallium chemicals</b>	<b>Germanium</b>	<b>Indium and indium chemicals and alloys</b>	<b>Tellurium and tellurium chemicals</b>
<b>Applications</b>	Battery industry CdTe solar cells Alloys and metallurgical additives	LED lights Flat-panel displays Integrated circuits Optoelectronic devices Specialty alloys Energy storage Biomedical CIGS solar cells	Infrared optics Optical fibers Catalysts Solar cell substrates	Flat panel displays (ITO) Solders Thin-film coating CIGS solar cells Battery manufacturing Catalysts Ceramics Fuel cells	CdTe solar cells Medical imaging Thermoelectric devices Infrared detectors Optical storage
<b>Annual worldwide production<sup>(1)</sup></b>	>20,000 metric tons ("MT")	300 MT	100 MT	800 MT	550 - 600 MT

<sup>(1)</sup> Based on management estimates.

## Supply of Raw Materials

Several starting materials and supplies are used to produce and manufacture products of the Electronic Materials segment. Key raw materials include specialty metal concentrates which are procured from a number of non-ferrous metal suppliers with whom we have had long-term commercial relationships. Cadmium and indium are generally by-products of zinc refining and are generally purchased from zinc producers in various forms. We have our own primary joint-venture production plant for gallium which enables virgin gallium to be recovered from a Bayer Process liquor stream of an alumina refinery. Gallium is also purchased in various forms from other sources of operations. Germanium, a by-product of zinc or

coal, is typically procured in the form of concentrates. Tellurium is a by-product of copper, zinc or gold refining. It is procured from several sources worldwide.

### Competition

We have a limited number of competitors, none of which are as fully integrated or have a similar range of products as we do. Accordingly, they are not in a position to provide the same comprehensive set of services and products as we do. Main competitors depending on the market and metal considered include Indium Corporation in the United States, PPM Pure Metals GmbH in Germany, Neo Material Technologies Inc. in Canada and Vital Chemicals Co., Ltd. in China.

We continue to expect the competitive landscape to change as our markets develop and attract more interest. The basis for competition in this instance will be security of supply, price, environment, health and safety, and recycling. We believe that we are well positioned to compete effectively on these issues. We may also face competition from certain of our current suppliers, who are for the most part large non-ferrous mining, refining and metal processing companies. All of these are larger and have greater financial resources than we do. The basis for competition in this instance will be security of supply of feedstock, price and adaptation to change in the industry. We believe that our strong focus and greater flexibility will enable us to compete effectively.

### **Eco-Friendly Materials Segment**

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 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 principal products 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.

### Main Products, Markets and Demand

Bismuth is used as a replacement for lead in a number of industrial applications, including coatings, pigments, electronics, optics and glass. Bismuth is also used in the pharmaceutical industry and is the active ingredient in a number of drugs for treating stomach ulcers and other discomforts associated with the gastrointestinal tract. We sell bismuth in various forms, including chemicals and pure metals.

Selenium is used primarily in the metallurgical industry. Other applications for selenium include fertilizers, animal feed, optical glasses and electronics. We sell selenium in various forms, including powder, high-purity metal and chemicals, primarily oxide.

The following table sets out products manufactured by our Eco-Friendly Materials segment and their primary applications as well as total annual worldwide production.

	Bismuth and bismuth chemicals and alloys	Selenium and selenium chemicals
Applications	Pharmaceutical industry Electronics Cosmetics Magnets Non-toxic substitute for lead Alloys for soldering Lubricating greases Pigments Alloys and metallurgical additives	Glass industry Animal feeds Additive for production of electrolytic manganese Metallurgic additive CIGS solar cells Infrared optics Thermoelectric devices
Annual worldwide production <sup>(1)</sup>	12,000 MT	4,000 MT

<sup>(1)</sup> Based on management estimates.

Low melting alloys are also part of the product portfolio of the Eco-Friendly Materials segment. These are often used in the optics industry where dimensional stability and low temperature are important.

#### Supply of Raw Materials

Key raw materials used by the Eco-Friendly Materials segment are comprised primarily of bismuth and selenium feedstocks. Bismuth is often associated with lead, tin and tungsten and recovered as a by-product. We are a very sizeable refiner of bismuth and have dealings with most producers of primary bismuth worldwide. Selenium, much like tellurium, is primarily a by-product of copper refining and we purchase suitable feedstocks from several copper suppliers.

#### Competition

We have a dominant market share and a breadth of services and products which we believe is unique in the bismuth market. Accordingly, we believe that none of our competitors are able to compete very effectively with us in an otherwise fragmented industry. We continue to expect the competitive landscape to change as the bismuth market continues to develop and attract more interest. We believe that our ability to leverage both the supply chain and end products, which in many instances are subject to extensive qualification periods, thus creating a “first-mover” advantage, will enable us to continue to compete effectively.

#### **Sales and Marketing**

We sell and market our products directly via our own sales and marketing team, which includes 18 offices worldwide. We also rely on several agents located mainly in Asia. Together with our sales network, we have extensive local representation in all major markets including Asia, North America and Europe. We regularly attend trade shows and conferences to promote our products. Our web site ([www.5nplus.com](http://www.5nplus.com)) provides our customers with quick access to relevant information about us and our products. Some of our products are also subject to extensive qualification periods. We work very closely with our customers during this qualification period, by providing sample products, and adapting our products and processes to best meet the customers’ needs.

#### **Intangible Assets**

We rely almost exclusively on a combination of trade secrets and employee confidentiality agreements to safeguard our intellectual property. We hold only two patents, obtained in Canada and the United States, which are valid until 2029. We have not applied for patents in other countries with respect to the process for which we hold the foregoing patents. We have deliberately chosen to limit our patent position as most of our intellectual property and know-how is process related.

We acquired know-how, customer relationships, trade names and technology following the acquisition of Firebird in 2009 and MCP in 2011. We also developed know-how through internal research and development activities. Key components of our process are documented and all of our employees have entered into confidentiality agreements with us. We have not been subject to any material intellectual property claims.

**Environment, Health and Safety**

Our operations include the use, handling, storage, transportation, generation and disposal of hazardous substances. As a result, we are subject to various local, state, federal and foreign laws and regulations relating to the use of these hazardous substances, their associated occupational health and safety and the protection of the environment. Our facilities are regularly audited by third parties on behalf of our customers and governmental authorities to ensure that we conform at all times with all applicable laws and regulations including meeting ISO practices at all ISO-certified plants and FDA and Good Manufacturing Practices (GMP) requirements at our facility in Lubbeck, Germany.

Our 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 associated costs have been properly accounted for. The environmental permit for our Tilly facility is valid until October 2017.

An internal team is involved in environment, health and safety matters. To date, we have not experienced problems of a material nature regarding such matters. Biological monitoring for heavy metals is carried out on production workers via blood and/or urine samples. We also use the services of public health authorities and independent industrial hygienists to validate exposure levels in our facilities and to recommend appropriate action plans to reduce them, if needed, and advise our employees and management on the biological monitoring results.

**Insurance**

We carry all-risk and business interruption insurance, designed to protect our assets and business in the event that we are unable to carry out our production activities due to serious disturbances. We also carry insurance against pollution, which covers clean-up costs in an amount deemed appropriate for us. We also hold general liability insurance and directors’ and officers’ liability insurance for members of our Board of Directors and our executive officers.

**Employees (by segment)**

As at December 31, 2011, we employed approximately 725 persons on a full and part-time basis. Of these, an aggregate of approximately 79 employees at the Tilly, Belgium facility and Lübeck, Germany facility are covered by collective bargaining agreements. The collective agreement with respect to the employees at the Tilly, Belgium facility expires on December 31, 2012 and the collective agreement with respect to the employees at the Lübeck, Germany facility will expire at the end of March 2012 and is currently being renegotiated. Most of our employees are not unionized. Many of our employees hold university degrees in engineering or physical sciences and actively participate in our continuous improvement and development activities or are part of our senior management team. We consider our relationship with our employees to be very good.

The following table sets out the breakdown of our current personnel by category

Electronic Materials	Eco-Friendly Materials	Corporate	Total
372	231	122	725

## Properties

Besides the properties listed below, acquired with the acquisition of MCP, we own a 25,000 square foot building in Montreal, Québec, which houses our head office as well as manufacturing facilities. We also occupy a 33,000 square foot adjoining manufacturing facility under a lease expiring on May 31, 2017, for which we have one five-year renewal option. We acquired 118,000 square feet of land in Eisenhüttenstadt, Germany in May 2007 where we built our new German manufacturing facility (43,000 square feet), which became operational on July 29, 2008. We also acquired an option at the same time, which can be exercised until May 2012, to increase the size of the land by an additional 100,000 square feet. We operate a 40,000 square foot facility dedicated to advanced semiconductor processing, metal purification and recycling in Trail, British Columbia. The construction of the facility was completed, and it became operational, in May 2011.

The following table sets out information regarding certain of the production facilities operated by the former MCP as of December 31, 2011, setting out, in each case, the name of the subsidiary, location of the facility and products manufactured:

<b>Owned</b>	
<b>5N Plus Lübeck GmbH</b> Lübeck, Germany  Bismuth and bismuth chemicals	<b>5N Plus UK Ltd.</b> Wellingborough, Northants, England  Bismuth, gallium, indium, selenium, tellurium, tin, alloys and chemicals
<b>5N Plus Shangyu Co. Ltd</b> Shangyu, Zhejiang, China  Bismuth and bismuth chemicals	<b>5N Plus Fairfield Inc.</b> Fairfield, Connecticut, U.S.A.  Low metal-point alloys
<b>5N Plus Belgium</b> Tilly, Belgium  Bismuth and bismuth alloys	<b>Lao Industrial Resources Co. Ltd.</b> Vientiane, Laos  Tellurium
<b>Ingal Stade GmbH<sup>(1)</sup></b> Stade, Germany  Gallium	

(1) 5N Plus owns 50% of the shares of Ingal Stade GmbH.

We have sales offices at all of the foregoing locations and sales offices in Hong Kong, China; Moscow, Russia; Livron-sur-Drôme, France; Madrid, Spain; Lima, Peru; and Shenzhen, China.

## RISK FACTORS

A description of the risks affecting our business and activities appears under the heading “Risks and Uncertainties” on pages 15 to 17 of our Management’s Discussion and Analysis for the seven-month fiscal year ended December 31, 2011, which pages are incorporated by reference into this Annual Information Form. The Management’s Discussion and Analysis is available on SEDAR ([www.sedar.com](http://www.sedar.com)).

## DIVIDENDS AND DIVIDEND POLICY

Our policy is to reinvest our earnings in order to finance the growth of our business. As a result, we do not intend to pay dividends in the foreseeable future. Any future determination to pay cash dividends will be at the discretion of our Board of Directors and will depend on our financial condition, operating results and capital requirements and such other factors as the Board of Directors deems relevant.

## DESCRIPTION OF CAPITAL STRUCTURE

### *Common Shares*

We are authorized to issue an unlimited number of common shares, all without nominal or par value. The holders of our common shares are entitled to: (a) vote at all meetings of shareholders, except meetings at which only holders of a specified class of shares are entitled to vote; (b) receive any dividend declared by us on the common shares; and (c) subject to the rights, privileges, restrictions and conditions attaching to any other class of our shares, receive our remaining property upon our dissolution, liquidation or winding-up.

As at March 28, 2012 there were 71,004,656 common shares issued and outstanding.

### *Preferred Shares*

We are also authorized to issue an unlimited number of preferred shares, none of which are currently issued and outstanding. The preferred shares may be issued in one or more series, with such rights and conditions as may be determined by the Board of Directors. There are no voting rights attached to the preferred shares except as prescribed by law. The preferred shares will rank ahead of the common shares with respect to the payment of dividends and return of capital in the event of our liquidation, dissolution or other distribution of assets for the purpose of winding-up our affairs.

## MARKET FOR SECURITIES

Our common shares have been listed and posted for trading on the Toronto Stock Exchange under the trading symbol "VNP" since December 20, 2007. The following table sets out the price range and trading volume of the common shares as reported by the Toronto Stock Exchange for the seven-month fiscal year ended December 31, 2011.

Year	Month	Price range		Volume
		High	Low	
2011	June .....	CDN\$ 9.12	CDN\$ 8.20	1,868,572
	July.....	9.14	8.15	1,258,443
	August .....	9.00	6.25	2,747,235
	September.....	8.79	7.25	1,886,220
	October .....	7.89	6.51	2,703,320
	November.....	6.85	5.21	2,783,794
	December .....	7.10	4.64	3,681,002

## ESCROWED SECURITIES OR SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

Other than the shares issued to the selling shareholders of MCP, none of our shares are held in escrow or subject to contractual restrictions on transfer. In connection with the acquisition of MCP, each of the selling shareholders entered into a lock-up agreement with us, restricting the transfer and sale of an aggregate of 11,377,797 of our shares issued in consideration for the acquisition of all of the issued and outstanding common shares of MCP. Under the terms of the lock-up agreement, the shares that we issued to the selling shareholders of MCP may not be transferred for up to 18 months after the closing date of the acquisition (April 8, 2011), with one-third of these common shares to be released from such

requirement every six months after the closing date. The first release occurred on October 8, 2011; the two remaining release dates are April 8, 2012 and October 8, 2012, respectively.

Designation of class	Number of securities as at December 31, 2011 subject to a contractual restriction on transfer	Percentage of class
Common Shares	7,623,124	10.74%

## DIRECTORS AND SENIOR OFFICERS

### Name, Occupation and Security Holding

The following table sets out the name, municipality of residence, position with us and principal occupation of our directors and executive officers and, in the case of the directors, the date first elected or appointed, if applicable. Directors are elected until the next annual meeting of shareholders, unless a director resigns or his office becomes vacant by removal, death or other cause.

Name, municipality of residence and position held within the Corporation	Director since	Principal occupation	Shares beneficially owned, or controlled or directed, directly or indirectly as at March 28, 2012	Percentage of total outstanding shares as at March 28, 2012
Jacques L'Écuyer ..... Montreal, Québec, Canada President, Chief Executive Officer and Director	September 1999	President and Chief Executive Officer 5N Plus Inc.	16,312,188	22.98%
Dennis Wood <sup>(1)(2)</sup> ..... Magog, Québec, Canada Chairman of the Board of Directors	October 2007	President and Chief Executive Officer Dennis Wood Holdings Inc. (holding company)	120,000	0.17%
Jean-Marie Bourassa <sup>(1)</sup> ..... Montreal, Québec, Canada Director	January 2008	Managing Partner Bourassa Boyer Inc. (chartered accountants)	200,000	0.21%
John Davis <sup>(1)(2)</sup> ..... Beaconsfield, Québec, Canada Director	June 2000	Retired Executive	5,000	0.01%
Pierre Shoiry <sup>(2)</sup> ..... Town of Mount Royal, Québec, Canada Director	January 2008	President and Chief Executive Officer Genivar Inc. (engineering services firm)	33,300	0.05%
Laurent Raskin ..... Tilly, Belgium Executive Vice President, Business Development and Director	October 2011	Executive Vice President, Business Development 5N Plus Inc.	2,794,148	3.94%
Frank Fache ..... Hong Kong, China Executive Vice President, Strategic Supply and Director	April 2011	Executive Vice President, Strategic Supply 5N Plus Inc.	3,157,471	4.45%
David Langlois ..... Boucherville, Québec, Canada Chief Financial Officer	--	Chief Financial Officer 5N Plus Inc.	2,300	0.00%

<b>Name, municipality of residence and position held within the Corporation</b>	<b>Director since</b>	<b>Principal occupation</b>	<b>Shares beneficially owned, or controlled or directed, directly or indirectly as at March 28, 2012</b>	<b>Percentage of total outstanding shares as at March 28, 2012</b>
Nicholas Audet..... Montreal, Québec, Canada Vice President, Business Unit Electronic Materials	--	Vice President, Business Unit Electronic Materials 5N Plus Inc.	87,751	0.12%
Sebastian Voigt..... Hamburg, Germany Vice President, Business Unit Eco-Friendly Materials	--	Vice President, Business Unit Eco-Friendly Materials 5N Plus Inc.	—	—
Marc Binet..... Tilly, Belgium Vice President, Secondary Materials	--	Vice President, Secondary Materials 5N Plus Inc.	—	—
Jean Bernier..... Boucherville, Québec, Canada Vice President, Human Resources	--	Vice President, Human Resources 5N Plus Inc.	5,000	0.01%
Marc Suys..... Laval, Québec, Canada Vice President, Corporate Affairs	--	Vice President, Corporate Affairs 5N Plus Inc.	2,401,965	3.38%

(1) Member of the Audit Committee.

(2) Member of the Compensation Committee.

During the last five years, our directors and executive officers have been engaged in their current principal occupations or in other executive capacities with the companies indicated opposite their names or with related or affiliated companies, except for:

- Jean Bernier, who prior to June 2007 was Operations Manager of ABB's Analytical Business.
- David Langlois, who prior to November 2009 was the Vice-President of Corporate Accounting and Information Management at National Bank Financial.
- Frank Fache was the Co-Chief Executive Officer of MCP. He was, prior to his role at MCP, the Chief Executive Officer of Ferromin.
- Laurent Raskin was the Co-Chief Executive Officer of MCP and previously acted as the Chief Executive Officer of Sidech.
- Marc Binet joined Sidech in 2003 as Managing Director and was responsible for the development of its recycling activities. He was subsequently promoted in 2008 to Director of Recycling of MCP.
- Sebastian Voigt joined MCP in 1996 as Sales Director and was promoted in 2008 to Managing Director of MCP HEK in Germany.

As at March 28, 2011, to the best of our knowledge, our directors and executive officers owned, directly or indirectly, or exercised control or direction over an aggregate of 25,119,123 common shares, representing 35.38% of all issued and outstanding common shares.

#### **Cease-Trade Orders, Bankruptcies, Penalties or Sanctions**

To our knowledge, none of the persons whose names appear in the table set out above:

- (a) is, or within the last ten years has been, a director, chief executive officer or chief financial officer of any company that:

- (i) was subject to a cease-trade order, an order similar to a cease-trade order, or an order that denied the relevant company access to any exemption under applicable securities legislation, and which in all cases was in effect for a period of more than 30 consecutive days (an “Order”), which Order was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer of such company; or
  - (ii) was subject to an Order that was issued after the proposed director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer of such company; or
- (b) is, or within the last ten years has been, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, with the exception of Mr. Dennis Wood, who: (i) has since 2001 been a director of GBO Inc. (formerly Groupe Bocenor Inc.), a window and door manufacturer, which in February 2004 made a proposal to its creditors under the *Bankruptcy and Insolvency Act* (Canada), which proposal was accepted by the creditors in July 2004 and approved by the Superior Court of Québec in August 2004; and (ii) is a director of Blue Mountain Wallcoverings Group Inc., which in March 2009 was granted an initial order pursuant to section 11 of the *Companies’ Creditors Arrangement Act* (Canada), providing creditor protection to the company and its subsidiaries; or
- (c) has, within the last ten years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his assets.

None of the persons whose names appear in the table set out above has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether or not to make an investment decision.

### **Conflicts of Interest**

There are no existing or potential material conflicts of interest between us or our subsidiaries and any of our officers or directors or those of our subsidiaries.

### **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

During the seven-month fiscal year ended December 31, 2011, we were not party to, and none of our property was the subject of, any legal proceedings, which are material to our operations. To our knowledge, no such legal proceedings are currently contemplated.

During the seven-month fiscal year ended December 31, 2011: (i) we were not subject to any penalty or sanction imposed by a court relating to securities legislation or by a securities regulatory authority; (ii) we did not enter into any settlement agreements with a court relating to securities legislation or with a securities regulatory authority; and (iii) there were no other penalties or sanctions imposed by a court or regulatory body against us that would likely be considered important to a reasonable investor in making an investment decision.

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

During the three fiscal years ended May 31, 2011 and the seven-month fiscal year ended December 31, 2011, we did not complete any transaction that has materially affected or will materially affect us in which any: (i) of our directors or executive officers; (ii) person or company that is the direct or beneficial owner of, or who exercises control or direction over, more than 10% of our outstanding voting securities; or (iii) associate or affiliate of the persons referred to in (i) or (ii) above, had any material interest, direct or indirect, other than the acquisition of all of the shares of MCP on April 8, 2011. Frank Fache and Laurent Raskin, who were among the selling shareholders of MCP, were appointed after the completion of the acquisition as our Executive Vice President, Strategic Supply and Executive Vice President, Business Development, respectively, and both Messrs. Fache and Raskin were appointed or elected to our Board of Directors.

## **TRANSFER AGENT AND REGISTRAR**

The transfer agent and registrar for our common shares is Computershare Investor Services Inc. at its principal offices in Montreal and Toronto.

## **MATERIAL CONTRACTS**

Since June 1, 2011, other than in the ordinary course of business, we have not entered into any contracts that are material to us, except for the following contract:

- (a) the Amended and Restated Credit Agreement dated August 11, 2011 among us and National Bank of Canada, HSBC Bank Canada, KBC Bank NV, The Toronto-Dominion Bank, Canadian Imperial Bank of Commerce, Business Development Bank of Canada and Laurentian Bank of Canada entered into in connection with our new \$250 million senior secured multi-currency revolving credit facility.

## **NAMES AND INTEREST OF EXPERTS**

Our auditors are PricewaterhouseCoopers LLP, Chartered Accountants, located at 1250 René-Lévesque Boulevard West, Montreal, Québec H3B 4W2, who reported on the consolidated annual financial statements for the seven-month fiscal year ended December 31, 2011, which have been filed under National Instrument 51-102 *Continuous Disclosure Obligations*. PricewaterhouseCoopers LLP is independent in accordance with the auditors' rules of professional conduct in Québec.

## **INFORMATION ON THE AUDIT COMMITTEE**

### **Audit Committee Charter**

The Audit Committee Charter sets out the roles and responsibilities of the Audit Committee of our Board of Directors. A copy of the charter is annexed hereto as Schedule A.

The Audit Committee oversees our financial reporting process and internal controls, and consults with management, our accounting department and our independent auditors on matters related to our annual audit and internal controls, published financial statements, accounting principles and auditing procedures. The Audit Committee also reviews management's evaluation of the auditors' independence and submits to the Board of Directors its recommendations on the appointment of auditors. The members of the Audit Committee are Jean-Marie Bourassa (Chairman), John Davis and Dennis Wood, all of whom are "independent" and financially literate within the meaning of applicable Canadian securities laws. Jean-Marie Bourassa is the Managing Partner of Bourassa Boyer Inc., who were the auditors of 5NPlus Inc. and 6367909 Canada Inc. until May 18, 2007.

The relevant experience of each member of the Audit Committee is described below:

**Jean-Marie Bourassa** is the founding President and Chief Executive Officer of Bourassa Boyer Inc., an accounting firm. He also serves on the Board of Directors of Savaria Corporation, which is listed on the Toronto Stock Exchange, and is involved

with various private companies as a shareholder and a director. Mr. Bourassa has been a Chartered Accountant since 1976 and attained corporate governance certification at Université Laval in 2009.

**John Davis** retired from Noranda Inc. after 25 years in technical development and management. As Director, Strategic Planning and Coordination, he helped Noranda Inc. develop new businesses in several advanced technologies, including those that are now the basis for our business, and was involved in a number of successful investment initiatives. Mr. Davis has a Bachelor's degree in Chemistry from Imperial College, University of London. He is an Associate of the Royal College of Science and has completed the Management Development Program at Northeastern University.

**Dennis Wood** is President and Chief Executive Officer of Dennis Wood Holdings Inc., a position he has held since 1973. A very experienced businessman, Mr. Wood is a board member of many companies, such as National Bank Trust, Transat A.T. inc., The Jean Coutu Group (PJC) Inc., Rite Aid Corporation and Azimut Exploration Inc. Mr. Wood is the Interim President and Chief Executive Officer and Chairman of the Executive Committee of GBO Inc. (formerly Le Groupe Bocenor Inc.). In 1987, he received an honorary Ph.D. from the Université de Sherbrooke. Mr. Wood is a recipient of the Order of Canada.

### **Reliance on Certain Exemptions**

Since December 20, 2007, we have not relied on any of the exemptions regarding the Audit Committee provided in *Multilateral Instrument 52-110 Audit Committees* of the Canadian Securities Administrators.

### **Audit Committee Oversight**

Since December 20, 2007, our Board of Directors has not failed to adopt a recommendation of the Audit Committee to nominate or compensate an external auditor.

### **Pre-Approval Policies and Procedures**

The policies and procedures of the Audit Committee regarding the engagement of non-audit services are set out in the Audit Committee Charter, which is annexed hereto as Schedule A.

### **External Auditor Service Fees**

The following table lists the fees invoiced by PricewaterhouseCoopers LLP, Chartered Accountants during the seven-month fiscal year ended December 31, 2011 and the fiscal year ended May 31, 2011, in Canadian dollars, for various services rendered to us:

	<b>Seven-month fiscal year ended December 31, 2011 (In Canadian dollars)</b>	<b>Fiscal year ended May 31, 2011 (In Canadian dollars)</b>
<b>Audit fees</b>	\$681,515	\$609,500
<b>Audit-related fees</b>	\$68,250	\$77,635
<b>Tax fees</b>	-	\$117,548
<b>All other fees</b>	\$494,319	\$714,461

### **ADDITIONAL INFORMATION**

Additional information, including directors' and officers' compensation and indebtedness (if any), principal holders of our securities and securities authorized for issuance under equity compensation plans, that is not included herein, will be contained in our management proxy circular prepared in connection with our annual meeting of shareholders to be held on May 10, 2012. Additional information relating to us may be found on SEDAR, at [www.sedar.com](http://www.sedar.com).

Additional financial information may be found in our financial statements and management's discussion and analysis for the seven-month fiscal year ended December 31, 2011.

**SCHEDULE A**  
**CHARTER OF THE AUDIT COMMITTEE**

The Audit Committee (“**Audit Committee**”) is appointed by the Board of Directors (“**Board**”) of 5N Plus Inc. to assist it in overseeing the Corporation’s financial controls and reporting. The Audit Committee also monitors whether the Corporation complies with financial covenants and legal and regulatory requirements governing financial disclosure matters and financial risk management.

**COMPOSITION AND QUORUM**

The Audit Committee is composed of a minimum of three members or a greater number as determined by the Board, each of whom qualifies as an independent director under *Regulation 52-110 respecting audit committees*. (“**Regulation 52-110**”). Every Audit Committee member must be financially literate (as such term is defined in Regulation 52-110) and at least one member must be an accounting or financial management expert.

The quorum at any meeting of the Audit Committee is a majority of its members.

**MANDATE**

The Audit Committee has the following responsibilities:

**A. Overseeing Financial Reporting**

- Reviewing with management and the external auditors the annual financial statements and accompanying notes, the external auditors’ report thereon and the related press release, including the information contained in management’s discussion and analysis, before recommending Board approval and prior to their release, filing and distribution.
- Reviewing with management and the external auditors the quarterly financial statements and accompanying notes and the related press release, including the information contained in management’s discussion and analysis, before recommending Board approval and prior to their release, filing and distribution.
- Satisfy itself that adequate procedures are in place for the review of the Corporation’s public disclosure of financial information extracted or derived from the Corporation’s financial statements and periodically assess the adequacy of those procedures.
- Reviewing the financial information contained in the annual information form, annual report, management proxy circular, prospectus and other documents containing similar financial information and prior to their release, filing and distribution with regulatory authorities in Canada.
- Ensuring that the audited quarterly and annual financial statements of the Corporation are presented accurately, in accordance with generally accepted accounting principles, before recommending Board approval.
- Reviewing with the external auditors and management the quality, appropriateness and adequacy of the Corporation’s accounting principles and policies, underlying assumptions and financial reporting practices.
- Reviewing any proposed changes to the Corporation’s accounting principles and policies, including (i) all accounting policies and practices used by the Corporation (ii) any alternative treatments of financial information that have been discussed with management, the ramifications of their use and the external auditors’ preferred treatment, and (iii) any other material communications with management with respect thereto.

- Reviewing the disclosure and impact of contingencies and the reasonableness of the provisions, reserves and estimates that may have a material impact on financial reporting.
- Reviewing the compliance of management certification of financial reports with applicable legislation.
- Reviewing the work of the external auditors authorized by the Audit Committee and resolving any disagreement between management and the external auditors regarding accounting and financial reporting.
- Reviewing the results of the external audit, any significant problems encountered in performing the audit, the steps taken by management with respect thereto and management's response and/or action plan related to any Management Letter issued by the external auditors and any significant recommendations contained therein.
- Reviewing any litigation, claim or other contingency and any regulatory or accounting initiatives that could have a material effect upon the financial position or operating results of the Corporation and the appropriateness of the disclosure thereof in the documents reviewed by the Audit Committee.

#### **B. Monitoring Risk Management and Internal Controls**

- Monitoring the quality and integrity of the Corporation's internal control and management information systems through discussions with management and the external auditors.
- Overseeing management's reporting on the Corporation's internal control procedures.
- Reviewing the insurance coverage (annually and as required).
- Reviewing on a regular basis the Corporation's risk assessment and management policies, including hedging policies through the use of financial derivative transactions.
- Reviewing requests for information from the *Autorité des marchés financiers* and any recommendations made and the steps taken by the Corporation to deal with any such issues.
- Reviewing requests for information from government authorities having a financial impact on the Corporation's earnings and any recommendations made and steps taken by the Corporation to deal with any such issues.
- Assisting the Board with the oversight of the Corporation's compliance with applicable legal and regulatory requirements.
- Reviewing all material transactions not at arm's length.
- Establishing procedures for the receipt, retention and treatment of complaints or concerns received by the Corporation regarding accounting, internal accounting controls, or auditing matters, including the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
- Reviewing and approving management's decision regarding the need for an internal auditor.

#### **C. Overseeing the External Auditors**

- Reviewing the annual written statement of the external auditors regarding all their relations with the Corporation and confirming their independence and discussing with the external auditors any relationships or services that may impact on their objectivity or independence.

- Approving the appointment and, if appropriate, the termination (both subject to shareholder approval) of the external auditors and monitoring their qualifications, performance and independence.
- Approving and overseeing the disclosure of all audit services provided by the external auditors to the Corporation, determining which non-audit services the external auditors are prohibited from providing and approving and overseeing the disclosure of permitted non-audit services to be performed by the external auditors.
- Approving the basis and amount of the external auditors' fees for both audit and authorized non-audit services.
- Reviewing the audit plan with the external auditors and management and approving the scope, extent and schedule thereof.
- Reviewing and approving the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation.
- Ensuring that the external auditors are always accountable to the Audit Committee and the Board.
- Making arrangements for sufficient funds to be available to effect payment of the fees of the external auditors and of any advisers or experts retained by the Audit Committee.

#### **METHOD OF OPERATION**

- Meetings of the Audit Committee are held at least quarterly and as required.
- The members of the Audit Committee meet before or after each meeting without management.
- The Chair of the Audit Committee develops the agenda for each meeting of the Committee. The agenda and the appropriate material are provided to members of the Audit Committee on a timely basis prior to meetings of the Audit Committee.
- The Chair of the Audit Committee reports quarterly to the Board on the business of the Committee.
- The Audit Committee has at all times a direct line of communication with the external auditors.
- The Audit Committee meets separately with management and the external auditors at least annually, and more frequently as required.
- The Audit Committee may, in appropriate circumstances, engage external advisers, with the consent of the Board.
- The Audit Committee annually reviews its mandate and reports to the Board on its adequacy, for approval.
- The Audit Committee ensures the existence of an annual procedure to assess the performance of the Audit Committee and its members.

Nothing contained in this mandate is intended to expand applicable standards of conduct under statutory or regulatory requirements for the directors of the Corporation or the members of the Audit Committee. Even though the Audit Committee has a specific mandate and its members may have financial experience, they do not have the obligation to act as auditors or to perform auditing, or to determine that the Corporation's financial statements are complete and accurate. Members of the Audit Committee are entitled to rely, absent knowledge to the contrary, on (i) the integrity of the persons and organizations from whom they receive information, (ii) the accuracy and completeness of the information provided,

and (iii) representations made by management as to the non-audit services provided to the Corporation by the external auditors. The Audit Committee's oversight responsibilities are not established to provide an independent basis to determine that (i) management has maintained appropriate accounting and financial reporting principles or appropriate internal controls and procedures, or (ii) the Corporation's financial statements have been prepared and, if applicable, audited in accordance with generally accepted accounting principles.

Approved by the Board of Directors on August 12, 2009