



Interim  
Consolidated  
Financial Statements  
(unaudited)

Three and six-month  
periods ended  
November 30,  
2010 and 2009

**5N Plus Inc.**  
**Interim Consolidated Statements of Income**  
**Three and six-month periods ended November 30**  
(unaudited)

(in Canadian dollars, except number of shares)	Note	Three months		Six months	
		2010	2009	2010	2009
		\$	\$	\$	\$
<b>Sales</b>		<b>19,667,879</b>	15,753,445	<b>38,438,107</b>	31,806,665
Cost of sales		<b>10,805,652</b>	8,393,988	<b>21,223,612</b>	16,828,854
Gross profit		<b>8,862,227</b>	7,359,457	<b>17,214,495</b>	14,977,811
Expenses					
Selling, general and administrative		<b>2,214,510</b>	1,435,349	<b>4,134,406</b>	3,729,219
Research and development		<b>689,997</b>	418,229	<b>1,457,593</b>	794,101
Depreciation of property, plant and equipment		<b>650,115</b>	619,774	<b>1,269,725</b>	1,247,556
Amortization of intangible assets		<b>65,206</b>	25,728	<b>129,800</b>	60,080
Foreign exchange gain	6	<b>(262,622)</b>	(28,948)	<b>(858,279)</b>	(129,874)
Financial	7	<b>84,711</b>	56,677	<b>192,090</b>	96,233
Interest income		<b>(227,965)</b>	(129,859)	<b>(376,882)</b>	(269,851)
		<b>3,213,952</b>	2,396,950	<b>5,948,453</b>	5,527,464
Earnings before income taxes from continuing operations		<b>5,648,275</b>	4,962,507	<b>11,266,042</b>	9,450,347
Income taxes		<b>1,629,012</b>	1,558,725	<b>3,213,555</b>	3,031,957
Net earnings from continuing operations		<b>4,019,263</b>	3,403,782	<b>8,052,487</b>	6,418,390
Net loss from discontinued operations	9	-	(186,034)	-	(186,034)
<b>Net earnings</b>		<b>4,019,263</b>	3,217,748	<b>8,052,487</b>	6,232,356
<b>Earnings per share from continuing operations</b>	4				
Basic		<b>0.09</b>	0.07	<b>0.18</b>	0.14
Diluted		<b>0.09</b>	0.07	<b>0.17</b>	0.14
<b>Earnings per share</b>	4				
Basic		<b>0.09</b>	0.07	<b>0.18</b>	0.14
Diluted		<b>0.09</b>	0.07	<b>0.17</b>	0.14
<b>Weighted average number of common shares outstanding</b>	4				
Basic		<b>45,744,338</b>	45,554,974	<b>45,715,678</b>	45,537,505
Diluted		<b>46,126,406</b>	45,942,683	<b>46,149,288</b>	45,948,651

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

**5N Plus Inc.**  
**Interim Consolidated Statements of Comprehensive Income**  
**Three and six-month periods ended November 30**  
(unaudited)

(in Canadian dollars)	Note	Three months		Six months	
		2010	2009	2010	2009
		\$	\$	\$	\$
<b>Net earnings</b>		<b>4,019,263</b>	3,217,748	<b>8,052,487</b>	6,232,356
Other comprehensive income, net of income taxes:					
Cash flow hedges	6	<b>(457,632)</b>	156,978	<b>( 909,552)</b>	156,978
Net (loss) gain on translating financial statements of self-sustaining foreign operations		<b>(226,060)</b>	128,139	<b>475,171</b>	369,951
Other comprehensive income		<b>( 683,692)</b>	285,117	<b>(434,381)</b>	526,929
<b>Comprehensive income</b>		<b>3,335,571</b>	3,502,865	<b>7,618,106</b>	6,759,285

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

**Interim Consolidated Statements of Shareholders' Equity**  
**Three and six-month periods ended November 30**  
(unaudited)

(in Canadian dollars)	Note	Three months		Six months	
		2010	2009	2010	2009
		\$	\$	\$	\$
<b>Share Capital</b>	3				
Beginning of period		<b>82,417,862</b>	81,881,914	<b>82,389,870</b>	81,881,914
Shares issued under stock option plan		<b>1,008,983</b>	437,666	<b>1,036,975</b>	437,666
End of period		<b>83,426,845</b>	82,319,580	<b>83,426,845</b>	82,319,580
<b>Contributed Surplus</b>					
Beginning of period		<b>1,581,076</b>	972,303	<b>1,372,523</b>	797,800
Stock option compensation cost		<b>198,482</b>	156,810	<b>417,177</b>	331,313
Shares issued under stock option plan		<b>(365,258)</b>	(151,615)	<b>(375,400)</b>	(151,615)
End of period		<b>1,414,300</b>	977,498	<b>1,414,300</b>	977,498
<b>Accumulated Other Comprehensive Income</b>					
Beginning of period		<b>(2,282,183)</b>	130,764	<b>(2,531,494)</b>	(111,048)
Cash flow hedges	6	<b>(457,632)</b>	156,978	<b>(909,552)</b>	156,978
Net (loss) gain on translating financial statements of self-sustaining foreign operations		<b>(226,060)</b>	128,139	<b>475,171</b>	369,951
End of period		<b>(2,965,875)</b>	415,881	<b>(2,965,875)</b>	415,881
<b>Retained Earnings</b>					
Beginning of period		<b>48,480,862</b>	32,814,706	<b>44,447,638</b>	29,800,098
Net earnings		<b>4,019,263</b>	3,217,748	<b>8,052,487</b>	6,232,356
End of period		<b>52,500,125</b>	36,032,454	<b>52,500,125</b>	36,032,454
<b>Shareholders' Equity</b>		<b>134,375,395</b>	119,745,413	<b>134,375,395</b>	119,745,413

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

**5N Plus Inc.**  
**Interim Consolidated Balance Sheets**

(in Canadian dollars)	Note	As at November 30, 2010 (unaudited)	As at May 31, 2010 (audited)
<b>Assets</b>		\$	\$
Current assets			
Cash and cash equivalents		54,748,840	65,992,321
Temporary investment		2,000,000	2,000,000
Accounts receivable		6,678,645	4,774,460
Inventories	2	36,340,934	27,705,149
Prepaid expenses and deposits		2,416,912	1,073,025
Derivative financial instruments		74,394	1,362,804
Income taxes recoverable		669,840	516,602
Future income taxes		292,656	150,598
		<b>103,222,221</b>	103,574,959
Property, plant and equipment		34,586,527	26,437,302
Intangible assets		1,669,881	1,770,913
Goodwill		4,454,762	4,381,762
Future income taxes		2,012,920	2,311,191
Convertible debenture	8	3,175,077	-
Other assets		77,670	45,181
		<b>149,199,058</b>	138,521,308
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities		7,147,581	4,646,220
Current portion of long-term debt		572,820	622,820
Future income taxes		263,531	444,662
Income taxes payable		-	43,826
		<b>7,983,932</b>	5,757,528
Long-term debt		4,050,725	4,197,803
Deferred revenues		483,473	553,578
Future income taxes		2,305,533	2,333,862
		<b>14,823,663</b>	12,842,771
<b>Shareholders' Equity</b>			
Share capital	3	83,426,845	82,389,870
Contributed surplus		1,414,300	1,372,523
Accumulated other comprehensive income		(2,965,875)	(2,531,494)
Retained earnings		52,500,125	44,447,638
		<b>134,375,395</b>	125,678,537
		<b>149,199,058</b>	138,521,308

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

**5N Plus Inc.**  
**Interim Consolidated Statements of Cash Flows**  
**Three and six-month periods ended November 30**  
(unaudited)

(in Canadian dollars)	Note	Three months		Six months	
		2010	2009	2010	2009
		\$	\$	\$	\$
<b>Operating activities</b>					
Net earnings		4,019,263	3,217,748	8,052,487	6,232,356
Net loss from discontinued operations	9	-	186,034	-	186,034
Net earnings from continuing operations		4,019,263	3,403,782	8,052,487	6,418,390
Non-cash items					
Future income taxes		(152,108)	1,393,059	169,677	542,524
Depreciation of property, plant and equipment		650,115	629,635	1,269,725	1,257,417
Amortization of intangible assets		65,206	65,400	129,800	99,752
Deferred revenues		(43,642)	(45,882)	(82,790)	(88,419)
Stock option compensation cost	3	198,482	156,810	417,177	331,313
Other		(124,787)	-	(160,313)	-
		4,612,529	5,602,804	9,795,763	8,560,977
<b>Net change in non-cash working capital items</b>					
Accounts receivable		(1,102,238)	229,263	(1,849,074)	2,441,996
Income taxes recoverable		767,700	(895,302)	(63,743)	(1,548,433)
Foreign currency forward contracts		-	(38,046)	-	(38,046)
Inventories		(6,243,607)	(1,679,592)	(9,273,452)	(3,206,979)
Prepaid expenses and deposits		(683,293)	461,842	(1,343,887)	217,424
Accounts payable and accrued liabilities		1,490,879	3,566,980	2,028,654	2,851,398
Income taxes payable		-	(690,695)	(43,826)	(3,059,562)
		(5,770,559)	954,450	(10,545,328)	(2,304,156)
		(1,158,030)	6,557,254	(749,565)	6,218,775
<b>Investing activities from continuing operations</b>					
Acquisition of property, plant and equipment		(5,915,614)	(1,536,401)	(8,702,057)	(2,532,745)
Acquisition of intangible assets		(4,178)	(88,233)	(28,768)	(292,547)
Acquisition and accretion of convertible debenture	8	(63,107)	-	(2,173,692)	-
Acquisition of conversion option	8	-	-	(1,001,385)	-
Other assets		(32,489)	(85,037)	(32,488)	(77,537)
		(6,015,388)	(1,709,671)	(11,938,390)	(2,902,829)
<b>Financing activities from continuing operations</b>					
Proceeds from disposal of financial instruments		-	-	1,235,302	1,685,076
Proceeds from exercise of stock option		643,725	286,051	661,575	286,051
Repayment of long-term debt		(104,799)	(174,932)	(197,078)	(299,942)
Net change in other long-term liabilities		-	(16,786)	-	(16,764)
		538,926	94,333	1,699,799	1,654,421
Realized exchange loss on cash designated	6	(574,570)	-	(305,650)	-
Effect of foreign exchange rates changes on cash and cash equivalents from continuing operations		(42,336)	18,939	50,325	51,323
		(616,906)	18,939	(255,325)	51,323
Net (decrease) increase from continuing operations in cash and cash equivalents		(7,251,398)	4,960,855	(11,243,481)	5,021,690
Net decrease from discontinued operations in cash and cash equivalents		-	(599,644)	-	(599,644)
Net (decrease) increase in cash and cash equivalents		(7,251,398)	4,361,211	(11,243,481)	4,422,046
Cash and cash equivalents, beginning of period		62,000,238	63,127,365	65,992,321	63,066,530
<b>Cash and cash equivalents, end of period</b>		54,748,840	67,488,576	54,748,840	67,488,576
<b>Supplementary information</b>					
Property, plant and equipment unpaid and included in accounts payable and accrued liabilities		515,543	198,778	515,543	198,778
Unpaid acquisition of a joint venture included in accounts payable and accrued liabilities		-	2,309,039	-	2,309,039
Reclassification to inventories of foreign exchange gain on cash designated	6	205,836	-	742,338	-
Interest paid		40,241	37,700	71,516	75,035
Income taxes paid		1,075,330	1,596,567	3,251,247	6,802,580

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

**5N Plus Inc.**  
**Notes to Interim Consolidated Financial Statements**  
**Three and six-month periods ended November 30, 2010 and 2009**  
(in Canadian dollars)  
(unaudited)

**1. Summary of Significant Accounting Policies**

**Basis of presentation**

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

**Use of estimates**

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

**Property, plant and equipment**

As at November 30, 2010, property, plant and equipment that were not being depreciated amounted to \$9,203,592 including \$1,642,893 for the new plant in Wisconsin.

**Contingency**

The Company's wholly-owned subsidiary, 5N PV GmbH had entered into a subsidy agreement two years ago and the Company is a guarantor. As at November 30, 2010, the value of the guarantee was \$2,131,000. The guarantee will be terminated once the German organization has completed its audit.

**Comparative figures**

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

**2. Inventories**

	As at November 30, 2010	As at May 31, 2010
	\$	\$
Raw materials	22,276,288	15,634,041
Finished goods and work in process	14,064,646	12,071,108
	<b>36,340,934</b>	<b>27,705,149</b>

**3. Share Capital**

**Authorized**

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

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

Issued and fully paid	Number	Amount
<b>Common shares</b>		\$
Outstanding as at May 31, 2009	45,520,225	81,881,914
Shares issued under stock option plan	107,225	507,956
Outstanding as at May 31, 2010	45,627,450	82,389,870
Shares issued under stock option plan	220,525	1,036,975
<b>Outstanding as at November 30, 2010</b>	<b>45,847,975</b>	<b>83,426,845</b>

**5N Plus Inc.**

**Notes to Interim Consolidated Financial Statements**

**Three and six-month periods ended November 30, 2010 and 2009**

(in Canadian dollars)

(unaudited)

**Stock Option Plan**

In October 2007, the Company adopted a Stock Option Plan ("the Plan") for directors, officers and employees. The aggregate number of shares which may be issued upon the exercise of options granted under the Plan may not exceed 10% of the issued shares of the Company at the time of granting the options. Options granted under the Plan may be exercised during a period not exceeding ten years from the date of the grant. The stock options outstanding as at November 30, 2010 may be exercised during a period not exceeding six years from their date of grant. Options vest at a rate of 25% (100% for directors) per year, beginning one year following the grant date of the options.

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

	Six months ended November 30	
	2010	2009
Expected stock price volatility	40%	68%
Dividend	None	None
Risk-free interest rate	2.325%	2.50%
Risk-free interest rate (directors)	2.325%	2.25%
Expected option life	4 years	3.5 years
Expected option life (directors)	4 years	1 year
Fair value – weighted average of options issued	1.70	1.79

The following table presents information concerning all outstanding stock options:

	Three months ended November 30			
	2010		2009	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Beginning of period	1,823,153	4.34	1,477,055	3.85
Granted	18,000	5.77	12,500	6.16
Cancelled	(165,698)	5.21	(157,595)	4.00
Exercised	(214,575)	3.00	(91,975)	3.11
<b>End of period</b>	<b>1,460,880</b>	<b>4.45</b>	<b>1,239,985</b>	<b>3.91</b>

	Six months ended November 30			
	2010		2009	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Beginning of period	1,596,615	4.24	1,439,555	3.78
Granted	262,308	4.95	50,000	6.44
Cancelled	(177,518)	5.12	(157,595)	4.00
Exercised	(220,525)	3.00	(91,975)	3.11
<b>End of period</b>	<b>1,460,880</b>	<b>4.45</b>	<b>1,239,985</b>	<b>3.91</b>

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The outstanding stock options as at November 30, 2010 are as follows:

Maturity	Grant Price		Number of options
	Low	High	
	\$	\$	
December 2013	3.00	4.50	549,900
January 2015 to June 2016	4.51	6.00	883,480
October 2015	6.01	8.00	12,500
June and August 2014	8.01	10.32	15,000
			<b>1,460,880</b>

As at November 30, 2010, 434 115 stock options were exercisable, at a weighted average exercise price of \$4.02.

Stock-based compensation cost is allocated as follows:

	Three months ended November 30		Six months ended November 30	
	2010	2009	2010	2009
	\$	\$	\$	\$
Cost of sales	70,282	35,194	148,619	70,370
Selling, general and administrative expenses	118,208	79,140	234,691	182,235
Research and development expenses	9,992	42,476	33,867	78,708
	<b>198,482</b>	<b>156,810</b>	<b>417,177</b>	<b>331,313</b>

**Restricted stock unit incentive plan**

On June 7, 2010, the Company adopted a Restricted Share Unit ("RSU") Plan to complement the Plan. The RSU Plan enables the Company to award eligible participants phantom share units that vest after a three-year period. RSU is settled in cash and is recorded as liabilities. The measurement of the compensation expense and corresponding liability for these awards is based on the fair value of the award, and is recorded as a charge to selling, general and administrative expenses ("SG&A") over the vesting period of the award. At the end of each financial period, changes in the Company's payment obligation due to changes in the market value of the common Shares on the TSX are recorded as a charge to SG&A expenses.

During the three and six-month periods ended November 30, 2010, the Company granted 33,129 RSU and recorded a provision of \$33,184.

**Restricted stock unit incentive plan for foreign employees**

On June 7, 2010, the Company adopted a Restricted Share Unit for Foreign Employees ("RSUFE") Plan. RSUFE granted under the RSUFE Plan may be exercised during a period not exceeding ten years from the date of the grant. The RSUFE outstanding as at November 30, 2010 may be exercised during a period not exceeding six years from their date of grant. RSUFE vest at a rate of 25% per year, beginning one year following the grant date of the award.

During the three and six-month periods ended November 30, 2010, the Company granted 8,549 RSUFE and recorded a provision of \$2,278.

**4. Earnings Per Share**

	Three months ended November 30		Six months ended November 30	
	2010	2009	2010	2009
	\$	\$	\$	\$
<b>Numerator</b>				
Net earnings from continuing operations	4,019,263	3,403,782	8,052,487	6,418,390
Net earnings	4,019,263	3,217,748	8,052,487	6,232,356
<b>Denominator</b>				
Weighted average number of common shares	45,744,338	45,554,974	45,715,678	45,537,505
<b>Effect of dilutive securities</b>				
Stock options	382,068	387,709	433,610	411,146
	<b>46,126,406</b>	<b>45,942,683</b>	<b>46,149,288</b>	<b>45,948,651</b>
<b>Earnings from continuing operations per share</b>	\$	\$	\$	\$
Basic	0.09	0.07	0.18	0.14
Diluted	0.09	0.07	0.17	0.14
<b>Earnings per share</b>	\$	\$	\$	\$
Basic	0.09	0.07	0.18	0.14
Diluted	0.09	0.07	0.17	0.14



**5N Plus Inc.****Notes to Interim Consolidated Financial Statements****Three and six-month periods ended November 30, 2010 and 2009**

(in Canadian dollars)

(unaudited)

**5. Financial Instruments****Fair value**

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

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

As at November 30, 2010, the fair value of the long-term debt is approximately \$4,623,545 (\$4,820,623 as at May 31, 2010) and is calculated using the present value of future cash flows at year-end rates for similar debt with same terms and maturities.

The fair value of financial assets and liabilities by level of hierarchy was as follows as at November 30, 2010:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Cash and cash equivalents	54,748,840	-	-	54,748,840
Conversion option (note 8)	-	-	1,001,385	1,001,385
Derivative financial instruments	-	74,394	-	74,394
	54,748,840	74,394	1,001,385	55,824,619

**Risk management policies and processes**

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

**Credit risk and significant customer**

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

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

- The Canadian Company concluded an agreement with Export Development Canada under which it will assume a portion of losses for certain export clients in case of non-payment, for an annual amount up to a maximum of \$1,500,000;
- 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 evaluation of its clients and establishes provisions for doubtful accounts should an account be considered non recoverable;

One customer represented approximately 66% of sales for the three and six-month periods ended November 30, 2010 (82% and 84% for the three and six-month periods ended November 30, 2009 respectively) and 43% of accounts receivable as at November 30, 2010 (33% as at May 31, 2010).

**Liquidity and financing risk**

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

**5N Plus Inc.****Notes to Interim Consolidated Financial Statements****Three and six-month periods ended November 30, 2010 and 2009**

(in Canadian dollars)

(unaudited)

**Liquidity and financing risk (continued)**

As at November 30, 2010, the Company's cash and cash equivalents amounted to \$54,748,840 (\$65,992,321 as at May 31, 2010). The Company has \$30,000,000 available under its credit facilities and a foreign exchange line guaranteed by collateral on temporary investment of \$2,000,000. Given the Company's available liquid resources as compared to the timing of the payments of liabilities, management assesses the Company's liquidity risk to be low.

The contractual maturities of financial liabilities as at November 30, 2010 are as follows:

	Carrying Amount	Contractual Cash Flows	0 to 6 months	6 to 12 months	12 to 24 months	After 24 months
	\$	\$	\$	\$	\$	\$
Commitments <sup>1</sup>	<b>1,622,892</b>	<b>1,622,892</b>				
Accounts payable and accrued liabilities	<b>7,147,580</b>	<b>7,147,580</b>	<b>7,147,580</b>	-	-	-
Long-term debt	<b>4,623,545</b>	<b>5,331,901</b>	<b>319,063</b>	<b>413,380</b>	<b>713,259</b>	<b>3,886,199</b>
	<b>13,394,017</b>	<b>14,102,373</b>	<b>7,466,643</b>	<b>413,380</b>	<b>713,259</b>	<b>3,886,199</b>

Contractual cash flows include interest charges.

<sup>1</sup>Property Plant and Equipment related to Firebird's new facility.

**Interest rate risk**

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

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

**Exchange risk**

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

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

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

On June 29, 2010, the Company concluded a €5,500,000 foreign exchange forward contract (€500,000 per month) to hedge its sales made by its German subsidiary 5N PV. This foreign exchange forward contract is effective from July 2, 2010 until May 31, 2011, at an average exchange rate of 1.31. The fair value the foreign exchange forward contract is (\$88,018) as at November 30, 2010. This contract has been designated as cash flow hedges and the change in its fair value was recorded in the consolidated statement of comprehensive income.

On September 29, 2010, the Company concluded a €4,000,000 foreign exchange forward contract to hedge its sales made by its German subsidiary 5N PV. This foreign exchange forward contract is effective from November 1, 2010 until May 31, 2011, at an average exchange rate of 1.39. The fair value of the foreign exchange forward contract is \$162,412 as at November 30, 2010. This contract has been designated as cash flow hedges and the change in its fair value was recorded in the consolidated statement of comprehensive income.

**5N Plus Inc.****Notes to Interim Consolidated Financial Statements****Three and six-month periods ended November 30, 2010 and 2009**

(in Canadian dollars)

(unaudited)

**Exchange risk (continued)**

The Company designated as cash flow hedges a portion of its cash denominated in US dollar for future purchase of raw materials until April 2011. The designated cash denominated in US dollar is accounted for at fair value in the Company's balance sheet. Foreign exchange gain or loss on the designated US cash and cash equivalents is recorded in other comprehensive income. When raw material is purchased which is anticipated to be recorded in the next months, the foreign exchange gain or loss is accounted for as part of raw material in the inventory. The amount of US cash and cash equivalents designated under this strategy amounted to \$13,288,777 as at November 30, 2010. Foreign exchange gain related to this cash and cash equivalents included in comprehensive income amounted to \$160,837 as at November 30, 2010.

The Company had the following exposure on November 30, 2010:

	US\$	€
Financial assets and liabilities measured at amortized cost <sup>1</sup> :		
Cash and cash equivalents <sup>2</sup>	5,252,191	196,730
Accounts receivable	3,898,826	83,349
Convertible debenture	2,194,883	-
Receivable from a wholly-owned subsidiary	-	2,033,565
Accounts payable and accrued liabilities	(1,133,576)	-
<b>Total exposure from above</b>	<b>10,212,324</b>	<b>2,313,644</b>

<sup>1</sup> Amounts above do not include the wholly-owned subsidiary accounts balance as it is using the Euro as functional currency. However, intercompany account balances in Euros are included in these amounts.

<sup>2</sup> US\$13,288,777 designated for future purchases of raw materials is not included.

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

	CA\$ /US\$	CA\$/€
Exchange rates as at November 30, 2010	1.0264	1.3379
Impact on net earnings based on a fluctuation of five cents in the Canadian dollar exchange rate	352,836	79,936

**6. Foreign exchange (gain) loss**

	Three months ended November 30		Six months ended November 30	
	2010	2009	2010	2009
	\$	\$	\$	\$
Foreign exchange loss (gain) related to operations	117,383	18,957	(288,540)	(282,045)
Realized foreign exchange (gain) loss on derivative financial instruments	(343,278)	(18,410)	(518,896)	181,666
Unrealized foreign exchange gain on derivative financial instruments	(36,727)	(29,495)	(50,843)	(29,495)
<b>Included in the interim consolidated statement of income</b>	<b>(262,622)</b>	<b>(28,948)</b>	<b>(858,279)</b>	<b>(129,874)</b>

**5N Plus Inc.****Notes to Interim Consolidated Financial Statements****Three and six-month periods ended November 30, 2010 and 2009**

(in Canadian dollars)

(unaudited)

**6. Foreign exchange (gain) loss (continued)**

	Three months ended November 30		Six months ended November 30	
	2010	2009	2010	2009
	\$	\$	\$	\$
Reclassification to earnings of realized foreign exchange gain on designated derivative financial instruments	113,334	-	226,669	-
Realized foreign exchange loss on cash designated	574,570	-	305,650	-
Reclassification to inventories of foreign exchange gain on cash designated	205,836	-	742,338	-
Unrealized foreign exchange (gain) loss on derivative financial instruments	(246,691)	(156,978)	53,107	(156,978)
	647,049	(156,978)	1,327,764	(156,978)
Income tax on the above	(189,417)	-	(418,212)	-
<b>Included in the interim consolidated statement of comprehensive income</b>	<b>457,632</b>	<b>(156,978)</b>	<b>909,552</b>	<b>(156,978)</b>

**7. Financial expenses**

	Three months ended November 30		Six months ended November 30	
	2010	2009	2010	2009
	\$	\$	\$	\$
Interest and bank charges	25,608	22,533	45,196	26,676
Interest on long-term debt	40,462	34,144	72,330	69,557
Implicit interest on long-term debt	18,641	-	74,564	-
	84,711	56,677	192,090	96,233

**8. Investment in Sylarus**

On June 21, 2010, the Company acquired, for an amount of US\$3,000,000 (approximately \$3,072,000), a convertible note from Sylarus Technologies, LLC, a producer of germanium substrates for solar cells located in Saint George, Utah. This convertible note bears interest at 6% annually and is repayable on May 31, 2015 at the latest. This note, including accrued interest, is convertible, at the Company's option, into 18% of voting and participating units of Sylarus.

This convertible debenture is a hybrid financial instrument, for which the loan and the embedded derivative components included therein are measured separately. The loan component is classified as loan and receivable and the embedded derivative representing the conversion option included therein is classified as held for trading.

The initial fair value of the loan component amounted to approximately \$2,070,614 at the date of issuance, representing the present value of interest and principal repayment until its expiry date using a discount rate of 20%. An interest accretion revenue will then be recorded in the statement of income, increasing the loan component until it reaches US\$3,000,000 at the maturity date. The initial fair value of the conversion option amounting to approximately \$1,001,386 has been determined using the Black-Scholes option pricing model based on the following assumptions: no expected dividend yield, 70% volatility, 2.325% risk-free interest rate and an expected life of 4 years. The embedded conversion option component is recorded at fair value in the consolidated balance sheet and is included in the recorded amount of the convertible debenture. Any variation in the fair value of this conversion option will be recorded in the statement of income.

The Company has the possibility, until September 30, 2011, to subscribe to additional convertible notes for a maximum amount of US\$4,000,000 (approximately \$4,105,600 based on the exchange rate as at November 30, 2010) which would bear interest at the same rate and with the same maturity as the initial convertible note and can be converted into 15% of additional voting and participating units of Sylarus. The fair value of this subscription right is currently not significant.

**5N Plus Inc.****Notes to Interim Consolidated Financial Statements****Three and six-month periods ended November 30, 2010 and 2009**

(in Canadian dollars)

(unaudited)

**Investment in Sylarus (continued)**

The terms of the convertible note provide to the Company the opportunity to elect one board member and thus provide the ability to exercise significant influence over Sylarus. Concurrently, the Company and Sylarus have also entered into a long-term supply and recycling agreement under which the Company will provide high-purity germanium feedstock to Sylarus and will recycle various germanium containing residues.

The following table summarizes the Company's related party transactions:

	Three month ended November 30 <b>2010</b>	Six months ended November 30 <b>2010</b>
	\$	\$
Sales	<b>228,687</b>	517,206
Purchases	<b>120,405</b>	346,454
Interest revenue	<b>115,493</b>	179,056

  

	As at November 30, 2010	As at May 31, 2010
	\$	\$
Accounts receivable	<b>517,931</b>	-
Accounts payable	<b>341,463</b>	-

**9. Discontinued operation**

On September 1, 2009, the Company had established a joint venture called ZT Plus with BSST, a subsidiary of Amerigon Incorporated in which the Company had a 50% ownership interest. The contribution of each partner in cash or in kind was expected to be US\$5,500,000. ZT Plus was accounted for using the proportionate consolidation method. The commercial progress of ZT Plus was slower to develop than anticipated and on March 26, 2010, the Company sold its interest for an amount of US\$1,600,000 (\$1,632,000). This sale was classified as a discontinued operation and financial results for the second and third quarters have been recalculated. The Company's financial statements for the three and six-month period ended November 30, 2009 were reclassified to take into account this discontinued operation and its required presentation.

	Three months ended November 30, 2009	Six months ended November 30, 2009
	\$	\$
Sales	-	-
Research and development expenses	442,952	442,952
Loss before income tax	(442,952)	(442,952)
Income taxes recoverable	(256,918)	(256,918)
<b>Net loss from discontinued operations</b>	<b>(186,034)</b>	<b>(186,034)</b>

**10. Subsequent event**

On January 10, 2011, the Company agreed to convert US\$3 million debenture provided to Sylarus on June 21, 2010 into a 66.67% majority interest. The Company had also agreed to provide additional funding of US\$766,000 in the form of secured debt to enable the repayment of short term debt contracted by Sylarus. In addition, 5N Plus intends to support Sylarus capital expenditures, working capital requirements and development expenses as needed. As part of these transactions, all existing supply and recycling agreements between the Company and Sylarus will be terminated and new agreements will be signed.