5N PLUS

Second Quarter Report

Three and six-month periods ended November 30, 2010

This Management's Report of the operating results and the financial position is intended to assist readers in understanding 5N Plus Inc. ("the Company"), its business environment and future prospects. This Management's Report should be read while referring to the unaudited consolidated financial statements and the accompanying notes for the three and six-month periods ended November 30, 2010 and with the most recent audited consolidated financial statements and accompanying notes for the fiscal year ended May 31, 2010. Information contained herein includes any significant developments as at January 11, 2011, the date on which the Management's Report was approved by the Company's board of directors. The financial information presented in this Management's Report is based on the Company's accounting policies that are in compliance with Canadian generally accepted accounting principles ("GAAP"). It also includes some figures that are not performance measures consistent with GAAP. Information regarding these non-GAAP financial measures is provided under the heading Non-GAAP Measures of this Management's Report. All amounts are expressed in Canadian dollars, except otherwise indicated. Unless otherwise indicated, the terms "we", "us" and "our" as used herein refer to the Company together with its subsidiaries.

Notice Regarding Forward-Looking Statements

Certain statements in this Management's Report may be forward-looking within the meaning of securities legislation. Forward-looking information and statements are based on the best estimates available to the Company at the time and involve known and unknown risks, uncertainties or other factors that may cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Factors of uncertainty and risk that might result in such differences include the risk related to the reliance on major customer, credit, interest rate, pricing and currency fluctuation, fair value, source of supply, market acceptance and reliance on thin-film and photovoltaic technologies, environmental regulations, competition, dependence on key personnel, business interruptions, business acquisition, protection of intellectual property and the option granted to First Solar to purchase our German manufacturing facility. As a result, we cannot guarantee that any forward-looking statements will materialize. Forward-looking statements can generally be identified by the use of terms such as "may", "should", "would", "believe", "expect", or any terms of similar nature. Except as required under applicable securities legislation, management does not undertake to update these forward-looking statements as a result of new information, future events or other changes. In evaluating these statements, the reader should consider various factors, including the risks outlined above. In evaluating these statements, the reader should consider various factors, including the risks outlined under the heading Risks and Uncertainties in the 2010 Annual Report. The reader is warned against giving undue reliance on these forward-looking statements.

Corporate Overview and Business

5N Plus Inc. draws its name from the purity of its products, 99.999% and higher (five nines or 5N). The head office is located in Montreal, Québec, and 5N Plus owns three material subsidiaries which are 5N PV GmbH (Eisenhüttenstadt, Germany) Firebird Technologies Inc. (Trail, BC) and 5N Plus Corp. (Deforest, Wisconsin). 5N Plus is a fully integrated producer and closed-loop recycler of highly purified metals, compounds and wafers. We use a range of proprietary and proven technologies to produce metals such as tellurium, cadmium, germanium, indium, antimony, selenium and related compounds such as cadmium telluride, cadmium sulphide and indium antimonide. Our products are critical precursors that customers use in a number of electronic applications, including the rapidly-expanding solar (thin-film photovoltaic) market, for which we are a major supplier of CdTe, as well as the radiation detector and infrared markets.

Selected Quarterly Financial Information

in thousands of dollars except per share amounts
(unaudited)

	FY2011		FY2010				FY2009	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Sales	**19,668**	18,770	19,730	19,227	15,753	16,053	18,057	19,150
Gross profit[1]	**8,862**	8,352	8,671	8,204	7,359	7,618	8,497	9,840
EBITDA[1]	**6,220**	6,260	6,742	6,783	5,535	5,050	8,576	8,012
Net earnings from continuing operations	**4,019**	4,033	4,363	4,362	3,403	3,015	5,708	5,190
Net loss from discontinued operations	**-**	-	23	287	186	-	-	-
Net earnings	**4,019**	4,033	4,339	4,076	3,217	3,015	5,708	5,190
Basic earnings per share from continuing operations	**$0.09**	$0.09	$0.10	$0.10	$0.07	$0.07	$0.13	$0.11
Diluted earnings per share from continuing operations	**$0.09**	$0.09	$0.09	$0.09	$0.07	$0.07	$0.12	$0.11
Basic earnings per share	**$0.09**	$0.09	$0.09	$0.09	$0.07	$0.07	$0.13	$0.11
Diluted earnings per share	**$0.09**	$0.09	$0.09	$0.09	$0.07	$0.07	$0.12	$0.11
Backlog[1]	**62,596**	57,424	52,651	53,791	53,268	56,964	52,224	52,024

[1] See Non-GAAP Measures

Highlights of the Second Quarter of Fiscal Year 2011

- Sales for the second quarter ended November 30, 2010 increased by 24.8% to $19,667,879 compared to $15,753,445 for the second quarter of fiscal year 2010. For the six-month period ended November 30, 2010, sales increased by 20.8% to $38,438,107 compared to $31,806,665 for the same period last year.

- Net earnings from continuing operations for the second quarter ended November 30, 2010 were $4,019,263 ($0.09 per share) representing a 18.1% increase over net earnings from continuing operations of $3,403,782 ($0.07 per share) for the same period last year.

- EBITDA were $6,220,342 or 31.6% of sales compared to $5,534,827 or 35.1% of sales for the second quarter of the previous fiscal year.

- Shareholders' equity increased during the quarter to $134,375,395 up from $125,678,537 as at May 31, 2010. Cash and cash equivalents were $54,748,840 as at November 30, 2010 compared to $65,992,321 as at May 31, 2010.

- As at November 30, 2010, the backlog of orders expected to translate into sales over the following twelve months stood at $62,596,156 compared to $53,268,296 one year earlier. Changes in currency exchange rates had an adverse impact of approximately $6.4 million on the backlog.

We (TSX:VNP) report the results of our second fiscal quarter ended November 30, 2010. Our record backlog expanding by 18% in the past year reflects the continuing strengthening of our base business. Despite the appreciation of the Canadian dollar and some competitive pressures on margins, this is our fourth consecutive quarter in which sales and earnings have reached respectively in the $19 million and $4 million ranges.

We continue to expect further strengthening of our base business, especially in the solar sector, as our main customer in this market continues to grow and to demonstrate leadership in terms of cost effectiveness. Developments made by our other customers in this market remain encouraging and we were particularly delighted in this respect to hear of the recent announcement made by the US department of Energy concerning the $400 million loan guarantee granted to Abound Solar. Now that our new photovoltaic module recycling facility in Wisconsin is operational, we believe that we are uniquely positioned to service all of these customers and take advantage of the resulting anticipated growth in this market segment.

As for our Firebird subsidiary, we are making steady progress in the construction of our new facility in Trail which is now almost complete. We expect the facility to be fully commissioned during the fourth quarter of the current fiscal year and Firebird to begin generating significant germanium related revenues in the first quarter of fiscal 2012. Together with the investment made in Sylarus and announced yesterday, this will form the basis of our germanium related activities and position us as one of the leading producers of germanium products for electronic applications.

We would like to thank our employees for another good quarter overall and assure them and our other stakeholders that we remain committed to our growth plan which calls for diversification of our product offering and accretive acquisitions enabling us to position ourselves as the leading producer of electronic materials.

Jacques L'Ecuyer
President and Chief Executive Officer

Results of Operations

Introduction

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

Our customer base includes manufacturers of thin-film solar cells, original equipment manufacturers (OEM), and Tier 1 and 2 suppliers which provide consumables, components or sub-assemblies. Our customers are located primarily in the United States, Europe, Israel and Asia. One customer accounted for 66% of our sales during the three and six-month periods ended November 30, 2010.

Sales, Gross Profit, Net Earnings and Earnings per Share

	Three months ended November 30			Six months ended November 30		
	2010	2009	Increase	**2010**	2009	Increase
	$	$		**$**	$	
Sales	**19,667,879**	15,753,445	24.8%	**38,438,107**	31,806,665	20.8%
Gross profit	**8,862,227**	7,359,457	20.4%	**17,214,495**	14,977,811	14.9%
Gross profit ratio[1]	**45.1%**	46.7%		**44.8%**	47.1%	
Net earnings[2]	**4,019,263**	3,403,782	18.1%	**8,052,487**	6,418,390	25.5%
Basic earnings[2] per share	**$ 0.09**	$ 0.07		**$ 0.18**	$ 0.14	

[1] See Non-GAAP Measures
[2] Earnings from continuing operations

Sales for the second quarter were $19,667,879, a 24.8% increase over sales of $15,753,445 for the same period last year. This increase was mainly attributable to the acquisition of Firebird, the product portfolio extension and higher sales for solar and non-solar applications. Sales for the second quarter in the solar market represented 74.4% compared to 85.2% for the corresponding period last year. Exchange rate fluctuations in the US dollar and the Euro negatively impacted sales of approximately $1.2 million for the quarter ended November 30, 2010.

Sales for the six-month period ended November 30, 2010 were $38,438,107, a 20.8% increase over sales of $31,806,665 for the corresponding period in 2009. This increase is driven by the same factors identified above for the quarter with the exception that higher sales were mainly for non-solar applications. Sales in the solar market represented 72.4% compared to 87.5% for the corresponding period last year. Exchange rate fluctuations in the US dollar and the Euro negatively impacted sales of approximately $3 million for the six-month period.

Gross profit for the second quarter increased by 20.4% and was $8,862,227 compared to $7,359,457 for the same period last year, corresponding to gross profit ratio of 45.1% and 46.7% respectively. For the six-month period ended November 30, 2010, gross profit increased by 14.9% and was $17,214,495 compared to $14,977,811, corresponding to gross profit ratio of 44.8% and 47.1% respectively. The increases in gross profit are mainly due to higher sales. The decreases in gross profit ratio reflect the strengthening of the Canadian dollar in relation to the U.S. dollar and Euro.

Net earnings from continuing operations for the second quarter ended November 30, 2010 were $4,019,263 ($0.09 per share) representing a 18.1% increase over net earnings from continuing operations of $3,403,782 ($0.07 per share) for the same period last year. Net earnings from continuing operations for the six-month period ended November 30, 2010 were $8,052,487 ($0.18 per share) representing a 25.5% increase over net earnings from continuing operations of $6,418,390 ($0.14 per share) for the same period last year. These increases were mainly the result of higher gross profit, foreign exchange rate gains and interest revenues partially offset by the impact of higher research and development ("R&D") and selling, general and administrative ("SG&A") expenses.

Net earnings from continuing operations per share (basic) for the current quarter are calculated based on a weighted average number of common shares outstanding of 45,744,338 and of 45,715,678 for the six-month period ended November 30, 2010. Net earnings from continuing operations per share for the three and six-month periods of the previous fiscal year are calculated based on a weighted average number of common shares of 45,554,974 and 45,537,505 respectively.

SG&A and R&D Expenses

	Three months ended November 30		Six months ended November 30	
	2010	2009	**2010**	2009
	$	$	**$**	$
SG&A expenses	**2,214,510**	1,435,349	**4,134,406**	3,729,219
Percentage of sales	**11.3%**	9.1%	**10.8%**	11.7%
R&D expenses (net of tax credits)	**689,998**	418,229	**1,457,593**	794,101
Percentage of sales	**3.5%**	2.7%	**3.8%**	2.5%

SG&A increased in the three and six-month periods ended November 30, 2010 primary due to expenses associated with the acquisition of Firebird and the Company's new facility in Wisconsin. SG&A were $2,214,510 in the second quarter compared to $1,435,349 for the corresponding period last year. SG&A were $4,134,406 for the six-month period compared to $3,729,219 for the same period last year. As a percentage of sales, SG&A increased from 9.1% to 11.3% in the second quarter. Percentage decline is expected once the Wisconsin facility is fully operational. For the six-month period November 30, 2010, SG&A decreased from 11.7% to 10.8% mainly due to expenses associated with uncompleted acquisition projects of $1.1 million last year.

R&D expenses net of tax credits were $689,998 in the second quarter compared to $418,229 in the same period last year, representing 3.5% and 2.7% of sales respectively. For the six-month period ended November 30, 2010, R&D expenses were $1,457,593 compared to $794,101, representing 3.8% and 2.5% of sales respectively. These higher levels of R&D are consistent with the Company's continuing efforts aimed at developing new products, intensifying its recycling activities and providing means for continuous improvement.

Reconciliation of EBITDA

	Three months ended November 30			Six months ended November 30		
	2010	2009	Increase	**2010**	2009	Increase
	$	$		**$**	$	
Net earnings[1]	**4,019,263**	3,403,782	24.9%	**8,052,487**	6,418,390	25.5%
Financial expenses & interest income	**(143,254)**	(73,182)	95.8%	**(184,792)**	(173,618)	6.4%
Depreciation and amortization	**715,321**	645,502	10.8%	**1,399,525**	1,307,636	7.0%
Income taxes	**1,629,012**	1,558,725	4.5%	**3,213,555**	3,031,957	6.0%
EBITDA	**6,220,342**	5,534,827	13.6%	**12,480,775**	10,584,365	17.9%

[1]Net earnings from continuing operations

EBITDA for the second quarter ended November 30, 2010 were $6,220,342 representing a 13.6% increase compared to $5,534,827 for the second quarter last year. EBITDA for the six-month period ended November 30, 2010 were $12,480,775 representing a 17.9% increase compared to $10,584,365 for the same period last year. These increases are primary due to higher net earnings.

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

The combined financial expenses and interest income netted a gain of $143,254 for the second quarter and $184,792 for the six-month period ended November 30, 2010. This compares with a gain of $73,182 for the second quarter of the previous fiscal year and $173,618 for the six-month period ended November 30, 2009. The increase is attributable mainly to interest revenue on Sylarus' convertible debenture partially offset by Firebird's long-term debt implicit interest.

Depreciation and amortization expenses for the second quarter ended November 30, 2010 were $715,321 compared to $645,502 for same period last year. For the six-month period ended November 30, 2010 depreciation and amortization expenses increased to $1,399,525 up from $1,307,636 in the corresponding period of the previous fiscal year. These increases were mainly due to the inclusion of Firebird, which was not in the comparable periods of the previous fiscal year.

Income taxes were $1,629,012 for the second quarter ended November 30, 2010, compared to $1,558,725 for the same period last year, corresponding to effective tax rates of 28.8% and 31.4% respectively. For the six-month period ended November 30, 2010, income taxes were $3,213,555 compared to $3,031,957 for the same period last year, corresponding to effective tax rates of 28.5% and 32.1% respectively. The decrease in the effective tax rates is mainly due to superior tax efficiency and a decrease in the federal statutory income tax rate. For the six-month period ended November 30, 2009, non-deductible acquisition-related expenses accounted for higher effective income tax rate.

Liquidity and Capital Resources

	As at November 30, 2010	As at May 31, 2010
	$	$
Working capital[1]	**95,238,290**	97,817,431
Current ratio[1]	**12.9**	18.0
Property, plant and equipment and intangible assets	**36,256,408**	28,208,215
Total assets	**149,199,058**	138,521,308
Total debt[1]	**4,623,545**	4,820,623
Shareholders' equity	**134,375,395**	125,678,537

Working Capital and Current Ratio

As at November 30, 2010, working capital was $95,238,290 compared to $97,817,431 as at May 31, 2010. The decrease in working capital and current ratio mainly are mainly due to higher accounts payable and liabilities.

Property, Plant and Equipment and Intangible Assets

We incurred $5,950,333 of capital expenditures during the quarter ended November 30, 2010 compared to $1,603,279 during the same period last year. For the six-month period ended November 30, 2010, we incurred $9,078,874 compared to $2,909,154 for the same period last year. The construction of Firebird's new facility and the new plant in Wisconsin consumed $4,746,000 during the second quarter and $7,264,000 during six-month period. These projects will represent an investment of approximately $12 million and should be completed within the next quarter.

[1] See Non-GAAP Measures

Shareholders' Equity

Shareholders' equity was $134,375,395 or 90.1% of total assets as at November 30, 2010 compared to $125,678,537 or 90.7% as at May 31, 2010, illustrating the positive impact of net earnings in the three and six-month periods. Foreign exchange gains or losses arising from the translation of self-sustaining foreign subsidiaries' accounts into Canadian dollars are deferred and reported as accumulated other comprehensive income in the Consolidated Statements of Comprehensive Income. Changes in the fair value of foreign currency forward contracts designated as cash flow hedges or designated as future purchases of raw material are initially recorded in other comprehensive income and are reclassified to consolidated net earnings when realized.

Cash Flows

	Three months ended November 30		Six months ended November 30	
	2010	2009	**2010**	2009
	$	$	**$**	$
Operating activities	**(1,158,030)**	6,557,254	**(749,565)**	6,218,775
Investing activities	**(6,015,388)**	(1,709,671)	**(11,938,390)**	(2,902,829)
Financing activities	**538,926**	94,333	**1,699,799**	1,654,421
Effect of foreign exchange rate changes on cash and cash equivalents and cash designated	**(616,906)**	18,939	**(255,325)**	51,323
Decrease from discontinued operations	**-**	(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 flow used by operating activities was $1,158,030 in the second quarter ended November 30, 2010 compared to cash provided of $6,557,254 for the same period last year. For the six-month period ended November 30, 2010, cash flow used by operations activities was $749,565 compared to cash provided of $6,218,775 for the corresponding period of last year. Changes in non-cash working capital items resulted in a use of cash of $5,781,718 in the second quarter and $10,545,328 in the six-month period ended November 30, 2010. The increase in working capital requirement was in part the result of higher inventories and accounts receivable.

Reconciliation of capital expenditures and cash flows from investing activities

	Three months ended November 30		Six months ended November 30	
	2010	2009	**2010**	2009
	$	$	**$**	$
Acquisition of property, plant and equipment, intangible and other assets	**5,950,333**	1,603,279	**9,078,874**	2,909,154
Acquisition and accretion of a convertible debenture	**63,107**	-	**3,175,077**	-
Acquisition of property, plant and equipment, intangible and other assets unpaid and included in accounts payable and accrued liabilities:				
Beginning of the period	**517,491**	305,170	**199,982**	192,453
End of the period	**(515,543)**	(198,778)	**(515,543)**	(198,778)
Cash flows used by investing activities	**6,015,388**	1,709,671	**11,938,390**	2,902,829

Investing activities consumed $6,015,388 and $11,938,390 for the three and six-month periods respectively compared to $1,709,671 and $2,902,829 for the same periods last year. The major investing activities were related to the construction of Firebird's new facility and the new recycling plant in Wisconsin.

Cash provided by financing activities was $538,926 during the second quarter ended November 30, 2010 compared to $94,333 for the same period last year, mainly due to proceeds from the exercise of stock options. For the six-month period ended November 30, 2010, cash flow provided from financing activities has remained flat and was $1,699,799 compared to $1,654,421.

Our cash position decreased by $7,251,398 in the second quarter reaching a level of $54,748,840 compared to an increase of $4,361,211 for the same period last fiscal year. The Company has $30 million available under credit facilities and a foreign exchange credit line guaranteed by collateral on temporary investment of $2 million. We are very confident that this amount of cash, combined with the credit facilities and cash flow from our operations will be sufficient to fund our working capital and capital expenditure requirements, and enable us to pursue our growth plan including acquisition opportunities.

Share Capital

Authorized

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

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

On January 11, 2011 a total of 45,849,725 common shares were issued and outstanding, and no preferred shares were issued or outstanding.

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 outstanding stock options 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. Under the plan a total of 3,123,917 stock options remained authorized for issuance as at November 30, 2010.

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
End of period	**1,460,880**	**4.45**	1,239,985	3.91

Stock Option Plan (continued)

	Six month 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
End of period	**1,460,880**	**4.45**	1,239,985	3.91

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 SG&A expense 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 expense.

For 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 options.

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

Order Backlog

The backlog of orders which are expected to translate into sales within the next 12 months was of $62,596,156 as at November 30, 2010 which is higher than the corresponding backlog of $53,268,296 as at November, 2009. Changes in currency exchange rates had an adverse impact of approximately $6.4 million on the backlog.

Accounting Policies

The Company's unaudited interim consolidated financial statements have been prepare in accordance with Canadian GAAP and use the same accounting policies and methods used in the preparation of the Company's 2010 annual audited consolidated financial statements. The key assumptions and basis for estimates that management has made under GAAP and their impact on the amounts reported in the interim consolidated financial statements and notes remain substantially unchanged from those described in the Company's 2010 annual audited consolidated financial statements.

Future changes in accounting policies

Adoption of International Financial Reporting Standards (IFRS)

On February 13, 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that publicly accountable entities will be required to prepare financial statements in accordance with IFRS, in full and without modification, for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. For the Company, this represents that its financial statements will be prepared in accordance with IFRS standards starting June 1, 2011.

There has been no significant change to our IFRS changeover plan and our project is progressing according to plan. 5N Plus' external auditors have started reviewing the Company's IFRS opening balance sheet impacts. There has been no significant modification in key differences in accounting treatment and potential key impacts as assessed in our annual Report 2010. We will provide updates as further progress is achieved and conclusions are reached.

Risks and Uncertainties

Risks and uncertainties and risk management practices are described in the Company's 2010 Management's Report. Risks and uncertainties and risk management have not materially changed for the second quarter of fiscal year 2011 except for the risk associated with the convertible debenture acquired in June 2010 from Sylarus.

Controls and Procedures

Internal Control over Financial Reporting

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

Changes in Internal Control over Financial Reporting

No changes were made to the Company's internal controls over financial reporting that occurred during the second quarter ended November 30, 2010 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

Non-GAAP Measures

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

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

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

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

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

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

Related Party Transactions

The Company entered into the following transactions with related party:

	Three months ended November 30		Six months ended November 30	
	2010	2009	**2010**	2009
	$	$	**$**	$
Sales	**228,687**	-	**288,519**	-
Cost of sales	**120,405**	-	**226,049**	-
Interest revenue	**115,493**	-	**179,056**	-

The balance sheet included the following balances with related party:

	As at November 30, 2010	As at May 31,2010
	$	$
Accounts receivable	**517,931**	-
Accounts payable	**341,463**	-

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	-	-
R&D expenses	442,952	442,952
Loss before income tax	(442,952)	(442,952)
Income taxes recoverable	(256,918)	(256,918)
Net loss from discontinued operations	(186,034)	(186,034)

Comparative Figures

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

Additional Information

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

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.