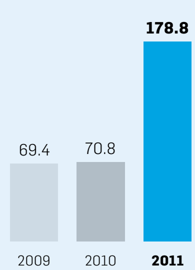
Management's Discussion and Analysis

This Management's Discussion and Analysis (MD&A) 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 MD&A should be read while referring to the audited consolidated financial statements and the accompanying notes for the fiscal year ended May 31, 2011. Information contained herein includes any significant developments to August 24, 2011, the date on which the MD&A was approved by the Company's board of directors. The financial information presented in this MD&A 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 Discussion and Analysis. All amounts are expressed in millions of Canadian dollars. Unless otherwise indicated, the terms "we", "us" and "our" as used herein refer to the Company together with its subsidiaries.

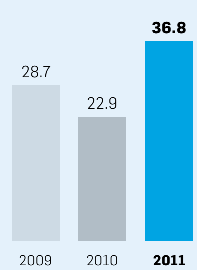
Notice regarding forward-looking statements

Certain statements in this MD&A 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 possible failure to realize anticipated benefits of acquisition, additional indebtedness, credit, interest rate, inventory pricing, currency fluctuation, fair value, source of supply, environmental regulations, competition, dependence on key personnel, business interruptions, protection of intellectual property, international operations and collective agreements. For more details, see the Risks and Uncertainties section. 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", the negative of these terms, variations of them or any terms of similar terminology. The forward-looking statements set forth herein reflect our expectations as at the date of this MD&A and are subject to change after such date. Unless required by 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. The reader is warned against giving undue reliance on these forward-looking statements.

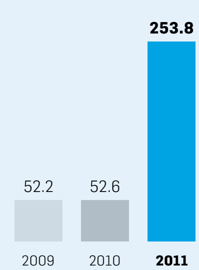
Revenues
(in millions of Canadian dollars)



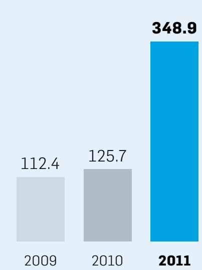
EBITDA
(in millions of Canadian dollars)



Backlog
(in millions of Canadian dollars)



Shareholders' equity
(in millions of Canadian dollars)



Corporate Overview and Business

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

Selected yearly financial information

Years ended May 31	**2011**	2010	2009
(in thousands of Canadian dollars except per share amounts)	**$**	$	$
Consolidated Results			
Revenues	**178,828**	70,763	69,373
Net earnings from continuing operations	**21,641**	15,143	20,868
Basic earnings per share from continuing operations	**0.44**	0.33	0.46
Diluted earnings per share from continuing operations	**0.44**	0.33	0.45
Net loss from discontinued operations	**–**	496	–
Net earnings	**21,641**	14,647	20,868
Basic earnings per share	**0.44**	0.32	0.46
Diluted earnings per share	**0.44**	0.32	0.45
EBITDA[1]	**36,771**	22,926	28,680
Funds from Operations[1]	**29,569**	20,391	23,127
Balance Sheet Data			
Total assets	**783,638**	138,521	128,169
Long-term debt	**126,385**	4,198	3,997
Net debt[1]	**238,381**	(63,171)	(60,519)
Shareholders' equity	**348,918**	125,678	112,369

[1] See Non-GAAP Measures

Selected quarterly financial information

				FY2011				FY2010
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
(in thousands of Canadian dollars except per share amounts)	**$**	**$**	**$**	**$**	$	$	$	$
Revenues	**119,808**	**20,582**	**19,668**	**18,770**	19,730	19,227	15,753	16,053
Gross profit[1]	**26,459**	**8,652**	**8,862**	**8,352**	8,671	8,204	7,359	7,618
EBITDA	**19,170**	**5,956**	**5,958**	**5,665**	6,209	6,262	5,506	4,949
Net earnings	**10,049**	**3,540**	**4,019**	**4,033**	4,339	4,076	3,217	3,015
Basic earnings per share	**0.17**	**0.08**	**0.09**	**0.09**	0.09	0.09	0.07	0.07
Diluted earnings per share	**0.17**	**0.08**	**0.08**	**0.08**	0.09	0.08	0.07	0.06
Net earnings from continuing activities	**10,049**	**3,540**	**4,019**	**4,033**	4,363	4,362	3,403	3,015
Basic earnings per share from continuing activities	**0.17**	**0.08**	**0.09**	**0.09**	0.10	0.10	0.07	0.07
Diluted earnings per share from continuing activities	**0.17**	**0.08**	**0.08**	**0.08**	0.09	0.09	0.07	0.06
Backlog[1]	**253,840**	**71,245**	**62,596**	**57,424**	52,651	53,791	53,268	56,964

[1] See Non-GAAP Measures

Highlights of Fiscal Year 2011 and Fourth Quarter 2011

- On April 8, 2011, the Company proceeded with the acquisition of MCP Group SA ("MCP"), a leading producer and distributor of specialty metals and their chemicals, including bismuth, indium, gallium, selenium and tellurium. The strong increases on the financial results of 5N Plus primarily reflect the contribution of MCP from April 8, 2011 onwards.
- Revenues, net earnings and EBITDA all reached record levels. For the fiscal year, revenues increased by 153% to $178.8 million, net earnings by 43% to $21.6 million and EBITDA by 60% to $36.8 million, with funds from operations rising by 45% to $29.6 million. For the fourth quarter, revenues reached $119.8 million representing a fivefold increase over revenues of the fourth quarter of the last fiscal year, with net earnings and EBITDA increasing by over 132% and 209% respectively to $10.0 million, or $0.17 per share, and $19.2 million.
- The Company's balance sheet remains strong, with shareholders' equity now standing at $348.9 million up from $125.7 million one year earlier following the acquisition of MCP and the issuance on April 11, 2011 of 13.6 million shares at $9.20 per share for gross proceeds of $125.0 million.
- In February 2011, 5N Plus entered into a new long-term supply and recycling agreement with First Solar, Inc. extending until December 31, 2015 which includes increasing committed purchases. 5N Plus also announced plans to set up a new recycling facility in Malaysia.
- In addition to the MCP acquisition, the Company proceeded with a number of growth initiatives during the year, including;
  - the acquisition of a majority ownership position in Sylarus Technologies LLC ("Sylarus"), a leading producer of germanium substrates for solar cell applications;
  - the construction and commissioning of a new 40 000 sq. ft. production facility in Trail for advanced semiconductor processing, metal purification and recycling, and;
  - the development of a solar module recycling facility in DeForest, Wisconsin, for which the Company was awarded $0.5 million in funding from the State Energy Program of Wisconsin.
- The outlook for the Company appears very promising with a 383% increase in backlog which now stands at $253.8 million up from $52.6 million one year ago. In the fourth quarter alone, backlog increased by over $180.0 million.
- For the third consecutive year, the Company was listed on the Corporate Knights Cleantech 10 list featuring Canada's ten best publicly held companies in the cleantech technology sector. The Company was also the winner in multiple categories at the 2010 Deloitte Technology Fast 50™ Awards, including winning the prestigious Deloitte Technology Green 15™ Award and the Leadership Award, emerging technologies, and ranking amongst the Deloitte Technology Fast 50™. Since September 2010, 5N Plus is listed on the S&P/TSX Small Cap and S&P/TSX Clean Technology indexes.

Business Acquisition

The Company acquired two businesses in 2011 and one in 2010. These acquisitions were recorded under the purchase method and the earnings of the acquired business were consolidated from the date of their acquisition.

On April 8, 2011, the Company acquired MCP for the following consideration: cash consideration of $144 million (€105.8 million), promissory note and holdback to vendors of $85.5 million (€61.9 million) and 11,377,797 common shares of 5N Plus at $6.91 per share for consideration of $78.6 million. Transaction costs were approximately $2.1 million for a total consideration of $310.2 million. The price of $6.91 per share was established by taking the average market price of 5N Plus shares for three days before and after the announcement minus a 20% discount, based on the value of a put option estimated using the Black-Scholes pricing model to reflect the lock-up period on these shares. As part of the acquisition, the Company closed the Atlumin facilities owned by MCP located in Sunnyvale, California.

On June 21, 2010, the Company acquired, for an amount of US$3.0 million (approximately $3.1 million), a convertible note from Sylarus, a producer of germanium substrates for solar cells located in St. George, Utah.

On January 10, 2011, the Company converted the debenture into a 66.67% majority interest of Sylarus. 5N Plus also agreed to provide additional funding of US$0.8 million in the form of secured debt to enable the repayment of short term debt contracted by Sylarus.

On December 1, 2009, the Company acquired Firebird Technologies Inc. ("Firebird") for an amount of $7.9 million including acquisition costs of $0.6 million. Firebird is a manufacturer of pure metals and semiconductor compounds. Firebird's main products include indium antimonide wafers as well as purified metals such as antimony, indium and tin, sold worldwide and used in a number of electronic and optical applications.

The following table summarizes the purchase allocation of the net assets acquired on a preliminary basis for 2011, and the final purchase price allocation for 2010:

	MCP	Sylarus	2011	2010
(in thousands of Canadian dollars)	$	$	**$**	$
Assets acquired				
Temporary investments (restricted)	18,061	–	**18,061**	–
Non-cash working capital	292,919	681	**293,600**	1,881
Property, plant and equipment	43,837	8,048	**51,885**	1,521
Intangible assets	70,471	–	**70,471**	1,355
Goodwill (not deductible)	112,596	–	**112,596**	4,382
Future income tax assets	3,625	–	**3,625**	–
Other assets	2,919	200	**3,119**	–
	544,428	8,929	**553,357**	9,139
Liabilities assumed				
Non-cash working capital	93,486	2,706	**96,192**	16
Bank indebtedness and short-term debt	125,393	–	**125,393**	–
Long-term debt	23,780	1,096	**24,876**	858
Future income tax liabilities	21,370	–	**21,370**	517
Note payable to 5N Plus	–	769	**769**	–
Non-controlling interest	–	1,560	**1,560**	–
	264,029	6,131	**270,160**	1,391
Total consideration	280,399	2,798[1]	**283,197**	7,748
Consideration				
Cash paid to the vendors	144,027	3,307	**147,334**	7,851
Shares issued to the vendors	78,621	–	**78,621**	–
Balance of purchase price and holdback	85,455	–	**85,455**	–
Cash and cash equivalents acquired	(29,804)	(509)	**(30,313)**	(164)
Acquisition costs	2,100	–	**2,100**	61
Purchase consideration	280,399	2,798	**283,197**	7,748

1 Book value of the loan and the embedded derivative (convertible option) at the date of the acquisition for this non-cash transaction.

Results of Operations

Results overview

	Three months ended May 31			Year ended May 31		
	2011	2010	Increase	**2011**	2010	Increase
(in thousands of Canadian dollars except per share amounts)	**$**	$		**$**	$	
Revenues	**119,808**	19,730	507%	**178,828**	70,763	153%
Gross profit	**26,459**	8,671	205%	**52,325**	31,853	64%
Net earnings[1]	**10,049**	4,363	130%	**21,641**	15,143	43%
Net earnings per share[1]	**0.17**	0.09	100%	**0.44**	0.33	33%
EBITDA	**19,170**	6,209	209%	**36,771**	22,926	60%
Bookings[2]	**302,403**	18,589	589%	**380,017**	71,184	189%

1 Net earnings from continuing operations

2 See Non-GAAP Measures

Revenues

Revenues for the fourth quarter ended May 31, 2011 reached a record level of $119.8 million, a 507% increase over sales of $19.7 million for the same period last year. Included in the fourth quarter, for the first time, are revenues of MCP which contributed to our financial results for a period of 7 weeks and for an amount estimated to represent over $90.0 million. Sales of all main products were strong throughout the quarter with revenues being also positively impacted by an increase in average selling price following a general trend of commodity price increases. Revenues for the fiscal year ended May 31, 2011 also reached a record level, for the very same reasons, lying at $178.8 million, representing a 153% increase over sales of $70.8 million for the previous fiscal year.

Gross profit

Gross profit in the fourth quarter increased by 205% to $26.5 million or 22% of revenues compared to $8.7 million or 44% of revenues for the same period last year. For the fiscal year ended May 31, 2011, gross profit increased by 64% to $52.3 million, or 29% of revenues, compared to $31.9 million or 45% of revenues for the previous fiscal year. Both increases in gross profit are associated with an increase in revenues over the periods considered. As a percentage of revenues gross profit decreased because of the inclusion of the MCP financial results. MCP generally sells products for which the gross profit in terms of revenues is less than the Company's historical levels. Rising raw material costs which impact both average selling price and cost of sales further contributed to this decrease as a percentage of revenues.

Net earnings

Net earnings from continuing operations for the fourth quarter reached a record level of $10.0 million or $0.17 per share, up by 130% over net earnings from continuing operations of $4.3 million or $0.09 per share for the same period last year. Net earnings from continuing operations for the fiscal year ended May 31, 2011 also reached a record level at $21.6 million or $0.44 per share, representing a 43% increase over net earnings from continuing operations of $15.1 million or $0.33 per share, for the previous fiscal year. These increases are mainly attributable to the contribution of the MCP activities which resulted in a higher gross profit. The impact of this increased gross profit on net earnings was partially offset by increases in selling, general and administrative expenses, and financial expenses.

EBITDA

	Three months ended May 31			Twelve months ended May 31		
	2011	2010	Increase (Decrease)	**2011**	2010	Increase (Decrease)
(in thousands of Canadian dollars)	**$**	$		**$**	$	
Net earnings[1]	**10,049**	4,363	130%	**21,641**	15,143	43%
Financial expenses and interest income	**2,094**	(60)	3,590%	**1,911**	(278)	787%
Foreign exchange gain	**(366)**	(533)	−31%	**(1,007)**	(1,184)	−15%
Amortization	**3,142**	705	346%	**5,368**	2,733	96%
Income taxes	**4,251**	1,735	145%	**8,858**	6,512	36%
EBITDA	**19,170**	6,209	209%	**36,771**	22,926	60%

1 Net earnings from continuing operations

EBITDA increased by 209% for the fourth quarter of fiscal year 2011 when compared to the same period last year reaching $19.2 million up from $6.2 million. EBITDA for the fiscal year ended May 31, 2011 increased by 60% when compared to the previous fiscal year reaching $36.8 million up from $22.9 million. EBITDA was positively impacted by the contribution of MCP to our operational results to a greater extent than net earnings as both financial expenses and income taxes are not included in the EBITDA numbers.

Bookings and backlog

Bookings were $302.4 million in the fourth quarter and $380.0 million in the year up from $18.6 million and $71.2 million for the corresponding periods of the previous fiscal year. Such increases are attributable mainly to the contribution of the MCP backlog but also reflect a continuing trend of increasing bookings and backlog throughout the year as a result of important contract renewals and an expansion of the product portfolio. This increase in bookings led to an increase in backlog which stands at $253.8 million as at May 31, 2011 which is 382% higher than the corresponding backlog of $52.7 million as at May 31, 2010. In terms of quarterly revenues, backlog was lower reflecting the fact that MCP has a larger proportion of spot sales and as a result typically runs on a backlog which represents a lower proportion of revenues.

Segment information

The company has two reportable business segments, namely Electronic Materials and Eco-Friendly Materials. Corresponding operations and activities are managed accordingly by the Company's key decision makers. Segmented operating and financial information, labelled key performance indicators, are available and used to manage these business segments, review performance and allocate resources. Financial performance of any given segment is evaluated primarily in terms of revenues and segment operating profit which is reconciled to consolidated numbers by taking into account corporate income and expenses.

The Electronic Materials segment is headed by a Vice-President which 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 and management of such activities is also the responsibility of the Electronic Materials Vice-President.

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

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

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

Electronic Materials division

	Three months ended May 31		Twelve months ended May 31	
	2011	2010	**2011**	2010
(in thousands of Canadian dollars)	**$**	$	**$**	$
Revenues	**62,433**	19,730	**121,453**	70,763
Cost of goods & expenses, before amortization	**(45,085)**	(13,167)	**(86,528)**	(46,427)
Segmented EBITDA	**17,348**	6,563	**34,925**	24,336
Bookings	**142,230**	18,589	**219,844**	71,184

Revenues in the fourth quarter for the Electronic Materials division increased by 216% reaching $62.4 million up from $19.7 million in the fourth quarter of the previous fiscal year. Revenues for the year increased by 72% to a level of $121.5 million, up from $70.8 million last year. Revenues in the quarter and the year included a contribution from the relevant MCP activities from April 8, 2011 onwards only. These increases in revenues are mainly associated with the contribution of MCP together with an increase in sales of solar products and an extension of the product portfolio following investments made throughout the year.

EBITDA in the fourth quarter for the Electronic Materials division increased to $17.3 million up by 164% over the level of $6.6 million in the fourth quarter of the previous fiscal year. EBITDA for the year reached a level of $34.9 million which represents a 44% increase over EBITDA for the previous fiscal year. These increases are essentially related to the contribution of the relevant MCP activities.

Bookings in the fourth quarter for the Electronic Materials division reached a level of 142.3 million, up from $18.6 million in the fourth quarter of the previous fiscal year. Bookings increased by 209% to $219.8 million up from $71.2 million one year earlier. This increase is associated with the contribution of the MCP backlog together with an increase associated primarily with the renewal of the Company's contract with First Solar. The backlog for the Electronic Materials division now stands at $151.0 million, increasing by $98.0 million during the year and by $80.0 million in the quarter.

Eco-Friendly Material division

	Three months ended May 31		Twelve months ended May 31	
	2011	2010	**2011**	2010
(in thousands of Canadian dollars)	**$**	$	**$**	$
Revenues	**57,375**	–	**57,375**	–
Cost of goods & expenses, before amortization	**(52,602)**	–	**(52,602)**	–
Segmented EBITDA	**4,773**	–	**4,773**	–
Bookings	**160,173**	–	**160,173**	–

The Eco-Friendly Materials activities are entirely composed of prior MCP activities as the Company did not carry out any such activities prior to April 8, 2011. Accordingly there is no historical data to compare and discuss. In addition all data discussed represents, from a duration standpoint, only 55% of a normal quarter.

Revenues reached $57.4 million during the quarter and were primarily composed of sales of bismuth metal and bismuth chemicals. The corresponding EBITDA associated with such revenues was $4.8 million.

Bookings were $160.2 million and are entirely associated with the contribution of the MCP backlog. The backlog for the Eco-Friendly Materials division now stands at $102.8 million, which when compared with the Electronic Materials division backlog is lower in terms of percentage of revenues and in line with the larger proportion of spot or short-term sales associated with this business segment.

Expenses

	Three months ended May 31			Twelve months ended May 31		
	2011	2010	Increase (Decrease)	**2011**	2010	Increase (Decrease)
(in thousands of Canadian dollars)	**$**	$		**$**	$	
Amortization	**3,142**	705	346%	**5,368**	2,733	96%
Selling, General and Administrative	**7,399**	1,783	315%	**13,309**	7,069	88%
Research & Development	**198**	679	−71%	**2,577**	1,858	39%
Financial Expenses, Interest Income and Foreign Exchange Gain	**1,728**	(593)	391%	**904**	(1,463)	162%
Income taxes	**4,252**	1,735	145%	**8,858**	6,512	36%
	16,719	4,309	288%	**31,016**	16,709	86%

Amortization

Amortization expenses for the quarter ended May 31, 2011 were $3.1 million compared to $0.7 million for same period last year. For the fiscal year ended May 31, 2011, amortization expenses were $5.4 million compared to $2.7 million in fiscal year 2010. These increases reflect the larger amortizable asset base following the acquisition of MCP, including $70.0 million of intangible assets which now stand at approximately $72.0 million.

Selling, General and Administrative Expenses

Selling, General and Administrative Expenses increased to $7.4 million in the fourth quarter and $13.3 million for the fiscal year ended May 31, 2011 compared to $1.8 million and $7.1 million for the corresponding periods last year. We inherited a larger management team and sales organization as a result of the acquisition of MCP which accounts for these increases. As a percentage of sales, selling, general and administrative expenses decreased from 9% to 6% in the fourth quarter and from 10% to 7% for the year.

Research & Development

R&D expenses, net of tax credits were $0.2 million in the fourth quarter compared to $0.7 million in the same period last year, representing 0.2% and 3.4% of sales respectively. This decrease includes an adjustment of $0.2 million in R&D tax credits which would have otherwise been more in line with the R&D expense levels of last year's fourth quarter. R&D expenses, net of tax credits for the year were $2.6 million compared to $1.9 million for the previous fiscal year. We expect to see increases in our R&D expenses following the acquisition of MCP as we aim to leverage our global platform and develop new organic growth opportunities.

Financial expenses, interest income and foreign exchange gain

The combined financial expenses, interest income and foreign exchange gain netted an expense of $1.7 million for the fourth quarter and of $0.9 million for the fiscal year ended May 31, 2011. This compares with a gain of $0.6 million and $1.5 million for the corresponding periods of the previous fiscal year. Following the acquisition of MCP, we now hold a net debt of $238 million.

Income taxes

Income taxes were $4.3 million for the fourth quarter ended May 31, 2011, compared to $1.7 million for the same period last year, corresponding to effective tax rates of 30% and 28% respectively. Income taxes for the fiscal year ended May 31, 2011 were $8.9 million compared to $6.5 million for the previous fiscal year representing effective tax rates of 29% and 30% respectively. We expect to see some decrease in our effective tax rate moving forward as we optimize our fiscal structure.

Liquidity and Capital Resources

Cash flows

	Three months ended May 31		Twelve months ended May 31	
	2011	2010	**2011**	2010
(in thousands of Canadian dollars)	**$**	$	**$**	$
Funds from operations	**13,189**	5,682	**29,569**	20,391
Net changes in non-cash working capital items	**(67,758)**	529	**(89,028)**	(3,563)
Operating activities	**(54,569)**	6,211	**(59,459)**	16,828
Investing activities	**(151,609)**	(785)	**(169,924)**	(12,578)
Financing activities	**191,758**	(169)	**193,359**	(295)
Effect of foreign exchange rate changes on cash and cash equivalents and designated cash	**(422)**	(281)	**(2,052)**	(534)
Decrease from discontinued operations	**–**	(23)	**–**	(496)
Net (decrease) increase in cash and cash equivalents	**(14,842)**	(4,953)	**(38,076)**	2,925

Cash consumed by operating activities was $54.6 million in the firth quarter and $59.5 million during the year ended May 31, 2011. This compares with a cash generation of $6.2 million and 16.8 million for the corresponding periods of the previous fiscal year. This increase in operating activities was driven primarily by an increase in accounts receivable ($23.6 million for the quarter and $29.2 million for the year) and inventories ($32.1 million in the quarter and $52.5 million in the year). Temporary investments also increased by $29.3 million in the quarter and the year being part of a financial instrument which also includes a loan for a nominally identical amount.

Investing activities consumed $151.6 million in the fourth quarter and $170.0 million for the fiscal year ended May 31, 2011 compared to $0.8 and $12.6 for the same periods last year. Investments in the quarter included the acquisition of MCP, for a total consideration net of cash of $280.4 million, which is captured in the cash flow net of the issuance of shares, balance of purchase price and holdback amounts issued to the vendors for a total amount at $119.2 million. Investments in property, plant and equipment were $8.4 million in the quarter and $20.1 million for the year as we completed the construction of our facility in Trail and made incremental investments in other facilities of the group, including those of MCP.

Cash provided by financing activities amounted to $191.8 million in the quarter and $193.4 million for the year as a result of the proceeds from the issuance of new shares for an amount of $125.9 million and an increase in bank indebtedness and short-term and long-term debt amounting to $73.6 million in the quarter and in the year. Cash provided by such activities was used primarily to finance the MCP acquisition. For the corresponding periods of the previous fiscal year, financing activities provided only $0.2 million and $0.3 million respectively resulting from the proceeds of the exercise of stock options.

Working capital

As at May 31	2011	2010
(in thousands of Canadian dollars)	$	$
Inventories	**293,069**	27,705
Others current assets	**197,997**	75,870
Current liabilities	**(264,950)**	(5,758)
Working capital[1]	**226,116**	97,817
Current ratio	**1.85**	17.98

1 See Non-GAAP Measures

Working capital increased to $226.1 million as at May 31, 2011 reflecting a significant increase in both inventories and receivables following the acquisition of MCP. This represents more than twice the working capital level of one year ago and reflects a new dynamic for the Company.

Current ratio

As at May 31, 2011, the current ratio decreased to a level of 1.85 from 17.98 one year earlier. Previous current ratios were distorted by high levels of cash that had not yet been deployed and which were consumed by the MCP acquisition.

Inventories

As at May 31, 2011, inventories amounted to $293.1 million compared to $27.7 million as at May 31, 2010. This increase is the result of the acquisition of MCP and the consolidation of their inventories with ours. MCP has traditionally been operating with high inventory levels for strategic and operational considerations and is expected to continue doing so in the future. Current inventory levels are further increased due to the rising prices of most of our raw materials and operational considerations related to the start-up of our Trail facility.

Net debt & funds from operations

Years ended May 31	2011	2010
(in thousands of Canadian dollars)	$	$
Bank indebtedness and short term debt	**170,675**	–
Long term debt including current portion	**59,029**	4,821
Balance of purchase price including current portion	**86,180**	–
Debt	**315,884**	4,821
Cash and cash equivalents and temporary investments (restricted)	**(77,503)**	(67,992)
Net Debt	**238,381**	(63,171)

Net debt after taking into account liquid assets such as cash and cash equivalents and temporary investments amounted to $238.4 million as at May 31, 2011. We are engaged with several financial institutions in Asia, Europe and North America through our respective subsidiaries. We expect to consolidate the majority of our debt into one syndicated facility with our head office. In August 2011, the Company signed a new $250 million senior secured multi-currency revolving credit facility to replace its existing $50 million two-year senior secured revolving facility and most of MCP's credit facilities.

Funds from operations amounted to $12.6 million for the quarter and $29.6 million for the fiscal year. This is to be compared with $5.7 million and $20.4 million for the corresponding periods of the previous fiscal year. The contribution of MCP to our results was responsible for this increase.

	Three months ended May 31		Twelve months ended May 31	
	2011	2010	**2011**	2010
(in thousands of Canadian dollars)	**$**	$	**$**	$
Funds from Operations	**13,189**	5,682	**29,569**	20,391
Acquisition of businesses	**(115,598)**	–	**(119,158)**	(7,748)
Acquisition of property, plant and equipment and intangible assets	**(8,710)**	(916)	**(21,099)**	(4,837)
Working capital changes	**(67,758)**	(585)	**(89,028)**	(3,563)
Balance of purchase price and holdback	**(85,455)**	–	**(85,455)**	–
Proceeds from issuance of shares net of share issue costs	**119,485**	16	**120,269**	332
Debt assumed in business acquisitions	**(149,173)**	–	**(150,269)**	–
Temporary investments acquired in business acquisition	**18,061**	–	**18,061**	–
Others	**953**	976	**(324)**	7
	(288,195)	(509)	**(327,003)**	(15,809)
Effect of foreign exchange rate changes on cash movement and other non-cash items	**282**	233	**(4,118)**	69
Total movement in net debt	**(274,724)**	4,940	**(301,552)**	4,651
Net cash, beginning of period	**36,343**	56,231	**63,171**	58,520
(Net Debt) net cash, end of period	**(238,381)**	63,171	**(238,381)**	63,171

Net debt to annualized EBITDA for the fourth quarter ratio was 6.5. Annualized funds from operations generated in the fourth quarter represented 22.1% of our net debt. We expect both ratios to improve in the coming quarters as we benefit from the contribution of MCP for the full period considered and not only for 7 weeks out of 13 considered as was the case during this fourth quarter.

Three months ended May 31 (annualized)	**2011**	2010
Net debt to EBITDA ratio[1]	**6.5**	N/A
Funds from operations to net debt (%)	**22.1**	N/A

1 Net cash only in 2010

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.

Issued and fully paid

As at May 31		**2011**		2010
	Number	Amount	Number	Amount
(in thousands of Canadian dollars)		**$**		$
Common shares				
Outstanding	**70,892,627**	**287,464**	45,627,450	82,390

As at August 24, 2011 a total of 70,918,378 common shares were issued and outstanding, and no preferred shares were issued or outstanding.

Stock option plan

On April 11, 2011, the Company adopted a new stock option plan (the "Plan") replacing the previous plan (the"Old Plan") in place since October 2007 with the same features, with the exception of a maximum number of options granted which cannot exceed 5 million options. No options were granted under this Plan as at May 31, 2011.

The aggregate number of shares which could be issued upon the exercise of options granted under the Old Plan could not exceed 10% of the issued shares of the Company at the time of granting the options. Options granted under the Old Plan may be exercised during a period not exceeding ten years from the date of the grant. The stock options outstanding as at May 31, 2011 may be exercised during a period not exceeding six years from their date of grant. Options vest at a rate of 25% (100% for directors) per year, beginning one year following the grant date of the options.

For the years ended May 31	2011		2010	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Beginning of period	**1,596,615**	**4.24**	1,439,055	3.78
Granted	**262,308**	**4.95**	436,500	5.38
Cancelled	**(177,518)**	**5.12**	(171,715)	4.00
Exercised	**(297,380)**	**3.07**	(107,225)	3.09
End of period	**1,384,025**	**4.52**	1,596,615	4.24

As at May 31, 2011, 628,765 stock options were exercisable, at a weighted average exercise price of $4.16.

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 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 year ended May 31, 2011, the Company granted 33,129 RSU and recorded a provision of $0.09 million.

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 May 31, 2011 may be exercised during a period not exceeding six years from their date of grant. RSUFE vest at a rate of 25% per year, beginning one year following the grant date of the award. During the year ended May 31, 2011, the Company granted 8,549 RSUFE and recorded a provision of $0.01 million.

Off-Balance Sheet Arrangements

The Company has certain off-balance sheet arrangements, consisting of leasing certain premises and equipment under the terms of operating leases.

The Company is exposed to currency risk on sales of Canadian-made products in US dollars and in Euros and therefore periodically enters into foreign currency forward contracts to protect itself against currency fluctuation. The reader will find more details related to these contracts in Note 14 to the consolidated financial statements as well as in the Risks and Uncertainties section of this MD&A.

Contractual Obligations

The following table summarizes our principal contractual obligations for our normal business operations as at May 31, 2011:

Payment due by period	2012	2013	2014	2015	2016 and thereafter	Total
(in thousands of Canadian dollars)	$	$	$	$	$	$
Bank indebtedness and short-term debt[1]	171,166	–	–	–	–	171,166
Long-term debt[1]	7,798	40,199	7,367	6,458	10,033	71,855
Balance of purchase price and holdback to the vendors[1]	17,641	33,375	45,588	–	–	96,604
Leases	1,175	1,136	501	325	649	3,786
	197,782	74,710	53,454	6,783	10,682	343,411

1 Interest charges included

Critical Accounting Policies

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, the valuation of intangible assets, inventories, goodwill, other long-lived assets, provision for pension benefits and provision for site remediation. 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.

Intangible assets

Intangible assets are recorded at cost and amortized on a straight-line method over their estimated useful life at the following rates:

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

Goodwill

Goodwill represents the excess of the purchase price of an acquired business over the fair value assigned to assets acquired and liabilities assumed. Goodwill is assessed for impairment at least annually or more frequently if events or changes in circumstances indicate that the goodwill might be impaired. The assessment of impairment is based on fair values derived from certain valuation models, which may consider various factors such as normalized and estimated future earnings, price earnings multiples, terminal values and discount rates. The Company has designated May 31 as the date for its annual impairment test. As at May 31, 2011, goodwill was not considered to be impaired.

Cash flow hedges

Derivative financial instruments designated as cash flow hedges are measured at fair value. The effective portion of the change in fair value of the derivative financial instruments is recorded in other comprehensive income. The ineffective portion, if any, is recognized in net earnings.

Revenue recognition

Revenue from the sale of manufactured products is recognized and recorded in the accounts when the ownership and control of goods passes to the buyers, which generally occurs upon shipment and the ability to collect is reasonably assured. Revenue is reduced at the time it is recognized, for estimated customer returns and other allowances based on historical experience.

Revenue from custom refining activities is recognized when products are delivered and all the material risks and advantages inherent in ownership are transferred to the customers.

Inventories

Raw materials are valued at the lower of cost and net realizable value, cost being determined using the average cost method. Finished goods are valued at the lower of cost and net realizable value, cost being determined under the average cost method and representing the value of raw materials, direct labour and a reasonable proportion of factory overhead. Write-downs to net realizable value may be reversed, up to the amount previously written down when circumstances have changed to support an increased inventory value.

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

Accounting standards issued but not yet adopted

Section 1582, "Business Combinations" was published in January 2009 and replaces Section 1581 "Business Combinations". It provides the Canadian equivalent to the IFRS standard, IFRS 3 (Revised), "Business Combinations". The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier application is permitted. Section 1601, "Consolidated Financial Statements" and Section 1602, "Non-controlling Interests". These sections were published in January 2009 and replace Section 1600, "Consolidated Financial Statements".

Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS standard, IAS 27 (Revised),"Consolidated and Separate Financial Statements". The Sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

Beginning on June 1, 2011, the Corporation will cease to prepare its consolidated financial statements in accordance with Canadian GAAP as set out in Part V of the CICA Handbook—Accounting ("Canadian GAAP") and will apply as its primary basis of accounting, International Financial Reporting Standards as published by the International Accounting Standards Board as set out in Part I of the CICA Handbook—Accounting. Consequently, management has not determined the impact of the aforementioned future accounting changes to Canadian GAAP that are for periods beginning on or after June 1, 2011.

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 (the "Changeover date"). In the Company's reporting for those periods following the Changeover date, comparative data for equivalent periods in the previous fiscal year will be required, making June 1, 2010 ("date of transition") for the Company. IFRS uses a conceptual framework similar to Canadian GAAP, but presents significant differences on certain recognition, measurement and disclosure principles. In the period leading up to the Changeover, the AcSB will continue to issue accounting standards that are better aligned with IFRS thus mitigating the impact of conversion to IFRS. Further, the International Accounting Standards Board (IASB) will also continue to issue new, or amend existing accounting standards during the conversion period, and as a result, the final impact on the Company's consolidated financial statements of applying IFRS in full will only be entirely measurable once all applicable IFRS requirements at the final changeover date are known. To ensure adequate management of this process, the Company has developed a plan, assessed the resource requirements for its implementation, and commenced to work with its auditors to confirm positions.

The Company continues to assess and make changes as necessary to the design of existing internal control processes and procedures, including disclosure controls and one-time changes for opening adjustments, as a result of implementing IFRS. The Company does not anticipate any significant changes to its internal control over financial reporting or disclosure controls as a result of the transition to IFRS. All entity-level, information technology, disclosure and business process controls will require updating and testing to reflect changes arising from the conversion to IFRS. Where material changes are identified, these changes will be mapped and tested to ensure that no material control deficiencies exist as a result of the Corporation's conversion to IFRS.

The Company expects a moderate impact to the IT systems as a result of the conversion to IFRS. System changes are currently underway to ensure that comparative 2010 IFRS data required for the first interim IFRS filing in 2011-2012 will be available. The Company is in the process of making the necessary changes to the financial reporting system, creating the necessary tables and databases required to capture the data for IFRS.

The Company has continued to move forward with the Implementation Phase ("Phase 4") of the Company's IFRS conversion plan. As stated in the previous quarter, the IFRS project team has continued to work towards the quantification of impacts associated with the key areas that will affect the Company. The following outlines key milestones and updates for the year ended May 31, 2011:

Functional currency

IAS 1 and IAS 21—According to IFRS, an entity must measure its assets, liabilities, revenues and expenses in its functional currency, which is the currency of the primary economic environment in which it operates. Preliminary assessment by management is that the functional currency will be the US dollar.

Hedge accounting

IAS 39—Since the Company will change its functional currency, the actual hedge accounting will not be applicable since it was done based on a Canadian functional currency which will change under IFRS. See functional currency above.

Property, plant and equipment

IAS 16—The Company has completed the identification and quantification of all components within each significant fixed asset class and the resulting impact on the Company's annual depreciation and opening retained earnings under IFRS. Under this standard, each significant component is required to be depreciated over its estimated useful life. Estimated useful lives and costs of components have been determined by senior management throughout the Company.

MCP Acquisition

IFRS 3—IFRS 1 allows the Company to elect not to apply this standard to past business combinations (business combinations that occurred before the date of transition to IFRS). The Company has elected to apply IFRS 3 to any historical business combinations prior to the transition date. Under IFRS 3, the Company must expense transaction costs as incurred unless they are related to the issue of debt or equity instruments to effect the business combination. The identifiable assets acquired and liabilities assumed in a business combination are measured at fair value under IFRS, even if less than 100% of the equity interest in the acquiree is owned at the acquisition date. In addition, for each business combination, the Company can elect to measure any non-controlling interest in the acquiree using one of two options at the acquisition date. Under this option, the Company can elect to measure non-controlling interest at its proportionate interest in first the fair value of the identifiable assets and liabilities of the acquiree, limiting goodwill only to the controlling interest acquired. The second option is to record noncontrolling interest at full fair value, including a portion of goodwill attributable to the non-controlling interest. The Company is currently still in the process of quantifying the effect of this Standard on its recent acquisition of MCP and is continuing to assess the overall impact during the transition year.

Stock-based compensation

IFRS 2—IFRS requires a different method of amortization of the expense related to stock options. Also, in evaluating the fair value of the stock option issued, the Company has to determine the expected forfeiture of options. This will change the calculation of the fair value of the options issued.

Impairment of assets

Mainly IAS 36—Impairment of assets. IFRS contains a single comprehensive impairment standard under which assets are tested for impairment either individually or within cash-generating units (CGUs). CGUs will have to be established and are typically identified at a lower level within the Company than an operating unit under Canadian GAAP. Differences also exist in the measurement methods of impairment charges and rules may more frequently conclude to an impairment charge.

Provisions

IAS 37—Provisions, contingent liabilities and contingent assets, requires a provision to be recognized when: there is a present obligation as a result of a past transaction or event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the obligation "Probable" in this context means more likely than not. Under Canadian GAAP, the criterion for recognition in the financial statements is "likely", which is a higher threshold than "probable". Therefore, it is possible that there may be some provisions or contingent liabilities which would meet the recognition criteria under IFRS that were not recognized under Canadian GAAP.

Other differences between IFRS and Canadian GAAP exist in relation to the measurement of provisions, such as the methodology for determining the best estimate where there is a range of equally possible outcomes (IFRS uses the mid-point of the range, whereas Canadian GAAP uses the low-end of the range), and the requirement under IFRS for provisions to be discounted where material.

The Company believes that the impacts of the transition from Canadian GAAP to IFRS on June 1, 2011 will not be significant with the exception that the functional currency of the Company will change.

The Company believes that it will be prepared to adopt IFRS and meet the required disclosure requirements in time for the Company's first quarter ended September 30, 2011.

The information above is provided to allow users of the Company's financial statements to obtain a better understanding of the status of the Company's IFRS conversion plan and the resulting possible effects on the Company's financial statements and operating performance measures. These estimates are based on the Company's current understanding, and readers are cautioned that it may not be appropriate to use such information for any other purpose. This information also reflects our most recent assumptions and expectations; circumstances may arise, such as changes in IFRS, regulations or economic conditions, which could change these assumptions or expectations.

Risks and Uncertainties

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

Possible failure to realize anticipated benefits of acquisitions

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

Inventory price risk

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

Dependence on key personnel

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

Sources of supply

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

Additional indebtedness

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

Environmental regulations

Our operations involve the use, handling, generation, processing, storage, transportation, recycling and disposal of hazardous materials and are subject to extensive environmental laws and regulations at the national, provincial, local and international level. These environmental laws and regulations include those governing the discharge of pollutants into the air and water, the use, management and disposal of hazardous materials and wastes, the clean-up of contaminated sites and occupational health and safety. We have incurred and will continue to incur capital expenditures in order to comply with these laws and regulations. In addition, violations of, or liabilities under, environmental laws or permits may result in restrictions being imposed on our operating activities or in our being subject to substantial fines, penalties, criminal proceedings, third party property damage or personal injury claims, clean-up costs or other costs. While we believe that we are currently in compliance with applicable environmental requirements, future developments such as more aggressive enforcement policies, the implementation of new, more stringent laws and regulations, or the discovery of currently unknown environmental conditions may require expenditures that could have a material adverse effect on our business, results of operations and financial condition.

Credit risk

Credit risk corresponds to the risk of loss due to the client's inability to fulfill its obligations with respect to trade and other receivables as well as contracts. The Company has a large number of clients and is no longer dependent on a specific client. We reduce credit risk by ensuring that credit is granted only to clients after a credit analysis is performed. The Company conducts ongoing evaluation of its clients and establishes provisions for doubtful accounts should an account be considered non recoverable.

Interest rate risk

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

Currency risk

We report our financial results in Canadian dollars while most of our revenues and a significant portion of our operating costs are realized in local currencies, such as euro, U.S. dollars and pounds sterling. Even though, the purchases of raw materials are denominated in U.S. dollars, which reduces to some extent exchange rate fluctuations, we are subject to currency translation risk which can negatively impact our results. Management has implemented a policy for managing foreign exchange risk against the relevant functional currency. The Company manages the foreign exchange risk by entering into various foreign exchange forward contracts.

Fair value

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

Competition

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

Business interruptions

We may incur losses resulting from business interruptions. In many instances, especially those related to our long-term contracts, we have contractual obligations to deliver product in a timely manner. Any disruption in our activities which leads to a business interruption could harm our customers' confidence level and lead to the cancellation of our contracts and legal recourse against us. Although we believe that we have taken the necessary precautions to avoid business interruptions and carry business interruption insurance, we could still experience interruptions which would adversely impact our financial results.

Protection of intellectual property

Protection of our proprietary processes, methods and other technologies is important to our business. We rely almost exclusively on a combination of trade secrets and employee confidentiality agreements to safeguard our intellectual property. We have deliberately chosen to limit our patent position to avoid disclosing valuable information. Failure to protect and monitor the use of our existing intellectual property rights could result in the loss of valuable technologies and processes.

International operations

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

Collective agreements

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

Controls and Procedures

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

Disclosure controls and procedures

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

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

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

Internal control over financial reporting

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

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

Changes in internal control over financial reporting

No changes were made to the Company's internal controls over financial reporting that occurred during the fourth quarter ended May 31, 2011 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.

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

EBITDA means earnings from continuing operations before financing costs, interest income, gain and loss on foreign exchange, income taxes and amortization. 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.

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

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

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

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

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 Events

In August 2011, the Company signed a new $250 million senior secured multi-currency revolving credit facility to replace its existing $50 million two-year senior secured revolving facility with National Bank of Canada. The new credit facility will be used to refinance existing indebtedness and 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 5N Plus' senior consolidated debt to EBITDA ratio. 5N Plus also has US$35 million of credit facilities in Asia. At any time, 5N Plus has 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. In connection with the new credit facility, National Bank of Canada and HSBC Bank acted as co-lead arrangers and joint book runners, and five other banks as lenders.

On August 24, 2011, we announced the approval from our Board of Directors to change our financial year-end from May 31 to December 31. This change will align the financial year ends of 5N Plus and MCP, simplifying internal processes as all business units will use the same reporting periods. The first quarter ending September 30, 2011 will include four months of results and the annual period ending December 31, 2011 will contain seven months of 5N Plus' results.