Management's Discussion and Analysis

Four-month period ended September 30, 2011

This Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations is intended to assist readers in understanding 5N Plus Inc. ("the Company"), its business environment, strategies, performance and risk factors. This MD&A should be read while referring to the unaudited condensed interim consolidated financial statements and the accompanying notes for the four-month period ended September 30, 2011 and with the most recent audited consolidated financial statements and accompanying notes for the fiscal year ended May 31, 2011. Information contained herein includes any significant developments to December 5, 2011, the date on which the MD&A was approved by the Company's board of directors. Unless otherwise indicated, the terms "we", "us" and "our" as used herein refer to the Company together with its subsidiaries.

This is the first period in which financial statements have been prepared under International Financial Reporting Standards ("IFRS"). Previously, the Company applied Canadian generally accepted accounting principles ("Canadian GAAP"). The comparative figures as at May 31, 2011 and for the three-month period ended August 31, 2010 have been restated to comply with IFRS as per guidance provided in IFRS 1, *First-time adoption of IFRS*. For details on the most significant adjustments to equity, net earnings, comprehensive income and cash flows, see Note 18 – Adoption of IFRS to the condensed interim consolidated financial statements. As a result of adoption of IFRS, the Company changed its functional currency from the Canadian dollar to the USD dollar.

The financial information presented in this MD&A, including tabular amounts, are in United States dollars. It also includes some figures that are not performance measures consistent with IFRS. Information regarding these non-IFRS financial measures is provided under the heading Non-IFRS Measures of this Management's Discussion and Analysis.

Change in Year-End

On August 24, 2011, the Company changed its financial year-end date from May 31 to December 31. This change was made to better align the financial year-ends of both 5N Plus and MCP Group SA ("MCP"). For further information on the details of this change, please refer to the Notice of Change in Year-End report filed by the Company on SEDAR.

Notice Regarding Forward-Looking Statements

Certain statements in this MD&A may be forward-looking within the meaning of applicable securities laws. Forward-looking information and statements are based on the best estimates available to the 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 risks 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. A description of the risks affecting 5N Plus' business and activities appears under the heading "Risks and Uncertainties" in Management's Discussion and Analysis for the fiscal year ended May 31, 2011, and in the section entitled "Risk Factors" in 5N Plus' short-form prospectus dated April 1, 2011, both of which are available on SEDAR at www.sedar.com. Forward-looking statements can generally be identified by the use of terms such as "may", "should", "would", "believe", "expect", the negative of these terms, variations of them or any terms of similar terminology. No assurance can be given that any events anticipated by the forward-looking information in this MD&A will transpire or occur, or if any of them do so, what benefits that 5N Plus will derive therefrom. In particular, no assurance can be given as to the future financial performance of 5N Plus. The forward-looking information contained in this MD&A is made as of the date hereof and 5N Plus undertakes no obligation to publicly update such forward-looking information to reflect new information, subsequent or otherwise, unless required by applicable securities laws. The reader is warned against placing undue reliance on these forward-looking statements.

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.

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), light emitting diodes (LED), displays, high-frequency electronics, medical imaging 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.

Selected Quarterly Financial Information

in thousands of dollars except per share amounts (unaudited)	4 months ended September 30, 2011 (IFRS and US dollars) (4 months)	Fiscal year ended May 31, 2011 (IFRS and US dollars) (3 months)				Fiscal year ended May 31, 2010 (CDN GAAP and CDN dollars) (3 months)		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenues	242,289	121,976	20,663	19,314	18,042	19,730	19,227	15,753
Gross profit[1]	42,857	24,898	8,157	8,161	7,497	8,671	8,204	7,359
EBITDA[1]	29,536	12,125	6,049	5,842	5,398	6,209	6,262	5,506
Net earnings	14,933	7,476	5,576	6,454	2,794	4,339	4,076	3,217
Basic earnings per share	$0.21	$0.15	$0.12	$0.14	$0.06	$0.09	$0.09	$0.07
Diluted earnings per share	$0.21	$0.15	$0.12	$0.14	$0.06	$0.09	$0.08	$0.07
Net earnings attributable to equity holders of 5N Plus	15,565	7,802	5,600	6,454	2,794	4,339	4,076	3,217
Basic earnings per share attributable to equity holders of 5N Plus	$0.22	$0.16	$0.12	$0.14	$0.06	$0.09	$0.09	$0.07
Net earnings from continuing operations	14,933	7,476	5,576	6,454	2,794	4,363	4,362	3,403
Basic earnings per share from continuing operations	$0.21	$0.15	$0.12	$0.14	$0.06	$0.10	$0.10	$0.07
Diluted earnings per share from continuing operations	$0.21	$0.15	$0.12	$0.14	$0.06	$0.09	$0.09	$0.07
Backlog[1]	212,264	263,702	73,154	60,986	53,975	52,651	53,791	53,268

The quarterly figures for the fiscal year ended May 31, 2010 have been prepared under Canadian GAAP and have not been restated under IFRS.

[1] See Non-IFRS Measures

Highlights of the four-month period ended September 30, 2011

- Revenues for the four-month period ended September 30, 2011 increased by 1,243% to $242.3 million compared to $18.0 million for the quarter ended August 31, 2010.
- Net earnings attributable to equity holders of 5N Plus for the four-month period ended September 30, 2011 were $15.6 million or $0.22 per share, representing a 457% increase over net earnings of $2.8 million or $0.06 per share for the quarter ended August 31, 2010. Before amortization of intangible assets related to MCP, net earnings attributable to equity holders of 5N Plus were $0.26 per share.
- EBITDA increased by 447% to $29.5 million, up from $5.4 million for the quarter ended August 31, 2010.
- Funds from operations were $17.0 million, representing a 368% increase over funds from operations of $3.6 million for the quarter ended August 31, 2010.
- As at September 30, 2011, the backlog of orders expected to translate into sales over the following twelve months stood at $212.1 million compared to $54.0 million as at August 31, 2010.
- Shareholders' equity increased to $378.3 million as at September 30, 2011, up from $362.7 million as at May 31, 2011. The Company increased its financial flexibility following the closing of a new CA$250 million (USD$250 million as of December 2, 2011) senior secured multi-currency revolving credit facility with a banking syndicate on August 12, 2011. The financing was finalized in October 2011 and as a result, the Company has the ability to borrow an additional amount of approximately $82 million.
- Corresponding growth initiatives announced in the period ended September 30, 2011 or shortly thereafter, include acquiring the outstanding 40 percent ownership interest in the joint venture company Lao Industrial Resources Co Ltd., and plans for setting up a new gallium chemicals plant in Korea, and a new primary gallium facility, for which the Company has signed a memorandum of understanding with Rio Tinto Alcan.

We (TSX:VNP) are pleased to report results for the four-month period ended September 30, 2011. This is the first reporting period following the acquisition of MCP for which we operated throughout the period as a combined entity with the corresponding positive impact on revenues and earnings which reached record levels. Contributions from both of our business units were approximately equal and very much in line with expectations as demand for our products remained strong for most of the period. No single customer represented more than 10% of total revenues during the period, confirming the success of our diversification strategy.

The integration of the former MCP activities is progressing in accordance with our initial plan. We have rebranded under one single name, 5N Plus, and made progress towards complete organizational alignment. In this respect, we have integrated former MCP executives into our senior management team and shared our vision with the entire organization through a series of meetings and visits at the various sites. Most of our activities now fall into one of our two customer centric business units with complete integration of our procurement activities where we expect to develop significant synergies.

We are closely monitoring recent developments in Europe and expect some softening in demand in the coming months which may be compounded by the usual year-end seasonality. Negative developments in the solar market resulting from large module oversupply are equally monitored even though this market now contributes less than 10% of our total revenues.

We are now well diversified in terms of markets, customers and geographic footprint and have yet to reap the full benefits of the recent acquisition of MCP. We therefore remain cautiously optimistic for the coming quarters despite the current economic uncertainty and very confident of our ability to deliver long-term shareholder value as we continue to execute on our growth plan.

Jacques L'Ecuyer
President and Chief Executive Officer

Results Overview

(in thousands of United States dollars)	**Four months ended September 30, 2011**	Three months ended August 31, 2010	Increase
	$	$	
Revenues	**242,289**	18,042	1,243%
Gross profit	**42,857**	7,497	472%
Net earnings attributable to equity holders of 5N Plus	**15,565**	2,794	457%
Net earnings per share attributable to equity holders of 5N Plus	**$0.22**	$0.06	267%
EBITDA	**29,536**	5,398	447%
Funds from Operations[1]	**16,989**	3,631	368%
Bookings[1]	**190,671**	21,691	779%

[1] See Non-IFRS Measures

Revenues

For the four-month period ended September 30, 2011, revenues reached a record level of $242.3 million, a 1,243% increase over sales of $18.0 million for the quarter ended August 31, 2010. Included in the four-month period ended September 30, 2011 are revenues of MCP which contributed to our financial results for the full quarter for the first time. Sales of all main products were strong throughout the four-month period with revenues being also positively impacted by an increase in average selling price following a general trend of commodity price increases for the first part of the four-month period.

Gross profit

Gross profit for the four-month period ended September 30, 2011 increased by 472% to $42.9 million or 18% of revenues compared to $7.5 million or 42% of revenues for the quarter ended August 31, 2010. Increase in gross profit is associated with an increase in revenues. As a percentage of revenues, gross profit decreased because of the inclusion of the MCP financial results for the full period, as MCP generally derives revenues from 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 attributable to equity holders of 5N Plus for the four-month period ended September 30, 2011 reached a record level of $15.6 million or $0.22 per share, up by 457% over net earnings of $2.8 million or $0.06 per share for the quarter ended August 31, 2010. These increases are mainly attributable to the contribution of the MCP activities for the full period for the first time which resulted in a higher gross profit. The impact of this increased gross profit on net earnings attributable to equity holders of 5N Plus was partially offset by increases in selling, general and administrative expenses, and financial expenses.

EBITDA

(in thousands of United States dollars)	**Four months ended September 30, 2011**	Three months ended August 31, 2010	Increase (Decrease)
	$	$	
Net earnings attributable to Equity holders of 5N Plus	**15,565**	2,794	457%
Net financial expenses (income)	**3,440**	(40)	(8,700%)
Foreign exchange (gain) loss	**(1,760)**	756	(333%)
Amortization	**7,334**	702	945%
Income taxes	**4,957**	1,186	318%
EBITDA	**29,536**	5,398	447%

EBITDA increased by 447% for the four-month period ended September 30, 2011 when compared to the quarter ended August 31, 2010 reaching $29.5 million up from $5.4 million. EBITDA was positively impacted by the contribution of MCP to our operational results for the full period 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 $190.7 million for the four-month period ended September 30, 2011 and $21.7 million for the quarter ended August 31, 2010, which represents an increase of 779%. Such increase is attributable mainly to the contribution of the MCP activities but also reflects a continuing trend of increasing bookings and backlog as a result of important contract renewals in calendar 2011 and an expansion of the product portfolio. This increase in bookings led to an increase in backlog which stands at $212.1 million as at September 30, 2011 which is 293% higher than the corresponding backlog of $54.0 million as at August 31, 2010. Backlog decreased by 20% from May 31, 2011 because of a corresponding decrease in the backlog for the Eco-Friendly Materials division as a result of seasonality in contract renewals. In terms of revenues, backlog was lower reflecting the fact that MCP has a larger proportion of spot sales and typically runs on a backlog which represents a lower proportion of revenues.

Revenues, EBITDA and bookings for the Company's reportable segments namely Electronic Materials division and Eco-Friendly Materials division 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

(in thousands of United States dollars)	**Four months ended September 30, 2011**	Three months ended August 31, 2010	Increase
	$	$	
Revenues	**116,255**	18,042	544%
Cost of goods & expenses, before amortization	**(97,362)**	(12,997)	648%
Segmented EBITDA	**18,893**	5,045	275%
Bookings	**103,072**	21,691	375%

Revenues in the four-month period ended September 30, 2011 for the Electronic Materials division reached $116.3 million and increased by 544% up from $18.0 million the quarter ended August 31, 2010. This increase in revenues is 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 mainly throughout the year ended May 31, 2011.

EBITDA in the four-month period ended September 30, 2011 for the Electronic Materials division increased to $18.9 million up by 275% over $5.0 million in the quarter ended August 31, 2010. This increase is essentially related to the contribution of the relevant MCP activities.

Bookings in the four-month period ended September 30, 2011 for the Electronic Materials division reached a level of $103.1 million up from $21.7 million in the quarter ended August 31, 2010. 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 in February 2011. The backlog for the Electronic Materials division now stands at $143.7 million increasing by $89.8 million compared to August 31, 2010 and decreasing by $13.2 million over May 31, 2011.

Eco-Friendly Materials Division

(in thousands of United States dollars)	**Four months ended September 30, 2011**	Three months ended August 31, 2010	Increase (Decrease)
	$	$	$
Revenues	**126,034**	-	N/A
Cost of goods & expenses, before depreciation	**(112,826)**	-	N/A
Segmented EBITDA	**13,208**	-	N/A
Bookings	**87,599**	-	N/A

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, date of the acquisition of MCP. Accordingly there is no historical data to compare and discuss.

Revenues reached $126.0 million during the four-month period ended September 30, 2011 and were primarily composed of sales of bismuth metal and bismuth chemicals. The corresponding EBITDA associated with such revenues was $13.2 million.

Bookings were $87.6 million during the four-month period ended September 30, 2011 resulting in a backlog for the Eco-Friendly Materials division which now stands at $68.4 million. This represents a $38.4 million decrease over the backlog on May 31, 2011 as a result of seasonality in contract renewals.

Expenses

(in thousands of United States dollars)	**Four months ended September 30, 2011**	Three months ended August 31, 2010	Increase
	$	$	
Amortization	**7,334**	702	945%
Selling, General and Administrative	**16,054**	1,734	826%
Financial expenses	**1,680**	716	135%
Income taxes	**4,957**	1,186	318%
	30,025	4,338	592%

Amortization

Amortization expenses for the four-month period ended September 30, 2011 were $7.3 million compared to $0.7 million for the quarter ended August 31, 2010. This increase reflects the larger amortizable asset base following the acquisition of MCP, including approximately $70 million of intangible assets.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased to $16.1 million for the four-month period ended September 30, 2011 compared to $1.7 million for the quarter ended August 31, 2010. This increase is consistent with the new larger organization and management team. As a percentage of sales, selling, general and administrative expenses decreased from 10% to 7%.

Financial Expenses

The financial expenses netted an expense of $1.7 million for the four-month period ended September 30, 2011, which compares with an expense of $0.7 million for the quarter ended August 31, 2010. This increase in financial expenses results from the debt contracted to finance the acquisition of MCP and the combined operations.

Income Taxes

Income taxes were $5.0 million for the four-month period ended September 30, 2011, compared to $1.2 million for the quarter ended August 31, 2010, corresponding to effective tax rates of 24.9% and 29.8% respectively. This reflects the decrease in the income tax rate in Canada and the multi- jurisdictions in which the Company operates following the acquisition of MCP where the tax rates are lower than in Canada.

Liquidity and Capital Resources

Cash Flows

(in thousands of United States dollars)	**Four months ended September 30, 2011**	Three months ended August 31, 2010
	$	$
Funds from operations	**16,989**	3,631
Net changes in non-cash working capital items	**(28,969)**	(3,832)
Operating activities	**(11,980)**	(201)
Investing activities	**(3,294)**	(5,695)
Financing activities	**16,252**	1,108
Net increase (decrease) in cash and cash equivalents	**978**	(4,788)

Cash consumed by operating activities was $12.0 million in the four-month period ended September 30, 2011. This compares with a cash consumption of $0.2 million for the quarter ended August 31, 2010. This increase in operating activities was driven primarily by an increase in inventories of $39.5 million and a decrease in accounts

payables and other accrued charges of $11.0 million partly netted by a decrease in the accounts receivable of $19.1 million and the effect of earnings during the period

Investing activities consumed $3.3 million in the four-month period ended September 30, 2011 compared to $5.7 million for the quarter ended August 31, 2010 driven mainly by acquisitions of property, plant and equipment.

Cash provided by financing activities amounted to $16.3 million in the four-month period ended September 30, 2011 as we drew on our new senior secured multi-currency revolving credit facility to reimburse part of the legacy bank advances and short-term debt (related to former MCP activities), and to support operations. For the quarter ended August 31, 2010, financing activities generated $1.1 million mainly due to the proceeds of foreign exchange forward contracts.

Working Capital

(in thousands of United States dollars)	As at September 30, 2011	As at May 31, 2011
	$	$
Inventories	339,634	300,055
Others current assets	182,325	200,471
Current liabilities	(243,567)	(270,330)
Working capital[1]	278,392	230,196
Working capital current ratio	2.14	1.85

[1] See Non-IFRS Measures

Working capital increased to $278.4 million as at September 30, 2011 compared to $230.2 million as at May 31, 2011 reflecting an increase in inventories with a decrease in bank indebtedness and short-term debt. The former results from the conversion of bank indebtedness and short term-debt into long-term debt, as we refunded, using our new credit facility.

Inventories

As at September 30, 2011, inventories amounted to $339.6 million compared to $300.1 million as at May 31, 2011. This increase stems from both increases in quantities consistent with strategic considerations and higher replacement costs.

Working Capital current ratio

As at September 30, 2011, the working capital current ratio increased to a level of 2.14 from 1.85 four months earlier. This results from the conversion of a part of of the short-term debt into long-term debt as part of the refinancing from the new CA$250 million credit facility that occurred during the four-month period ended September 30, 2011.

Net Debt & Funds from Operations

(in thousands of United States dollars)	As at September 30, 2011	As at May 31, 2011
	$	$
Bank indebtedness and short-term debt	152,383	174,703
Long-term debt including current portion	178,284	148,403
Total Debt	330,667	323,106
Cash and cash equivalents and temporary investments (restricted)	(78,326)	(79,171)
Net Debt[1]	252,341	243,935

[1] See Non-IFRS Measures

Net debt after taking into account cash and cash equivalents and temporary investments amounted to $252.3 million as at September 30, 2011 compared to $243.9 million as at May 31, 2011. As of September 30, 2011, the Company was still engaged with several financial institutions in Asia, Europe and North America through its respective subsidiaries. The consolidation of the majority of our debt into our new CA$250 million senior secured revolving facility was completed in October 2011. In August 2011, the Company signed a new CA$250 million senior secured multi-currency revolving credit facility to replace its existing CA$50 million two-year senior secured revolving facility.

Funds from operations amounted to $17.0 million for the four-month period ended September 30, 2011 compared with $3.6 million for the quarter ended August 31, 2010. The contribution of the former MCP activities was responsible for this increase.

(in thousands of United States dollars)	**Four months ended September 30, 2011**	Three months ended August 31, 2010
	$	$
Funds from operations	**16,989**	3,631
Acquisition of property, plant and equipment and intangible assets	**(4,645)**	(2,679)
Working capital changes	**(28,969)**	(3,832)
Net proceed (repayment) from long-term debt	**36,000**	(166)
Decrease in bank advances and other short-term debt	**(22,320)**	-
Others	**(5,461)**	(1,607)
	(25,395)	(8,284)
Total movement in net debt	**(8,406)**	(4,653)
(Net debt) net cash[1], beginning of period	**(243,935)**	60,382
(Net Debt) net cash, end of period	**(252,341)**	55,729

[1] See Non-IFRS Measures

Net debt to annualized EBITDA for the four-month period ended September 30, 2011 ratio was 2.85. Annualized funds from operations generated in the four-month period ended September 30, 2011 represented 20.2% of our net debt.

	Four months ended September 30, 2011	**Three months ended August 31, 2010**
Net debt to EBITDA ratio[1]	**2.85**	N/A
Annualized funds from operations to net debt (%)	**20.20**	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. As at September 30, 2011 no preferred shares were issued.

Issued and fully paid
(in thousands of United States dollars)

	As at September 30, 2011		As at May 31, 2011	
Common shares	Number	Amount	Number	Amount
Outstanding	**70,959,125**	**$ 305,790**	70,892,627	$ 305,463

As at December 5, 2011 a total of 70,961,125 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.

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 September 30, 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.

The number of stock options and the weighted average exercise price for each share-based compensation plan are as follows:

	September 30, 2011		August 31, 2010	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		CA$		CA$
Outstanding, beginning of period	1,384,025	4.52	1,596,615	4.24
Granted	275,249	8.60	244,308	4.89
Cancelled	(4,396)	4.42	(11,820)	3.93
Exercised	(66,498)	3.17	(5,950)	3.00
Outstanding, end of period	1,588,380	5.28	1,823,153	4.34
Exercisable, end of period	701,107	4.43	655,885	3.72

Restricted stock unit incentive plan

On June 7, 2010, the Company adopted a Restricted Share Unit ("RSU") Plan to complement the stock option plan. The RSU Plan enables the Company to award phantom share units to eligible participants that vest after a three-year period. The RSU is settled in cash and is recorded as a liability. The measurement of the compensation expense and corresponding liability for these awards is based on the fair value of the award, and is recorded as a charge to selling, general and administrative ("SG&A") expenses 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. For the four-month period ended September 30, 2011, the Company granted 24,758 RSUs and 57,887 RSUs were outstanding as at September 30, 2011 (as at May 31, 2011 – 33,129 RSUs).

Restricted share unit incentive plan for foreign employees

On June 7, 2010, the Company adopted a Restricted Share Unit for Foreign Employees ("RSUFE") Plan. The 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 September 30, 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. For the four months ended September 30, 2011, the Company granted 33,428 RSUFE and 41,350 RSUFE were outstanding as at September 30, 2011 (as at May 31, 2011 – 8,549 RSUFE).

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 and contractual obligations in the normal course of business.

The Company is exposed to currency risk on sales in US dollars, Euros and other currencies 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 17 to the consolidated financial statements as well as in the Risks and Uncertainties section of the 2011 Annual Report.

The following table reflects the contractual maturity of the Company's financial liabilities as at September 30, 2011:

	Carrying amount	1 year	2-3 years	4-5 years	Beyond 5 years	Total
Bank indebtedness and short-term debt	152,383	152,383	-	-	-	152,383
Long-term debt	178,284	20,865	84,533	79,944	5,846	191,188
Derivative financial instruments	6,021	4,119	-	1,902	-	6,021
Accounts payable and other accrued charges	57,941	57,941	-	-	-	57,941
Total	394,629	235,308	84,533	81,846	5,846	407,533

Critical Accounting Policies

The Company's condensed unaudited interim consolidated financial statements have been prepared in accordance with IFRS. For a description of the accounting policies, please see Note 2 of the condensed unaudited interim consolidated financial statements for the four-month period ended September 30, 2011.

Conversion to IFRS

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that Canadian publicly listed companies will be required to use IFRS in the preparation of financial statements for fiscal years beginning on or after January 1, 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosures.

The unaudited condensed interim consolidated financial statements for the four-month period ended September 30, 2011 are the Company's first financial statements prepared under IFRS. For all accounting periods prior to this, the Company prepared its financial statements under Canadian GAAP. In accordance with IFRS 1, certain disclosures relating to the transition to IFRS are provided below. These disclosures are prepared under IFRS as set out in the basis of presentation in Note 2 to the September 30, 2011 unaudited condensed interim consolidated financial statements.

IFRS 1 requires that comparative financial information be provided. The date at which the Company began applying IFRS, June 1, 2010, is recognized as the "Transition Date". IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company will be May 31, 2011. However, it also provides for certain optional exemptions and certain mandatory exceptions for first-time adopters.

Initial election upon adoption

The following are the IFRS 1 elections adopted by the Company on the Transition Date:

Business combinations: IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3, *Business Combinations*, retrospectively to business combinations that occurred before the Transition Date. The Company has taken advantage of this election.

Share-based payments: The Company has elected to retrospectively apply IFRS 2, Share-based Payments, to all share-based payment transactions at the Transition Date. IFRS 2 applies to stock options, RSUs and RSUFE outstanding on June 1, 2010.

Functional currency: The Company applied IAS 21 and changed its functional currency from Canadian dollar to US dollar. As such, all the amounts of the consolidated statement of financial position have been restated as of June 1, 2010 as if they were all recorded in US dollars since their initial recognition.

Investment in joint ventures: The Company has elected to apply IAS 28 prospectively in accordance with the relevant transitional provisions. Under IFRS 1, the following amounts represent the aggregate deemed cost of investment in joint ventures: Ingal – $0.4 million; MCP Shenzhen – $0.9 million.

IFRS 1 mandatory exceptions

Hedge accounting – Hedge accounting can only be applied prospectively from the Transition Date to transactions that satisfy the hedge accounting criteria in IAS 39, Financial Instruments: Recognition and Measurement, at that date. Hedging relationships cannot be designated retrospectively and the supporting documentation cannot be created retrospectively. As a result, no hedging relationships that satisfied the hedge accounting criteria as at the Transition Date are reflected as hedges in the Company's results under IFRS.

Estimates – In accordance with IFRS 1, an entity's estimates under IFRS at the Transition Date must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those

estimates were in error. The Company's estimates as at June 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

Impact of transition to IFRS

The differences between IFRS and Canadian GAAP identified as having a significant effect on the Company's previously reported consolidated financial performance and financial position are summarized in Note 18 to the September 30, 2011 unaudited condensed interim consolidated financial statements, which provides a summary of the impacts resulting from the transition to IFRS.

Future Accounting Standards

IFRS 9, Financial Instruments, was issued in November 2009. It addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit and loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are recognized either at fair value through profit and loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends, to the extent not clearly representing a return on investment, are recognized through profit and loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive loss indefinitely. This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not yet assessed the impact of the other standard or determined whether it will adopt it early.

In May 2011, the IASB issued the following standards which have not yet been adopted by the Company: IFRS 10, Consolidated Financial Statements (IFRS 10), IFRS 11, Joint Arrangements (IFRS 11), IFRS 12, Disclosure of Interests in Other Entities (IFRS 12), IAS 27, Separate Financial Statements (IAS 27), IFRS 13, Fair Value Measurement (IFRS 13) and amended IAS 28, Investments in Associates and Joint Ventures (IAS 28). Each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

The following is a brief summary of the new standards:

IFRS 10 – Consolidation

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 *Consolidation—Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements*.

IFRS 11 - Joint Arrangements

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, *Interests in Joint Ventures,* and SIC-13, *Jointly Controlled Entities—Non-monetary Contributions by Venturers*.

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 - Fair Value Measurement
IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

Amendments to Other Standards

In addition, there have been amendments to existing standards, including IAS 27, *Separate Financial Statements* (IAS 27), and IAS 28, *Investments in Associates and Joint Ventures* (IAS 28). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 – 13.

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.

The Company's risks and uncertainties have not materially changed from those described in the 2011 Annual Report.

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 reported 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 IFRS.

With the exception of MCP, 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).

The Company maintained its growth strategy by completing a major transaction in April 2011. During the four-month period ended September 30, 2011 the Company added members to management and staff at the head office to be dedicated to integrating the new businesses and to improve internal controls and procedures. However, the finance resources were devoting significant efforts on integrating the new acquired businesses and implementing tax and financing structures. Consequently, control gaps were encountered in documenting and evaluating non routine and complex transactions, and completing IFRS conversion. In the upcoming quarters, management will continue to improve the internal controls over financial reporting and will implement additional controls in relation to the evaluation of non routine and complex transactions.

Changes in Internal Control over Financial Reporting

No changes were made to the Company's internal controls over financial reporting that occurred during the four-month period ended September 30, 2011 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

Non-IFRS Measures

In this Management's Report, the Company's management uses certain measures which are not in accordance with IFRS. Non-IFRS measures are useful supplemental information but may not have a standardized meaning according to IFRS.

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 attributable to equity holders of 5N Plus 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-IFRS 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 or net cash is a measure we use to monitor how much debt we have after taking into account 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.

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

On October 1, 2011, the Company committed to buy a plant in Malaysia. Under this agreement, the Company would purchase a plant for the amount of 8,250 Ringgit (approximately US$2.6 million). The Company is waiting for approval from the Malaysian authorities to proceed with the purchase.

On October 31, 2011, the Company acquired the remaining 40% ownership interest in one of its subsidiaries, Lao Industrial Resources Co. Ltd., a metal refinery, for an amount of approximately $2 million.

On November 1, 2011, the Company granted 252,000 Stock Appreciation Rights ("SARs") to most of its employees except senior management. These SARs are vested and paid over a period of three years. These SARs are exercisable automatically for cash at each anniversary date and the Company is obligated to pay the holders. The amount of cash payout is calculated based on the number of SARs multiplied by the average price of the Company's shares of the month immediately before vesting. At the end of each financial period, changes in the Company's payment obligations due to changes in the market value of the common shares on the TSX are recorded as an expense.