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MANAGEMENT REPORT

QUARTER ENDED MARCH 31, 2018

5N PLUS

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" or "5N Plus"), its business environment, strategies, performance and risk factors. This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements of Q1 2018 and the audited consolidated financial statements and the accompanying notes for the year ended December 31, 2017. This MD&A has been prepared in accordance with the requirements of the Canadian Securities Administrators.

Information contained herein includes any significant developments to May 1, 2018, the date on which the MD&A was approved by the Company's board of directors. Unless otherwise indicated, the terms "we", "us" "our" and "the group" as used herein refer to the Company together with its subsidiaries.

"Q1 2018" and "Q1 2017" refer to the three-month periods ended March 31, 2018 and 2017 respectively. All amounts in this MD&A are expressed in U.S. dollars, and all amounts in the tables are in thousands of U.S. dollars, unless otherwise indicated. All quarterly information disclosed in this MD&A is based on unaudited figures.

Non-IFRS Measures

This MD&A also includes certain figures that are not performance measures consistent with IFRS. These measures are defined at the end of this MD&A under the heading Non-IFRS Measures.

Restatement of Comparatives Results

Certain comparative results in this MD&A have been restated to reflect a change in our definition of Adjusted Operating Expenses, Adjusted EBITDA and Adjusted Net Earnings. Please refer to the "Selected Quarterly Financial Information" section.

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. A description of the risks affecting the Company's business and activities appears under the heading "Risk and Uncertainties" of the 5N Plus' 2017 MD&A dated February 20, 2018 and note 12 of the unaudited condensed interim consolidated financial statements for the three-month periods ended March 31, 2018 and 2017, available on 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 similar terms. 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 the Company has 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.

Overview

5N Plus is a leading producer of engineered materials. 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, the Americas and Asia. 5N Plus deploys a range of proprietary and proven technologies to manufacture 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 pharmaceutical, healthcare, renewable energy, aerospace, security and sensing, imaging, technical and industrial materials, extractive and catalytic materials along with animal feed additives.

Reporting Segments

The Company has two reportable 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 Adjusted EBITDA[1] which is reconciled to consolidated numbers by taking into account corporate income and expenses.

The Electronic Materials segment operates 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 (terrestrial and spatial 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, compounds and wafers. 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 the responsibility of the Electronic Materials executive team.

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 operates in North America, Europe and Asia. 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. Management of such activities is the responsibility of the Eco-Friendly Materials executive team.

Corporate expenses associated with the head office and unallocated selling, general and administrative expenses (SG&A) together with financial expenses (revenues) have been regrouped under the heading Corporate.

Vision and Strategy

As a leading global materials technology company with employees and assets throughout the world, we are determined to enable and empower our people in a manner which inspires them to perform collectively at their best and optimize resource utilization to deliver competitive financial returns.

The Company unveiled its Strategic Plan 5N21 ("5N21") designed to enhance profitability while reducing earnings volatility on September 12, 2016. 5N21 focuses on three major pillars:

1. Extracting more value from core businesses and global assets;
2. Optimizing balance of contribution from upstream and downstream activities; and
3. Delivering quality growth from both existing growth initiatives and future M&A opportunities.

[1] See Non-IFRS Measures

Highlights of Q1 2018
Adjusted EBITDA Improving and Gross Margin Growing

5N Plus posted a strong first quarter in 2018, with healthy demand for the Company's products across several sectors within the Eco-Friendly Materials and Electronic Materials segments. The Company continued to reap benefits from implementation of the first pillar of its Strategic Plan 5N21 and has shifted more resources to address the second and third pillars of the plan, namely; extracting more value from upstream activities and delivering quality growth.

- Adjusted EBITDA[1] and EBITDA[1] for the first quarter of 2018 reached $7.9 million and $7.8 million compared to $6.6 million and $9.7 million during the same quarter of 2017. The Adjusted EBITDA reflects improved profitability, supported by a favorable sales mix, strong product demand and overall performance of operating activities, while the EBITDA for the first quarter of 2017 was positively impacted by higher non-recurring items.
- Revenue for Q1 2018 reached $58.5 million compared to $60.9 million for Q1 2017, with gross margin[1] reaching 25.1% in Q1 2018 compared to 23.1% in 2017, reflecting an improved product mix compared to the same quarter of last year.
- Net earnings for the first quarter of 2018 reached $3.0 million or $0.04 per share compared to $4.2 million or $0.05 per share for the same period last year.
- Net debt[1] stood at $20.8 million as at March 31, 2018 which was the same level as at March 31, 2017, but higher than December 31, 2017 due to an increase in working capital requirements.
- Annualized Return on Capital Employed[1] (ROCE) represented 15.2% for the first quarter of 2018, compared to 15.6% for fiscal year 2017.
- As at March 31, 2018, the backlog[1] reached a level of 172 days of sales outstanding, representing an increase of 44 days when compared to the same period last year, and a decrease of 15 days compared to the previous quarter. Bookings[1] in Q1 2018 reached 96 days compared to 108 days in Q4 2017 and 97 days in Q1 2017.
- On April 11, 2018, 5N Plus announced expansion of capacity and capability in its upstream activities across South East Asia and Europe to further enhance the Company's competitive access to specialty metals which are key ingredients in its products and a notable pass-through component of cost of goods sold.
- On April 24, 2018, 5N Plus announced the closing of a $79 million senior secured multi-currency revolving syndicated credit facility, with a $30 million accordion feature which would increase the total size of the facility to $109 million, replacing its existing $50 million credit facility.
- On April 30, 2018, 5N Plus announced that it has secured a series of multi-year contracts for the supply of semiconductor materials and ancillary services associated with the manufacturing of thin film photovoltaic (PV) modules by First Solar, Inc.
- The Company will provide its 2018 guidance during the conference call with financial analysts scheduled on May 2, 2018 at 8:00 a.m. Eastern Daylight Time.

5N Plus continued to maintain leadership in its core businesses while investing in its growth initiatives. The strong results in the first quarter of 2018 are in line with the Company's aim to further grow the earnings while improving overall margins. Product mix enhancement and improved margins are results of the Company's ongoing effort to transform from specialty metals and chemicals to a leading global material technology company.

[1] See Non-IFRS Measures

Summary of Results

	Q1 2018	Q1 2017
	$	$
Revenue	**58,547**	60,870
Adjusted operating expenses[1] *	**(50,662)**	(54,224)
Adjusted EBITDA[1]	**7,885**	6,646
Impairment of inventory	**-**	-
Share-based compensation expense	**(654)**	(574)
Litigation and restructuring income	**588**	3,368
Gain on disposal of property, plant and equipment	**185**	390
Change in fair value of debenture conversion option	**-**	22
Foreign exchange and derivative loss	**(204)**	(177)
EBITDA[1]	**7,800**	9,675
Interest on long-term debt, imputed interest and other interest expense	**1,502**	1,805
Depreciation and amortization	**2,248**	2,043
Earnings before income taxes	**4,050**	5,827
Income tax expense (recovery)		
Current	**1,397**	318
Deferred	**(395)**	1,356
	1,002	1,674
Net earnings	**3,048**	4,153
Basic earnings per share	**$0.04**	$0.05
Diluted earnings per share	**$0.04**	$0.05

**Excluding share-based compensation expense, litigation and restructuring income, gain on disposal of property, plant and equipment and depreciation and amortization.*

Revenue by Segment and Gross Margin

	Q1 2018	Q1 2017	Change
	$	$	
Electronic Materials	**20,623**	19,339	7%
Eco-Friendly Materials	**37,924**	41,531	(9%)
Total revenue	**58,547**	60,870	(4%)
Cost of sales	**(45,894)**	(48,760)	(6%)
Depreciation on property, plant and equipment (PPE)	**2,036**	1,973	3%
Gross margin[1]	**14,689**	14,083	4%
Gross margin percentage[1]	**25.1%**	23.1%	

During Q1 2018, revenue decreased by 4% compared to the same period of 2017. Although sales volumes were lower in Q1 2018, gross margin[1] has improved reflecting the moderate price stability in metals supported by our selective approach focused on better margin products. The gross margin reached 25.1% in Q1 2018 compared to 23.1% in Q1 2017.

[1] See Non-IFRS Measures

Operating earnings, EBITDA and Adjusted EBITDA

	Q1 2018	Q1 2017	Change
	$	$	
Electronic Materials	**6,854**	6,960	(2%)
Eco-Friendly Materials	**3,784**	2,412	57%
Corporate	**(2,753)**	(2,726)	(1%)
Adjusted EBITDA[1]	**7,885**	6,646	19%
EBITDA[1]	**7,800**	9,675	(19%)
Operating earnings	**5,756**	7,787	(26%)

In Q1 2018, Adjusted EBITDA[1] reached $7.9 million compared to $6.6 million in Q1 2017, supported by a favorable sales mix, strong product demand and overall performance of operating activities.

Adjusted EBITDA for the Electronic Materials segment decreased by $0.1 million to $6.9 million representing an Adjusted EBITDA margin[1] of 33% compared to 36% in Q1 2017. Adjusted EBITDA for the Eco-Friendly Materials segment increased by $1.4 million representing an Adjusted EBITDA margin of 10% compared to 6% in Q1 2017.

In Q1 2018, EBITDA[1] reached $7.8 million compared to $9.7 million in Q1 2017. The decrease is due to the reasons mentioned above.

In Q1 2018, operating earnings decreased by $2.0 million to $5.8 million compared to $7.8 million in Q1 2017, mainly impacted by positive non-recurring items recorded in Q1 2017 as income from litigation and restructuring for $3.4 million compared to $0.6 million in Q1 2018, a variance mitigated by better realized gross margins[1].

Net Earnings and Adjusted Net Earnings

	Q1 2018	Q1 2017
	$	$
Net earnings	**3,048**	4,153
Basic earnings per share	**$0.04**	$0.05
Reconciling items:		
Share-based compensation expense	**654**	574
Litigation and restructuring income	**(588)**	(3,368)
Gain on disposal of property, plant and equipment	**(185)**	(390)
Change in fair value of debenture conversion option	**-**	(22)
Income tax recovery on taxable items above	**(115)**	1,077
Adjusted net earnings[1]	**2,814**	2,024
Basic adjusted net earnings per share[1]	**$0.03**	$0.02

Net earnings reached $3.0 million in Q1 2018 compared to $4.2 million in Q1 2017. In Q1 2018, Adjusted net earnings[1] increased by $0.8 million and reached $2.8 million compared to $2.0 million in Q1 2017. Excluding the income tax expense, the main items reconciling the Adjusted net earnings are share-based compensation expense, the litigation and restructuring income and the gain on disposal of a redundant PPE.

[1] See Non-IFRS Measures

Bookings and Backlog

	BACKLOG[1]			BOOKINGS[1]		
	Q1 2018	Q4 2017	Q1 2017	**Q1 2018**	Q4 2017	Q1 2017
	$	$	$	**$**	$	$
Electronic Materials	**61,558**	59,705	44,653	**22,476**	20,032	28,575
Eco-Friendly Materials	**48,726**	47,681	40,945	**38,969**	41,922	36,099
Total	**110,284**	107,386	85,598	**61,445**	61,954	64,674

	BACKLOG[1]			BOOKINGS[1]		
(number of days based on annualized revenues) *	**Q1 2018**	Q4 2017	Q1 2017	**Q1 2018**	Q4 2017	Q1 2017
Electronic Materials	**272**	304	211	**99**	102	135
Eco-Friendly Materials	**117**	126	90	**94**	111	79
Weighted average	**172**	187	128	**96**	108	97

**Bookings and backlog are also presented in number of days to normalize the impact of commodity prices.*

Q1 2018 vs Q4 2017

Backlog[1] as at March 31, 2018 reached a level of 172 days of annualized revenue, representing a decrease of 15 days compared to the previous quarter.

Backlog as at March 31, 2018 for the Electronic Materials segment represented 272 days of annualized segment revenue, a decrease of 32 days or 11% over the backlog ended December 31, 2017. The backlog for the Eco-Friendly Materials segment represented 117 days of annualized segment revenue, a decrease of 9 days or 7% over the backlog ended December 31, 2017.

Bookings[1] for the Electronic Materials segment decreased by 3 days, from 102 days in Q4 2017 to 99 days in Q1 2018. Bookings for the Eco-Friendly Materials segment decreased by 17 days, from 111 days in Q4 2017 to 94 days in Q1 2018.

Q1 2018 vs Q1 2017

Backlog as at March 31, 2018 for the Electronic Materials segment increased by 61 days and by 27 days for the Eco-Friendly Materials segment compared to March 31, 2017.

Bookings decreased by 36 days for the Electronic Materials segment and increased by 15 days for the Eco-Friendly Materials segment compared to the previous year quarter.

Expenses

	Q1 2018	Q12017
	$	$
Depreciation and amortization	**2,248**	2,043
SG&A	**6,819**	7,039
Share-based compensation expense	**654**	574
Litigation and restructuring income	**(588)**	(3,368)
Financial expenses	**1,706**	1,960
Income tax expense	**1,002**	1,674
Total expenses	**11,841**	9,922

Depreciation and Amortization

Depreciation and amortization expenses in Q1 2018 amounted to $2.2 million compared to $2.0 million for the same period of 2017.

[1] See Non-IFRS Measures

SG&A

For Q1 2018, SG&A expenses were $6.8 million compared to $7.0 million for the same period of 2017.

Share-based Compensation Expense

Share-based compensation expense for Q1 2018 amounted to $0.7 million compared to $0.6 million for the same period of 2017.

Litigation and Restructuring Income

In Q1 2018, the Company recorded an income from litigation and restructuring of $0.6 million representing a non-recurring income relating to an amount receivable from an inactive legal entity for which no receivable had been recorded given the uncertainty. In Q1 2017, the Company recognized an income resulting from contract amendments for securing higher margins in the short term versus higher market share in the downstream business mitigated by costs related to the termination of non-core commercial activities in the upstream business activities, for a net income of $3.4 million.

Financial Expenses and Revenues

Financial expenses for Q1 2018 amounted to $1.7 million compared to $2.0 million for the same period last year. The decrease in financial expenses of $0.3 million is mainly due to lower imputed interest compared to last year.

Income Taxes

The Company reported earnings before income taxes of $4.1 million in Q1 2018. Income tax expense for Q1 2018 was $1.0 million representing an effective tax rate of 25% compared to $1.7 million or 29% for the same period last year. These amounts were favorably impacted by defered tax assets applicable in certain jurisdictions.

Liquidity and Capital Resources

	Q1 2018	Q1 2017
	$	$
Funds from operations[1]	**6,226**	8,730
Net changes in non-cash working capital items	**(12,816)**	(8,962)
Operating activities	**(6,590)**	(232)
Investing activities	**(2,624)**	(594)
Financing activities	**167**	(484)
Effect of foreign exchange rate changes on cash and cash equivalents	**166**	32
Net decrease in cash and cash equivalents	**(8,881)**	(1,278)

Cash used in operating activities amounted to $6.6 million for Q1 2018 compared to $0.2 million for Q1 2017. The decrease is mainly due to negative variance from working capital changes and lower EBITDA[1]. The negative change of non-cash working capital resulted mainly from an increase of $3.8 million in accounts receivable, $2.3 million in inventory aimed at hedging commercial positions combined with a decrease in trade and accrued liabilities of $6.5 million.

In Q1 2018, cash used in investing activities totaled $2.6 million compared to $0.6 million for Q1 2017. This increase is explained by higher investment in PPE combined with slightly less proceeds from the disposal of redundant PPE.

Cash provided by financing activities amounted to $0.2 million in Q1 2018 compared to cash used of $0.5 million in Q1 2017. In Q1 2018, the Company received an amount associated with the timing of contributions from a product development partnership program while in Q1 2017, the Company had repurchased 352,396 common shares under the common share repurchase program which ended in October 2017. At the end of Q1 2018 and the previous fiscal year, the Company had no drawdown under its credit facility.

[1] See Non-IFRS Measures

Working Capital

	As at March 31, 2018	As at December 31, 2017
	$	$
Inventories	**92,946**	90,647
Other current assets	**69,771**	74,581
Current liabilities	**(61,648)**	(68,653)
Working capital[1]	**101,069**	96,575
Working capital current ratio[1]	**2.64**	2.41

The increase in working capital[1] compared to December 31, 2017 was mainly atttributable to an increase in accounts receivable combined with lower payable mainly due to payments of short term obligations as well as higher inventory, as the Company is protecting specific short and mid-term commercial positions.

Net Debt

	As at March 31, 2018	As at December 31, 2017
	$	$
Bank indebtedness	**-**	-
Long-term debt including current portion	**264**	271
Convertible debentures	**48,027**	48,768
Cross-currency swap	**(2,334)**	(3,602)
Total Debt	**45,957**	45,437
Cash and cash equivalents	**(25,143)**	(34,024)
Net Debt[1]	**20,814**	11,413

Total debt, including the cross-currency swap, increased by $0.5 million to $46.0 million as at March 31, 2018, compared to $45.4 million as at December 31, 2017.

Net debt[1], after considering cash and cash equivalents, increased by $9.4 million, from $11.4 million as at December 31, 2017 to $20.8 million as at March 31, 2018, impacted by the increase in working capital.

In April 2018, the Company closed a $79 million senior secured multi-currency revolving syndicated credit facility to replace its existing $50 million senior secured revolving facility. Subject to lenders' approval, 5N Plus can exercise its option to request an expansion of the credit facility through a $30 million accordion feature which would increase the total size of the facility to $109 million.

Share Information

	As at May 1, 2018	As at March 31, 2018
Issued and outstanding shares	**83,929,791**	83,929,791
Stock options potentially issuable	**2,232,835**	2,263,922
Convertible debentures potentially issuable	**9,777,777**	9,777,777

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 Euro 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 Notes 16 and 24 of the audited consolidated financial statements for the year ended December 31, 2017.

[1] See Non-IFRS Measures

Commitments

As at March 31, 2018, in the normal course of business, the Company contracted letters of credit for an amount of $0.4 million ($0.4 million as at December 31, 2017).

Contingencies

In the normal course of operations, the Company is exposed to events that could give rise to contingent liabilities or assets. As at the date of issue of the consolidated financial statements, the Company was not aware of any significant events that would have a material effect on its consolidated financial statements.

Subsequent event

On April 24, 2018, the Company announced the closing of a $79 million senior secured multi-currency revolving syndicated credit facility to replace its existing $50 million senior secured revolving facility. The new credit facility has a four-year term, bearing interest and a margin based on its senior consolidated debt to EBITDA ratio. Subject to lenders’ approval, the Company can exercise its option to request an expansion of the credit facility through a $30 million accordion feature which would increase the total size of the facility to $109 million. The syndicate is comprised of six banks and financial institutions.

Governance

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 the Chief Financial Officer that, among other things, attest to the design of the disclosure controls and procedures and the design and effectiveness of internal controls over financial reporting.

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 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 (ICFR), 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.

Based on their evaluation carried out to assess the effectiveness of the Company’s ICFR, the Chief Executive Officer and the Chief Financial Officer have concluded that the ICFR were designed and operated effectively using the Internal Control – Integrated Framework (2013 Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO 2013 Framework”).

Changes in Internal Control over Financial Reporting

No changes were made to our ICFR during the three-month period ended March 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Accounting Policies and Changes

The Company established its accounting policies and methods used in the preparation of its audited consolidated financial statements for the fiscal year 2017 in accordance with IFRS. The Company's significant accounting policies are described in Note 2 of the audited consolidated financial statements for the year ended December 31, 2017. The key assumptions and basis for estimates that management has made under IFRS, and their impact on the amounts reported in the unaudited condensed interim consolidated financial statements and notes of Q1 2018, remain substantially unchanged from those described in the Company's audited consolidated financial statements for the fiscal year ended December 31, 2017, except for the new standards adopted in 2018.

Adoption of New Accounting Standards

IFRS 15 - Revenues from Contracts with Customers

On January 1, 2018, the Company has adopted the new accounting standard IFRS 15 to all contracts using the modified retrospective approach. The adoption of this standard had no significant impact on the Company's consolidated financial statements.

Under the new revenue standard, the Company's revenue continues to be recognised when products are delivered to the customer, which is also the moment when control of the products is transferred, and when there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of loss have been transferred to the customer and has accepted the products in accordance with the sales contract.

IFRS 9 - Financial Instruments

On January 1, 2018, the Company has also adopted the new accounting standard IFRS 9. The adoption of this standard had no significant impact on the Company's consolidated financial statements, except for the classification of its financial assets and liabilities as described below.

As permitted by IFRS 9, the Company has elected to continue to apply all of the hedge accounting requirements of IAS 39.

Classification

Since January 1, 2018, the Company classifies its financial assets and liabilities in the following measurement categories:

a) those to be measured subsequently at fair value (either through other comprehensive income (FVOCI), or through profit or loss (FVPL)), and
b) those to be measured at amortised cost.

IAS 39	IFRS 9
Financial assets and liabilities at fair value through profit and loss	**Financial assets and liabilities at fair value through profit or loss**
Other current assets	Other current assets
Derivative financial assets	Derivative financial assets
Derivative fianacial liabilities	Derivative financial liabilities
Loans and receivables	**Financial assets and liabilities at amortized cost**
Cash and cash equivalents	Cash and cash equivalents
Accounts receivable	Accounts receivable
	Bank indebtedness
Financial liabilities at amortized cost	Trade and accrued liabilities
Bank indebtedness	Long-term debt
Trade and accrued liabilities	Convertible debentures
Long-term debt	
Convertible debentures	

Measurement
At initial recognition, the Company measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets or financial liabilities carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments
For the subsequent measurement, there are three measurement categories into which the Company classifies its debt instruments:

a) Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of profit or loss.

b) Fair Value Through Other Comprehensive Income (FVOCI): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the consolidated statement of profit or loss.

c) FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Impairment
From January 1, 2018, the Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Future Changes in Accounting Standards
The following standards have been issued but are not yet effective:

In January 2016, IASB issued IFRS 16, "Leases", which specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The standard will be mandatory for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

In June 2017, the IFRS Interpretations Committee of the IASB issued IFRIC 23, Uncertainty over Income Tax Treatments (IFRIC 23). The interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The interpretation is effective for the annual period beginning on January 1, 2019. The Company has concluded that no impact will result from the application of IFRIC 23 on its financial statements.

Financial Instruments and Risk Management

Fair Value of financial instruments

A detailed description of the methods and assumptions used to measure the fair value of the Company financial instruments and their fair value are discussed in Note 16 – Fair Value of Financial Instruments in the 2017 consolidated financial statements of the Company.

Financial Risk Management

For a detailed description of the nature and extent of risks arising from financial instruments and their related risk management, refer to Note 24 of the audited consolidated financial statements for the year ended December 31, 2017. The Company is not aware of any significant changes to its risks factors from those disclosed at that time.

Risk and Uncertainties

For a detailed description of risk factors associated with 5N Plus and its business, refer to "Risk and Uncertainties" of 5N Plus' 2017 MD&A dated February 20, 2018. Factors of uncertainty and risks that might result in such differences include the risks associated with our growth strategy, international operations, international trade regulations, environmental regulations, competition, commodity price, source of supply, protection of intellectual property, inventory price, business interruptions, dependence on key personnel, collective agreements, and those associated with public issuer status. The company is not aware of any significant changes to its risks factors disclosed at that time.

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

EBITDA means net earnings before interest expenses (revenues), income taxes, depreciation 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.

EBITDA margin is defined as EBITDA divided by revenues.

Adjusted EBITDA means EBITDA as defined above before impairment of inventories, share-based compensation expense, impairment of non-current assets, litigation and restructuring costs (income), gain on disposal of property, plant and equipment, change in fair value of debenture conversion option, foreign exchange and derivatives loss (gain). We use adjusted EBITDA because we believe it is a meaningful measure of the operating performance of our ongoing business without the effects of inventory write-downs. The definition of this non-IFRS measure used by the Company may differ from that used by other companies.

Adjusted EBITDA margin is defined as Adjusted EBITDA divided by revenues.

Adjusted Operating expenses means Operating charges before share-based compensation expense, litigation and restructuring costs (income), gain on disposal on property, plant and equipment and depreciation and amortization. We use adjusted operating expenses to calculate the Adjusted EBITDA. We believe it is a meaningful measure of the operating performance of our ongoing business. The definition of this non-IFRS measure used by the Company may differ from that used by other companies.

Adjusted net earnings means the net earnings (loss) before the effect of charge of impairment related to inventory, PPE and intangible assets, share-based compensation expense, litigation and restructuring costs (income), gain on disposal of property, plant and equipment, change in fair value of debenture conversion option net of the related income tax. We use adjusted net earnings (loss) because we believe it is a meaningful measure of the operating performance of our ongoing business without the effects of unusual inventory write-downs and property plant and equipment, intangible asset impairment charges, share-based compensation expense, litigation and restructuring costs (income), gain on disposal of property, plant and equipment and change in fair value of debenture conversion option. The definition of this non-IFRS measure used by the Company may differ from that used by other companies.

Basic adjusted net earnings (loss) per share means adjusted net earnings (loss) divided by the weighted average number of outstanding shares. We use basic adjusted net earnings (loss) per share because we believe it is a meaningful measure of the operating performance of our ongoing business without the effects of unusual inventory write-downs and property plant and equipment and intangible asset impairment charges, share-based compensation expense, litigation and restructuring costs (income), gain on disposal of property, plant and equipment and change in fair value of debenture conversion option per share. The definition of this non-IFRS measure used by the Company may differ from that used by other companies.

Funds (used in) from operations means the amount of cash generated from operating activities before changes in non-cash working capital balances related to operations. This amount appears directly in the consolidated statements of cash flows of the Company. We consider funds (used in) 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 margin is a measure we use to monitor the sales contribution after paying cost of sales excluding depreciation of property, plant and equipment. We also expressed this measure in percentage of revenues by dividing the gross margin value by the total revenue.

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. We use it as an indicator of our overall financial position, and calculate it by taking our total debt, including the current portion and the cross-currency swap related to the convertible debenture, and subtracting cash and cash equivalents.

Return on Capital Employed (ROCE) is a non-IFRS financial measure, calculated by dividing the annualized Adjusted EBIT by capital employed at the end of the period. Adjusted EBIT is calculated as the Adjusted EBITDA less depreciation and amortization (adjusted for accelerated depreciation charge, if any). Capital employed is the sum of the accounts receivable, the inventory, the PPE, the goodwill and intangibles less trade and accrued liabilities (adjusted for exceptional items). We use ROCE to measure the return on capital employed, whether the financing is through equity or debt. In our view, this measure provides useful information to determine if capital invested in the Company yields competitive returns. The usefulness of ROCE is limited by the fact that it is a ratio and not providing information as to the absolute amount of our net income, debt or equity. It also excludes certain items from the calculation and other companies may use a similar measure but calculate it differently.

Working capital is a measure of liquid assets that is calculated by taking current assets and subtracting current liabilities. Given that the Company is currently indebted, we use it as an indicator of our financial efficiency and aim to maintain it at the lowest possible level.

Working capital ratio is calculated by dividing current assets by 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.

Selected Quarterly Financial Information

(in thousands of United States dollars except per share amounts)	**Mar. 31, 2018**	Dec. 31, 2017	Sept. 30, 2017	June 30, 2017	Mar. 31, 2017	Dec. 31, 2016	Sept. 30, 2016	June 30, 2016
	$	$	$	$	$	$	$	$
Revenue	**58,547**	52,492	50,325	56,229	60,870	54,704	55,491	57,435
EBITDA[1]	**7,800**	4,420	6,427	6,341	9,675	4,803	2,066	5,358
Adjusted EBITDA[1]	**7,885**	6,763	6,942	9,236	6,646	5,010	6,956	5,270
Net earnings (loss) attributable to equity holders of 5N Plus	**3,051**	2,229	2,224	3,416	4,154	158	(4,232)	86
Basic earnings (loss) per share attributable to equity holders of 5N Plus	**$0.04**	$0.03	$0.03	$0.04	$0.05	$-	($0.05)	$-
Net earnings (loss)	**3,048**	2,222	2,223	3,415	4,153	158	(4,232)	87
Basic earnings (loss) per share	**$0.04**	$0.03	$0.03	$0.04	$0.05	$-	($0.05)	$-
Diluted earnings (loss) per share	**$0.04**	$0.03	$0.03	$0.04	$0.05	$-	($0.05)	$-
Adjusted net earnings[1]	**2,814**	3,884	2,572	5,409	2,024	644	2,400	451
Basic adjusted net earnings per share[1]	**$0,03**	$0.05	$0.03	$0.06	$0.02	$0.01	$0.03	$0,01
Funds from operations[1]	**6,226**	5,398	4,263	7,945	8,730	5,256	238	4,521
Backlog[1]	**172 days**	187 days	178 days	135 days	128 days	136 days	148 days	157 days

(in thousands of United States dollars)	Dec. 31, 2017	Sept. 30, 2017	June 30, 2017	Mar. 31, 2017	Dec. 31, 2016	Sept. 30, 2016	June 30, 2016
	$	$	$	$	$	$	$
Adjusted operating expenses – previous definition	46,441	44,170	49,390	54,798	50,373	48,675	52,721
Share-based compensation expense	(712)	(787)	(2,397)	(574)	(679)	(140)	(556)
Adjusted operating expenses[1] – current definition	45,729	43,383	46,993	54,224	49,694	48,535	52,165

(in thousands of United States dollars)	Dec. 31, 2017	Sept. 30, 2017	June 30, 2017	Mar. 31, 2017	Dec. 31, 2016	Sept. 30, 2016	June 30, 2016
	$	$	$	$	$	$	$
Adjusted EBITDA – previous definition	6,051	6,155	6,839	6,072	4,331	6,816	4,714
Share-based compensation expense	712	787	2,397	574	679	140	556
Adjusted EBITDA[1] – current definition	6,763	6,942	9,236	6,646	5,010	6,956	5,270

(in thousands of United States dollars, except per share amounts)	Dec. 31, 2017	Sept. 30, 2017	June 30, 2017	Mar. 31, 2017	Dec. 31, 2016	Sept. 30, 2016	June 30, 2016
	$	$	$	$	$	$	$
Adjusted net earnings – previous definition	3,361	1,994	3,647	1,602	148	2,298	45
Basic adjusted net earnings per share – previous definition	$0.04	$0.02	$0.04	$0.02	$-	$0.03	$-
Share-based compensation expense	712	787	2,397	574	679	140	556
Income tax expense on taxable items above	(189)	(209)	(635)	(152)	(183)	(38)	(150)
Adjusted net earnings[1] – current definition	3,884	2,572	5,409	2,024	644	2,400	451
Basic adjusted net earnings per share[1] – current definition	$0.05	$0.03	$0.06	$0.02	$0.01	$0.03	$0.01

[1] See Non-IFRS Measures

Metal Prices
(in U.S. dollars per kilo)