Second Quarter Report

Three and six months ended June 30, 2012

5N PLUS

This Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations for the three and six months ended June 30, 2012 ("Q2 2012" and "YTD 2012" respectively) compared to the three and six months ended May 31, 2011 ("Q4 2011" and "Q3 and Q4 2011" respectively) 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 in conjunction with the condensed interim consolidated financial statements for Q2 2012 and YTD 2012 and the audited consolidated financial statements and the accompanying notes for the seven-month fiscal year ended December 31, 2011. Information contained herein includes any significant developments to August 6, 2012, 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.

These 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 for the quarter ended May 31, 2011 have been restated to comply with IFRS as per guidance provided in IFRS 1, *First-time adoption of IFRS*. As a result of adopting IFRS, the Company changed its functional and presentation currency from the Canadian dollar to the US dollar.

The financial information presented in this MD&A, including tabular amounts, is in United States dollars. It also includes certain 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 Inc. and MCP Group SA ("MCP").

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 acquisitions, 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 the Company's business and activities appears under the heading "Risks and Uncertainties" section of the Company's annual report for the seven-month fiscal year ended December 31, 2011. 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.

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, Americas 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 who oversees locally managed operations in the Americas, 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 have 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 who 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, gains and/or losses on foreign exchange and the amortization of intangible assets have been regrouped under the heading Corporate. The head office is also responsible for managing businesses which are still in the development stage and corresponding costs are netted of any revenues.

Highlights

- Impairment charges of $26.1 million were booked at the end of Q2 2012 as the Company adjusted the value of its inventories to reflect significantly reduced net realizable values for certain products following abrupt declines in the prices of corresponding underlying commodities.

- Revenues for Q2 2012 increased by 15% to $140.1 million compared to $122.0 million for Q4 2011. Revenues for YTD 2012 increased by 112% to $302.3 million compared to $142.6 million for Q3 and Q4 2011.

- Net losses attributable to equity holders of 5N Plus for Q2 2012 and YTD 2012 were $21.9 million or ($0.29) per share and $17.0 million or ($0.23) per share respectively. Excluding impairment charges, adjusted net earnings[1] yielded a loss of $2.1 million or ($0.03) per share for Q2 2012 and earnings of $2.8 million or $0.04 per share for YTD 2012. This compares with net earnings of $8.5 million or $0.14 per share and net earnings of $14.1 million or $0.27 per share for Q4 2011 and Q3 and Q4 2011 respectively.

- Net debt[1] amounted to $175.8 million at June 30, 2012 compared to $260.6 million at December 31, 2011 and decreased by $56.4 million in Q2 2012 and by $84.8 million in YTD 2012. Total debt amounted to $187.6 million at June 30, 2012 compared to $341.9 million at December 31, 2011 and decreased by $90.5 million in Q2 2012 and by $154.3 million in YTD 2012.

- Negative EBITDA[1] of $20.5 million in Q2 2012 and of $3.6 million in YTD 2012 are primarily attributable to impairment charges. Adjusted EBITDA[1] amounted to $5.6 million in Q2 2012 and $22.5 million in YTD 2012. This compares to $20.0 million and $26.0 million in Q4 2011 and in Q3 and Q4 2011 respectively.

- As at June 30, 2012, the backlog[1] of orders expected to translate into sales over the following twelve months stood at $189.0 million compared to $223.2 million as at December 31, 2011 and $215.6 million as at March 31, 2012.

- On June 6, 2012, the Company issued 12,903,613 stock units for net proceeds of $37.1 million. This led to an increase in shareholder equity which stood at $358.2 million as at June 30, 2012, up from $344.6 million as at March 31, 2012 and to $339.2 million as at December 31, 2011.

5N Plus saw relatively strong demand for most of its products during Q2 2012 which enabled it to continue reducing working capital and debt levels through significant cash flow generation. In its Electronic Materials business unit, although sales of gallium and indium products were somewhat softer than in the previous quarter, partly because of the relocation of some of the production activities previously located at its Fairfield offices, sales to its main customers for solar products increased and it also made progress in germanium-related activities. The Eco-Friendly Materials business unit continued to increase market share with strong sales of bismuth-related products in a market which is continuing to grow, as efforts to replace lead accelerate.

Unfortunately, these positive developments were overshadowed from an earnings and revenue standpoint by two main factors. On the one hand, Q2 2012 was characterized by sharp decreases in the prices of almost all of its underlying commodities, especially in the back-end of the Q2 2012, which led to decreases in average selling prices and further impairment charges on inventories at the end of the Q2 2012. On the other hand, the Company also sold to its main customer in the solar market at lower margins than normal, such sales having been made from previously impaired units in accordance with the terms of the new agreement with the customer. Both factors severely impacted earnings and revenue levels providing a somewhat distorted picture of the Company's overall performance. In this respect, 5N Plus believes a more appropriate assessment would be that it is holding its ground and doing better than most of its competitors in a challenging environment. 5N Plus expects earnings levels to be more reflective of its actual performance once both the underlying commodity pricing stabilizes and the inventory of impaired units has been used up, especially with respect to its contract with its main customer in the solar market.

[1] See Non-IFRS Measures

The Company's decision to further strengthen its balance sheet through an equity raise of CDN $40 million on June 6, 2012 was largely determined by the relative uncertainty in the global economic environment and the Company's exposure to the solar and European markets. Regardless of its short-term impact, 5N Plus is confident that this will deliver long-term shareholder value by enabling it to execute more effectively on its strategic growth plan which calls for further deleveraging and redeployment of capital into less volatile and higher value-added opportunities. The current year is thus key in many respects as 5N Plus gradually transitions the entire Company towards this business model and completes the full integration of former MCP activities, realigning the Company towards greater sustainability in its commercial practices and greater efficiencies throughout the group.

Current outlook for the rest of the year and corresponding financial performance will be largely determined by underlying commodity pricing and the performance of the European economy. 5N Plus remains committed to a further reduction in its working capital requirements and a corresponding decrease in its debt levels. Although 5N Plus may continue to experience short-term volatility in its financial performance, 5N Plus is confident that it remains well positioned to continue growing and to deliver increasing shareholder value. 5N Plus would like to thank its employees for their efforts in these challenging times and for their commitment towards its plan of delivering a more efficient and sustainable organization, the positioning and skill set of which remains both remarkable and truly unique.

Selected Quarterly Financial Information

	IFRS							
	FY 2012		FY December 31, 2011		FY May 31, 2011			
Unaudited (in thousands of United States dollars except per share amounts)	**Q2**	**Q1**	Q2	**Q1 (4 months)**	Q4	Q3	Q2	Q1
	$	$	$	$	$	$	$	$
Revenues	**140,076**	162,235	149,423	242,289	121,976	20,663	19,314	18,042
Gross profit[1]	**(10,859)**	29,988	(8,674)	42,857	25,001	8,104	8,161	7,497
Adjusted gross profit[1]	**15,209**	29,988	24,739	44,233	25,001	8,104	8,161	7,497
EBITDA	**(20,474)**	16,867	(26,278)	28,904	19,995	6,001	4,818	5,398
Adjusted EBITDA	**5,594**	16,867	7,135	30,280	19,995	6,001	4,818	5,398
Net earnings (loss)	**(22,062)**	4,891	(37,397)	14,933	8,174	5,551	5,384	2,839
Basic earnings (loss) per share	**(0.30)**	0.07	(0.53)	0.21	0.14	0.12	0.12	0.06
Diluted earnings (loss) per share	**(0.30)**	0.07	(0.53)	0.21	0.14	0.12	0.12	0.06
Net earnings (loss) attributable to equity holders of 5N Plus	**(21,922)**	4,972	(37,206)	15,565	8,549	5,526	5,384	2,839
Basic earnings per share attributable to equity holders of 5N Plus	**(0.29)**	0.07	(0.52)	0.22	0.14	0.12	0.12	0.06
Adjusted net earnings (loss)	**(2,113)**	4,891	(92)	14,933	8,174	5,551	5,384	2,839
Basic adjusted net earnings (loss) per share	**(0.03)**	0.07	(0.01)	0.21	0.14	0.12	0.12	0.06
Net earnings from continuing operations	**(21,330)**	4,891	(37,397)	14,933	8,174	5,551	5.384	2,839
Basic earnings per share from continuing operations	**(0.30)**	0.07	(0.53)	0.21	0.14	0.12	0.12	0.06
Diluted earnings per share from continuing operations	**(0.30)**	0.07	(0.53)	0.21	0.14	0.12	0.12	0.06
Backlog[1]	**188,982**	215,588	223,177	212,264	263,702	73,154	60,986	53,975

Revenues, Gross Profit, Net Earnings (loss) and Earnings (loss) per Share

(in thousands of United States dollars)	**Q2 2012**	Q4 2011	**YTD 2012**	Q3 and Q4 2011
	$	$	**$**	$
Revenues	**140,076**	121,976	**302,311**	142,639
Gross profit[1]	**(10,859)**	25,001	**19,129**	33,105
Impairment of inventory	**26,068**	-	**26,068**	-
Adjusted gross profit[1]	**15,209**	25,001	**45,197**	33,105
Adjusted gross profit ratio[1]	**11%**	20%	**15%**	23%
Net earnings (loss)	**(22,062)**	8,174	**(17,171)**	13,725
Adjusted net earnings (loss)	**(2,113)**	8,174	**2,779**	13,725
Basic earnings (loss) per share	**(0.30)**	0.14	**(0.24)**	0.26

[1] See Non-IFRS Measures

Revenues

Revenues for Q2 2012 increased by $18.1 million and reached $140.1 million, a 15% increase over revenues of $122.0 million for Q4 2011. Revenues for YTD 2012 reached $302.3 million; representing a 112% increase over revenues of $142.6 million for Q3 and Q4 2011. These increases in sales are attributed to the inclusion of former MCP sales for the full periods as it was only for seven weeks in Q4 2011. Revenues for Q2 2012 decreased by $22.2 million compared to

See Non-IFRS Measures

the quarter ended March 31, 2012 primarily as a result of decreases in average selling price following a decreasing trend in underlying commodity pricing.

Impairment charges

During Q2 2012, the Company recorded an inventory impairment charge of $26.1 million reflecting further declines in the price of underlying commodities. Such declines which have been particularly noticeable for gallium and selenium occurred mainly during the back end of Q2 2012.

Gross profit

Gross profit in Q2 2012 amounted to a loss of $10.9 million and when adjusted to exclude impairment charges ("adjusted gross profit") to $15.2 million or 11% of revenues. This compares with $25.0 million or 20% of revenues for Q4 2011. For YTD 2012, gross profit amounted to $19.1 million and adjusted gross profit to $45.2 million or 15% of revenues. This compares with gross profit of $33.1 million or 23% of revenues for Q3 and Q4 2011. Gross profit was negatively impacted mainly by impairment charges in Q2 2012. Excluding such impairment charges, the adjusted gross profit represented a lower percentage of revenues in the quarter and semester because of the inclusion of the former MCP financial results for the entire periods and a reduction in the average selling prices reflecting a decreasing trend in underlying commodity pricing.

Net earnings

Net earnings for Q2 2012 yielded a loss of $22.1 million or ($0.30) per share and of $17.2 million or ($0.24) per share for YTD 2012. Such losses resulted from impairment charges of $26.1 million booked in Q2 2012. Excluding such impairment charges, adjusted net earnings yielded a loss of $2.1 million or ($0.03) per share in Q2 2012 and earnings of $2.8 million or $0.04 per share in YTD 2012. Net earnings were $8.2 million or $0.14 per share for Q4 2011 and $13.7 million or $0.26 per share for Q3 and Q4 2011. These decreases are mainly attributable to lower average selling prices following a continuing general trend of commodity price decreases primarily related to indium, gallium and selenium metals. Demand also softened but to a lesser extent in our Electronic Materials business unit mainly due to lower than anticipated sales of gallium and indium-based products.

Reconciliation of EBITDA and Adjusted EBITDA

(in thousands of United States dollars)	**Q2 2012**	Q4 2011	Increase (Decrease)	**YTD 2012**	Q3 and Q4 2011	Increase (Decrease)
	$	$		$	$	
Net earnings (loss)	**(22,062)**	8,174	(370%)	**(17,171)**	13,725	(225%)
Interest on long-term debt and other interest expense	**2,418**	2,138	13%	**5,415**	2,140	153%
Loss (gain) on foreign exchange	**630**	(5,392)	(112%)	**2,312**	(6,492)	136%
Depreciation and amortization	**5,183**	2,852	82%	**10,281**	3,577	187%
Income tax (recovery)	**(7,551)**	4,384	(272%)	**(5,830)**	5,207	(212%)
Restructuring costs	**908**	5,978	(85%)	**1,386**	5,978	(77%)
Acquisition costs for MCP	**-**	1,861	-	**-**	1,861	-
EBITDA	**(20,474)**	19,995	(202%)	**(3,607)**	25,996	(114%)
Impairment of inventory	**26,068**	-		**26,068**	-	
Adjusted EBITDA	**5,594**	19,995	(72%)	**22,461**	25,996	(14%)

EBITDA

Negative EBITDA of $20.5 million and $3.6 million in Q2 2012 and YTD 2012 are primarily attributable to impairment charges. Adjusted EBITDA amounted to $5.6 million in Q2 2012 and $22.5 million in YTD 2012. This compares to $20.0 million and $26.0 million for Q4 2011 and for Q3 and Q4 2011 respectively. The decreases in EBITDA reflect lower average selling prices due to the price decrease of the underlying commodities.

Bookings and Backlog

Bookings in Q2 2012 were $113.5 million and $268.1 million for YTD 2012. This compares with bookings of $312.5 million in Q4 2011 and $345.4 million in Q3 and Q4 2011. Backlog as at June 30, 2012 stood at $189.0 million which corresponds to a 15% decrease over the $223.2 million backlog as at December 31, 2011. Backlog decreased by $26.6 million over the backlog of March 31, 2012. The sequential decrease in backlog since December 31, 2011 is expected

given the typical year-end renewal pattern of most yearly contracts. The decrease in backlog levels over the previous fiscal year numbers (December 31, 2011) is primarily associated with decreases in expected average selling prices given the current decreasing trend of underlying commodity prices as well as a more conservative treatment of our contract with our main customer in the solar market which no longer has take or pay provisions.

Revenues, EBITDA and bookings for the Company's reportable segments, namely Electronic Materials business unit and Eco-Friendly Materials business unit 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 MCP acquisition are entirely included in the Electronic Materials business segment.

EBITDA and Adjusted EBITDA per Business Unit

(in thousands of United States dollars)	**Q2 2012**	Q4 2011	**YTD 2012**	Q3 and Q4 2011
	$	$	**$**	$
Electronic Materials	**(7,192)**	17,407	**3,574**	23,931
Eco-Friendly Materials	**(9,050)**	4,788	**1,017**	4,788
Corporate	**(4,232)**	(2,200)	**(8,198)**	(2,723)
EBITDA	**(20,474)**	19,995	**(3,607)**	25,996
Impairment of inventory	**26,068**	-	**26,068**	-
Adjusted EBITDA	**5,594**	19,995	**22,461**	25,996

Electronic Materials Business Unit

(in thousands of United States dollars)	**Q2 2012**	Q4 2011	**YTD 2012**	Q3 and Q4 2011
	$	$	**$**	$
Revenues	**54,763**	64,227	**128,128**	84,890
Cost of goods & expenses, before amortization	**(61,955)**	(46,820)	**(124,554)**	(60,959)
EBITDA	**(7,192)**	17,407	**3,574**	23,931
Impairment of inventory	**15,558**	-	**15,558**	-
Adjusted EBITDA	**8,366**	17,407	**19,132**	23,931
Bookings	**37,379**	147,982	**94,453**	180,814

Revenues for Q2 2012 for the Electronic Materials business unit decreased by 14.7% and reached $54.8 million down from $64.2 million in Q4 2011. Revenues for YTD 2012 increased by 51% and reached $128.1 million, up from $84.9 million in Q3 and Q4 2011. Revenues in Q2 2012 and YTD 2012 included a contribution from the relevant former MCP activities for the entire period compared to only 7 weeks in Q4 2011, which explains the increase in revenues in the six-month period. The decrease during the quarter stems from a lower demand and average selling prices following a negative trend in the commodity market.

EBITDA was negatively impacted in Q2 2012 and YTD 2012 by inventory impairment charges of $15.6 million, of which $8.4 million were related to gallium and tellurium.

Adjusted EBITDA for Q2 2012 for the Electronic Materials business unit decreased to $8.4 million down by 52% compared to $17.4 million in Q4 2011. Adjusted EBITDA for YTD 2012 reached $19.1 million which represents a 20% decrease over EBITDA for Q3 and Q4 2011. The decreases for both periods are primarily associated with decreases in average selling prices. Sales of gallium and indium products were also somewhat softer, partly because of the relocation of some of the production activities, which further contributed to this decrease.

Bookings in Q2 2012 for the Electronic Materials business unit were $37.4 million, down from $148.0 million in Q4 2011 and $57.1 million in the quarter ended March 31, 2012. This decrease is associated with the contribution of the former MCP for the first time in Q4 2011. The backlog for the Electronic Materials business unit now stands at $116.4 million, a decrease of $17.4 million compared to March 31, 2012 and $33.6 million to December 31, 2011. This decrease is mainly associated with lower selling prices associated with the declining trends in the commodity markets and the more conservative treatment of our contract with our main customer in the solar market. A sequential decrease in backlog from year end is also expected as yearly contracts are gradually executed which accounts for the lower backlog level on June 30, 2012 compared to March 31, 2012.

Eco-Friendly Material Business Unit

(in thousands of United States dollars)	**Q2 2012**	Q4 2011	**YTD 2012**	Q3 and Q4 2011
	$	$	**$**	$
Revenues	**85,313**	57,749	**174,183**	57,749
Cost of goods & expenses, before amortization	**(94,363)**	(52,961)	**(173,166)**	(52,961)
EBITDA	**(9,050)**	4,788	**1,017**	4,788
Impairment of inventory	**10,510**	-	**10,510**	-
Adjusted EBITDA	**1,460**	4,788	**11,527**	4,788
Bookings	**76,090**	164,541	**173,664**	164,541

The Eco-Friendly Materials activities are entirely composed of former MCP activities as the Company did not carry out any such activities prior to April 8, 2011. Accordingly, only seven weeks of former MCP's results are included in Q4 2011.

Revenues increased by $27.6 million and reached $85.3 million in Q2 2012 compared to $57.8 million in Q4 2011. Revenues for YTD 2012 increased by 202% and were $174.2 million, up from $57.8 million in Q3 and Q4 2011. Revenues increased for both periods due the inclusion of former MCP for the full periods in 2012 compared to a seven weeks period in Q4 2011. Demand remained strong in the quarter and comparable to the previous quarter.

EBITDA was negatively impacted in Q2 2012 and YTD 2012 by inventory impairment charges of $10.5 million, of which $9.5 million were related to selenium.

Q2 2012 adjusted EBITDA for the Eco-Friendly Materials business unit decreased to $1.5 million over $4.8 million for Q4 2011. Adjusted EBITDA for YTD 2012 reached $11.5 million which represents a 141% increase over EBITDA for Q3 and Q4 2011. The decrease for the quarter is essentially related to lower selling prices resulting from a decline in commodity prices.

Bookings in Q2 2012 for the Eco-Friendly Materials business unit reached $76.1 million; down from $164.5 million in Q4 2011 and $97.6 million in the quarter ended March 31, 2012. This decrease is associated with the contribution of the former MCP for the first time in Q4 2011. The backlog for the Eco-Friendly Materials business unit now stands at $72.6 million, a decrease of $9.2 million compared to the backlog as at March 31, 2012 and of $0.5 million as at December 31, 2011 respectively. A sequential decrease in backlog from year end is also expected as yearly contracts are gradually executed which accounts for the lower backlog level on June 30, 2012 compared to March 31, 2012.

Expenses

(in thousands of United States dollars)	**Q2 2012**	Q4 2011	Increase (Decrease)	**YTD 2012**	Q3 and Q4 2011	Increase (Decrease)
	$	$		**$**	$	
Depreciation and amortization	**5,183**	2,852	82%	**10,281**	3,577	187%
SG&A excluding amortization	**11,551**	6,279	84%	**23,563**	8,123	190%
Restructuring costs	**908**	5,978	(85%)	**1,386**	5,978	(77%)
Acquisition-related costs	**-**	1,861	(100%)	**-**	1,861	(100%)
Financial Expenses (Income)	**3,048**	(3,254)	194%	**7,727**	(4,352)	278%
Income tax	**(7,551)**	4,384	(272%)	**(5,830)**	5,207	(212%)
	13,139	18,100	(27%)	**37,127**	20,394	82%

Depreciation and Amortization

Depreciation and Amortization expenses for Q2 2012 were $5.2 million compared to $2.9 million for Q4 2011. For YTD 2012, depreciation and amortization expenses were $10.3 million compared to $3.6 million for Q3 and Q4 2011. These increases reflect the larger amortizable asset base, including intangible assets, following the acquisition of MCP for the entire periods for which only seven weeks were included for Q4 2011.

SG&A

Selling, General and Administrative expenses increased to $11.6 million and $23.6 million in Q2 2012 and YTD 2012 respectively compared to $6.3 million and $8.1 million in Q4 2011 and in Q3 and Q4 2011. We inherited a larger management team and sales organization as a result of the acquisition of MCP which accounts for these increases. Current levels of SG&A are thus more in line with anticipated future levels.

Restructuring costs

The Company incurred expenses of $0.9 million during Q2 2012 resulted to an incident which happened in one of its sites in the US. In Q4 2011, the Company incurred restructuring charges following the acquisition of MCP mainly related to the closure of one of the former MCP sites related to the solar sector.

Acquisition-related costs

The acquisition-related costs were incurred to complete the acquisition of MCP.

Financial Expenses (Income)

Financial expenses amounted to $3.0 million for Q2 2012 compared to a financial income of $3.3 million for Q4 2011. Financial expenses for YTD 2012 were $7.7 million compared to a financial income of $4.4 million for Q3 and Q4 2011. The increases are mainly due to interest paid on long-term debt contracted to finance the acquisition of MCP and the working capital needs. For the three and six months periods ended May 31, 2011, the Company incurred foreign exchange gains and had cash and cash equivalents on which the Company earned interest revenues.

Income Taxes

For Q2 2012, recovery of income taxes were $7.6 million compared to an expense of $4.4 million for Q4 2011, corresponding to effective tax rates of 25% and 35% respectively. Recovery of income taxes for YTD 2012 were $5.8 million compared to an expense of $5.2 million for Q3 and Q4 2011, representing effective tax rates of 25% and 28% respectively. The decrease in the income tax effective rate is the result of the effect of the change of functional currency in 2011 where accounting foreign exchange gains were not taxable.

Liquidity and Capital Resources

Cash Flows

(in thousands of United States dollars)	**Q2 2012**	Q4 2011	**YTD 2012**	Q3 and Q4 2011
	$	$	**$**	$
Funds from operations	**(407)**	9,329	**10,829**	16,304
Net changes in non-cash working capital items	**17,063**	(65,243)	**44,034**	(76,132)
Operating activities	**16,656**	(55,914)	**54,863**	(59,828)
Investing activities	**31,910**	(161,965)	**45,197**	(168,374)
Financing activities	**(49,890)**	199,970	**(118,366)**	200,663
Effect of foreign exchange rate changes on cash and cash equivalents related to operations	**1,126**	-	**703**	366
Net decrease in cash and cash equivalents	**(198)**	(17,909)	**(17,603)**	(27,173)

Cash generated by operating activities was $16.7 million in Q2 2012 and $54.9 million in YTD 2012. This compares with cash consumed of $56.0 million and $59.8 million in Q4 2011 and Q3 and Q4 2011 respectively. A significant reduction in the working capital resulting from a decrease in inventory and accounts receivable and increasing net earnings before impairment of inventory in Q2 2012 are the main reason for this significant level of cash provided by operating activities. The reduction in inventories was partially offset by an increase in accounts receivable for YTD 2012. These reflect efforts made to more efficiently manage working capital.

Investing activities generated $31.9 million in Q2 2012 and $45.2 million in YTD 2012 compared to consumption of $162.0 million and $168.4 million for Q4 2011 and Q3 and Q4 2011 respectively. Acquisition of MCP, for a total cash consideration of $118.7 million impacted the cash consumed in Q4 2011 and Q3 and Q4 2011. For Q2 2012 and YTD 2012 cash generated from investing activities were mainly related to temporary investments.

Cash consumed by financing activities amounted to $49.9 million in Q2 2012 and $118.4 million in YTD 2012. For Q3 and Q4 2011, financing activities provided $200.7 million mainly from the proceeds from the issuance of new shares and an increase in bank indebtedness and short-term debt amounting to $44.4 million for both periods.

Working Capital

(in thousands of United States dollars)	**As at June 30, 2012**	As at December 31, 2011
	$	$
Inventories	**216,485**	315,333
Others current assets	**121,517**	171,756
Current liabilities	**(95,882)**	(151,384)
Working capital[1]	**242,120**	335,705
Working capital current ratio	**3.53**	3.22

[1] See Non-IFRS Measures

Working capital decreased to $242.1 million as at June 30, 2012 compared to $335.7 million as at December 31, 2011, reflecting the reduction of $98.8 million in inventory levels which was partially offset by an increase of $13.9 million in accounts receivable.

Net Debt

(in thousands of United States dollars)	**As at June 30, 2012**	As at December 31, 2011
	$	$
Bank indebtedness and short-term debt[1]	**12,017**	73,430
Long-term debt including current portion[1]	**175,606**	268,476
Total Debt	**187,623**	341,906
Cash and cash equivalents and temporary investments (restricted)	**(11,846)**	(81,331)
Net Debt	**175,777**	260,575

Net debt after taking into account cash and cash equivalents and restricted temporary investments amounted to $175.8 million as at June 30, 2012 compared to $260.6 million as at December 31, 2011 corresponding to a decrease of $84.8 million, reflecting strong cash generated from operations which is mainly used to reimburse the debt.

Funds from Operations

(in thousands of United States dollars)	**Q2 2012**	Q4 2011	**YTD 2012**	Q3 and Q4 2011
	$	$	**$**	$
Funds from operations	**(407)**	9,329	**10,829**	16,304
Acquisition of property, plant and equipment and intangible assets	**(1,852)**	(11,038)	**(6,685)**	(14,655)
Working capital changes	**18,028**	(65,243)	**44,999**	(76,132)
Issuance of common shares	**37,126**	130,795	**38,641**	130,920
Net cash paid for business acquisitions	**-**	(118,725)	**-**	(121,517)
Debt acquired in business acquisitions	**-**	(240,727)	**-**	(241,821)
Temporary investments acquired in a business acquisition	**-**	18,919	**-**	18,919
Others	**3,467**	(3,850)	**(2,986)**	(3,943)
	56,769	(289,869)	**73,969**	(308,229)
Total movement in net debt	**56,362**	(280,540)	**84,798**	291,925
(Net debt) net cash[1], beginning of period	**(232,139)**	39,350	**(260,575)**	50,715
(Net debt) net cash, end of period	**(175,777)**	(241,210)	**(175,777)**	(241,210)

[1] See Non-IFRS Measures

Funds from operations were ($0.4) million for Q2 2012 compared to $9.3 million for Q3 and Q4 2011. For YTD 2012, funds from operation were $10.8 million compared to $16.3 million for Q3 and Q4 2011.

Net debt to annualized adjusted EBITDA ratio for the first semester of 2012 was 3.91. Annualized funds from operations generated in the same period represented 12% of our net debt.

	Q2 2012	Q4 2011	YTD 2012	Q3 and Q4 2011
Net debt to annualized adjusted EBITDA ratio	**7.86**	3.02	**3.91**	4.64
Annualized funds from operations to net debt (%)	**N/A**	15.5	**12.3**	13.5

Share Capital

Authorized

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

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

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

	As at June 30, 2012		As at December 31, 2011	
Common shares	Number	Amount	Number	Amount
Outstanding	**83,908,269**	**$ 343,272**	70,961,125	$ 305,928

As at August 6, 2012 a total of 83,908,269 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 as the Old Plan with the exception of a maximum number of options granted which cannot exceed five million. 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 grant. The stock options outstanding as at June 30, 2012 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. Any unexercised options will expire one month after the date a beneficiary ceases to be an employee, director or officer.

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

	YTD 2012		Q3 and Q4 2011	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
		CA$		**CA$**
Outstanding, beginning of period	1,543,211	5.28	1,460,880	4.45
Granted	7,500	6.16	-	-
Cancelled	(164,879)	5.85	-	-
Exercised	(43,531)	3.36	(76,855)	3.28
Outstanding, end of period	1,342,301	5.29	1,384,025	4.52

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 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 12 of the consolidated financial statements.

The following table reflects the contractual maturity of the Company's financial liabilities as at June 30, 2012:

	Carrying amount	1 year	2-3 years	4-5 years	Beyond 5 years	Total
	$	$	$	$	$	$
Bank indebtedness and short-term debt	12,017	12,832	-	-	-	12,832
Trade and other payables	48,591	48,591	-	-	-	48,591
Derivative financial instruments	7,884	4,570	3,206	108	-	7,884
Long-term debt	175,606	32,819	45,745	108,615	182	187,361
Total	**244,098**	**98,812**	**48,951**	**108,723**	**182**	**256,668**

Risks and Uncertainties

There were no changes in the Company's significant business risks during YTD 2012 from those disclosed in the MD&A for the seven-month fiscal year ended December 31, 2011.

Accounting Policies and Changes

The Company established its accounting policies and methods used in the preparation of its unaudited interim condensed consolidated financial statements for the first quarter of 2012 in accordance with IFRS. The Company's significant accounting policies are described in Note 2 to the December 31, 2011 audited consolidated financial statements. The key assumptions and basis for estimates that management has made under IFRS, and their impact on the amounts reported in the interim consolidated financial statements and notes, remain substantially unchanged from those described in the Company's 2011 audited consolidated financial statements for the seven-month fiscal year ended December 31, 2011 and remain unchanged for YTD 2012.

Future Accounting Standards

The new standards, and amendments to standards and interpretations, that are not yet effective for the fiscal year ending December 31, 2012, and have not been applied in preparing the condensed consolidated interim financial statements can be found in Note 3 of the audited consolidated financial statements for the seven-month fiscal year ended December 31, 2011.

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 the Chief Financial Officer that, among others, attest to the design of the disclosure controls and procedures and the design and effectiveness of internal control 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, 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.

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

Changes in Internal Control over Financial Reporting

No changes were made to our internal controls over financial reporting during the three-month period ended June 30, 2012 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Significant Management Estimation and Judgment in Applying Accounting Policies

The following are significant management judgments used in applying the accounting policies of the Company that have the most significant effect on the consolidated financial statements.

Estimation Uncertainty

When preparing the consolidated financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, revenues and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, revenues and expenses are discussed below.

Impairment of Non-Financial Assets

An impairment loss is recognized for the amount by which an asset's or Cash Generating Units ("CGU"), carrying amount exceeds its recoverable amount, which is the higher of fair value less cost to sell and value in use.

To determine value in use, management estimates expected future cash flows from each asset or CGU and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Company's assets in future periods. In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

Business Combinations

On initial recognition, the assets and liabilities of the acquired business are included in the consolidated statement of financial position at their fair values. In measuring fair value, management uses estimates about future cash flows and

discount rates; however, the actual results may vary. The determination of fair value could include using valuation techniques which are generally based on a forecast of the total expected future net discounted cash flows. These evaluations are linked closely to the assumptions made by management regarding the future performance of the related assets and any changes in the discount rate applied. Any measurement changes occurring in the measurement period from initial recognition would affect the measurement of goodwill.

Useful Lives of Depreciable Assets

Management reviews the useful lives of depreciable assets at each reporting date whenever events or changes in circumstances indicate that their carrying value amounts may not be recoverable.

Inventories

Inventories are measured at the lower of cost and net realizable value, with cost determined on the average cost method. In estimating net realizable values, management takes into account the most reliable evidence available at the time the estimates are made. The Company's core business is subject to changes in foreign policies and internationally accepted metal prices which may cause selling prices to change rapidly. The Company evaluates its inventory on an individual items basis and considered events that have occurred between the balance sheet date and the date of the completion of the financial statements. Net realizable value held to satisfy a specific sale contract is measured at the contract price.

Income Taxes

The Company is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

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 net earnings (loss) before financial expenses (income), income taxes, depreciation and amortization, restructuring costs and acquisition-related costs. 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.

Adjusted EBITDA means EBITDA as defined above before inventory write-down. 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 net earnings means the net earnings (loss) before the effect of impairment charges related to inventory, property plant and equipment and intangible assets, restructuring charges and acquisitions costs 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 and intangible asset impairment charges, restructuring charges and acquisition costs. 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 balances related to operations. This amount appears directly in the condensed interim consolidated statements of cash flows of the Company. 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.

Adjusted gross profit is a financial measure equivalent to the sales less cost of sales excluding write-down of inventories. The adjusted gross profit ratio is displayed as a percentage of sales. We use adjusted gross profit and adjusted 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.