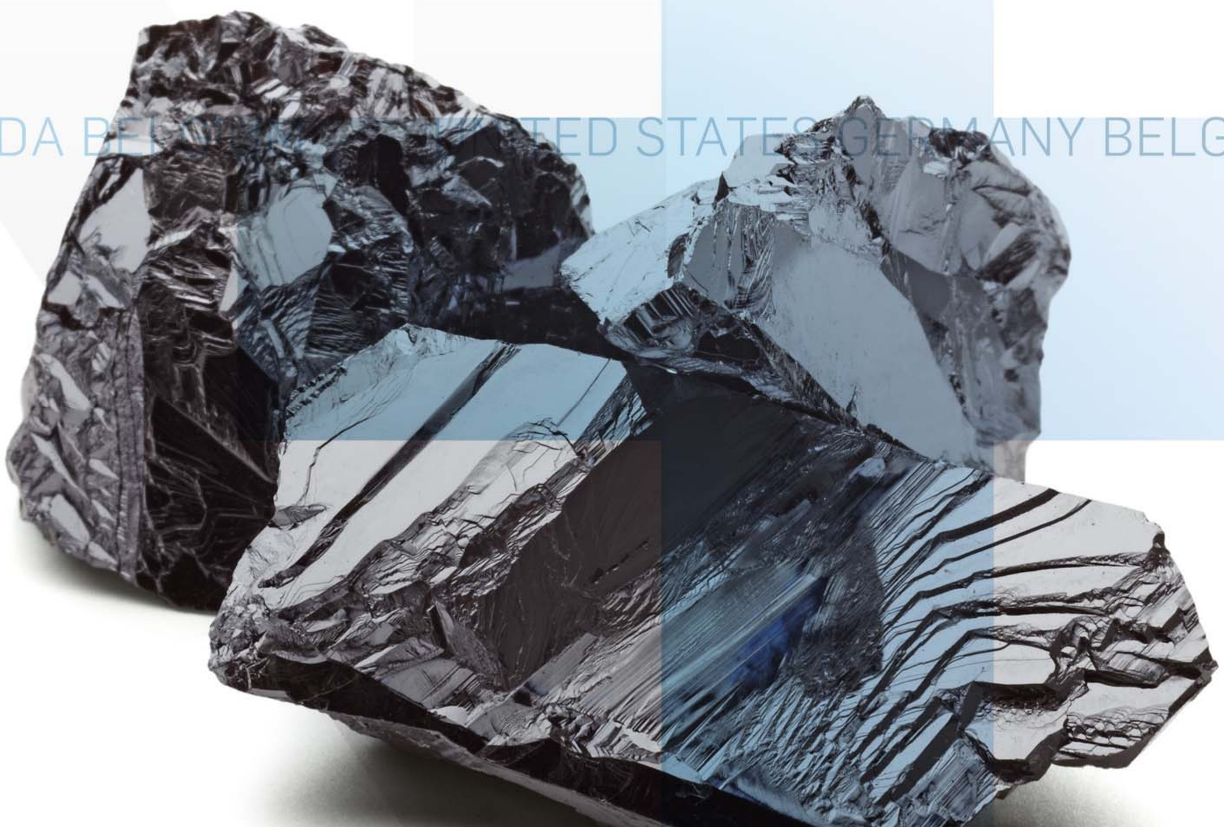
MANAGEMENT REPORT

Quarter ended
December 31, 2015



Management's Discussion and Analysis

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 audited consolidated financial statements and the accompanying notes for the year ended December 31, 2015. This MD&A has been prepared in accordance with the requirements of the Canadian Securities Administrators.

Information contained herein includes any significant developments to February 23, 2016, 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.

The "Q4 2015" and the "Q4 2014" refer to the three-month periods ended December 31, 2015 and 2014. 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.

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 and investments, credit, liquidity, interest rate, inventory pricing, commodity pricing, currency fluctuation, fair value, source of supply, environmental regulations, competition, dependence on key personnel, business interruptions, protection of intellectual property, international operations, collective agreements and being a public issuer. A description of the risks affecting the Company's business and activities appears under the heading "Risk and Uncertainties" of this MD&A dated February 23, 2016. 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 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, the 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.

Reportable 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 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 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 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 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.

[1] See Non-IFRS Measures

Highlights of Q4 2015 and Fiscal Year 2015

The Company operated throughout the year in a challenging global environment where its key underlying commodities underwent a dramatic decrease in prices, dropping on average by over 60%. Despite these unfavorable market conditions, the Company managed to substantially reduce its overall debt levels.

- Revenues for 2015 reached $311.0 million down from $508.2 million in fiscal year 2014. Revenues for the fourth quarter of 2015 reached $59.4 million, down from $114.8 million for the fourth quarter of 2014. Backlog[1] as at December 31, 2015 reached a level of 158 days of sales outstanding up by 36 days over the backlog as at December 31, 2014. Bookings[1] for the fourth quarter of 2015, reached 95 days which compares to 104 days in the fourth quarter of 2014.
- Adjusted EBITDA[1] and EBITDA[1] reached positive $4.0 million and negative $54.7 million in 2015 compared to $35.0 million and $39.4 million in 2014, with the EBITDA impacted by important inventory impairment charges totalling $58.3 million in 2015. Adjusted EBITDA and EBITDA were $0.7 million and negative $26.0 million respectively in the fourth quarter of 2015 compared to $5.7 million and $4.0 million for the fourth quarter of 2014.
- The Company incurred a net loss of $97.2 million in 2015 and $42.6 million in the fourth quarter of 2015. This compares to net earnings of $10.7 million in 2014 and a net loss of $2.5 million in the fourth quarter of 2014.
- Net debt[1] was reduced by $49.1 million during the year standing at $34.9 million as at December 31, 2015 down from $84.0 million one year earlier, positively impacted by working capital management, the lowest level for the Company since the acquisition of MCP Group.
- On December 10, 2015, the Company announced the appointment of its new President and Chief Executive Officer, Mr. Arjang Roshan, effective February 15, 2016.
- The Company also announced soon after the year-end the appointment of Mr. Luc Bertrand as its new Chairman of the Board, effective January 11, 2016. He succeeds Mr. Jean-Marie Bourassa, who continues to serve on the Board and as Chair of the Audit & Risk Management Committee, a position he already holds.
- On February 23, 2016, Mr. Arjang Roshan has been appointed as a member of the Board effective today in replacement of Mr. Jacques L'Ecuyer who has resigned from the Board of Directors.

Following a record year in 2014, fiscal year 2015 was a difficult year for the Company. The Company's performance was negatively impacted by significant and drastic decreases in the price of the commodities utilized across the various products and segments. Despite the difficult environment, the Company exercised discipline to sustainably secure future sales, generated significant cash-flow and showed rigor in substantially reducing debt levels by almost 60% to $34.9 million down from $84.0 million at the beginning of the year. Sales of the key products including bismuth and CdTe for solar cell applications remained close to record levels, while the Company continued to make progress in its growth markets.

Given the significant losses stemming, primarily from inventory impairment charges and accelerated amortization on selected assets, the Company's financial performance of 2015 was far from expectations, reinforcing the need to take appropriate actions to mitigate the impact of negative market volatility. Moving forward, while the metal markets will continue to influence the Company's performance, 5N Plus will become more focused on improving its performance relative to the factors which it has control over. The new President and Chief Executive Officer, Mr. Arjang Roshan, is excited about the challenge and looks forward to working closely with the management team and the people at 5N Plus to reposition the Company for the future.

5N Plus would like to take this opportunity to thank its founder and former President and Chief Executive Officer, Mr. Jacques L'Ecuyer who took the Company through many years of impressive growth, and also thank all employees for their dedication, conviction and hard work, counting on their engagement and support for the challenges and opportunities ahead. The Company primary focus in this respect will be to improve financial performance and set solid basis for further growth.

[1] See Non-IFRS Measures

Summary of Results

	Q4 2015	Q4 2014	2015	2014
	$	$	**$**	$
Revenues	**59,367**	114,781	**311,012**	508,195
Operating expenses	**58,693**	109,124	**307,053**	473,150
Adjusted EBITDA[1]	**674**	5,657	**3,959**	35,045
Impairment of inventory	**(24,582)**	(5,251)	**(58,327)**	(5,251)
Allowance for a doubtful note receivable from a related party	**(544)**	-	**(2,991)**	-
Litigation and restructuring costs	**(2,953)**	(1,178)	**(3,453)**	(1,952)
Gain on disposal of property, plant and equipment	**-**	-	**-**	1,312
Change in fair value of debenture conversion option	**-**	1,368	**1,840**	7,179
Foreign exchange and derivative gain	**1,405**	3,425	**4,276**	3,111
EBITDA[1]	**(26,000)**	4,021	**(54,696)**	39,444
Interest on long-term debt, imputed interest and other interest expense	**2,012**	2,860	**8,967**	8,769
Depreciation and amortization	**7,287**	2,546	**27,166**	11,148
(Loss) Earnings before income taxes	**(35,299)**	(1,385)	**(90,829)**	19,527
Income tax expense (recovery)				
Current	**4,044**	(2,237)	**3,655**	4,875
Deferred	**3,272**	3,305	**2,717**	3,979
	7,316	1,068	**6,372**	8,854
Net (loss) earnings	**(42,615)**	(2,453)	**(97,201)**	10,673
Basic (loss) earnings per share	**($0.51)**	($0.03)	**($1.16)**	$0.13
Diluted (loss) earnings per share	**($0.51)**	($0.04)	**($1.16)**	$0.05

Revenues by Segment

	Q4 2015	Q4 2014	Change	2015	2014	Change
	$	$		**$**	$	
Electronic Materials	**18,833**	41,898	(55%)	**104,265**	169,367	(38%)
Eco-Friendly Materials	**40,534**	72,883	(44%)	**206,747**	338,828	(39%)
Total revenues	**59,367**	114,781	(48%)	**311,012**	508,195	(39%)

Revenues decreased by 48% compared to the prior year quarter, impacted by continuing erosion in the Company's key metal market prices which have on average decreased by more than 60% since the beginning of the year. Revenues in Q4 2015 for the Electronic Materials segment reached $18.8 million, lower from $41.9 million in Q4 2014, impacted negatively by prices and sales mix, and to a lesser extent volume. Eco-Friendly Materials segment revenues reached $40.5 million, lower from $72.9 million in Q4 2014, as well mostly impacted by prices and sales mix when compared to the prior year quarter.

For fiscal year 2015, revenues decreased by 39% compared to the prior fiscal year, explained mostly by unfavorable variances from prices and sales mix, and to a lesser extent volume. Revenues for the Electronic Materials segment reached $104.3 million, lower from $169.4 million in fiscal year 2014. Eco-Friendly Materials segment revenues reached $206.7 million, lower from $338.8 million in fiscal year 2014.

EBITDA and Adjusted EBITDA

	Q4 2015	Q4 2014	Change	2015	2014	Change
	$	$		**$**	$	
Electronic Materials	**64**	4,853	(99%)	**10,740**	23,642	(55%)
Eco-Friendly Materials	**3,377**	3,106	9%	**2,839**	22,167	(87%)
Corporate						
Research and Development	**(475)**	(454)	(5%)	**(1,599)**	(1,195)	(34%)
Other	**(2,292)**	(1,848)	(24%)	**(8,021)**	(9,569)	16%
Adjusted EBITDA[1]	**674**	5,657	(88%)	**3,959**	35,045	(89%)
EBITDA[1]	**(26,000)**	4,021	(747%)	**(54,696)**	39,444	(239%)

[1] See Non-IFRS Measures

In Q4 2015, EBITDA[1] reached a negative amount of $26.0 million compared to a positive amount of $4.0 million, with margins impacted by commodity pricing decreasing rapidly across most metals and an inventory impairment charge of $24.6 million. In Q4 2015, Adjusted EBITDA[1] amounted to $0.7 million compared to $5.7 million for the same period a year ago. The Adjusted EBITDA decreased mainly from lower selling prices compared to the same period a year ago. Adjusted EBITDA for the Electronic Materials segment decreased by $4.8 million to $0.1 million representing an Adjusted EBITDA margin[1] of nil compared to 12% for the prior year quarter. Adjusted EBITDA for the Eco-Friendly Materials segment increased marginally to $3.4 million compared to $3.1 million in Q4 2014. On a consolidated basis, margins have been impacted by further unfavorable underlying commodity pricing for many of our metals.

In fiscal year 2015, EBITDA reached negative $54.7 million compared to a positive amount of $39.4 million for fiscal year 2014, margins impacted by decreasing commodity pricing that started in the fourth quarter of 2014 and an inventory impairment charge of $58.3 million. Adjusted EBITDA amounted to $4.0 million compared to $35.0 million for fiscal year 2014. The Adjusted EBITDA decreased mainly from lower selling prices and to a lesser extent volume compared to the same period a year ago. Adjusted EBITDA for the Electronic Materials segment decreased by $12.9 million at $10.7 million achieving an Adjusted EBITDA margin of 10% compared to 14% for the prior year. Adjusted EBITDA for the Eco-Friendly Materials segment decreased to $2.8 million compared to $22.2 million in fiscal year 2014 with an Adjusted EBITDA margin of 1% compared to 7% for the prior year.

Net (loss) earnings and Adjusted net (loss) earnings

	Q4 2015	Q4 2014	**2015**	2014
	$	$	**$**	$
Net (loss) earnings	**(42,615)**	(2,453)	**(97,201)**	10,673
Basic net (loss) earnings per share	**($0.51)**	($0.03)	**($1.16)**	$0.13
Reconciling items:				
Impairment of inventory	**24,582**	5,251	**58,327**	5,251
Accelerated amortization of intangible assets	**-**	-	**11,834**	-
Allowance for a doubtful note receivable from a related party	**544**	-	**2,991**	-
Litigation and restructuring costs	**2,953**	1,178	**3,453**	1,952
Change in fair value of debenture conversion option	**-**	(1,368)	**(1,840)**	(7,179)
Income taxes on taxable items above	**1,570**	(1,361)	**(4,779)**	(61)
Adjusted net (loss) earnings[1]	**(12,966)**	1,247	**(27,215)**	10,636
Basic adjusted net (loss) earnings per share[1]	**($0.15)**	$0.01	**($0.32)**	$0.13

In Q4 2015, Adjusted net earnings[1] decreased by $14.2 million from an Adjusted net earnings of $1.2 million to an Adjusted net loss of $13.0 million when compared to the same period last year. Net loss reached $42.6 million in Q4 2015 compared to $2.5 million for the same period last year. The decrease in net earnings compared to prior year quarter is mainly explained by higher inventory impairment charge of $19.3 million, lower positive change in fair value of the debenture conversion option, lower foreign exchange gain and higher income tax expenses following the reversal of previously recorded tax assets.

In fiscal year 2015, Adjusted net earnings decreased by $37.9 million from an Adjusted net earnings of $10.6 million to an Adjusted net loss of $27.2 million when compared to fiscal year 2014. Net loss reached $97.2 million compared to net earnings of $10.7 million for the same period last year. The decrease in net earnings compared to fiscal year 2014 is mainly explained by higher inventory impairment charge of $53.1 million, lower Adjusted EBITDA[1], accelerated amortization of selected intangible assets of $11.8 million following our review of economic life and carrying value of some assets, combined with an allowance for a doubtful note receivable from a related party and an increase in financial expenses mitigated by lower income tax expenses.

[1] See Non-IFRS Measures

Inventory Impairment Charges

	Q4 2015	Q4 2014	2015	2014
	$	$	**$**	$
Electronic Materials	**13,373**	856	**29,989**	856
Eco-Friendly Materials	**11,209**	4,395	**28,338**	4,395
Total	**24,582**	5,251	**58,327**	5,251

An inventory impairment charge of $24.6 million on most products was recorded in Q4 2015 and of $58.3 million in 2015 compared to $5.3 million for the same periods of 2014, reflecting the expected net realized value as at December 31, 2015 following decline in commodity prices impacting our industry. Despite improvements to the inventory levels expressed in days, the Company's inventory remains structurally long impacted by drastic decreases in underlying commodity prices, representing on average a decrease of 62% in prices to its commodity basket since the beginning of the year.

Bookings and Backlog

	BACKLOG[1]			BOOKINGS[1]		
	Q4 2015	Q3 2015	Q4 2014	**Q4 2015**	Q3 2015	Q4 2014
	$	$	$	**$**	$	$
Electronic Materials	**47,225**	54,965	83,676	**11,093**	11,596	45,821
Eco-Friendly Materials	**55,714**	45,603	69,483	**50,645**	26,355	84,936
Total	**102,939**	100,568	153,159	**61,738**	37,951	130,757

*(number of days based on annualized revenues)**	BACKLOG[1]			BOOKINGS[1]		
	Q4 2015	Q3 2015	Q4 2014	**Q4 2015**	Q3 2015	Q4 2014
Electronic Materials	**229**	201	182	**54**	42	100
Eco-Friendly Materials	**125**	95	87	**114**	55	106
Weighted average	**158**	134	122	**95**	50	104

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

Q4 2015 vs Q3 2015

Overall the backlog[1] as at December 31, 2015 represented 158 days of annualized revenues, higher than the previous quarter following the renewal pattern of most contracts which generally occurs in the first and fourth quarters of the year. Backlog expressed in number of days is higher in Q4 2015 than in Q3 2015.

Backlog as at December 31, 2015, for the Electronic Materials segment represented 229 days of annualized segment revenues increasing by 28 days, or 14%, over the backlog of Q3 2015. The backlog for the Eco-Friendly Materials segment represented 125 days of annualized segment revenues, an increase of 30 days or 32%, over the backlog of Q3 2015.

Bookings[1] for the Electronic Materials segment increased by 12 days to 54 days compared to Q3 2015. Bookings for the Eco-Friendly Materials segment increased by 59 days, from 55 days in Q3 2015 to 114 days in Q4 2015.

Q4 2015 vs Q4 2014

Backlogs as at December 31, 2015 for the Electronic Materials segment increased by 47 days, and increased by 38 days for the Eco-Friendly Materials segment compared to December 31, 2014.

Booking decreased by 46 days for the Electronic Materials segment and increased by 8 days for the Eco-Friendly Materials segment compared to the previous year quarter.

[1] See Non-IFRS Measures

Expenses

	Q4 2015	Q4 2014	Change	2015	2014	Change
	$	$		**$**	$	
Depreciation and amortization	**7,287**	2,546	186%	**27,166**	11,148	144%
SG&A	**7,308**	8,639	(15%)	**28,494**	36,922	(23%)
Litigation and restructuring costs	**2,953**	1,178	151%	**3,453**	1,952	77%
Allowance for a doubtful note receivable from a related party	**544**	-	100%	**2,991**	-	100%
Financial expenses (revenues)	**607**	(1,933)	131%	**2,851**	(1,521)	287%
Income tax expense	**7,316**	1,068	585%	**6,372**	8,854	(28%)
Total expenses	**26,015**	11,498	126%	**71,327**	57,355	24%

Depreciation and Amortization

Depreciation and amortization expenses in Q4 2015 and YTD 2015 amounted to $7.3 million and $27.2 million respectively, compared to $2.5 million and $11.1 million for the same periods of 2014. The increase in fiscal year 2015 is attributable to an accelerated amortization of selected intangible assets of $11.8 million recorded in Q2.

SG&A

For Q4 2015 and fiscal year 2015, SG&A expenses were $7.3 million and $28.5 million respectively, compared to $8.6 million and $36.9 million for the same periods of 2014. Variation is mostly explained by lower wages and professional expenses as well as favourable exchange rates across most local currency denominated expenses on an YTD basis. SG&A are at their lowest level since the acquisition of MCP Group.

Litigation and Restructuring costs

The Company recorded litigation and restructuring costs as provision of $3.0 million and $3.5 million respectively for Q4 2015 and fiscal year 2015, compared to $1.2 million and $2.0 million for the same periods a year ago, following initiatives to reduce its operating expenses and renegotiate unfavourable purchasing contracts.

Allowance for a doubtful note receivable from a related party

During fiscal year 2015, the Company assessed that under current and foreseeable market price of gallium, its note receivable from Ingal Stade GmBh, a 50% joint venture, is not likely to be reimbursed, therefore the Company recorded an allowance for a doubtful note receivable from a related party of $0.5 million and $3.0 respectively for Q4 2015 and 2015.

Financial revenues and expenses

Financial expenses for Q4 2015 amounted to $0.6 million compared to financial revenues of $1.9 million for the same period last year. The increase in financial expenses of $2.5 million is mainly due to lower gain from the change in the fair value of the debenture conversion option combined with lower unrealized foreign exchange and derivative gain.

For fiscal year 2015, financial expenses amounted to $2.9 million compared to financial revenues of $1.5 million for the same period last year for the same reasons mentioned above.

Income Taxes

Although the Company reported a net loss before income taxes of $35.3 million in Q4 2015 and $90.8 million in 2015, income tax expense for Q4 2015 was $7.3 million and $6.4 million for 2015. The effective tax rate for Q4 2015 and fiscal year 2015 are higher due to losses carried forward for which no deferred tax asset was recognized as well as the devaluation of various deferred tax assets in certain jurisdictions due to their historical losses combined with the impact of foreign exchange fluctuation on temporary differences from some foreign countries.

Liquidity and Capital Resources

	Q4 2015	Q4 2014	Change	2015	2014	Change
	$	$		**$**	$	
Funds (used in) from operations[1]	**(5,734)**	4,030	(242%)	**(9,851)**	17,592	(156%)
Net changes in non-cash working capital items	**21,866**	(8,019)	373%	**73,860**	(34,765)	312%
Operating activities	**16,132**	(3,989)	504%	**64,009**	(17,173)	473%
Investing activities	**(3,671)**	(4,529)	(19%)	**(18,316)**	(15,753)	16%
Financing activities	**(11,536)**	11,268	(202%)	**(49,129)**	24,121	(304%)
Effect of foreign exchange rate changes on cash and cash equivalents related to operations	**(134)**	(261)	(49%)	**(525)**	(845)	(38%)
Net decrease in cash and cash equivalents	**791**	2,489	(68%)	**(3,961)**	(9,650)	(59%)

For Q4 2015, cash generated by operating activities was $16.1 million compared to cash consumed of $4.0 million for the same period last year. The increase is mainly attributable to a better management of non-cash working capital mainly through $58.3 million in inventory reduction and $35.8 million in trade accounts receivable partially offset by lower accounts payable.

Investing activities consumed $3.7 million in Q4 2015 compared to $4.5 million in the same period a year ago. This decrease is explained by a decrease in acquisition of property, plant and equipment and intangible assets.

Financing activities consumed $11.5 million in Q4 2015 compared to cash generated of $11.3 million in the same period a year ago. This decrease is mainly associated with a net reduction in the amounts drawn under the revolving facility following a better management of non-cash working capital.

For fiscal year 2015, cash generated by operating activities was $64.0 million compared to cash consumed of $17.2 million in fiscal year 2014. The increase in mainly attributable to the favorable change in the non-cash working capital due to its better management. Investing activities consumed $18.3 million compared to $15.8 million for the same period a year ago mainly explained by an increase in addition to property, plant and equipment and intangible assets. Cash consumed by financing activities was $49.1 million compared to cash generated of $24.1 million for fiscal year 2014. This decrease is mainly associated with the issuance of convertible debentures net of fees in Q2 2014 partially offset by repayment of long-term debt.

Working Capital

	As at December 31, 2015	As at December 31, 2014
	$	$
Inventories	**89,052**	204,454
Other current assets	**50,593**	93,100
Current liabilities	**(45,777)**	(67,992)
Working capital[1]	**93,868**	229,562
Working capital current ratio[1]	**3.05**	4.38

The decrease in working capital[1] is mainly due to a better alignment between material usage and purchase in an effort to reduce inventory as well as lower average commodity pricing compared to December 31, 2014.

Net Debt

	As at December 31, 2015	As at December 31, 2014
	$	$
Bank indebtedness	**-**	975
Long-term debt including current portion	**1,947**	51,823
Convertible debentures	**40,288**	46,101
Cross-currency swap	**1,443**	-
Total Debt	**43,678**	98,899
Cash and cash equivalents and restricted cash	**(8,816)**	(14,892)
Net Debt[1]	**34,862**	84,007

[1] See Non-IFRS Measures

On December 7, 2015, the Company entered into a cross-currency swap to hedge the convertible debenture denominated in Canadian dollars to US dollars.

Total debt, including the cross-currency swap decreased by $55.2 million to $43.7 million as at December 31, 2015, compared to $98.9 million as at December 31, 2014. The decrease of total debt is due to the decrease in working capital.

Net debt[1] after taking into account cash and cash equivalents and restricted cash decreased by $49.1 million, from $84.0 million as at December 31, 2014 to $34.9 million as at December 31, 2015.

Available Short-Term Capital Resources

	As at December 31, 2015	As at December 31, 2014
	$	$
Cash and cash equivalents	8,816	12,777
Available bank indebtedness	1,541	650
Available revolving credit facility (reduced on February 18, 2016 as explained below)	103,969	79,976
Available short-term capital resources	**114,326**	**93,403**

In August 2014, the Company signed a senior secured multi-currency revolving credit facility of $125,000 maturing in August 2018, which was reduced to $100,000 as at June 30, 2015 and subsequently to $50,000 as at February 18, 2016. At any time, the Company has the option to request that the credit facility be expanded through the exercise of an additional $50,000 ($25,000 as at December 31, 2014) accordion feature, subject to review and approval by the lenders. This revolving credit facility can be drawn in US dollars, Canadian dollars or Hong Kong dollars. Drawings bear interest at either the Canadian prime rate, US base rate, Hong Kong base rate or LIBOR, plus a margin based on the Company's senior consolidated debt to EBITDA ratio. Under the terms of its credit facility, the Company is required to satisfy certain restrictive covenants as to financial ratios, including a temporary drawing limit on the credit facility of maximum $25,000, which could be further reduced to $15,000 if certain conditions are not met from February 18, 2016 to December 31, 2016. As at December 31, 2015, the Company has met all covenants.

In addition, in August 2014, the Company's subsidiary in Belgium entered into a bi-lateral credit facility of 5,000 Euros, which was reduced to 2,500 Euros as at February 18, 2016. This credit facility is coterminous with the new senior secured multi-currency revolving credit facility, and guaranteed by the same security pool. This bi-lateral facility can be drawn in Euros or US dollars and bears interest at similar rates as the revolving credit facility. No amount was used as at December 31, 2015 and 2014.

Funds from Operations

	Q4 2015	Q4 2014	2015	2014
	$	$	$	$
Funds (used in) from operations[1]	**(5,734)**	4,030	**(9,851)**	17,592
Net acquisition of PPE and intangible assets	**(3,308)**	(4,484)	**(19,956)**	(14,221)
Working capital changes	**21,866**	(8,019)	**73,860**	(34,765)
Issuance of common shares	-	-	-	164
Others	**(994)**	333	**5,092**	5,553
	17,564	(12,170)	**58,996**	(43,269)
Total movement in net debt[1]	**11,830**	(8,140)	**49,145**	(25,677)
Net debt[1], beginning of period	**(46,692)**	(75,867)	**(84,007)**	(58,330)
Net debt[1], end of period	**(34,862)**	(84,007)	**(34,862)**	(84,007)

For Q4 2015 and fiscal year 2015, funds used in operations[1] decreased to $5.7 million and $9.9 million respectively, compared to funds from operations[1] of $4.0 million and $17.6 million for the same periods of 2014. However, these decreases were more than compensated by favorable working capital changes following management initiatives.

[1] See Non-IFRS Measures

Share Information

	As at February 23, 2016	As at December 31, 2015
Issued and outstanding shares	**83,979,657**	83,979,657
Stock options potentially issuable	**1,558,345**	1,558,345
Convertible debentures potentially issuable	**9,777,777**	9,777,777

Stock Option Plan

On April 11, 2011, the Company adopted a new stock option 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 5,000,000. 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 Stock Option Plan may be exercised during a period not exceeding ten years from the date of grant. The stock options outstanding as at December 31, 2015 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 and one year for retired directors.

The following table presents information concerning all outstanding stock options:

		2015		2014
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
		CA$		CA$
Outstanding, beginning of year	**1,702,100**	**4.21**	1,637,951	4.19
Granted	**232,000**	**2.40**	352,000	3.99
Cancelled	**(75,755)**	**3.24**	(206,463)	4.16
Exercised	**-**	**-**	(71,388)	2.46
Expired	**(300,000)**	**5.45**	(10,000)	7.80
Outstanding, end of year	**1,558,345**	**3.74**	1,702,100	4.21
Exercisable, end of year	**1,024,324**	**4.08**	1,192,918	4.37

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 17 and 25 of the audited consolidated financial statements for the year ended December 31, 2015.

The following table reflects the contractual maturity of the Company's financial liabilities as at December 31, 2015:

	Carrying amount	1 year	2-3 years	4-5 years	Total
	$	$	$	$	$
Trade and accrued liabilities	38,744	38,744	-	-	38,744
Long-term debt	1,947	534	1,671	17	2,222
Convertible debentures	40,288	3,170	3,170	50,474	56,814
Long-term payable (included in other liabilities)	14,939	-	16,585	-	16,585
Total	95,918	42,448	21,426	50,491	114,365

Commitments

The Company rents certain premises and equipment under the terms of operating leases. Future minimum payments excluding operating costs are as follows:

	2015	2014
	$	$
No later than 1 year	**2,289**	2,881
Later than 1 year but no later than 5 years	**2,479**	4,133
Later than 5 years	**364**	967
Total	**5,132**	7,981

As at December 31, 2015, in the normal course of business, the Company contracted letters of credit for an amount of up to $0.5 million (2014 – $0.4 million).

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.

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 as at December 2015, 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 fiscal year ended December 31, 2015 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 2015 in accordance with IFRS. The Company's significant accounting policies are described in Note 2 of the December 31, 2015 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 consolidated financial statements and notes, remain substantially unchanged from those described in the Company's audited consolidated financial statements for the fiscal year ended December 31, 2014, except for the following.

Assets are reviewed for an indication of impairment at each statement of financial position date upon the occurrence of events or changes in circumstances indicating that the carrying value of the assets may not be recoverable which requires significant judgment.

Future Changes in Accounting Policies

The following standards have been issued but are not yet effective:

In May 2014, the IASB issued IFRS 15, "Revenues from Contracts with Customers", to specify how and when to recognize revenue as well as requiring the provision of more information and relevant disclosure. IFRS 15 supersedes IAS 18, "Revenue", IAS 11, "Construction Contracts", and other revenue-related interpretations. The standard will be mandatory on January 1, 2018 for the Company with earlier adoption permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

In July 2014, the IASB amended IFRS 9, "Financial Instruments", to bring together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39, "Financial Instruments: Recognition and Measurement". The standard supersedes all previous versions of IFRS 9 and will be mandatory on January 1, 2018 for the Company with earlier application permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

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 recognise 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 January 2016, IASB amended IAS 7, "Statement of Cash Flows", The amendments require that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. One way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities. This amendment will be mandatory for reporting periods beginning on or after January 1, 2017. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

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

Non-financial assets are reviewed for an indication of impairment at each statement of financial position date upon the occurrence of events or changes in circumstances indicating that the carrying value of the assets may not be recoverable which requires significant judgement.

An impairment loss is recognized for the amount by which an asset's or CGU's carrying amount exceeds its recoverable amount, which is the higher of fair value less cost of disposal and value in use.

To determine fair value less cost to dispose, 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 using pricing information on metal available as at December 31, 2015. 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 to asset-specific risk factors. Management believes that the following assumptions are the most susceptible to change and therefore could impact the valuation of the assets in the next year: metal prices which have an impact on revenues and metal margins, the discount rate, foreign exchange rates and the ability to use existing tax losses in the future.

Management performed an impairment test on its non-current assets in accordance with IAS 36 "Impairment of assets", since the market capitalization of the Company was lower than the carrying amount of the net assets. Based on this analysis, management concluded that no impairment was required on the remaining non-current assets.

Inventories

Inventories are measured at the lower of cost and net realizable value, with cost determined using 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 future selling prices to change rapidly. The Company evaluates its inventories using a group of similar items basis and considers expected future prices as well as events that have occurred between the consolidated statement of financial position date and the date of the completion of the consolidated financial statements. Net realizable value for inventory to satisfy a specific sales contract is measured at the contract price.

Debenture conversion option

The convertible debentures issued by the Company included conversion and early redemption options, which are considered as Level 3 financial instruments. The derivative is measured at fair value through profit or loss, and its fair value must be measured at each reporting period, with subsequent changes in fair value recorded in the consolidated statement of (loss) earnings. A derivative valuation model is used, and includes assumptions, to estimate the fair value. Detailed assumptions used in the model to determine the fair value of the embedded derivative, upon inception and as at December 31, 2015, are provided in note 13 of the 2015 consolidated financial statements of the Company.

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.

The Company has deferred income tax assets that are subject to periodic recoverability assessments. Realization of the Company's deferred income tax assets is largely dependent on its achievement of projected future taxable income and the continued applicability of ongoing tax planning strategies. The Company's judgments regarding future profitability may change due to future market conditions, changes in tax legislation and other factors that could adversely affect the ongoing value of the deferred income tax assets. These changes, if any, may require a material adjustment of these deferred income tax asset balances through an adjustment to the carrying value thereon in the future. This adjustment would reduce the deferred income tax asset to the amount that is considered to be more likely than not to be realized and would be recorded in the period such a determination was to be made.

Related Party Transactions

The Company's related parties are its joint ventures, directors and executive members. Transactions with these related parties are describes in Notes 9, 10, 24 and 27 in the 2015 consolidated financial statements of the Company.

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 17 – Fair Value of Financial Instruments in the 2015 consolidated financial statements of the Company.

The fair value of the derivatives financial instruments was as follows:

	2015	2014
	$	$
Derivatives forward contracts	-	147
Debenture conversion option	**(87)**	(2,093)
Cross-currency swap	**(1,443)**	-

Financial Risk Management

For a detailed description of nature and extent of risks arising from financial instruments, and their related risk management, refer to Note 25 of the 2015 consolidated financial statements of the Company.

Interest Rate Risk

Interest rate risk refers to the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company's policy is to limit its exposure to interest rate risk fluctuation by ensuring that a reasonable portion of its bank advance, long-term debt and convertible debentures are at fixed rate. The Company is exposed to interest rate fluctuations on its revolving credit facility, which bears a floating interest rate. A 1% increase/decrease in interest rates would not have a significant impact on the Company's net earnings.

Foreign Currency Risk

The Company's sales are primarily denominated in U.S. dollars whereas a portion of its operating costs are realized in local currencies, such as Euros, Canadian dollars and Pounds Sterling. Even though the purchases of raw materials are denominated in U.S. dollars, which reduce to some extent exchange rate fluctuations, we are subject to currency translation risk which can negatively impact our results. Management has implemented a policy for managing foreign exchange risk against the relevant functional currency.

On December 7, 2015, the Company entered into cross-currency swap to hedge cash flows under the CA$ convertible debentures, applying hedge accounting principles to the transaction. In addition, the Company will occasionally enter into foreign exchange forward contracts to sell US dollars in exchange for Canadian dollars and Euros. These contracts would hedge a portion of ongoing foreign exchange risk on the Company's cash flows since much of its non-US dollar expenses are incurred in Canadian dollars and Euros. The Company will also enter into foreign exchange contracts to sell Euros for US dollars.

The following table summarizes in US dollar equivalents the Company's major currency exposures as at December 31, 2015:

	CA$	EUR	GBP	RMB	Other
	$	$	$	$	$
Cash and cash equivalents	355	3,894	401	878	131
Accounts receivable	480	8,330	4	7,789	449
Trade and accrued liabilities	(5,798)	(7,902)	(1,065)	(6,006)	(674)
Long-term debt	(420)	(52)	-	-	-
Net financial assets (liabilities)	(5,383)	4,270	(660)	2,661	(94)

The following table shows the impact on earnings before income tax of a one-percentage point strengthening or weakening of foreign currencies against the US dollar as at December 31, 2015 for the Company's financial instruments denominated in non-functional currencies:

	CA$	EUR	GBP	RMB	Other
1% Strengthening	$	$	$	$	$
Earnings before tax	(54)	43	(7)	27	(1)
1% Weakening					
Earnings before tax	54	(43)	7	(27)	1

Credit Risk

Credit risk refers to the possibility that a customer or counterparty will fail to fulfill its obligations under a contract and, as a result, create a financial loss for the Company. The Company has a large number of clients and is no longer dependent on a specific client. The Company has a credit policy that defines standard credit practice. This policy dictates that all new customer accounts be reviewed prior to approval and establishes the maximum amount of credit exposure per customer. The creditworthiness and financial well-being of the customer are monitored on an ongoing basis.

The Company establishes an allowance for doubtful accounts as determined by management based on its assessment of collection; therefore, the carrying amount of accounts receivable generally represents the maximum credit exposure. As at December 31, 2015 and 2014, the Company has an allowance for doubtful accounts of $0.5 million and $0.1 million respectively. The provision for doubtful accounts, if any, is included in selling, general and administrative expenses in the consolidated statement of (loss) earnings, and is net of any recoveries that were provided for in prior periods.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages liquidity risk through the management of its capital structure. It also manages liquidity risk by continually monitoring actual and projected cash flows, taking into account the Company's sales and receipts and matching the maturity profile of financial assets and financial liabilities. The Board of Directors reviews and approves the Company's annual operating and capital budgets as well as any material transactions out of the ordinary course of business, including proposals on acquisitions and other major investments. Under the terms of its credit facility, the Company is required to satisfy certain restrictive covenants. In order to comply with these covenants, the Company will need to execute on its EBITDA and cash flow estimates. Management believes that the assumptions used by the Company in preparing its estimates are reasonable. However, risk remains. Successful achievement of these estimates results is dependent on stability in the price of metals and other raw materials, the reduction of debt due to the optimization of the Company's working capital and the continued viability and support of the Company's banks.

Risk and Uncertainties

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

Possible Failure to Realize Anticipated Benefits of Acquisitions and Investments

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

International Operations

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

Environmental Regulations

Our operations involve the use, handling, generation, processing, storage, transportation, recycling and disposal of hazardous materials and are subject to extensive environmental laws and regulations at the national, provincial, local and international level. These environmental laws and regulations include those governing the discharge of pollutants into the air and water, the use, management and disposal of hazardous materials and wastes, the clean-up of contaminated sites and occupational health and safety. We have incurred and will continue to incur capital expenditures in order to comply with these laws and regulations. In addition, violations of, or liabilities under, environmental laws or permits may result in restrictions being imposed on our operating activities or in our being subject to substantial fines, penalties, criminal proceedings, third party property damage or personal injury claims, clean-up costs or other costs. While we believe that we are currently in compliance with applicable environmental requirements, future developments such as more aggressive enforcement policies, the implementation of new, more stringent laws and regulations, or the discovery of currently unknown environmental conditions may require expenditures that could have a material adverse effect on our business, results of operations and financial condition. Our facility in Tilly, Belgium completed corrective measures under a remediation plan as a result of industrial legacy at this site, which has been in industrial use for more than 100 years. The remediation performed has been approved and audited by local authorities and the Company has received a full compliance confirmation and complete release and discharge from the authorities.

Competition Risk

We are the leading producer of specialty metal and chemical products and have a limited number of competitors, few of which are as fully integrated as we are or have a similar range of products. Accordingly, they have limitation to provide the same comprehensive set of services and products as we do. However, there can be no guarantee that this situation will continue in the future and competition could arise from new low-cost metal refiners or from certain of our customers who could decide to backward integrate. Greater competition could have an adverse effect on our revenues and operating margins if our competitors gain market share and we are unable to compensate for the volume lost to our competition.

Commodity Price Risk
The price we pay for, and availability of, various inputs fluctuates due to numerous factors beyond our control, including economic conditions, currency exchange rates, global demand for metal products, trade sanctions, tariffs, labor costs, competition, over capacity of producers and price surcharges. Fluctuations in availability and cost of inputs may materially affect our business, financial condition, results of operations and cash flows. To the extent that we are not able to pass on any increases, our business, financial condition, results of operations and cash flows may be materially adversely affected.

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

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

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

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

Dependence on Key Personnel
The Company relies on the expertise and know-how of its personnel to conduct its operations. The loss of any member of our senior management team could have a material adverse effect on us. Our future success also depends on our ability to retain and attract our key employees, train, retain and successfully integrate new talent into our management and technical teams. Recruiting and retaining talented personnel, particularly those with expertise in the specialty metals industry and refining technology is vital to our success and may prove difficult. We cannot provide assurance that we will be able to attract and retain qualified personnel when needed.

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

Risks Associated with Public Issuer Status
The Company's shares are publicly traded and, as such, it is subject to all of the obligations imposed on "reporting issuers" under applicable securities laws in Canada and all of the obligations applicable to a listed company under stock exchange rules. Direct and indirect costs associated with public company status have escalated in recent years and regulatory initiatives under consideration may further increase the costs of being public in Canada. Those costs could have a negative effect on the Company's financial results. Another risk associated with a public issuer status is the disclosure of key Company information as compared to privately owned competitors.

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 (loss) 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, allowance for doubtful of a receivable from a related party, litigation and restructuring costs, 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 net earnings (loss) means the net earnings (loss) before the effect of charge of impairment related to inventory, PPE and intangible assets, impairment of goodwill, allowance for doubtful of a note receivable from a related party, litigation and restructuring costs, 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, allowance for doubtful of a receivable from a related party, litigation and restructuring costs 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, allowance for doubtful of a receivable from a related party, litigation and restructuring costs 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.

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 restricted cash. 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 and restricted cash.

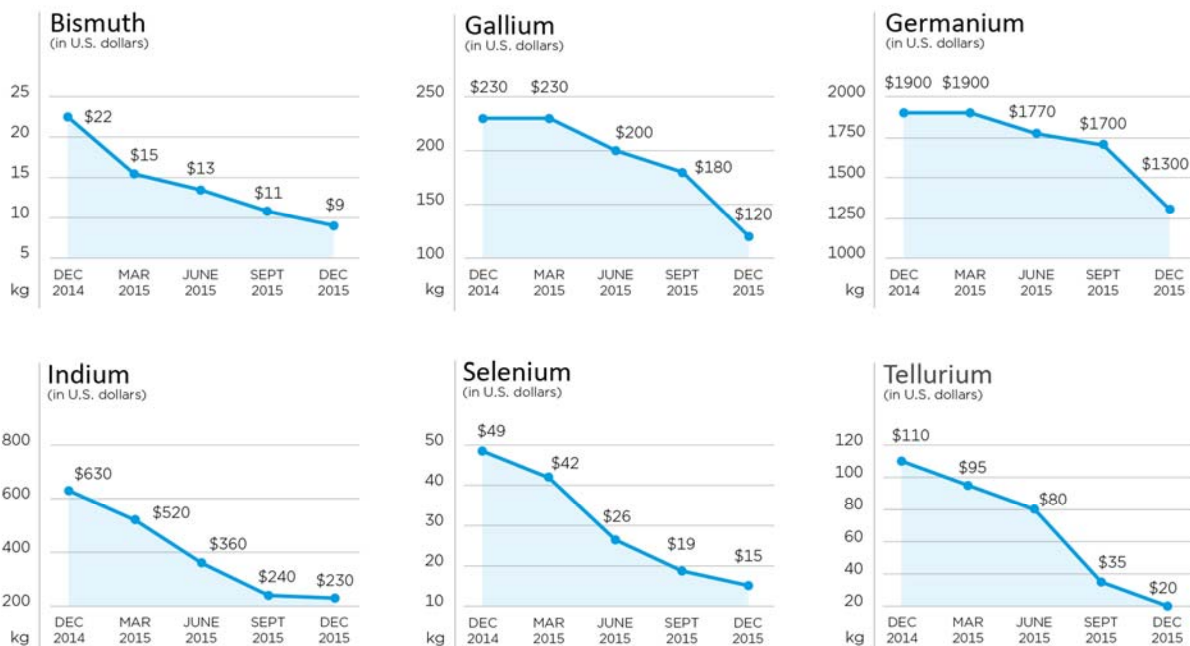
Working capital is a measure of liquid assets that is calculated by taking current assets and subtracting current liabilities. Given that the Company is currently indebted, we use it as an indicator of our financial efficiency and aim to maintain it at the lowest possible level.

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.

Metal Prices



Source: Low Metal Bulletin

Selected Data Information

The following table provides selected quarterly financial information for the years 2013 through to 2015.

(in thousands of United States dollars except per share amounts)	Q1	Q2	Q3	Q4	
Fiscal 2015					**Total**
Revenues	95,663	87,250	68,732	59,367	311,012
EBITDA[1]	3,406	(5,966)	(26,136)	(26,000)	(54,696)
Adjusted EBITDA[1]	270	1,963	1,052	674	3,959
Net loss attributable to equity holders of 5N Plus	(1,949)	(20,463)	(32,171)	(42,615)	(97,198)
Basic loss per share attributable to equity holders of 5N Plus	($0.02)	($0.24)	($0.38)	($0.51)	($1.16)
Net loss	(1,951)	(20,464)	(32,171)	(42,615)	(97,201)
Basic loss per share	($0.02)	($0.24)	($0.38)	($0.51)	($1.16)
Diluted loss per share	($0.05)	($0.24)	($0.38)	($0.51)	($1.16)
Adjusted net loss[1]	(2,472)	(6,125)	(5,652)	(12,966)	(27,215)
Basic adjusted net loss per share[1]	($0,03)	($0,07)	($0,07)	($0,15)	($0.32)
Funds used in operations[1]	(2,015)	(1,482)	(620)	(5,734)	(9,851)
Backlog[1]	142 days	137 days	134 days	158 days	158 days
Fiscal 2014					**Total**
Revenues	142,379	136,597	114,438	114,781	508,195
EBITDA[1]	11,178	11,524	12,721	4,021	39,444
Adjusted EBITDA[1]	10,501	10,816	8,071	5,657	35,045
Net earnings (loss) attributable to equity holders of 5N Plus	4,655	4,436	4,172	(2,451)	10,812
Basic earnings (loss) per share attributable to equity holders of 5N Plus	$0.06	$0,05	$0.05	($0.03)	$0.13
Net earnings (loss)	4,519	4,436	4,171	(2,453)	10,673
Basic earnings (loss) per share	$0.05	$0.05	$0.05	($0.03)	$0.13
Diluted earnings (loss) per share	$0.05	$0.05	($0.01)	($0.04)	$0.05
Adjusted net earnings [1]	4,916	4,303	170	1,247	10,636
Basic adjusted net earnings (loss) per share[1]	$0.06	$0.05	$-	$0.01	$0.13
Funds from operations[1]	6,806	5,774	982	4,030	17,592
Backlog[1]	120 days	100 days	109 days	122 days	122 days
Fiscal 2013					**Total**
Revenues	118,389	112,637	108,570	119,416	459,012
EBITDA[1]	12,121	38,008	6,926	6,848	63,903
Adjusted EBITDA[1]	10,115	6,543	5,775	7,942	30,375
Net earnings attributable to equity holders of 5N Plus	5,371	34,185	1,083	2,022	42,661
Basic earnings per share attributable to equity holders of 5N Plus	$0.06	$0.41	$0.01	$0,02	$0.51
Net earnings	5,538	34,281	1,323	1,638	42,780
Basic earnings per share	$0.07	$0.41	$0.02	$0.02	$0.51
Diluted earnings per share	$0.07	$0.41	$0.02	$0.02	$0.51
Adjusted net earnings [1]	6,296	959	1,517	2,068	10,840
Basic adjusted net earnings per share[1]	$0.08	$0.01	$0.02	$0.02	$0.13
Funds from operations[1]	4,608	1,560	4,822	9,043	20,033
Backlog[1]	128 days	124 days	112 days	130 days	130 days

(in thousands of United States dollars)	2015	2014	2013
Balance Sheet Data	$	$	$
Total assets	220,737	399,531	365,240
Net debt (net cash)[1]	34,862	84,007	58,330
Retirement benefit obligation	13,934	16,928	15,887
Shareholders' equity	96,632	196,443	190,052

[1] See Non-IFRS Measures