Third Quarter Report

Three and nine months ended September 30, 2012

5N PLUS

This Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations for the three and nine months ended September 30, 2012 ("Q3 2012" and "YTD 2012" respectively) compared to the four and ten months ended September 30, 2011 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 Q3 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 November 7, 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.

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.

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 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

- Adjusted EBITDA[1] for Q3 2012 was $9.0 million compared to $30.3 million for the four-month period ended September 30, 2011. Adjusted EBITDA for YTD 2012 was $31.5 million compared to $56.3 million for the ten-month period ended September 30, 2011. Taking charge and reversal of inventory impairment into account, EBITDA was $9.0 million for Q3 2012 and $5.4 million for YTD 2012 compared to $28.9 million and $54.9 million for the four and ten-month periods ended September 30, 2011 respectively.

- Net debt[1] amounted to $140.2 million on September 30, 2012 compared to $260.6 million on December 31, 2011 and decreased by $35.5 million in Q3 2012 and by $120.3 million in YTD 2012. Total debt amounted to $149.8 million at September 30, 2012 compared to $341.9 million at December 31, 2011 and decreased by $37.8 million in Q3 2012 and by $192.1 million in YTD 2012.

- Revenues for Q3 2012 were $120.7 million compared to $242.3 million for the four-month period ended September 30, 2011. Revenues for YTD 2012 increased by 9.9% to $423.1 million compared to $384.9 million for the ten-month period ended September 30, 2011.

- Net earnings (loss) for the third quarter 2012 was $1.3 million or $0.02 per share and ($15.9) million or ($0.21) per share for the nine-month period 2012 resulting from impairment charges of $26.1 million booked in the second quarter 2012. Net earnings was $14.9 million or $0.21 per share and $28.7 million or $0.48 per share for the four and ten-month periods ended September 30, 2011. Excluding impairment charges and reversals, restructuring costs and acquisition costs net of the related income tax, adjusted net earnings[1] were $0.6 million or $0.01 per share for the third quarter 2012 and $4.0 million or $0.05 per share for the nine-month period 2012.

- As at September 30, 2012, the backlog[1] of orders expected to translate into sales over the following twelve months stood at $162.3 million compared to $189.0 million as at June 30, 2012 and to $212.3 million as at September 30, 2011.

Despite a very challenging business environment the Company managed to return to positive earnings in the quarter and generate strong cash flow which enabled it to further reduce debt levels and improve financial flexibility. In the Electronic Materials business unit, demand for our solar products remained relatively strong and 5N Plus expects this to continue in the fourth quarter. The Company also reached technical and commercial milestones at its germanium substrate subsidiary, Sylarus, which was awarded a second government contract this year. Demand was somewhat softer for most of the Company's other products including those of our Eco-Friendly Materials business unit, its customers remaining cautious in their procurement plans in view of continuing concerns over European demand and the slowdown in the global economy.

Revenues, backlog and profitability were negatively impacted in the quarter by low underlying commodity prices. The Company's stocks remained somewhat close to their net realizable value, preventing it from capturing its full margins. 5N Plus expects this situation to gradually correct itself over the next quarters as it replenishes its stocks and takes advantage of what it believes will be a more favourable underlying commodity pricing environment.

5N Plus continues to focus on improving financial and operational efficiency and at reducing costs. Financial efficiency gains were made through a further reduction of $33.7 million in working capital and $35.5 million in net debt. On the operational side, the Company was successful in the quarter in consolidating its gallium production activities previously carried out in Fairfield into its manufacturing facility in DeForest, Wisconsin. 5N Plus also strengthened its presence in Asia and intends to fully leverage its developing footprint there, including its plant in Vientiane, Laos which has now been in operation for close to one year, as well as our new plant in Kulim, Malaysia which is ready to begin operations, together with our international platform.

5N Plus remains cautiously optimistic about the coming quarters. Although challenging market conditions may well continue to prevail, leading to volatility in its financial performance, its continuing focus on improving efficiency throughout the organization will enable it to remain well positioned to take advantage of future growth opportunities and deliver increasing shareholder value. Many thanks therefore to its employees for enabling us to do so.

[1] See Non-IFRS Measures

Selected Quarterly Financial Information

Unaudited (in thousands of United States dollars except per share amounts)	FY 2012 Q3	FY 2012 Q2	FY 2012 Q1	FY December 31, 2011 Q2	FY December 31, 2011 Q1 (4 months)	FY May 31, 2011 Q4	FY May 31, 2011 Q3	FY May 31, 2011 Q2
		$	$	$	$	$	$	$
Revenues	**120,744**	**140,076**	162,235	149,423	242,289	121,976	20,663	19,314
Gross profit[1]	**17,898**	**(10,859)**	29,988	(8,674)	42,857	25,001	8,104	8,161
Adjusted gross profit[1]	**17,898**	**15,209**	29,988	24,739	44,233	25,001	8,104	8,161
EBITDA	**9,001**	**(20,474)**	16,867	(26,278)	28,904	19,995	6,001	4,818
Adjusted EBITDA	**9,001**	**5,594**	16,867	7,135	30,281	19,995	6,001	4,818
Net earnings (loss)	**1,275**	**(22,062)**	4,891	(37,397)	14,933	8,174	5,551	5,384
Basic earnings (loss) per share	**0.02**	**(0.30)**	0.07	(0.53)	0.21	0.14	0.12	0.12
Diluted earnings (loss) per share	**0.02**	**(0.30)**	0.07	(0.53)	0.21	0.14	0.12	0.12
Net earnings (loss) attributable to equity holders of 5N Plus	**1,218**	**(21,922)**	4,972	(37,206)	15,565	8,549	5,526	5,384
Basic earnings per share attributable to equity holders of 5N Plus	**0.02**	**(0.29)**	0.07	(0.52)	0.22	0.14	0.12	0.12
Adjusted net earnings (loss) [1]	**648**	**(1,911)**	5,250	(92)	15,965	14,128	5,551	5,384
Basic adjusted net earnings (loss) per share	**0.01**	**(0.03)**	0.07	(0.01)	0.23	0.24	0.12	0.12
Backlog[1]	**162,323**	**188,982**	215,588	223,177	212,264	263,702	73,154	60,986

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

(in thousands of United States dollars except per share amounts)	**Q3 2012**	Four-month period ended September 30, 2011	**YTD 2012**	Ten-month period ended September 30, 2011
	$	$	**$**	$
Revenues	**120,744**	242,289	**423,055**	384,928
Gross profit[1]	**17,898**	42,857	**37,027**	75,962
Impairment of inventory	**-**	1,376	**26,068**	1,376
Adjusted gross profit[1]	**17,898**	44,233	**63,095**	77,338
Adjusted gross profit ratio[1]	**15%**	18%	**15%**	20%
Adjusted net earnings	**648**	15,965	**3,987**	35,644
Basic adjusted net earnings per share	**$0.01**	$0.21	**$0.05**	$0.59
Net earnings (loss)	**1,275**	14,933	**(15,896)**	28,658
Basic earnings (loss) per share	**$0.02**	$0.21	**($0.21)**	$0.48

[1] See Non-IFRS Measures

Revenues

Revenues for Q3 2012 were $120.7 million compared to revenues of $242.3 million for the four-month period ended September 30, 2011. Revenues for YTD 2012 reached $423.1 million representing a 9.9% increase over revenues of $384.9 million for the ten-month period ended September 30, 2011. The decrease in sales in Q3 2012 is mainly due to lower underlying commodity pricing, and to differences in the length of the reporting period in 2011 (4 and 10 months respectively) compared to 2012 (3 and 9 months periods). Sales were also negatively impacted but to a lesser extent by a decrease in volumes sold for most of our products other than solar. The revenues include 5N Plus and former MCP Group for the entire YTD 2012, whereas less than six months were included in the ten-month period ended September 30, 2011.

Gross profit and Adjusted gross profit

For Q3 2012, gross profit and adjusted gross profit were $17.9 million compared to gross profit of $42.9 million and adjusted gross profit of $44.2 million for the four-month period ended September 30, 2011. For Q3 2012, adjusted gross profit ratio was 14.8% compared to 18.3%. For YTD 2012, gross profit was $37.0 million compared to $76.0 million and adjusted gross profit were $63.1 million compared to $77.3 million for the ten-month period ended September 30, 2011. For YTD 2012, adjusted gross profit ratio was 14.9% compared to 20.1%. The decrease in gross profit ratio is mainly due to the inclusion of the former MCP financial results for the entire YTD 2012 and the fact that the Company's inventories remain fully valued as a result of the decreasing trend in underlying commodity pricing.

[1] See Non-IFRS Measures

Adjusted net earnings and net earnings

Adjusted net earnings for Q3 2012 was $0.6 million or $0.01 per share and $4.0 million or $0.05 per share for YTD 2012. Adjusted net earnings was $16.0 million or $0.21 per share and $35.6 million or $0.59 per share for the four and ten-month periods ended September 30, 2011 respectively. Net earnings for Q3 2012 was $1.3 million or $0.02 per share and ($15.9) million or ($0.21) per share for YTD 2012 resulting from impairment charges of $26.1 million booked in Q2 2012. Net earnings was $14.9 million or $0.21 per share and $28.7 million or $0.48 per share for the four and ten-month periods ended September 30, 2011 respectively. Besides the difference in the length of the reporting period, these decreases are mainly attributable to lower average selling prices and the fully valued price of inventories following a continuing trend of commodity price decreases. Weaker demand for some products including gallium and indium-based products in our Electronic Materials business unit and bismuth and selenium in our Eco-Friendly business unit also impacted negatively our earnings. Net earnings for the ten-month period ended September 30, 2011 included $8.3 million of foreign exchange gain and derivative.

Reconciliation of EBITDA and Adjusted EBITDA

(in thousands of United States dollars)	Q3 2012	Four-month period ended September 30, 2011	Increase (Decrease)	YTD 2012	Ten-month period ended September 30, 2011	Increase (Decrease)
	$	$		$	$	
Net earnings (loss)	**1,275**	14,933	(92%)	**(15,896)**	28,658	(155%)
Interest on long-term debt and other interest expense	**1,950**	3,440	(43%)	**7,365**	5,580	32%
Loss (gain) on foreign exchange	**807**	(1,760)	(146%)	**3,119**	(8,252)	(138%)
Depreciation and amortization	**5,250**	7,334	(28%)	**15,531**	10,911	42%
Income tax (recovery)	**187**	4,957	(96%)	**(5,643)**	10,164	(156%)
Restructuring costs	**464**	-	-	**1,849**	5,978	(69%)
Reversal of impairment of PPE	**(932)**	-	-	**(932)**	-	-
Acquisition costs for MCP	**-**	-	-	**-**	1,861	-
EBITDA	**9,001**	28,904	(69%)	**5,393**	54,900	(90%)
Impairment of inventory	**-**	1,376		**26,068**	1,376	
Adjusted EBITDA	**9,001**	30,280	(70%)	**31,461**	56,276	(44%)

EBITDA and Adjusted EBITDA

EBITDA and adjusted EBITDA in Q3 2012 amounted to $9.0 million. EBITDA for YTD 2012 was $5.4 million and is primarily attributable to impairment charges taken in Q2 2012. Adjusted EBITDA amounted to $31.5 million in YTD 2012. This compares to $30.3 million and $56.3 million for the four and ten-month periods ended September 30, 2011 respectively. Besides differences in the length of the reporting period, the decreases in EBITDA reflect lower average selling prices due to the lower price of the underlying commodities and to a lesser extent, lesser volume in 2012 compared to 2011 due to the general economic slowdown in 2012.

Reversal of previously impaired property, plant and equipment

During the quarter, the Company partially reversed asset impairment charges of $0.9 million previously booked in the quarter ended December 31, 2011 related to its property plant and equipment ("PPE") located in DeForest, Wisconsin.

Bookings and Backlog

Bookings in Q3 2012 were $94.1 million and $362.2 million for YTD 2012. This compares with bookings of $190.7 million and $536.1 million for the four and ten-month periods ended September 30, 2011. The decrease in bookings is mainly attributable to bookings of former MCP Group included for the first time in the ten-month period ended September 30, 2011. Backlog as at September 30, 2012 stood at $162.3 million which corresponds to a 23.6% decrease over the $212.3 million backlog as at September 30, 2011. Backlog decreased by $26.7 million over the backlog of June 30, 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)	Q3 2012	Four-month period ended September 30, 2011	YTD 2012	Ten-month period ended September 30, 2011
	$	$	**$**	$
Electronic Materials	**9,233**	18,893	**12,770**	42,824
Eco-Friendly Materials	**2,299**	13,208	**3,363**	17,996
Corporate	**(2,531)**	(3,197)	**(10,740)**	(5,920)
EBITDA	**9,001**	28,904	**5,393**	54,900
Impairment of inventory	**-**	1,376	**26,068**	1,376
Adjusted EBITDA	**9,001**	30,280	**31,461**	56,276

Electronic Materials Business Unit

(in thousands of United States dollars)	Q3 2012	Four-month period ended September 30, 2011	YTD 2012	Ten-month period ended September 30, 2011
	$	$	**$**	$
Revenues	**49,724**	116,255	**177,852**	201,145
Cost of goods & expenses, before amortization	**(40,491)**	(97,362)	**(165,082)**	(158,321)
EBITDA	**9,233**	18,893	**12,770**	42,824
Impairment of inventory	**-**	306	**15,558**	306
Adjusted EBITDA	**9,233**	19,199	**28,328**	43,130
Bookings	**30,000**	103,072	**124,443**	283,886

Revenues for Q3 2012 for the Electronic Materials business unit decreased by 57.2% and reached $49.7 million down from $116.3 million in the four-month period ended September 30, 2011. Revenues for YTD 2012 decreased by 11.6% and reached $177.9 million, down from $201.1 million for the ten-month period ended September 30, 2011. The revenues include 5N Plus and former MCP Group for the entire YTD 2012, whereas less than six months were included in the ten-month period ended September 30, 2011. Besides differences in the length of the reporting periods, the decrease during the quarter and YTD 2012 results from a lower demand and lower average selling prices following a reduced price for underlying commodities and the restructuring of our contract with our main customer in the solar market.

Adjusted EBITDA for Q3 2012 for the Electronic Materials business unit decreased to $9.2 million down by 51.9% compared to $19.2 million in the four-month period ended September 30, 2011. Adjusted EBITDA for YTD 2012 was $28.3 million which represents a 34.3% decrease over Adjusted EBITDA of $43.1 million for the ten-month period ended September 30, 2011. Besides differences in the length of the reporting periods, the decreases for both periods are primarily associated with lower average selling prices. Sales of gallium and indium products were also lower partly because of the relocation of some of the production activities.

Bookings in Q3 2012 for the Electronic Materials business unit were $30.0 million, down from $103.1 million for the four-month period ended September 30, 2011 and $37.4 million for the quarter ended June 30, 2012. Besides differences in the length of the reporting periods, this decrease largely results from reduced selling prices and a lower demand for most electronic materials products other than solar. The backlog for the Electronic Materials business unit now stands at $96.6 million, a decrease of $19.7 million compared to June 30, 2012 and $53.4 million to December 31, 2011. Although a sequential decrease in backlog from year end is expected as yearly contracts are gradually executed, the lower backlog level on September 30, 2012 compared to June 30, 2012 is also associated with lower expected selling prices associated with the declining trends in the underlying commodity markets and weaker demand.

Eco-Friendly Materials Business Unit

(in thousands of United States dollars)	Q3 2012	Four-month period ended September 30, 2011	YTD 2012	Ten-month period ended September 30, 2011
	$	$	$	$
Revenues	**71,020**	126,034	**245,203**	183,783
Cost of goods & expenses, before amortization	**(68,721)**	(112,826)	**(241,840)**	(165,787)
EBITDA	**2,299**	13,208	**3,363**	17,996
Impairment of inventory	**-**	1,070	**10,510**	1,070
Adjusted EBITDA	**2,299**	14,278	**13,873**	19,066
Bookings	**64,094**	87,599	**237,757**	252,140

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, less than six months of results are included in the ten months period ended September 30, 2011.

Revenues decreased by $55.0 million and reached $71.0 million in Q3 2012 compared to $126.0 million in the four-month period ended September 30, 2011. Revenues for YTD 2012 increased by 33.4% and were $245.2 million, up from $183.8 million for the ten-month period ended September 30, 2011. Besides differences in the length of the reporting periods, the decrease in revenues for the quarter is due to lower selling prices associated with the reduced prices of underlying in commodities and lesser volume of products sold. The increase for YTD 2012 is due the inclusion of former MCP for the entire YTD 2012, whereas less than six months were included in the ten-month period ended September 30, 2011.

Q3 2012 adjusted EBITDA for the Eco-Friendly Materials business unit decreased to $2.3 million from $14.3 million for the four-month period ended September 30, 2011. Adjusted EBITDA for YTD 2012 reached $13.9 million which represents a 27.2% decrease in adjusted EBITDA for the ten-month period ended September 30, 2011. Besides differences in the length of the reporting periods, the decreases for the quarter and the YTD 2012 are essentially related to lower selling prices resulting from lower underlying commodity prices.

Bookings in Q3 2012 for the Eco-Friendly Materials business unit reached $64.1 million down from $87.6 million for the four-month period ended September 30, 2011 and $76.1 million in the quarter ended June 30, 2012. This decrease is associated with lower selling prices and lower demand. The backlog for the Eco-Friendly Materials business unit now stands at $65.7 million, a decrease of $6.9 million over the backlog as at June 30, 2012 and of $7.4 million over the backlog as at December 31, 2011. 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 September 30, 2012 compared to June 30, 2012.

Expenses

(in thousands of United States dollars)	Q3 2012	Four-month period ended September 30, 2011	Increase (Decrease)	YTD 2012	Ten-month period ended September 30, 2011	Increase (Decrease)
	$	$		$	$	
Depreciation and amortization	**5,250**	7,334	(28%)	**15,531**	10,911	42%
SG&A excluding amortization	**9,618**	16,054	(40%)	**33,181**	24,177	37%
Restructuring costs	**464**	-	-	**1,849**	5,978	(69%)
Acquisition-related costs	**-**	-	-	**-**	1,861	100%
Financial Expenses (Income)	**2,757**	1,680	64%	**10,484**	(2,672)	(492%)
Income tax	**187**	4,957	(96%)	**(5,643)**	10,164	(156%)
	18,276	30,025	(39%)	**55,402**	50,419	10%

Depreciation and Amortization

Depreciation and Amortization expenses for Q3 2012 were $5.3 million compared to $7.3 million for the four-month period ended September 30, 2011. This decrease is entirely related to differences in the length of the reporting periods. For YTD 2012, depreciation and amortization expenses were $15.5 million compared to $10.9 million for the ten-month period ended September 30, 2011. These increases reflect the larger amortizable asset base, including intangible assets, following the acquisition of MCP for the entire YTD 2012, whereas less than six months were included in the ten-month period ended September 30, 2011.

SG&A

Selling, General and Administrative expenses were $9.6 million and $33.2 million in Q3 2012 and YTD 2012 respectively compared to $16.1 million and $24.2 million for the four and ten-month periods ended September 30, 2011, respectively. For the quarter, SG&A decreased due to cut backs in the administrative workforce reflecting the cost reduction efforts. For the YTD 2012 and the ten-month period ended September 30, 2011, the increase is due to the inclusion of the MCP management team for the entire YTD 2012, whereas less than six months were included in the ten-month period ended September 30, 2011.

Restructuring costs

The Company incurred expenses of $0.5 and $1.9 million during Q3 2012 and YTD 2012 resulting from an incident which occurred at one of its sites in the US, and some unrelated severance payments. During the ten-month period ended September 30, 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 $2.8 million for Q3 2012 compared to $1.7 million for the four-month period ended September 30, 2011. Financial expenses for YTD 2012 were $10.5 million compared to a financial income of $2.7 million for the ten-month period ended September 30, 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 four and ten-month periods ended September 30, 2011, the Company incurred significant foreign exchange gain.

Income Taxes

For Q3 2012, income taxes were $0.2 million compared to an expense of $5.0 million for the four-month period ended September 30, 2011. Recovery of income taxes for YTD 2012 was $5.6 million compared to an expense of $10.2 million for the ten-month period ended September 30, 2011, representing effective tax rates of 26% for both periods.

Liquidity and Capital Resources

Cash Flows

(in thousands of United States dollars)	**Q3 2012**	Four-month period ended September 30, 2011	**YTD 2012**	Ten-month period ended September 30, 2011
	$	$	**$**	$
Funds from operations	**10,320**	17,119	**21,149**	33,423
Net changes in non-cash working capital items	**29,700**	(31,344)	**73,734**	(107,476)
Operating activities	**40,020**	(14,225)	**94,883**	(74,053)
Investing activities	**(7,214)**	(4,640)	**37,983**	(173,014)
Financing activities	**(36,498)**	19,843	**(154,864)**	220,506
Effect of foreign exchange rate changes on cash and cash equivalents related to operations	**(826)**	-	**(123)**	366
Net (decrease) increase in cash and cash equivalents	**(4,518)**	978	**(22,121)**	(26,195)

Cash generated by operating activities was $40.0 million in Q3 2012 and $94.9 million in YTD 2012. This compares with cash consumed of $14.2 million and $74.1 million for the four and ten-month periods ended September 30, 2011 respectively. This increase in cash is essentially related to a decrease in working capital requirements primarily associated with a reduction in inventory levels.

Investing activities consumed $7.2 million in Q3 2012 and generated $38.0 million in YTD 2012 compared to consumption of $4.6 million and $173.0 million for the four and ten-month periods ended September 30, 2011 respectively. The acquisition of MCP, for a total cash consideration of $118.7 million, impacted the cash consumed in the ten-month period ended September 30, 2011. For Q3 2012, cash consumed from investing activities was mainly due to the acquisition of PPE and cash generated from investing activities for the YTD 2012 were mainly related to temporary investments partly netted from the acquisition of PPE.

Cash consumed by financing activities amounted to $36.5 million in Q3 2012 and $154.9 million in YTD 2012 and resulted mainly from reductions of indebtedness. For the ten-month period ended September 30, 2011, financing activities provided $220.5 million mainly from the proceeds from the issuance of new shares, an increase in bank indebtedness and short-term debt, and proceeds from the issuance of long term-debt amounting to $97.1 million.

Working Capital

(in thousands of United States dollars)	**As at September 30, 2012**	As at December 31, 2011
	$	$
Inventories	**193,560**	315,333
Other current assets	**106,640**	171,756
Current liabilities	**(91,761)**	(151,384)
Working capital[1]	**208,439**	335,705
Working capital current ratio	**3.27**	3.22

[1] See Non-IFRS Measures

Working capital decreased to $208.4 million as at September 30, 2012 compared to $335.7 million as at December 31, 2011, reflecting the reduction of $121.8 million in inventory levels and $71.8 million in cash and cash equivalents and temporary investments which was partially offset by a decrease of $62.2 million in bank indebtedness and short term debt and $15.6 million in trade payables and accrued liabilities.

Net Debt

(in thousands of United States dollars)	**As at September 30, 2012**	As at December 31, 2011
	$	$
Bank indebtedness and short-term debt	**11,235**	73,430
Long-term debt including current portion	**138,528**	268,476
Total Debt	**149,763**	341,906
Cash and cash equivalents and temporary investments (restricted)	**(9,535)**	(81,331)
Net Debt	**140,228**	260,575

Net debt after taking into account cash and cash equivalents and restricted temporary investments amounted to $140.2 million as at September 30, 2012 compared to $260.6 million as at December 31, 2011 corresponding to a decrease of $120.4 million, reflecting strong cash generated from operations which is mainly used to reimburse the debt.

Funds from Operations

(in thousands of United States dollars)	**Q3 2012**	Four-month period ended September 30, 2011	**YTD 2012**	Ten-month period ended September 30, 2011
	$	$	**$**	$
Funds from operations	**10,321**	17,119	**21,149**	33,423
Acquisition of property, plant and equipment and intangible assets	**(5,007)**	(6,463)	**(11,692)**	(21,118)
Working capital changes	**29,700**	(31,344)	**73,734**	(107,476)
Issuance of common shares	**-**	211	**38,641**	131,131
Net cash paid for business acquisitions	**-**	-	**-**	(121,517)
Debt acquired in business acquisitions	**-**	-	**-**	(241,821)
Temporary investments acquired in a business acquisition	**-**	-	**-**	18,919
Others	**535**	12,071	**(1,485)**	5,403
	25,228	(25,525)	**99,198**	(336,479)
Total movement in net debt	**35,549**	(8,406)	**120,347**	(303,056)
Net debt[1], beginning of period	**(175,777)**	(243,935)	**(260,575)**	50,715
Net debt, end of period	**(140,228)**	(252,341)	**(140,228)**	(252,341)

[1] See Non-IFRS Measures

Funds from operations were $10.3 million for Q3 2012 compared to $17.1 million for the four-month period ended September 30, 2011. For YTD 2012, funds from operations were $21.1 million compared to $33.4 million for the ten-month period ended September 30, 2011.

Net debt to annualized adjusted EBITDA ratio for the nine-month period of 2012 was 3.34. Annualized funds from operations generated in the same period represented 20.1% of our net debt.

	Q3 2012	Four-month period ended September 30, 2011	**YTD 2012**	Ten-month period ended September 30, 2011
Net debt to annualized adjusted EBITDA ratio	**3.89**	2.78	**3.34**	3.74
Annualized funds from operations to net debt (%)	**29.4**	18.7	**20.1**	15.9

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 September 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 November 7, 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 September 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		**Ten-month period ended September 30, 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	275,249	8.60
Cancelled	(236,893)	5.60	(4,396)	4.42
Exercised	(43,531)	3.36	(143,353)	3.17
Outstanding, end of period	1,270,287	5.29	1,588,380	5.28

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 condensed interim consolidated financial statements.

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

	Carrying amount	1 year	2-3 years	4-5 years	Beyond 5 years	Total
	$	$	$	$	$	$
Bank indebtedness and short-term debt	11,235	11,960	-	-	-	11,960
Trade and other payables	43,436	43,436	-	-	-	43,436
Derivative financial instruments	7,494	4,074	3,420	-	-	7,494
Long-term debt	138,528	31,300	113,909	118	-	145,327
Total	**200,694**	**90,770**	**117,329**	**118**	**-**	**208,217**

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 condensed 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 condensed 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 interim consolidated 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 September 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, impairment or reversal of impairment of property plant and equipment, 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 impairment of inventories. 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 charge and reversal of impairment related to inventory, PPE 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.