5N PLUS

First Quarter Report

Three-month period ended August 31, 2010

This Management's Report of the operating results and the financial position is intended to assist readers in understanding 5N Plus Inc. ("the Company"), its business environment and future prospects. This Management's Report should be read while referring to the unaudited consolidated financial statements and the accompanying notes for the three-month period ended August 31, 2010 and with the most recent audited consolidated financial statements and accompanying notes for the fiscal year ended May 31, 2010. Information contained herein includes any significant developments as at October 5, 2010, the date on which the Management's Report was approved by the Company's board of directors. The financial information presented in this Management's Report is based on the Company's accounting policies that are in compliance with Canadian generally accepted accounting principles ("GAAP"). It also includes some figures that are not performance measures consistent with GAAP. Information regarding these non-GAAP financial measures is provided under the heading Non-GAAP Measures of this Management's Report. All amounts are expressed in Canadian dollars, except otherwise indicated. Unless otherwise indicated, the terms "we", "us" and "our" as used herein refer to the Company together with its subsidiaries.

Notice Regarding Forward-Looking Statements

Certain statements in this Management's Report may be forward-looking within the meaning of securities legislation. 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 risk related to the reliance on major customer, credit, interest rate, pricing and currency fluctuation, fair value, source of supply, market acceptance and reliance on thin-film and photovoltaic technologies, environmental regulations, competition, dependence on key personnel, business interruptions, business acquisition, protection of intellectual property and the option granted to First Solar to purchase our German manufacturing facility. As a result, we cannot guarantee that any forward-looking statements will materialize. Forward-looking statements can generally be identified by the use of terms such as "may", "should", "would", "believe", "expect", or any terms of similar nature. Except as required under applicable securities legislation, management does not undertake to update these forward-looking statements as a result of new information, future events or other changes. In evaluating these statements, the reader should consider various factors, including the risks outlined above. In evaluating these statements, the reader should consider various factors, including the risks outlined under the heading Risks and Uncertainties in the 2010 Annual Report. The reader is warned against giving undue reliance on these forward-looking statements.

Corporate Overview and Business

5N Plus Inc. draws its name from the purity of its products, 99.999% (five nines or 5N) and more. We have our head office in Montreal, Québec, and own two material subsidiaries which are 5N PV GmbH ("5N PV") located in Eisenhüttenstadt, Germany and Firebird Technologies Inc. ("Firebird") located in Trail, Canada. 5N Plus is a fully integrated producer and closed-loop recycler of highly purified metals and compounds. We use a range of proprietary and proven technologies to produce metals such as tellurium, cadmium, germanium, indium, antimony, selenium and related compounds such as cadmium telluride ("CdTe"), cadmium sulphide ("CdS") and indium antimonide ("InSb"). Our products are critical precursors that customers use in a number of electronic applications, including the rapidly-expanding solar (thin-film photovoltaic) market, for which we are a major supplier of CdTe, as well as the radiation detector and infrared markets.

Selected Quarterly Financial Information

in thousands of dollars except per share amounts
(unaudited)

	FY2011	FY2010				FY2009		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Sales	**18,770**	19,730	19,227	15,753	16,053	18,057	19,150	18,136
Gross profit[1]	**8,352**	8,671	8,204	7,359	7,618	8,497	9,840	9,230
EBITDA[1]	**6,260**	6,742	6,783	5,535	5,050	8,576	8,012	8,799
Net earnings from continuing operations	**4,033**	4,363	4,362	3,403	3,015	5,708	5,190	5,876
Net loss from discontinued operations	**-**	23	287	186	-	-	-	-
Net earnings	**4,033**	4,339	4,076	3,217	3,015	5,708	5,190	5,876
Basic earnings per share from continuing operations	**$ 0.09**	$ 0.10	$ 0.10	$ 0.07	$ 0.07	$ 0.13	$ 0.11	$ 0.13
Diluted earnings per share from continuing operations	**$ 0.09**	$ 0.09	$ 0.09	$ 0.07	$ 0.07	$ 0.12	$ 0.11	$0.13
Basic earnings per share	**$ 0.09**	$ 0.09	$ 0.09	$ 0.07	$ 0.07	$ 0.13	$ 0.11	$ 0.13
Diluted earnings per share	**$ 0.09**	$ 0.09	$ 0.09	$ 0.07	$ 0.07	$ 0.12	$ 0.11	$ 0.13
Backlog[1]	**57,424**	52,651	53,791	53,268	56,964	52,224	52,024	54,722

[1] See Non-GAAP Measures

Highlights of the First Quarter of Fiscal Year 2011

- Sales for the first quarter ended August 31, 2010 increased by 16.9% to $18,770,228 compared to $16,053,220 for the first quarter of the previous fiscal year.

- Net earnings for the first quarter ended August 31, 2010 were $4,033,224 ($0.09 per share) representing a 33.8% increase over net earnings of $3,014,608 ($0.07 per share) for the same period last year.

- EBITDA were $6,260,433 or 33.4% of sales compared to $5,049,538 or 31.5% of sales for the first quarter of the previous fiscal year.

- Shareholders' equity increased during the quarter to $130,197,617 up from $125,678,537 as at May 31, 2010 with cash and cash equivalents of $64,000,238 as at August 31, 2010 compared to $67,992,321 as at May 31, 2010.

- As at August 31, 2010, the backlog of orders expected to translate into sales over the following twelve months stood at $57,423,649 compared to $56,964,321 one year earlier. Changes in currency exchange rates had an adverse impact of approximately $4 million on the backlog.

- On June 21, 2010, the Company acquired, for an amount of US$3 million (approximately $3,072,000), a convertible note of Sylarus Technologies, LLC ("Sylarus") a producer of germanium substrates for solar cells located in Saint George, Utah.

- On August 20, 2010, 5N Plus announced the signature of a supply agreement for CdTe used in solar modules with Abound Solar.

- The Company is now also part of the S&P/TSX Small Cap Index as of September 17, 2010 and the S&P/TSX Clean Technology Index as of September 20, 2010.

We (TSX:VNP) report the results of our first fiscal quarter ended August 31, 2010 which are in line with those of the previous quarters in terms of sales and profitability. Demand for our solar grade products remained strong throughout the quarter although growth in overall sales revenues was driven primarily by our non-solar grade products, including those of our Firebird subsidiary. A further increase in the coming quarters for such non-solar products is expected, as our new Firebird facility is gradually brought up to speed.

Further strengthening in the demand for our solar products is also expected following recent capacity expansion announcements made by our main customer, as well as by the supply agreements we recently entered into with other CdTe solar module manufacturers, including Abound Solar. We are also extending the range of services offered to our solar customers to include full module recycling services, which will be soon be carried out in our new facility in Madison, Wisconsin, in an effort to address all key customer requirements.

Consistent with our growth strategy, we also elected during the quarter to provide financing to Sylarus, one of the very few germanium substrate suppliers for high-efficiency solar cells in both space and terrestrial applications. This is an area of the solar market that we were not addressing through our existing product offering. As a result, we expect to further strengthen our germanium related activities and leverage Firebird's line of products.

Jacques L'Ecuyer
President and Chief Executive Officer

Results of Operations

Introduction

Our sales are generated through the development and production of high-purity metals and compounds which are used in various electronic applications, including solar cells, radiation detectors, infrared optics and systems, thermoelectric and optical storage. We also provide recycling services to our customers where residues from their manufacturing operations are refined and converted back into a usable product. We have one reportable segment, namely refining and recycling of metals.

Our customer base includes manufacturers of thin-film solar cells, original equipment manufacturers (OEM), and Tier 1 and 2 suppliers which provide consumables, components or sub-assemblies. Our customers are located primarily in the United States, Europe, Israel and Asia. One customer accounted for 66% of our sales during the quarter ended August 31, 2010.

Sales, Gross Profit, Net Earnings and Earnings per Share

First quarter ended August 31	**2010**	2009	Increase
	$	$	
Sales	**18,770,228**	16,053,220	16.9%
Gross profit	**8,352,268**	7,618,354	9.6%
Gross profit ratio[1]	**44.5%**	47.5%	
Net earnings	**4,033,224**	3,014,608	33.8%
Earnings per share (basic)	**$ 0.09**	$ 0.07	

For the first quarter ended August 31, 2010, sales amounted to $18,770,228 compared to $16,053,220 for the same period last year. The 16.9% increase is mainly due to strong demand of products aimed at non-solar applications and the positive contribution of Firebird. Sales in the solar market represented 70.4% of total sales for the first quarter ended August 31, 2010 compared to 89.8% for the corresponding period of the previous fiscal year. The appreciation of the Canadian dollar in relation to the U.S. dollar and the Euro had an adverse impact on the Company's sales of approximately $2 million for the quarter ended August 31, 2010.

Gross profit increased to $8,352,268 in the first quarter from $7,618,354 for the same period last year with gross profit ratios of 44.5% and 47.5% respectively. The decrease observed in gross profit ratio is mainly due to the negative impact on the Company's sales of the strengthening of the Canadian dollar in relation to the U.S. dollar and Euro.

Net earnings for the first quarter ended August 31, 2010 were $4,033,224 ($0.09 per share) representing a 33.8% increase over net earnings of $3,014,608 ($0.07 per share) for the same period last year. This increase was driven by the same factors described above along with higher foreign exchange rate gains partially offset by higher R&D expenses.

Earnings per share (basic) for the current quarter are calculated based on a weighted average number of common shares outstanding of 45,630,102 for the first quarter and of 45,520,225 for the first quarter ended August 31, 2009.

[1] See Non-GAAP Measures

Selling, General and Administrative and Research and Development Expenses

First quarter ended August 31	**2010**	2009
Selling and administrative expenses	**$ 1,919,897**	$ 2,293,870
Percentage of sales for the period	**10.2%**	14.3%
Research and Development expenses (net of tax credits)	**$ 767,595**	$ 375,872
Percentage of sales for the period	**4.1%**	2.3%

Selling, general and administrative expenses ("SG&A") were $1,919,897 for the first quarter compared to $2,293,870 for the corresponding period of the previous fiscal year. As a percentage of sales, SG&A decreased from 14.3% to 10.2%. Excluding a $1,165,000 acquisition-related charge for uncompleted acquisition projects and for the partnership with Amerigon Incorporated, SG&A were $1,128,870 or 7% of sales in the first quarter of previous fiscal year.

This increase mainly reflects additions to our management team and higher stock-based compensation expense in the first quarter of fiscal year 2011. The inclusion of Firebird's and our new Wisconsin facility's SG&A in the results are also responsible for the increase and were not in the comparable quarter ended August 31, 2009.

R&D expenses, net of tax credits were $767,595 in the first quarter compared to $375,872 in the same period last year, representing 4.1% and 2.3% of sales respectively. This level of R&D is consistent with our continued effort to proactively support the recycling activities and to develop new products.

Reconciliation of EBITDA

First quarter ended August 31	**2010**	2009	Increase
	$	$	
Net earnings	**4,033,224**	3,014,608	33.8%
Add (deduct):			
Financial expenses & Interest income	**(41,538)**	(100,436)	
Depreciation and amortization	**684,204**	662,134	
Income taxes	**1,584,543**	1,473,232	
EBITDA	**6,260,433**	5,049,538	24.0%

The 24.0% increase in EBITDA for the first quarter of fiscal year 2011 is mainly due to higher net earnings, reaching $4,033,224 compared to $3,014,608 for the corresponding period of previous fiscal year.

Financial Expenses, Interest Income, Depreciation, Amortization and Income Taxes

The combined financial expenses and interest income netted a gain of $41,538 for the first quarter compared to $100,436 for the corresponding period of previous fiscal year. This decrease is mainly due to the implicit interest expense on Firebird's long-term debt.

Depreciation and amortization expenses for the quarter ended August 31, 2010 were $684,204 compared to $662,134 for same period last year. The increase is mainly due to the amortization of the intellectual property related to Firebird, which was not in the comparable quarter of the previous fiscal year.

Income taxes were $1,584,543 for the first quarter ended August 31, 2010, compared to $1,473,232 for the same period last year. These figures correspond to effective tax rates of 28.2% and 32.8% respectively. The decrease in the effective tax rate is primarily due lower federal income tax rate in the current quarter. The impact of acquisition-related charges which were considered partially deductible for income tax purposes in the quarter ended August 31, 2009 is also responsible for the decrease.

Liquidity and Capital Resources

	As at August 31, 2010	As at May 31, 2010
	$	$
Working capital[1]	**96,269,224**	97,817,431
Current ratio[1]	**15.0**	18.0
Property, plant and equipment and intangible assets	**31,155,691**	28,208,215
Total assets	**143,994,005**	138,521,308
Total debt[1]	**4,728,344**	4,820,623
Shareholders' equity	**130,197,617**	125,678,537

Working Capital and Current Ratio

As at August 31, 2010, working capital was $96,269,224 compared to $97,817,431 as at May 31, 2010. The decrease in the current ratio mainly reflects an increase in accounts payable and accrued liabilities and the investment of Sylarus announced on June 21, 2010. Please refer to note 8 of the Company's unaudited consolidated financial statements for the three months ended August 31, 2010 for disclosure regarding the Sylarus' investment. Inventories increased by $2,686,073 to $30,391,225 as at August 31, 2010 from $27,705,149 as at May 31, 2010, due to purchase of germanium.

Property, Plant and Equipment and intangible assets

We incurred $3,128,310 of capital expenditures during the quarter ended August 31, 2010 compared to $1,284,442 during the same period last year. The construction of Firebird's new plant consumed $2,205,796. This facility will represent an investment of over $10 million and should be completed by the end of the second quarter or beginning of the third quarter of fiscal 2011. Capital expenditures related to our new recycling facility in Wisconsin were $312,067.

Total Debt and Deferred Revenue

Total debt decrease from $4,820,623 as at May 31, 2010 to $4,728,344 as at August 31, 2010 reflecting the scheduled reimbursement of long-term debt.

During the first quarter ended August 31, 2010, an amount of $43,334 associated with a €540,000 subsidy provided to our German subsidiary 5N PV to promote employment in the city of Eisenhüttenstadt was accounted for as a reduction of salaries expense.

Shareholders' Equity

Shareholders' equity was $130,197,617 or 90.4% of total asset as at August 31, 2010 compared to $125,678,537, or 90.7% of total assets as at May 31, 2010, illustrating the positive impact of net earnings of the current fiscal quarter. Foreign exchange gains or losses arising from the translation of foreign subsidiaries' accounts into Canadian dollars are deferred and reported as accumulated other comprehensive income in the Consolidated Statements of Comprehensive Income, as well as a portion of the foreign exchange gain and loss related to certain foreign exchange forward contracts designated as cash flow hedges and the gain and loss on US cash designated for future purchase of raw materials.

[1] See Non-GAAP Measures

Cash Flows

First quarter ended August 31	**2010**	2009
	$	$
Operating activities	**650,342**	(379,696)
Investing activities	**(5,922,680)**	(1,171,725)
Financing activities	**1,205,474**	1,560,088
Effect of foreign exchange rate changes on cash and cash equivalents	**74,771**	52,168
Net (decrease) increase in cash and cash equivalents	**(3,992,093)**	60,835

Cash flow provided by operating activities was $650,342 in the first quarter ended August 31, 2010 compared to cash used of $379,696 for the same period last year. This increase is mainly due to higher net earnings and the impact of non-cash items both of which were partially offset by changes in working capital mainly associated with an increase in inventory levels in the first quarter ended August 31, 2010 when compared to the corresponding period of the previous fiscal year.

Cash flow from investing activities consumed $5,922,680 for the first quarter compared to $1,171,725 for the same period last year. The construction of Firebird's new plant in Trail consumed $2,205,796 and the acquisition of a convertible note of Sylarus Technologies consumed US$3 million.

Reconciliation of capital expenditures and cash flows from investing activities

First quarter ended August 31	**2010**	2009
	$	$
Acquisition of property, plant and equipment, intangible assets and other assets	**3,128,310**	1,284,442
Acquisition of convertible debenture	**3,111,969**	-
Acquisition of property, plant and equipment, intangible assets and other assets not paid and included in accounts payable and accrued liabilities:		
Beginning of the period	**199,892**	192,453
End of the period	**(517,491)**	(350,170)
Cash flows from investing activities	**5,922,680**	1,171,725

Cash provided by financing activities was $1,205,474 during the first quarter ended August 31, 2010 compared to cash provided of $1,560,088 for the same period last year due to proceeds from the disposal of a foreign exchange forward contract.

Our cash position decreased by $3,992,093 in the first quarter reaching a level of $64,000,238 compared to an increase of $60,835 for the same period last fiscal year. The Company has a $30 million available under credit facilities and a foreign exchange credit line guaranteed by collateral on cash and cash equivalents of $2 million. We are very confident that this amount of cash, combined with the credit facilities and cash flow from our operations will be sufficient to fund our working capital and capital expenditure requirements, and enable us to pursue our growth plan including acquisition opportunities.

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.

On October 5, 2010 a total of 45,658,125 common shares were issued and outstanding, and no preferred shares were issued or outstanding.

Stock Option Plan

In October 2007, the Company adopted a Stock Option Plan ("the Plan") for directors, officers and employees. The aggregate number of shares which may be issued upon the exercise of options granted under the Plan may not exceed 10% of the issued shares of the Company at the time of granting the options. Options granted under the Plan may be exercised during a period not exceeding ten years from the date of the grant. The outstanding stock options as at August 31, 2010 may be exercised during a period not exceeding six years from their date of grant. Options vest at a rate of 25% (100% for directors) per year, beginning one year following the grant date of the options.

The following table presents information concerning all outstanding stock options granted by the Company:

As at August 31	**2010**		2009	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
		$		$
Beginning of period	**1,596,615**	**4.24**	1,439,555	3.78
Granted	**244,308**	**4.89**	37,500	6.53
Cancelled	**(11,820)**	**3.93**	-	-
Exercised	**(5,950)**	**3.00**	-	-
End of period	**1,823,153**	**4.34**	1,477,055	3.85

Under the plan, a total of 2,740,187 stock options remained authorized for issuance as at August 31, 2010.

Restricted stock unit incentive plan

On June 7, 2010, the Company adopted a Restricted Share Unit ("RSU") Plan to complement the Plan. The RSU Plan enables the Company to award eligible participants phantom share units that vest after a three-year period. RSU is settled in cash and is recorded as liabilities. The measurement of the compensation expense and corresponding liability for these awards is based on the fair value of the award, and is recorded as a charge to SG&A expense over the vesting period of the award. At the end of each financial period, changes in the Company's payment obligation due to changes in the market value of the common Shares on the TSX are recorded as a charge to SG&A expense.

During the three-month period ended August 31, 2010, the Company granted 29,129 RSU and recorded a provision of $12,598.

Restricted stock unit incentive plan for foreign employees

On June 7, 2010, the Company adopted a Restricted Share Unit for Foreign Employees ("RSUFE") Plan. RSUFE granted under the RSUFE Plan may be exercised during a period not exceeding ten years from the date of the grant. The RSUFE outstanding as at August 31, 2010 may be exercised during a period not exceeding six years from their date of grant. RSUFE vest at a rate of 25% per year, beginning one year following the grant date of the options.

During the three-month period ended August 31, 2010, the Company granted 8,549 RSUFE and recorded a provision of 289$.

Order Backlog

The backlog of orders which are expected to translate into sales within the next 12 months was of $57,423,649 as at August 31, 2010 which is higher than the corresponding backlog of $56,964,321 as at August 31, 2009. Changes in currency exchange rates had an adverse impact of approximately $4 million on the backlog.

Accounting Policies

The Company's unaudited interim consolidated financial statements have been prepare in accordance with Canadian GAAP and use the same accounting policies and methods used in the preparation of the Company's 2010 annual audited consolidated financial statements. The key assumptions and basis for estimates that management has made under GAAP, and their impact on the amounts reported in the interim consolidated financial statements and notes, remain substantially unchanged from those described in the Company's 2010 annual audited consolidated financial statements.

Future changes in accounting policies

Adoption of International Financial Reporting Standards (IFRS)

On February 13, 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that publicly accountable entities will be required to prepare financial statements in accordance with IFRS, in full and without modification, for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. For the Company, this represents that its financial statements will be prepared in accordance with IFRS standards starting June 1, 2011.

There has been no significant change to our IFRS changeover plan and our project is progressing according to plan. There has been no significant modification in key differences in accounting treatment and potential key impacts as assessed in our annual Report 2010. We will provide updates as further progress is achieved and conclusions are reached.

Risks and Uncertainties

Risks and uncertainties and risk management practices are described in the Company's 2010 Management's Report. Risks and uncertainties and risk management have not materially changed for the first quarter of fiscal year 2011 except for the risk associated with the convertible debenture acquired in June 2010 from Sylarus.

Controls and Procedures

Internal Control over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer have 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 Canadian GAAP.

Changes in Internal Control over Financial Reporting

No changes were made to the Company's internal controls over financial reporting that occurred during the first quarter ended August 31, 2010 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

Non-GAAP Measures

In this Management's Report, the Company's management uses certain measures which are not in accordance with GAAP. Non-GAAP measures are useful supplemental information but may not have a standardized meaning according to GAAP. These non-GAAP measures include EBITDA, gross profit and gross profit ratio, working capital and current ratio and total debt.

EBITDA means earnings from continuing operations before financing costs, interest income, income taxes, depreciation and amortization and is presented on a consistent basis from period to period. 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-GAAP measure used by the Company may differ from that used by other companies.

Gross profit is a financial measure equivalent to the sales excluding cost of sales. Gross profit ratio is displayed as a percentage of sales.

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. The current ratio is calculated by dividing current assets by current liabilities.

Total debt is a measure we use to monitor how much debt we have and calculate it by taking our total long-term debt and including the current portion. We use it as an indicator of our overall indebtedness.

Backlog is also a non-GAAP measure that 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.

Related Party Transactions

The Company entered into the following transactions with related party:

First quarter ended August 31	**2010**	2009
	$	$
Sales	**228,687**	-
Cost of sales	**120,405**	-

The balance sheet included the following balances with related party:

	As at August 31, 2010	As at May 31,2010
	$	$
Accounts receivable	**228,687**	-
Accounts payable	**120,405**	-

Comparative Figures

Certain comparative figures have been reclassified to conform to the current period presentation.

Additional Information

Our common shares trade on the Toronto Stock Exchange (TSX) under the ticker symbol VNP. Additional information relating to the Company, including the Company's annual information form is available under the Company's profile on SEDAR at www.sedar.com.

Subsequent event

On September 29, 2010, the Company concluded a €4,000,000 foreign exchange forward contract to hedge its sales made by its German subsidiary 5N PV. This foreign exchange forward contract will be effective from November 1, 2010 until May 31, 2011, at an average exchange rate of 1.39. This contract has been designated as cash flow hedges and the change in its fair value will be recorded in the consolidated statement of comprehensive income until May 2011.