5N PLUS

3

MANAGEMENT REPORT

QUARTER ENDED SEPTEMBER 30, 2017

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", the "Group" or "5N Plus"), its business environment, strategies, performance and risk factors. This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements of Q3 2017 and the audited consolidated financial statements and the accompanying notes for the year ended December 31, 2016. This MD&A has been prepared in accordance with the requirements of the Canadian Securities Administrators.

Information contained herein includes any significant developments to November 7, 2017, 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.

"Q3 2017" and "Q3 2016" refer to the three-month periods ended September 30, 2017 and 2016 respectively, and "YTD 2017" and "YTD 2016" refer to the nine-month periods ended September 30, 2017 and 2016 respectively. All amounts in this MD&A are expressed in U.S. dollars, and all amounts in the tables are in thousands of U.S. dollars, unless otherwise indicated. All quarterly information disclosed in this MD&A is based on unaudited figures.

Non-IFRS Measures

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

Notice Regarding Forward-Looking Statements

Certain statements in this MD&A may be forward-looking within the meaning of applicable securities laws. Forward-looking information and statements are based on the best estimates available to the Company at the time and involve known and unknown risks, uncertainties or other factors that may cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. A description of the risks affecting the Company's business and activities appears under the heading "Risk and Uncertainties" of 5N Plus' 2016 MD&A dated February 21, 2017 and notes 11 and 12 of the unaudited condensed interim consolidated financial statements for the three and nine-month periods ended September 30, 2017 and 2016, available on Sedar at www.sedar.com. Forward-looking statements can generally be identified by the use of terms such as "may", "should", "would", "believe", "expect", the negative of these terms, variations of them or any similar terms. No assurance can be given that any events anticipated by the forward-looking information in this MD&A will transpire or occur, or if any of them do so, what benefits that 5N Plus will derive therefrom. In particular, no assurance can be given as to the future financial performance of 5N Plus. The forward-looking information contained in this MD&A is made as of the date hereof and the Company has no obligation to publicly update such forward-looking information to reflect new information, subsequent or otherwise, unless required by applicable securities laws. The reader is warned against placing undue reliance on these forward-looking statements.

Overview

5N Plus is a leading producer of specialty chemicals and engineered materials. Fully integrated with closed-loop recycling facilities, the Company is headquartered in Montreal, Quebec, Canada and operates manufacturing facilities and sales offices in several locations in Europe, the Americas and Asia. 5N Plus deploys a range of proprietary and proven technologies to manufacture products which are used in a number of advanced pharmaceutical, electronic and industrial applications. Typical products include purified metals such as bismuth, gallium, germanium, indium, selenium and tellurium, inorganic chemicals based on such metals and compound semiconductor wafers. Many of these are critical precursors and key enablers in markets such as solar, light-emitting diodes and eco-friendly materials.

Reporting Segments

The Company has two reportable segments, namely Electronic Materials and Eco-Friendly Materials. Corresponding operations and activities are managed accordingly by the Company's key decision makers. Segmented operating and financial information, labelled key performance indicators, are available and used to manage these business segments, review performance and allocate resources. Financial performance of any given segment is evaluated primarily in terms of revenues and Adjusted EBITDA[1] which is reconciled to consolidated numbers by taking into account corporate income and expenses.

The Electronic Materials segment operates in North America, Europe and Asia. The Electronic Materials segment manufactures and sells refined metals, compounds and alloys which are primarily used in a number of electronic applications. Typical end-markets include photovoltaics (terrestrial and spatial solar energy), light emitting diodes (LED), displays, high-frequency electronics, medical imaging and thermoelectrics. Main products are associated with the following metals: cadmium, gallium, germanium, indium and tellurium. These are sold either in elemental or alloyed form as well as in the form of chemicals, compounds and wafers. Revenues and earnings associated with recycling services and activities provided to customers of the Electronic Materials segment are also included in the Electronic Materials segment and management of such activities is the responsibility of the Electronic Materials executive team.

The Eco-Friendly Materials segment is so labelled because it is mainly associated with bismuth, one of the very few heavy metals which has no detrimental effect on either human health or in the environment. As a result, bismuth is being increasingly used in a number of applications as a replacement for more harmful metals and chemicals. The Eco-Friendly Materials segment operates in North America, Europe and Asia. The Eco-Friendly Materials segment manufactures and sells refined bismuth and bismuth chemicals, low melting point alloys as well as refined selenium and selenium chemicals. These are used in the pharmaceutical and animal-feed industry as well as in a number of industrial applications including coatings, pigments, metallurgical alloys and electronics. Management of such activities is the responsibility of the Eco-Friendly Materials executive team.

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

Vision and Strategy

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

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

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

[1] See Non-IFRS Measures

Highlights of Q3 2017 – 5N21 continues to deliver results, with year-on-year operating earnings rising significantly, further net debt reduction, completion of the 2016 footprint optimization initiatives, and competitive Return On Capital Employed (ROCE).

This quarter's results reflect the usual cyclical slowdown in production and shipments mainly attributed to Europe, with quarterly and year-to-date results demonstrating the impact of measures taken to increase efficiency and improve competitiveness in the recent quarters through various initiatives including footprint optimization, selective investment in the growth of the value-added product lines and leveraging R&D investments to secure future business in technologically demanding sectors.

- Adjusted EBITDA[1] and EBITDA[1] for the third quarter of 2017 reached $6.2 million and $6.4 million compared to $6.8 million and $2.1 million during the same quarter of 2016. The Adjusted EBITDA and EBITDA reflect further improvement in gross margin[1] expressed as a percentage in line with the Company's selectivity approach, albeit impacted by usual cyclical slowdown, especially in Europe.
- Net earnings for the third quarter of 2017 reached $2.2 million or $0.03 per share compared to a net loss of $4.2 million for the same period last year. YTD 2017 net earnings per share reached $0.12 compared to a loss of $0.07 per share for the same period of 2016.
- Revenue for Q3 2017 reached $50.3 million compared to $55.5 million with gross margin for the quarter reaching 26.5% in Q3 2017 compared to 26.2% in Q3 2016, and year-to-date gross margin reaching 26.0% compared to 22.5% for the same period last year. While the total year-to-date revenue decreased by 5%, total gross margin increased by 9% as compared to the same period last year. This reflects a change in the quality of revenue with the value-added component of revenue growing and the pass-through component declining. This is consistent with 5N21 approach and is expected to reduce earnings volatility.
- While the price of the basket of metals utilized as consumable in the Company's products continues to remain at low levels; ROCE[1] improved to 12.9% during the first nine months of 2017, consistent with the Company's plan to deliver competitive returns independent of metal notations.
- Net debt[1] stood at $9.9 million as at September 30, 2017 lower by $9.0 million when compared to December 31, 2016, with liquidity maintained at a very high level and investments in line with the 5N21 strategic plan.
- As at September 30, 2017, the backlog[1] reached a level of 178 days of annualized revenue, higher than the previous quarter. Bookings[1] in Q3 2017 reached 118 days compared to 87 days in Q2 2017 and 77 days in Q3 2016.
- On October 11, 2017, 5N Plus announced that its Electronic Materials segment had been awarded a multi-year program by the U.S. Government to supply engineered semiconductor materials essential for space and aeronautical missions. The award was granted following a comprehensive multi-party competitive process with emphasis on total value creation based on products and services rendered. The program is expected to commence in the second half of 2018.
- On November 6, 2017, 5N Plus announced that the footprint optimization initiatives announced a year ago, when unveiling its Strategic Plan 5N21, had been completed. As a part of this initiative, all key product lines formerly produced at its Wellingborough, U.K, plant have been successfully relocated to other plants within the Group, namely plants in Canada, Germany and China.
- The Company reaffirmed its guidance in line with Q2 2017 webcast and mid range of 5N21 target for Adjusted EBITDA in 2017.

5N Plus continues to focus on enhancing current revenue units by growing the value-added component of sales while reducing exposure to metal position associated with its business. Consequently, the Company has reduced earnings volatility and has continued to improve ROCE across its various businesses.

[1] See Non-IFRS Measures

Summary of Results

	Q3 2017	Q3 2016	YTD 2017	YTD 2016
	$	$	**$**	$
Revenue	**50,325**	55,491	**167,424**	176,794
Adjusted operating expenses[1] *	**(44,170)**	(48,675)	**(148,358)**	(161,014)
Adjusted EBITDA[1]	**6,155**	6,816	**19,066**	15,780
Impairment of inventory	**-**	-	**-**	-
Gain on disposal of property, plant and equipment	**-**	-	**390**	-
Litigation and restructuring (costs) income	**-**	(4,915)	**3,368**	(5,945)
Change in fair value of debenture conversion option	**312**	258	**18**	6
Foreign exchange and derivative (loss) gain	**(40)**	(93)	**(399)**	467
EBITDA[1]	**6,427**	2,066	**22,443**	10,308
Interest on long-term debt, imputed interest and other interest expense	**1,496**	1,826	**4,725**	6,390
Depreciation and amortization	**1,775**	3,693	**5,792**	8,619
Earnings (loss) before income taxes	**3,156**	(3,453)	**11,926**	(4,701)
Income tax (recovery) expense				
Current	**2,042**	539	**3,352**	1,585
Deferred	**(1,109)**	240	**(1,217)**	(232)
	933	779	**2,135**	1,353
Net earnings (loss)	**2,223**	(4,232)	**9,791**	(6,054)
Basic earnings (loss) per share	**$0.03**	($0.05)	**$0.12**	($0.07)
Diluted earnings (loss) per share	**$0.03**	($0.05)	**$0.12**	($0.07)

**Excluding litigation and restructuring (income) costs, gain on disposal of property, plant and equipment and depreciation and amortization.*

Revenue by Segment and Gross Margin

	Q3 2017	Q3 2016	Change	YTD 2017	YTD 2016	Change
	$	$		**$**	$	
Electronic Materials	**17,626**	20,431	(14%)	**55,531**	59,705	(7%)
Eco-Friendly Materials	**32,699**	35,060	(7%)	**111,893**	117,089	(4%)
Total revenue	**50,325**	55,491	(9%)	**167,424**	176,794	(5%)
Cost of sales	**(38,670)**	(44,583)	(13%)	**(129,479)**	(145,235)	(11%)
Depreciation on property, plant and equipment (PPE)	**1,705**	3,606	(53%)	**5,545**	8,307	(33%)
Gross margin[1]	**13,360**	14,514	(8%)	**43,490**	39,866	9%
Gross margin percentage[1]	**26.5%**	26.2%		**26.0%**	22.5%	

During Q3 2017 and YTD 2017, revenue decreased by 9% and 5% respectively compared to the same periods of 2016. Although, sales volumes were lower in 2017, gross margin[1] has improved reflecting the moderate price stability in metals supported by our selective approach focused on better margin products. The gross margin reached 26.5% in Q3 2017 compared to 26.2% in Q3 2016, tracking an average gross margin of 26.0% after nine months compared to 22.5% for the same period of 2016.

Operating earnings (Loss), EBITDA and Adjusted EBITDA

	Q3 2017	Q3 2016	Change	YTD 2017	YTD 2016	Change
	$	$		**$**	$	
Electronic Materials	**5,565**	6,313	(12%)	**19,193**	14,713	30%
Eco-Friendly Materials	**3,306**	3,360	(2%)	**11,309**	10,923	4%
Corporate	**(2,716)**	(2,857)	(5%)	**(11,436)**	(9,856)	16%
Adjusted EBITDA[1]	**6,155**	6,816	(10%)	**19,066**	15,780	21%
EBITDA[1]	**6,427**	2,066	211%	**22,443**	10,308	118%
Operating earnings (loss)	**4,380**	(1,792)	344%	**17,032**	1,216	1,301%

[1] See Non-IFRS Measures

In Q3 2017, operating earnings rose by $6.2 million to $4.4 million compared to an operating loss of $1.8 million in Q3 2016, driven mainly by better realized gross margins[1] in 2017 combined with the unfavorable impact from the provision for litigation and restructuring costs and accelerated amortization charge recorded in Q3 2016. In YTD 2017, operating earnings increased by $15.8 million and reached $17.0 million compared to $1.2 million for the corresponding period last year, improved by better realized gross margins, favorable impact from litigation and restructuring income, and a gain on disposal of property recorded in 2017.

In Q3 2017, EBITDA[1] reached $6.4 million compared to $2.1 million in Q3 2016. In Q3 2017, the Company's EBITDA was positively impacted by better realized gross margins, moderate price stability for most metals, and sustainable demand for its products. Q3 2016 was unfavorably impacted by a provision for litigation and restructuring costs.

Adjusted EBITDA for the Electronic Materials segment decreased by $0.7 million to $5.6 million representing an Adjusted EBITDA margin[1] of 32% compared to 31% in Q3 2016. Adjusted EBITDA for the Eco-Friendly Materials segment remained stable compared with the same period last year, representing an Adjusted EBITDA margin of 10%.

For the same reasons mentioned above, EBITDA for YTD 2017 increased by $12.1 million to $22.4 million compared to $10.3 million for the same period last year. For YTD 2017, Adjusted EBITDA of the Electronic Materials segment increased by $4.5 million to $19.2 million representing an Adjusted EBITDA margin of 35% compared to 25% last year. Adjusted EBITDA for the Eco-Friendly Materials segment increased by $0.4 million to $11.3 million, representing an Adjusted EBITDA margin of 10%, slightly higher compared to the same period last year. The Adjusted EBITDA under Corporate for YTD 2017 decreased compared to YTD 2016 due to higher long-term incentive plan provisions recorded following the important increase of the Company's share price during the period.

Net Earnings (Loss) and Adjusted Net Earnings

	Q3 2017	Q3 2016	**YTD 2017**	YTD 2016
	$	$	**$**	$
Net earnings (loss)	**2,223**	(4,232)	**9,791**	(6,054)
Basic earnings (loss) per share	**$0.03**	($0.05)	**$0.12**	($0.07)
Reconciling items:				
Accelerated depreciation of tangible assets	**-**	1,804	**-**	1,804
Litigation and restructuring costs (income)	**-**	4,915	**(3,368)**	5,945
Gain on disposal of property, plant and equipment	**-**	-	**(390)**	-
Change in fair value of debenture conversion option	**(312)**	(258)	**(18)**	(6)
Income taxes on taxable items above	**83**	69	**1,228**	1
Adjusted net earnings [1]	**1,994**	2,298	**7,243**	1,690
Basic adjusted net earnings per share[1]	**$0.02**	$0.03	**$0.09**	$0.02

Net earnings reached $2.2 million in Q3 2017 compared to a net loss of $4.2 million in Q3 2016. In Q3 2017, Adjusted net earnings[1] decreased by $0.3 million and reached $2.0 million compared to $2.3 million in Q3 2016. Excluding the income tax expense, the only item reconciling the Adjusted net earnings in Q3 2017 is the change in fair value of the debenture conversion option following the Company's important share price appreciation compared to Q3 2016.

Net earnings reached $9.8 million in YTD 2017 compared to a net loss of $6.1 million in YTD 2016. In YTD 2017, Adjusted net earnings increased by $5.6 million and reached $7.2 million compared to $1.7 million in YTD 2016. Excluding the income tax expense, the main items reconciling the Adjusted net earnings for YTD 2017 were an income resulting from an amendment to optimize commercial agreements mitigated by cost related to the termination of a non-core activity as well as a gain on disposal on a redundant asset (property).

[1] See Non-IFRS Measures

Bookings and Backlog

	BACKLOG[1]			BOOKINGS[1]		
	Q3 2017	Q2 2017	Q3 2016	**Q3 2017**	Q2 2017	Q3 2016
	$	$	$	**$**	$	$
Electronic Materials	**57,590**	44,577	40,929	**30,639**	18,490	11,570
Eco-Friendly Materials	**40,334**	38,615	49,046	**34,418**	35,333	35,281
Total	**97,924**	83,192	89,975	**65,057**	53,823	46,851

	BACKLOG[1]			BOOKINGS[1]		
*(number of days based on annualized revenues) **	**Q3 2017**	Q2 2017	Q3 2016	**Q3 2017**	Q2 2017	Q3 2016
Electronic Materials	**298**	219	183	**159**	91	52
Eco-Friendly Materials	**113**	94	128	**96**	86	92
Weighted average	**178**	135	148	**118**	87	77

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

Q3 2017 vs Q2 2017

Backlog[1] as at September 30, 2017 reached a level of 178 days of annualized revenue, representing an increase of 43 days compared to the previous quarter.

Backlog as at September 30, 2017 for the Electronic Materials segment represented 298 days of annualized segment revenue , an increase of 79 days, or 36%, over the backlog ended June 30, 2017. The backlog for the Eco-Friendly Materials segment represented 113 days of annualized segment revenue, an increase of 19 days or 20%, over the backlog ended June 30, 2017.

Boookings[1] for the Electronic Materials segment increased by 68 days, from 91 days in Q2 2017 to 159 days in Q3 2017. Bookings for the Eco-Friendly Materials segment increased by 10 days, from 86 days in Q2 2017 to 96 days in Q3 2017.

Q3 2017 vs Q3 2016

Backlog as at September 30, 2017 for the Electronic Materials segment increased by 115 days and decreased by 15 days for the Eco-Friendly Materials segment compared to September 30, 2016.

Bookings increased by 107 days for the Electronic Materials segment and by 4 days for the Eco-Friendly Materials segment compared to the previous year quarter.

Expenses

	Q3 2017	Q3 2016	**YTD 2017**	YTD 2016
	$	$	**$**	$
Depreciation and amortization	**1,775**	3,693	**5,792**	8,619
SG&A	**6,069**	6,640	**19,542**	19,791
Litigation and restructuring costs (income)	**-**	4,915	**(3,368)**	5,945
Financial expenses	**1,224**	1,661	**5,106**	5,917
Income tax (recovery) expense	**933**	779	**2,135**	1,353
Total expenses	**10,001**	17,688	**29,207**	41,625

Depreciation and Amortization

Depreciation and amortization expenses in Q3 2017 and YTD 2017 amounted to $1.8 million and $5.8 million respectively, compared to $3.7 million and $8.6 million for the same periods of 2016. The decrease is primarily attributable to the accelerated depreciation recorded in Q3 2016 following the Company's decision to optimize its footprint.

[1] See Non-IFRS Measures

SG&A

For Q3 2017 and YTD 2017, SG&A expenses were $6.1 million and $19.5 million respectively, compared to $6.6 million and $19.8 million for the same periods of 2016.

Litigation and Restructuring Costs (Income)

In Q3 2017, the Company did not recognize any litigation and restructuring costs, while for YTD 2017, the Company recognized in Q1 2017 an income resulting from contract amendments for securing higher margins in the short term versus higher market share in the downstream business mitigated by costs related to the termination of non-core commercial activities in the upstream business activities.

In Q3 2016, the Company recorded a provision for litigation and restructuring costs of $4.9 million. Following the Company's announcement to consolidate its operations at Wellingborough, U.K. with other sites within the Group, and its operations at DeForest, Wisconsin, U.S.A. and Fairfield,Connecticut, U.S.A. during the first half of 2017 into a newly updated and scaled facility, the Company recorded restructuring and severance costs and other facility closure costs of $3.5 million. The Company also recorded in Q3 2016, litigation costs of $1.0 million following initiatives to renegotiate unfavourable purchasing contracts. In addition for YTD 2016, in Q1 2016, the Company had recorded non-recurring costs of $1.0 million for the closure of an administrative office in Europe as well as for the settlement of unfavorable supply contracts.

Financial Expenses and Revenues

Financial expenses for Q3 2017 amounted to $1.2 million compared to $1.7 million for the same period last year. The decrease in financial expenses of $0.4 million is mainly due to lower imputed interest compared to last year.

Financial expenses for YTD 2017 amounted to $5.1 million compared to $5.9 million for the same period last year. The decrease in financial expenses of $0.8 million is mainly due to lower imputed interest and other interest expenses mitigated by unfavorable foreign exchange and derivatives when compared to last year.

Income Taxes

The Company reported net earnings before income taxes of $3.2 million in Q3 2017 and $11.9 million in YTD 2017. Income tax expense for Q3 2017 was $0.9 million and $2.1 million for YTD 2017 compared to $0.8 million and $1.4 million for the same periods last year. These amounts were unfavorably impacted since the Company does not record the benefit of the tax losses incurred during those periods in certain jurisdictions.

Liquidity and Capital Resources

	Q3 2017	Q3 2016	YTD 2017	YTD 2016
	$	$	$	$
Funds from operations[1]	**4,263**	238	**20,938**	7,230
Net changes in non-cash working capital items	**1,578**	9,160	**(5,715)**	13,026
Operating activities	**5,841**	9,398	**15,223**	20,256
Investing activities	**(1,806)**	(1,368)	**(4,925)**	(4,911)
Financing activities	**466**	(10)	**77**	(947)
Effect of foreign exchange rate changes on cash and cash equivalents	**188**	2	**388**	33
Net increase in cash and cash equivalents	**4,689**	8,022	**10,763**	14,431

Cash provided by operating activities amounted to $5.8 million for Q3 2017 compared to $9.4 million for the corresponding period in 2016. The decrease is mainly due to negative variance from working capital changes mitigated by the increase in EBITDA[1]. For YTD 2017, cash provided by operating activities amounted to $15.2 million compared to $20.3 million for YTD 2016 for the same reasons mentioned above. The negative change of non-cash working capital

[1] See Non-IFRS Measures

resulted from lower accounts payable of $7.8 million and an increase of $1.5 million in inventory but was mitigated by lower trade accounts receivable of $4.5 million.

For Q3 2017, cash used in investing activities totaled $1.8 million compared to $1.4 million for Q3 2016. This increase is mainly explained by higher acquisitions of property, plant and equipment and intangible assets, while on a year-to-date basis, the cash used in investing activities was the same.

Cash provided by financing activities amounted to $0.5 million in Q3 2017, compared to $nil million in Q3 2016. The increase is mainly associated with cash provided this quarter from common share issuances. For YTD 2017, cash provided by financing activities amounted to $0.1 million compared to cash used of $0.9 million for YTD 2016. The increase is associated with a net reduction in the amounts drawn under the revolving facility following and a better management of non-cash working capital combined with common share issuance net of the common share repurchase program started in October 2016, with YTD 2016 positevely impacted by the timing of contributions from a product development partnership program. At the end of Q3 2017 and the previous fiscal year, the Company had no drawdown under its credit facility.

Working Capital

	As at September 30, 2017	As at December 31, 2016
	$	$
Inventories	**81,789**	80,309
Other current assets	**74,056**	63,750
Current liabilities	**(64,660)**	(66,128)
Working capital[1]	**91,185**	77,931
Working capital current ratio[1]	**2.41**	2.18

The increase in working capital[1] compared to December 31, 2016 was mainly atttributable to cash generated from operations combined with lower accounts payable due to payments of short term obligations while the Company continued its efforts to ensure a better alignment between material usage and purchase aimed at reducing inventory.

Net Debt

	As at September 30, 2017	As at December 31, 2016
	$	$
Bank indebtedness	**-**	-
Long-term debt including current portion	**272**	325
Convertible debentures	**48,434**	43,157
Cross-currency swap	**(3,697)**	(189)
Total Debt	**45,009**	43,293
Cash and cash equivalents	**(35,064)**	(24,301)
Net Debt[1]	**9,945**	18,992

Total debt, including the cross-currency swap, increased by $1.7 million to $45.0 million as at September 30, 2017, compared to $43.3 million as at December 31, 2016.

Net debt[1], after considering cash and cash equivalents, decreased by $9.0 million, from $19.0 million as at December 31, 2016 to $9.9 million as at September 30, 2017.

[1] See Non-IFRS Measures

Funds from Operations

	Q3 2017	Q3 2016	YTD 2017	YTD 2016
	$	$	**$**	$
Funds from operations[1]	**4,263**	238	**20,938**	7,230
Net acquisition of PPE and intangible assets	**(1,806)**	(1,368)	**(6,070)**	(4,811)
Working capital changes	**1,578**	9,160	**(5,715)**	13,026
Proceeds on disposal of property, plant and equipment	**-**	-	**1,145**	-
Common shares repurchased	**-**	-	**(654)**	-
Issuance of common shares	**466**	-	**805**	-
Others	**(352)**	(691)	**(1,402)**	(710)
	(114)	7,101	**(11,891)**	7,505
Total movement in net debt[1]	**4,149**	7,339	**9,047**	14,735
Net debt[1], beginning of period	**(14,094)**	(27,466)	**(18,992)**	(34,862)
Net debt[1], end of period	**(9,945)**	(20,127)	**(9,945)**	(20,127)

Funds from operations[1] increased by $4.0 million to $4.3 million in Q3 2017 compared to $0.2 million in Q3 2016. The fluctuation was further decreased by the negative variance from working capital changes combined with higher acquisitions of PPE and intangible assets compared to the same period last year. For YTD 2017, funds from operations increased by $13.7 million to $20.9 million compared to $7.2 million for YTD 2016. The increase in YTD 2017 was reduced by the negative variance from working capital changes and by higher acquisitions of PPE and intangible assets.

Share Information

	As at November 7, 2017	As at September 30, 2017
Issued and outstanding shares	**83,901,041**	83,901,041
Stock options potentially issuable	**789,747**	789,747
Convertible debentures potentially issuable	**9,777,777**	9,777,777

On February 21, 2017, the Toronto Stock Exchange approved an amendment to the Company's normal course issuer bid implemented on October 11, 2016. Under this normal course issuer bid amendment, the Company had the right to purchase for cancellation, from October 11, 2016 to October 10, 2017, a maximum of 2,100,000 (previously 600,000) common shares. The Company's normal course issuer bid program expired on October 10, 2017 has not been renewed. For the nine-month period ended September 30, 2017, the Company repurchased and cancelled 475,016 common shares at an average price of $1.38 for a total amount of $0.7 million that has been applied against the equity.

Off-Balance Sheet Arrangements

The Company has certain off-balance sheet arrangements, consisting of leasing certain premises and equipment under the terms of operating leases and contractual obligations in the normal course of business.

The Company is exposed to currency risk on sales in Euro and other currencies and therefore periodically enters into foreign currency forward contracts to protect itself against currency fluctuation. The reader will find more details related to these contracts in Notes 16 and 24 of the audited consolidated financial statements for the year ended December 31, 2016.

Commitments

As at September 30, 2017, in the normal course of business, the Company contracted letters of credit for an amount of up to $0.3 million ($0.7 million as at December 31, 2016).

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.

[1] See Non-IFRS Measures

Governance

As required by Multilateral Instrument 52-109 of the Canadian Securities Administrators («MI 52-109 »), 5N Plus has filed certificates signed by the Chief Executive Officer and the Chief Financial Officer that, among other things, attest to the design of the disclosure controls and procedures and the design and effectiveness of internal controls over financial reporting.

Disclosure Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer have designed disclosure controls and procedures, or have caused them to be designed under their supervision, in order to provide reasonable assurance that:

- material information relating to the Company has been made known to them; and
- information required to be disclosed in the Company's filings is recorded, processed, summarized and reported within the time periods specified in securities legislation.

An evaluation was carried out, under the supervision of the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the disclosure controls and procedures are effective.

Internal Control over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer have also designed internal controls over financial reporting (ICFR), or have caused them to be designed under their supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

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

Changes in Internal Control over Financial Reporting

No changes were made to our ICFR during the nine-month period ended September 30, 2017 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 2016 in accordance with IFRS. The Company's significant accounting policies are described in Note 2 of the audited consolidated financial statements for the year ended December 31, 2016. The key assumptions and basis for estimates that management has made under IFRS, and their impact on the amounts reported in the unaudited condensed interim consolidated financial statements and notes of Q3 2017, remain substantially unchanged from those described in the Company's audited consolidated financial statements for the fiscal year ended December 31, 2016.

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", this new IFRS standard is applicable by the Company no later than January 1, 2018. IFRS 15 will supersede current revenue recognition guidance including IAS 18 "Revenue" and IAS 11 "Construction Contracts". It applies to new contracts at the effective date and to existing contracts that are not yet completed at the effective date, January 1, 2018.

IFRS 15 is currently under review by the Company assessing its impact on the consolidated financial statements of fiscal year 2017, the assessment extending through fiscal year 2018. 5N Plus will adopt the "modified approach", whereby the cumulative effect will be recorded as an adjustment to the opening balance sheet or retained earnings on the effective date, rather than a retroactive restatement of prior periods. At this point in time, based on the initial analysis of certain contracts and transactions, the Company does not anticipate any material deviations to IFRS 15, when recording revenue.

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 recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The standard will be mandatory for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

Financial Instruments and Risk Management

Fair Value of financial instruments

A detailed description of the methods and assumptions used to measure the fair value of the Company financial instruments and their fair value are discussed in Note 16 – Fair Value of Financial Instruments in the 2016 consolidated financial statements of the Company.

Financial Risk Management

For a detailed description of the nature and extent of risks arising from financial instruments, and their related risk management, refer to Note 12 of the unaudited condensed interim consolidated financial statements for the three and nine-month periods ended September 30, 2017 and 2016. The Company is not aware of any significant changes to its risks factors from those disclosed at that time.

Risk and Uncertainties

For a detailed description of risk factors associated with 5N Plus and its business, refer to "Risk and Uncertainties" of 5N Plus' 2016 MD&A dated February 21, 2017. Factors of uncertainty and risks that might result in such differences include the risks associated with our growth strategy, international operations, international trade regulations, environmental regulations, competition, commodity price, source of supply, protection of intellectual property, inventory price, business interruptions, dependence on key personnel, collective agreements, and those associated with public issuer status. The company is not aware of any significant changes to its risks factors disclosed at that time.

Non-IFRS Measures

In this Management's Report, the Company's management uses certain measures which are not in accordance with IFRS. Non-IFRS measures are useful supplemental information but may not have a standardized meaning according to IFRS.

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

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

Adjusted net earnings (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.

Gross margin is a measure we use to monitor the sales contribution after paying cost of sales excluding depreciation of property, plant and equipment. We also expressed this measure in percentage of revenues by dividing the gross margin value by the total revenue.

Net debt or net cash is a measure we use to monitor how much debt we have after taking into account cash and cash equivalents. We use it as an indicator of our overall financial position, and calculate it by taking our total debt, including the current portion and the cross-currency swap related to the convertible debenture, and subtracting cash and cash equivalents.

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

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

Working capital ratio is calculated by dividing current assets by current liabilities.

Additional Information

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

Selected Quarterly Financial Information

As at and for the three months ended:

(in thousands of United States dollars except per share amounts)	Sept. 30, 2017	June 30, 2017	Mar. 31, 2017	Dec. 31, 2016	Sept. 30, 2016	June 30, 2016	Mar. 31, 2016	Dec. 31, 2015
	$	$	$	$	$	$	$	$
Revenue	50,325	56,229	60,870	54,704	55,491	57,435	63,868	59,367
EBITDA[1]	6,427	6,341	9,675	4,803	2,066	5,358	2,884	(26,000)
Adjusted EBITDA[1]	6,155	6,839	6,072	4,331	6,816	4,714	4,250	674
Net earnings (loss) attributable to equity holders of 5N Plus	2,224	3,416	4,154	158	(4,232)	86	(1,907)	(42,615)
Basic earnings (loss) per share attributable to equity holders of 5N Plus	$0.03	$0.04	$0.05	$-	($0.05)	$-	($0.02)	($0.51)
Net earnings (loss)	2,223	3,415	4,153	158	(4,232)	87	(1,909)	(42,615)
Basic earnings (loss) per share	$0.03	$0.04	$0.05	$-	($0.05)	$-	($0.02)	($0.51)
Diluted earnings (loss) per share	$0.03	$0.04	$0.05	$-	($0.05)	$-	($0.02)	($0.51)
Adjusted net earnings (loss)[1]	1,994	3,647	1,602	148	2,298	45	(653)	(12,966)
Basic adjusted net earnings (loss) per share[1]	$0.02	$0.04	$0.02	$-	$0.03	$-	($0.01)	($0.15)
Funds from (used in) operations[1]	4,263	7,945	8,730	5,256	238	4,521	2,471	(5,734)
Backlog[1]	178 days	135 days	128 days	136 days	148 days	157 days	145 days	158 days

[1] See Non-IFRS Measures

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