



Management's
Discussion Analysis

Three and nine-month periods
ended September 30, 2013



Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations is intended to assist readers in understanding 5N Plus Inc. (the "Company" or "5N Plus"), its business environment, strategies, performance and risk factors. This MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements for Q3 2013 and the audited consolidated financial statements and the accompanying notes for the year ended December 31, 2012. The Company's unaudited interim condensed consolidated financial statements for the three and nine-month periods ended September, 2013 and 2012, have been prepared in compliance with the International Financial Reporting Standards ("IFRS") as defined in the Handbook of the Canadian Institute of Chartered Accountants and adopted by the International Accounting Standards Board ("IASB").

The "Q3 2013" and the "Q3 2012" refer to the three-month periods ended September, 2013 and 2012. The "YTD 2013" and the "YTD 2012" refer to the nine-month periods ended September 30, 2013 and 2012. 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.

Information contained herein includes any significant developments to November 11, 2013, 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.

Non-IFRS Measures

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

Notice Regarding Forward-Looking Statements

Certain statements in this MD&A may be forward-looking within the meaning of applicable securities laws. Forward-looking information and statements are based on the best estimates available to the Company at the time and involve known and unknown risks, uncertainties or other factors that may cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Factors of uncertainty and risk that might result in such differences include the risks related to the possible failure to realize anticipated benefits of acquisitions, additional indebtedness, credit, interest rate, inventory pricing, commodity pricing, legal proceedings, currency fluctuation, fair value, source of supply, environmental regulations, competition, dependence on key personnel, business interruptions, protection of intellectual property, international operations, collective agreements and being a public issuer. A description of the risks affecting the Company's business and activities appears under the heading "Risk and Uncertainties" of 5N Plus' 2012 MD&A dated March 28, 2013 and Note 14 of the unaudited interim condensed consolidated financial statements for three and nine-month periods ended September 30, 2013 and 2012. Forward-looking statements can generally be identified by the use of terms such as "may", "should", "would", "believe", "expect", the negative of these terms, variations of them or any similar terms. No assurance can be given that any events anticipated by the forward-looking information in this MD&A will transpire or occur, or if any of them do so, what benefits that 5N Plus will derive therefrom. In particular, no assurance can be given as to the future financial performance of 5N Plus. The forward-looking information contained in this MD&A is made as of the date hereof and the Company has no obligation to publicly update such forward-looking information to reflect new information, subsequent or otherwise, unless required by applicable securities laws. The reader is warned against placing undue reliance on these forward-looking statements.

Overview

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

Reportable Segments

The Company has two reportable segments, namely Electronic Materials and Eco-Friendly Materials. Corresponding operations and activities are managed accordingly by the Company's key decision makers. Segmented operating and financial information, labelled key performance indicators, are available and used to manage these business segments, review performance and allocate resources. Financial performance of any given segment is evaluated primarily in terms of revenues and adjusted EBITDA 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 derivative 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.

Management's Discussion and Analysis

Q3 2013 and YTD 2013 Highlights

- EBITDA¹ reached \$5.8 million in the quarter and \$12.3 million in the nine-month period ended September 2013, compared to \$9.0 million and \$5.4 million for the same periods of the last year.
- Net debt¹ decreased to \$63.5 million down from \$84.7 million on June 30, 2013, and \$136.5 million on December 31, 2012. Total debt also decreased to \$79.7 million down from \$148.4 million on December 31, 2012.
- Net earnings reached \$1.3 million or \$0.02 per share in the quarter and adjusted net earnings¹ \$1.5 million or \$0.02 per share compared to \$1.3 million or \$0.02 per share and \$0.6 million or \$0.01 per share the same period last year. For the nine-month period ended September 30, 2013 net earnings reached \$41.1 million or \$0.49 per share and adjusted net earnings \$8.8 million or \$0.11 per share compared to net losses of \$16.0 million or (\$0.21) per share and adjusted net earnings of \$4.0 million or \$0.05 per share the same period last year.
- Revenues for Q3 2013 were \$108.6 million and \$339.6 million for the nine-month period ended September 2013 compared with revenues of \$120.7 million and \$423.1 million for the corresponding periods of the last fiscal year.
- Bookings¹ decreased by 6% to \$88.6 million compared to \$94.1 million in the third quarter of last year. Bookings for the nine-month period ended September 30, 2013 decreased to \$307.2 million compared to \$362.2 million for the same period last year. Backlog¹ as at September 30, 2013 stood at \$133.4 million which compares to backlog of \$162.3 million one year ago.

Earnings, and EBITDA recovered somewhat during the quarter despite the competitive landscape and the fact that the Company sold fully valued inventories during most of the period. Demand for the Company's products remained strong especially in the Eco-Friendly Materials business unit where sales of bismuth bearing products are now on track to reach record levels for the year. Revenues failed to fully capture this, however, decreasing by 10% reflecting depressed underlying commodity prices in much the same way as for bookings and backlog.

The Company continued to focus on reducing its debt level and the size of its working capital in an effort aimed at improving efficiency and usage of capital. As a result, net debt fell by over \$21 million since the last quarter and further improvements are expected before year-end. This will provide greater financial flexibility and the ability to quickly redeploy capital towards the most promising growth opportunities, organic or acquisition related. The Company has identified some of these recently including its plans to develop a range of powder products from its partnership with AM&M, its developing Korean footprint and the exclusive bismuth offtake agreement recently announced with Masan Resources in Vietnam.

The Company continues to remain cautiously optimistic given recent and expected developments in the solar and LED industry which should positively impact its electronic materials sales, and the continuing strong demand for its eco-friendly material products. Combined with a trend of underlying commodity pricing which now appears more favorable, and efforts undertaken to reduce costs and improve efficiency, the Company is confident on its ability to increase profitability and shareholder value in the coming quarters.

¹ See Non-IFRS Measures

Management's Discussion and Analysis

Summary of Results

	Q3 2013	Q3 2012	YTD 2013	YTD 2012
	\$	\$	\$	\$
Revenues	108,570	120,744	339,596	423,055
Operating expenses	(102,795)	(111,743)	(317,163)	(391,594)
Adjusted EBITDA ¹	5,775	9,001	22,433	31,461
Impairment of inventory	-	-	(10,182)	(26,068)
EBITDA ¹	5,775	9,001	12,251	5,393
Gain related to the settlement of the purchase price of MCP	-	-	(45,188)	-
Litigation and restructuring costs	255	464	3,499	1,849
Reversal of impairment of property, plant and equipment	-	(932)	-	(932)
Interest on long-term debt and other interest expense	1,612	1,950	6,745	7,365
Foreign exchange and derivative (gain) loss	(1,406)	807	(3,115)	3,119
Depreciation and amortization	3,125	5,250	8,267	15,531
Earnings (loss) before income tax	2,189	1,462	42,043	(21,539)
Income tax	866	187	901	(5,643)
Net earnings	1,323	1,275	41,142	(15,896)
Basic earnings (loss) per share	\$0.02	\$0.02	\$0.49	(\$0.21)
Diluted earnings (loss) per share	\$0.02	\$0.02	\$0.49	(\$0.21)

Revenues by Segment

	Q3 2013	Q3 2012	% Change	YTD 2013	YTD 2012	% Change
	\$	\$		\$	\$	
Electronic Materials Segment	41,960	49,724	-16%	133,104	177,852	-25%
Eco-Friendly Materials Segment	66,610	71,020	-6%	206,492	245,203	-16%
Total Revenues	108,570	120,744	-10%	339,596	423,055	-20%

Demand for the Company's products remained strong throughout the quarter but revenues were negatively impacted by depressed underlying commodity prices and competitive pressures on sales price. The Electronic Materials segment revenues in Q3 2013 totalled \$42.0 million, a decrease of 16% compared to the same period last year reflecting some annual pattern softness in demand. The Eco-Friendly Materials segment had revenues in Q3 2013 of \$66.6 million, a decrease of 6% compared to the same period last year, with strong demand for all product lines.

For YTD 2013, the Electronic Materials segment recorded \$133.1 million in revenues, a decrease of 25% compared to the same period last year. The Eco-Friendly Materials segment recorded \$206.5 million in revenues in YTD 2013, a decrease of 16% compared to the same period last year even though sales of bismuth bearing products, which account for over 50% of this segment revenues, are now on track to reach record levels for the year. As previously mentioned, these decreases are mainly attributable to the depressed underlying commodity prices and pressure on sales price driven by competition and the general economic environment.

Net earnings and Adjusted net earnings

	Q3 2013	Q3 2012	% Change	YTD 2013	YTD 2012	% Change
	\$	\$		\$	\$	
Net earnings (loss)	1,323	1,275	4%	41,142	(15,896)	359%
Basic net earnings (loss) per share	\$0.02	\$0.02	0%	\$0.49	(\$0.21)	333%
Adjusted net earnings (loss)	1,517	648	134%	8,769	3,987	120%
Basic adjusted net earnings (loss) per share	\$0.02	\$0.01	100%	\$0.11	\$0.05	100%

Net earnings reached \$1.3 million or \$0.02 per share in Q3 2013 and adjusted net earnings were \$1.5 million or \$0.02 per share compared to \$1.3 million or \$0.02 per share and \$0.6 million or \$0.01 per share for the corresponding period of the last year. The decrease in SG&A, amortization and financial expenses were offset by lower gross profit of \$5.5 million in Q3 2013 compared to Q3 2012.

For YTD 2013, net earnings reached \$41.1 million or \$0.49 per share and adjusted net earnings were \$8.8 million or \$0.11 per share compared to net loss of \$15.9 million or (\$0.21) per share and net earnings of \$4.0 million or \$0.05 per share for the same period of the last year. The non-recurring gain of \$45.2 million recorded in Q2 2013 resulting from

¹ See Non-IFRS Measures

Management's Discussion and Analysis

the settlement of the purchase price of MCP following the settlement reached with its former shareholders announced on June 18, 2013, was partially offset by an inventory impairment charge of \$10.2 million recorded in the second quarter of 2013 on bismuth and selenium. For YTD 2012, the Company recorded an inventory impairment charge of \$26.1 million, mainly on gallium, tellurium and selenium.

EBITDA and Adjusted EBITDA

	Q3 2013	Q3 2012	% Change	YTD 2013	YTD 2012	% Change
	\$	\$		\$	\$	
Electronic Materials	5,780	9,233	-37%	18,310	12,770	43%
Eco-Friendly Materials	1,786	2,299	-22%	(221)	3,363	-107%
Corporate	(1,791)	(2,531)	29%	(5,838)	(10,740)	46%
EBITDA¹	5,775	9,001	-36%	12,251	5,393	127%
Electronic Materials	-	-	-%	150	15,558	-99%
Eco-Friendly Materials	-	-	-%	10,032	10,510	-5%
Impairment of inventory	-	-	-%	10,182	26,068	-61%
Electronic Materials	5,780	9,233	-37%	18,460	28,328	-35%
Eco-Friendly Materials	1,786	2,299	-22%	9,811	13,873	-29%
Corporate	(1,791)	(2,531)	29%	(5,838)	(10,740)	46%
Adjusted EBITDA¹	5,775	9,001	-36%	22,433	31,461	-29%

EBITDA amounted to \$5.8 million and \$12.3 million in Q3 2013 and YTD 2013. This compares to \$9.0 million and \$5.4 million for the same periods last year. In Q3 2013, the EBITDA for Electronic Materials totalled \$5.8 million and \$1.8 million for Eco-Friendly Materials, representing decreases of 37% and 22% respectively compared to the same period last year. These reductions were mainly attributed to the decline in the commodity pricing and competitive pressures.

For YTD 2013, the EBITDA for Electronic Materials amounted to \$18.3 million and (\$0.2) million for Eco-Friendly Materials, compared to \$12.8 million and \$3.4 million for the same period last year.

Adjusted EBITDA for Q3 2013 reached \$5.8 million and \$22.4 million for YTD 2013 compared to \$9.0 million and \$31.5 million for the same periods last year.

Cost reduction initiatives were offset by lower levels of profitability due to fully valued inventories resulting from the decreasing trend in underlying commodity pricing. EBITDA was also negatively impacted by the restructuring of a portion of the business which was the subject of a dispute with the former shareholders of MCP.

Bookings and Backlog

	BACKLOG			BOOKINGS		
	Q3 2013	Q2 2013	Q3 2012	Q3 2013	Q2 2013	Q3 2012
	\$	\$	\$	\$	\$	\$
Electronic Materials	72,309	82,681	96,630	31,588	32,672	30,000
Eco-Friendly Materials	61,043	70,596	65,693	57,057	66,952	64,090
Total	133,352	153,277	162,323	88,645	99,624	94,090

Bookings in Q3 2013 for the Electronic Materials increased by 5% to \$31.6 million compared to \$30.0 million for Q3 2012. Bookings in Q3 2013 for the Eco-Friendly Materials also decreased by 11% to \$57.1 million compared to bookings of \$64.1 million in Q3 2012.

As at September 30, 2013, the backlog for the Electronic Materials segment stood at \$72.3 million, a decrease of \$10.4 million and \$24.3 million over the backlog of the prior quarter and a year ago respectively, whereas the backlog for the Eco-Friendly Materials stood at \$61.0 million, a decrease of \$9.6 million over the backlog of the prior quarter and of \$4.7 million over the backlog of a year ago. These decreases in both backlog and bookings are mainly associated with depressed expected average selling prices given the current trend in underlying commodity pricing.

Overall the backlog, as at September 30, 2013, decreased to \$133.4 million following the renewal pattern of most contracts which generally occurs in the fourth quarter.

¹ See Non-IFRS Measures

Management's Discussion and Analysis

Expenses

	Q3 2013	Q3 2012	% Change	YTD 2013	YTD 2012	% Change
	\$	\$		\$	\$	
Depreciation and amortization	3,125	5,250	-40%	8,267	15,531	-47%
SG&A	7,682	9,618	-20%	27,459	33,181	-17%
Litigation and restructuring costs	255	464	-45%	3,499	1,849	89%
Financial expenses	206	2,757	-93%	3,630	10,484	-65%
Income taxes	866	187	363%	901	(5,643)	116%
Total Expenses	12,134	18,276	-34%	43,756	55,402	-21%

Depreciation and Amortization

Due to impairment charges to property, plant and equipment ("PPE") and intangible assets incurred in 2012, depreciation and amortization expenses in Q3 2013 and YTD 2013 decreased to \$3.1 million and \$8.3 million compared to \$5.3 million and \$15.5 million for the same periods of the last fiscal year.

SG&A

For Q3 2013 and YTD 2013, SG&A expenses were \$7.7 million and \$27.5 million compared to \$9.6 million and \$33.2 million for the same periods last year. This performance primarily reflects successful execution of the Company's cost reduction program.

Litigation and Restructuring costs

The Company recorded litigation and restructuring costs of \$0.3 million and \$3.5 million for Q3 2013 and YTD 2013 respectively mainly related to attorney's and other professional fees for the legal proceedings and employee severance costs. For Q2 2012 and YTD 2012, the Company recorded a \$0.5 million and a \$1.9 million expense respectively related to an incident that occurred in one of its U.S. sites and to employee severance costs.

Financial Expenses

Financial expenses for Q3 2013 amounted to \$0.2 million compared to \$2.8 million for the same period last year. This decrease is mainly due to foreign exchange and derivative gain of \$1.4 million recorded in the quarter and to lower interest on long-term debt as the Company reduced its total debt by \$22.8 million in Q3 2013. For YTD 2013 financial expenses decreased by \$6.9 million and totalled \$3.6 million compared to \$10.5 million for YTD 2012 due to a foreign exchange and derivative gain of \$3.1 million recorded in YTD 2013 compared to a foreign exchange and derivative loss of \$3.1 million in YTD 2012.

Starting March 31, 2013, the senior secured multi-currency revolving credit facility was reduced to \$100 million. However, there is a maximum drawing limit of \$80 million until February 15, 2014. Such amendment established new financial covenants for the year 2013 and maintained the original maturity (August 2015). The interest rate has been changed and is linked to the Net Senior Debt/EBITDA ratio, and can vary from LIBOR, banker's acceptance rate or EURIBOR plus 3.00% to 4.50% or US base rate or prime rate plus 2.00% to 3.5%. Standby fees from 0.75% to 1.125% are paid on the unused portion. At any time, 5N Plus has the option to request that the credit facility be expanded to \$140 million through the exercise of an additional \$40 million accordion feature, subject to approval by the lenders.

Income Taxes

Effective income tax rates were 2.1% and 26.2% in YTD 2013 and YTD 2012. The lower effective income tax rate is due to the non-recurring gain of \$45.2 million resulting from the settlement in the purchase price of MCP.

Management's Discussion and Analysis

Liquidity and Capital Resources

	Q3 2013	Q3 2012	% Change	YTD 2013	YTD 2012	% Change
	\$	\$		\$	\$	
Funds from operations ¹	4,822	10,320	-53%	10,990	21,149	-48%
Net changes in non-cash working capital items	20,042	29,700	-33%	27,558	73,734	-63%
Operating activities	24,864	40,020	-38%	38,548	94,883	-59%
Investing activities	(3,218)	(7,214)	55%	(7,993)	37,983	-121%
Financing activities	(22,819)	(36,498)	37%	(25,920)	(154,864)	83%
Effect of foreign exchange rate changes on cash and cash equivalents related to operations	(676)	(826)	18%	(531)	(123)	-332%
Net increase (decrease) in cash and cash equivalents	(1,849)	(4,518)	59%	4,104	(22,121)	119%

For Q3 2013 and YTD 2013, cash generated by operating activities was \$24.9 million and \$38.5 million respectively compared to \$40.0 million and \$94.9 million for the same periods a year ago. The larger amounts of cash generated during the previous year were mainly due to an even larger reduction in the size of the inventories when compared to 2013.

Investing activities consumed \$3.2 million in Q3 2013 and \$8.0 million in YTD 2013 compared to \$7.2 million and cash provided of \$38.0 million in the same periods a year ago. In YTD 2012, the cash generated in investing activities was mainly due to a reduction of temporary investments resulting from repayment of loans in Hong Kong dollars.

Cash consumed by financing activities amounted to \$22.8 million in Q3 2013 and \$25.9 million in YTD 2013 compared to \$36.5 million and \$154.9 million for the same periods last year, associated with reduction in the amounts drawn under the multi-currency revolving facility. In YTD 2012, the Company had received \$38.6 million in proceeds from the issuance of new shares and decreased its debt by \$192.1 million.

Working Capital

	As at September 30, 2013	As at December 31, 2012
	\$	\$
Inventories	163,110	170,293
Other current assets	94,832	121,144
Current liabilities	(76,012)	(104,789)
Working capital ¹	181,930	186,648
Working capital current ratio ¹	3.39	2.78

The decrease in working capital, which has now reached its lowest level since the acquisition of MCP and is mainly due to lower levels of inventory, accounts receivable and income tax receivable, is consistent with the Company's efforts aimed at reducing indebtedness and increasing financial flexibility.

Net Debt

	As at September 30, 2013	As at December 31, 2012
	\$	\$
Bank indebtedness and short-term debt	8,965	8,014
Long-term debt including current portion	70,697	140,425
Total Debt	79,662	148,439
Cash and cash equivalents and temporary investments (restricted)	(16,142)	(11,892)
Net Debt¹	63,520	136,547

The decrease in total debt and net debt compared to December 31, 2012 is attributable to the non-recurring gain of \$45.2 million in Q2 2013 resulting from the settlement of the purchase price reached with the former shareholders of MCP, and to the substantial cash flow from operating activities. Net debt after taking into account cash and cash equivalents and restricted temporary investments amounted to \$63.5 million as at September 30, 2013 compared to \$84.7 million a quarter ago and \$136.5 million as at December 31, 2012. The Company intends to continue reducing its debt through cost reductions and decreases in working capital as it has done over the last several months.

¹ See Non-IFRS Measures

Management's Discussion and Analysis

Funds from Operations

	Q3 2013	Q3 2012	YTD 2013	YTD 2012
	\$	\$	\$	\$
Funds from operations¹	4,822	10,320	10,990	21,149
Acquisition of PPE and intangible assets	(3,050)	(5,007)	(7,847)	(11,692)
Working capital changes	20,042	29,700	27,558	73,734
Issuance of common shares	-	-	-	38,641
Settlement of the purchase price	-	-	45,188	-
Others	(676)	536	(2,862)	(1,485)
	16,316	25,229	62,037	99,198
Total movement in net debt¹	21,138	35,549	73,027	120,347
Net debt ¹ , beginning of period	(84,658)	(175,777)	(136,547)	(260,575)
Net debt¹, end of period	(63,520)	(140,228)	(63,520)	(140,228)

Funds from operations decrease to \$4.8 million in Q3 2013 compared to \$10.3 million in Q3 2012 and from \$11.0 million in YTD 2013 compared to \$21.1 million in YTD 2012. The decrease in both Q3 and YTD 2013 was mainly attributable to the decreasing underlying commodity pricing trend which negatively impacted selling prices and in turn led to lower profit margins.

	Q3 2013	Q3 2012	YTD 2013	YTD 2012
Net debt ¹ to annualized adjusted EBITDA ratio	2.75	3.89	2.12	3.34
Annualized funds from operations ¹ to net debt (%)	30.4	29.4	23.1	20.1

Net debt to annualized adjusted EBITDA ratio for Q3 2013 was 2.75 and 2.12 for YTD 2013. Annualized funds from operations generated in the same periods represented 30.4% and 23.1% of our net debt.

Share Information

	As at November 11, 2013	As at December 31, 2012
Issued and outstanding shares	83,908,269	83,908,269
Stock options potentially issuable	1,996,974	1,585,448
Warrants potentially issuable	6,451,807	6,451,807

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 Note 14 of the unaudited interim condensed consolidated financial statements for three and nine-month periods ended September 30, 2013 and 2012.

The contractual maturities of the Company's financial liabilities as at September 30, 2013 are as follows:

	Carrying amount	1 year	2-3 years	4-5 years	Beyond 5 years	Total
	\$	\$	\$	\$	\$	\$
Bank indebtedness and short-term debt	8,965	9,543	-	-	-	9,543
Trade and accrued liabilities	57,241	57,241	-	-	-	57,241
Derivative financial instruments	3,690	2,369	1,321	-	-	3,690
Long-term debt	70,697	5,902	67,492	170	17	73,581
Total	140,593	75,055	68,813	170	17	144,055

Contingencies

In the normal course of operations, the Company is exposed to events that could give rise to contingent liabilities or assets. As at November 11, 2013, the Company was not aware of any significant events that would have a material effect on its unaudited interim condensed consolidated financial statements for three and nine-month periods ended September 30, 2013 and 2012.

¹ See Non-IFRS Measures

Management's Discussion and Analysis

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 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 first nine-month period ended September 30, 2013 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Accounting Policies and Changes

The accounting policies followed in the unaudited condensed consolidated interim financial statements are consistent with those of the previous financial year, except as described below.

Changes in Accounting Policies

IAS 1, "Presentation of Financial Statements" was adopted by the Company on January 1, 2013. These amendments required the Company to group other comprehensive income items by those that will be reclassified subsequently to profit or loss and those that will not be reclassified. The Company has reclassified comprehensive income items of the comparative period. These changes did not result in any adjustments to other comprehensive income or comprehensive income.

IAS 19, "Employee Benefits", was amended in June 2011. The impact on the Company is as follows: to immediately recognize all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The Company assessed its conclusions on January 1, 2013 and the impact of the adoption of IAS 19 is presented in Note 4 of the unaudited interim condensed consolidated financial statements for the three and nine-month periods ended September 30, 2013 and 2012.

Management's Discussion and Analysis

IFRS 10, "Consolidated Financial Statements", builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Company assessed its consolidation conclusions on January 1, 2013 and the impact of the adoption of IFRS 10 did not result in any change in the consolidation status of any of its subsidiaries and investees.

IFRS 12, "Disclosures of Interests in Other Entities", includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special-purpose vehicles and other unconsolidated structured entities. The Company assessed its disclosure requirements on January 1, 2013 and determined that the adoption of IFRS 12 did not result in any change in the disclosure interest.

IFRS 13, "Fair value measurement", provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including risk assumptions. The Company adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as at January 1, 2013.

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 8 – Categories of Financial Assets and Financial Liabilities of the unaudited interim consolidated financial statements for the three and nine-month periods ended September 30, 2013 and 2012.

Financial Risk Management

For a detailed description of nature and extent of risks arising from financial instruments, and their related risk management, refer to Note 14 of 5N Plus' unaudited interim condensed consolidated financial statements for the three and nine-month periods ended September 30, 2013 and 2012.

Liquidity Risk

Under the terms of its credit facility, the Company is required to satisfy certain restrictive covenants as to financial ratios, including a maximal drawings limit of \$80 million on the credit facility from August 16, 2013 to February 15, 2014. In order to comply with these covenants, the Company has prepared, and will need to execute on, its budgeted EBITDA and cash flow estimates. Management believes that the assumptions used by the Company in preparing its budgets are reasonable and that it is not likely that the financial covenants including the addition of a new temporary maximal drawings limit on the credit facility during a certain period will be violated in the next 12 months. However, risk remains. Successful achievement of these budgeted results is dependent on stability in the price of metals and other raw materials, the reduction of debt due to the optimization of the Company's working capital and the continued viability and support of the Company's banks.

Risks and Uncertainties

For a detailed description of risk factors associated with 5N Plus and its business, refer to "Risk and Uncertainties" of 5N Plus' 2012 MD&A dated March 28, 2013 and Note 14 of the unaudited interim condensed consolidated financial statements for three and nine-month periods ended September 30, 2013 and 2012. The Company is not aware of any significant changes to its risks factors from those 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.

Management's Discussion and Analysis

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 PPE and intangible assets, impairment of goodwill, litigation and restructuring costs, acquisition-related costs and the settlement of purchase price. 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. We use adjusted EBITDA because we believe it is a meaningful measure of the operating performance of our ongoing business without the effects of inventory write-downs. The definition of this non-IFRS measure used by the Company may differ from that used by other companies.

Adjusted EBITDA margin is defined as Adjusted EBITDA divided by revenues.

Adjusted net earnings means the net earnings (loss) before the effect of charge and reversal of impairment related to inventory, PPE and intangible assets, impairment of goodwill, litigation and restructuring costs, settlement of purchase price 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, litigation and restructuring costs, the settlement of purchase price and acquisition costs. 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, litigation and restructuring costs, the settlement of purchase price and acquisition costs per share. 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 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.

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 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.

Management's Discussion and Analysis

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

	2013			2012			Dec.31, 2011	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q2
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues	108,570	112,637	118,389	128,620	120,744	140,076	162,235	149,423
EBITDA ¹	5,775	(3,639)	10,115	(18,121)	9,001	(20,474)	16,867	(26,278)
Adjusted EBITDA ¹	5,775	6,543	10,115	6,395	9,001	5,594	16,867	7,135
Net earnings (loss)	1,323	34,281	5,538	(211,953)	1,275	(22,062)	4,891	(37,397)
Basic earnings (loss) per share	\$0.02	\$0.41	\$0.07	(\$2.70)	\$0.02	(\$0.30)	\$0.07	(\$0.53)
Diluted earnings (loss) per share	\$0.02	\$0.41	\$0.07	(\$2.70)	\$0.02	(\$0.30)	\$0.07	(\$0.53)
Net earnings (loss) attributable to equity holders of 5N Plus	1,083	34,185	5,371	(212,006)	1,218	(21,922)	4,972	(37,206)
Basic earnings (loss) per share attributable to equity holders of 5N Plus	\$0.01	\$0.41	\$0.06	(\$2.71)	\$0.02	(\$0.29)	\$0.07	(\$0.52)
Adjusted net earnings (loss) ¹	1,517	959	6,296	(6,880)	648	(1,911)	5,250	(92)
Basic adjusted net earnings (loss) per share ¹	\$0.02	\$0.01	\$0.08	(\$0.08)	\$0.01	(\$0.03)	\$0.07	(\$0.01)
Backlog ¹	133,352	153,277	166,290	165,790	162,323	188,982	215,588	223,177

¹ See Non-IFRS Measures