Report for the seven-month period

Ended December 31 2011

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"), its business environment, strategies, performance and risk factors. This MD&A should be read while referring to the audited consolidated financial statements and the accompanying notes for the seven-month period ended December 31, 2011. Information contained herein includes any significant developments to March 12, 2012, the date on which the MD&A was approved by the Company's board of directors. Unless otherwise indicated, the terms "we", "us" and "our" as used herein refer to the Company together with its subsidiaries.

This is the first audited period in which financial statements have been prepared under International Financial Reporting Standards ("IFRS"). Previously, the Company applied Canadian generally accepted accounting principles ("Canadian GAAP"). The comparative figures as at May 31, 2011 and for the twelve-month period ended May 31, 2011 have been restated to comply with IFRS as per guidance provided in IFRS 1, *First-time adoption of IFRS*. For details on the most significant adjustments to equity, net earnings, comprehensive income and cash flows, see Note 28 – Transition to IFRS to the consolidated financial statements. As a result of adoption of IFRS, the Company changed its functional currency from the Canadian dollar to the USD dollar.

The financial information presented in this MD&A, including tabular amounts are in United States dollars. It also includes some figures that are not performance measures consistent with IFRS. Information regarding these non-IFRS financial measures is provided under the heading Non-IFRS Measures of this Management's Discussion and Analysis.

Change in Year-End

On August 24, 2011, the Company changed its financial year-end date from May 31 to December 31. This change was made to better align the financial year-ends of both 5N Plus and MCP Group SA ("MCP"). For further information on the details of this change, please refer to the Notice of Change in Year-End report filed by the Company on SEDAR.

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 acquisition, additional indebtedness, credit, interest rate, inventory pricing, currency fluctuation, fair value, source of supply, environmental regulations, competition, dependence on key personnel, business interruptions, protection of intellectual property, international operations and collective agreements. A description of the risks affecting 5N Plus' business and activities appears under the heading "Risks and Uncertainties" in this MD&A. 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 terms of similar terminology. 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 5N Plus undertakes no obligation to publicly update such forward-looking information to reflect new information, subsequent or otherwise, unless required by applicable securities laws. The reader is warned against placing undue reliance on these forward-looking statements.

Corporate Overview and Business

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

Segment Information

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

The Electronic Materials segment is headed by a Vice President which 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 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 is headed by a Vice President which oversees locally managed operations in Europe and China. The Eco-Friendly Materials segment manufactures and sells refined bismuth and bismuth chemicals, low melting point alloys as well as refined selenium and selenium chemicals. These are used in the pharmaceutical and animal-feed industry as well as in a number of industrial applications including coatings, pigments, metallurgical alloys and electronics.

Corporate expenses associated with the head office and unallocated selling, general and administrative expenses together with financing costs, gains and/or losses on foreign exchange and the amortization of intangible assets have been regrouped under the heading Corporate and Other. The head office is also responsible for managing businesses which are still in the development stage and corresponding costs are netted of any revenues.

Highlights

- The Company incurred impairment charges of $45.6 million in the quarter and $46.9 million for the seven-month period ended December 31, 2011 resulting mainly from the current turmoil in the solar market and the corresponding impact on the selling price of solar-related products and the value of fixed assets used to manufacture or develop such products. More specifically, these impairment charges include the write-off of fixed and intangible assets amounting to $12.2 million and write-downs of stocks of $33.4 million in the quarter and $34.8 million for the seven-month period ended December, 2011. Financial results are presented including such impairment charges as well as on an adjusted basis in order to reflect the performance of the company prior to such impairment charges.

- Revenues for the quarter ended December 31, 2011 reached $149.4 million, an increase of 674% over revenues of $19.3 million for the quarter ended November 30, 2010. Revenues for the seven-month fiscal year ended December 31, 2011 reached a record level of $391.7 million with a backlog of orders expected to translate into sales over the next twelve months of $223.2 million as at December 31, 2011. This compares to revenues of $180 million for the twelve-month fiscal year ended May 31, 2011 and a corresponding backlog of orders of $263.7 million.

- Net losses attributable to equity holders of 5N Plus for the quarter and seven-month fiscal year ended December 31, 2011 were $37.2 million or $0.52 per share, and $21.6 million or $0.31 per share respectively. This compares to net earnings of $6.5 million or $0.14 per share for the quarter ended November 30, 2010 and $21.9 million or $0.45 per share for the year ended May 31, 2011. Adjusted net earnings (loss), that is before impairment charges, for the current periods were ($0.1) million or ($0.01) per share and $16.5 million or $0.23 per share respectively.

- EBITDA for the quarter and for the seven-month period ended December 31, 2011 amounted to losses of $26.1 million and a gain of $3.4 million respectively. This compares to EBITDA of $5.8 million for the quarter ended November 30, 2010 and $28.7 million for the year ended May 31, 2011. Adjusted EBITDA, that is before impairment charges, for the current periods were $7.3 million and $38.2 million respectively.

- Funds from operations, which is defined as the amount of cash generated from operating activities before changes in non-cash working capital, amounted to $10.3 million for the quarter and $27.3 million for the seven-month period ended December 31, 2011. This compares to $6.1 million for the quarter ended November 30, 2010 and $26.8 million for the fiscal year ended May 31, 2011.

- Shareholders' equity amounted to $339.7 million as at December 31, 2011, compared to $364.0 million as at May 31, 2011.

- 5N Plus also announced that it has entered into a new Cadmium Telluride (CdTe) Supply Agreement with First Solar, Inc., which enters into effect on April 1, 2012 and replaces three existing Supply Agreements between 5N Plus and First Solar. The new Supply Agreement, which is evergreen in nature, provides that 5N Plus will supply substantially all of the CdTe required by First Solar in its manufacturing of photovoltaic modules on a worldwide basis. Pricing in the new Supply Agreement has been adjusted downwards from the three existing agreements in line with more competitive environments in both the solar and material-feedstock markets. Either party can terminate the new Supply Agreement by providing two-year advance notice, which in the case of First Solar will be effective only once a minimum quantity of CdTe has been purchased from 5N Plus.

- During the last quarter, 5N Plus acquired the outstanding 40 percent ownership interest in the joint venture company Laos Industrial Resources Co Ltd. 5N Plus also announced today that it has chosen to downsize its credit facility to $200 million from $250 million to better match its actual cash requirements. 5N Plus has also idled its solar module recycling facility in Wisconsin until further notice.

This has been a difficult quarter for 5N Plus in many respects but also one of opportunities. While the Company did experience a significant softening in demand for most of its products, resulting partly from a greater year-end seasonality in the markets of the recently acquired MCP and to a larger extent from the impact of the general downturn in the economy, it was also able to take advantage of the current situation. In this respect, 5N Plus is pleased to have strengthened its relationship with its main customer in the solar market, First Solar, in an otherwise extremely challenging environment. 5N Plus expects its new supply agreement with First Solar to be in effect for a number of years and although it had to adjust its terms and conditions to reflect the new market dynamics, it is confident that it is now better positioned than ever to take advantage of growth opportunities in the solar market.

Seasonality was most strongly felt in the Eco-Friendly business unit where the Company experienced a decrease in its sales. Demand also softened to a lesser extent in its Electronic Materials business unit due mainly to lower than anticipated sales of gallium-based products. This business unit also incurred significant impairment costs as it wrote-down its tellurium stocks by $21.5 million and wrote-off its fixed assets in Wisconsin. The Company also chose to write-off its investment in Sylarus given the current conditions in the solar market. Such impairment charges, although required under IFRS accounting rules, could be partially reversed in the following quarters if market conditions improve sufficiently, leading to a larger than normally expected variability in its financial performance.

The integration of former MCP activities is continuing as planned. Efforts are now largely aimed at improving overall operational efficiency and at reducing costs as the Company aims to right size its activities and eliminate redundancies. 5N Plus has cut back on its work force and is implementing a number of cost-reduction initiatives and expects to continue doing so for most of 2012. The Company believes that this effort, together with a number of investments that it recently announced, should enable it to be very well positioned for future growth.

Despite the latest quarter's results 5N Plus remains very confident in its ability to continue growing the company and increasing shareholder value. In this respect, preliminary results for the current quarter suggest that sales and earnings are reverting back to more standard levels when compared to the quarter ended December 31, 2011, further highlighting the detrimental impact of the year-end seasonality. 5N Plus is also reducing its cash requirements and has correspondingly downsized its credit facility to better match such requirements.

5N Plus would like to thank its employees for their efforts and hard work even though the quarter did not yield a satisfactory financial performance. The Company remains a well-diversified corporation with a large number of customers, a broad range of products and a very unique skill set and asset base.

Selected Yearly Financial Information

(in thousands of United States dollars except per share amounts)	IFRS 7 months ended December 31, 2011	IFRS 12 months ended May 31, 2011	Canadian GAAP 12 months ended May 31, 2010 (in thousands of CDN$)
	$	$	$
Consolidated Results			
Revenues	**391,712**	179,995	70,763
EBITDA[1]	**3,448**	28,723	22,925
Adjusted EBITDA[1]	**38,238**	28,723	22,925
Net earnings (loss) attributable to equity holders of 5N Plus	**(21,641)**	22,928	15,143
Basic earnings (loss) per share attributable to equity holders of 5N Plus	**(0.31)**	0.45	0.33
Net earnings (loss)	**(22,464)**	21,948	14,647
Basic earnings (loss) per share	**(0.32)**	0.45	0.32
Diluted earnings (loss) per share	**(0.32)**	0.44	0.32
Funds from operations[1]	**27,338**	26,477	20,391
Balance Sheet Data			
Total assets	**786,284**	807,557	138,521
Net debt (net cash)[1]	**260,575**	241,210	(63,171)
Shareholders' equity	**339,710**	363,990	125,678

Selected Quarterly Financial Information

	IFRS						Canadian GAAP	
	FY December 31, 2011		FY May 31, 2011				FY May 31, 2010 (in thousands of CDN $)	
Unaudited (in thousands of United States dollars except per share amounts	**Q2**	**Q1 (4 months)**	Q4	Q3	Q2	Q1	Q4	Q3
	$	**$**	$	$	$	$	$	$
Revenues	**149,423**	**242,289**	121,976	20,663	19,314	18,042	19,730	19,227
Gross profit[1]	**(8,674)**	**42,857**	24,898	8,157	8,161	7,497	8,671	8,204
Adjusted gross profit[1]	**24,739**	**44,233**	24,898	8,157	8,161	7,497	8,671	8,204
EBITDA	**(26,088)**	**29,536**	11,433	6,049	5,843	5,398	6,209	6,262
Adjusted EBITDA	**7,326**	**30,912**	11,433	6,049	5,843	5,398	6,209	6,262
Net earnings (loss)	**(37,397)**	**14,933**	7,124	5,576	6,454	2,794	4,339	4,076
Basic earnings (loss) per share	**(0.53)**	**0.21**	0.14	0.12	0.14	0.06	0.09	0.09
Diluted earnings (loss) per share	**(0.53)**	**0.21**	0.14	0.12	0.14	0.06	0.09	0.08
Net earnings (loss) attributable to equity holders of 5N Plus	**(37,206)**	**15,565**	8,080	5,600	6,454	2,794	4,339	4,076
Basic earnings per share attributable to equity holders of 5N Plus	**(0,52)**	**0.22**	0.17	0.12	0.14	0.06	0.09	0.09
Net earnings from continuing operations	**(37,397)**	**14,933**	7,124	5,576	6,454	2,794	4,363	4,362
Basic earnings per share from continuing operations	**(0.53)**	**0.21**	0.14	0.12	0.14	0.06	0.10	0.10
Diluted earnings per share from continuing operations	**(0.53)**	**0.21**	0.14	0.12	0.14	0.06	0.09	0.09
Backlog[1]	**223,177**	**212,264**	263,702	73,154	60,986	53,975	52,651	53,791

The quarterly figures for the fiscal year ended May 31, 2010 have been prepared under Canadian GAAP and have not been restated under IFRS.

[1] See Non-IFRS Measures

Sales, Gross Profit, Net Earnings and Earnings per Share

	Three months ended December 31, 2011	Three months ended November 30, 2010	Increase (Decrease)	Seven Months ended December 31, 2011	12 months ended May 31, 2011	Increase (Decrease)
	$	$		$	$	
Revenues	**149,423**	19,314	674%	**391,712**	179,995	118%
Gross profit	**(8,674)**	8,161	(206%)	**34,182**	48,713	(30%)
Impairment of inventory	**(33,413)**	-		**(34,790)**	-	-
Adjusted gross profit[1]	**24,739**	8,161	203%	**68,972**	48,713	42%
Adjusted gross profit ratio[1]	**17%**	42%		**18%**	27%	
Net earnings (loss)	**(37,397)**	6,454	(679%)	**(22,464)**	21,948	(202%)
Adjusted net earnings (loss)[1]	**(92)**	6,454	(101%)	**16,505**	21,948	(25%)
Basic earnings (loss) per share	**(0.53)**	0.14		**(0.32)**	0.45	
Basic adjusted earnings (loss) per share[1]	**(0.01)**	0.14		**0.23**	0.45	

[1] See Non-IFRS Measures

Revenues

Revenues for the quarter ended December 31, 2011 reached $149.4 million, a 674% increase over sales of $19.3 million for the three-month ended November 30, 2010. Revenues for the seven-month period ended December 31, 2011 reached $391.7 million, representing a 118% increase over sales of $180.0 million for the fiscal year ended May 31, 2011. These increases in sales are attributed to the inclusion of former MCP sales for the quarter and the seven-month period ended December 31, 2011.

Impairment charges

During the last quarter the Company recorded an inventory impairment charge of $33.4 million of which $21.5 million was related to tellurium. This reflects the sharp decrease in market price of tellurium resulting mainly from the slowdown in the solar market. The Company also wrote off its property, plant and equipment and intangible assets in the Deforest, Wisconsin solar module recycling facility for an amount of $4.9 million. In addition, the Company wrote off its investment in Sylarus for an amount of $6.9 million given the current uncertainty surrounding the solar market.

Gross profit

Gross profit in the quarter ended December 31, 2011 amounted to a loss of $8.7 and when adjusted to exclude impairment charges ("adjusted gross profit") to $24.7 million or 17% of revenue. This compares with $8.2 million or 42% of revenues for the three-month period ended November 30, 2010. For the seven-month period ended December 31, 2011, gross profit amounted to $34.2 million and adjusted gross profit to $69.0 million or 18% of revenues. This compares with $48.7 million or 27% of revenues for the fiscal year ended on May 31, 2011. Gross profit was negatively impacted mainly by impairment charges in the current quarter and in the seven-month period. Excluding such impairment charges, the adjusted gross profit represented a lower percentage of revenues in the quarter because of the inclusion of the former MCP financial results. Former MCP generally sells products for which the gross profit ratio is less than the Company's historical levels.

Net earnings

Net earnings for the quarter ended December 31, 2011 yielded a loss of $37.4 million or ($0.53) per share and a loss of $22.5 million or ($0.32) per share for the seven-month period ended December 31, 2011. Such losses resulted from impairment charges of $33.4 million booked in the quarter ended December 31, 2011. Excluding such impairment charges adjusted net earnings yielded a loss of $0.1 million or ($0.01) per share in the quarter and earnings of $16.5 million or $0.23 per share in the seven-month period ended December 31, 2011. This compares with net earnings of $6.5 million or $0.14 per share for the quarter ended November 30, 2010 and net earnings of $21.9 million or $0.45 per share, for the year ended May 31, 2011. These decreases are mainly attributable to year-end seasonality amplified by a decrease in average selling price following a general trend of commodity price decreases. Decreases were most strongly felt in the Eco-Friendly business unit where we experienced for our products a decrease in our sales volumes. Demand also softened but to a lesser extent in our Electronic Materials business unit mainly due to lower than anticipated sales of gallium-based products.

Reconciliation of EBITDA and Adjusted EBITDA

	Three months ended December 31, 2011	Three months ended November 30, 2010	Increase (Decrease)	**Seven months ended December 31, 2011**	Twelve months ended May 31, 2011	Increase (Decrease)
	$	$		**$**	$	
Net earnings (loss) attributable to equity holders of 5N Plus	**(37,206)**	6,454	(676%)	**(21,641)**	22,298	(197%)
Financial expenses & interest income	**2,048**	(141)	1555%	**5,487**	1,960	180%
Loss (Gain) on foreign exchange	**1,118**	(2,903)	139%	**(642)**	(8,639)	(93%)
Amortization	**5,463**	719	660%	**12,797**	4,997	156%
Write-down of property plant and equipment and intangible assets	**12,160**	-		**12,160**	-	
Income tax (recovery)	**(9,670)**	1,714	(664%)	**(4,713)**	8,107	(158%)
EBITDA	**(26,087)**	5,843	(546%)	**3,448**	28,723	(88%)
Inventory write-down	**33,413**	-		**34,790**	-	
Adjusted EBITDA	**7,326**	5,843	25%	**38,238**	28,723	33%

EBITDA per Business Unit

	Three months ended December 31, 2011	Three months ended November 30, 2010	**Seven months ended December 31, 2011**	Twelve months ended May 31, 2011
	$	$	**$**	$
Electronic Materials	**(19,607)**	6,217	**(333)**	26,885
Eco-Friendly Materials	**1,773**	-	**14,600**	4,641
Corporate	**(8,253)**	(374)	**(10,819)**	(2,803)
Total EBITDA	**(26,087)**	5,843	**3,448**	28,723

Adjusted EBITDA per Business Unit

	Three months ended December 31, 2011	Three months ended November 30, 2010	**Seven months ended December 31, 2011**	Twelve months ended May 31, 2011
	$	$	**$**	$
Electronic Material	**11,051**	6,217	**30,631**	26,885
Eco-Friendly Material	**4,528**	-	**18,426**	4,641
Corporate	**(8,253)**	(374)	**(10,819)**	(2,803)
Total Adjusted EBITDA	**7,326**	5,843	**38,238**	28,723

EBITDA

EBITDA of negative $26.1 million for the second quarter compared to EBITDA of $3.4 million in the seven-month period ended December 31, 2011 is primarily attributable to impairment charges. Adjusted EBITDA amounted to $7.3 million in the quarter and $38.2 million in the fiscal year. This compares to $5.8 million for the quarter ended November 30, 2010 and $28.7 million for the fiscal year ended May 31, 2011. The marginal increases in EBITDA reflect the year-end seasonality which lead to lower revenues and gross profits.

Bookings and Backlog

Bookings in the quarter were $160.5 million and $351.2 million in the fiscal year ended December 31, 2011. This compares with bookings of $26.3 million for the quarter ended November 30, 2010 and $393.4 million for the fiscal year ended May 31, 2011. Bookings increased by 510% in the quarter when compared to the quarter ended November 30, 2010 because of the contribution of former MCP's activities. Bookings for the fiscal year ended on May 31, 2011 are not directly comparable because of the acquisition of MCP. Backlog as at December 31, 2011 now stands at $223.2 million which corresponds to a 266% increase over the $61.0 million backlog as at November 30, 2010. Backlog increased by $10.9 million over the September 30, 2011 level as we renewed contracts for 2012 and expanded our products range and customer base. Backlog did not reach the previous fiscal year-end level of $263.7 million and decreased by 15%, reflecting some softness in demand and selling prices. In terms of revenues, backlog remains at a lower percentage of revenues than the level prior to MCP acquisition, reflecting the fact that the Company now has a larger proportion of spot sales and typically runs on a backlog which represents a lower proportion of revenues.

Revenues, EBITDA and bookings for the Company's reportable segments namely Electronic Materials division and Eco-Friendly Materials division are discussed below. Former MCP activities were carried out in both business segments and are accordingly split between the two. 5N Plus activities prior to MCP acquisition are entirely included in the Electronic Materials business segment.

Electronic Materials Division

(in thousands of United States dollars)	**Three months ended December 31, 2011**	Three months ended November 30, 2010	**Seven months ended December 31, 2011**	Twelve months ended May 31, 2011
	$	$	**$**	$
Revenues	**69,761**	19,314	**186,015**	122,246
Cost of goods & expenses, before amortization	**(89,368)**	(13,097)	**(186,348)**	(95,361)
Segmented EBITDA	**(19,607)**	6,217	**(333)**	26,885
Impairment of inventory	**30,658**	-	**30,964**	-
Segmented adjusted EBITDA	**11,051**	6,217	**30,631**	26,885
Bookings	**76,073**	26,325	**179,145**	228,830

Revenues in the quarter ended December 31, 2011 for the Electronic Materials business unit increased by 261% reaching $69.8 million up from $19.3 million in the quarter ended November 30, 2010. Revenues for the fiscal year ended December 31, 2011 increased by 52% to a level of $186.0 million, up from $122.2 million last fiscal year. Revenues in the quarter and the seven-month period included a contribution from the relevant former MCP activities which explains the increase in revenues in both periods. Revenues decreased by $46.5 million in the quarter when compared to the prior four-month period ended September 30, 2011, when adjusted to a quarterly basis represents a 20% decrease. This decrease stems from both a lower demand resulting from year-end seasonality and a decrease in average selling prices following a negative trend in the commodity market.

EBITDA was negatively impacted in the quarter and the seven-month period ended December 31, 2011 by inventory impairment charges of $30.7 million and $31.0 million respectively, of which $21.5 million were related to tellurium and the balance associated primarily with gallium products. Both of these metals are used in the solar market.

Adjusted EBITDA in the quarter for the Electronic Materials business unit increased to $11.1 million up by 78% over the level of $6.2 million in the quarter ended November 30, 2010. Adjusted EBITDA for the period reached a level of $30.6 million which represents a 13.9% increase over EBITDA for the year ended May 31, 2011. The increase for the quarter is essentially related to the contribution of the relevant former MCP activities. For the seven-month period ended December 31, 2011, the increase is due to the contribution of MCP for the entire period compared to the year ended May 31, 2011.

Bookings in the last quarter for the Electronic Materials business unit reached a level of $76.1 million, up from $26.3 million for the quarter ended November 30, 2010. This increase is associated with the contribution of the former MCP backlog together with an increase associated primarily with the renewal of the Company's agreements with First Solar in January 2011. For the seven month period ended December 31, 2011, bookings decreased to $179.1 million down from $228.8 million for the twelve month period ended May 31, 2011 due to the inclusion for the first time of the backlog of former MCP during the last quarter ended May 31, 2011. The backlog for the Electronic Materials business unit now stands at $150.0 million, decreasing by $6.9 million compared to May 31, 2011. This decrease is associated with lower selling prices associated to the negative trends in the commodity markets.

Property, plant and equipment and intangible asset impairment charges of $5.2 million associated with the Electronic Materials business unit recorded in the quarter are entirely associated to the solar market and most of which to the solar module recycling facility in Wisconsin.

Eco-Friendly Material Division

(in thousands of United States dollars)	**Three months ended December 31, 2011**	Three months ended November 30, 2010	**Seven months ended December 31, 2011**	Twelve months ended May 31, 2011
	$	$	**$**	$
Revenues	**79,663**	-	**205,697**	57,749
Cost of goods & expenses, before amortization	**(77,890)**	-	**(191,097)**	(53,108)
Segmented EBITDA	**1,773**	-	**14,600**	4,641
Impairment of inventory	**2,755**	-	**3,826**	-
Segmented adjusted EBITDA	**4,528**	-	**18,426**	4,641
Bookings	**84,444**	-	**172,043**	164,541

The Eco-Friendly Materials activities are entirely composed of former MCP activities as the Company did not carry out any such activities prior to April 8, 2011. Accordingly there is no historical data to compare and discuss the Company's results. In addition, only seven weeks of former MCP's results are included in the year ended May 31, 2011.

Revenues reached $79.7 million during the quarter were primarily composed of sales of bismuth metal and chemicals, selenium metal and chemicals and low melting point alloys. Revenues decreased in the quarter when compared to the prior four-month period ended September 30, 2011, by $46.4 million which when adjusted to a quarterly basis represents a 15.7% decrease. Such a decrease is primarily associated with a lower demand for our products during the quarter. For the seven-month period ended December 31, 2011, revenues reached $205.7 million, up from $57.8 million for the twelve-month period ended May 31, 2011.

EBITDA was negatively impacted in the quarter and the seven-month period ended December 31, 2011 by inventory impairment charges of $2.8 million and $3.8 million. Adjusted EBITDA for the corresponding periods was $4.5 million and $18.4 million respectively.

For the quarter and the seven-month period ended December 31, 2011 bookings were $84.4 million and $172.0 million. The backlog for the Eco-Friendly Materials division now stands at $73.1 million, which corresponds to a $31.1 million decrease over the backlog as at May 31, 2011 as a result of seasonality in contract renewals.

Expenses

	Three months ended December 31, 2011	Three months ended November 30, 2010	Increase (Decrease)	**Seven months ended December 31, 2011**	Twelve months ended May 31, 2011	Increase (Decrease)
	$	$		**$**	$	
Amortization	**5,463**	719	660%	**12,797**	4,997	156%
SG&A	**17,446**	2,937	494%	**33,500**	13,286	152%
Financial Expenses	**3,169**	(3,044)	204%	**4,845**	(6,679)	172%
Income taxes	**(9,670)**	1,714	(664%)	**(4,713)**	8,107	(158%)
	16,408	2,326	605%	**46,429**	19,711	136%

Amortization

Amortization expenses for the quarter ended December 31, 2011 were $5.5 million compared to $0.7 million for the quarter ended November 30, 2010. For the seven months ended December 31, 2011, amortization expenses were $12.8 million compared to $5.0 million for the fiscal year ended May 31, 2011. These increases reflect the larger amortizable asset base, including intangible assets, following the acquisition of MCP.

Selling, General and Administrative Expenses

Selling, General and Administrative Expenses increased to $17.4 million in the last quarter and $33.5 million in the seven-month period ended December 31, 2011 compared to $2.9 million in the quarter ended November 30, 2010 and $13.3 million in the fiscal year ended May 31, 2011. We inherited a larger management team and sales organization as a result of the acquisition of MCP which accounts for these increases.

Financial Expenses, Interest Income and Foreign Exchange Gain

The combined financial expenses, interest income and foreign exchange gain netted an expense of $3.2 million in the last quarter and of $4.9 million in the seven-month period ended December 31, 2011. This compares to a gain of $3.0 million and of $6.7 million in the quarter ended November 30, 2010 and fiscal year ended May 31, 2011 due to foreign exchange gain. This increase in financial expenses results from the debt contracted to finance the acquisition of MCP and the combined operations. As at December 31, 2011 the net debt amounted to $260.6 million.

Income Taxes

For the quarter ended December 31, 2011 recovery of income taxes were $9.7 million compared to an expense of $1.7 million for the three-month period ended November 30, 2010, corresponding to effective tax rates of 21% respectively. Recovery of income taxes for the seven-month period ended December 31, 2011 were $4.7 million compared to an expense of $8.1 million for the fiscal year ended May 31, 2011 representing effective tax rates of 17% and 27% respectively. The decrease in the income tax effective rate is the results of non-taxable impairment charges.

Liquidity and Capital Resources

Cash Flows

(in thousands of United States dollars)	**Three months ended December 31, 2011**	Three months ended November 30, 2010	**Seven months ended December 31, 2011**	Twelve months ended May 31, 2011
	$	$	**$**	$
Funds from operations	**10,349**	6,107	**27,338**	26,477
Net changes in non-cash working capital items	**(9,284)**	6,748	**(38,253)**	(88,267)
Operating activities	**1,065**	(641)	**(10,915)**	(61,790)
Investing activities	**(9,027)**	(5,190)	**(12 321)**	(174,593)
Financing activities	**7,791**	885	**24,043**	202,319
Effect of foreign exchange rate changes	**592**	-	**592**	(963)
Net increase (decrease) in cash and cash equivalents	**421**	(4,946)	**1,399**	(35,027)

Cash generated by operating activities was $1,1 million in the last quarter and cash consumed by operating activities was $10.9 million during the seven-month period ended December 31, 2011. This compares with cash consumed of $0.6 million and 61.8 million in the quarter ended November 30, 2010 and in the fiscal year ended May 31, 2011 respectively. For the seven-month period ended December 31, 2011 cash consumed decrease is attributable to the effect of the general trend of commodity prices decreases which implied less investment in our inventory compared to the year ended May 31, 2011.

Investing activities consumed $9.0 million in the last quarter and $12.3 million in the seven-month period ended December 31, 2011 compared to $5.2 million and $174.6 million for the quarter ended November 30, 2010 and the fiscal year ended May 31, 2011 respectively. Acquisition of MCP, for a total consideration net of cash of $280.4 million, net of the issuance of shares, balance of purchase price and holdback amounts issued to the vendors for a total amount at $119.2 million impacted the cash consumed in the fiscal year ended May 31, 2011. For the last quarter and seven months ended December 31, 2011, investing activities were mainly in property, plant and equipment.

Cash provided by financing activities amounted to $7.8 million in the quarter and $24.0 million in the seven-month period ended December 31, 2011 as the Company refinanced its revolving credit facility. For the three months ended November 30, 2010, financing activities provided $0.9 million. For the fiscal year ended May 31, 2011, financing activities provided $202.3 million resulting mainly from the proceeds from the issuance of new shares for an amount of $125.7 million and an increase in bank indebtedness and short-term and long-term debt amounting to $73.6 million.

Working Capital

(in thousands of United States dollars)	**As at December 31, 2011**	As at May 31, 2011
	$	$
Inventories	**315,333**	300,055
Others current assets	**175,444**	200,471
Current liabilities	**(151,384)**	(271,768)
Working capital[1]	**339,393**	228,758
Working capital current ratio	**3.24**	1.84

[1] See Non-IFRS Measures

Working capital increased to $339.4 million as at December 31, 2011 compared to $228.8 million as at May 31, 2011 reflecting the conversion of bank indebtedness and short term-debt into long-term debt.

Net Debt & Funds from Operations

(in thousands of United States dollars)	**As at December 31, 2011**	As at May 31, 2011
	$	$
Bank indebtedness and short-term debt	**73,430**	174,703
Long-term debt including current portion	**268,476**	145,678
Total Debt	**341,906**	320,381
Cash and cash equivalents and temporary investments (restricted)	**(81,331)**	(79,171)
Net Debt	**260,575**	241,210

Net debt after taking into account cash and cash equivalents and restricted temporary investments amounted to $260.6 million as at December 31, 2011 compared to $241.2 million as at May 31, 2011. The consolidation of the majority of our debt into our new $250 million senior secured revolving facility was completed in October 2011. In August 2011, the Company signed a new $250 million senior secured multi-currency revolving credit facility to replace its existing CA$50 million two-year senior secured revolving facility. 5N Plus also announced today that it has chosen to downsize its credit facility to $200 million from $250 million to better match its actual cash requirements.

Funds from operations amounted to $10.3 million for the three months period ended December 31, 2011 compared with $6.1 million for the quarter ended November 30, 2010. For the seven months ended December 31, 2011, funds from operations amounted to $27.3 million compared to $26.9 million for the year ended May 31, 2011. The contribution of the former MCP activities was responsible for this increase.

(in thousands of United States dollars)	**Three months ended December 31, 2011**	Three months ended November 30, 2010	**Seven months ended December 31, 2011**	Twelve months ended May 31, 2011
	$	$	**$**	$
Funds from operations	**10,349**	6,108	**27,338**	28,477
Acquisition of property, plant and equipment and intangible assets	**(5,668)**	(5,865)	**(10,785)**	(22,785)
Working capital changes	**(9,284)**	(6,748)	**(38,253)**	(88,267)
Business acquisition, net of cash acquired	-		-	(121,517)
Issuance of common shares	**134**	991	**346**	131,573
Debt assumed in business combinations	-	-	-	(241,821)
Temporary investment (restricted) acquired in business combinations	-	-	-	18,919
Others	**12,704**	567	**1,989**	(4,259)
	(2,114)	(11,055)	**(46,703)**	(328,157)
Total movement in net debt	**8,235**	(4,947)	**(19,365)**	(299,680)
(Net debt) net cash[1], beginning of period	**(252,340)**	60,170	**(241,210)**	58,470
(Net debt) net cash, end of period	**(260,575)**	55,223	**(260,575)**	(241,210)

[1] See Non-IFRS Measures

Net debt to annualized adjusted EBITDA for the seven-month period ended December 31, 2011 ratio was 4. Annualized funds from operations generated in the seven-month period ended December 31, 2011 represented 18.0% of our net debt.

	Seven months ended September 30, 2011	Twelve months ended May 31, 2011
Net debt to annualized adjusted EBITDA ratio	**4.0**	8.5
Annualized funds from operations to net debt (%)	**18.0**	11.1

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. As at December 31, 2011 no preferred shares were issued.

Issued and fully paid
(in thousands of United States dollars)

	As at December 31, 2011		As at May 31, 2011	
Common shares	Number	Amount	Number	Amount
Outstanding	**70,961,125**	**$ 305,928**	70,892,627	$ 305,464

As at March 12, 2012 a total of 70,985,556 common shares were issued and outstanding, and no preferred shares were issued or outstanding.

Stock Option Plan

On April 11, 2011, the Company adopted a new stock option plan (the "Plan") replacing the previous plan (the "Old Plan") in place since October 2007, with the same features as the Old Plan with the exception of a maximum number of options granted which cannot exceed five million. The aggregate number of shares which could be issued upon the exercise of options granted under the Old Plan could not exceed 10% of the issued shares of the Company at the time of granting the options. Options granted under the Old Plan may be exercised during a period not exceeding ten years from the date of grant. The stock options outstanding as at December 31, 2011 may be exercised during a period not exceeding six years from their date of grant. Options vest at a rate of 25% (100% for directors) per year, beginning one year following the grant date of the options. Any unexercised options will expire one month after the date a beneficiary ceases to be an employee, director or officer.

The number of stock options and the weighted average exercise price for each share-based compensation plan are as follows:

	Seven-month period ended December 31, 2011		**Twelve-month period ended May 31, 2011**	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
		CA$		**CA$**
Outstanding, beginning of period	1,384,025	4.52	1,596,615	4.24
Granted	275,249	8.60	262,308	4.95
Cancelled	(47,565)	5.40	(177,518)	5.12
Exercised	(68,498)	3.17	(297,380)	3.07
Outstanding, end of period	1,543,211	5.28	1,384,025	4.52
Exercisable, end of period	908,657	4.28	628,765	4.16

Restricted stock unit incentive plan
On June 7, 2010, the Company adopted a Restricted Share Unit ("RSU") Plan to complement the stock option plan. The RSU Plan enables the Company to award to eligible participants phantom share units that vest after a three-year period. The RSU is settled in cash and is recorded as a liability. 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 selling, general and administrative ("SG&A") expenses 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 expenses. For seven-month period ended December 31, 2011, the Company granted 24,758 RSUs, and 57,887 RSUs were outstanding as at December 31, 2011 (as at May 31, 2011 – 33,129 RSUs outstanding). As at December 31, 2011 and as at May 31, 2011, the Company recorded a provision of $0.09 million.

Restricted share unit incentive plan for foreign employees
On June 7, 2010, the Company adopted a Restricted Share Unit for Foreign Employees ("RSUFE") Plan. Under this plan, the RSUFE granted may be exercised during a period not exceeding ten years from the date of grant. The RSUFE outstanding as at May 31, 2011 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 award. For the period of seven months ended December 31, 2011, the Company granted 33,428 RSUFE and cancelled 627 RSUFE, and 41,350 RSUFE were outstanding as at December 31, 2011 (as at May 31, 2011 – 8,549 RSUFE outstanding). As at December 31, 2011 and as at May 31, 2011, the Company recorded a provision of $0.01 million.

Stock Appreciation Rights
On November 1, 2011, the Company granted 247,000 Stock Appreciation Rights ("SARs") to most of its employees except senior management. The SARs are vested and paid over a period of three years. The SARs are exercisable automatically for cash at the anniversary date and the Company is obligated to pay the holders. The amount of cash payout is calculated based on the number of SARs multiplied by the average price of the Company's shares for the month immediately before vesting. At the end of each financial period, changes in the Company's payment obligations due to changes in the market value of the common shares on the TSX are recorded as an expense. For the period of seven months ended December 31, 2011, 3,200 SARs were cancelled, and 243,800 SARs were outstanding as at December 31, 2011). As at December 31, 2011, the Company recorded a provision of $0.1 million.

Off-Balance Sheet Arrangements

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

The Company is exposed to currency risk on sales in Euros and other currencies and therefore periodically enters into foreign currency forward contracts to protect itself against currency fluctuation. The reader will find more details related to these contracts in Note 26 to the consolidated financial statements as well as in the Risks and Uncertainties section in this MD&A.

The following table reflects the contractual maturity of the Company's financial liabilities as at December 31, 2011:

	Carrying amount	**1 year**	**2-3 years**	**4-5 years**	**Beyond 5 years**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Bank indebtedness and short-term debt	73,430	76,348	-	-	-	76,348
Trade and other payables	59,029	59,029	-	-	-	59,029
Derivative financial instruments	5,716	3,814	-	1,902	-	5,716
Long-term debt	268,476	23,226	83,411	188,090	247	294,974
Total	**406,651**	**162,417**	**83,411**	**189,992**	**247**	**436,067**

Risks and uncertainties

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

Possible Failure to Realize Anticipated Benefits of Acquisitions

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

Inventory price risk

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

Dependence on Key Personnel

The Company relies on the expertise and know-how of its personnel to conduct its operations. The loss of any member of our senior management team could have a material adverse effect on us. Our future success also depends on our ability to retain and attract our key employees, train, retain and successfully integrate new talent into our management and technical teams. Recruiting and retaining talented personnel, particularly those with expertise in the specialty metals industry and refining technology is vital to our success and may prove difficult.

Sources of Supply

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

Additional Indebtedness

We assumed the indebtedness of former MCP upon the completion of the acquisition. The additional indebtedness has increased the interest payable by us from time to time until such amounts are repaid. In addition, we are required to pay to the selling shareholders the amounts set out in the promissory notes as well as the cash "holdback" described under "Acquisition Agreement and Related Agreements", in the short form prospectus dated April 1, 2011. Although we have signed a $250 million senior secured multi-currency revolving credit facility, we may need to find additional sources of financing to pay the foregoing indebtedness when it becomes due. There can be no guarantee that we will be able to obtain financing on terms acceptable to us or at all at such time or times.

Environmental Regulations

Our operations involve the use, handling, generation, processing, storage, transportation, recycling and disposal of hazardous materials and are subject to extensive environmental laws and regulations at the national, provincial, local and international level. These environmental laws and regulations include those governing the discharge of pollutants into the air and water, the use, management and disposal of hazardous materials and wastes, the clean-up of contaminated sites and occupational health and safety. We have incurred and will continue to incur capital

expenditures in order to comply with these laws and regulations. In addition, violations of, or liabilities under, environmental laws or permits may result in restrictions being imposed on our operating activities or in our being subject to substantial fines, penalties, criminal proceedings, third party property damage or personal injury claims, clean-up costs or other costs. While we believe that we are currently in compliance with applicable environmental requirements, future developments such as more aggressive enforcement policies, the implementation of new, more stringent laws and regulations, or the discovery of currently unknown environmental conditions may require expenditures that could have a material adverse effect on our business, results of operations and financial condition. Former MCP's facility in Tilly, Belgium is currently undergoing corrective measures under a remediation plan as a result of industrial legacy at this site, which has been in industrial use for more than 100 years, and in order to comply with more stringent environmental regulations. The remediation plan has been approved by the local authorities and estimated resulting costs have been properly accounted for by the Company.

Credit risk

Credit risk corresponds to the risk of loss due to the client's inability to fulfill its obligations with respect to trade and other receivables as well as contracts. The Company has a large number of clients and is no longer dependent on a specific client. We reduce credit risk by ensuring that credit is granted only to clients after a credit analysis is performed. The Company conducts ongoing evaluation of its clients and establishes provisions for doubtful accounts should an account be considered non recoverable.

Interest rate risk

The Company is exposed to interest rate fluctuations on its multi-currency revolving credit facility which bears interest at either prime rate, U.S. base rate, LIBOR or EURO LIBOR plus a margin based on 5N Plus' senior consolidated debt to EBITDA ratio.

Currency Risk

Our sales are primarily denominated in U.S. dollars whereas a portion of our operating costs are realized in local currencies, such as Euros, Canadian dollars and pounds sterling. Even though, the purchases of raw materials are denominated in U.S. dollars, which reduce to some extent exchange rate fluctuations, we are subject to currency translation risk which can negatively impact our results. Management has implemented a policy for managing foreign exchange risk against the relevant functional currency. The company manages the foreign exchange risk by entering into various foreign exchange forward contracts.

Fair Value

The Company has determined that the carrying value of its short-term financial assets and liabilities, including cash and cash equivalents, accounts receivable and other receivable, as well as accounts payable and accrued liabilities, approximates their carrying value due to the short-term maturities of these instruments.

Competition

We are the leading producer of specialty metal and chemical products and competition could arise from new low-cost metal refiners or from certain of our customers who could decide to backward integrate. The forecasted growth in demand for our main products may attract more metal refiners into this industry and increase competition. Although we believe that our operations and our commercial network are important competitive advantages, our competitors may gain market share, which could have an adverse effect on our revenues and operating margins, should we not be able to compensate for the volume lost to our competition.

Business Interruptions

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

Protection of Intellectual Property

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

International Operations

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

Collective Agreements

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

Controls and Procedures

As required by Multilateral Instrument 52-109 of the Canadian Securities Administrators («MI 52-109 »), 5N Plus has filed certificates signed by the Chief Executive Officer and that Chief Financial Officer that, among others, attest to the design and effectiveness of the disclosure controls and procedures and the design and effectiveness of internal control over financial reporting. This attestation limits the scope of our internal controls over financial reporting as permitted under multilateral Instrument 52-109.

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.

With the exception of MCP, for which only the design of internal control over financial reporting was carried out, an evaluation was carried out under the supervision of the Chief Executive Officer and the Chief Financial Officer, of the design and effectiveness 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).

The Company maintained its growth strategy by completing a major transaction in April 2011. During the seven-month period ended December 31, 2011 the Company added members to management and staff at the head office to be dedicated to integrating the new businesses and to improve internal controls and procedures. However, the finance

resources were devoting significant efforts on integrating the new acquired businesses and implementing tax and financing structures as well as IFRS standards. Consequently, control gaps were encountered in documenting and evaluating non routine and complex transactions, and completing IFRS conversion. In the upcoming quarters, management will continue to improve the internal controls over financial reporting and will implement additional controls in relation to the evaluation of non routine and complex transactions.

Changes in Internal Control over Financial Reporting

No changes were made to the Company's internal controls over financial reporting that occurred during the seven-month period ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

Significant Management Estimation and Judgment in Applying Accounting Policies

The following are significant management judgments used in applying the accounting policies of the Company that have the most significant effect on the consolidated financial statements.

Estimation uncertainty

When preparing the consolidated financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, revenues and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, revenues and expenses are discussed below.

Impairment of non-financial assets

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

To determine value in use, management estimates expected future cash flows from each asset or CGU and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Company's assets in future periods. In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

Business combinations

On initial recognition, the assets and liabilities of the acquired business are included in the consolidated statement of financial position at their fair values. In measuring fair value, management uses estimates about future cash flows and discount rates; however, the actual results may vary. The determination of fair value could include using valuation techniques which are generally based on a forecast of the total expected future net discounted cash flows. These evaluations are linked closely to the assumptions made by management regarding the future performance of the related assets and any changes in the discount rate applied. Any measurement changes occurring in the measurement period from initial recognition would affect the measurement of goodwill.

Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date whenever events or changes in circumstances indicate that their carrying value amounts may not be recoverable.

Inventories

Inventories are measured at the lower of cost and net realizable value, with cost determined on the average cost method. In estimating net realizable values, management takes into account the most reliable evidence available at the time the estimates are made. The Company's core business is subject to changes in foreign policies and internationally accepted metal prices which may cause selling prices to change rapidly. The Company evaluates its inventory on an individual items basis and considered events that have occurred between the balance sheet date and the date of the completion of the financial statements. Net realizable value held to satisfy a specific sale contract is measure at the

contract price .

Income taxes

The Company is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Conversion to IFRS

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that Canadian publicly listed companies will be required to use IFRS in the preparation of financial statements for fiscal years beginning on or after January 1, 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosures.

The consolidated financial statements for the seven-month period ended December 31, 2011 are the Company's first audited financial statements prepared under IFRS. For all accounting periods prior to this, the Company prepared its financial statements under Canadian GAAP. In accordance with IFRS 1, certain disclosures relating to the transition to IFRS are provided below. These disclosures are prepared under IFRS as set out in the basis of presentation in Note 1 of the December 31, 2011 audited consolidated financial statements.

IFRS 1 requires that comparative financial information be provided. The date at which the Company began applying IFRS, June 1, 2010, is recognized as the "Transition Date". IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company will be December 31, 2011 and May 31, 2011. However, it also provides for certain optional exemptions and certain mandatory exceptions for first-time adopters.

Initial election upon adoption

The following are the IFRS 1 elections adopted by the Company on the Transition Date:

Business combinations: IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3, *Business Combinations*, retrospectively to business combinations that occurred before the Transition Date. The Company has taken advantage of this election.

Share-based payments: The Company has elected to retrospectively apply IFRS 2, Share-based Payments, to all share-based payment transactions at the Transition Date. IFRS 2 applies to stock options, RSUs and RSUFE outstanding on June 1, 2010.

Functional currency: The Company applied IAS 21 and changed its functional currency from Canadian dollar to US dollar. As such, all the amounts of the consolidated statement of financial position have been restated as of June 1, 2010 as if they were all recorded in US dollars since their initial recognition.

Investment in joint ventures: The Company has elected to apply IAS 28 prospectively in accordance with the relevant transitional provisions. Under IFRS 1, the following amounts represent the aggregate deemed cost of investment in joint ventures: Ingal – $0.4 million; MCP Shenzhen – $0.9 million.

IFRS 1 mandatory exceptions

Hedge accounting – Hedge accounting can only be applied prospectively from the Transition Date to transactions that satisfy the hedge accounting criteria in IAS 39, Financial Instruments: Recognition and Measurement, at that date. Hedging relationships cannot be designated retrospectively and the supporting documentation cannot be created retrospectively. As a result, no hedging relationships that satisfied the hedge accounting criteria as at the Transition Date are reflected as hedges in the Company's results under IFRS.

Estimates – In accordance with IFRS 1, an entity's estimates under IFRS at the Transition Date must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company's estimates as at June 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

Impact of transition to IFRS

The differences between IFRS and Canadian GAAP identified as having a significant effect on the Company's previously reported consolidated financial performance and financial position are summarized in Note 28 to the December 31, 2011 audited consolidated financial statements, which provides a summary of the impacts resulting from the transition to IFRS.

Future Accounting Standards

IFRS 9, Financial Instruments, was issued in November 2009. It addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit and loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are recognized either at fair value through profit and loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends, to the extent not clearly representing a return on investment, are recognized through profit and loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive loss indefinitely. This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not yet assessed the impact of the other standard or determined whether it will adopt it early.

In May 2011, the IASB issued the following standards which have not yet been adopted by the Company: IFRS 10, Consolidated Financial Statements (IFRS 10), IFRS 11, Joint Arrangements (IFRS 11), IFRS 12, Disclosure of Interests in Other Entities (IFRS 12), IAS 27, Separate Financial Statements (IAS 27), IFRS 13, Fair Value Measurement (IFRS 13) and amended IAS 28, Investments in Associates and Joint Ventures (IAS 28). Each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

The following is a brief summary of the new standards:

IFRS 10 – Consolidation

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 *Consolidation—Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements*.

IFRS 11 - Joint Arrangements

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, *Interests in Joint Ventures,* and SIC-13, *Jointly Controlled Entities—Non-monetary Contributions by Venturers*.

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 - Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

Amendments to Other Standards

In addition, there have been amendments to existing standards, including IAS 27, *Separate Financial Statements* (IAS 27), and IAS 28, *Investments in Associates and Joint Ventures* (IAS 28). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 – 13.

The Company's risks and uncertainties have not materially changed from those described in the 2011 Annual Report.

Non-IFRS Measures

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

Backlog represents the expected value of orders we have received but have not yet executed and that are expected to translate into sales within the next 12 months. Bookings represents the value of orders received during the period considered and is calculated by adding revenues to the increase or decrease in backlog for the period considered. We use backlog to provide an indication of expected future revenues, and bookings to determine our ability to sustain and increase our revenues.

EBITDA means earnings (losses) attributable to equity holders of 5N Plus before financing costs, interest income, gain and loss on foreign exchange, income taxes and amortization and impairment of property plant and equipment and intangible assets. We use EBITDA because we believe it is a meaningful measure of the operating performance of our ongoing business without the effects of certain expenses. The definition of this non-IFRS measure used by the Company may differ from that used by other companies.

Adjusted EBITDA means EBITDA as defined above before inventory write-down. We use adjusted EBITDA because we believe it is a meaningful measure of the operating performance of our ongoing business without the effects of unusual inventory write-downs. The definition of this non-IFRS measure used by the Company may differ from that used by other companies.

Adjusted net earnings means the net earnings (loss) before the effect of impairment charges related to inventory, property plant and equipment and intangible assets 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. 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. We consider funds from operations to be a key measure as it demonstrates the Company's ability to generate cash necessary for future growth and debt repayment.

Gross profit is a financial measure equivalent to the sales less cost of sales. The gross profit ratio is displayed as a percentage of sales. We use gross profit and gross profit ratio as measures of our ability to operate effectively and generate value.

Adjusted gross profit is a financial measure equivalent to the sales less cost of sales excluding write-down of inventories. The adjusted gross profit ratio is displayed as a percentage of sales. We use adjusted gross profit and adjusted gross profit ratio as measures of our ability to operate effectively and generate value.

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

Working capital is a measure that shows us how much cash we have available for the growth of our Company. We use it as an indicator of our financial strength and liquidity. We calculate it by taking current assets and subtracting current liabilities.

Additional Information

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