MANAGEMENT REPORT

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Quarter ended

December 31, 2016

This Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations is intended to assist readers in understanding 5N Plus Inc. (the "Company", the "Group" or "5N Plus"), its business environment, strategies, performance and risk factors. This MD&A should be read in conjunction with the audited consolidated financial statements and the accompanying notes for the year ended December 31, 2016. This MD&A has been prepared in accordance with the requirements of the Canadian Securities Administrators.

Information contained herein includes any significant developments to February 21, 2017, the date on which the MD&A was approved by the Company's board of directors. Unless otherwise indicated, the terms "we", "us" "our" and "the group" as used herein refer to the Company together with its subsidiaries.

The "Q4 2016" and the "Q4 2015" refer to the three-month periods ended December 31, 2016 and 2015 and the "FY 2016" and the "FY 2015" refer to the twelve-month periods ended December 31, 2016 and 2015 respectively. All amounts in this MD&A are expressed in U.S. dollars, and all amounts in the tables are in thousands of U.S. dollars, unless otherwise indicated. All quarterly information disclosed in this MD&A is based on unaudited figures.

Non-IFRS Measures

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

Notice Regarding Forward-Looking Statements

Certain statements in this MD&A may be forward-looking within the meaning of applicable securities laws. Forward-looking information and statements are based on the best estimates available to the Company at the time and involve known and unknown risks, uncertainties or other factors that may cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Factors of uncertainty and risk that might result in such differences include the risks related to growth strategy, credit, liquidity, interest rate, inventory pricing, commodity pricing, currency fluctuation, fair value, source of supply, environmental regulations, competition, dependence on key personnel, business interruptions, protection of intellectual property, international operations, international trade regulations, , 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 this MD&A dated February 21, 2017. 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.

Reporting Segments

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

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

The Eco-Friendly Materials segment is so labelled because it is mainly associated with bismuth, one of the very few heavy metals which 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 operates in North America, Europe and Asia. The Eco-Friendly Materials segment manufactures and sells refined bismuth and bismuth chemicals, low melting point alloys as well as refined selenium and selenium chemicals. These are used in the pharmaceutical and animal-feed industry as well as in a number of industrial applications including coatings, pigments, metallurgical alloys and electronics. Management of such activities is the responsibility of the Eco-Friendly Materials executive team.

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

Vision and Strategy

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

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

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

[1] See Non-IFRS Measures

Highlights of Q4 2016 and Fiscal Year 2016

The Company completed a year with tangible results in numerous areas including reduction in operating expenses, in net debt and in net working capital[1] including inventory, while bolstering the balance sheet and improving profit margins despite a challenging operating environment. In 2016, the Company launched various initiatives and achieved a number of milestones including concrete progress toward its renewed vision and strategic plan named 5N21.

- Adjusted EBITDA[1] and EBITDA[1], reached $20.1 million and $15.1 million in fiscal year 2016, compared to $4.0 million and ($54.7) million in fiscal year 2015. The Adjusted EBITDA demonstrates improved profitability accommodated by moderately stable commodity prices, sustainable demand for most metals, and most importantly continued progress at improving the Company's sales mix and reducing operating expenses.
- On September 29, 2016, 5N Plus announced the consolidation of its operations at Wellingborough, United Kingdom and DeForest, Wisconsin, U.S.A. with other sites within the Group. The restructuring fees associated with these two initiatives along with the closure of redundant administrative offices, and the renegotiation of prior years' unfavorable contracts negatively impacted the EBITDA for fiscal year 2016 by $5.9 million.
- Adjusted EBITDA and EBITDA for the fourth quarter 2016 reached $4.3 million and $4.8 million compared to $0.7 million and ($26.0) million during the same period in 2015.
- Revenue for fiscal year 2016 reached $231.5 million compared to $311.0 million for fiscal year 2015, impacted significantly by the decrease in the underlying commodity prices over the course of 2015, while gross margin[1] for 2016 improved to 22.4% compared to a negative gross margin in 2015.
- During the year 2016, net debt1 was further reduced to $19.0 million as at December 31, 2016 down from $34.9 million for the same period in 2015, positively impacted by working capital management and overall improvement in performance.
- Backlog[1] reached as at December 31, 2016, a level of 136 days of sales outstanding, lower than the previous quarter, resulting from restructuring of certain contracts to balance market share against profitability, as well as client activities associated with retooling and upgrading of their manufacturing footprint. Bookings in Q4 2016 reached 78 days compared to 77 days in Q3 2016 and 95 days in Q4 2015.
- The Company does not expect any deviation to its most recent guidance for 2017 as per 5N21.
- On January 11, 2016, Mr. Luc Bertrand was appointed as the new Chairman of the Company's Board succeeding Mr. Jean- Marie Bourassa, who continues to serve on the Board and as Chair of the Audit & Risk Management Committee.
- On October 5, 2016, 5N Plus announced that the Toronto Stock Exchange ("TSX") approved 5N Plus normal course issuer bid under which, 5N Plus has the right to purchase for cancellation, from October 11, 2016 to October 10, 2017, a maximum of 600,000 common shares.
- On February 20, 2017, 5N Plus announced changes to its executive management structure. Responsibilities assumed by the former functions of Chief Commercial Officer and Chief Operating Officer will be reallocated across the existing business segments (Eco-Friendly and Electronic Materials). Mr. Nicholas Audet, formerly Chief Commercial Officer has been appointed Executive Vice President, Electronic Materials and Mr. Paul Tancell, formerly Global General Manager at Umicore, has joined 5N Plus and has been appointed Executive Vice President, Eco-Friendly Materials. Mr. Bertrand Lessard, Chief Operating Officer of the Company since 2014, will be leaving 5N Plus to pursue other interests.

[1] See Non-IFRS Measures

After a difficult year in 2015, 2016 was a foundational year in the Company's history. During the year, Management focused its efforts on realigning the overall cost structure, vetting investment opportunities, reducing inventory requirements, restructuring various contracts and reducing future volatility, especially due to metal prices. Furthermore, the Company adopted a new commercial approach aimed at balancing market share with quality of earnings. With the introduction of 5N21, the Company put more emphasis on growth initiatives and is invigorated by the tangible progress demonstrated by its results. The Company expects further enhancements in 2017 and as it continues to execute its plan.

Summary of Results

	Q4 2016	Q4 2015	2016	2015
	$	$	**$**	$
Revenue	**54,704**	59,367	**231,498**	311,012
Operating expenses*	**(50,373)**	(58,693)	**(211,387)**	(307,053)
Adjusted EBITDA[1]	**4,331**	674	**20,111**	3,959
Impairment of inventory	**-**	(24,582)	**-**	(58,327)
Allowance for a doubtful note receivable from a related party	**-**	(544)	**-**	(2,991)
Litigation and restructuring costs	**-**	(2,953)	**(5,945)**	(3,453)
Change in fair value of debenture conversion option	**14**	-	**20**	1,840
Foreign exchange and derivative gain	**458**	1,405	**925**	4,276
EBITDA[1]	**4,803**	(26,000)	**15,111**	(54,696)
Interest on long-term debt, imputed interest and other interest expense	**1,851**	2,012	**8,241**	8,967
Depreciation and amortization	**2,120**	7,287	**10,739**	27,166
Earnings (loss) before income taxes	**832**	(35,299)	**(3,869)**	(90,829)
Income tax expense (recovery)				
Current	**(1,145)**	4,044	**440**	3,655
Deferred	**1,819**	3,272	**1,587**	2,717
	674	7,316	**2,027**	6,372
Net earnings (loss)	**158**	(42,615)	**(5,896)**	(97,201)
Basic loss per share	**$0.00**	($0.51)	**($0.07)**	($1.16)
Diluted loss per share	**$0.00**	($0.51)	**($0.07)**	($1.16)

**Excluding litigation and restructuring costs and depreciation and amortization.*

Revenue by Segment and Gross Margin

	Q4 2016	Q4 2015	Change	2016	2015	Change
	$	$		**$**	$	
Electronic Materials	**19,333**	18,833	3%	**79,038**	104,265	(24%)
Eco-Friendly Materials	**35,371**	40,534	(13%)	**152,460**	206,747	(26%)
Total revenue	**54,704**	59,367	(8%)	**231,498**	311,012	(26%)
Cost of sales	**(44,802)**	(81,501)	(45%)	**(190,037)**	(346,970)	(45%)
Depreciation on property, plant and equipment (PPE)	**2,046**	7,317	(72%)	**10,353**	13,635	(24%)
Gross margin[1]	**11,948**	(14,817)		**51,814**	(22,323)	
Gross margin percentage[1]	**21.8%**	(25.0%)		**22.4%**	(7.2%)	

During Q4 2016 and FY 2016, revenue decreased by 8% and 26% compared to the corresponding periods of 2015. These decreases were mainly due to an important decline in underlying commodity prices initiated over the course of 2015 in both segments. Although, sales volume was lower in FY 2016, gross margin[1] has substantially improved reflecting the moderate price stability in metals supported by our selective approach focused on better margin products. The gross margin reached 22.4% in 2016 compared to a negative contribution in 2015.

EBITDA and Adjusted EBITDA

	Q4 2016	Q4 2015	Change	2016	2015	Change
	$	$		**$**	$	
Electronic Materials	**5,111**	64	7,886%	**19,824**	10,740	85%
Eco-Friendly Materials	**2,544**	3,377	(25%)	**13,467**	2,839	374%
Corporate	**(3,324)**	(2,767)	20%	**(13,180)**	(9,620)	37%
Adjusted EBITDA[1]	**4,331**	674	543%	**20,111**	3,959	408%
EBITDA[1]	**4,803**	(26,000)		**15,111**	(54,696)	

[1] See Non-IFRS Measures

In Q4 2016, EBITDA[1] reached $4.8 million compared to negative EBITDA of $26.0 million in Q4 2015. For Q4 2016, EBITDA margin[1] was positively impacted by moderate price stability for most metals, resulting in no impairment charge on inventory. For the FY 2016, EBITDA reached $15.1 million compared to negative EBITDA of $54.7 million for FY 2015. In Q4 2015 and FY 2015, inventory impairment charges of $24.6 million and $58.3 million were recorded respectively which were mitigated by a foreign exchange gain of $0.3 million and $6.5 million recognized on the convertible debenture nominated in Canadian dollars which has been hedged by a cross-currency swap contract since December 7, 2015.

In Q4 2016, Adjusted EBITDA[1] rose by $3.7 million to $4.3 million compared to $0.7 million in Q4 2015, driven by better realized margins and lower operating costs. Adjusted EBITDA for the Electronic Materials segment increased by $5.0 million to $5.1 million representing an Adjusted EBITDA margin of 26% compared to nil% for Q4 2015. Adjusted EBITDA for the Eco-Friendly Materials segment decreased by $0.8 million to $2.5 million compared to $3.4 million in Q4 2015, for a similar Adjusted EBITDA margin[1]. The Adjusted EBITDA under Corporate for Q4 2016 compared to the same period of last year was impacted by lower other revenue of $0.2 million and higher short and long-term incentive plans provision of $0.3 million following the appreciation of the Company share price and new issuance.

For the same reasons mentioned above, Adjusted EBITDA for FY 2016 increased by $16.2 million to $20.1 million compared to $4.0 million for FY 2015. Adjusted EBITDA for the Electronic Materials segment increased by $9.1 million to $19.8 million representing an Adjusted EBITDA margin of 25% compared to 10% for the prior year. Adjusted EBITDA for the Eco-Friendly Materials segment increased by $10.6 million to $13.5 million compared to $2.8 million in 2015. The Adjusted EBITDA under Corporate for FY 2016 decreased compared to FY 2015 due to recognition timing of R&D tax credits, as well as short and long-term incentive plans provision. Proceeds from an insurance claim was recorded in Q2 2015 with no similar non-recurring gain in FY 2016.

Net Earnings (Loss) and Adjusted Net Earnings (Loss)

	Q4 2016	Q4 2015	**2016**	2015
	$	$	**$**	$
Net earnings (loss)	**158**	(42,615)	**(5,896)**	(97,201)
Basic loss per share	**$0.00**	($0.51)	**($0.07)**	($1.16)
Reconciling items:				
Impairment of inventory	**-**	24,582	**-**	58,327
Accelerated amortization of intangibles assets	**-**	-	**-**	11,834
Accelerated depreciation of tangible assets	**-**	-	**1,804**	-
Allowance for a doubtful note receivable from a related party	**-**	544	**-**	2,991
Litigation and restructuring costs	**-**	2,953	**5,945**	3,453
Change in fair value of debenture conversion option	**(14)**	-	**(20)**	(1,840)
Income taxes on taxable items above	**4**	1,570	**5**	(4,779)
Adjusted net earnings (loss)[1]	**148**	(12,966)	**1,838**	(27,215)
Basic adjusted net earnings (loss) per share[1]	**$0.00**	($0.15)	**$0.02**	($0.32)

Net earnings reached $0.2 million in Q4 2016 compared to a net loss of $42.6 million in Q4 2015. In Q4 2016, Adjusted net earnings[1] increased by $13.1 million and reached $0.1 million compared to Adjusted net loss[1] of $13.0 million in Q4 2015. For Q4 2016, no significant items reconciling the Adjusted net earnings were identified.

In FY 2016, net loss reached $5.9 million compared to $97.2 million in FY 2015. Adjusted net earnings increased by $29.1 million, from an Adjusted net loss of $27.2 million to an Adjusted net earnings of $1.8 million when compared to FY 2015. Excluding the income tax expense, the main items reconciling the Adjusted net earnings for FY 2016 were; the accelerated depreciation charge of tangible assets and the restructuring costs following the Company's announcement in September 2016 to optimize its footprint as well as non-recurring costs for the closure of an administrative office in Europe and the renegotiation of prior years unfavorable supply contracts.

[1] See Non-IFRS Measures

Inventory Impairment Charge

	Q4 2016	Q4 2015	2016	2015
	$	$	$	$
Electronic Materials	-	13,373	-	29,989
Eco-Friendly Materials	-	11,209	-	28,338
Total	-	24,582	-	58,327

Following the expected net realized value analysis as at December 31, 2016, no inventory impairment charge was recorded in Q4 2016 and FY 2016 compared to $24.6 million and $58.3 million recorded in Q4 and FY 2015 following the decline in commodity prices that impacted our industry during 2015.

Bookings and Backlog

	BACKLOG[1]			BOOKINGS[1]		
	Q4 2016	Q3 2016	Q4 2015	**Q4 2016**	Q3 2016	Q4 2015
	$	$	$	**$**	$	$
Electronic Materials	**35,417**	40,929	47,225	**13,821**	11,570	11,093
Eco-Friendly Materials	**46,377**	49,046	55,714	**32,702**	35,281	50,645
Total	**81,794**	89,975	102,939	**46,523**	46,851	61,738

	BACKLOG[1]			BOOKINGS[1]		
*(number of days based on annualized revenues) **	**Q4 2016**	Q3 2016	Q4 2015	**Q4 2016**	Q3 2016	Q4 2015
Electronic Materials	**167**	183	229	**65**	52	54
Eco-Friendly Materials	**120**	128	125	**84**	92	114
Weighted average	**136**	148	158	**78**	77	95

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

Q4 2016 vs Q3 2016

Backlog[1] reached as at December 31, 2016 a level of 136 days of sales outstanding, lower than previous quarter, resulting from restructuring of certain contracts to balance market share against profitability, as well as client activities associated with retooling and upgrading of their manufacturing footprint. The renewal pattern generally extends to the Q1.

Backlog as at December 31, 2016, for the Electronic Materials segment represented 167 days of sales outstanding, a decrease of 16 days, or 9%, over the backlog ended September 30, 2016, explained by two good quarters in terms of shipments, especially for the Company's solar sector. The backlog for the Eco-Friendly Materials segment represented 120 days of annualized segment revenues, a decrease of 8 days or 6%, over the backlog of Q3 2016.

Bookings[1] for the Electronic Materials segment increased by 13 days compared to Q3 2016, higher than previous quarter also reflecting the renewal pattern of most contracts which generally occurs in the fourth quarter or the first quarter of the year. Bookings for the Eco-Friendly Materials segment decreased by 8 days, from 92 days in Q3 2016 to 84 days in Q4 2016.

Q4 2016 vs Q4 2015

Backlog as at December 31, 2016 for the Electronic Materials segment decreased by 62 days and by 5 days for the Eco-Friendly Materials segment compared to December 31, 2015, resulting from our selective posture aimed at balancing market share against margin management, as well as recent announcement from a client to retrofit its operations.

Bookings increased by 11 days for the Electronic Materials segment and decreased by 30 days for the Eco-Friendly Materials segment compared to the previous year quarter.

[1] See Non-IFRS Measures

Expenses

	Q4 2016	Q4 2015	2016	2015
	$	$	**$**	$
Depreciation and amortization	**2,120**	7,287	**10,739**	27,166
SG&A	**6,195**	7,308	**25,986**	28,494
Litigation and restructuring costs	**-**	2,953	**5,945**	3,453
Allowance for a doubtful note receivable from a related party	**-**	544	**-**	2,991
Financial expenses	**1,379**	607	**7,296**	2,851
Income tax expense	**674**	7,316	**2,027**	6,372
Total expenses	**10,368**	26,015	**51,993**	71,327

Depreciation and Amortization

Depreciation and amortization expenses in Q4 2016 and FY 2016 amounted to $2.1 million and $10.7 million respectively, compared to $7.3 million and $27.2 million for the same periods of 2015. The decrease in FY 2016 is mainly attributable to an accelerated amortization charge of selected intangible assets of $11.8 million recorded in the quarter ended June 30, 2015 compared to $1.8 million following the announcement in September 2016 of the Company's decision to optimize its footprint.

SG&A

For Q4 2016 and FY 2016, SG&A expenses were $6.2 million and $26.0 million respectively, compared to $7.3 million and $28.5 million for the same periods of 2015. Variation is mostly explained by lower wages and other expenses as well as favourable exchange rates across most local currency denominated expenses in FY 2016.

Litigation and Restructuring Costs

The Company recorded a provision for litigation and restructuring costs of $5.9 million in FY 2016 compared to $3.0 million and $3.5 million, in Q4 2015 and FY 2015 respectively. Following the Company's announcement to consolidate its operations at Wellingborough, U.K. with other sites within the Group, and its operations at DeForest, Wisconsin, U.S.A. and Fairfield, Connecticut, U.S.A. during the first half of 2017 into a newly updated and scaled facility, the Company recorded restructuring and severance costs and other facility closure costs of $3.5 million during the quarter ended September 30, 2016. The Company also recorded in the quarter ended September 30, 2016, litigation costs of $1.0 million following initiatives to renegotiate unfavourable purchasing contracts. In addition, in the quarter ended March 31, 2016, the Company recorded non-recurring costs of $1.0 million for the closure of an administrative office in Europe as well as for the settlement of unfavorable supply contracts. In FY 2015, the Company recorded litigation and restructuring costs as provision following initiatives to reduce its operating expenses and renegotiate unfavourable purchase contracts.

Allowance for a Doubtful Note Receivable from a Related Party

No allowance for a doubtful note receivable from a related party was recorded in FY 2016. In FY 2015, the Company assessed that under the gallium low-market price, its note receivable from Ingal Stade GmBh, a 50% joint venture, was not likely to be reimbursed, therefore the Company recorded an allowance for a doubtful note receivable from a related party of $0.5 million and $3.0 million respectively for Q4 2015 and FY 2015. On December 31, 2016, following the closure of its manufacturing activities earlier this year, Ingal sold its assets.

Financial Expenses and Revenues

Financial expenses for Q4 2016 amounted to $1.4 million compared to $0.6 million for the same period last year. The increase in financial expenses of $0.8 million is mainly due to lower unrealized foreign exchange and derivative gain. The full value of the convertible debenture is covered by a cross-currency swap contract and accounted for as a cash flow hedge since December 7, 2015.

Financial expenses for FY 2016 amounted to $7.3 million compared to $2.9 million for the same period last year. The increase in financial expenses of $4.4 million is mainly due to a lower gain related the fair value of the debenture conversion option and by lower unrealized foreign exchange and derivative gain partially mitigated by lower interest on long-term debt.

Income Taxes

The Company reported net earnings before income taxes of $0.8 million in Q4 2016 and net loss before income taxes of $3.9 million in FY 2016. Income tax expense for Q4 2016 and FY 2016 were $0.7 million and $2.0 million respectively, compared to $7.3 million and $6.4 million for the same periods last year. The Income tax expense for Q4 2016 and FY 2016 was unfavorably impacted since the Company does not record the benefit of the tax losses incurred during the year in certain jurisdictions.

Liquidity and Capital Resources

	Q4 2016	Q4 2015	**2016**	2015
	$	$	**$**	$
Funds from (used in) operations[1]	**5,256**	(5,734)	**12,486**	(9,851)
Net changes in non-cash working capital items	**(2,048)**	21,866	**10,978**	73,860
Operating activities	**3,208**	16,132	**23,464**	64,009
Investing activities	**(2,882)**	(3,671)	**(7,793)**	(18,316)
Financing activities	**946**	(11,536)	**(1)**	(49,129)
Effect of foreign exchange rate changes on cash and cash equivalents related to operations	**(218)**	(134)	**(185)**	(525)
Net increase (decrease) in cash and cash equivalents	**1,054**	791	**15,485**	(3,961)

Cash provided by operating activities amounted to $3.2 million for Q4 2016 compared to $16.1 million for Q4 2015. Although the Company continued to better manage non-cash working capital, especially inventory expressed in days, the lower impact on cash provided by operating activities was mainly due to the lower commodity pricing and its effect on the value of the Company's products on a unit basis, with similar impact on accounts receivable. For FY 2016, cash provided by operating activities amounted to $23.5 million compared to $64.0 million for the same period last year. Better management of non-cash working capital lead to a further reduction of $9.2 million in inventory and $6.2 million in trade accounts receivable mitigated by lower accounts payable of $1.2 million.

Cash used in investing activities totalled $2.9 million in Q4 2016 and $7.8 million for FY 2016 compared to $3.7 million and $18.3 million for the corresponding periods of 2015 respectively. This decrease is explained by lower acquisition of property, plant and equipment and intangible assets.

For Q4 2016 and FY 2016, cash from financing activities amounted to $0.9 million and nil compared to cash used by financing activities of $11.5 million and $49.1 million for the corresponding periods of 2015 respectively. These decreases are mainly associated with a net reduction in the amounts drawn under the revolving facility following a better management of non-cash working capital. The Company had no drawdown of its credit facility at the end 2016 and most of the fiscal year.

Working Capital

	As at December 31, 2016	As at December 31, 2015
	$	$
Inventories	**80,309**	89,052
Other current assets	**63,750**	50,593
Current liabilities	**(66,128)**	(45,777)
Working capital[1]	**77,931**	93,868
Working capital current ratio[1]	**2.18**	3.05

The decrease in working capital[1] compared to December 31, 2015 is mainly due to a better alignment between material usage and purchase in an effort to reduce inventory and lower average commodity pricing. In addition, during 2016, the Company proceeded with a reclassification of $16.0 million from other liabilities to trade and accrued liabilities for which final settlement and payment are due in April 2017. Based on the agreement, the Company has the option to settle the majority of this amount in kind by the delivery of commercial grade metal currently available from excess and paid inventory, with no significant cash-flow impact. This should be completed over the next 2 years.

[1] See Non-IFRS Measures

Net Debt

	As at December 31, 2016	As at December 31, 2015
	$	$
Bank indebtedness	**-**	-
Long-term debt including current portion	**325**	1,947
Convertible debentures	**43,157**	40,288
Cross-currency swap	**(189)**	1,443
Total Debt	**43,293**	43,678
Cash and cash equivalents	**(24,301)**	(8,816)
Net Debt[1]	**18,992**	34,862

Total debt, including the cross-currency swap decreased by $0.4 million to $43.3 million as at December 31, 2016, compared to $43.7 million as at December 31, 2015.

Net debt[1], after considering cash and cash equivalents decreased by $15.9 million, from $34.9 million as at December 31, 2015 to $19.0 million as at December 31, 2016.

On December 7, 2015, the Company entered into a cross-currency swap to hedge the convertible debenture denominated in Canadian dollars to US dollars.

Available Short-Term Capital Resources

	As at December 31, 2016	As at December 31, 2015
	$	$
Cash and cash equivalents	**24,301**	8,816
Available bank indebtedness	**1,438**	1,541
Available revolving credit facility (reduced on February 18, 2016 as explained below)	**52,635**	103,969
Available short-term capital resources	**78,374**	114,326

In August 2014, the Company signed a senior secured multi-currency revolving credit facility of $125.0 million maturing in August 2018, which was reduced to $100.0 million as at June 30, 2015 and subsequently to $50.0 million as at February 18, 2016.

At any time, the Company has the option to request that the credit facility be expanded through the exercise of an additional $50.0 million accordion feature, subject to review and approval by the lenders. This revolving credit facility can be drawn in US dollars, Canadian dollars or Hong Kong dollars. Drawings bear interest at either the Canadian prime rate, US base rate, Hong Kong base rate or LIBOR, plus a margin based on the Company's senior consolidated debt to EBITDA ratio. Under the terms of its credit facility, the Company is required to satisfy certain restrictive covenants as to financial ratios, including a temporary drawing limit on the credit facility of maximum $25.0 million until the financial statements of the first quarter of 2017 are published. During the first quarter of 2016, an amount of deferred costs of $0.9 million was expensed and recorded in imputed interest and other interest expense. As at December 31, 2016, the Company had met all covenants.

In August 2014, the Company's subsidiary in Belgium entered into a bi-lateral credit facility of 5.0 million Euros, which was reduced to 2.5 million Euros as at February 18, 2016. This credit facility is coterminous with the new senior secured multi-currency revolving credit facility, and guaranteed by the same security pool. This bi-lateral facility can be drawn in Euros or US dollars and bears interest at similar rates as the revolving credit facility. No amount was used as at December 31, 2016 and 2015.

[1] See Non-IFRS Measures

Funds from Operations

	Q4 2016	Q4 2015	2016	2015
	$	$	**$**	$
Funds from (used in) operations[1]	**5,256**	(5,734)	**12,486**	(9,851)
Net acquisition of PPE and intangible assets	**(2,882)**	(3,308)	**(7,693)**	(19,956)
Working capital changes	**(2,048)**	21,866	**10,978**	73,860
Repurchase of common shares	**(252)**	-	**(252)**	-
Others	**1,061**	(994)	**351**	5,092
	(4,121)	17,564	**3,384**	58,996
Total movement in net debt[1]	**1,135**	11,830	**15,870**	49,145
Net debt[1], beginning of period	**(20,127)**	(46,692)	**(34,862)**	(84,007)
Net debt[1], end of period	**(18,992)**	(34,862)	**(18,992)**	(34,862)

Funds from operations[1] increased by $11.0 million to $5.3 million in Q4 2016 and by $22.3 million to $12.5 million in FY 2016 compared to funds used in operations[1] of $5.7 million and $9.9 million for the corresponding periods of 2015 respectively. This increase was further supported by lower acquisition of PPE and intangible assets, offsetting the negative variance from the lower positive impact in working capital changes compared to the same periods last year.

Share Information

	As at February 21, 2017	As at December 31, 2016
Issued and outstanding shares	**83,599,133**	83,778,557
Stock options potentially issuable	**2,860,648**	2,860,648
Convertible debentures potentially issuable	**9,777,777**	9,777,777

On October 5, 2016, the Toronto Stock Exchange has approved the Company's normal course issuer bid. Under this normal course issuer bid, the Company has the right to purchase for cancellation, from October 11, 2016 to October 10, 2017, a maximum of 600,000 common shares. At the end of December 31, 2016, the Company has repurchased and cancelled 201,100 common shares at an average price of $1.26 for a total amount of $0.3 million. An amount of $0.9 million has been applied against share capital, and a negative amount of $0.6 million has been applied against the deficit. The acquired common shares have been cancelled.

Stock Option Plan

On April 11, 2011, the Company adopted a new stock option plan under which a maximum number of options granted cannot exceed 5,000,000. Options granted under the Stock Option Plan may be exercised during a period not exceeding ten years from the date of grant. The stock options outstanding as at December 31, 2016 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 beneficiary ceases to be an employee, director or officer and one year for retired directors.

Restricted Share Unit and Performance Share Unit Plan

On November 4, 2015, the Company adopted a new Restricted Share Unit and Performance Share Unit ("PSU") Plan (the "New RSU & PSU Plan"). The New RSU & PSU Plan enables the Company to award eligible participants: (i) phantom RSUs that vest no later than three years following the grant date; and (ii) phantom PSUs that vest after certain periods of time, not exceeding three years, and subject to the achievement of certain performance criteria as determined by the Board of Directors. Such plan provides for the settlement of RSUs and PSUs through either cash or the issuance of common shares of the Company from treasury, for an amount equivalent to the volume weighted average of the trading price of the common shares of the Company on the TSX for the five trading days immediately preceding the applicable RSU vesting determination date or PSU vesting determination date.

For the year ended December 31, 2016, the Company granted 1,245,000 New RSUs (2015 – nil) and 20,000 New RSUs were cancelled (2015 – nil). As at December 31, 2016, 1,225,000 New RSUs were outstanding (2015 – nil).

[1] See Non-IFRS Measures

For the year ended December 31, 2016, the Company granted 500,000 PSUs (2015 – nil) and, as at December 31, 2016, 500,000 PSUs were outstanding (2015 – nil).

The following table presents information concerning all outstanding stock options:

	2016		2015	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
		CA$		CA$
Outstanding, beginning of year	**1,558,345**	**3.74**	1,702,100	4.21
Granted	**1,445,000**	**1.65**	232,000	2.40
Cancelled	**-**	**-**	(75,755)	3.24
Expired	**(142,697)**	**4.90**	(300,000)	5.45
Outstanding, end of year	**2,860,648**	**2.63**	1,558,345	3.74
Exercisable, end of year	**1,311,898**	**3.39**	1,024,324	4.08

Off-Balance Sheet Arrangements

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

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

The following table reflects the contractual maturity of the Company's financial liabilities as at December 31, 2016:

	Carrying amount	1 year	2 years	3 years	Total
	$	$	$	$	$
Trade and accrued liabilities (1)	57,381	57,381	-	-	57,381
Long-term debt	325	325	-	-	325
Convertible debentures	43,157	3,170	3,170	50,474	56,814
Total	100,863	60,876	3,170	50,474	114,520

(1) In 2016, the Company proceeded with a reclassification of $16.04 million from other liabilities to trade and accrued liabilities, for which final settlement is due in April 2017. Based on the agreement, the Company has the option to settle the majority of this amount in kind by the delivery of commercial grade metal currently available from excess and paid inventory, with no significant cashflow impact.

Commitments

The Company rents certain premises and equipment under the terms of operating leases. Future minimum payments excluding operating costs are as follows:

	2016	2015
	$	$
No later than 1 year	**2,044**	2,289
Later than 1 year but no later than 5 years	**4,367**	2,479
Later than 5 years	**-**	364
Total	**6,411**	5,132

As at December 31, 2016, in the normal course of business, the Company contracted letters of credit for an amount of up to $0.7 million and $0.5 million as at December 31, 2015.

Contingencies

In the normal course of operations, the Company is exposed to events that could give rise to contingent liabilities or assets. As at the date of issue of the consolidated financial statements, the Company was not aware of any significant events that would have a material effect on its consolidated financial statements.

Governance

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

Disclosure Controls and Procedures

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

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

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

Internal Control over Financial Reporting

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

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

Changes in Internal Control over Financial Reporting

No changes were made to our ICFR during the fiscal year ended December 31, 2016 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Accounting Policies and Changes

The Company established its accounting policies and methods used in the preparation of its audited consolidated financial statements for the fiscal year 2016 in accordance with IFRS. The Company's significant accounting policies are described in Note 2 of the audited consolidated financial statements for the year ended December 31, 2016. The key assumptions and basis for estimates that management has made under IFRS, and their impact on the amounts reported in the consolidated financial statements and notes, remain substantially unchanged from those described in the Company's audited consolidated financial statements for the fiscal year ended December 31, 2015.

Future Changes in Accounting Policies
The following standards have been issued but are not yet effective:

In May 2014, the IASB issued IFRS 15, "Revenues from Contracts with Customers", to specify how and when to recognize revenue as well as requiring the provision of more information and relevant disclosure. IFRS 15 supersedes IAS 18, "Revenue", IAS 11, "Construction Contracts", and other revenue-related interpretations. The standard will be mandatory on January 1, 2018 for the Company with earlier adoption permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

In July 2014, the IASB amended IFRS 9, "Financial Instruments", to bring together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39, "Financial Instruments: Recognition and Measurement". The standard supersedes all previous versions of IFRS 9 and will be mandatory on January 1, 2018 for the Company with earlier application permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

In January 2016, IASB issued IFRS 16, "Leases", which specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The standard will be mandatory for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

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
Non-financial assets are reviewed for an indication of impairment at each statement of financial position date upon the occurrence of events or changes in circumstances indicating that the carrying value of the assets may not be recoverable which requires significant judgement.

An impairment loss is recognized for the amount by which an asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less cost of disposal and value in use.

An intangible asset and related equipment that are not yet available for intended use are tested for impairment at least annually, which requires also significant judgement. To determine value in use, management estimates expected future cash flows from each asset 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 using the forecasted prices obtained from various sources on the market, and based on the public information on metal available as at December 31, 2016. These assumptions relate to future events and circumstances. The actual results may vary and may cause adjustments to the Company's intangible assets in future periods.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and to asset-specific risk factors. Assets not yet available for intended use have a higher estimation uncertainty, since they depend on future market information, and the Company's ability to finish the project and realize the budgeted earnings. Management believes that the following assumptions are the most susceptible to change and therefore could impact the valuation of the assets in the next year: metal prices which have an impact on revenues and metal margins and the discount rate.

By their nature, assets not yet available for intended use have a higher estimation uncertainty, as they depend on future market development and the Company's ability to commercialize and manufacture new products to realize forecasted earnings. For example, new manufacturing processes may not be scalable to industrial level within expected timeframe and new products might not receive sufficient market penetration. Management believes that the following assumptions are the most susceptible to change and impact the valuation of these assets in time: a) expected significant growth of the market for different metal products (demand), b) selling prices which have an impact on revenues and metal margins (pricing), and c) the discount rate associated with new processes and products (after considering a premium over the Company's weighted average cost of capital (WACC) to reflect the additional uncertainty).

Inventories

Inventories are measured at the lower of cost and net realizable value, with cost determined using 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 future selling prices to change rapidly. The Company evaluates its inventories using a group of similar items basis and considers expected future prices as well as events that have occurred between the consolidated statement of financial position date and the date of the completion of the consolidated financial statements. Net realizable value for inventory to satisfy a specific sales contract is measured at the contract price.

Debenture conversion option

The convertible debentures issued by the Company included conversion and early redemption options, which are considered as Level 3 financial instruments. The derivative is measured at fair value through profit or loss, and its fair value must be measured at each reporting period, with subsequent changes in fair value recorded in the consolidated statement of (loss) earnings. A derivative valuation model is used, and includes assumptions, to estimate the fair value. Detailed assumptions used in the model to determine the fair value of the embedded derivative, upon inception and as at December 31, 2016, are provided in note 12 of the 2016 consolidated financial statements of the Company.

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.

The Company has deferred income tax assets that are subject to periodic recoverability assessments. Realization of the Company's deferred income tax assets is largely dependent on its achievement of projected future taxable income and the continued applicability of ongoing tax planning strategies. The Company's judgments regarding future profitability may change due to future market conditions, changes in tax legislation and other factors that could adversely affect the ongoing value of the deferred income tax assets. These changes, if any, may require a material adjustment of these deferred income tax asset balances through an adjustment to the carrying value thereon in the future. This adjustment would reduce the deferred income tax asset to the amount that is considered to be more likely than not to be realized and would be recorded in the period such a determination was to be made.

Related Party Transactions
The Company's related parties are its joint ventures, directors and executive members. Transactions with these related parties are describes in Notes 8, 23 and 26 in the 2016 consolidated financial statements of the Company.

Financial Instruments and Risk Management

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

The fair value of the derivatives financial instruments was as follows:

	2016	2015
	$	$
Debenture conversion option	**(68)**	(87)
Cross-currency swap	**189**	(1,443)

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 24 of the 2016 consolidated financial statements of the Company.

Interest Rate Risk
Interest rate risk refers to the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company's policy is to limit its exposure to interest rate risk fluctuation by ensuring that a reasonable portion of its long-term debt and convertible debentures are at fixed rate. The Company is exposed to interest rate fluctuations on its revolving credit facility, which bears a floating interest rate. A 1% increase/decrease in interest rates would not have a significant impact on the Company's net earnings.

Foreign Currency Risk
The Company's sales are primarily denominated in U.S. dollars whereas a portion of its 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.

On December 7, 2015, the Company entered into cross-currency swap to hedge cash flows under the CA$ convertible debentures, applying hedge accounting principles to the transaction. In addition, the Company will occasionally enter into foreign exchange forward contracts to sell US dollars in exchange for Canadian dollars and Euros. These contracts would hedge a portion of ongoing foreign exchange risk on the Company's cash flows since much of its non-US dollar expenses are incurred in Canadian dollars and Euros. The Company will also enter into foreign exchange contracts to sell Euros for US dollars.

The following table summarizes in US dollar equivalents the Company's major currency exposures as at December 31, 2016:

	CA$	EUR	GBP	RMB	Other
	$	$	$	$	$
Cash and cash equivalents	498	1,556	448	652	395
Accounts receivable	520	7,733	743	3,428	1,101
Trade and accrued liabilities	(6,618)	(9,941)	(3,506)	(4,127)	(1,084)
Long-term debt	(325)	-	-	-	-
Net financial assets (liabilities)	(5,925)	(652)	(2,315)	(47)	412

The following table shows the impact on earnings before income tax of a five-percentage point strengthening or weakening of foreign currencies against the US dollar as at December 31, 2016 for the Company's financial instruments denominated in non-functional currencies:

	CA$	EUR	GBP	RMB	Other
	$	$	$	$	$
5% Strengthening	(296)	(33)	(116)	(2)	21
5% Weakening	296	33	116	2	(21)

Credit Risk

Credit risk refers to the possibility that a customer or counterparty will fail to fulfill its obligations under a contract and, as a result, create a financial loss for the Company. The Company has a large number of clients and is no longer dependent on a specific client. The Company has a credit policy that defines standard credit practice. This policy dictates that all new customer accounts be reviewed prior to approval and establishes the maximum amount of credit exposure per customer. The creditworthiness and financial well-being of the customer are monitored on an ongoing basis.

The Company establishes an allowance for doubtful accounts as determined by management based on its assessment of recoverability; therefore, the carrying amount of accounts receivable generally represents the maximum credit exposure. As at December 31, 2016 and 2015, the Company has an allowance for doubtful accounts of $0.1 million and $0.5 million respectively. The provision for doubtful accounts, if any, is included in selling, general and administrative expenses in the consolidated statement of (loss) earnings, and is net of any recoveries that were provided for in prior periods.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages liquidity risk through the management of its capital structure. It also manages liquidity risk by continually monitoring actual and projected cash flows, taking into account the Company's sales and receipts and matching the maturity profile of financial assets and financial liabilities. The Board of Directors reviews and approves the Company's annual operating and capital budgets as well as any material transactions out of the ordinary course of business, including proposals on acquisitions and other major investments. Under the terms of its credit facility, the Company is required to satisfy certain restrictive covenants. In order to comply with these covenants, the Company will need to execute on its EBITDA and cash flow estimates. Management believes that the assumptions used by the Company in preparing its estimates are reasonable. However, risk remains. Successful achievement of these estimates 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.

Risk and Uncertainties

We are 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.

Risks Associated with our Growth Strategy
5N Plus' strategic plan is designed to enhance profitability while reducing earnings volatility and is founded on three pillars of growth: first, optimizing balance of contribution from upstream and downstream activities; second, extracting more value from core businesses and global asset; and third, delivering quality growth from both existing and future M&A opportunities. There is a risk that some of the expected benefits will fail to materialize, or may not occur within the time periods anticipated by management. The realization of such benefits may be affected by a number of factors, many of which are beyond our control.

International Operations
We operate in a number of countries, including China and Laos, 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 and tax systems, the potential for volatile economic and labor conditions, political instability, foreign exchange, expropriation, changes in taxes, 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.

International Trade Regulations
We do business in a number of countries from various locations, as such, face risks associated with changes to International trade regulations and policies. Such risks, included but are not limited to, barriers to or restrictions on free trade, changes in taxes, tariffs and other regulatory costs. Although we operate primarily in countries, with proximity to our clients and suppliers, and with relatively stable economic and political climates, there can be no assurance that our business will not be adversely affected by the risks inherent to the changing international political landscape and its impact on global trade.

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.

Competition Risk
We are the leading producer of specialty metal and chemical products and have a limited number of competitors, few of which are as fully integrated as we are or have a similar range of products. Accordingly, they have limitation to provide the same comprehensive set of services and products as we do. However, there can be no guarantee that this situation will continue in the future and competition could arise from new low-cost metal refiners or from certain of our customers who could decide to backward integrate. Greater competition could have an adverse effect on our revenues and operating margins if our competitors gain market share and we are unable to compensate for the volume lost to our competition.

Commodity Price Risk
The price we pay for, and availability of, various inputs fluctuates due to numerous factors beyond our control, including economic conditions, currency exchange rates, global demand for metal products, trade sanctions, tariffs, labor costs, competition, over capacity of producers and price surcharges. Fluctuations in availability and cost of inputs may materially affect our business, financial condition, results of operations and cash flows. To the extent that we are not able to pass on any increases, our business, financial condition, results of operations and cash flows may be materially adversely affected.

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.

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.

Inventory Price Risk

We monitor the risks associated with the value of our inventories in relation to the market price of such inventories. Because of the highly illiquid nature of many of our 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.

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.

Dependence on Key Personnel

We rely on the expertise and know-how of its personnel to conduct our 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. We cannot provide assurance that we will be able to attract and retain qualified personnel when needed.

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, walkouts or lock-outs, potentially affecting our performance.

Risks Associated with Public Issuer Status

Our shares are publicly traded and, as such, we are subject to all of the obligations imposed on "reporting issuers" under applicable securities laws in Canada and all of the obligations applicable to a listed company under stock exchange rules. Another risk associated with a public issuer status is the disclosure of key Company information as compared to privately owned competitors.

Non-IFRS Measures

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

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

EBITDA means net earnings (loss) before interest expenses (revenues), income taxes, depreciation and amortization. We use EBITDA because we believe it is a meaningful measure of the operating performance of our ongoing business without the effects of certain expenses. The definition of this non-IFRS measure used by the Company may differ from that used by other companies.

EBITDA margin is defined as EBITDA divided by revenues.

Adjusted EBITDA means EBITDA as defined above before impairment of inventories, allowance for doubtful of a receivable from a related party, litigation and restructuring costs, gain on disposal of property, plant and equipment, change in fair value of debenture conversion option, foreign exchange and derivatives loss (gain). We use adjusted EBITDA because we believe it is a meaningful measure of the operating performance of our ongoing business without the effects of inventory write-downs. The definition of this non-IFRS measure used by the Company may differ from that used by other companies.

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

Adjusted net earnings (loss) means the net earnings (loss) before the effect of charge of impairment related to inventory, PPE and intangible assets, impairment of goodwill, allowance for doubtful of a note receivable from a related party, litigation and restructuring costs, change in fair value of debenture conversion option net of the related income tax. We use adjusted net earnings (loss) because we believe it is a meaningful measure of the operating performance of our ongoing business without the effects of unusual inventory write-downs and property plant and equipment, intangible asset impairment charges, allowance for doubtful of a receivable from a related party, litigation and restructuring costs and change in fair value of debenture conversion option. The definition of this non-IFRS measure used by the Company may differ from that used by other companies.

Basic adjusted net earnings (loss) per share means adjusted net earnings (loss) divided by the weighted average number of outstanding shares. We use basic adjusted net earnings (loss) per share because we believe it is a meaningful measure of the operating performance of our ongoing business without the effects of unusual inventory write-downs and property plant and equipment and intangible asset impairment charges, allowance for doubtful of a receivable from a related party, litigation and restructuring costs and change in fair value of debenture conversion option per share. The definition of this non-IFRS measure used by the Company may differ from that used by other companies.

Funds (used in) from operations means the amount of cash generated from operating activities before changes in non-cash working capital balances related to operations. This amount appears directly in the consolidated statements of cash flows of the Company. We consider funds (used in) from operations to be a key measure as it demonstrates the Company's ability to generate cash necessary for future growth and debt repayment.

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

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

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

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

Additional Information

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

Metal Prices

(in U.S. dollars per kilo)

Source: Low Metal Bulletin

Selected Quarterly Financial Information

As at and for the three months ended:[1]

(in thousands of United States dollars except per share amounts)	Dec. 31, 2016	Sept. 30, 2016	June 30, 2016	Mar. 31, 2016	Dec. 31, 2015	Sept. 30, 2015	June 30, 2015	Mar. 31, 2015
	$	$	$	$	$	$	$	$
Revenue	54,704	55,491	57,435	63,868	59,367	68,732	87,250	95,663
EBITDA[1]	4,803	2,066	5,358	2,884	(26,000)	(26,136)	(5,966)	3,406
Adjusted EBITDA[1]	4,331	6,816	4,714	4,250	674	1,052	1,963	270
Net (loss) earnings attributable to equity holders of 5N Plus	158	(4,232)	86	(1,907)	(42,615)	(32,171)	(20,463)	(1,949)
Basic loss per share attributable to equity holders of 5N Plus	$-	($0.05)	$-	($0.02)	($0.51)	($0.38)	($0.24)	($0.02)
Net (loss) earnings	158	(4,232)	87	(1,909)	(42,615)	(32,171)	(20,464)	(1,951)
Basic loss per share	$-	($0.05)	$-	($0.02)	($0.51)	($0.38)	($0.24)	($0.02)
Diluted loss per share	$-	($0.05)	$-	($0.02)	($0.51)	($0.38)	($0.24)	($0.05)
Adjusted net (loss) earnings[1]	148	2,298	45	(653)	(12,966)	(5,652)	(6,125)	(2,472)
Basic adjusted net loss per share[1]	$-	$0.03	$-	($0.01)	($0.15)	($0.07)	($0.07)	($0.03)
Funds from operations[1]	5,256	238	4,521	2,471	(5,734)	(620)	(1,482)	(2,015)
Backlog[1]	136 days	148 days	157 days	145 days	158 days	134 days	137 days	142 days

Selected Yearly Financial Information

As at and for the years ended December 31 (in thousands of United States dollars except per share amounts)	2016	2015	2014
	$	$	$
Revenue	231,498	311,012	508,195
EBITDA	15,111	(54,696)	39,444
Adjusted EBITDA	20,011	3,959	35,045
Net (loss) earnings attributable to equity holders of 5N Plus	(5,895)	(97,198)	10,812
Basic (loss) earnings per share attributable to equity holders of 5N Plus	($0.07)	($1.16)	$0.13
Net (loss) earnings	(5,896)	(97,201)	10,673
Basic (loss) per share	($0.07)	($1.16)	$0.13
Diluted loss per share	($0.07)	($1.16)	$0.05
Adjusted net (loss) earnings	1,838	(27,215)	10,636
Basic adjusted net loss per share	$0.02	($0.32)	$0.13
Funds from operations	12,486	(9,851)	17,592
Backlog	136 days	158 days	122 days
Balance Sheet			
Total assets	219,057	220,737	399,531
Total non-current liabilities	64,415	78,335	135,100
Net debt[1]	18,992	34,862	84,007
Shareholders' equity	88,522	96,632	196,443

[1] See Non-IFRS Measures