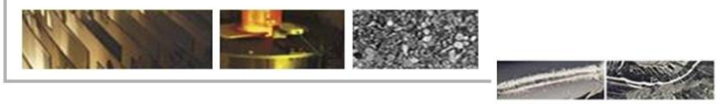
99,99 %
99,999 %
99,9999 %
99,99999 %



First Quarter Report

For the three-month period ended August 31, 2008

Management's Discussion and Analysis

Scope of Financial Management's Analysis

This Management's Discussion and Analysis ("MD&A") of the operating results and the financial position is intended to assist readers in understanding 5N Plus Inc. ("the Company"), its business environment and future prospects. This MD&A should be read in conjunction with the Company's consolidated financial statements and the accompanying notes for the three-month period ended August 31, 2008 and with the most recent audited consolidated financial statements. Information contained herein includes any significant developments to October 06, 2008. All amounts are expressed in Canadian dollars. The financial information included in this MD&A is based on the Company's accounting policies that are in compliance with Canadian generally accepted accounting principles ("GAAP"). Unless otherwise indicated, the terms "we", "us" and "our" as used herein refer to the Company together with its subsidiary.

The preparation of consolidated financial statements requires the Company's management to make estimates and judgments that affect the amounts recorded as assets, liabilities, shareholders' equity, sales and expenses. These assumptions are revised on a regular basis by the Company, based on historical results and new events.

The Company's management is responsible for maintaining appropriate control systems, procedures and information systems, thereby ensuring that the information it discloses is reliable and complete. The Company applies financial information disclosure rules and takes the necessary actions to comply with new accounting standards once they come into force. The Company also applies the standards set by the capital markets regulatory authorities. No material changes were made to internal control over financial information during the three-month period ended August 31, 2008 that could have had a significant impact or that could have been reasonably believed to have a significant impact on internal control over financial reporting.

Non-GAAP Measures

In this MD&A, the Company's management uses certain measures which are not in accordance with GAAP and cannot be formally presented in financial statements. These include EBITDA, gross profit and gross profit ratio, working capital and current ratio. EBITDA means earnings before financing costs, interest income, income taxes, depreciation and start-up costs. Gross profit means sales less cost of goods sold, and gross profit ratio means gross profit divided by sales. Working capital means current assets minus current liabilities, and current ratio means current assets divided by current liabilities. The definition of these non-GAAP measures used by the Company may differ from that used by other companies.

Forward-Looking Statements and Disclaimer

Certain statements in this MD&A may be forward-looking. Forward-looking 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. The Company disclaims any intention or obligation to update or revise any forward-looking statements in order to account for any new information or any other event. The reader is warned against undue reliance on these forward-looking statements.

Highlights

- For the first fiscal quarter ended August 31, 2008 another consecutive record quarter was recorded with substantial increases up to record levels in net earnings, EBITDA and sales. Net earnings reached $4,329,085 or $0.10 per share, which is 293.8% higher than the net earnings of $1,099,256 or $0.04 per share, for the first quarter of the previous fiscal year. EBITDA was up by 194.6%, to a level of $6,169,004 from $2,093,758 during the first quarter of the previous fiscal year. Sales were increased by 119.4% to $14,029,875, up from $6,394,473 for the first quarter of the previous fiscal year.

- Operations began at our German facility on July 29, 2008 allowing us to meet our contractual obligations, which called for commercial operations to be achieved by July 31, 2008.

- The supply agreements with First Solar for both our Montreal and German facilities were extended until July 31, 2012. This extension also includes an increase of 50% in the minimum prescribed quantities of cadmium telluride ("CdTe") that must be procured and a modification to the definition of the "change of control" clause contained in these agreements.

- As at August 31, 2008, the backlog of orders expected to translate into sales within the next 12 months stood at a record level of $53,646,727 which is 119.7% higher than the corresponding backlog of $24 423 498 one year earlier.

To our shareholders

We (TSX:VNP) are pleased to report the results of the first quarter of our 2009 fiscal year with record breaking levels for earnings, EBITDA and sales. This quarter has been characterized by continuing strong operational performance and our ability to execute and begin operations at our German facility according to schedule. Both factors have enabled us to improve sales while maintaining strong margins. Demand for our products continued to increase in the quarter as reflected by the strong increase in our twelve month backlog of orders which reached a record level of $53,646,727 at the end of the quarter. We also managed to extend and increase our supply agreements with our key customer. We believe that this is a strong indication of the forthcoming widespread deployment of CdTe solar cells which should lead to further increases in the demand for the products we manufacture.

We are also extremely pleased by the performance of our German facility which positively contributed to our financial results during the quarter. Production at this facility began as planned on July 29, 2008 and we are now fully qualified and have begun deliveries to our key customer. I would like to thank our German employees as well as many of their Canadian counterparts who have been instrumental in the commissioning of the facility and its operation.

In spite of the current financial turbulences, we would like to reassure our investors on our ability to execute our growth plan. With an exceptionally strong balance sheet, we remain very well positioned to take advantage of both organic growth and accretive acquisition opportunities.

Jacques L'Écuyer
President and Chief Executive Officer

Corporate Overview and Business

5N Plus Inc. draws its name from the purity of its products, 99.999% (five nines or 5N) and more. We have our head office in Montreal, Québec, and develop and produce high-purity metals and compounds for electronic applications and provide our customers with recycling solutions. We are an integrated producer with both primary and secondary refining capabilities. We focus on specialty metals such as tellurium, cadmium and selenium and on related compounds such as cadmium telluride and cadmium sulphide ("CdS"). Our products are critical precursors in a number of electronic applications, including the rapidly-expanding solar (thin-film photovoltaic) market, for which we are a major supplier of CdTe and the radiation detector market.

Business Strategy

Our goal is to accelerate the growth of our cadmium, selenium and tellurium metals and compounds business in order to meet the increasing demand for these products, in particular in the photovoltaic and medical imaging markets. In doing so, our objective is to maintain our leading position in these rapidly-expanding markets and leverage our competitive strengths to diversify our product offering and enter into new electronic-materials market segments. To accomplish this, our highest-level strategy includes investments in both training and research and development, to develop advantages in terms of competencies, technology and costs.

Significant Events

Start-up of German facility

We began operations at our German facility on July 29, 2008 and in doing so met our contractual obligations which called for commercial operations to be achieved by July 31, 2008. The facility is owned and operated by 5N PV GmbH, a wholly-owned German subsidiary of 5N Plus, and is located in Eisenhüttenstadt, in the state of Brandenburg. CdTe from this facility is now qualified and shipments were made during the quarter. We also began recycling activities at our facility.

Amendments to supply agreements with First Solar

We extended our two supply agreements with First Solar, Inc., under which were are to provide CdTe and CdS to First Solar, until July 31, 2012, representing approximately one additional year. The extension applies to both 5N Plus' German and Montreal facilities. The agreements have also been amended to increase by 50% the minimum prescribed quantities of CdTe to be ordered by First Solar for most of the remaining term of the agreements. In addition, the definition of "change of control", which allows First Solar to exercise a purchase option over 5N Plus' German assets in certain circumstances, has been materially amended. As amended, a "change of control" will now occur only when a party acquires 50% or more of the issued and outstanding shares of 5N Plus.

Quarterly Financial Data

(in Canadian dollars)

	2009	2008				2007		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Sales	14,029,875	9,423,908	8,358,817	6,795,743	6,394,473	6,549,412	5,554,737	4,889,938
Gross profit	7,631,824	5,615,838	4,454,138	3,276,379	2,977,434	3,106,722	2,135,263	2,110,620
EBITDA	6,169,004	4,646,476	3,423,415	2,318,111	2,093,758	2,488,087	1,767,318	1,553,343
Net earnings	4,329,085	3,178,621	2,268,712	1,219,548	1,099,256	1,222,428	798,073	867,255
Earnings per share								
Basic	$ 0.10	$ 0.08	$ 0.06	$ 0.04	$ 0.04	$ 0.04	$ 0.03	$ 0.03
Diluted	$ 0.09	$ 0.08	$ 0.06	$ 0.04	$ 0.03	$ 0.04	$ 0.02	$ 0.03

Results of Operations

Introduction

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

Our customer base includes manufacturers of thin-film solar cells, original equipment manufacturers (OEM), and Tier 1 and 2 suppliers which provide consumables, components or sub-assemblies. Our customers are located primarily in the United States, Europe, Israel and Asia. Three customers accounted for 84 % of our sales during the quarter ended August 31, 2008.

Sales, Gross Profit, Net Earnings and Earnings per Share
(all numbers are in Canadian dollars unless otherwise stated)

Summary			
Three months ended August 31	**2008**	2007	Increase
Sales	**$ 14,029,875**	$ 6,394,473	119.4%
Gross profit	**$ 7,631,824**	$ 2,977,434	156.3%
Gross profit ratio	**54.4%**	46.6%	
Net earnings	**$ 4,329,085**	$ 1,099,256	293.8%
Earnings per share	**$ 0.10**	$ 0.04	

Sales for the first quarter ended August 31, 2008 reached a record level of $14,029,875 up by 119.4% over sales of $6,394,473 for the corresponding period of the previous fiscal year. This increase in sales is mainly attributable to an increase in sales of CdTe and cadmium zinc telluride ("CZT") to the photovoltaic (solar module) and radiation detector markets and to an increase in the average selling price following a reduction in the relative amounts of custom refining or "tolling" where we incur no cost for raw materials. Sales into markets other than photovoltaic and radiation detector were relatively stable.

Gross profit reached $7,631,824 in the first quarter ended August 31, 2008, corresponding to a gross profit ratio of 54.4%. This compares with a gross profit of $2,977,434 for the previous fiscal year and a gross profit ratio of 46.6%. These improvements in both gross profit and gross profit ratio continue to reflect increased sales and general improvements in efficiency, scalability and production throughput. Margins at our new German facility were relatively in line with those of our Montreal facility as production and shipments began in accordance to plan.

Net earnings for the first quarter ended August 31, 2008 also reached a record level of $4,329,085 ($0.10 per share) representing a 293.8% increase over net earnings of $1,099,256 ($0.04 per share) for the first quarter of the previous fiscal year. Earnings per share for the current fiscal year are calculated based on a weighted average number of common shares outstanding of 45,500,000 for the first quarter. Earnings per share for the previous fiscal year are calculated based on a weighted average number of common shares of 29,635,954.

This increase in net earnings is primarily the result of an increase in gross profit. Other positively impacting factors include reduced research and development and financial expenses, as well as interest income generated during the first quarter from the investment of funds raised during the initial public offering and the bought-deal equity financing. These positively-contributing factors were only partially offset by increased selling and administrative, depreciation and start-up costs expenses.

Selling and Administrative and Research and Development Expenses
(all numbers are in Canadian dollars unless otherwise stated)

	Summary	
Three months ended August 31	**2008**	2007
Selling and Administrative expenses	**$ 1,187,267**	$ 471,961
Percentage of sales	***8.5%***	*7.4%*
Research and Development expenses (net of tax credits)	**$ 225,212**	$ 411,715
Percentage of sales	***1.6%***	*6.4%*

Selling and administrative expenses were $1,187,267 or 8.5% of sales for the first quarter ended August 31, 2008, and $471,961 or 7.4% for the corresponding period of the previous fiscal year. This significant increase is primarily related to the fact the company is publicly traded only since December 20, 2007 and was not therefore in the corresponding period of our previous fiscal year. The current level of selling and administrative expenses, reflecting significant additions to our management team and increased legal, auditing and consulting fees, is more consistent with that of publicly-traded companies.

Research and development expenses, net of tax credits, were $225,212 or 1.6% of sales in the first quarter ended August 31, 2008, compared to $411,715 or 6.4% of sales for the first quarter of the previous fiscal year. The increased level of research and developments expenses in the first quarter of the previous fiscal year was related to efforts made to develop a new product line, which has since been qualified. As a percentage of sales, current levels of research and development are consistent with anticipated levels and are lower than in the corresponding period of the previous fiscal year primarily because of increases in sales.

Reconciliation of EBITDA and Net Earnings

(all numbers are in Canadian dollars unless otherwise stated)

Summary			
Three months ended August 31	**2008**	2007	Increase
Net earnings	**$ 4, 329,085**	$ 1,099,256	293.8%
PLUS:			
Income taxes	**1,970,641**	545,092	
Financial expenses & Interest income	**(710,464)**	136,767	
Depreciation	**373,352**	241,302	
Expensed start-up costs	**206,390**	71,341	
EBITDA	**$ 6,169,004**	$ 2,093,758	194.6%

EBITDA was $6,169,004 for the first quarter ended August 31, 2008, an increase of 194.6% when compared with EBITDA of $2,093,758 for the corresponding period of the previous fiscal year. EBITDA increased at a lower rate than net earnings because it was not positively impacted by reduced financing expenses and interest income but otherwise reflects the increasing sales and general improvements in efficiency, scalability and production throughput.

Financial Expenses, Interest Income, Depreciation, Start-up Costs and Income Taxes

The combined financial expenses and interest income netted a gain of $710,464 for the first quarter of the current fiscal year, as we incurred a foreign exchange gain of $247,962 and an increase in fair value of foreign currency forward contract of $138,213 in addition to interest income of $409,177. This compares favorably with expenses of $136,767 for the first quarter of the previous fiscal year with a $21,273 foreign exchange loss and no interest income.

Depreciation expenses for the quarter increased by 54.7%, from $241,302 to $373,352 as a result of the depreciation for the capital expenditures made at the Montreal and German facilities in the previous fiscal year. We also began amortizing capitalized start-up costs by an amount of $50,341 corresponding to one month of operation based on a 24 month linear depreciation schedule. Expensed start-up costs for the quarter were $206,390 and we capitalized deferred costs of $376,306 which correspond to the start-up costs incurred in June and July related to the German facility. This compares with expensed start-up costs incurred in the first quarter of the previous fiscal year of $71,341, a period where no start-up costs were capitalized. Our new German facility now being operational, costs associated with this facility which could be considered as start-up costs are, as of August 1, 2008, no longer capitalized.

Income taxes were $1,970,641 for the first quarter compared to $545,092 for the corresponding period of the previous fiscal year. These figures correspond to effective tax rates of 31.3% and 33.1% respectively. This decrease in our effective tax rate is attributable to the lower tax rate of our German facility which generated taxable income for the first time in the first quarter of the current fiscal year.

Liquidity and Capital Resources

(all numbers are in Canadian dollars,except for current ratio)

Balance sheet

	As at			
		August 31, 2008		May 31, 2008
Working capital	**$**	**72,406,899**	$	71,921,979
Current ratio		***9.4***		*7.3*
Property, plant and equipment	**$**	**25,024,823**	$	21,220,889
Total assets	**$**	**110,125,649**	$	108,334,189
Total debt	**$**	**6,071,960**	$	6,786,312
Shareholders' equity	**$**	**96,273,985**	$	91,553,930

Working Capital and Current Ratio

Our working capital and current ratio increased during the quarter reflecting strong cash generation from operations. Working capital increased to $72,406,899 on August 31, 2008 up from $71,921,979 on May 31, 2008 in spite of having made significant capital expenditures during the quarter bringing our net property, plant and equipment assets to $25,024,823 up from $21,220,889. Other balance sheet items having a material impact on the working capital and the observed changes included cash, prepaid expenses and deposits, inventories and accounts payable. Prepayment of $710,870 for raw-materials shipment was made in August 2008. Current ratio also increased to 9.4, up from 7.3 as we reduced our short term liabilities from $11,351,719, on May 31, 2008, to $8,628,779, on August 31, 2008.

As at August 31, 2008, our cash position was of $50,180,020 down from $59,576,743 on May 31, 2008. This results primarily from an increase in inventory levels of $6,192,494, an increase in our property, plant and equipment assets of $3,944,867 and a decrease in our accounts payable of $1,703,837, all of which were partially offset by the earnings of the quarter. The rise in inventory levels is primarily related to an increase in our raw-materials inventory which increased from $9,809,207 to $14,434,263 as we aim to further strengthen our supply chain, and to a lesser extent in our inventory of finished goods reflecting the relative decrease in tolling volumes and the corresponding increase in average unit cost.

Property, Plant and Equipment and Deferred Start-up Costs

Out of the $3,944,867 of capital expenditures incurred during the quarter, $2,472,852 were associated with our new German facility and $1,472,015 for our Montreal facility. Our new German facility now being operational, we expect capital expenditure levels associated with this facility to significantly decrease in the future. Capital expenditures made at our Montreal facility continue to be primarily aimed at improving capacity and plant efficiency in an effort that we plan on pursuing over the forthcoming quarters.

We capitalized a total of $1,197,314 in start-up costs associated with our new German facility and $376,306 during the quarter. As at August 31, 2008 capitalized start-up costs amounted to $1,146,973 following a depreciation of $50,341 of these expenses in the quarter for the month of August.

Total Debt and Deferred Revenue

Total debt decreased from $6,786,312 to $6,071,960 during the quarter as we decreased our bank loan and paid off long term debt. Deferred revenue is associated with a subsidy of 540 000 Euros provided to our German subsidiary 5N PV GmbH to promote employment in the city of Eisenhüttenstadt. As at August 31, 2008, an amount of 49 584 Euros (26 042 Euros in the current quarter) was recognized as revenues.

Shareholders' Equity

Shareholders' equity stood at $96,273,985 or 87.4% of total assets on August 31, 2008. This compares favorably with $91,553,930 or 84.5% of total assets on May 31, 2008 further illustrating the contribution of the strong net earnings incurred during the quarter. On June 1, 2008, the Company has considered its subsidiary to be self-sustaining. Accordingly, foreign exchange gains and losses arising from the translation of the foreign subsidiary's accounts into Canadian dollars are deferred and reported as cumulative foreign currency translation adjustment in the equity section of the Consolidated Balance Sheets, as set out in note 6a of our Consolidated Interim Financial Statements.

Cash Flow

The following table provides an overview of our cash flows for the periods indicated:
(all numbers are in Canadian dollars)

	Summary	
Three months ended August 31	**2008**	2007
Operating activities [1] Add: Net change in non-cash working capital items	**$ 5, 078,347** **(8, 537,110)**	$ 1,457,097 (2,140,503)
Operating activities (total)	**(3,458,763)**	(683,406)
Financing activities	**(643,286)**	1,890,191
Investing activities	**(5,294,674)**	(797,791)
Net (decrease) increase in cash and cash equivalents	**$ (9,396,723)**	$ 408,994

[1] *Before net change in non-cash working capital items*

Cash flow from operating activities before changes in non-cash working capital items for the quarter ended August 31, 2008 was $5,078,347, an increase of 248.5% over the $1,457,097 for the corresponding quarter of the previous fiscal year. This increase is essentially accounted for by the increase in net earnings. Net working capital requirements continued to increase and were significantly higher in the quarter than in the corresponding period of the previous fiscal year, reaching $8,537,110 up from $2,140,503. This is primarily caused by the increase in inventory levels both in raw materials, as we strengthen our supply chain, and finished goods as sales volumes and average unit costs increase, in the latter instance as a result of the relative decrease in tolling volumes.

Cash flow from financing activities consumed $643,286 in the first quarter as we reduced our bank loan and continued to pay back long term debt and other long term liabilities. This compares with a positive cash generation from financing activities in the first quarter of the previous fiscal year resulting primarily from an increase of $3,400,000 in our long term debt.

Cash consumed in investing activities continued to be substantial as we invested in our new German facility, which became operational on July 29, 2008, and in our Montreal facility. Total investments reached $5,294,674 for the first quarter which compares with investments of only $797,791 in the corresponding period of the previous fiscal year as construction of our new German had just begun and investments at our Montreal facility were also lower.

Our cash position decreased by $9,396,723 in the first quarter and reached a level of $50,180,020 as at August 31, 2008. This compares very favorably with our cash position of $1,935,926 one year earlier, on August 31, 2007. We believe that this amount of cash combined with the cash flow from our operations will be sufficient to fund our working capital and capital expenditure requirements, as well as enable us to aggressively pursue our growth plan.

Contractual Obligations

Other than the amendments to our supply agreements with First Solar, there were no major changes in the Company's contractual obligations during the first quarter of fiscal 2009. For further information, the reader is referred to our most recent audited consolidated financial statements.

Accounting Policies

The accounting policies are in accordance with those used in the preparation of the audited consolidated financial statements as at May 31, 2008, with the exception of the accounting changes listed below.

On June 1, 2008, the Company has considered its foreign subsidiary to be self-sustaining. Accordingly, foreign exchange gains and losses arising from the translation of the of the foreign subsidiary's accounts into Canadian dollars are deferred and reported as cumulative foreign currency translation adjustment in the equity section of the Consolidated Balance Sheets.

Changes in Accounting Policies

On June 1, 2008, the Company adopted the following new accounting policies issued by the Canadian Institute of Chartered Accountants ("CICA").

- Section 1400, "General Standards on Financial Statement Presentation", has been amended to include requirements to assess and disclose an entity's ability to continue as a going concern.

- Section 1535, "Capital disclosures" establishes standards for disclosing information about an entity's capital and how it is managed. It describes the disclosure of the entity's objectives, policies and processes for managing capital as well as summary quantitative data on the elements included in the management of capital. The section seeks to establish whether the entity has complied with capital requirements and if not, the consequences of such non-compliance.

- Section 3031, "Inventories", provides guidance on the determination of cost and the subsequent recognition as an expense, including any write-down to net realizable value.

The standard also permits the reversal of previous write-downs when there is a subsequent increase in the value of inventories. Finally, the standard provides guidance on the cost formulas that are used to assign costs to inventories and requires the consistent use of inventory policies by type of inventory with similar nature and use.

- Section 3862, "Financial Instruments - Disclosures", describes the required disclosures to evaluate the significance of financial instruments for the entity's financial position and performance as well as the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks.

- Section 3863, "Financial Instruments - Presentation", establishes standards for the presentation of financial instruments and non-financial derivatives. It details the presentation of standards described in Section 3861, "Financial Instruments - Disclosure and Presentation".

The adoption of these new standards did not significantly impact our current financial position or results of operations.

Future accounting policies

In January 2008, the CICA issued Section 3064 "Goodwill and Intangible Assets", which replaces Section 3062 "Goodwill and Others Intangible Assets", and results in the withdrawal of Section 3450 "Research and Development Costs", and Emerging Issues Committee Abstract 27 "Revenues and Expenditures during the Pre-operating Period", and amendments to Accounting Guideline No 11 Enterprises in the Development Stage. The standard provides guidance on the recognition of intangible assets in accordance with the definition of an asset and the criteria for asset recognition as well as clarifying the application of the concept of matching revenues and expenses, whether these assets are separately acquired or internally developed. This standard applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. The deferred start-up costs as at May 31, 2009 are estimated at $698,000 and will be written-off as a result of the adoption of this new standard.

In 2005, the Accounting Standards Board of Canada announced that accounting standards in Canada are to converge with International Financial Reporting Standards ("IFRS"). In May 2007, the CICA published an updated version of its "Implementation Plan for Incorporating International Financial Reporting Standards" into Canadian GAAP. This plan includes an outline of the key decisions that the CICA will need to make as it implements the Strategic Plan for publicly accountable enterprises that will converge Canadian GAAP with IFRS. In February 2008, the CICA confirmed the change over date from current Canadian GAAP to IFRS to be January 1, 2011. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policies which must be addressed. As of today, we have not evaluated the impact of these new standards.

Order Backlog

The backlog of orders which are expected to translate into sales within the next 12 months significantly strengthened during the quarter and reached a level of $53,646,727 as at August 31, 2008 which is 119.7% higher than the corresponding backlog of $24 423 498 as at August 31, 2007.

Risk Factors

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. The reader is referred to the risk factor section described in the 2008 Annual Information Form and Annual Report.

Others

Our common shares are traded on the Toronto Stock Exchange (TSX) under the ticker symbol "VNP". Financial information on the Company is available on the Sedar Web site at www.sedar.com.