

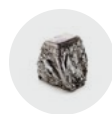
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Germanium
substrate

Space
solar power



Bismuth
chemicals

Pigments



Cadmium
telluride

Thin film
solar modules



Micron size
metallic powder

Solder powder

A decorative graphic on the left side of the page consists of several overlapping circles in various shades of gray. The largest circle is light gray and occupies the upper left quadrant. Below it, there are two smaller circles, one medium gray and one dark gray, which overlap each other and the larger circle. The overall effect is a modern, minimalist design.

Our Vision

Sustainable growth through
innovation and product excellence.

Message to Shareholders

Dear shareholders,

Another year in which we have made great strides towards our stated objectives of realigning our organization for more growth in value-added opportunities. This alignment first implies a will, which has been articulated in a clear message conveyed throughout our organization, then a strategy, and corresponding roadmap that each employee can relate to, and finally an ability to execute.

Our conveyed message is all around **sustainable growth**, recognizing the need to grow and the numerous opportunities which are increasingly presenting themselves to a materials' company such as ours. Addressing relatively open-ended markets and taking advantage of our unique positioning in minor metals, we have and will continue to grow, building on our global platform, with operations and extensive commercial activities throughout the world, and our unique set of technical competencies. Our ability to grow is perhaps best appreciated by looking at our track record over the last five years in which our revenues grew from \$31 million to \$459 million or 1381%, enabling us to be amongst the Deloitte Fast 500™ for a fourth consecutive year, in line with several growth icons such as Tesla and Facebook, ranking 101st in North America, 5th in Canada and number one in Quebec.



Although revenues actually fell in 2013 when compared to 2012, largely as a result of decreasing prices in underlying commodities, 2013 still remained in many respects a year of growth with record shipments of our bismuth products, our most significant product by volume, and our germanium substrates for satellite power applications, as well as increases in market share for most products in our electronic materials business unit. We also announced during the year commissioning of our new facility in Korea, further highlighting our growth ambitions as we expand our Asian footprint. 2013 was also a year in which we introduced several new products including zinc telluride for solar modules, lead nitrate for the mining industry and some new bismuth chemical formulations for both industrial and pharmaceutical applications. We were also able to build more sustainability in our business practices throughout the year and hence provide a more solid foundation for future growth.

With respect to strategy, we have crafted an approach based on **increasing value-added** products and processes that we believe will provide better financial performance and improve predictability, enabling us to create more value for our shareholders. Leveraging our strong commercial leadership in minor metals, we intend to develop both a stronger foothold in terms of supply and increase the complexity of our products and product offering.



We made progress on both fronts in 2013. On one hand we entered into an exclusive bismuth off-take agreement with Masan Resources through their Nui Phao mine located in Vietnam and we also strengthened our relationship with several of our suppliers throughout the world. On the other hand, we expanded our efforts in the semiconductor substrate business, increasing our ownership in Sylarus to 100%, and also entered the fine metal powder business through our partnership with, and soon to be completed acquisition of AM&M. We intend to devote significant resources to rapidly expand these businesses which hold great promise. Through our Sylarus platform, which has been renamed 5N Plus Semiconductors, we intend to both grow our existing germanium and III-V semiconductor substrate business, as well as leverage our skillset in crystal growth to other material systems. As for our fine metal powder business we see great promise in not only existing markets, such as metals pastes and inks for electronic packaging applications, but also in new applications such as additive manufacturing and 3D printing.

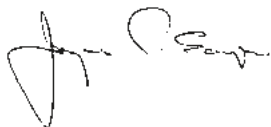
In terms of execution, we have focused on **improving efficiency** and intend on continuing to do so as we have yet to reach our stated objectives and thus reap the full benefits of this exercise. We believe this requires streamlining and consolidation of some sites, a task that was undertaken in 2013 with the closure of our Trail operations and their relocation for the most part to St-George, Utah within 5N Plus Semiconductors. We also believe that improvements in our management systems, including supply chain management and costing will enable us to further reduce our costs and working capital. This focus on reducing working capital should enable us to redeploy capital to support our value-added strategy and our stated objective of sustainable growth, promoting a culture of discipline and accountability throughout the group. We also settled favorably the dispute with the former shareholders of MCP.

Our financial performance in 2013 was quite spectacular as we reported \$44.7 million of earnings before income tax mainly associated with the settlement of the dispute with the former shareholders of MCP. This contributed significantly to the reduction in our net debt levels together with our focus on working capital reductions, enabling us to greatly improve our financial flexibility and our ability to execute on our growth strategy. We are particularly pleased by our ability to report positive EBITDA and net earnings levels, which is a significant improvement compared to our financial performance in 2012. This is especially true given the challenging environment we have been operating in since the acquisition of MCP, characterized by significant structural changes in the solar industry which led to numerous corporate casualties, and a largely unfavorable pricing environment for many of the underlying commodities we deal with.

So where do we go from here and what does the future hold in light of our sustainable growth commitments? Key elements of this future include:

- A continuing focus on improving profitability favored by tailwinds in commodities and positive developments in many market segments allowing us to redeploy capital towards key components of our growth strategy;
- Execution on our strategic growth plan aiming to increase value-added activities, broaden our footprint in Asia and expand our recycling business leveraging our international platform;
- Further improvements in efficiency as we aim to make better use of our industrial assets and reduce the financial requirements associated with our working capital;
- Increasing investments in R&D together with fast tracking of our value-added opportunities aiming to speed up their impact on our top and bottom line;
- An acquisition roadmap that will enable us to take advantage of existing and future synergies as we move the company to the next level; and
- A management team with greater bandwidth as we recently welcomed Mr. Richard Perron as our new Chief Financial Officer and a revamped board of directors with strong international experience. Our three new director nominees are Ms. Jennie S. Hwang, Ms. Nathalie Le Prohon, and Mr. James T. Fahey, whose biographies can be consulted in our Management Proxy Circular. We wish Messrs. Dennis Wood, Chairman of the Board and John Davis, member of the Board and Chairman of the Compensation Committee, all the best in their retirement endeavors and we thank them for their invaluable dedication and contribution to the company over the years.

On behalf of our employees and our management team, let me thank you again for your confidence and support. We remain more than ever confident in our ability to provide sustainable long-term value to all of you, shareholders, through growth as we execute on our value-added strategy.



Jacques L'Ecuyer
President and Chief Executive Officer



Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations is intended to assist readers in understanding 5N Plus Inc. (the "Company" or "5N Plus"), its business environment, strategies, performance and risk factors. This MD&A should be read in conjunction with the audited consolidated financial statements and the accompanying notes for the year ended December 31, 2013. 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 25, 2014, 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 2013" and the "Q4 2012" refer to the three-month periods ended December, 2013 and 2012. All amounts in this MD&A are expressed in U.S. dollars, and all amounts in the tables are in thousands of U.S. dollars, unless otherwise indicated. All quarterly information disclosed in this MD&A is based on unaudited figures.

Non-IFRS Measures

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

Notice Regarding Forward-Looking Statements

Certain statements in this MD&A may be forward-looking within the meaning of applicable securities laws. Forward-looking information and statements are based on the best estimates available to the Company at the time and involve known and unknown risks, uncertainties or other factors that may cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Factors of uncertainty and risk that might result in such differences include the risks related to the possible failure to realize anticipated benefits of acquisitions, credit, interest rate, inventory pricing, commodity pricing, legal proceedings, currency fluctuation, fair value, source of supply, environmental regulations, competition, dependence on key personnel, business interruptions, protection of intellectual property, international operations, collective agreements and being a public issuer. A description of the risks affecting the Company's business and activities appears under the heading "Risk and Uncertainties" of 5N Plus' of this MD&A. Forward-looking statements can generally be identified by the use of terms such as "may", "should", "would", "believe", "expect", the negative of these terms, variations of them or any 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.

Management's Discussion and Analysis

Overview

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

Reportable Segments

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

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

The Eco-Friendly Materials segment is so labelled because it is mainly associated with bismuth, one of the very few heavy metals which have no detrimental effect on either human health or in the environment. As a result, bismuth is being increasingly used in a number of applications as a replacement for more harmful metals and chemicals. The Eco-Friendly Materials segment is headed by a Vice President who oversees locally managed operations in Europe and 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.

Corporate expenses associated with the head office and unallocated selling, general and administrative expenses together with financing costs, gains and/or losses on foreign exchange and derivative have been regrouped under the heading Corporate.

Management's Discussion and Analysis

Highlights of Q4 2013 and Fiscal Year 2013

- EBITDA¹ increased by \$26.1 million, from (\$18.1) million in Q4 2012 to \$7.9 million in Q4 2013 and by \$32.9 million, from (\$12.7) million in 2012 to \$20.2 million in 2013.
- Revenues decreased by \$9.2 million, or 7%, from \$128.6 million in Q4 2012 to \$119.4 million in Q4 2013 and by \$92.7 million, or 17%, from \$551.7 million in 2012 to \$459.0 million in 2013. These decreases are mainly due to lower commodity prices.
- Net debt¹ decreased by \$78.2 million, from \$136.5 million as at December 31, 2012 to \$58.3 million as at December 31, 2013. The Net debt¹ to adjusted EBITDA¹ ratio improved in 2013, from 3.6 in 2012 to 1.9 in 2013.
- Net earnings of \$1.6 million and adjusted net earnings¹ of \$2.1 million in Q4 2013 compared to net losses of \$212.0 million and \$6.9 million in Q4 2012. Net earnings of \$42.8 million and adjusted net earnings of \$10.8 million in 2013 compared to net loss of \$227.9 million and adjusted net loss of \$2.9 million in 2012.
- Bookings¹ increased by 18% to \$156.1 million compared to \$132.1 million in the fourth quarter of last year. Backlog¹ as at December 31, 2013 stood at \$170.1 million which compares to backlog of \$165.8 million one year ago.
- On November 13, 2013, the Company was named for a fourth consecutive year as one of Canada's fastest growing technology companies in the Deloitte Technology Fast 50TM based on the percentage of revenue growth over five years. 5N Plus' increase in revenues of 1,681% from 2008 to 2012 resulted in a number 5 ranking. The Company was also ranked 101 on Deloitte's Technology Fast 500TM, a list of the 500 fastest growing technology, media, telecommunications, life sciences and clean technology companies in North America.
- On October 24, 2013, the Company announced that it had entered into an exclusive long-term off-take agreement of bismuth with Masan Resources, one of the largest private sector natural resources companies in Vietnam.
- On July 9, 2013, the Company announced that it had entered into an exclusive option to acquire all of the issued and outstanding shares in the capital of AM&M Advanced Machine and Materials Inc., a corporation specialized in the manufacturing of micron size metallic powders.
- On June 18, 2013, the Company announced that it had entered into a full and final settlement agreement with former shareholders of MCP Group SA ("MCP"), in relation with the dispute previously announced by the Corporation on December 21, 2012.
- On June 11, 2013, the Company announced an investment in a new gallium chemicals facility located in South Korea and that it had entered into an agreement with a local chemical distributor for the supply of operating services and logistics of the new facility. This initiative was taken to meet the growing demand for gallium in LED manufacturing in North East Asia.

¹ See Non-IFRS Measures

Management's Discussion and Analysis

The Company ended the year with a relatively strong quarter with EBITDA levels reaching close to \$8 million and quarterly revenues at their highest level since the beginning of the year, reflecting a more favorable business environment despite the typical year-end demand softness patterns. 5N Plus was also able to continue its quarter-over-quarter reduction in net debt level which was cut by more than half during the year and now stands at less than \$60 million providing greater financial flexibility. Underlying commodity prices together with inventory levels are now more manageable enabling the Company to perform much more effectively than it has been able to ever since the transformational acquisition made in 2011. Combined with its efforts aimed at improving overall efficiency, instilling greater discipline and reducing costs, the Company was able to report positive net earnings for a fourth consecutive quarter and break the trend of impairment charges every alternating quarter. Although the latter remains somewhat dependent on underlying commodity pricing trends, and thus to some extent beyond the Company's control, 5N Plus believes that it is now much better positioned to anticipate and take advantage of these pricing trends in the future.

In its respective markets, bismuth sales volumes reached a record level in both the quarter and the year reflecting growing demand and increases in market share. Demand for solar products also remained healthy, despite some year-end decreases resulting from unusual customer buying patterns, with a relatively bullish outlook for 2014 as the solar industry gradually recovers and demonstrates its overall competitiveness in a number of unsubsidized markets. Combined sales of electronic metals, namely gallium, indium and germanium, also increased primarily as a result of higher sales of gallium and related chemicals for the LED market, a market which is expected to continue to grow in the future as the use of LEDs for general lighting applications expands. As for the germanium substrate business, the Company made great progress during the year and is now fully qualified with both of the main US based suppliers of space solar cells. Overall, this relatively bright outlook in terms of markets is further confirmed by the bookings recorded in the quarter which reached their highest levels since the last two years enabling the backlog to increase back to its June 2012 level despite lower average underlying commodity prices.

5N Plus continues to execute its strategic plan which aims to increase value added activities, broaden its footprint in Asia and expand its recycling business leveraging and its international platform. As a result, the Company announced during the year commissioning of its new facility in Korea, its plans to enter the ultrafine metal powder business through the acquisition of AM&M and its breakthrough atomization technology, and its exclusive long-term bismuth off-take agreement with Masan Resources. The Company also intends to develop, manufacture and market selenium based chemicals for the animal feed, fertilizer, glass and metallurgical industry. Related investments at its Lao facility are underway and the Company intends to produce and sell such products before year-end.

The Company would like to thank its employees for their dedication and hard work in what was a very challenging year. Fortunately through our combined efforts, the Company was able to make tremendous progress and now have every reason to be optimistic on its ability to increase shareholder value in the future. The Company also thanks its stakeholders and shareholders for their confidence and continued support.

Management's Discussion and Analysis

Historical Financial Information – Years Ended December 31

(in thousands of United States dollars except per share amounts)	2013		2012		7 months ended	
	\$		\$		2011	
Consolidated Results						
Revenues	459,012		551,675		391,712	
EBITDA ¹	20,193		(12,729)		2,625	
Adjusted EBITDA ¹	30,375		37,856		37,415	
Net earnings (loss) attributable to equity holders of 5N Plus	42,661		(227,738)		(21,641)	
Basic earnings (loss) per share attributable to equity holders of 5N Plus	\$0.51		(\$2.91)		(\$0.31)	
Net earnings (loss)	42,780		(227,849)		(22,464)	
Basic earnings (loss) per share	\$0.51		(\$2.91)		(\$0.32)	
Diluted earnings (loss) per share	\$0.51		(\$2.91)		(\$0.32)	
Funds from operations ¹	20,033		25,393		27,338	
Balance Sheet Data						
Total assets	365,240		385,396		782,344	
Net debt (net cash) ¹	58,330		136,547		260,575	
Retirement benefit obligation	15,887		16,667		12,850	
Shareholders' equity	190,052		144,955		339,710	

Quarterly Financial Information

(in thousands of United States dollars (except per share amounts))	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues	119,416	108,570	112,637	118,389	128,620	120,744	140,076	162,235
EBITDA ¹	7,942	5,775	(3,639)	10,115	(18,121)	9,001	(20,474)	16,867
Adjusted EBITDA ¹	7,942	5,775	6,543	10,115	6,395	9,001	5,594	16,867
Net earnings (loss)	1,638	1,323	34,281	5,538	(211,953)	1,275	(22,062)	4,891
Basic earnings (loss) per share	\$0.02	\$0.02	\$0.41	\$0.07	(\$2.70)	\$0.02	(\$0.30)	\$0.07
Diluted earnings (loss) per share	\$0.02	\$0.02	\$0.41	\$0.07	(\$2.70)	\$0.02	(\$0.30)	\$0.07
Net earnings (loss) attributable to equity holders of 5N Plus	2,022	1,083	34,185	5,371	(212,006)	1,218	(21,922)	4,972
Basic earnings (loss) per share attributable to equity holders of 5N Plus I	\$0.02	\$0.01	\$0.41	\$0.06	(\$2.71)	\$0.02	(\$0.29)	\$0.07
Adjusted net earnings (loss) ¹	2,068	1,517	959	6,296	(6,880)	648	(1,911)	5,250
Basic adjusted net earnings (loss) per share ¹	\$0.02	\$0.02	\$0.01	\$0.08	(\$0.08)	\$0.01	(\$0.03)	\$0.07
Backlog ¹	170,013	133,352	153,277	166,290	165,790	162,323	188,982	215,588

Summary of Results

	Q4 2013	Q4 2012	2013	2012
	\$	\$	\$	\$
Revenues	119,416	128,620	459,012	551,675
Operating expenses	111,474	122,225	428,637	513,819
Adjusted EBITDA ¹	7,942	6,395	30,375	37,856
Impairment of inventory	-	24,517	10,182	50,585
EBITDA ¹	7,942	(18,122)	20,193	(12,729)
Gain related to the settlement of the purchase price of MCP	-	-	(45,188)	-
Litigation and restructuring costs	569	932	4,068	2,781
Impairment of property, plant and equipment	-	39,239	-	39,239
Reversal of impairment of property, plant and equipment	-	-	-	(932)
Impairment of intangible assets and goodwill	-	165,507	-	165,507
Interest on long-term debt and other interest expense	1,779	1,463	8,524	8,828
Foreign exchange and derivative (gain) loss	525	(360)	(2,590)	2,759
Depreciation and amortization	2,419	5,628	10,686	21,159
Earnings (loss) before income tax	2,650	(230,531)	44,693	(252,070)
Income tax	1,012	(18,578)	1,913	(24,221)
Net earnings (loss)	1,638	(211,953)	42,780	(227,849)
Basic earnings (loss) per share	\$0.02	(\$2.70)	\$0.51	(\$2.91)
Diluted earnings (loss) per share	\$0.02	(\$2.70)	\$0.51	(\$2.91)

¹ See Non-IFRS Measures

Management's Discussion and Analysis

Revenues by Segment

	Q4 2013	Q4 2012	% Change	2013	2012	% Change
	\$	\$		\$	\$	
Electronic Materials Segment	46,264	55,254	-15%	179,368	232,013	-23%
Eco-Friendly Materials Segment	73,152	73,366	-2%	279,644	319,662	-13%
Total revenues	119,416	128,620	-7%	459,012	551,675	-17%

Revenues decreased by \$9.2 million, or 7%, from \$128.6 million in Q4 2012 to \$119.4 million in Q4 2013 and by \$92.7 million, or 17%, from \$551.7 million in 2012 to \$459.0 million in 2013. Demand for the Company's products remained strong throughout the quarter and year with record sales of bismuth bearing products but revenues were negatively impacted by lower commodity prices, competitive pressures on sales price and by the restructuring of a portion of the business which was the subject of a dispute with former shareholders of MCP.

The Electronic Materials segment revenues decreased by \$7.9 million, or 15%, from \$54.2 million in Q4 2012 to \$46.3 million in Q4 2013 due to exceptionally high sales volume of solar products in Q4 2012. The Eco-Friendly Materials segment delivered strong sales and reported record sales of bismuth bearing products in both Q4 2013 and 2013. Revenues remained stable compared to Q4 2012 despite lower commodity prices.

The Electronic Materials segment revenues decreased by \$52.6 million, or 23%, from \$232.0 million in 2012 to \$179.4 million in 2013. The Eco-Friendly Materials segment decreased by \$40.0 million, or 13%, from \$319.7 million in 2012 to \$279.6 in 2013. The decrease in revenues is due to the same factors mentioned above.

Net earnings (loss) and Adjusted net earnings (loss)

	Q4 2013	Q4 2012	2013	2012
	\$	\$	\$	\$
Net earnings (loss)	1,638	(211,953)	42,780	(227,849)
Basic net earnings (loss) per share	\$0.02	(\$2.71)	\$0.51	(\$2.91)
Adjusted net earnings (loss)	2,068	(6,880)	10,834	(2,893)
Basic adjusted net earnings (loss) per share	\$0.02	(\$0.08)	\$0.13	(\$0.04)

Net earnings increased by \$213.7 million, from (\$212.0) million in Q4 2012 to \$1.7 million in Q4 2013 and adjusted net earnings¹ increased by \$9.0 million, from (\$6.9) million in Q4 2012 to \$2.1 million in Q4 2013. The Company had recorded in Q4 2012 impairment charges of \$229.3 million.

Net earnings increased by \$270.6 million, from (\$227.9) million in 2012 to \$42.8 million in 2013 and adjusted net earnings¹ increased by \$13.7 million, from (\$2.9) million in 2012 to \$10.8 million in 2013. The Company had recorded impairment charges of \$255.3 million in 2012.

The decrease in operating expenses, SG&A, amortization and financial expenses was offset by lower gross profit due to the decline in commodity prices, competitive pressures on sales price and by the restructuring of a portion of the business which was the subject of a dispute with former shareholders of MCP.

The non-recurring gain of \$45.2 million recorded in the second quarter of 2013 resulting from the reduction of the purchase price of MCP announced on June 18, 2013, was partially offset by an inventory impairment charge of \$10.2 million recorded in the same quarter on bismuth and selenium. For 2012, the Company recorded an inventory impairment charge of \$50.6 million, mainly on bismuth, gallium, tellurium and selenium.

Impairment Charges

	Q4 2013	Q4 2012	2013	2012
	\$	\$	\$	\$
Impairment of inventories	-	24,517	10,182	50,585
Impairment of PPE	-	39,239	-	39,239
Impairment of intangible assets	-	40,597	-	40,597
Impairment of goodwill	-	124,910	-	124,910
Impairment charges	-	229,263	10,182	255,331

¹ See Non-IFRS Measures

Management's Discussion and Analysis

EBITDA and Adjusted EBITDA

	Q4 2013	Q4 2012	2013	2012
	\$	\$	\$	\$
Electronic Materials	4,006	(1,733)	22,316	10,903
Eco-Friendly Materials	6,474	(11,700)	6,253	(8,203)
Corporate	(2,538)	(4,689)	(8,376)	(15,429)
EBITDA¹	7,942	(18,122)	20,193	(12,729)
Electronic Materials	-	8,226	150	23,750
Eco-Friendly Materials	-	16,291	10,032	26,835
Inventory write-down	-	24,517	10,182	50,585
Electronic Materials	4,006	6,493	22,466	34,653
Eco-Friendly Materials	6,474	4,591	16,285	18,632
Corporate	(2,538)	(4,689)	(8,376)	(15,429)
Adjusted EBITDA¹	7,942	6,395	30,375	37,856

EBITDA increased to \$7.9 million and \$20.2 million in Q4 2013 and 2013 compared to (\$18.1) million and (\$12.7) million in Q4 2012 and 2012 respectively. The Company recorded in 2013 an inventory write-down of \$10.2 million compared to \$50.6 million in 2012. Cost reduction initiatives were offset by gross margin pressure and by lower levels of profitability due to fully valued inventories resulting from the decreasing trend in underlying commodity pricing. EBITDA was also negatively impacted by the restructuring of a portion of the business which was the subject of a dispute with the former shareholders of MCP.

Bookings and Backlog

	BACKLOG ¹			BOOKINGS ¹		
	Q4 2013	Q3 2013	Q4 2012	Q4 2013	Q3 2013	Q4 2012
	\$	\$	\$	\$	\$	\$
Electronic Materials	80,382	72,309	100,718	54,337	31,588	59,342
Eco-Friendly Materials	89,691	61,043	65,072	101,800	57,057	72,744
Total	170,073	133,352	165,790	156,137	88,645	132,086

Bookings recorded in the quarter reached their highest levels since the last two years enabling the backlog to increase back to its June 2012 level despite lower average underlying commodity prices.

Q4 2013 vs Q4 2012

Backlog as at December 31, 2013, for the Electronic Materials segment stood at \$80.4 million, and decreased by \$20.3 million, or 20%, over the backlog of last year. The backlog for the Eco-Friendly Materials stood at \$89.7 million, an increase of \$24.6 million, or 38%, over the backlog of a year ago. Overall the backlog, as at December 31, 2013, stood at \$170.1 million following the renewal pattern of most contracts which generally occurs in the fourth quarter.

Bookings for the Electronic Materials decreased by \$5.0 million, or 8%, from \$59.3 million in Q4 2012 to \$54.3 million in Q4 2013. Bookings for the Eco-Friendly Materials increased by \$29.1 million, or 40.0%, from \$72.7 million in Q4 2012 to \$101.8 million in Q4 2013.

Q4 2013 vs Q3 2013

Bookings for the Electronic Materials increased by \$22.8 million, or 72%, and by \$44.7 million, or 78%, for the Eco-Friendly Materials compared to the previous quarter.

Backlog as at December 31, 2013, increased by \$8.1 million for the Electronic Materials and increased by \$28.6 million for the Eco-Friendly Materials compared to the previous quarter.

¹ See Non-IFRS Measures

Management's Discussion and Analysis

Expenses

	Q4 2013	Q4 2012	% Change	2013	2012	% Change
	\$	\$		\$	\$	
Depreciation and amortization	2,419	5,628	-57%	10,686	21,159	-49%
SG&A	8,607	12,561	-31%	36,066	45,742	-21%
Litigation and restructuring costs	569	932	-39%	4,068	2,781	46%
Financial expenses	2,304	1,103	109%	5,934	11,587	-49%
Income taxes	1,012	(18,578)	n/a	1,913	(24,221)	n/a

Depreciation and Amortization

Due to impairment charges to property, plant and equipment ("PPE") and intangible assets incurred in 2012, depreciation and amortization expenses in Q4 2013 and 2013 decreased to \$2.4 million and \$10.7 million compared to \$5.6 million and \$21.2 million in Q4 2012 and 2012 respectively.

SG&A

SG&A expenses decreased by \$4 million, or 31%, from \$12.6 million in Q4 2012 to \$8.6 million in Q4 2013 and by \$9.7 million, or 21%, from \$45.7 million in 2012 to \$36.1 million in 2013. This performance primarily reflects successful execution of the Company's cost reduction program, mainly on salaries, professional fees and maintenance.

Litigation and Restructuring costs

The Company recorded litigation and restructuring costs of \$0.6 million and \$4.1 million for Q4 2013 and 2013 respectively mainly related to attorney's and other professional fees for the legal proceedings and employee severance costs. In 2012, the Company recorded a \$0.9 million and a \$2.8 million expense respectively related to an incident that occurred in one of its U.S. sites and to employee severance costs.

Financial Expenses

Financial expenses for Q4 2013 amounted to \$2.3 million compared to \$1.1 million for the same period last year. This increase is mainly due to foreign exchange and derivative expense of \$0.5 million recorded in Q4 2013 compared to a gain of \$0.4 million in Q4 2012. For 2013, financial expenses decreased by \$5.7 million and totalled \$5.9 million compared to \$11.6 million for 2012 due to a foreign exchange and derivative gain of \$2.6 million recorded in 2013 compared to a foreign exchange and derivative expense of \$2.8 million in 2012.

Income Taxes

Effective income tax rate was 4% in 2013 due to a non-taxable gain of \$45.2 million resulting from the reduction in the purchase price of MCP. For 2012, the effective income tax rate was 10% mainly due to the goodwill impairment charge which was not deductible for tax purposes.

Liquidity and Capital Resources

	Q4 2013	Q4 2012	2013	2012
	\$	\$	\$	\$
Funds from operations ¹	9,043	4,243	20,033	25,393
Net changes in non-cash working capital items	372	2,686	27,930	76,419
Operating activities	9,415	6,929	47,963	101,812
Investing activities	(3,755)	(4,346)	(11,748)	33,637
Financing activities	3,510	(100)	(22,410)	(154,964)
Effect of foreign exchange rate changes on cash and cash equivalents related to operations	(382)	(276)	(913)	(399)
Net increase (decrease) in cash and cash equivalents	8,788	2,207	12,892	(19,914)

For Q4 2013 and 2013, cash generated by operating activities was \$9.4 million and \$48.0 million respectively compared to \$6.9 million and \$101.8 million in Q4 2012 and 2012 respectively. This decrease in 2013 is mainly attributable to the inventory reduction of \$95.6 million in 2012.

¹ See Non-IFRS Measures

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Investing activities consumed \$3.8 million in Q4 2013 and \$11.7 million in 2013 compared to \$4.3 million and cash provided of \$33.6 million in Q4 2012 and 2012 respectively. In 2012, cash generated in investing activities was mainly due to a reduction in temporary investments resulting from repayment of loans in Hong Kong dollars.

Cash provided by financing activities amounted to \$3.5 million in Q4 2013 and cash consumed of \$22.4 million in 2013 compared to cash consumed of \$0.1 million and \$155.0 million in Q4 2012 and 2012 respectively, associated with reduction in the amounts drawn under the multi-currency revolving facility. In 2012, the Company had received \$38.6 million in proceeds from the issuance of new shares and decreased its debt by \$192.2 million.

Working Capital

	As at December 31, 2013	As at December 31, 2012
	\$	\$
Inventories	174,374	170,293
Other current assets	97,233	121,144
Current liabilities	(86,861)	(104,789)
Working capital ¹	184,746	186,648
Working capital current ratio ¹	3.13	2.78

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

Net Debt

	As at December 31, 2013	As at December 31, 2012
	\$	\$
Bank indebtedness and short-term debt	10,462	8,014
Long-term debt including current portion	72,785	140,425
Total Debt	83,247	148,439
Cash and cash equivalents and temporary investments (restricted)	(24,917)	(11,892)
Net Debt¹	58,330	136,547

Total debt decreased by \$65.2 million to \$83.2 million as at December 31, 2013, compared to \$148.4 million as at December 31, 2012. The variation was mainly due to net reimbursement of \$22.7 million and to the non-recurring gain of \$45.2 million in Q2 2013 resulting from the reduction of the purchase price reached with the former shareholders of MCP.

Net debt after taking into account cash and cash equivalents and restricted temporary investments decreased by \$78.2 million, from \$136.5 million as at December 31, 2012 to \$58.3 million as at December 31, 2013. The Company intends to continue reducing its debt through cost reductions and decreases in working capital as it has done over the last several months but an increase is possible if the price of commodities has an increasing trend in the following months.

Available Short-Term Capital Resources

	As at December 31, 2013	As at December 31, 2012
	\$	\$
Cash and cash equivalents	22,427	9,535
Available bank indebtedness and short-term debt	12,912	26,424
Available revolving credit facility	11,980	127,787
Available short-term capital resources	47,319	163,746

The Company believes that its cash flows from operating activities, combined with its available short-term capital resources of \$47.3 million as at December 31, 2013 will enable it to support its growth, its working capital needs and its planned capital expenditures.

Starting March 31, 2013, the senior secured multi-currency revolving credit facility was reduced to \$100 million. However, there was a maximum drawing limit of \$80 million until February 15, 2014. Such amendment established new

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financial covenants for the year 2013 and maintained the original maturity (August 2015). The interest rate has been changed and is linked to the Net Senior Debt/EBITDA ratio, and can vary from LIBOR, banker's acceptance rate or EURIBOR plus 3.00% to 4.50% or US base rate or prime rate plus 2.00% to 3.5%. Standby fees from 0.75% to 1.125% are paid on the unused portion. At any time, 5N Plus has the option to request that the credit facility be expanded to \$140 million through the exercise of an additional \$40 million accordion feature, subject to approval by the lenders.

Funds from Operations

	Q4 2013	Q4 2012	2013	2012
	\$	\$	\$	\$
Funds from operations¹	9,043	4,243	20,033	25,393
Net acquisition of PPE and intangible assets	(4,013)	(4,196)	(11,615)	(15,888)
Working capital changes	372	2,686	27,930	76,419
Issuance of common shares	-	-	-	38,636
Settlement of the purchase price of MCP	-	-	45,188	-
Others	(212)	948	(3,319)	(532)
	(3,853)	(562)	58,184	98,635
Total movement in net debt¹	5,190	3,681	78,217	124,028
Net debt ¹ , beginning of period	(63,520)	(140,228)	(136,547)	(260,575)
Net debt¹, end of period	(58,330)	(136,547)	(58,330)	(136,547)

Funds from operations increased to \$9.0 million in Q4 2013 compared to \$4.2 million in Q4 2012 and decreased from \$25.4 million in 2012 to \$20.0 million in 2013.

The decrease in 2013 was mainly attributable to the decreasing underlying commodity pricing trend which negatively impacted selling prices and in turn led to lower profit margins.

	Q4 2013	Q4 2012	2013	2012
Net debt ¹ to annualized adjusted EBITDA ratio	1.84	5.34	1.92	3.60
Annualized funds from operations ¹ to net debt (%)	62.0	12.4	34.3	18.6

Net debt to annualized adjusted EBITDA ratio for Q4 2013 was 1.84 and 1.92 for 2013. Annualized funds from operations generated in the same periods represented 62.0% and 34.3% of our net debt.

Share Information

	As at February 25, 2014	As at December 31, 2013
Issued and outstanding shares	83,908,269	83,908,269
Stock options potentially issuable	1,637,951	1,637,951
Warrants potentially issuable	6,451,807	6,451,807

Stock Option Plan

On April 11, 2011, the Company adopted a new stock option plan (the "Plan") replacing the previous plan (the "Old Plan") in place since October 2007, with the same features as the Old Plan with the exception of a maximum number of options granted which cannot exceed five million. The aggregate number of shares which could be issued upon the exercise of options granted under the Old Plan could not exceed 10% of the issued shares of the Company at the time of granting the options. Options granted under the Old Plan may be exercised during a period not exceeding ten years from the date of grant. The stock options outstanding as at December 31, 2013 may be exercised during a period not exceeding six years from their date of grant. Options vest at a rate of 25% (100% for directors) per year, beginning one year following the grant date of the options. Any unexercised options will expire one month after the date a beneficiary ceases to be an employee, director or officer.

¹ See Non-IFRS Measures

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

	2013		2012	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		CA\$		CA\$
Outstanding, beginning of period	1,585,448	4.67	1,543,211	5.28
Granted	546,939	2.39	325,840	2.22
Cancelled	(141,386)	5.55	(240,072)	5.60
Exercised	-	-	(43,531)	3.36
Expired	(353,050)	3.00	-	-
Outstanding, end of period	1,637,951	4.19	1,585,448	4.67
Exercisable, end of period	1,001,826	4.94	1,024,656	4.94

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 17 and 26 of the audited consolidated financial statements for the year ended December 31, 2013.

The contractual maturities of the Company's financial liabilities as at December 31, 2013 are as follows:

	Carrying amount	1 year	2-3 years	4-5 years	Beyond 5 years	Total
	\$	\$	\$	\$	\$	\$
Bank indebtedness and short-term debt	10,462	11,137	-	-	-	11,137
Trade and accrued liabilities	65,016	65,016	-	-	-	65,016
Derivative financial instruments	4,237	3,284	953	-	-	4,237
Long-term debt	72,785	6,017	69,553	173	19	75,762
Total	152,500	85,454	70,506	173	19	156,152

Contingencies

In the normal course of operations, the Company is exposed to events that could give rise to contingent liabilities or assets. As at February 25, 2014, the Company was not aware of any significant events that would have a material effect on its consolidated financial statements.

The Company settled its dispute with the former shareholders of MCP, thereby prohibiting further related action by either party involved in the settlement. As of the date hereof, the Company does not believe that it is probable that an outflow of resources, which could be material to the consolidated financial statements, will be required by the Company following potential third party claims pertaining to actions or events related to the alleged breaches of representations and warranties by the Vendors.

Governance

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

Disclosure Controls and Procedures

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

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

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

Internal Control over Financial Reporting

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

An evaluation was carried out under the supervision of the Chief Executive Officer and the Chief Financial Officer, of the design of the Company's internal controls over financial reporting. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the internal controls over financial reporting are effective, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Changes in Internal Control over Financial Reporting

No changes were made to our internal controls over financial reporting during fiscal year ended December 31, 2013 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 2013 in accordance with IFRS. The Company's significant accounting policies are described in Note 2 of the December 31, 2013 audited consolidated financial statements. 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, 2012.

Changes in Accounting Policies

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the application transitional provisions.

IAS 1, "Presentations of Financial Statement". These amendments required the Company to group other comprehensive income item by those that will be reclassified subsequently to the consolidated statement of earnings and those that will not. The Company has reclassified comprehensive income items of the comparative period. These changes did not result in any net adjustments to other comprehensive income or comprehensive income.

IAS 19, "Employee Benefits", was amended in June 2011. The impact on the Company will be as follows: to immediately recognize all past service costs and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). Furthermore, the amendments to IAS 19 enhance the disclosure requirements for defined benefit plans and the risks that the Company is exposed through participation in those plans. The impact of the adoption of IAS 19 is presented in Note 4 of the consolidated financial statements for the year ended December 31, 2013.

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

IFRS 12, "Disclosures of interests in other entities", includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special-purpose vehicles and other unconsolidated structured entities.

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The standard carries forward existing disclosures and also introduces significant additional disclosure that address the nature of, and risks associated with, an entity's interests in other entities. The Corporation has incorporated the new disclosure requirements within these financial statements. IFRS 13, "Fair Value Measurement", provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as at January 1, 2013.

In May 2013, the IASB amended IAS 36, Impairment of assets regarding disclosures for non-financial assets. This amendment removed certain disclosures related to the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. The amendment is not mandatory until January 1st, 2014, however the Company has decided to early adopt the amendment as of January 1, 2013.

IFRS 7, Financial instruments — disclosure ("IFRS 7") — The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are either offset in the consolidated balance sheet or subject to master netting arrangements or other similar arrangements. The amendments are to be applied retrospectively. The impact of the adoption of IFRS 7 did not result in any change in the disclosure about offsetting of financial assets and financial liabilities.

Future Changes in Accounting Standards

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2014, and have not been applied in preparing the consolidated financial statements. None of these is expected to have a significant effect on the Company's consolidated financial statements, except the following set out below.

IFRS 9, Financial Instruments, as issued, reflects the current status of the IASB's work plan on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities, as defined in IAS 39. The IASB is also addressing hedge accounting and impairment of financial assets. In December 2013 the IASB removed the mandatory effective date of IFRS 9 until all phases of the project have been completed. The mandatory effective date has yet to be determined however it has been deferred beyond annual periods beginning on or after January 1, 2015.

The Company has not yet quantified the effect of the published phases of the Standard nor does it intend at this time to early adopt the Standard until the mandatory effective date.

IFRIC 21, Levies — IFRIC 21 provides guidance on accounting for levies in accordance with the requirements of IAS 37, Provisions, Contingent Liabilities and Contingent Assets. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that a liability for a levy is recognized only when the triggering event specified in the legislation occurs. The interpretation is effective for annual periods beginning on or after January 1, 2014 however the Corporation has not yet assessed the impact of this interpretation.

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.

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Impairment of Non-Financial Assets

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

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

Inventories

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

Income Taxes

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

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 upon its achievement of projected future taxable income and the continued applicability of ongoing tax planning strategies. The Company's judgment 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 the 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 described in Note 25 and Note 28 in the 2013 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 17 – Categories of Financial Assets and Financial Liabilities in the 2013 consolidated financial statements of the Company.

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

Assets (Liabilities)	December 31, 2013	December 31, 2012
	\$	\$
Interest rate swap	(2,588)	(3,870)
Foreign exchange forward contracts	(1,468)	(1,080)
Derivative forward contracts	955	-
Options	-	(239)
Warrants	(181)	(1,165)
Total	(3,282)	(6,354)

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 is exposed to interest rate fluctuations on its revolving credit facility, which bears a floating interest rate.

As at December 31, 2013, the Company has an outstanding interest rate swap contract to hedge part of its interest rate risk on the revolving credit facility. The nominal value is \$100,000 commencing in January 2013 and ending in August 2015. This interest rate swap fixed the LIBOR interest rate at 1.82%. The Company received \$1,700 when entering into this interest rate swap in September 2011, which was the fair value of the instrument on signing. The fair value of the contract is (\$2,588) as at December 31, 2013 and is recorded as part of derivative financial liabilities in the consolidated statement of financial position.

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. The Company manages the foreign exchange risk by entering into various foreign exchange forward contracts.

Foreign exchange forward contracts are described in Note 17 in the 2013 consolidated financial statements of the Company.

The Company had the following currency exposures on December 31, 2013:

	CA\$	EUR	GBP	RMB	HK\$
Cash and cash equivalents	351	4,847	1,398	7,188	10
Temporary investments (restricted)	-	2,490	-	-	-
Accounts receivable	564	15,131	2,506	3,541	276
Bank indebtedness and short-term debt	-	-	-	(10,462)	-
Trade and accrued liabilities	(1,724)	(15,827)	(1,642)	(6,073)	(172)
Long-term debt	(897)	(3,448)	-	-	-
Net financial (liabilities) assets	(1,706)	3,193	2,262	(5,806)	114

The following table shows the impact on earnings before income tax of a one-percentage point strengthening or weakening of foreign currencies against the US dollar as at December 31, 2013 for the Company's financial instruments denominated in non-functional currencies:

	CA\$	EUR	GBP	RMB	HK\$
1% Strengthening					
Earnings (loss) before tax	(17)	32	23	(58)	1
1% Weakening					
Earnings (loss) before tax	17	(32)	(23)	58	(1)

Options

The market value of those financial instruments depends on several factors, such as foreign exchange rate market volatility, the remaining duration of the instruments and other market conditions. For these reasons, it is very difficult for

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the Company to evaluate market risk. The Company believes that a sensitivity analysis would be unrepresentative.

Warrants

In June 2012, the Company issued 12,903,613 units at a price of CA\$3.10 per unit. Each unit comprises one common share and one-half of a common share purchase warrant. The Company issued 6,451,807 warrants, which are recorded as part of derivative financial liabilities at fair value based on the stock exchange market. The fair value was (\$0.2) million as at December 31, 2013 and (\$1.2) million as at December 31, 2012. Fair value depends on several factors, such as market volatility, foreign exchange rate volatility, interest rate fluctuations, the Company's market activity and other market conditions. For these reasons, it is very difficult for the Company to evaluate market risk. The Company believes that a sensitivity analysis would be unrepresentative.

Credit risk

Credit risk corresponds to the risk of loss due to the client's inability to fulfill its obligations with respect to trade and other receivables as well as contracts. The Company has a large number of clients and is no longer dependent on a specific client. The Company has a credit policy that defines standard credit practices. 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 collection; therefore, the carrying amount of accounts receivable generally represents the maximum credit exposure. As at December 31, 2013 and 2012, the Company had an allowance for doubtful accounts of \$0.2 million. The provision for doubtful accounts, if any, will be included in SG&A expenses in the consolidated statements of earnings (loss), and will be 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 has prepared, and will need to execute on, its budgeted EBITDA and cash flow estimates. Management believes that the assumptions used by the Company in preparing its budgets are reasonable and that it is not likely that the financial covenants on the credit facility during a certain period will be violated in the next 12 months. However, risk remains. Successful achievement of these budgeted results is dependent on stability in the price of metals and other raw materials, the reduction of debt due to the optimization of the Company's working capital and the continued viability and support of the Company's banks.

Risks and Uncertainties

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

Possible Failure to Realize Anticipated Benefits of Acquisitions

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

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may result in the loss of key employees, significant expenses and the disruption of ongoing business, customer and employee relationships that may adversely affect our ability to achieve the anticipated benefits of these acquisitions.

International Operations

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

Environmental Regulations

Our operations involve the use, handling, generation, processing, storage, transportation, recycling and disposal of hazardous materials and are subject to extensive environmental laws and regulations at the national, provincial, local and international level. These environmental laws and regulations include those governing the discharge of pollutants into the air and water, the use, management and disposal of hazardous materials and wastes, the clean-up of contaminated sites and occupational health and safety. We have incurred and will continue to incur capital expenditures in order to comply with these laws and regulations. In addition, violations of, or liabilities under, environmental laws or permits may result in restrictions being imposed on our operating activities or in our being subject to substantial fines, penalties, criminal proceedings, third party property damage or personal injury claims, clean-up costs or other costs. While we believe that we are currently in compliance with applicable environmental requirements, future developments such as more aggressive enforcement policies, the implementation of new, more stringent laws and regulations, or the discovery of currently unknown environmental conditions may require expenditures that could have a material adverse effect on our business, results of operations and financial condition. Former MCP's facility in Tilly, Belgium is currently undergoing corrective measures under a remediation plan as a result of industrial legacy at this site, which has been in industrial use for more than 100 years, and in order to comply with more stringent environmental regulations. The remediation plan has been approved by the local authorities and estimated resulting costs have been properly accounted for by the Company.

Competition risk

We are the leading producer of specialty metal and chemical products and have a limited number of competitors, none of which are as fully integrated as we are or have a similar range of products. Accordingly, they are not in a position 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. The forecasted growth in demand for our main products may attract more metal refiners into this industry and increase competition. Although we believe that our operations and our commercial network are important competitive advantages, 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.

Management's Discussion and Analysis

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

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

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

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

The Company's shares are publicly traded and, as such, it is 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. Direct and indirect costs associated with public company status have escalated in recent years and regulatory initiatives under consideration may further increase the costs of being public in Canada. Those costs could have a material adverse effect on the Company's financial condition.

Non-IFRS Measures

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

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

Management's Discussion and Analysis

EBITDA means net earnings (loss) before financial expenses (income), income taxes, depreciation and amortization, impairment or reversal of impairment of PPE and intangible assets, impairment of goodwill, litigation and restructuring costs, acquisition-related costs and the settlement of purchase price of MCP. We use EBITDA because we believe it is a meaningful measure of the operating performance of our ongoing business without the effects of certain expenses. The definition of this non-IFRS measure used by the Company may differ from that used by other companies.

EBITDA margin is defined as EBITDA divided by revenues.

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

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

Adjusted net earnings means the net earnings (loss) before the effect of charge and reversal of impairment related to inventory, PPE and intangible assets, impairment of goodwill, litigation and restructuring costs, settlement of purchase price and acquisitions costs net of the related income tax. We use adjusted net earnings (loss) because we believe it is a meaningful measure of the operating performance of our ongoing business without the effects of unusual inventory write-downs and property plant and equipment and intangible asset impairment charges, litigation and restructuring costs, the settlement of purchase price and acquisition costs. The definition of this non-IFRS measure used by the Company may differ from that used by other companies.

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

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

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

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

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

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.

5N PLUS INC.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Figures in thousands of United States dollars)

Management's Report To the Shareholders of 5N Plus Inc.

The accompanying consolidated financial statements are the responsibility of the management of 5N Plus Inc. and have been reviewed by the Audit Committee and approved by the Board of Directors.

These consolidated financial statements and related notes have been prepared by management in conformity with International Financial Reporting Standards and necessarily include amounts based on management's informed judgments and estimates.

Management is also responsible for all other information included in this Annual Report and for ensuring that this information is consistent with the Company's consolidated financial statements and business activities.

Management is responsible for the design, establishment and maintenance of appropriate internal controls and procedures for financial reporting, to ensure that financial statements for external purposes are fairly presented in conformity with International Financial Reporting Standards. Such internal control systems are designed to provide reasonable assurance on the reliability of the financial information and the safeguarding of assets.

The Company's external auditors have free and independent access to the Audit Committee, which is comprised of independent directors. The Audit Committee, which meets regularly throughout the year with members of management, reviews the consolidated financial statements and recommends their approval to the Board of Directors.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP.

SIGNED
Jacques L'Ecuyer
President and Chief Executive Officer

SIGNED
David Langlois, CPA, CA
Chief Financial Officer

Montréal, Canada
February 25, 2014



February 25, 2014

Independent Auditor's Report

To the Shareholders of 5N Plus Inc.

We have audited the accompanying consolidated financial statements of 5N Plus Inc., which comprise the consolidated statements of financial position as at December 31, 2013 and 2012 and the consolidated statements of earnings (loss), statements of comprehensive income (loss), statements of cash flows and statements of changes in equity for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

*PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.
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**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of 5N Plus Inc. as at December 31, 2013 and 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP¹

5N PLUS INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Figures in thousands of United States dollars)

	As at December 31, 2013	As at December 31, 2012 (Note 4)
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	22,427	9,535
Temporary investments, restricted	2,490	2,357
Accounts receivable (Note 5)	60,616	87,807
Inventories (Note 6)	174,374	170,293
Income tax receivable	8,455	18,931
Derivative financial assets (Note 17)	955	-
Other current assets	2,290	2,514
Total current assets	271,607	291,437
Property, plant and equipment (Note 7)	59,614	55,548
Intangible assets (Note 8)	13,143	16,010
Deferred tax asset (Note 16)	13,387	12,650
Investments accounted for using the equity method (Note 10)	444	503
Other assets (Note 11)	7,045	9,248
Total non-current assets	93,633	93,959
Total assets	365,240	385,396
LIABILITIES AND EQUITY		
Current		
Bank indebtedness and short-term debt (Note 13)	10,462	8,014
Trade and accrued liabilities (Note 12)	65,016	62,214
Income tax payable	3,660	2,217
Derivative financial liabilities (Note 17)	3,284	2,817
Long-term debt due within one year (Note 13)	4,439	29,527
Total current liabilities	86,861	104,789
Long-term debt (Note 13)	68,346	110,898
Deferred tax liability (Note 16)	1,600	2,632
Retirement benefit obligation (Note 14)	15,887	16,667
Derivative financial liabilities (Note 17)	953	3,537
Other liabilities (Note 15)	1,064	1,560
Total non-current liabilities	87,850	135,294
Total liabilities	174,711	240,083
Shareholders' equity	190,052	144,955
Non-controlling interest	477	358
Total equity	190,529	145,313
Total liabilities and equity	365,240	385,396

Commitments and contingencies (Note 24)

The accompanying notes are an integral part of these consolidated financial statements.

5N PLUS INC.
CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

(Figures in thousands of United States dollars, except per share information)

	For the year ended December 31, 2013	For the year ended December 31, 2012
	\$	\$
Revenues	459,012	551,675
Cost of sales (Note 28)	405,114	520,247
Selling, general and administrative expenses (Note 28)	36,066	45,742
Other expenses, net (Note 28)	(32,854)	225,836
Share of loss from joint ventures	59	333
	408,385	792,158
Operating earnings (loss)	50,627	(240,483)
Financial expenses		
Interest on long-term debt	5,935	8,012
Other interest expense (Note 28)	2,589	816
Foreign exchange and derivative loss (gain)	(2,590)	2,759
	5,934	11,587
Earnings (loss) before income tax	44,693	(252,070)
Income tax expense (recovery) (Note 16)	1,913	(24,221)
Net earnings (loss) for the year	42,780	(227,849)
Attributable to:		
Equity holders of 5N Plus Inc.	42,661	(227,738)
Non-controlling interest	119	(111)
	42,780	(227,849)
Earnings (loss) per share attributable to equity holders of 5N Plus Inc. (Note 22)	0.51	(2.91)
Basic earnings (loss) per share	0.51	(2.91)
Diluted earnings (loss) per share	0.51	(2.91)

The accompanying notes are an integral part of these consolidated financial statements.

5N PLUS INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Figures in thousands of United States dollars, except per share information)

	For the year ended December 31, 2013	For the year ended December 31, 2012
	\$	\$
Net earnings (loss) for the year	42,780	(227,849)
Other comprehensive income (loss), net of tax		
i) Items that may be reclassified subsequently to the consolidated statement of earnings (loss)		
Cash flow hedges, net of income tax of \$(345); 2012 – \$406	937	(1,102)
De-designation of cash flow hedges, net of income tax of \$103; 2012 – \$(312)	(282)	848
Currency translation adjustment	291	215
	946	(39)
ii) Items that will not be reclassified subsequently to the consolidated statement of earnings (loss)		
Retroactive remeasurements of retirement benefit obligation, net of income tax of nil; 2012 – \$1,252 (Note 4)	-	(2,788)
Remeasurements of retirement benefit obligation, net of income tax of \$414; 2012 – nil	923	-
	923	(2,788)
Other comprehensive income (loss), net of tax	1,869	(2,827)
Comprehensive income (loss) for the year	44,649	(230,676)
Attributable to equity holders of 5N Plus Inc.	44,530	(230,565)
Attributable to non-controlling interest	119	(111)

The accompanying notes are an integral part of these consolidated financial statements.

5N PLUS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Figures in thousands of United States dollars, except number of shares)

	For the year ended December 31, 2013		For the year ended December 31, 2012 (Note 4)	
	Number of shares	Amount \$	Number of shares	Amount \$
Total Equity				
Shareholders' Equity				
Share capital				
Balance at beginning of year	83,908,269	343,272	70,961,125	305,928
Common shares issued on exercise of stock options	-	-	43,531	225
Common shares issued for cash (Note 18)	-	-	12,903,613	37,119
Balance at end of year	83,908,269	343,272	83,908,269	343,272
Contributed surplus				
Balance at beginning of year		3,180		2,691
Share-based compensation expense		567		563
Exercise of stock options		-		(74)
Balance at end of year		3,747		3,180
Retained earnings (deficit)				
Balance at beginning of year		(198,073)		30,850
Net earnings (loss) attributable to equity holders of 5N Plus Inc. for the year		42,661		(227,738)
Share issuance expense (net of income tax of nil; 2012 – \$436) (Note 18)		-		(1,185)
Balance at end of year		(155,412)		(198,073)
Accumulated other comprehensive loss				
Balance at beginning of year		(3,424)		(597)
Cash flow hedges (net of income tax of \$(345); 2012 – \$406)		937		(1,102)
De-designation of cash flow hedges (net of income tax of \$103; 2012 – \$(312))		(282)		848
Currency translation adjustment		291		215
Remeasurements of retirement benefit obligation (net of deferred tax of \$(414); 2012 – \$1,252)		923		(2,788)
Balance at end of year		(1,555)		(3,424)
Total shareholders' equity at end of year		190,052		144,955
Non-controlling interest				
Balance at beginning of year		358		469
Share of profit (loss)		119		(111)
Balance at end of year		477		358
Total Equity		190,529		145,313

The accompanying notes are an integral part of these consolidated financial statements.

5N PLUS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Figures in thousands of United States dollars)

	For the year ended December 31, 2013	For the year ended December 31, 2012
	\$	\$
Operating activities		
Net earnings (loss) for the year	42,780	(227,849)
Adjustments to reconcile net earnings (loss) to cash flows		
Depreciation of property, plant and equipment and amortization of intangible assets	10,686	21,159
Amortization of other assets	2,017	1,040
Share-based compensation expense	567	563
Deferred income tax	(1,769)	(25,037)
Share of loss from joint ventures	59	333
Gain related to the settlement of the purchase price of MCP Group SA (Note 13)	(45,188)	-
Impairment of inventories (Note 6)	10,182	50,585
Impairment of property, plant and equipment (Note 7)	-	39,239
Impairment of intangible assets (Note 8)	-	40,597
Impairment of goodwill (Note 9)	-	124,910
Reversal of impairment of property, plant and equipment (Note 7)	-	(932)
Unrealized gain on non-hedge financial instruments	(847)	(1,338)
Unrealized foreign exchange loss on assets and liabilities	1,546	2,123
Funds from operations before the following	20,033	25,393
Net change in non-cash working capital balances related to operations (Note 20)	27,930	76,419
Cash flows from operating activities	47,963	101,812
Investing activities		
Additions to property, plant and equipment	(11,063)	(16,460)
Disposal of property, plant and equipment	245	919
Acquisition of intangible assets	(797)	(347)
Temporary investments	-	49,525
Temporary investments, restricted	(133)	-
Cash flows from (used in) investing activities	(11,748)	33,637
Financing activities		
Repayment of long-term debt	(25,186)	(126,826)
Net increase (decrease) in bank indebtedness and short-term debt	2,448	(65,416)
Issuance of common shares and warrants (Note 18)	-	38,636
Share issuance expense	-	(1,621)
Financial instruments	328	263
Cash flows used in financing activities	(22,410)	(154,964)
Effect of foreign exchange rate changes on cash and cash equivalents related to operations	(913)	(399)
Net increase (decrease) in cash and cash equivalents during the year	12,892	(19,914)
Cash and cash equivalents, beginning of year	9,535	29,449
Cash and cash equivalents, end of year	22,427	9,535
Supplemental information^(a)		
Net income tax paid (recovered)	(7,636)	7,520
Interest paid	5,472	8,434

^(a) Amounts paid for interest and income tax were reflected as cash flows from operating activities in the consolidated statements of cash flows.

The accompanying notes are an integral part of these consolidated financial statements.

5N PLUS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Figures in thousands of United States dollars)

NOTE 1 – GENERAL INFORMATION

Nature of operations

5N Plus Inc. (“5N Plus” or the “Company”) is a Canadian-based international company. 5N Plus is a producer of specialty metal and chemical products. Fully integrated with closed-loop recycling facilities, the Company’s head office is located at 4385 Garand Street, Saint-Laurent, Quebec (Canada) H4R 2B4. The Company operates manufacturing facilities and sales offices in several locations in Europe, the Americas and Asia. The Company’s shares are listed on the Toronto Stock Exchange (“TSX”). 5N Plus and its subsidiaries represent the “Company” mentioned throughout these consolidated financial statements. The Company has two reportable business segments, namely Electronic Materials and Eco-Friendly Materials.

The Electronic Materials segment is headed by a vice president who oversees locally managed operations in North America, Europe and Asia. Its main products are associated with the following metals: cadmium, gallium, germanium, indium and tellurium. These metals are sold as elements, alloys, chemicals and compounds.

The Eco-Friendly Materials segment is headed by a vice president who oversees locally managed operations in Europe and China. The segment manufactures and sells refined bismuth and bismuth chemicals and low melting-point alloys as well as refined selenium and selenium chemicals.

The Company’s operations are not subject to seasonal fluctuations.

These consolidated financial statements were authorized for issuance by the Company’s Board of Directors on February 25, 2014.

NOTE 2 – SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles as set forth in Part 1 of the Chartered Professional Accountants of Canada (CPA Canada) Handbook – Accounting, which incorporates International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are also further disclosed in this note, in the *Significant management estimation and judgment in applying accounting policies* section.

a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Company has control. Control exists when the Company is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through the power over the entity.

The subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

5N PLUS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Figures in thousands of United States dollars)

The Company applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary corresponds to the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. The Company recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of the acquiree's identifiable net assets.

The following table includes the principal subsidiaries which significantly impact the results or assets of the Company:

	Country of incorporation	% Equity interest	
		2013	2012
5N Plus Inc.	Canada	100%	100%
5N PV Gmbh	Germany	100%	100%
5N Plus Lübeck Gmbh	Germany	100%	100%
5N Plus UK Limited	United Kingdom	100%	100%
5N Plus Belgium SA	Belgium	100%	100%
5N Plus Asia Limited	Hong Kong	100%	100%
5N Plus Wisconsin Inc	United States	100%	100%

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Company is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with International Accounting Standard ("IAS") 39, "Financial Instruments: Recognition and Measurement", either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for in equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

Intercompany transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognized in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

b) Associates

All associates are entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under this method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The Company's investment in associates includes goodwill identified on acquisition.

5N PLUS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Figures in thousands of United States dollars)

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income (loss) is reclassified to profit or loss where appropriate.

The Company's share of post-acquisition profit or loss is recognized in the consolidated statements of earnings (loss), and its share of post-acquisition movements in other comprehensive income (loss) is recognized in other comprehensive income (loss) with a corresponding adjustment to the carrying amount of the investment. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to share of profits (loss) of associates in the consolidated statements of earnings (loss).

Profits and losses resulting from upstream and downstream transactions between the Company and its associate are recognized in the Company's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Company.

Dilution gains and losses arising in investments in associates are recognized in the consolidated statements of earnings (loss).

Foreign currency translation**a) Functional and presentation currency**

The Company's functional and presentation currency is the US dollar. Functional currency is determined for each of the Company's entities, and items included in the financial statements of each entity are measured using that functional currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of earnings (loss), except when deferred in other comprehensive income (loss) as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses are presented in the consolidated statements of earnings (loss) within "foreign exchange and derivative loss (gain)".

Changes in the fair value of monetary securities denominated in foreign currencies classified as available for sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in the carrying amount are recognized in other comprehensive income (loss).

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income (loss).

5N PLUS INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Figures in thousands of United States dollars)

c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- ii) income and expenses for each statement of earnings (loss) are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- iii) all resulting exchange differences are recognized in other comprehensive income (loss).

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognized in other comprehensive income (loss).

Segment reporting

In identifying its operating segments, management generally follows the Company's service lines, which represent the main products provided by the Company. The Company operates two principal segments: Electronic Materials and Eco-Friendly Materials. Discrete operating and financial information is available for these segments and is used to determine the operating performance of each segment and to allocate resources.

The Electronic Materials segment is associated with the following metals: cadmium, gallium, germanium, indium and tellurium. These are sold as elements, alloys, chemicals and compounds.

The Eco-Friendly Materials segment manufactures and sells refined bismuth and bismuth chemicals and low melting-point alloys as well as refined selenium and selenium chemicals.

Corporate expenses associated with the head office and unallocated selling, general and administrative expenses together with financing costs and foreign exchange and derivative loss (gain) have been regrouped under the heading "Corporate and unallocated". Corresponding operations and activities are managed accordingly by the Company's key decision-makers.

Each operating segment is managed separately as each of these service lines requires different technologies, resources and marketing approaches. The financial information of the recycling and trading of complex material is allocated to the two main segments. All intersegment transactions between the Electronic Materials and the Eco-Friendly Materials segments have been eliminated on consolidation.

Revenue recognition

Revenue comprises the sale of manufactured products and the rendering of services and is measured at the fair value of the sale of manufactured products, net of intercompany sales, value-added tax, and estimated customer returns and allowances at the time of recognition. The estimates of fair value are based on the Company's historical experience with each customer and the specifics of each arrangement.

Revenue from the sale of manufactured products and custom refining activities is recognized when the risks and rewards of ownership have been transferred to the buyer (which generally occurs upon shipment) and collectibility of the related receivables is reasonably assured. Revenue is recognized when (i) it can be measured reliably; (ii) it is probable that the economic benefits associated with the transaction will flow to the Company; and (iii) the costs incurred or to be incurred can be measured reliably.

5N PLUS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Figures in thousands of United States dollars)

Property, plant and equipment

Property, plant and equipment are recorded at cost and depreciated over their estimated useful lives on a straight-line basis over 25 years for buildings, 10 years for production equipment, ranging from 3 to 10 years for furniture, office equipment and rolling stock, and over the term of the lease for leasehold improvements. As no finite useful life for land can be determined, related carrying amounts are not depreciated. Consistent with IAS 16, "Property, Plant and Equipment", "significant components" with different useful lives from the original asset purchased or constructed are identified and depreciated using a representative useful life. Maintenance and repairs are charged to expense as incurred.

However, "major overhauls and replacements" are capitalized to the consolidated statements of financial position as a separate component, with the replaced part or previous overhaul derecognized from the statement.

Construction in progress is not depreciated until the assets are put into use. Costs are only capitalized if they are directly attributable to the construction or development of the assets.

Residual values, method of depreciation and useful life of the assets are reviewed annually and adjusted if appropriate.

The carrying values of property, plant and equipment which exceed their recoverable amounts are written down to their recoverable amount and are recognized in the consolidated statements of earnings (loss) (see impairment section below). Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in the consolidated statements of earnings (loss) in "Other expenses, net".

Leases

Leases are classified as finance leases if the Company bears substantially all risks and rewards of ownership of the leased asset. At inception of the lease, the related asset is recognized at the lower of fair value and the present value of the minimum lease payments, and a corresponding amount is recognized as a finance lease obligation. Lease payments are split between finance charges and the reduction of the finance lease obligation to achieve a constant proportion of the capital balance outstanding. Finance charges are charged to net earnings (loss) over the lease term.

All other leases are classified as operating leases. Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Goodwill and intangible assets

Goodwill represents the excess of the cost of an acquired business over the fair value of the identifiable assets acquired and liabilities assumed. Goodwill is tested for impairment on an annual basis or whenever facts or circumstances indicate that the carrying amount may exceed its recoverable amount.

Intangible assets other than goodwill are amortized on a straight-line basis over the periods stated below.

	Period
Customer relationships	10 years
Technology	5 years
Trade name and non-compete agreements	2 to 5 years
Software	5 years
Intellectual property	10 years
Development costs	Not exceeding 10 years

5N PLUS INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Figures in thousands of United States dollars)

Impairment of non-financial assets

Impairment of goodwill

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows. As a result, some assets are tested individually for impairment and some are tested at the cash-generating unit (“CGU”) level. Goodwill is allocated to CGUs or groups of CGUs for impairment testing purposes based on the level at which management monitors it, which is not higher than an operating segment. The allocation is made to those CGUs or group of CGUs that are expected to benefit from synergies of the related business combination in which the goodwill arises.

Impairment of other non-financial assets

Non-financial assets with finite lives are tested for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. In addition, non-financial assets that are not amortized are subject to an annual impairment assessment. Any impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). The Company evaluates impairment losses for potential reversals, other than goodwill impairment, when events or changes in circumstances warrant such consideration.

Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

Financial assets

Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company’s loans and receivables comprise “accounts receivable”, “cash and cash equivalents” and “temporary investments, restricted” in the consolidated statements of financial position.

c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of them within 12 months of the end of the reporting period.

5N PLUS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Figures in thousands of United States dollars)

Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade date, the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the consolidated statements of earnings (loss). Financial assets are derecognized when the rights to receive cash flows from the investments have expired or been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are presented in the consolidated statements of earnings (loss) within foreign exchange and derivative loss (gain) in the period in which they arise.

Impairment of financial assets

Assets carried at amortized cost

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include: indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments; the probability that they will enter bankruptcy or other financial reorganization; and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For the loans and receivables category, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated statements of earnings (loss). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument’s fair value, using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor’s credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated statements of earnings (loss).

Financial liabilities

The Company’s financial liabilities include bank indebtedness, short-term debt and long-term debt (“borrowings”), trade and accrued liabilities and derivative financial instruments. Financial liabilities are measured at amortized cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, which are carried subsequently at fair value with gains or losses recognized in net earnings (loss).

All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at fair value through the consolidated statements of earnings (loss). All interest-related charges and, if applicable, changes in an instrument’s fair value that are reported in the consolidated statements of earnings (loss) are included in foreign exchange and derivative loss (gain).

5N PLUS INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Figures in thousands of United States dollars)

Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Company designates certain derivatives as either:

- a) hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge);
- b) hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge); or
- c) hedges of a net investment in a foreign operation (net investment hedge).

The Company documents at the inception of a transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 17.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

a) Fair value hedge

The Company generally applies fair value hedge accounting to certain interest-rate derivatives to hedge the exposures to changes in the fair value of recognized financial assets and financial liabilities. In a fair value hedge relationship, gains or losses from the measurement of derivative hedging instruments at fair value are recorded in net earnings (loss), while gains or losses on hedged items attributable to the hedged risks are accounted for as an adjustment to the carrying amount of hedged items and are recorded in net earnings (loss).

b) Cash flow hedge

The Company generally applies cash flow hedge accounting to foreign exchange forward contracts and interest-rate derivatives entered into to hedge foreign exchange risks on forecasted transactions. In a cash flow hedge relationship, the portion of gains or losses on the hedging item that is determined to be an effective hedge is recognized in other comprehensive income (loss), while the ineffective portion is recorded in net earnings (loss). The amounts recognized in other comprehensive income (loss) are reclassified in net earnings (loss) as a reclassification adjustment when the hedged item affects net earnings (loss).

c) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income (loss). The gain or loss relating to the ineffective portion is recognized in the consolidated statements of earnings (loss). Gains and losses accumulated in equity are included in the consolidated statements of earnings (loss) when the foreign operation is partially disposed of or sold.

5N PLUS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Figures in thousands of United States dollars)

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost includes all expenditures directly attributable to the manufacturing process as well as suitable portions of related production overheads based on normal operating capacity. Costs of ordinarily interchangeable items are assigned using weighted average cost. Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the impairment is reversed (i.e. the reversal is limited to the amount of the original impairment) so that the new carrying amount is the lower of the cost and the revised net realizable value.

From time to time, when substantially all required raw materials are in inventories, the Company may choose to enter into long-term sales contracts at fixed prices. The quantity of raw materials required to fulfill these contracts is specifically assigned, and the average cost of these raw materials of this inventory are accounted for throughout the duration of the contract.

Trade receivables

Trade receivables are amounts due from customers for the sale of manufactured products and the rendering of services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits.

Temporary investments, restricted

Temporary investments represent restricted deposits held to secure certain liabilities of the Company.

Trade and accrued liabilities

Trade and accrued liabilities are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and accrued liabilities are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and accrued liabilities are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost: any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statements of earnings (loss) over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that same or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the term of the facility to which it relates.

5N PLUS INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Figures in thousands of United States dollars)

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated statements of earnings (loss), except to the extent that it relates to items recognized in other comprehensive income (loss) or directly in equity. In which case, the tax is also recognized in other comprehensive income (loss) or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the consolidated statements of financial position in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that are enacted or substantively enacted at the date of the consolidated statements of financial position and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be used.

Deferred income tax is provided for on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Employee future benefits

The Company contributes to a defined benefit pension plan. The significant policies related to employee future benefits are as follows:

- The cost of pension and other post-retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service, market interest rates and management's best estimate of expected plan investment performance, retirement ages of employees and expected health care costs.
- Fair value is used to value the plan assets for the purpose of calculating the expected return on plan assets.
- Actuarial gains and losses arising from experience adjustment and changes in actuarial assumptions are charged or credited to equity in other comprehensive income (loss) in the period in which they arise.

5N PLUS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Figures in thousands of United States dollars)

Share-based payments

The fair value of the equity-settled share-based payment plan is determined using the Black-Scholes model on the grant date. Measurement inputs include the share price on the measurement date, the exercise price of the instrument, expected volatility, weighted average expected life of the instrument, expected dividends, expected forfeiture rate, and the risk-free interest rate. The impact of service and non-market vesting conditions is not taken into account in determining fair value. The compensation expense of the equity-settled awards is recognized in the consolidated statements of earnings (loss) over the graded vesting period, where the fair value of each tranche is recognized over its respective vesting period.

For cash-settled share-based payment plans, the compensation expense is determined based on the fair value of the liability incurred at each reporting date until the award is settled. The fair value of the liability is measured using the Black-Scholes model, taking into consideration the terms and conditions attached to each grant and the extent to which the employees have rendered service to date.

Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing net earnings (loss) for the period attributable to equity owners of the Company by the weighted average number of common shares outstanding during the period.

Diluted earnings (loss) per share is calculated using the treasury stock method. Under this method, earnings (loss) per share data is computed as if the options were exercised at the beginning of the year (or at the time of issuance, if later) and as if the funds obtained from the exercise were used to purchase common shares of the Company at the average market price during the period.

Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognized when: the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

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.

5N PLUS INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Figures in thousands of United States dollars)

Impairment of non-financial assets

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

To determine value in use, management estimates expected future cash flows from each asset or CGU and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Company's assets in future periods. In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and to asset-specific risk factors (Notes 7, 8 and 9).

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 statement of financial position date and the date of the completion of the financial statements. Net realizable value held to satisfy a specific sales contract is measured at the contract price.

Income taxes

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

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 the 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.

NOTE 3 – CHANGES IN ACCOUNTING POLICIES

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the application transitional provisions.

The Company has adopted the amendment to IAS 1, "Presentation of Financial Statements". These amendments required the Company to group other comprehensive income items by those that will be reclassified subsequently to the interim consolidated statement of earnings and those that will not. The Company has reclassified comprehensive income items for the comparative period. These changes did not result in any net adjustments to other comprehensive income (loss) or comprehensive income (loss).

5N PLUS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Figures in thousands of United States dollars)

IAS 19, “Employee Benefits”, was amended in June 2011. The impact on the Company will be as follows: to immediately recognize all past service costs and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). Furthermore, the amendments to IAS 19 enhance the disclosure requirements for defined benefit plans and the risks that the Company is exposed through participation in those plans. The impact of the adoption of IAS 19 is presented in Note 4.

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

IFRS 12, “Disclosure of interests in other entities”, includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special-purpose vehicles and other unconsolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosures that address the nature of, and risks associated with, an entity’s interests in other entities. The Company has incorporated the new disclosure requirements within these financial statements.

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

In May 2013, the IASB amended IAS 36, “Impairment of Assets”, regarding disclosures for non-financial assets. This amendment removed certain disclosures related to the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. The amendment is not mandatory until January 1, 2014, however the Company has decided to early adopt the amendment as of January 1, 2013.

IFRS 7, Financial Instruments: Disclosures — The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are either offset in the consolidated statement of financial position or subject to master netting arrangements or other similar arrangements. The amendments are to be applied retrospectively. The impact of the adoption of IFRS 7 did not result in any change in the disclosure of offsetting of financial assets and financial liabilities.

New standards not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2014, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the Company’s consolidated financial statements, except the following set out below.

IFRS 9, “Financial Instruments”, as issued, reflects the current status of the IASB’s work plan on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities, as defined in IAS 39. The IASB is also addressing hedge accounting and impairment of financial assets. In December 2013 the IASB removed the mandatory effective date of IFRS 9 until all phases of the project have been completed. The mandatory effective date has yet to be determined however it has been deferred beyond annual periods beginning on or after January 1, 2015.

The Company has not yet quantified the effect of the published phases of IFRS 9 nor does it intend at this time to early adopt IFRS 9 until the mandatory effective date.

5N PLUS INC.
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International Financial Reporting Interpretations Committee Interpretation 21, “Levies”, provides guidance on accounting for levies in accordance with the requirements of IAS 37, “Provisions, Contingent Liabilities and Contingent Assets”. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that a liability for a levy is recognized only when the triggering event specified in the legislation occurs. The interpretation is effective for annual periods beginning on or after January 1, 2014, however the Company has not yet assessed the impact of this interpretation.

NOTE 4 – IAS 19, EMPLOYEE BENEFITS

Adjustments to the statements of financial position:

	December 31, 2012
	\$
Equity before accounting change	148,470
Increase in retirement benefit obligation	(4,575)
Increase in deferred tax assets related to the retirement benefit obligation	1,418
Net change	(3,157)
Equity after accounting change	145,313

Adjustments to comprehensive loss:

	2012
	\$
Comprehensive income (loss) before accounting change	(227,888)
Decrease in other comprehensive income for retroactive remeasurements of retirement benefit obligation, net of deferred tax of \$1,252	(2,788)
Comprehensive loss after accounting change	(230,676)

Adjustments to accumulated other comprehensive income (loss):

	2013	2012
	\$	\$
Opening balance before accounting change	(267)	(228)
Decrease in other comprehensive income for remeasurements of retirement benefit obligation	(3,157)	(369)
Opening balance after accounting change	(3,424)	(597)

NOTE 5 – ACCOUNTS RECEIVABLE

	2013	2012
	\$	\$
Gross trade receivables	54,008	79,249
Allowance for doubtful accounts	(218)	(168)
Trade receivables	53,790	79,081
Sales taxes receivable	4,413	4,604
Other receivables	2,413	4,122
Total accounts receivable	60,616	87,807

5N PLUS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Figures in thousands of United States dollars)

All of the Company's accounts receivable are short term. The net carrying value of accounts receivable is considered a reasonable approximation of fair value. The Company reviews all amounts periodically for indications of impairment and the amounts impaired have been provided for as an allowance for doubtful accounts.

The Company's exposure to credit risks and impairment losses related to accounts receivable is disclosed in Note 26. Most of the accounts receivable are pledged as security for the revolving credit facility (Note 13).

NOTE 6 – INVENTORIES

	2013	2012
	\$	\$
Raw materials	45,356	60,410
Work in progress and finished goods	129,018	109,883
Total inventories	174,374	170,293

For the year ended December 31, 2013, a total of \$373,548 of inventories was included as an expense in cost of sales (2012 – \$517,604). This includes \$10,182 of impairment of inventories (\$10,032 for the Eco-Friendly Materials segment and \$150 for the Electronic Materials segment) (2012 – \$50,585 (\$26,835 for the Eco-Friendly Materials segment and \$23,750 for the Electronic Materials segment)).

For the year ended December 31, 2013, a total of \$25,627 previously written down was recognized as a reduction of expenses in cost of sales (\$19,623 for the Eco-Friendly Materials segment and \$6,004 for the Electronic Materials segment) (2012 – \$56,137 (\$19,647 for the Eco-Friendly Materials segment and \$36,490 for the Electronic Materials segment)).

The majority of inventories are pledged as security for the revolving credit facility (Note 13).

5N PLUS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Figures in thousands of United States dollars)

NOTE 7 – PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Production equipment	Furniture, office equipment and rolling stock	Leasehold improvements	Total
	\$	\$	\$	\$	\$
Year ended December 31, 2012					
As at December 31, 2011	37,602	45,367	2,445	1,069	86,483
Additions	5,653	9,762	1,635	614	17,664
Disposals	-	(705)	(192)	(22)	(919)
Impairment losses ^{(a),(b)}	(18,899)	(19,225)	(878)	(237)	(39,239)
Reversal of impairment ^(c)	-	932	-	-	932
Depreciation	(1,784)	(5,885)	(1,494)	(118)	(9,281)
Effect of foreign exchange and adjustment	90	(163)	(19)	-	(92)
As at December 31, 2012	22,662	30,083	1,497	1,306	55,548
As at December 31, 2012					
Cost	26,058	35,772	2,752	1,952	66,534
Accumulated depreciation	(3,396)	(5,689)	(1,255)	(646)	(10,986)
Net book value	22,662	30,083	1,497	1,306	55,548
Year ended December 31, 2013					
As at December 31, 2012	22,662	30,083	1,497	1,306	55,548
Additions	1,187	9,498	621	-	11,306
Disposals	(41)	(182)	(22)	-	(245)
Depreciation	(1,297)	(4,676)	(925)	(124)	(7,022)
Effect of foreign exchange	93	(65)	1	(2)	27
As at December 31, 2013	22,604	34,658	1,172	1,180	59,614
As at December 31, 2013					
Cost	27,140	44,016	3,060	1,952	76,168
Accumulated depreciation	(4,536)	(9,358)	(1,888)	(772)	(16,554)
Net book value	22,604	34,658	1,172	1,180	59,614

- (a) As at December 31, 2012, the Company recognized an impairment of \$28,235 in other expenses, due to the longer than anticipated pricing softness in minor metals, and a significant reduction in market capitalization. The impairment expense relates to the Eco-Friendly Materials segment (Note 9).
- (b) Following the announcement of the closure of a site, the Company has recognized an impairment loss of \$11,004 in the Electronic Materials segment. The impairment represents the excess of the carrying amount over the recoverable value of the related asset.
- (c) For the 12-month period ended December 31, 2012, a total of \$932 previously written down in the Electronic Materials segment was reversed due mainly to the activation of some activities.

5N PLUS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Figures in thousands of United States dollars)

NOTE 8 – INTANGIBLE ASSETS

	Customer relationships	Technology	Trade name and non-compete agreements	Software, intellectual property and development	Total
	\$	\$	\$	\$	\$
Cost					
As at December 31, 2012	10,458	5,625	3,062	3,706	22,851
Additions	-	-	-	797	797
As at December 31, 2013	10,458	5,625	3,062	4,503	23,648
Accumulated amortization					
As at December 31, 2012	1,828	1,862	1,417	1,734	6,841
Amortization	1,048	1,157	372	1,087	3,664
As at December 31, 2013	2,876	3,019	1,789	2,821	10,505
Net book value as at December 31, 2013	7,582	2,606	1,273	1,682	13,143

	Customer relationships	Technology	Trade name and non-compete agreements	Software, intellectual property and development	Total
	\$	\$	\$	\$	\$
Cost					
As at December 31, 2011	42,966	23,108	7,781	3,369	77,224
Additions	-	-	-	347	347
Adjustment	-	-	(21)	(10)	(31)
Impairment losses ^(a)	(32,508)	(17,483)	(4,698)	-	(54,689)
As at December 31, 2012	10,458	5,625	3,062	3,706	22,851
Accumulated amortization					
As at December 31, 2011	3,131	3,029	1,886	1,030	9,076
Amortization	4,380	4,620	2,159	719	11,878
Adjustment	-	-	(6)	(15)	(21)
Impairment losses ^(a)	(5,683)	(5,787)	(2,622)	-	(14,092)
As at December 31, 2012	1,828	1,862	1,417	1,734	6,841
Net book value as at December 31, 2012	8,630	3,763	1,645	1,972	16,010

(a) As at December 31, 2012, the Company recognized an impairment of \$40,597 in other expenses, due to the longer than anticipated pricing softness in minor metals, and a significant reduction in market capitalization. The impairment expense was split \$8,403 and \$32,194 between the Electronic Materials and Eco-Friendly Materials segments respectively (Note 9).

As at December 31, 2013, there was no indication that the intangible asset value had increased. Therefore, there is no impairment reversal.

5N PLUS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Figures in thousands of United States dollars)

NOTE 9 – GOODWILL

	\$
As at December 31, 2011	124,910
Impairment losses	(124,910)
As at December 31, 2012	-

The impairment in 2012 was split \$14,450 and \$110,460 between the Eco-Friendly Materials and Electronic Materials segments respectively.

Impairment of goodwill, intangible assets and property, plant and equipment

As at December 31, 2012, for the purposes of the annual assessment of impairment testing of property, plant and equipment and intangible assets with finite useful lives, the Company determined that it has four cash-generating units: (i) the solar sector; (ii) the germanium and related business; (iii) the remaining Electronic Materials segment; and (iv) the Eco-Friendly Materials segment (which represent the same level used to test goodwill). The Company concluded that there were no trigger events which would require an impairment calculation for the solar sector and the germanium and related business. However, the Company has determined that an impairment calculation was necessary on the remaining Electronic Materials segment, due mainly to lower than anticipated growth in the light-emitting diode (LED) sector related to gallium metal and the lower than expected growth in the indium metal-related sector. For the year ended December 31, 2012, the Company recorded an impairment of \$8,403 related to its other Electronic Materials cash-generating unit, which was all attributed to intangible assets.

Also, the Company completed the required annual impairment testing for goodwill at the CGU level of the Eco-Friendly Materials and Electronic Materials segments, which represent the lowest level at which management monitors goodwill. As at December 31, 2012, it was concluded there was impairment of goodwill in both the Eco-Friendly Materials and Electronic Materials segments, following longer than anticipated pricing softness in minor metals, and a significant reduction in the market capitalization of the Company. As a result, the year ended December 31, 2012 includes \$124,910 of goodwill impairment, of which \$14,450 relates to the Eco-Friendly Materials segment and \$110,460 relates to the Electronic Materials segment. In addition, the year ended December 31, 2012 includes \$60,429 of impairment charges related to the excess of the carrying value of the Eco-Friendly Materials CGU over its recoverable amount, of which \$32,194 was attributed to intangible assets and \$28,235 to property, plant and equipment.

The fair value less costs to dispose was used to determine the recoverable amount of these CGUs by applying discounted projections of future cash flows based on financial forecast approved by management. Average growth rates of 4.5% were used for extrapolating the budget estimates over the years, in addition to a discount rate of 11.4%, working capital requirements of 37.5% of sales and a weighted average income tax rate of 23.0%.

Fair value determinations require considerable judgment and are sensitive to changes in underlying assumptions and factors. As a result, there can be no assurance that the estimates and assumptions made for the purposes of the long-lived assets and annual goodwill impairment test will prove to be an accurate prediction of the future. Events or circumstances that could reasonably be expected to negatively affect the underlying key assumptions and ultimately impact the estimated fair value of the Eco-Friendly Materials and Electronic Materials segments are, to name a few, lower than expected anticipated growth and change in the industry related to the Company's metals.

5N PLUS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Figures in thousands of United States dollars)

NOTE 10 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2013	2012
	\$	\$
Beginning of year	503	1,513
Reversal due to acquisition of remaining 50% interest ^(a)	-	(677)
Share of loss from joint ventures	(59)	(333)
End of year	444	503

(a) The Company acquired the remaining 50% interest of MCP Crystal and MCP Shenzhen for the total price of \$0.6 million.

The following summarizes financial information of the Company's share of assets, liabilities, revenue and expenses of Ingal Stade GmbH ("Ingal"), in which the Company holds a 50% interest, and MCP Crystal and MCP Shenzhen, in which the Company held a 50% interest until their acquisition in 2012.

	2013	2012
	\$	\$
Share of:		
Assets	4,767	5,057
Liabilities	4,285	4,575
Revenue	2,428	4,127
Net earnings (loss)	(59)	(333)

NOTE 11 – OTHER ASSETS

	2013	2012
	\$	\$
Deferred costs	1,243	2,676
Deposit	106	1,500
Loan receivable from a related party (Note 25)	4,014	3,958
Other	1,682	1,114
Total other assets	7,045	9,248

NOTE 12 – TRADE AND ACCRUED LIABILITIES

	2013	2012
	\$	\$
Trade payables	54,556	49,500
Accrued liabilities	10,460	12,714
Total trade and accrued liabilities	65,016	62,214

Trade payables are non-interest bearing.

5N PLUS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Figures in thousands of United States dollars)

NOTE 13 – BANK INDEBTEDNESS, SHORT- AND LONG-TERM DEBT

a) Bank indebtedness and short-term debt

The Company has credit lines with financial institutions in China. These credit lines are guaranteed by certain assets of the Company in China.

The Chinese renminbi (“RMB”) credit line bears interest at 105% to 110% of the RMB base rate.

As at December 31, 2013

Contractual currency	RMB	Total
Facility available	155,000	155,000
Amount drawn	63,911	63,911

As at December 31, 2013

Reporting currency	US\$	Total
Facility available	23,374	23,374
Amount drawn	10,462	10,462

As at December 31, 2012

Contractual currency	RMB	Total
Facility available	217,000	217,000
Amount drawn	50,500	50,500

As at December 31, 2012

Reporting currency	US\$	Total
Facility available	34,438	34,438
Amount drawn	8,014	8,014

5N PLUS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Figures in thousands of United States dollars)

b) Long-term debt

	2013	2012
	\$	\$
Unsecured balance of purchase price and holdback to the former shareholders of MCP Group SA for an amount of €2,500. The holdback is repayable in April 2014 ^(a) .	3,448	65,928
Senior secured revolving facility of \$100,000 with a syndicate of banks, maturing in August 2015 ^(b)	68,020	72,213
Term loan, non-interest bearing, repayable under certain conditions, maturing in 2023. If the loan has not been repaid in full by the end of 2023, the balance will be forgiven ^(c)	733	797
Debt, bearing interest at a rate of three-month LIBOR plus 3.00%, repaid in April 2013	-	769
Other loans	584	718
	72,785	140,425
Less: Current portion of long-term debt	4,439	29,527
	68,346	110,898

^(a) The Company entered into a full and final settlement agreement with Florinvest SA, Heresford Ltd., Metals Corp., SCRL and SRIW SA (the "Vendors"), which are all former shareholders of MCP Group SA ("MCP"), in relation to the dispute previously announced by the Company.

The Company acquired MCP from the Vendors on April 11, 2011, from which remained a balance of the purchase price and accrued interest. The Company filed a counterclaim in arbitration proceedings against the Vendors, as it estimated that the Vendors had breached the representations and warranties of the acquisition agreement. Other civil proceedings were then commenced by the Company and the Vendors before reaching a settlement.

This full and final settlement entails: (i) a final adjustment to the purchase price of MCP through the final payment by the Company of an all-inclusive lump-sum amount of €17.5 million to the Vendors from which €15 million was paid in June 2013, with the balance to be paid on April 9, 2014; (ii) the withdrawal and cancellation of all arbitration and civil proceedings; and (iii) the granting of mutual releases and discharges.

In June 2013, the Company recorded a gain of \$45,188 related to this settlement coming from the total amount due under the promissory note, holdback and accrued interest less the total all-inclusive amount of €17.5 million and related expenses.

^(b) In March 2013, the Company signed an amendment to its senior secured multi-currency revolving credit facility, under which the facility was reduced to \$100,000 starting March 31, 2013. The amendment established new financial covenants for the year 2013 and maintained the original maturity (August 2015). The interest rate was changed and is linked to the Debt/EBITDA ratio, and can vary from LIBOR banker's acceptance rate or EURIBOR plus 3.00% to 4.50% or US base rate or prime rate plus 2.00% to 3.50%. Standby fees from 0.75% to 1.125% are paid on the unused portion. At any time, the Company has the option to request that the credit facility be expanded to \$140,000 through the exercise of an additional \$40,000 accordion feature, subject to review and approval by the lenders. This revolving credit facility can be drawn in US dollars, Canadian dollars or Euros. The amount drawn as at December 31, 2013 is in US dollars. The amount drawn as at December 31, 2012 was \$1,052 in Canadian dollars and \$71,161 in US dollars. The facility is subject to covenants. As at December 31, 2013, the Company has met all covenants.

^(c) The term loan has been reclassified as short-term debt since these amounts could become payable on demand.

Under the terms of its credit facility, the Company is required to satisfy certain restrictive covenants as to financial ratios, including a maximum drawing limit on the credit facility of \$80,000 from August 16, 2013 to February 15, 2014. In order to comply with these covenants, the Company has prepared and will need to execute on its budgeted EBITDA and cash flow estimates. Management believes that the assumptions used by the Company in preparing its budgets are reasonable and that it is not likely that the financial covenants, including the addition of a new temporary maximum withdrawal limit on the credit facility, will be violated in the next 12 months.

NOTE 14 – RETIREMENT BENEFIT OBLIGATION

The Company operates a defined pension plan in Germany based on employee pensionable earnings and length of service. Former general and senior managers had been provided with direct benefit commitments. Employees had been provided with indirect benefit commitments via the Unterstützungseinrichtung der HEK GmbH e.V. Such promises had been made for employees with entry date of December 31, 1993 or earlier.

	2013	2012
	\$	\$
Present value of unfunded obligations	15,887	16,667

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Movement in the defined benefit obligation is as follows:

	2013	2012
	\$	\$
Beginning of year	16,667	12,850
Current service cost	94	73
Interest cost	509	627
Effect of foreign exchange	689	(525)
Benefits paid	(734)	(398)
Actuarial losses (gains)	(1,338)	4,040
End of year	15,887	16,667

The principal actuarial assumptions as at year ended were as follows:

	2013	2012
Discount rate	3.4%	3.1%
Salary growth rate	2.0%	2.0%
Pension growth rate	2.0%	2.0%

The sensitivity of the defined benefit obligation to changes in assumptions is set out below. The effects on each plan of a change in an assumption are weighted proportionately to the total plan obligations to determine the total impact for each assumption presented.

	Impact on defined benefit obligation		
	Change in assumption	Increase in liability	Decrease in liability
Discount rate	0.50%	(6.26)%	6.97%
Salary growth rate	0.50%	0.52%	(0.49)%
Pension growth rate	0.50%	5.29%	(4.87)%
		Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy		3.52%	(3.16)%

The weighted average duration of the defined benefit obligation is 13.50 years (2012 – 13.92 years).

Expected maturity analysis of undiscounted pension liability:

	Less than a year	Between 1 and 5 years	Over 5 years	Total
Pension liability				
At December 31, 2013	762	3,196	22,792	26,750
Pension liability				
At December 31, 2012	710	2,980	23,690	27,380

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NOTE 15 – OTHER LIABILITIES

	Site provision \$	Deferred revenues \$	Other \$	Total \$
At December 31, 2011	884	1,060	2,227	4,171
Utilized	(884)	(1,050)	(677)	(2,611)
At December 31, 2012 – non-current liabilities	-	10	1,550	1,560
Additional provisions	-	215	224	439
Utilized	-	(161)	(774)	(935)
As at December 31, 2013 – non-current liabilities	-	64	1,000	1,064

NOTE 16 – INCOME TAX

	2013 \$	2012 \$
Current tax:		
Current tax on net earnings (loss) for the year	4,744	1,167
Adjustment in respect of prior years	(406)	(924)
Total current tax	4,338	243
Deferred tax:		
Recognition and reversal of temporary differences	(2,425)	(24,464)
Total deferred tax	(2,425)	(24,464)
Income tax expense (recovery)	1,913	(24,221)

The tax on the Company's profit before tax differs from the amount that would arise using the applicable federal and provincial statutory tax rate applicable to profits of the consolidated entities as follows:

	2013		2012	
	\$	%	\$	%
Tax on earnings (loss) at local statutory rate	12,038	26.9	(67,807)	26.9
Increase (decrease) resulting from:				
Unrecorded losses carried forward	1,405	3.2	7,319	(2.9)
Non-deductible expenses (non-taxable gain) for tax purposes ^(a)	(11,044)	(24.7)	1,718	(0.7)
Non-deductible impairment of goodwill	-	-	33,600	(13.4)
Benefits arising from a financing structure	(938)	(2.1)	(1,030)	0.4
Non-taxable foreign exchange	171	0.4	(178)	0.1
Effect of difference of foreign tax rates compared to Canadian tax rates	527	1.1	530	(0.2)
Prior year adjustments	(162)	(0.3)	1,344	(0.5)
Other	(84)	(0.2)	283	(0.1)
Total income tax expense (recovery)	1,913	4.3	(24,221)	9.6

^(a) The effective tax rate for the year ended December 31, 2013, is mainly affected by the gain related to the settlement of the purchase price of MCP, which decreases the effective rate by 26.33%.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2013	2012 (Note 4)
	\$	\$
Deferred tax assets:		
To be recovered within 12 months	2,313	1,685
To be recovered after 12 months	11,074	10,965
Deferred tax liabilities:		
To be recovered within 12 months	-	-
To be recovered after 12 months	(1,600)	(2,632)
Deferred tax assets (liabilities) – (net)	11,787	10,018

Movement in the deferred income tax amounts is as follows:

	2013	2012 (Note 4)
	\$	\$
Beginning of year	10,018	(16,437)
Tax charge relating to components of other comprehensive income (loss)	(656)	137
Charged to consolidated statements of earnings (loss)	2,425	24,464
Tax charged directly to equity	-	436
Retroactive remeasurements of retirement benefit obligation (Note 4)	-	1,418
End of year	11,787	10,018

5N PLUS INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same jurisdiction, is as follows:

Deferred tax assets	Property, plant and equipment	Inventories	Intangible assets	Loss carry forward	Share issue expenses and professional fees	Others	Total	Offset by jurisdiction	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
As at December 31, 2011	-	3,278	-	-	1,622	1,746	6,646	(3,940)	2,706
Adjustment to other comprehensive income (loss) 2011	-	-	-	-	-	166	166	-	166
As at December 31, 2011 adjusted	-	3,278	-	-	1,622	1,912	6,812	(3,940)	2,872
Charged (credited) to consolidated statements of earnings (loss)	4,609	(1,535)	-	8,243	(609)	194	10,902	-	10,902
Charged (credited) to equity	-	-	-	-	436	-	436	-	436
Charged (credited) to comprehensive income (loss)	-	-	-	-	-	137	137	-	137
Adjustment to other comprehensive income (loss) 2012	-	-	-	-	-	1,252	1,252	-	1,252
As at December 31, 2012 adjusted	4,609	1,743	-	8,243	1,449	3,495	19,539	(6,889)	12,650
Charged (credited) to consolidated statements of earnings (loss)	3,547	570	-	(966)	285	206	3,642	-	3,642
Charged (credited) to equity	-	-	-	-	-	-	-	-	-
Charged (credited) to comprehensive income (loss)	-	-	-	-	-	(656)	(656)	-	(656)
As at December 31, 2013	8,156	2,313	-	7,277	1,734	3,045	22,525	(9,138)	13,387
Deferred tax liabilities	Property, plant and equipment	Inventories	Intangible assets	Loss carry forward	Others	Total	Offset by jurisdiction	Total	
	\$	\$	\$	\$	\$	\$	\$	\$	
As at December 31, 2011	4,982	216	16,910	-	975	23,083	(3,940)	19,143	
Charged (credited) to consolidated statements of earnings (loss)	(1,295)	(158)	(12,430)	-	321	(13,562)	-	(13,562)	
As at December 31, 2012	3,687	58	4,480	-	1,296	9,521	(6,889)	2,632	
Charged (credited) to consolidated statements of earnings (loss)	321	1,556	(204)	-	(456)	1,217	-	1,217	
As at December 31, 2013	4,008	1,614	4,276	-	840	10,738	(9,138)	1,600	

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The deferred tax assets of \$13,387, as reported on the consolidated statements of financial position, are dependent on projection of future taxable profits for entities that have suffered a loss in the current period.

Deferred income tax liabilities have not been recognized for the withholding tax and taxes that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are permanently reinvested. Unremitted earnings totalled \$40,448 as at 2013 (2012 – \$43,364).

As at December 31, 2013, the Company had the following operating tax losses available for carryforward for which no deferred tax benefit has been recorded in the account.

	\$	Expiry
United Kingdom	25,574	No limit
Belgium	17,388	No limit
United States	8,716	2031–2033
Malaysia	153	No limit
Peru	355	2015–2016
China	7,172	2018-2019
Total	59,358	

NOTE 17 – CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Fair value

All financial assets classified as loans and receivables, as well as financial liabilities classified as other liabilities, are initially measured at their fair values and subsequently at their amortized cost using the effective interest method. All financial assets and financial liabilities classified as held for trading are measured at their fair values. Gains and losses related to periodic revaluations are recorded in net earnings (loss).

The Company has determined that the carrying value of its short-term financial assets and financial liabilities, including cash and cash equivalents, temporary investments, restricted, accounts receivable, bank indebtedness and short-term debt and trade and accrued liabilities approximates their carrying value due to the short-term maturities of these instruments.

As at December 31, 2013 and 2012, the fair value of long-term debt approximates its carrying value and is calculated using the present value of future cash flows at the year-end rate for similar debt with the same terms and maturities.

The following table presents financial assets and financial liabilities measured at fair value in the consolidated statements of financial position in accordance with the fair value hierarchy. This hierarchy groups financial assets and financial liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities. The fair value hierarchy has the following levels:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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The level in which the financial asset or financial liability is classified is determined based on the lowest level of significant input to the fair value measurement. The financial assets and financial liabilities measured at fair value in the consolidated statements of financial position are grouped into the fair value hierarchy as follows as at December 31:

December 31, 2013	Level 1	Level 2
	\$	\$
Financial assets (liabilities)		
Interest rate swap	-	(2,588)
Foreign exchange forward contracts	-	(1,468)
Derivative forward contracts	-	955
Warrants	(181)	-
Total	(181)	(3,101)

December 31, 2012	Level 1	Level 2
	\$	\$
Financial assets (liabilities)		
Interest rate swap	-	(3,870)
Foreign exchange forward contracts	-	(1,080)
Options	-	(239)
Warrants	(1,165)	-
Total	(1,165)	(5,189)

Derivative assets and liabilities

The Company currently has derivative financial instruments which relate to the following:

- Interest rate swap to fix the interest rate on part of its revolving credit facility;
- Foreign exchange forward contracts to sell US dollars in exchange for Euros or Canadian dollars; and to sell Euros in exchange for US dollars, related to hedge strategies;
- Derivative forward contracts to sell precious metals at a fixed price; and
- Warrants.

Assets (liabilities)	2013	2012
	\$	\$
Interest rate swap ^(a)	(2,588)	(3,870)
Foreign exchange forward contracts ^(b)	(1,468)	(1,080)
Options	-	(239)
Derivative forward contracts ^(c)	955	-
Warrants ^(d)	(181)	(1,165)
Total	(3,282)	(6,354)

^(a) The interest rate swap has a nominal value of \$100,000 commencing in January 2013 and ending in August 2015. Under this swap, the Company will pay a fixed interest rate of 1.82%. The Company received \$1,700 when entering into this forward starting interest rate swap in September 2011. This amount forms part of the fair value that is recorded as a long-term liability. The Company initially designated this contract as a cash flow hedge of anticipated variable payments of interest on a nominal amount of \$100,000 of the revolving line of credit, and the change in its fair value was recorded in the consolidated statements of comprehensive income (loss). On September 4, 2012, the Company repaid part of its credit facility and de-designated \$30,000 of nominal value of the swap. The Company reclassified the estimated fair value of this portion of the swap from accumulated other comprehensive income to unrealized loss on de-designation within the consolidated statement of earnings (loss).

The Company assessed the effectiveness of the cash flow hedge as at December 31, 2013.

5N PLUS INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Figures in thousands of United States dollars)

- (b) The foreign exchange contracts are to cover projected Euro surpluses and Canadian dollar requirements. As of December 31, 2013, the contracts are as follows:
- The Company entered into twelve monthly foreign exchange collar contracts in June 2013, effective from July 2013 to June 2014, to sell US dollars in exchange for Canadian dollars. The six remaining contracts covering January to June 2014 were amended in December 2013. Under these collars, if the US\$/CA\$ rate is between 0.9950 and 1.0700, a monthly nominal amount of \$750 is exchanged at the rate of 1.0700. If the US\$/CA\$ rate is higher than 1.0700, a monthly nominal amount of \$1,500 is exchanged at the rate of 1.0700. If the US\$/CA\$ rate is below 0.9950, no nominal amount is exchanged and the monthly contract is terminated.
 - The Company entered into six monthly foreign exchange collar contracts in December 2013, effective from July 2014 to December 2014, to sell US dollars in exchange for Canadian dollars. Under these collars, if the US\$/CA\$ rate is below \$1.0620, a monthly nominal amount of \$750 is exchanged at the rate of 1.0620. If the US\$/CA\$ rate is between 1.0620 and 1.1100, no nominal amount is exchanged. If the US\$/CA\$ rate is above 1.1100, a monthly nominal amount of \$1,500 is exchanged at the rate of 1.0700.
 - The Company entered into twelve monthly foreign exchange collar contracts in October 2013, effective from January 2014 to December 2014, to sell Euro in exchange for US dollars. Under these contracts, if the Euro/US\$ rate is between 1.2750 and 1.4025, a monthly nominal amount of \$3,000 is exchanged at the rate of 1.4025. If the Euro/US\$ rate is higher than 1.4025, a monthly nominal amount of \$6,000 is exchanged at the rate of 1.4025. If the Euro/US\$ rate is below 1.275, no nominal amount is exchanged, and the monthly contract is terminated.
 - The Company entered into a foreign exchange synthetic collar contract in December 2013, maturing on December 15, 2014, to sell Euro in exchange for US dollars, in order to cover its expected excess Euro cash flows in the first quarter of fiscal year 2015. Under this contract, the Company bought a put for 12,000 Euros at 1.3025 Euro/US\$, and sold a call on 18,000 Euros at 1.3625 Euro/US\$.
- (c) In March 2013, the Company entered into derivative forward contracts to sell silver metal at fixed price at \$30.43 per ounce as at March 4, 2014 to cover purchases of materials containing precious metal (silver). The nominal value of the contracts was approximately \$2,600 at inception. Gains or losses on these derivative forward contracts are recorded as part of the cost of sales.
- (d) On June 6, 2012, the Company issued 6,451,807 warrants (Note 18), which expire on June 6, 2014. Gains or losses on these warrants are recorded in foreign exchange and derivative loss (gain).

The following methods were used to estimate fair value:

- Interest rate swap: Estimated by discounting expected future cash flows using period-end interest rate yield curves;
- Foreign exchange forward contracts: Estimated by discounting expected future cash flows using period-end currency rate;
- Derivative forward contracts: Estimated by discounting expected future cash flows using period-end market price of the precious metal (silver);
- Options: Standard Black-Scholes model using period-end market data as input; and
- Warrants: Fair value based on the TSX closing price. The ticker symbol of the publicly traded warrants is VNP.WT.

NOTE 18 – ISSUANCE OF UNITS

On June 6, 2012, the Company closed a placement for total gross proceeds of CA\$40,001 (US\$38,485). The financing consisted of the issuance of 12,903,613 units at a price of CA\$3.10 per unit. Each unit consisted of one common share and one-half of a common share purchase warrant, with each such whole warrant entitling the holder to subscribe for one additional common share at a price of CA\$5.00 until June 6, 2014.

The initial fair value of the 6,451,807 warrants was estimated using the Black-Scholes option pricing model based on the following assumptions: risk-free interest rate of 1.25%, average expected volatility of 40%, expected dividend per share of nil and expected life of warrants of two years. As a result, the fair value of the common share purchase warrants was estimated at CA\$1,419 (US\$1,366) after a pro rata allocation of the fair value of the units' components.

This amount was allocated to warrants, and the balance of CA\$38,582 (US\$37,119) to share capital. The warrants were recorded as a derivative liability. In accordance with IFRS, an obligation to issue shares for a price that is not fixed in the Company's functional currency and that does not qualify as a rights offering to all shareholders of that class must be classified as a derivative liability and measured at fair value, with changes recognized in the consolidated statements of earnings (loss) as they arise.

5N PLUS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Figures in thousands of United States dollars)

The total issuance costs of the units amounting to \$1,185 (net of income tax of \$436) was attributed to retained earnings.

	Number	Amount CAS	Amount US\$
Units issued for cash	12,903,613	40,001	38,485
Less: Warrants		(1,419)	(1,366)
Net amount attributable to share capital		38,582	37,119

No issuance of units in 2013.

NOTE 19 – OPERATING SEGMENTS

The following tables summarize the information reviewed by the Company's management when measuring performance:

For the year ended December 31, 2013	Eco-Friendly Materials \$	Electronic Materials \$	Corporate and unallocated \$	Total \$
Segment revenues	279,644 ⁽³⁾	179,368 ⁽³⁾	-	459,012
Adjusted EBITDA ⁽¹⁾	16,285 ⁽⁴⁾	22,466 ⁽⁴⁾	(8,376)	30,375
Interest on long-term debt and other interest expense	-	-	8,524	8,524
Litigation and restructuring costs	1,080	441	2,547	4,068
Impairment of inventories (Note 6)	10,032	150	-	10,182
Gain related to the settlement of the purchase price of MCP	-	-	(45,188)	(45,188)
Foreign exchange and derivative loss (gain) ⁽²⁾	-	-	(2,590)	(2,590)
Depreciation and amortization	3,957	6,569	160	10,686
Earnings before income tax	1,216	15,306	28,171	44,693
Capital expenditures	7,126	4,180	-	11,306

For the year ended December 31, 2012	Eco-Friendly Materials \$	Electronic Materials \$	Corporate and unallocated \$	Total \$
Segment revenues	319,662	232,013	-	551,675
Adjusted EBITDA ⁽¹⁾	18,632	34,653	(15,429)	37,856
Interest on long-term debt and other interest expense	-	-	8,828	8,828
Litigation and restructuring costs	1,325	1,456	-	2,781
Impairment of inventories (Note 6)	26,835	23,750	-	50,585
Impairment of property, plant and equipment (Note 7)	28,235	11,004	-	39,239
Impairment of intangible assets (Note 8)	32,194	8,403	-	40,597
Impairment of goodwill (Note 9)	14,450	110,460	-	124,910
Foreign exchange and derivative loss (gain) ⁽²⁾	-	-	2,759	2,759
Depreciation and amortization	11,470	9,563	126	21,159
Reversal of impairment of property, plant and equipment (Note 7)	-	(932)	-	(932)
Loss before income tax	(95,877)	(129,051)	(27,142)	(252,070)
Capital expenditures	7,445	8,830	1,389	17,664

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As at December 31, 2013	Eco-Friendly Materials	Electronic Materials	Corporate and unallocated	Total
	\$	\$	\$	\$
Total assets excluding the following:	154,309	189,397	7,703	351,409
Investment accounted for using the equity method	-	444	-	444
Deferred tax asset	9,451	3,936	-	13,387

As at December 31, 2012	Eco-Friendly Materials	Electronic Materials	Corporate and unallocated	Total
	\$	\$	\$	\$
Total assets excluding the following:	162,073	204,578	5,592	372,243
Investment accounted for using the equity method	-	503	-	503
Deferred tax asset	5,291	5,996	1,363	12,650

- (1) Earnings (loss) before income tax, depreciation and amortization and the following: interest on long-term debt and other interest expense, litigation and restructuring costs, impairment of inventories, reversal of impairment of property, plant and equipment, impairment of property, plant and equipment, intangible assets and goodwill, acquisition-related costs, foreign exchange and derivative loss (gain) and settlement of the purchase price of MCP.
- (2) The foreign exchange and derivative loss (gain) excludes the loss (gain) on foreign exchange forward contracts on USS/CAS recorded as part of wages and salaries and the loss (gain) on derivative forward contracts to sell silver metal recorded as part of cost of goods sold.
- (3) The total revenues of \$42,416 from the recycling and trading of complex materials is allocated to the Eco-Friendly materials and Electronic materials segments.
- (4) The total adjusted EBITDA of \$8,644 from the recycling and trading of complex materials is allocated to the Eco-Friendly materials and Electronic materials segments.

The geographic distribution of the Company's revenues based on the location of the customers for the years ended December 31, 2013 and 2012, and the identifiable non-current assets as at December 31, 2013 and 2012 are summarized as follows:

Revenues	2013	2012
	\$	\$
Asia		
China	50,578	72,672
Japan	7,633	10,425
Others	94,274	106,575
Americas		
United States	82,764	102,344
Other	19,982	21,231
Europe		
France	27,668	33,067
Germany	66,611	90,455
United Kingdom	22,628	27,021
Other	79,264	84,097
Other	7,610	3,788
Total	459,012	551,675

Non-current assets as at	2013	2012
	\$	\$
Asia		
Hong Kong	8,510	10,801
Other	11,295	9,543
United States	6,634	6,058
Canada	20,552	27,133
Europe		
Belgium	11,874	10,582
Germany	28,635	23,755
Other	6,133	6,087
Total	93,633	93,959

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For the year ended December 31, 2013, one customer represented approximately 11.58 % (2012 – 13.3%) of the revenues, and is included in the Electronic Materials revenues.

NOTE 20 – SUPPLEMENTAL CASH FLOW INFORMATION

Net change in non-cash working capital balances related to operations consists of the following:

	2013	2012
	\$	\$
Decrease (increase) in assets:		
Accounts receivable	28,104	(10,549)
Inventories	(14,263)	95,615
Income tax receivable	10,235	(7,816)
Other current assets	466	1,221
Increase (decrease) in liabilities:		
Trade and accrued liabilities	1,945	(3,915)
Income tax payable	1,443	1,863
Net change	27,930	76,419

The consolidated statements of cash flows exclude or include the following transactions:

	2013	2012
	\$	\$
a) Excluded additions unpaid at end of year:		
Additions to property, plant and equipment	1,637	1,394
b) Included additions unpaid at beginning of year:		
Additions to property, plant and equipment	1,394	190

NOTE 21 – SHARE CAPITAL

Authorized:

- An unlimited number of common shares, participating, with no par value, entitling the holder to one vote per share
- An unlimited number of preferred shares, issuable in one or more series with specific terms, privileges and restrictions to be determined for each class by the Board of Directors. As at December 31, 2013 and 2012, no preferred shares were issued

None of the Company's shares is held by any subsidiary or joint venture.

5N PLUS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 22 – EARNINGS (LOSS) PER SHARE

The following table reconciles the numerators and denominators used for the computation of basic and diluted loss per share.

Numerators	2013	2012
	\$	\$
Net earnings (loss) attributable to equity holders of 5N Plus Inc.	42,661	(227,738)
Net earnings (loss) for the year	42,780	(227,849)

A total number of 11,629,951 stock options and a total number of 6,451,807 warrants were excluded from the computation of diluted loss per share due to their anti-dilutive effect because of the Company's stock price for the year ended December 31, 2013.

Given the Company's stock price for the year ended December 31, 2012 and given the consolidated net loss incurred by the Company for that period, stock options and warrants were excluded from the computation of diluted loss per share due to their anti-dilutive effect.

	2013	2012
Weighted average number of shares outstanding – Basic	83,908,269	78,352,364
Effect of dilutive securities	67,123	-
Weighted average number of shares outstanding – Diluted	83,975,392	78,352,364

NOTE 23 – SHARE-BASED COMPENSATION

As at December 31, 2013, the Company had the following share-based compensation plans.

Stock option plan

On April 11, 2011, the Company adopted a new stock option plan replacing the previous plan (the "Old Plan"), in place since October 2007, with the same features as the Old Plan with the exception of a maximum number of options granted which cannot exceed 5,000,000. The aggregate number of shares which could be issued upon the exercise of options granted under the Old Plan could not exceed 10% of the issued shares of the Company at the time of granting the options. Options granted under the Old Plan may be exercised during a period not exceeding ten years from the date of grant. The stock options outstanding as at December 31, 2013 may be exercised during a period not exceeding six years from their date of grant. Options vest at a rate of 25% (100% for directors) per year, beginning one year following the grant date of the options. Any unexercised options will expire one month after the date a beneficiary ceases to be an employee, director or officer and one year for retired directors.

Restricted share unit incentive plan

On June 7, 2010, the Company adopted a Restricted Share Unit ("RSU") Plan to complement the stock option plan. The RSU Plan enables the Company to award to eligible participants phantom share units that vest after a three-year period. The RSU is settled in cash and is recorded as a liability. The measurement of the compensation expense and corresponding liability for these awards is based on the fair value of the award, and is recorded as a charge to selling, general and administrative ("SG&A") expenses over the vesting period of the award. At the end of each financial period, changes in the Company's payment obligation due to changes in the market value of the common shares on the TSX are recorded as a charge to SG&A expenses. For the year ended December 31, 2013, the Company granted 190,000 RSUs (2012 – 33,978), 26,720 of RSUs were paid (2012 – nil) and there were no cancellations (2012 – 12,385). As at December 31, 2013, 242,760 RSUs were outstanding (2012 – 79,480).

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Restricted share unit incentive plan for foreign employees

On June 7, 2010, the Company adopted a Restricted Share Unit for Foreign Employees (“RSUFE”) Plan. Under this Plan, the RSUFE granted may be exercised during a period not exceeding ten years from the date of grant. The RSUFE outstanding as at December 31, 2013 may be exercised during a period not exceeding six years from their date of grant. RSUFE vest at a rate of 25% per year beginning one year following the grant date of the award. For the 12-month period ended December 31, 2013, the Company granted 15,000 RSUFE and cancelled 1,725 RSUFE. As at December 31, 2013, 67,639 RSUFE were outstanding (2012 – 54,364).

Stock Appreciation Rights

On November 1, 2011, the Company granted 247,000 Stock Appreciation Rights (“SARs”) to most of its employees except senior management. The SARs are vested and paid over a period of three years. The SARs are exercisable automatically for cash at each anniversary date and the Company is obligated to pay the holders. The amount of cash payout is calculated based on the number of SARs multiplied by the average price of the Company’s shares for the month immediately before vesting. At the end of each financial period, changes in the Company’s payment obligations due to changes in the market value of the common shares on the TSX are recorded as an expense. For the year ended December 31, 2013, 23,153 SARs were cancelled and 51,816 SARs were paid. As at December 31, 2013, 48,198 SARs were outstanding (2012 – 123,167).

The following table presents information concerning all outstanding stock options:

	2013		2012	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		CAS		CAS
Outstanding, beginning of year	1,585,448	4.67	1,543,211	5.28
Granted	546,939	2.39	325,840	2.22
Cancelled	(141,386)	5.55	(240,072)	5.60
Exercised	-	-	(43,531)	3.36
Expired	(353,050)	3.00	-	-
Outstanding, end of year	1,637,951	4.19	1,585,448	4.67
Exercisable, end of year	1,001,826	4.94	1,024,656	4.94

The outstanding stock options as at December 31, 2013 are as follows:

Maturity	Exercise price		Number of options
	Low	High	
	CAS	CAS	
June and August 2014	9.13	9.13	7,500
October 2014	3.81	3.81	2,500
January 2015 to October 2016	4.87	5.47	534,987
June and September 2017	8.50	8.64	226,840
December 2017	6.16	6.16	7,500
April 2018	3.61	3.61	65,284
November 2018	2.22	2.22	318,340
May 2019	2.20	2.20	475,000
			<u>1,637,951</u>

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The fair value of stock options at the grant date was measured using the Black-Scholes option pricing model. The historical share price of the Company's common shares is used to estimate expected volatility, and government bond rates are used to estimate the risk-free interest rate. The following table illustrates the inputs used in the measurement of the fair values of the stock options at the grant date granted during the years ended December 31, 2013 and 2012:

	2013	2012
Expected stock price volatility	59%	53%
Dividend	None	None
Risk-free interest rate	1.10%	1.07%
Expected option life	4 years	4 years
Fair value – weighted average of options issued	\$1.00	\$0.93

The following table shows the share-based compensation expense recorded in the consolidated statements of earnings (loss) for the years ended December 31, 2013 and 2012:

Expense	2013	2012
	\$	\$
Stock options	567	563
SARs	15	92
RSUs	148	-
Total	730	655

The following table shows the carrying amount and the intrinsic value of the share-based compensation liabilities:

Liability	2013	2012
	\$	\$
RSUs	182	92
RSUFE	4	10
SARs	124	189
Total	310	291

NOTE 24 – COMMITMENTS AND CONTINGENCIES

Commitments

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

	2013	2012
	\$	\$
Within one year	2,265	2,148
After one year but not more than five years	3,635	2,612
Total commitments	5,900	4,760

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, except for the following.

As further described in Note 13(b), in 2013, the Company settled its case with the former shareholders of MCP, thereby prohibiting further related action by either party involved in the settlement. As of the date hereof, the Company does not believe that it is probable that an outflow of resources, which could be material to the consolidated financial statements, will be required by the Company following potential third party claims pertaining to actions or events related to the alleged breaches of representations and warranties by the Vendors.

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NOTE 25 – RELATED PARTY TRANSACTIONS

The Company's related parties are its joint ventures, associates, directors and executive members.

Unless otherwise stated, none of the transactions incorporates special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

Ingal, a 50% joint venture, supplies gallium metal to other companies of the group. During the year ended December 31, 2013, the Company purchased \$4,850 worth of gallium from Ingal (2012 – \$5,994).

As at December 31, 2013, the Company has a loan receivable from Ingal of \$4,014 (€2,911) (2012 – \$3,958 (€3,000) (Note 11)).

NOTE 26 – FINANCIAL RISK MANAGEMENT

In the normal course of operations, the Company is exposed to various financial risks. These risk factors include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, equity prices and interest rates, will affect the Company's net earnings (loss) or the value of financial instruments.

The objective of market risk management is to mitigate exposures within acceptable limits, while maximizing returns.

(i) Currency risk

Currency risk refers to the fluctuation of financial commitments, assets, liabilities, income or cash flows due to changes in foreign exchange rates. The Company conducts business transactions and owns assets in several countries and is therefore subject to fluctuations in the currencies in which it operates. The Company's revenues and expenses are exposed to currency risk largely in the following ways:

- Translation of foreign currency-denominated revenues and expenses into US dollars, the Company's functional currency – When the foreign currency changes in relation to the US dollar, earnings reported in US dollars will change. The impact of a weakening foreign currency in relation to the US dollar for foreign currency-denominated revenues and expenses will result in lower net earnings (higher net loss) because the Company has more foreign currency-denominated revenues than expenses.
- Translation of foreign currency-denominated debt and other monetary items – A weakening foreign currency in respect of the Company's foreign currency-denominated debt will decrease the debt in US dollar terms and generate foreign exchange gain on bank advances and other short-term debt, which is recorded in earnings (loss). The Company calculates the foreign exchange on short-term debt using the difference in foreign exchange rates at the beginning and end of each reporting period. Other foreign currency-denominated monetary items will also be affected by changes in foreign exchange rates.

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The following table summarizes in US dollar equivalents the Company's major currency exposures as at December 31, 2013:

	CAS	EUR	GBP	RMB	2013 HK\$
	\$	\$	\$	\$	\$
Cash and cash equivalents	351	4,847	1,398	7,188	10
Temporary investments, restricted	-	2,490	-	-	-
Accounts receivable	564	15,131	2,506	3,541	276
Bank indebtedness and short-term debt	-	-	-	(10,462)	-
Trade and accrued liabilities	(1,724)	(15,827)	(1,642)	(6,073)	(172)
Long-term debt	(897)	(3,448)	-	-	-
Net financial assets (liabilities)	(1,706)	3,193	2,262	(5,806)	114

The following table shows the impact on earnings (loss) before income tax of a one-percentage point strengthening or weakening of foreign currencies against the US dollar as at December 31, 2013 for the Company's financial instruments denominated in non-functional currencies:

	CAS	EUR	GBP	RMB	HK\$
	\$	\$	\$	\$	\$
1% Strengthening					
Earnings (loss) before tax	(17)	32	23	(58)	1
1% Weakening					
Earnings (loss) before tax	17	(32)	(23)	58	(1)

Occasionally, the Company will enter into short-term foreign exchange forward contracts to sell US dollars in exchange for Canadian dollars, Euros, Hong Kong dollars and British pounds sterling. 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 outside China are incurred in Canadian dollars, Euros, Hong Kong dollars and British pounds sterling.

(ii) 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 is exposed to interest rate fluctuations on its revolving credit facility, which bears a floating interest rate.

As at December 31, 2013, the Company has an outstanding interest rate swap contract to hedge part of its interest rate risk on the revolving credit facility. The nominal value is \$100,000 commencing in January 2013 and ending in August 2015. This interest rate swap fixed the LIBOR interest rate at 1.82%. The Company received \$1,700 when entering into this interest rate swap in September 2011, which was the fair value of the instrument on signing. The fair value of the contract is \$(2,588) as at December 31, 2013 and is recorded as part of derivative financial liabilities in the consolidated statement of financial position.

(iii) Other price risk

Other price risk is the risk that fair value or future cash flows will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk. The Company is exposed to other price risk with respect to the underlying risks of the held-for-trading financial instruments included in the consolidated statements of financial position.

In March 2013, the Company entered into derivative forward contracts to sell silver metal at fixed at \$30.43 per ounce as at March 4, 2014 to cover purchases of materials containing precious metal (silver). The nominal value of the contracts was approximately \$2,600 at inception (Note 17).

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Warrants

In June 2012, the Company issued 12,903,613 units at a price of CA\$3.10 per unit. Each unit comprises one common share and one-half of a common share purchase warrant. The Company issued 6,451,807 warrants, which are recorded as part of derivative financial liabilities at fair value based on the stock exchange market. The fair value is \$(181) as at December 31, 2013 (2012 – \$(1,165)). Fair value depends on several factors, such as market volatility, foreign exchange rate volatility, interest rate fluctuations, the Company's market activity and other market conditions.

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 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 collection; therefore, the carrying amount of accounts receivable generally represents the maximum credit exposure. As at December 31, 2013 and 2012, the Company has an allowance for doubtful accounts of \$218 and \$168 respectively. The provision for doubtful accounts, if any, is included in selling, general and administrative expenses in the consolidated statements of earnings (loss), and is net of any recoveries that were provided for in prior periods.

Counterparties to financial instruments may expose the Company to credit losses in the event of non-performance. Counterparties for derivative and cash transactions are limited to high credit quality financial institutions, which are monitored on an ongoing basis. Counterparty credit assessments are based on the financial health of the institutions and their credit ratings from external agencies. As at December 31, 2013, no financial assets are past due except for trade receivables. The aging analysis of the latter two categories of trade receivables is as follows:

	2013	2012
	\$	\$
Up to 3 months	20,889	22,966
More than 3 months	625	1,395
	21,514	24,361

The following table summarizes the changes in the allowance for doubtful accounts for trade receivables:

	2013	2012
	\$	\$
Beginning of year	168	482
Provision for impairment	50	1,333
Trade receivables written off during the year as uncollectible ^(a)	-	(1,647)
Unused amounts reversed	-	-
End of year	218	168

^(a) For the year ended December 31, 2012, a client from the Eco-Friendly Materials segment had significant difficulties and the Company wrote off the account receivable of \$1.4 million (€1.1 million).

Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

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Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due (Note 13(b)). 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.

The following table reflects the contractual maturity of the Company's financial liabilities as at December 31, 2013:

	2013					
	Carrying amount	1 year	2-3 years	4-5 years	Beyond 5 years	Total
	\$	\$	\$	\$	\$	\$
Bank indebtedness and short-term debt	10,462	11,137	-	-	-	11,137
Trade and accrued liabilities	65,016	65,016	-	-	-	65,016
Derivative financial instruments	4,237	3,284	953	-	-	4,237
Long-term debt	72,785	6,017	69,553	173	19	75,762
Total	152,500	85,454	70,506	173	19	156,152

NOTE 27 – CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may amend the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company requires the approval of its lenders on some of the capital transactions such as the payment of dividends and capital expenditures over a certain level.

The Company monitors capital on the basis of the debt-to-equity ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (comprising bank indebtedness and short-term debt and long-term debt in the consolidated statements of financial position) less cash and cash equivalents and temporary investments, restricted. Total equity is the equity attributable to equity holders of 5N Plus Inc. in the consolidated statements of financial position.

Debt-to-equity ratios as at December 31, 2013 and 2012 are as follows:

	2013	2012
	\$	\$
Total borrowings	83,247	148,439
Less: Cash and cash equivalents and temporary investments, restricted	(24,917)	(11,892)
Net debt	58,330	136,547
Shareholders' equity	190,052	144,955
Debt-to-equity ratio	31%	94%

5N PLUS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Figures in thousands of United States dollars)

NOTE 28 – KEY MANAGEMENT COMPENSATION AND EXPENSES BY NATURE**Key management compensation**

Key management includes directors (executive and non-executive) and certain senior management. The compensation expense paid or payable to key management for employee services is as follows:

Key management compensation	2013	2012
	\$	\$
Wages and salaries	4,427	4,731
Share-based compensation	636	219
Total	5,063	4,950

Expenses by nature	2013	2012
	\$	\$
Wages and salaries ⁽¹⁾	39,525	43,006
Share-based compensation expense	730	655
Depreciation of property, plant and equipment and amortization of intangible assets	10,686	21,159
Amortization of other assets	2,017	1,040
Research and development, net of tax credit	3,758	1,410
Litigation and restructuring costs	4,068	2,781
Impairment of goodwill	-	124,910
Impairment of inventories	10,182	50,585
Impairment of property, plant and equipment	-	39,239
Impairment of intangible assets	-	40,597
Reversal of impairment of property, plant and equipment	-	(932)
Gain related to the settlement of the purchase price of MCP	(45,188)	-
Gain related to the derivative forward contracts to sell silver metal (Note 17)	(955)	-

⁽¹⁾ Includes gain on foreign exchange forward contracts related to US\$/CA\$ (Note 17)

Corporate Information

Stock Exchange

5N Plus is listed on the Toronto Stock Exchange, under the symbol VNP.

Transfer Agent and Registrar

Computershare Investor Services Inc.

Auditors

PricewaterhouseCoopers LLP

Head Office

4385 Garand Street
Montreal, Quebec
H4R 2B4

Annual Meeting

The annual shareholders meeting will be held on Wednesday, May 7, 2014 at 10:30 a.m.

Club Saint-James
1145 Union Avenue
Montreal, Quebec

For more information, please contact:

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