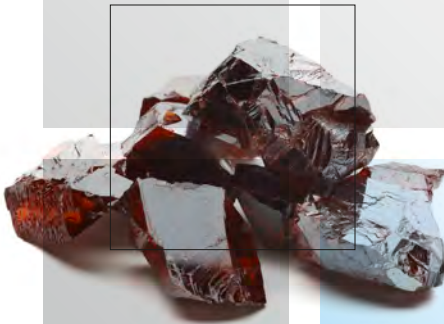




5N PLUS

2012
Annual
Report



our vision

To grow together in an environmentally responsible way, through the innovation and product excellence made possible by our employees' know-how and commitment, thereby enabling 5N Plus to become the world's leading producer of specialty metal and chemical products.



message
to
shareholders

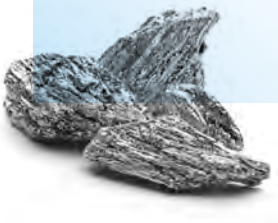
2013 is a time for renewal at 5N Plus, as the Company aims to strengthen its position in markets which are rapidly evolving. There are indeed certain periods in life when the situation requires, either at the corporate or collective level, changes in order to address recurring issues, create opportunities, and lead to a better and more promising future in the short, medium and long term.

5N Plus Inc. is not immune to these economic realities and constraints caused by the combined effects of a host of phenomena and external factors over which management has little control. These include a restructuring in the solar industry due to a disproportionate increase in production capacity, the downward pressure on the prices of metals, and the sluggish global economy slowed in part by economic turbulences in the eurozone and even to some extent in Asia.

Overall, the sum of these structural changes and the impact of the slowdown has led to a changing business and market environment warranting a redefined vision and a renewed approach to growth. Throughout the Company, this approach is now being deployed through sound and forceful decisions which are expected to enable the Company to renew with market conditions and a financial performance more in line with management and shareholder expectations.

MIXED FINANCIAL RESULTS

The Company's financial performance suffered throughout the year amid these important changes that were mostly beyond management's control and forecasting, leading to lower annualized sales and losses for a second consecutive fiscal year. At the same time, the company saw its market value fall below its book value for most of the year, resulting in a more stringent evaluation of goodwill which was eventually fully written-off.



Operating in this challenging environment, the Company has still managed to maintain or increase its sales volumes and market share, while significantly improving its cash position. Indeed, the Company's debt has been reduced by close to 125 million through strong cash flow resulting mainly from a decrease in working capital.

FOCUSED ON GROWTH

2012 was however also a year of many impressive accomplishments in terms of growth. The Company was ranked number 15 among Canada's 200 fastest growing companies by *PROFIT Magazine, Your Guide To Business Success*. This prestigious ranking, now in its 24th year, recognizes Canada's fastest growing companies based on their five-year revenue growth which for 5N Plus came in at 2459%.

For the third consecutive year, 5N Plus also won awards in several categories in the renown Deloitte Technology **Fast 50™** program for highest percentage revenue growth, over a period of 5 years. The Company also earned the rank of 138th in the Deloitte Technology **Fast 500™**, among 500 companies with the fastest growth in the areas of technology, media, telecommunications, life sciences and clean technologies in North America.

The Company has also executed on its strategic plan which calls for a stronger presence in Asia by opening a new recycling plant in Malaysia's *Kulim High Technology Park*, acquiring the outstanding shares in its gallium refinery in Shenzhen China and by operating its new facility in Laos for its first full year.

Overall, 5N Plus management remains cautiously optimistic and confident in the face of changing market conditions which will largely determine the Company's future financial performance.

A YEAR OF TRANSITION

A leader in most of the markets in which it operates, the Company intends to take advantage of an environment which can only become more favorable especially in terms of commodity prices. We also intend to gradually redeploy capital into higher value opportunities and recycling with a strong focus on increasing commercial dealings in Asia. Combined with our efforts aimed at improving our business practices and operational efficiencies, this should enable us to significantly improve our financial performance in the coming years, recognizing that 2013 will be very much of a transition year.

EFFICIENCY

Amid the measures made to re-focus our strengths, 5N Plus will be making every effort to improve the efficiency of its business processes. Specifically, we have decided to streamline our production operations to meet the demands of market movements and the new global demand for pure metals, compounds and specialty chemicals that make up the range of our product offering.

Thus, the Company has opted to consolidate its North American operations by relocating its Fairfield production facilities in Wisconsin and by closing its facilities in Trail, British Columbia. The Company is also involved in an ambitious program to reduce costs in order to improve its competitiveness. These efforts will in no way negatively impact sales and are aimed at optimizing the Company's production capabilities in order to become more competitive in the market. We also intend to strengthen our efforts in Asia, by leveraging our existing plants in Malaysia, Laos and China, as well as our efforts to do business in Korea.

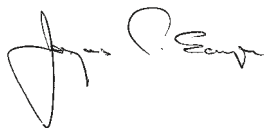
As with most reorganizations, many employees have been impacted and some negatively following lay-offs in several sites. It is with the utmost respect to our employees that such measures have been taken in accordance with the Company's values that are based on commitment, respect and integrity.

A RETURN TO PROFITABILITY

We are aware that the turbulences which have impacted our performance during the last year may have in some minds darkened our future. However, our willingness to act decisively, together with the speed with which we identify sound solutions, have effectively restored a positive outlook for the years to come. We would therefore like to thank you for your continuing support as we believe the best is yet to come!



Dennis Wood
Chairman of the Board of Directors



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"), 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, 2012. The Company's audited consolidated financial statements for the year ended December 31, 2012, have been prepared in compliance with International Financial Reporting Standards ("IFRS") as defined in the Handbook of the Canadian Institute of Chartered Accountants and adopted by the International Accounting Standards Board ("IASB").

The "Q4 2012" and the "Q4 2011" refer to the three-month periods ended December 31, 2012 and 2011, respectively. All amounts in this MD&A are expressed in U.S. dollars, and all amounts in the tables are in thousands of U.S. dollars, unless otherwise indicated. All quarterly information disclosed in this MD&A is based on unaudited figures.

Information contained herein includes any significant developments to March 28, 2013, the date on which the MD&A was approved by the Company's board of directors. Unless otherwise indicated, the terms "we", "us" and "our" "the group" as used herein refer to the Company together with its subsidiaries.

Change in Year-End

On August 24, 2011, the Company changed its financial year-end date from May 31 to December 31. As a result, the year ended December 31, 2011 comprises seven months.

Non-IFRS Measures

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

Notice Regarding Forward-Looking Statements

Certain statements in this MD&A may be forward-looking within the meaning of applicable securities laws. Forward-looking information and statements are based on the best estimates available to the Company at the time and involve known and unknown risks, uncertainties or other factors that may cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Factors of uncertainty and risk that might result in such differences include the risks related to the possible failure to realize anticipated benefits of acquisitions, additional indebtedness, inventory pricing, commodity pricing, legal proceedings, 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 "Risks and Uncertainties" 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

Corporate Overview and Business

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, 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 segment adjusted EBITDA which is reconciled to consolidated numbers by taking into account corporate income and expenses.

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

The Eco-Friendly Materials segment is so labelled because it is mainly associated with bismuth, one of the very few heavy metals which have no detrimental effect on either human health or in the environment. As a result, bismuth is being increasingly used in a number of applications as a replacement for more harmful metals and chemicals. The Eco-Friendly Materials segment is headed by a Vice President who oversees locally managed operations in Europe and China. The Eco-Friendly Materials segment manufactures and sells refined bismuth and bismuth chemicals, low melting point alloys as well as refined selenium and selenium chemicals. These are used in the pharmaceutical and animal-feed industry as well as in a number of industrial applications including coatings, pigments, metallurgical alloys and electronics.

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

Management's Discussion and Analysis

Highlights of Q4 2012 and Fiscal Year 2012

- Generated strong cash flow from operating activities of \$101.8 million in 2012. Net debt amounted to \$136.6 million on December 31, 2012 compared to \$260.6 million on December 31, 2011 and decreased by \$4.0 million in Q4 2012 and by \$124.0 million during 2012. Total debt amounted to \$148.4 million on December 31, 2012 compared to \$341.9 million on December 31, 2011 and decreased by \$1.4 million in Q4 2012 and by \$193.5 million in 2012.
- Adjusted EBITDA for Q4 2012 was \$6.4 million, a 10.4% decrease over Adjusted EBITDA of \$7.1 million for Q4 2011. Adjusted EBITDA in 2012 was \$37.9 million compared to \$37.4 million for the seven-month period ended December 31, 2011.
- The Company recorded in Q4 2012 goodwill and other non-current asset impairment charges of \$204.8 million due to longer-than-anticipated pricing softness in minor metals and a significant reduction in the market capitalization of the Company. This resulted in a net loss of \$212.0 million in the quarter and a net loss of \$227.8 million for 2012. This compares with net losses of \$37.2 million and \$22.5 million for the quarter and seven-month period ended December 31, 2011. Excluding impairment charges and reversals, restructuring costs and acquisition costs net of the related income tax, adjusted net earnings resulted in a loss of \$6.9 million in Q4 2012 of \$2.9 million in 2012 which compares to adjusted net earnings (loss) of (\$0.1) million and \$16.5 million for the quarter and seven-month period ended December 31, 2011.
- Revenues for Q4 2012 were \$128.6 million, a 13.9% decrease over revenues of \$149.4 million for Q4 2011. Revenues for 2012 increased to \$551.7 million representing a 40.8% increase over revenues of \$391.7 million for the seven-month period ended December 31, 2011.
- As at December 31, 2012, the backlog of orders expected to translate into sales over the following twelve months stood at \$165.8 million compared to \$162.3 million as at September 30, 2012 and to \$223.2 million a year ago.
- On June 6, 2012, the Company issued 6,452,000 stock units for gross proceeds of CA\$20.0 million. The offering was made by way of short form prospectus filed with the securities commissions of each of the provinces of Canada. In a concurrent private placement, the Company issued and sold a further 6,451,613 units to Investissement Québec for gross proceeds of CA\$20.0 million.
- On November 15, 2012, the Company announced that its new Malaysian recycling facility was operational and completed under budget. The facility is located within the Kulim High Technology Park, one of Malaysia's highest profile industrial areas for technological firms.
- The Company amended its senior secured multi-currency revolving credit facility under which the facility will be reduced to \$100 million starting March 31, 2013 and could, at any time, be expanded to \$140 million at the Company's request through the exercise of an additional \$40 million accordion feature, subject to review and approval by the lenders.

Despite the very challenging business environment in which it operated throughout the quarter and the year, the Company managed to maintain market share and generate significant cash flow enabling a sizeable reduction in debt. The Company also achieved commercial, technical and operational milestones including the completion of its Malaysian facility, breakthroughs at its Sylarus subsidiary, relocation of its Fairfield operations to Wisconsin and further penetration of the Asian market.

Revenues, backlog and profitability were all negatively impacted in the quarter and the year by low underlying commodity prices which caused the Company to record significant write-downs in the value of its inventories, non-current assets and goodwill, the latter having now been completely written off. Headwinds related to continuing concerns over European demand, the slowdown in the global economy and the structural changes in the solar industry continued to weigh on the Company's performance. This was further exacerbated by the difficulties encountered with the integration of the former MCP activities leading to the departure of some senior executives from the former management team and the dispute which followed related to some of the seller's representations and warranties made at the time of the purchase.

Management's Discussion and Analysis

On the positive side, the amendment of its credit facility provides the Company with the required financing flexibility for 2013 and better fits its current financing needs. The Company is now better aligned and intends to gradually redeploy capital into higher value opportunities and recycling with a strong focus on increasing commercial dealings in Asia. The Company also intends to leverage its dominant market share and take advantage of what it believes will be a more favorable underlying commodity pricing environment in the coming year.

Recognising that 2013 will be a year of transition, the Company has established a plan for improving efficiency which includes the closure of the Trail operations and the relocation of all corresponding activities and more generally significant cost reduction efforts throughout the group. At the same time the Company also intends to further develop its Asian footprint in Korea as previously announced. These measures together with the continuing support from the Company's financial institutions should enable it to be very well positioned to take advantage of growth opportunities beyond the current year.

The Company therefore continues to remain cautiously optimistic and is confident on its ability to weather the current challenges. 5N Plus would also like to thank its employees which have unfortunately been negatively impacted by the current cost reduction measures and efficiency improvement plan for their past contribution, and all others for their commitment and confidence as the Company strives to become a better and stronger organization in a changing business environment to which it must adapt.

Selected Yearly Financial Information

	12 months December 31, 2012	7 months ended December 31, 2011	12 months ended May 31, 2011
	\$	\$	\$
Consolidated Results			
Revenues	551,675	391,712	179,995
EBITDA ¹	(12,729)	2,625	28,723
Adjusted EBITDA ¹	37,856	37,415	28,723
Net earnings (loss) attributable to equity holders of 5N Plus	(227,738)	(21,641)	22,928
Basic earnings (loss) per share attributable to equity holders of 5N Plus	(\$2.91)	(\$0.31)	\$0.45
Net earnings (loss)	(227,849)	(22,464)	21,948
Basic earnings (loss) per share	(\$2.91)	(\$0.32)	\$0.45
Diluted earnings (loss) per share	(\$2.91)	(\$0.32)	\$0.44
Funds from operations ¹	25,393	27,338	26,477
Statement of Financial Position Data			
Total assets	383,978	782,344	807,557
Net debt ¹	136,547	260,575	241,210
Shareholders' equity	148,470	339,710	363,990

Selected Quarterly Financial Information

	2012				December 31, 2011		May 31, 2011	
	Q4	Q3	Q2	Q1	Q1		Q4	Q3
	\$	\$	\$	\$	Q2 (4 months)	\$	\$	\$
Revenues	128,620	120,744	140,076	162,235	149,423	242,289	121,976	20,663
Gross profit ¹	(5,599)	17,898	(10,859)	29,988	(8,674)	42,857	25,001	8,104
Adjusted gross profit ¹	18,918	17,898	15,209	29,988	24,739	44,233	25,001	8,104
EBITDA ¹	(18,121)	9,001	(20,474)	16,867	(26,278)	28,904	19,995	6,001
Adjusted EBITDA ¹	6,395	9,001	5,594	16,867	7,135	30,281	19,995	6,001
Net earnings (loss)	(211,953)	1,275	(22,062)	4,891	(37,397)	14,933	8,174	5,551
Basic earnings (loss) per share	(\$2.70)	\$0.02	(\$0.30)	\$0.07	(\$0.53)	\$0.21	\$0.14	\$0.12
Diluted earnings (loss) per share	(\$2.70)	\$0.02	(\$0.30)	\$0.07	(\$0.53)	\$0.21	\$0.14	\$0.12
Net earnings (loss) attributable to equity holders of 5N Plus	(212,006)	1,218	(21,922)	4,972	(37,206)	15,565	8,549	5,526
Basic earnings (loss) per share attributable to equity holders of 5N Plus	(\$2.71)	\$0.02	(\$0.29)	\$0.07	(\$0.52)	\$0.22	\$0.14	\$0.12
Adjusted net earnings (loss) ¹	(6,880)	648	(1,911)	5,250	(92)	15,965	14,128	5,551
Basic adjusted net earnings (loss) per share ¹	(\$0.08)	\$0.01	(\$0.03)	\$0.07	(\$0.01)	\$0.23	\$0.24	\$0.12
Backlog ¹	165,790	162,323	188,982	215,588	223,177	212,264	263,702	73,154

¹ See Non IFRS Measures

Management's Discussion and Analysis

Revenues, Gross Profit, Net Earnings (loss) and Earnings (loss) per Share

	Q4 2012	Q4 2011	2012	Seven-month period ended December 31, 2011
	\$	\$	\$	\$
Revenues	128,620	149,423	551,675	391,712
Gross profit ¹	(5,599)	(8,674)	31,428	34,182
Adjusted gross profit ¹	18,918	24,739	82,013	68,972
Adjusted gross profit ratio ¹	14.7%	16.6%	14.9%	17.6%
Impairment charges	229,263	45,573	255,331	46,950
Adjusted net earnings (loss)	(6,880)	(92)	(2,893)	16,505
Basic adjusted net (loss) per share ¹	(\$0.08)	(\$0.01)	(\$0.04)	\$0.23
Net loss	(211,953)	(37,397)	(227,849)	(22,464)
Basic loss per share	(\$2.70)	(\$0.53)	(\$2.91)	(\$0.32)

Revenues

Revenues for Q4 2012 were \$128.6 million compared to revenues of \$149.4 million for Q4 2011. Revenues for 2012 reached \$551.7 million representing a 40.8% increase over revenues of \$391.7 million for the seven-month period ended December 31, 2011. The decrease in sales for Q4 2012 is mainly due to lower underlying commodity pricing and the increase for 2012 to the difference in the length of the reporting period.

Impairment charges

The Company recorded a total impairment charge of \$229.3 million in Q4 2012 due to the impairment of goodwill related to the MCP acquisition and non-current assets for a total of \$204.8 million and to inventory write-down of \$24.5 million in response to adverse commodity pricing mainly in bismuth, gallium and selenium. In 2012, the Company recorded an inventory write-down of \$50.6 million for a total impairment charge of \$255.3 million. The impairment charges allocated to the Electronic and Eco-Friendly business units were \$153.6 million and \$101.7 million respectively. The plant closure in Trail was also responsible for an impairment of \$11.0 million of the Property, plant and equipment ("PPE").

	Q4 2012	Q4 2011	2012	Seven-month period ended December 31, 2011
	\$	\$	\$	\$
Impairment of inventories	24,517	33,413	50,585	34,790
Impairment of PPE	39,239	11,460	39,239	11,460
Impairment of intangible assets	40,597	-	40,597	-
Impairment of goodwill	124,910	-	124,910	-
Impairment charges	229,263	44,873	255,331	46,250

Gross profit and adjusted gross profit

For Q4 2012, gross profit was (\$5.6) million and adjusted gross profit was \$18.9 million compared to (\$8.7) million and \$24.7 million for Q4 2011. For Q4 2012, adjusted gross profit ratio was 14.7% compared to 16.6% for Q4 2011. For 2012, gross profit and adjusted gross profit were \$31.4 million and \$82.0 million compared to \$34.2 million and \$69.0 million for the seven-month period ended December 31, 2011. For 2012, adjusted gross profit ratio was 14.9% compared to 17.6% in the seven-month period of last year. The decrease in gross profit ratio is mainly due to inventories remaining fully valued as a result of the decreasing trend in underlying commodity pricing.

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

Adjusted net loss for Q4 2012 was \$6.9 million or \$0.08 per share and \$2.9 million or \$0.04 per share for 2012. Adjusted net earnings (loss) for Q4 2011 were (\$0.1) million or (\$0.01) per share and \$16.5 million or \$0.23 for the seven-month period ended December 31, 2011. Net loss for Q4 2012 was \$212.0 million or \$2.70 per share and \$227.8 million or \$2.91 per share for 2012 resulting from impairment charges of \$255.3 million mostly booked in Q4 2012. Net loss was \$37.4 million or \$0.53 per share and \$22.5 million or \$0.32 per share for the seven-month period ended December 31, 2011 respectively. These decreases are mainly attributable to lower average selling prices and the fully valued price of inventories following a continuing decreasing trend of commodity prices and impairment charges related to the MCP acquisition.

¹ See Non-IFRS Measures

Management's Discussion and Analysis

Reconciliation of EBITDA and Adjusted EBITDA

	Q4 2012	Q4 2011	Increase (Decrease)	2012	Seven-month period ended December 31, 2011	Increase (Decrease)
	\$	\$		\$	\$	
Net loss	(211,953)	(37,397)	467%	(227,849)	(22,464)	914%
Interest on long-term debt and other interest expense	1,463	2,048	(29%)	8,828	5,487	61%
(Gain) loss on foreign exchange and derivative	(360)	1,118	(132%)	2,759	(642)	(530%)
Depreciation and amortization	5,628	5,463	3%	21,159	12,797	65%
Income tax recovery	(18,578)	(9,670)	92%	(24,221)	(4,713)	414%
Restructuring costs	932	-	-	2,781	-	-
Impairment of goodwill, PPE and intangible assets	204,746	12,160	1,584%	204,746	12,160	1,584%
Reversal of impairment of PPE	-	-	-	(932)	-	-
EBITDA¹	(18,122)	(26,278)	(31%)	(12,729)	2,625	(585%)
Impairment of inventory	24,517	33,413		50,585	34,790	
Adjusted EBITDA¹	6,395	7,135	(10%)	37,856	37,415	1%

EBITDA and Adjusted EBITDA

In Q4 2012, EBITDA amounted to (\$18.1) million and Adjusted EBITDA to \$6.4 million. EBITDA for 2012 was (\$12.7) million and is primarily attributable to impairment charges recorded in Q2 2012 and Q4 2012 and, Adjusted EBITDA was \$37.9 million in 2012. This compares to adjusted EBITDA of \$7.1 million and \$37.4 million for the three and seven-month periods ended December 31, 2011 respectively. Adjusted EBITDA remains relatively stable in Q4 2012 but continues to reflect low average selling prices due to the lower price of the underlying commodities.

Reversal of previously impaired property, plant and equipment

In 2012, the Company partially reversed asset impairment charges of \$0.9 million previously booked in the quarter ended December 31, 2011 related to its PPE located in DeForest, Wisconsin.

Bookings and Backlog

Bookings in Q4 2012 were \$132.0 million and \$494.3 million for 2012. This compares with bookings of \$160.5 million and \$351.2 million for the three and seven-month periods ended December 31, 2011. Backlog as at December 31, 2012 stood at \$165.8 million which corresponds to a 25.8% decrease over the \$223.2 million backlog as at December 31, 2011. Decreases in bookings and backlog in 2012 compared to 2011 are primarily associated with decreases in expected average selling prices given the current decreasing trend of underlying commodity prices as well as a more conservative treatment of our contract with our main customer in the solar market which no longer has take or pay provisions. Backlog increased by \$3.5 million compared to the backlog of September 30, 2012.

Segment Information

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

EBITDA and Adjusted EBITDA per Business Unit

	Q4 2012	Q4 2011	2012	Seven-month period ended December 31, 2011
	\$	\$	\$	\$
Electronic Materials	(1,733)	(19,607)	10,909	(333)
Eco-Friendly Materials	(11,700)	1,773	(8,209)	14,600
Corporate	(4,689)	(8,444)	(15,429)	(11,642)
EBITDA¹	(18,122)	(26,278)	(12,729)	2,625
Impairment of inventory	24,517	33,413	50,585	34,790
Adjusted EBITDA¹	6,395	7,135	37,856	37,415

¹ See Non-IFRS Measures

Management's Discussion and Analysis

Electronic Materials Business Unit

	Q4 2012	Q4 2011	2012	Seven-month period ended December 31, 2011
	\$	\$	\$	\$
Revenues	55,254	69,761	232,013	186,015
Cost of goods & expenses, before amortization	(56,987)	(89,368)	(221,110)	(186,348)
EBITDA¹	(1,733)	(19,607)	10,903	(333)
Impairment of inventory	8,226	30,658	23,750	30,964
Adjusted EBITDA¹	6,493	11,051	34,653	30,631
Bookings	59,342	76,073	178,615	179,145

Revenues for Q4 2012 for the Electronic Materials business unit decreased by 20.8% and reached \$55.2 million down from \$69.8 million in Q4 2011. Revenues for 2012 increased by 24.7% and reached \$232.0 million, up from \$186.0 million for the seven-month period ended December 31, 2011. The increase in 2012 is due to the difference in the length of the reporting periods, and the decrease in Q4 2012 from lower average selling prices following a reduced price for underlying commodities.

Adjusted EBITDA for Q4 2012 for the Electronic Materials business unit decreased to \$6.5 million down by 41.2% compared to \$11.1 million in Q4 2011. Adjusted EBITDA for 2012 was \$34.7 million which represents a 13.1% increase over Adjusted EBITDA of \$30.6 million for the seven-month period ended December 31, 2011. The increase in 2012 is due to the difference in the length of the reporting periods. The decrease for Q4 2012 compared to Q4 2011 is primarily associated with lower average selling prices.

Bookings in Q4 2012 for the Electronic Materials business unit were \$59.3 million, up from \$30.0 million for the quarter ended September 30, 2012. An increase in bookings in Q4 2012 was expected as yearly contracts are normally signed at the end or beginning of calendar year. The backlog for the Electronic Materials business unit now stands at \$100.7 million, a decrease of \$49.3 million compared to December 31, 2011 due to the lower expected average selling prices given the current decreasing trend of underlying commodity prices, as well as the ongoing restructuring in the solar market.

Eco-Friendly Materials Business Unit

	Q4 2012	Q4 2011	2012	Seven-month period ended December 31, 2011
	\$	\$	\$	\$
Revenues	73,366	79,663	319,662	205,697
Cost of goods & expenses, before amortization	(85,066)	(77,890)	(327,865)	(191,097)
EBITDA¹	(11,700)	1,773	(8,203)	14,600
Impairment of inventory	16,291	2,755	26,835	3,826
Adjusted EBITDA¹	4,591	4,528	18,632	18,426
Bookings	72,744	84,444	311,584	172,043

Revenues decreased by \$6.3 million and reached \$73.4 million in Q4 2012 compared to \$79.7 million in Q4 2011. Revenues for 2012 increased by 55.4% and were \$319.7 million, up from \$205.7 million for the seven-month period ended December 31, 2011. The decrease in revenues for the quarter is due to lower selling prices associated with the reduced prices of underlying commodities. The increase for 2012 is due to the difference in the length of the reporting periods.

Adjusted EBITDA in Q4 2012 for the Eco-Friendly Materials business unit remains stable compared to Q4 2011 and totalled \$4.6 million compared to \$4.5 million in Q4 2011. Adjusted EBITDA for 2012 reached \$18.6 million compared to \$18.4 million for the seven-month ended December 31, 2011.

Bookings in Q4 2012 for the Eco-Friendly Materials business unit reached \$72.7 million, up from \$64.1 million in the quarter ended September 30, 2012. An increase in bookings in Q4 2012 was expected as yearly contracts are normally signed at the end or beginning of calendar years. The backlog for the Eco-Friendly Materials business unit now stands at \$65.1 million, a decrease of \$8.1 million over the backlog as at December 31, 2011. This decrease is mainly associated with lower selling prices.

¹ See Non-IFRS Measures

Management's Discussion and Analysis

Expenses	Q4 2012	Q4 2011	Increase (Decrease)	2012	Seven-month period ended December 31, 2011	Increase (Decrease)
	\$	\$		\$	\$	
Depreciation and amortization	5,628	5,463	3%	21,159	12,797	65%
SG&A excluding amortization	12,561	17,446	(28%)	45,742	33,500	37%
Restructuring costs	932	-	-	2,781	-	-
Financial expenses	1,103	3,169	(65%)	11,587	4,845	139%
Income tax recovery	(18,578)	(9,670)	92%	(24,221)	(4,713)	414%
	1,646	16,408	(88%)	57,048	46,429	17%

Depreciation and Amortization

Depreciation and amortization expenses for Q4 2012 were \$5.6 million compared to \$5.5 million for Q4 2011. For 2012, depreciation and amortization expenses were \$21.2 million compared to \$12.8 million for the seven-month period ended December 31, 2011. The increase in depreciation and amortization for 2012 relates to the difference in the length of the reporting periods and are otherwise in line with the 2011 run rates.

SG&A

Selling, General and Administrative expenses were \$12.6 million and \$45.7 million in Q4 2012 and 2012 respectively compared to \$17.4 million and \$33.5 million for Q4 2011 and the seven-month period ended December 31, 2011, respectively. The increase in 2012 is due to the difference in the length of the periods and is otherwise approximately 28% lower than Q4 2011 and 20% lower than the 2011 run rates reflecting the cost reduction efforts.

Restructuring costs

The Company incurred expenses of \$0.9 and \$2.8 million during Q4 2012 and 2012 resulting from an incident which occurred at one of its sites in the US, and some severance payments.

Financial Expenses

Financial expenses decreased to \$1.1 million for Q4 2012 compared to \$3.2 million for Q4 2011 due the lower level of debt. Financial expenses for 2012 were \$11.6 million compared to \$4.8 million for the seven-month period ended December 31, 2011 due to the difference in the length of the periods.

Income Taxes

For Q4 2012, recovery of income tax was \$18.6 million compared to \$9.7 million for Q4 2011. Recovery of income tax for 2012 was \$24.2 million compared to \$4.7 million for the seven-month period ended December 31, 2011, representing effective tax rates of 9.6% and 17.3% respectively. The lower effective tax rate is due mainly to the goodwill impairment charge which is not deductible for tax purposes.

Liquidity and Capital Resources

Cash Flows	Q4 2012	Q4 2011	2012	Seven-month period ended December 31, 2011
	\$	\$	\$	\$
Funds from operations ¹	4,244	10,349	25,393	27,338
Net changes in non-cash working capital items related to operations	2,685	(9,284)	76,419	(38,253)
Operating activities	6,929	1,065	101,812	(10,915)
Investing activities	(4,346)	(9,027)	33,637	(12,321)
Financing activities	(100)	7,791	(154,964)	24,043
Effect of foreign exchange rate changes on cash and cash equivalents related to operations	(276)	592	(399)	592
Net increase (decrease) in cash and cash equivalents	2,207	421	(19,914)	1,399

Cash generated by operating activities was \$6.9 million in Q4 2012 and \$101.8 million in 2012. This compares with cash generated of \$1.1 million and (\$10.9) million for Q4 2011 and the seven-month period ended December 31, 2011 respectively. This increase in cash is essentially related to a decrease in working capital requirements primarily associated with a reduction in inventory levels of \$145 million.

¹ See Non-IFRS Measures

Management's Discussion and Analysis

Investing activities consumed \$4.3 million in Q4 2012 and generated \$33.6 million in 2012 compared to consumption of \$9.0 million and \$12.3 million for Q4 2011 and the seven-month period ended December 31, 2011 respectively. For Q4 2012, cash consumed from investing activities was mainly due to the acquisition of PPE and cash generated from investing activities in 2012 were mainly related to temporary investments partially netted by the acquisition of PPE.

Cash consumed by financing activities amounted to \$0.1 million in Q4 2012 and \$155.0 million in 2012 and resulted mainly from reduction of indebtedness by \$192.2 million partially netted by the proceeds of the issuance of common shares and warrants that occurred in June 2012 for an amount of \$37.1 million. For the seven-month period ended December 31, 2011, financing activities provided \$24.0 million as the Company refinanced its revolving credit facility.

Working Capital

	As at December 31, 2012	As at December 31, 2011
	\$	\$
Inventories	170,293	315,333
Other current assets	121,144	171,756
Current liabilities	(104,789)	(151,384)
Working capital ¹	186,648	335,705
Working capital current ratio ¹	2.78	3.22

Working capital decreased to \$186.6 million as at December 31, 2012 compared to \$335.7 million as at December 31, 2011, reflecting the reduction of \$145.0 million in inventory levels and \$69.4 million in cash and cash equivalents and temporary investments which was partially offset by a decrease of \$65.4 million in bank indebtedness and short-term debt.

Net Debt

	As at December 31, 2012	As at December 31, 2011
	\$	\$
Bank indebtedness and short-term debt	8,014	73,430
Long-term debt including current portion	140,425	268,476
Total Debt	148,439	341,906
Cash and cash equivalents and temporary investments (restricted)	(11,892)	(81,331)
Net Debt¹	136,547	260,575

Net debt after taking into account cash and cash equivalents and restricted temporary investments amounted to \$136.5 million as at December 31, 2012 compared to \$260.6 million as at December 31, 2011 corresponding to a decrease of \$124.0 million, reflecting strong cash generated from operations which is mainly used to reimburse the debt.

Funds from Operations

	Q4 2012	Q4 2011	2012	Seven-month period ended December 31, 2011
	\$	\$	\$	\$
Funds from operations¹	4,243	10,349	25,393	27,338
Acquisition of PPE and intangible assets	(3,926)	(5,668)	(15,888)	(10,785)
Working capital changes	2,686	(9,284)	76,419	(38,253)
Issuance of common shares	-	134	38,636	346
Others	678	(3,766)	(532)	1,989
	(562)	(18,584)	98,635	(46,703)
Total movement in net debt¹	3,681	(8,235)	124,028	(19,365)
Net debt ¹ , beginning of period	(140,228)	(252,340)	(260,575)	(241,210)
Net debt¹, end of period	(136,547)	(260,575)	(136,547)	(260,575)

Funds from operations were \$4.2 million in Q4 2012 compared to \$10.3 million in Q4 2011. For 2012, funds from operations were \$25.4 million compared to \$27.3 million for the seven-month period ended December 31, 2011.

Net debt to adjusted EBITDA ratio for 2012 was 3.6. Funds from operations generated in the same period represented 18.6% of net debt.

¹ See Non-IFRS Measures

Management's Discussion and Analysis

	Q4 2012	Q4 2011	2012	Seven-month period ended December 31, 2011
Net debt ¹ to annualized adjusted EBITDA ratio	5.34	9.13	3.6	4.0
Annualised funds from operations ¹ to net debt (%)	12.4	15.9	18.6	18.0

Share Capital

Authorized

The Company has an unlimited number of common shares, participating, with no par value, entitling the holder to one vote per share.

The Company has an unlimited number of preferred shares that may be issued in one or more series with specific terms, privileges and restrictions to be determined for each class by the Board of Directors.

Issued and fully paid	As at December 31, 2012		As at December 31, 2011	
Common shares	Number	\$	Number	\$
Outstanding	83,908,269	343,272	70,961,125	305,928

As at March 28, 2013 a total of 83,908,269 common shares were issued and outstanding, and no preferred shares were issued or outstanding.

Stock Option Plan

On April 11, 2011, the Company adopted a new stock option plan (the "Plan") replacing the previous plan (the "Old Plan") in place since October 2007, with the same features as the Old Plan with the exception of a maximum number of options granted which cannot exceed five million. The aggregate number of shares which could be issued upon the exercise of options granted under the Old Plan could not exceed 10% of the issued shares of the Company at the time of granting the options. Options granted under the Old Plan may be exercised during a period not exceeding ten years from the date of grant. The stock options outstanding as at December 31, 2012 may be exercised during a period not exceeding six years from their date of grant. Options vest at a rate of 25% (100% for directors) per year, beginning one year following the grant date of the options. Any unexercised options will expire one month after the date a beneficiary ceases to be an employee, director or officer.

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

	2012		Seven-month period ended December 31, 2011	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		CA\$		CA\$
Outstanding, beginning of period	1,543,211	5.28	1,384,025	4.52
Granted	325,840	2.22	275,249	8.60
Cancelled	(240,072)	5.60	(47,565)	5.40
Exercised	(43,531)	3.36	(68,498)	3.17
Outstanding, end of period	1,585,448	4.67	1,543,211	5.28
Exercisable, end of period	1,024,656	4.94	908,657	4.28

Off-Balance Sheet Arrangements

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

The Company is exposed to currency risk on sales in Euro and other currencies and therefore periodically enters into foreign currency forward contracts to protect itself against currency fluctuation. The reader will find more details related to these contracts in Note 24 and Note 26 in the 2012 consolidated financial statements of the Company.

¹ See Non-IFRS Measures

Management's Discussion and Analysis

The contractual maturities of the Company's financial liabilities as at December 31, 2012 are as follows:

	Carrying amount	1 year	2-3 years	4-5 years	Beyond 5 years	Total
	\$	\$	\$	\$	\$	\$
Bank indebtedness and short-term debt	8,014	8,531	-	-	-	8,531
Trade and accrued liabilities	62,214	62,214	-	-	-	62,214
Derivative financial instruments	6,354	2,817	3,537	-	-	6,354
Long-term debt	140,425	31,236	116,552	421	21	148,230
Leases	4,760	2,148	1,415	597	600	4,760
Total	221,767	106,946	121,504	1,018	621	230,089

Contingencies

In the normal course of operations, the Company is exposed to events that could give rise to contingent liabilities or assets. As at March 28, 2013, the Company was not aware of any significant events that would have a material effect on its consolidated financial statements, except for the legal proceedings and related matters described on page 17 of this MD&A under section "Risks and Uncertainties".

Governance

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

Disclosure Controls and Procedures

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

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

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

Internal Control over Financial Reporting

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

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

Changes in Internal Control over Financial Reporting

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

Management's Discussion and Analysis

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, 2011.

Significant Management Estimation and Judgment in Applying Accounting Policies

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

Estimation uncertainty

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

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

Impairment of non-financial assets

An impairment loss is recognized for the amount by which an asset's or CGUs 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.

Useful lives of depreciable assets

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

Inventories

Inventories are measured at the lower of cost and net realizable value, with cost determined on the average cost method. In estimating net realizable values, management takes into account the most reliable evidence available at the time the estimates are made. The Company's core business is subject to changes in foreign policies and internationally accepted metal prices which may cause selling prices to change rapidly. The Company evaluates its inventory using a group of similar items basis and considered events that have occurred between the 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 upon 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

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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.

Future Accounting Standards

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2013, and have not been applied in preparing the 2012 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", addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the consolidated statement of earnings (loss), unless this creates an accounting mismatch. The Company has yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after January 1, 2015. The Company will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

IFRS 10, "Consolidated Financial Statements", builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Company has yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after January 1, 2013.

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 off-balance sheet vehicles. The Company has yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after January 1, 2013.

IFRS 13, "Fair Value Measurement", aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS.

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). The Company has yet to assess the full impact of the amendments.

Amendment to IAS 1, "Financial Statement Presentation". The main change resulting from this amendment is a requirement for entities to group items presented in "other comprehensive income" (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendment does not address which items are presented in OCI.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

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 2012 consolidated financial statements of the Company.

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Financial Instruments

Fair Value of financial instruments

The Company has determined that the carrying value of its short-term financial assets and financial liabilities, including cash and cash equivalents, temporary investments, 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.

A detailed description of the methods and assumptions used to measure the fair value of the Company's financial instruments and their fair value are discussed in Note 17 – Categories of Financial Assets and Financial Liabilities in the 2012 consolidated financial statements of the Company.

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

Liability	December 31, 2012	December 31, 2011
	\$	\$
Interest rate swap	3,870	2,326
Foreign exchange forward contracts	1,080	517
Options	239	2,873
Warrants	1,165	-
Total	6,354	5,716

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, 2012, the Company had an outstanding interest rate swap contract to hedge part of its interest rate risk on the revolving credit facility. The nominal value is \$100 million beginning in January 2013 and ending in August 2015. This interest rate swap fixed the LIBOR interest rate at 1.82%. The Company received \$1.7 million 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 (\$3.9) million as at December 31, 2012 and was 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 our operating costs are realized in local currencies, such as Euros, Canadian dollars and Pounds Sterling. Even though the purchases of raw materials are denominated in U.S. dollars, which reduce to some extent the impact of 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.

The Company had the following currency exposures on December 31, 2012:

	CA\$	EUR	GBP	RMB	HK\$
Cash and cash equivalents	101	2,771	85	3,913	11
Temporary investments (restricted)	-	2,357	-	-	-
Accounts receivable	444	12,574	2,203	3,893	-
Bank indebtedness and short-term debt	-	-	-	(8,014)	-
Trade and accrued liabilities	(2,568)	(11,379)	(870)	(4,733)	(232)
Long-term debt	(1,052)	(65,928)	-	-	-
Net financial (liabilities) assets	(3,075)	(59,605)	1,418	(4,941)	(221)

Management's Discussion and Analysis

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, 2012 for the Company's financial instruments denominated in non-functional currencies:

	CA\$	EUR	GBP	RMB	HK\$
1% Strengthening					
Earnings (loss) before tax	(31)	(596)	14	(49)	(2)
1% Weakening					
Earnings (loss) before tax	31	596	(14)	49	2

Options

The Company sold options to a financial institution, giving it the right to sell Euros to the Company on specific dates. The options have a nominal value of €21.5 with €/US\$ exchange of 1.3283, and they mature in January 2013 without renewal. The fair value was (\$0.2) million as at December 31, 2012.

The market value of those financial instruments depends on several factors, such as foreign market volatility, the remaining duration of the instruments 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.

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 (\$1.2) million as at December 31, 2012 and nil as at December 31, 2011. 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, 2012 and 2011, the Company has an allowance for doubtful accounts of \$168 and \$482 respectively. 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.

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.

Management's Discussion and Analysis

Possible Failure to Realize Anticipated Benefits of Acquisitions

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

Additional Indebtedness

We assumed the indebtedness of former MCP upon the completion of the acquisition. The additional indebtedness has increased the interest payable by us from time to time until such amounts are repaid. In addition, we are required to pay to the selling shareholders the amounts set out in the promissory notes as well as the cash "holdback" described under "Acquisition Agreement and Related Agreements", in the short form prospectus dated April 1, 2011. Although we have signed a \$200 million senior secured multi-currency revolving credit facility, we may need to find additional sources of financing to pay the foregoing indebtedness when it becomes due. There can be no guarantee that we will be able to obtain financing on terms acceptable to us or at all at such time or times.

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.

Legal Proceedings

On November 6, 2012, Florinvest S.A., Heresford Ltd., Metals Corp S.C.R.L. and S.R.I.W. S.A. (the "Vendors") which are all former shareholders of MCP filed a request for arbitration (the "Arbitration") against the Company, claiming that it misinterpreted the terms of the Acquisition Agreement entered into with them on February 26, 2011 with respect to the calculation of interests owed on the sums payable after closing. The Company opposes the position taken by the Vendors with respect to the method of calculating interest.

Management's Discussion and Analysis

Together with the answer to the request for Arbitration, the Company also filed a counterclaim in the Arbitration, as it has discovered that the Vendors have breached the terms of the Acquisition Agreement, and certain other related agreements, including breaches with respect to representations and warranties made by the Vendors and breaches of closing conditions. The Company and MCP have also filed lawsuits against the former directors of MCP holding them personally liable for any and all damages caused by any faults or tortuous acts committed by them acting as directors of MCP or in any other capacity. The total amount of damages which the Company has incurred to date is provisionally estimated at an amount which is significantly higher than the balance of the sums allegedly owed under the terms of the Acquisition Agreement and other related documents. Furthermore, the Company intends to be fully indemnified by the Vendors and the former directors of MCP for any damage in excess of the balance of the sums owed under the terms of the Acquisition Agreement and other related documents.

The Company is confident that its claims against the Vendors and eventually the former directors of MCP have merit, however, there are no guarantees as to the outcome of such litigation.

The Company is threatened from time to time with, or may become subject to various legal proceedings in the ordinary course of conducting its business. Being implicated in such legal proceedings could require substantial amounts of its management's attention, necessitate financial resources to defend such claims or result in significant attorney fees and damage awards for which the Company may not be fully insured and which could harm its reputation. A significant judgment against the Company or the imposition of a significant fine or penalty could have a material adverse effect on its business, prospects, financial condition and results of operations.

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 adversely 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 sales contracts.

Protection of Intellectual Property

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

Management's Discussion and Analysis

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, walk-outs 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 an 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.

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, restructuring costs and acquisition-related costs. 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.

Management's Discussion and Analysis

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 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, restructuring charges 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, restructuring charges 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, restructuring charges 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 audited 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.

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

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

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

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

Additional Information

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

Subsequent Event

In March 2013, the Company signed an amendment to its senior secured multi-currency revolving credit facility under which the facility will be reduced to \$100 million starting March 31, 2013. The amendment establishes new financial covenants for 2013 and maintains the original maturity (August 2015). The interest rate has been 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 3.5%. 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 review and approval by the lenders.

5N PLUS INC.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012 AND FOR THE SEVEN-
MONTH PERIOD ENDED DECEMBER 31, 2011
(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, CA
Chief Financial Officer

Montreal, Canada
March 28, 2013



March 28, 2013

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, 2012 and December 31, 2011 and the consolidated statements of earnings (loss), statements of comprehensive income (loss), statements of cash flows and statements of changes in equity for the year ended December 31, 2012 and for the 7 months period ended December 31, 2011 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 (IFRS), 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.

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"PwC" refers to PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l., an Ontario limited liability partnership, which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.



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, 2012 and December 31, 2011 and its financial performance and its cash flows for the year ended December 31, 2012 and for the seven months period ended December 31, 2011 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP¹

¹ CPA auditor, CA, public accountancy permit No. A116853

5N PLUS INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Figures in thousands of United States dollars)

	As at December 31, 2012	As At December 31, 2011
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	9,535	29,449
Temporary investments (restricted)	2,357	51,882
Accounts receivable (Note 5)	87,807	76,641
Inventories (Note 6)	170,293	315,333
Income tax receivable	18,931	11,022
Other current assets	2,514	2,762
Total current assets	291,437	487,089
Property, plant and equipment (Note 7)	55,548	86,483
Intangible assets (Note 8)	16,010	68,148
Deferred tax asset (Note 16)	11,232	2,706
Goodwill (Note 9)	-	124,910
Investments accounted for using the equity method (Note 10)	503	1,513
Other assets (Note 11)	9,248	11,495
Total non-current assets	92,541	295,255
Total assets	383,978	782,344
LIABILITIES AND EQUITY		
Current		
Bank indebtedness and short-term debt (Note 13)	8,014	73,430
Trade and accrued liabilities (Note 12)	62,214	59,029
Income tax payable	2,217	354
Derivative financial liabilities (Note 17)	2,817	3,814
Long-term debt due within one year (Note 13)	29,527	14,757
Total current liabilities	104,789	151,384
Long-term debt (Note 13)	110,898	253,719
Deferred tax liability (Note 16)	2,632	19,143
Retirement benefit obligation (Note 14)	12,092	12,315
Derivative financial liabilities (Note 17)	3,537	1,902
Other liabilities (Note 15)	1,560	4,171
Total non-current liabilities	130,719	291,250
Total liabilities	235,508	442,634
Shareholders' equity	148,112	339,241
Non-controlling interest	358	469
Total equity	148,470	339,710
Total liabilities and equity	383,978	782,344

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, 2012	For the seven-month period ended December 31, 2011
	\$	\$
Revenues	551,675	391,712
Cost of sales (Note 28)	520,247	357,530
Selling, general and administrative expenses (Note 28)	45,742	33,500
Other expenses, net (Note 28)	225,836	23,443
Share of (profit) loss from joint ventures	333	(429)
	792,158	414,044
Operating loss	(240,483)	(22,332)
Financial expenses		
Interest on long-term debt	8,012	5,179
Other interest expense	816	308
Foreign exchange and derivative (gain) and loss	2,759	(642)
	11,587	4,845
Loss before income tax	(252,070)	(27,177)
Income tax recovery (Note 16)	(24,221)	(4,713)
Net loss for the period	(227,849)	(22,464)
Attributable to:		
Equity holders of 5N Plus Inc.	(227,738)	(21,641)
Non-controlling interest	(111)	(823)
	(227,849)	(22,464)
Loss per share attributable to equity holders of 5N Plus Inc. (Note 22)	(2.91)	(0.31)
Basic loss per share	(2.91)	(0.32)
Diluted loss per share	(2.91)	(0.32)

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)

	For the year ended December 31, 2012	For the seven-month period ended December 31, 2011
	\$	\$
Net loss for the period	(227,849)	(22,464)
Other comprehensive income (loss)		
Cash flow hedges, net of income tax of \$406 (2011 – \$188)	(1,102)	(474)
De-designation of cash flow hedges (net of income tax of \$(312)) for 2012	848	-
Currency translation adjustment	215	246
Comprehensive loss for the period	(227,888)	(22,692)
Attributable to equity holders of 5N Plus Inc.	(227,777)	(21,869)
Attributable to non-controlling interest	(111)	(823)

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, 2012	For the seven-month period ended December 31, 2011
	\$	\$
Operating activities		
Net loss for the period	(227,849)	(22,464)
Adjustments to reconcile net loss to cash flows		
Depreciation of property, plant and equipment and amortization of intangible assets	21,159	12,797
Amortization of other assets	1,040	485
Share-based compensation expense	563	443
Deferred income tax	(25,037)	(1,357)
Share of (profit) loss from joint ventures	333	(429)
Impairment of inventories (Note 6)	50,585	34,790
Impairment of property, plant and equipment (Note 7)	39,239	11,460
Impairment of intangible assets (Note 8)	40,597	700
Impairment of goodwill (Note 9)	124,910	-
Reversal of impairment of property, plant and equipment (Note 7)	(932)	-
Unrealized loss (gain) on non-hedge financial instruments	(1,338)	1,946
Unrealized foreign exchange loss (gain) on assets and liabilities	2,123	(11,033)
Funds from operations before the following	25,393	27,338
Net change in non-cash working capital balances related to operations (Note 20)	76,419	(38,253)
Cash flows from (used in) operating activities	101,812	(10,915)
Investing activities		
Acquisition of a 40% interest in a subsidiary (Note 4)	-	(1,007)
Acquisition of property, plant and equipment	(15,541)	(9,964)
Acquisition of intangible assets	(347)	(821)
Temporary investments (restricted)	49,525	(529)
Cash flows from (used in) investing activities	33,637	(12,321)
Financing activities		
Repayment of long-term debt	(126,826)	(53,736)
Proceeds from issuance of long-term debt	-	185,426
Net decrease in bank indebtedness and short-term debt	(65,416)	(101,273)
Issuance of common shares and warrants (Note 18)	38,636	346
Share issuance expense	(1,621)	(162)
Financial instruments	263	2,653
Others	-	(9,211)
Cash flows from (used in) financing activities	(154,964)	24,043
Effect of foreign exchange rate changes on cash and cash equivalents related to operations	(399)	592
Net increase (decrease) in cash and cash equivalents during the period	(19,914)	1,399
Cash and cash equivalents, beginning of period	29,449	28,050
Cash and cash equivalents, end of period	9,535	29,449
Supplemental information^(a)		
Income tax paid	7,520	9,937
Interest paid	8,434	6,786

^(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.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

	For the year ended December 31, 2012		For the seven-month period ended December 31, 2011	
	Number of shares	Amount \$	Number of shares	Amount \$
Total Equity				
Shareholders' Equity				
Share capital				
Balance at beginning of period	70,961,125	305,928	70,892,627	305,464
Common shares issued on exercise of stock options	43,531	225	68,498	464
Common shares issued for cash (Note 18)	12,903,613	37,119	-	-
Balance at end of period	83,908,269	343,272	70,961,125	305,928
Contributed surplus				
Balance at beginning of period		2,691		2,366
Share-based compensation expense		563		443
Exercise of stock options		(74)		(118)
Balance at end of period		3,180		2,691
Retained earnings (deficit)				
Balance at beginning of period		30,850		54,868
Net loss attributable to equity holders of 5N Plus Inc. for the period		(227,738)		(21,641)
Acquisition of a 40% interest in a subsidiary (Note 4)		-		(2,251)
Share issue expense (net of income tax of \$436; December 31, 2011 – \$36) (Note 18)		(1,185)		(126)
Balance at end of period		(198,073)		30,850
Accumulated other comprehensive loss				
Balance at beginning of period		(228)		-
Cash flow hedges (net of income tax of \$406; 2011 – \$188)		(1,102)		(474)
De-designation of cash flow hedges (net of income tax of \$(312)) for 2012		848		-
Currency translation adjustment		215		246
Balance at end of period		(267)		(228)
Total shareholders' equity at end of period		148,112		339,241
Non-controlling Interest				
Balance at beginning of period		469		1,292
Share of profit		(111)		(823)
Balance at end of period		358		469
Total Equity		148,470		339,710

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

5N PLUS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2012 and 2011

(Figures in thousands of United States dollars, unless otherwise indicated)

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. 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 and the amortization of intangible assets have been regrouped under the heading Corporate and unallocated (Note 19). Corresponding operations and activities are managed accordingly by the Company’s key decision-makers.

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 associated mainly with bismuth. This 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, low melting-point alloys as well as refined selenium and selenium chemicals.

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

In 2011, the Company changed its financial year-end from May 31 to December 31. These consolidated financial statements are for the year ended December 31, 2012 with comparative figures for the seven-month period ended December 31, 2011.

These consolidated financial statements were authorized for issuance by the Company’s Board of Directors on March 28, 2013.

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 International Financial Reporting Standards (“IFRS”) and International Financial Reporting Interpretations Committee (“IFRIC”) interpretations. 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 disclosed in Note 2.

Certain comparative figures have been reclassified to conform to the current year’s presentation.

5N PLUS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2012 and 2011

(Figures in thousands of United States dollars, unless otherwise indicated)

Consolidation

a) Subsidiaries

All the subsidiaries are entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. The Company also assesses the existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de facto control.

De facto control may arise in circumstances where the size of the Company's voting rights relative to the size and dispersion of holdings of other shareholders gives the Company the power to govern the financial and operating policies.

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.

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.

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 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.

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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.

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 is reclassified to profit or loss where appropriate.

The Company's share of post-acquisition profit or loss is recognized in the consolidated statement of earnings (loss), and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income 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 statement 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 statement 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 statement of earnings (loss), except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses are presented in the consolidated statement of earnings (loss) within "foreign exchange and derivative (gain) and loss".

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

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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.

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.

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 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.

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.

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. Typical end-markets include photovoltaics (solar energy), medical imaging, light emitting diodes (LED), displays, high-frequency electronics and thermoelectrics.

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 industries as well as in a number of industrial applications including coatings, pigments, metallurgical alloys and electronics.

Each operating segment is managed separately as each of these service lines requires different technologies, resources and marketing approaches. All intersegment transactions between the Electronic Materials and the Eco-Friendly Materials segment 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.

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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 entity; and (iii) the costs incurred or to be incurred can be measured reliably.

Management uses its best estimate to record revenue when measurement of the revenue is not yet determined and the criteria above are met.

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.

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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.

	Periods
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

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.

Corporate head office assets and expenses are not allocated to CGUs or groups of CGUs. If there is an indication that a corporate asset may be impaired, the recoverable amount is determined for the CGU to which the corporate asset belongs. CGUs to which goodwill has been allocated are tested for impairment at least annually and whenever there is an indication that the unit may be impaired. This testing is done by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. To determine value in use, management estimates expected future cash flows from each CGU and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company’s latest approved budget, adjusted as necessary to exclude the effects of future reorganizations and asset enhancements. Discount factors are determined individually for each CGU and reflect their respective risk profiles as assessed by management. Impairment losses for a CGU are first allocated to reduce the carrying amount of goodwill allocated to that CGU, and the remainder is allocated to other assets of the unit on a pro rata basis. Goodwill impairment losses cannot be reversed.

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.

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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 "trade and other receivables", "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 it within 12 months of the end of the reporting period.

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 the "financial assets at fair value through profit or loss" category are presented in the consolidated statements of earnings (loss) within foreign exchange gain (loss) and derivatives in the period in which they arise.

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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 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 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 (gain) loss and derivatives.

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).

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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 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 forward foreign exchange contracts and interest-rate derivatives entered into to hedge foreign exchange risks on forecasted transactions and recognized assets and liabilities. 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.

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 a weighted average formula. 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.

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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. Cash equivalents may also include bank notes, as well as short-term money market instruments with maturities of three months or less at the date of acquisition, which can be immediately converted into cash upon acquisition.

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.

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.

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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.
- Cumulative unrecognized net actuarial gains and losses in excess of 10% of the greater of the accrued benefit obligation or market-related value of plan assets at the beginning of the year are amortized over the estimated average remaining service life of plan participants.

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

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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.

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Impairment of non-financial assets

An impairment loss is recognized for the amount by which an asset's or CGUs 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 8 and 9).

Useful lives of depreciable assets

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

Inventories

Inventories are measured at the lower of cost and net realizable value, with cost determined 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 selling prices to change rapidly. The Company evaluates its inventories using a group of similar items basis and considers 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 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 – RECENT ACCOUNTING PRONOUNCEMENTS

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2013, 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.

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Amendment to IAS 1, “Financial Statement Presentation”, regarding other comprehensive income (“OCI”). The main change resulting from this amendment is a requirement for entities to group items presented in OCI on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendment does not address which items are presented in OCI.

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). The Company has yet to assess the full impact of the amendments.

IFRS 9, “Financial Instruments”, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in OCI rather than the consolidated statement of earnings (loss), unless this creates an accounting mismatch. The Company has yet to assess IFRS 9’s full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after January 1, 2015. The Company will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

IFRS 10, “Consolidated Financial Statements”, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Company has yet to assess IFRS 10’s full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after January 1, 2013.

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 off-balance sheet vehicles. The Company has yet to assess IFRS 12’s full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after January 1, 2013.

IFRS 13, “Fair Value Measurement”, aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

NOTE 4 – ACQUISITION OF A 40% INTEREST IN A SUBSIDIARY

On October 31, 2011, the Company acquired the remaining 40% ownership interest in one of its subsidiaries, LAOS Industrial Resources Co. Ltd., a metal refinery, for an amount of \$2,014. This amount and the non-controlling interest balance in the consolidated statement of financial position as at October 31, 2011 of \$(237) has been recognized directly to retained earnings for a total of \$2,251.

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NOTE 5 – ACCOUNTS RECEIVABLE

	December 31, 2012	December 31, 2011
	\$	\$
Gross trade receivables	78,948	71,322
Allowance for doubtful accounts	(168)	(482)
Trade receivables	78,780	70,840
Sales taxes receivable	4,604	4,706
Other receivables	4,423	1,095
Total accounts receivable	87,807	76,641

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

	December 31, 2012	December 31, 2011
	\$	\$
Raw materials	60,410	75,511
Work-in-progress and finished goods	109,883	239,822
Total inventories	170,293	315,333

For the year ended December 31, 2012, a total of \$467,019 of inventories was included as an expense in cost of sales (seven-month period ended December 31, 2011 – \$313,855). This includes \$50,585 of impairment of inventories (\$23,750 for the Electronic Materials segment and \$26,835 for the Eco-Friendly Materials segment) (seven-month period ended December 31, 2011 – \$34,790 (\$30,964 for the Electronic Materials segment and \$3,826 for the Eco-Friendly Materials segment)).

For the year ended December 31, 2012, a total of \$56,137 previously written down was recognized as a reduction of expenses in cost of sales (\$36,490 for the Electronic Materials segment and \$19,647 for the Eco-Friendly Materials segment). No amounts previously written down were recognized as a reduction of expenses during the seven-month period ended December 31, 2011.

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

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NOTE 7 – PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Production equipment	Furniture, office equipment and rolling stock	Leasehold improvements	Total
	\$	\$	\$	\$	\$
Seven-month period ended December 31, 2011					
As at June 1, 2011	36,864	54,795	2,188	3,177	97,024
Additions	1,870	4,034	815	434	7,153
Disposals	(22)	(147)	-	-	(169)
Impairment losses	-	(8,848)	(181)	(2,431)	(11,460)
Depreciation	(983)	(4,431)	(374)	(111)	(5,899)
Effect of foreign exchange	(127)	(36)	(3)	-	(166)
As at December 31, 2011	37,602	45,367	2,445	1,069	86,483
As at December 31, 2011					
Cost	40,119	51,705	2,836	1,588	96,248
Accumulated depreciation	(2,517)	(6,338)	(391)	(519)	(9,765)
Net book value	37,602	45,367	2,445	1,069	86,483
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

- (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 of \$11,004 in the Electronic Materials segment. The impairment represents the excess of the recoverable amount of the carrying 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.

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NOTE 8 – INTANGIBLE ASSETS

	Customer relationships	Technology	Trade name and non-compete agreements	Software, intellectual property and development costs	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
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

	Customer relationships	Technology	Trade name and non-compete agreements	Software, intellectual property and development costs	Total
	\$	\$	\$	\$	\$
Cost					
As at June 1, 2011	42,966	23,108	7,724	3,404	77,202
Additions	-	-	57	696	753
Impairment losses ^(b)	-	-	-	(700)	(700)
Effect of foreign exchange	-	-	-	(31)	(31)
As at December 31, 2011	42,966	23,108	7,781	3,369	77,224
Amortization					
As at June 1, 2011	578	333	586	843	2,340
Amortization	2,553	2,696	1,347	302	6,898
Effect of foreign exchange	-	-	(47)	(47)	(94)
Adjustment	-	-	-	(68)	(68)
As at December 31, 2011	3,131	3,029	1,886	1,030	9,076
Net book value as at December 31, 2011	39,835	20,079	5,895	2,339	68,148

(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).

(b) As at December 31, 2011, the Company recognized an impairment of \$700 in other expenses in respect of development costs due to the significant decline in the solar market. The impairment expense is related to the Electronic Materials segment.

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NOTE 9 – GOODWILL

	\$
As at June 1, 2011	123,916
Other	994
As at December 31, 2011	124,910
Impairment losses	(124,910)
As at December 31, 2012	-

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

Goodwill is allocated to the following CGUs for the purpose of annual impairment testing:

	December 31, 2012	December 31, 2011
	\$	\$
Electronic Materials segment	-	110,460
Eco-Friendly Materials segment	-	14,450
Total goodwill allocated	-	124,910

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

For purposes of the annual assessment of impairment testing of property, plant and equipment and finite useful lives intangible assets the Company has determined that it has four cash-generating units: (i) the solar sector; (ii) the germanium and related business; (iii) the remaining Electronic Materials segment; (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 germanium and related businesses. 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 has 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. 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 sell 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%.

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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 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.

NOTE 10 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31, 2012	December 31, 2011
	\$	\$
Beginning of year	1,513	1,084
Reversal due to acquisition of remaining 50% interest ^(a)	(677)	-
Share of profit (loss) from joint ventures	(333)	429
End of year	503	1,513

^(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.

	December 31, 2012	December 31, 2011
	\$	\$
Share of:		
Assets	5,057	6,606
Liabilities	4,575	4,831
Revenue	4,127	6,615
Profit (loss)	(333)	429

NOTE 11 – OTHER ASSETS

	December 31, 2012	December 31, 2011
	\$	\$
Deferred costs	2,676	3,606
Deposit	1,500	1,727
Loan receivable from a related party (Note 25)	3,958	3,688
Other	1,114	2,474
Total other assets	9,248	11,495

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NOTE 12 – TRADE AND ACCRUED LIABILITIES

	December 31, 2012	December 31, 2011
	\$	\$
Trade payables	49,500	35,763
Accrued liabilities	12,714	23,266
Total trade and accrued liabilities	62,214	59,029

Trade payables are non-interest bearing.

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 other group companies.

As at December 31, 2012

Contractual currency	HK\$	RMB	Total
Facility available	-	217,000	217,000
Amount drawn	-	50,500	50,500

As at December 31, 2012

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

As at December 31, 2011

Contractual currency	HK\$	RMB	Total
Facility available	390,000	194,000	n/a
Amount drawn	390,000	146,440	n/a

As at December 31, 2011

Reporting currency	US\$	US\$	Total
Facility available	50,205	30,826	81,031
Amount drawn	50,205	23,225	73,430

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

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b) Long-term debt

	December 31, 2012	December 31, 2011
	\$	\$
Unsecured balance of purchase price and holdback to the former shareholders of MCP for an amount of €51,899 (€36,928 as a promissory note and €14,971 as holdback), bearing interest at interest rate swap three-year rate plus 3.00% ^(b) . The promissory note is repayable in two annual instalments beginning April 2013 and the holdback is repayable in April 2014 ^(a) and ^(b) .	65,928	80,066
Senior secured revolving facility of \$200,000 with a syndicate of banks, maturing in August 2015 ^(c)	72,213	185,000
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 ^(d)	797	824
Debt, bearing interest at a rate of three-month LIBOR plus 3.00%, repayable in April 2013	769	1,836
Other loans	718	750
	140,425	268,476
Less: Current portion of long-term debt	29,527	14,757
	110,898	253,719

^(a) Under agreements entered into with two executives who left the Company in 2012, the Company made payments of HK\$10 million and €0.9 million (approximately \$2,600 in aggregate) in October 2012. These payments could be applied as a reduction of the unsecured balance of purchase price above of \$65,928 if certain conditions are eventually met.

^(b) Refer to Note 24.

^(c) This revolving credit facility can be drawn in US dollars, Canadian dollars or euros. The interest rate depends on a debt/EBITDA ratio and can vary from LIBOR, banker's acceptance or EURIBOR plus 1.25% to 2.75% or US base rate or prime rate plus 0.25% to 1.75%. Also, standby fees from 0.31% to 0.69% are paid on the unused portion of the credit facility. The revolving credit facility can be increased to \$300,000 subject to acceptance by the lenders, and it is guaranteed by a pledge on almost all of the assets of certain entities of the Company. The amount drawn as at December 31, 2012 comprised \$1,052 in Canadian dollar advances and \$71,161 in US dollar advances. The total amount drawn was in US dollars as at December 31, 2011. The facility is subject to covenants. As at December 31, 2012, the Company met all covenants (Note 29).

^(d) 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. 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 will be violated in the next 13 months. However, the risk remains. Successful achievement of these budgeted results is dependent on stability in the price of metals and other raw materials, reduction of debt through optimization of the Company's working capital and the continued viability and support of the Company's bank.

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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.

	December 31, 2012	December 31, 2011
	\$	\$
Present value of unfunded obligations	12,092	12,315

Movement in the defined benefit obligation is as follows:

	For the year ended December 31, 2012	For the seven-month period ended December 31, 2011
	\$	\$
Beginning of period	12,315	13,481
Current service cost	73	39
Interest cost	627	355
Effect of foreign exchange	150	(1,285)
Benefits paid	(398)	(226)
Actuarial gains	(675)	(49)
End of period	12,092	12,315

Amounts recognized in the consolidated statements of earnings (loss) are as follows:

	For the year ended December 31, 2012	For the seven-month period ended December 31, 2011
	\$	\$
Current service cost	73	39
Interest cost	627	355
Total included in wages and salaries (Note 28)	700	394

The principal actuarial assumptions as at period-ends were as follows:

	December 31, 2012	December 31, 2011
Discount rate	3.1%	5%

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NOTE 15 – OTHER LIABILITIES

	Site provision	Deferred revenues	Other	Total
	\$		\$	\$
As at June 1, 2011	3,463	789	4,036	8,288
Additional provisions	1,107	467	677	2,251
Unused amounts reversed	-	(5)	-	(5)
Utilized	(1,098)	(191)	(2,486)	(3,775)
Reclassification to current liabilities	(2,588)	-	-	(2,588)
As at December 31, 2011	884	1,060	2,227	4,171
Utilized	(884)	(1,050)	(677)	(2,611)
As at December 31, 2012 – non-current liabilities	-	10	1,550	1,560

NOTE 16 – INCOME TAX

	For the year ended December 31, 2012	For the seven-month period ended December 31, 2011
	\$	\$
Current tax:		
Current tax (recovery) on profits for the period	1,167	(4,483)
Adjustment in respect of prior years	(924)	903
Total current tax (recovery)	243	(3,580)
Deferred tax:		
Origination and reversal of temporary differences	(24,464)	(1,133)
Total deferred tax	(24,464)	(1,133)
Income tax recovery	(24,221)	(4,713)

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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:

	For the year ended December 31, 2012		For the seven-month period ended December 31, 2011	
	\$	%	\$	%
Tax on loss at local statutory rate	(67,807)	26.9	(7,719)	28.4
Increase (decrease) resulting from:				
Unrecorded losses carried forward	7,319	(2.9)	4,391	(16.2)
Non-deductible expenses for tax purposes	1,718	(0.7)	400	(1.5)
Non-deductible impairment of goodwill	33,600	(13.4)	-	-
Benefits arising from a financing structure	(1,030)	0.4	(996)	3.7
Non-taxable foreign exchange	(178)	0.1	(358)	1.3
Effect of difference of foreign tax rates compared to Canadian tax rates	530	(0.2)	(823)	3.0
Prior year adjustments	1,344	(0.5)	903	(3.3)
Other	283	(0.1)	(511)	1.9
Total income tax recovery	(24,221)	9.6	(4,713)	17.3

The variation in the statutory rate between December 2011 (28.4%) and December 2012 (26.9%) is explained mainly by the reduction of the statutory federal rate from 16.5% to 15.0%.

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

	December 31, 2012	December 31, 2011
	\$	\$
Deferred tax assets:		
To be recovered within 12 months	1,685	642
To be recovered after 12 months	9,547	2,064
Deferred tax liabilities:		
To be recovered within 12 months	-	-
To be recovered after 12 months	(2,632)	(19,143)
Deferred tax assets (liabilities) – (net)	8,600	(16,437)

Movement in the deferred income tax amounts is as follows:

	For the year ended December 31, 2012	For the seven-month period ended December 31, 2011
	\$	\$
Beginning of period	(16,437)	(17,794)
Tax charge relating to components of other comprehensive income (loss)	137	188
Charged to consolidated statements of earnings (loss)	24,464	1,133
Tax charged directly to equity	436	36
End of period	8,600	(16,437)

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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	Loss carry forward	Share issue expenses and professional fees	Others	Total	Offset by jurisdiction	Total
	\$	\$	\$	\$	\$	\$	\$	\$
As at June 1, 2011	185	2,389	-	1,967	1,447	5,988		
Charged (credited) to consolidated statement of loss	(185)	889	-	(381)	111	434		
Charged (credited) to equity	-	-	-	36	-	36		
Charged (credited) to comprehensive loss	-	-	-	-	188	188		
As at December 31, 2011	-	3,278	-	1,622	1,746	6,646	(3,940)	2,706
Charged (credited) to consolidated statement of loss	4,609	(1,535)	8,243	(609)	194	10,902		
Charged (credited) to equity	-	-	-	436	-	436		
Charged (credited) to comprehensive loss	-	-	-	-	137	137		
As at December 31, 2012	4,609	1,743	8,243	1,449	2,077	18,121	(6,889)	11,232

Deferred tax liabilities	Property, plant and equipment	Inventories	Intangible assets	Others	Total	Offset by jurisdiction	Total
	\$	\$	\$	\$	\$	\$	\$
As at June 1, 2011	5,923	216	16,910	733	23,782		
Charged (credited) to consolidated statement of loss	(941)	-	-	242	(699)		
As at December 31, 2011	4,982	216	16,910	975	23,083	(3,940)	19,143
Charged (credited) to consolidated statement of loss	(1,295)	(158)	(12,430)	321	(13,562)		
As at December 31, 2012	3,687	58	4,480	1,296	9,521	(6,889)	2,632

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Deferred income tax assets are recognized to the extent that the realization of the related tax benefit is probable. The Company has unrecognized tax losses carryforwards of \$47,500 as at December 31, 2012 (December 31, 2011 – \$26,118) for which no deferred income tax assets have been recognized.

The deferred tax assets of \$11,232, 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 \$43,364 as at December 31, 2012 (December 31, 2011 – \$272,195).

As at December 31, 2012, the Company had the following operating tax losses available for carryforward for which no deferred tax benefit has been recorded in the account.

<u>Country</u>	<u>\$</u>	<u>Carryforward period</u>
United Kingdom	20,978	No limit
Belgium	17,068	No limit
United States	7,697	2031–2032
Malaysia	1,077	No limit
Peru	680	2015–2016
Total	47,500	

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, 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

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- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

December 31, 2011	Level 1	Level 2	Level 3
	\$	\$	\$
Financial liabilities			
Interest rate swap	-	2,326	-
Foreign exchange forward contracts	-	517	-
Options	-	2,873	-
Total	-	5,716	-

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 related to hedge strategies;
- Options sold to a financial institution related to hedge strategies; and
- Warrants.

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The derivatives are measured at fair value as follows:

Liability	December 31, 2012	December 31, 2011
	\$	\$
Interest rate swap ^(a)	3,870	2,326
Foreign exchange forward contracts ^(b)	1,080	517
Options ^(c)	239	2,873
Warrants ^(d)	1,165	-
Total	6,354	5,716

^(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 the nominal amount of the swap. The Company reclassified the estimated fair value of this portion of the swap from accumulated other comprehensive income (loss) to unrealized loss on de-designation within the consolidated statement of earnings.

Prior to the de-designation of the cash flow hedge related to a forecasted transaction on September 3, 2012, the Company assessed the effectiveness of the cash flow hedge as well as at December 31, 2012.

^(b) The foreign exchange forward contracts are to sell US dollars in exchange for euros. The nominal value of the euro forwards was €30,000 until April 11, 2013 and April 11, 2014 at US\$/euros rates of 1.3546 and 1.3641 respectively.

^(c) The Company sold options to a financial institution, giving it the right to sell euros to the Company on specific dates. The options have a nominal value of €21,500 with a euro/US\$ rate of 1.3283 and will mature in January 2013 without renewal.

^(d) On June 6, 2012, the Company issued 6,451,807 warrants (Note 18), which expire on June 6, 2014.

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;
- Options: Standard Black-Scholes model using end of period market data as input; and
- Warrants: Fair value based on the Toronto stock exchange ("TSX") closing price. The ticker symbol of the publicly traded warrants is VNP.WT.

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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 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.

The fair value of the warrants as at December 31, 2012 was \$(1,165) (Note 17).

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

	Number	Amount	Amount
		CAS	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

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NOTE 19 – OPERATING SEGMENTS

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

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
Restructuring costs	1,325	1,456	-	2,781
Impairment of inventories (Note 6)	26,835	23,750	-	50,585
Impairment of properties, 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 loss and derivative	-	-	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

For the seven-month period ended December 31, 2011	Eco-Friendly Materials	Electronic Materials	Corporate and unallocated	Total
	\$	\$	\$	\$
Segment revenues	205,697	186,015	-	391,712
Adjusted EBITDA ⁽¹⁾	18,426	30,631	(11,644)	37,413
Interest on long-term debt and other interest expense	-	-	5,487	5,487
Impairment of inventories	3,826	30,964	-	34,790
Impairment of properties, plant and equipment	-	4,525	6,935	11,460
Foreign exchange gain and derivative	-	-	(642)	(642)
Depreciation and amortization	6,910	5,807	80	12,797
Other	-	-	698	698
Earnings (loss) before income tax	7,690	(10,665)	(24,202)	(27,177)
Capital expenditures	2,742	4,313	98	7,153

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 equity method	-	503	-	503
Deferred tax asset	3,873	5,996	1,363	11,232

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As at December 31, 2011	Eco-Friendly Materials	Electronic Materials	Corporate and unallocated	Total
	\$	\$	\$	\$
Total assets excluding the following:	317,297	332,224	3,694	653,215
Goodwill	14,450	110,460	-	124,910
Investment accounted for using equity method	-	1,513	-	1,513
Deferred tax asset	2,170	503	33	2,706

⁽¹⁾ Earnings (loss) before income tax, depreciation and amortization and the following: interest on long-term debt and other interest expense, restructuring costs, impairment of inventories, reversal of impairment of property, plant and equipment, impairment of property, plant and equipment, of intangibles assets and goodwill, acquisition-related costs, and foreign exchange (gain) loss and derivative.

The geographic distribution of the Company's revenues based on the location of the customers for the periods ended December 31, 2012 and 2011, and the identifiable non-current assets as at December 31, 2012 and 2011 are summarized as follows:

Revenues	December 31, 2012 (12 months)	December 31, 2011 (7 months)
	\$	\$
Asia		
China	72,672	39,298
Japan	10,425	18,276
Others	106,575	39,671
America		
United States	102,344	90,493
Others	21,231	13,065
Europe		
France	33,067	16,256
Germany	90,455	64,232
United Kingdom	27,021	55,537
Others	84,097	51,805
Other	3,788	3,079
Total	551,675	391,712

Non-current assets as at	December 31, 2012	December 31, 2011
	\$	\$
Asia		
Hong Kong	10,801	95,067
Other	9,543	13,429
United States	6,058	15,751
Europe		
Belgium	23,755	42,264
Germany	9,164	74,222
Other	6,087	16,845
Canada	27,133	37,677
Total	92,541	295,255

For the year ended December 31, 2012, one customer represented approximately 13.3% (12.5% for the 7 month period ended December 31, 2011) of the revenues, and is included in the Electronic Materials revenues.

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NOTE 20 – SUPPLEMENTAL CASH FLOW INFORMATION

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

	For the year ended December 31, 2012	For the seven-month period ended December 31, 2011
	\$	\$
Decrease (increase) in assets:		
Accounts receivable	(10,549)	36,231
Inventories	95,615	(49,822)
Income tax receivable	(7,816)	(8,355)
Other current assets	1,221	(1,094)
Increase (decrease) in liabilities:		
Trade and accrued liabilities	(3,915)	(8,146)
Income tax payable	1,863	(7,067)
Net change	76,419	(38,253)

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

	For the year ended December 31, 2012	For the seven-month period ended December 31, 2011
a) Exclude additions unpaid at end of period:		
	\$	\$
Additions to property, plant and equipment	1,394	190
b) Include additions unpaid at beginning of period:		
	\$	\$
Additions to property, plant and equipment	190	2,176

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, 2012, no preferred shares were issued

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

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NOTE 22 –LOSS PER SHARE

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

Numerators	For the year ended December 31, 2012	For the seven-month period ended December 31, 2011
	\$	\$
Net loss attributable to equity holders of 5N Plus Inc.	(227,738)	(21,641)
Net loss for the period	(227,849)	(22,464)

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.

Weighted average number of shares outstanding – Basic and diluted	For the year ended December 31, 2012	For the seven-month period ended December 31, 2011
Weighted average number of shares outstanding – Basic and diluted	78,352,364	70,939,901

NOTE 23 – SHARE-BASED COMPENSATION

As at December 31, 2012, the Company had the following share-based compensation plans.

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 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, 2012 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.

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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, 2012, the Company granted 33,978 RSUs and, cancelled 12,385 RSUs. As at December 31, 2012, 79,480 RSUs were outstanding (2011 – 57,887).

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, 2012 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, 2012, the Company granted 14,995 RSUFE and, paid 1,981 RSUFE. As at December 31, 2012, 54,364 RSUFE were outstanding (2011 – 41,350).

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, 2012, 59,383 SARs were cancelled and, 61,250 SARs were paid. As at December 31, 2012 123,167 SARs were outstanding (2011 – 243,800).

The following table presents information concerning all outstanding stock options:

	For the year ended December 31, 2012		For the seven-month period ended December 31, 2011	
	Number of options	Weighted average exercise price CAS	Number of options	Weighted average exercise price CAS
Outstanding, beginning of period	1,543,211	5.28	1,384,025	4.52
Granted	325,840	2.22	275,249	8.60
Cancelled	(240,072)	5.60	(47,565)	5.40
Exercised	(43,531)	3.36	(68,498)	3.17
Outstanding, end of period	1,585,448	4.67	1,543,211	5.28
Exercisable, end of period	1,024,656	4.94	908,657	4.28

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The outstanding stock options as at December 31, 2012 are as follows:

Maturity	Exercise price		Number of options
	Low	High	
	CAS	CAS	
December 2013	3.00	3.00	357,650
June and August 2014	9.13	10.32	7,500
October 2014	3.81	3.81	2,500
January 2015 to October 2016	4.87	6.16	646,920
June and September 2017	8.50	8.64	245,038
December 2017	6.16	6.16	7,500
November 2018	2.22	2.22	318,340
			<u>1,585,448</u>

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 year ended December 31, 2012 and for the seven-month period ended December 31, 2011:

	For the year ended December 31, 2012	For the seven-month period ended December 31, 2011
Expected stock price volatility	53%	39%
Dividend	None	None
Risk-free interest rate	1.07%	1.475%
Expected option life	4 years	4 years
Fair value – weighted average of options issued	\$0.93	\$3.22

The following table shows the share-based compensation expense recorded in the consolidated statements of earnings (loss) for the year ended December 31, 2012 and for the seven-month period ended December 31, 2011:

Expense	For the year ended December 31, 2012	For the seven-month period ended December 31, 2011
	\$	\$
Stock options	563	443
RSUFE	-	10
SARs	92	114
Total	655	567

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

Liability	December 31, 2012	December 31, 2011
	\$	\$
RSUs	92	92
RSUFE	10	10
SARs	189	114
Total	291	216

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 for the next years are as follows:

	December 31, 2012	December 31, 2011
	\$	\$
Within one year	2,148	1,511
After one year but not more than five years	2,612	3,426
Total commitments	4,760	4,937

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.

The Company has filed a request for arbitration against Florinvest S.A., Heresford Ltd., Metals Corp. S.C.R.L. and S.R.I.W. S.A. (the “Vendors”), which are all former shareholders of MCP Group S.A. (“MCP”), as it believes that the Vendors have breached the terms of the Acquisition Agreement and certain other related agreements, including breaches with respect to representations and warranties made by the Vendors and breaches of closing conditions.

Furthermore, the Company and MCP have also filed lawsuits against the former directors of MCP, holding them personally liable for any and all damages caused by any faults or tortuous acts committed by them acting as directors of MCP or in any other capacity.

Accordingly, the Company does not intend to pay any amounts due under the balance of purchase price payable until resolution of the arbitration proceedings.

The Company is investigating the potential impact that any such breaches may have had on the pre- and post-acquisition business practices of MCP. As of the date hereof, the Company has not received any claims related to these events for fines, penalties or other monetary compensation from any third party. Due to the nature of the investigation including the possibility that the scope maybe broadened, the Company cannot predict at this time the final outcome with respect to any investigation nor can it reasonably estimate the range of loss, if any, which could result from any such investigations and could have a material adverse impact on its future results of operations.

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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 Stade ("Ingal") supplies gallium metal to other companies of the group. At the time MCP Shenzhen was a joint venture (Note 10), the Company supplied gallium to MCP Shenzhen. During the year ended December 31, 2012, the Company purchased \$5,994 worth of gallium from Ingal and did not sell any gallium to MCP Shenzhen (the Company purchased \$3,945 worth of gallium from Ingal and sold \$63 worth of gallium to MCP Shenzhen for the seven-month period ended December 31, 2011).

As at December 31, 2012, the Company has no balance payable to Ingal (2011 – \$25) and a loan receivable from Ingal of \$3,958 (€3,000) (2011 – \$3,688 (€2,850)) (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 (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. 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, 2012:

	CAS	EUR	GBP	RMB	HK\$
	\$	\$	\$	\$	\$
Cash and cash equivalents	101	2,771	85	3,913	11
Temporary investments (restricted)	-	2,357	-	-	-
Accounts receivable	444	12,574	2,203	3,893	-
Bank indebtedness and short-term debt	-	-	-	(8,014)	-
Trade and accrued liabilities	(2,568)	(11,379)	(870)	(4,733)	(232)
Long-term debt	(1,052)	(65,928)	-	-	-
Net financial assets (liabilities)	(3,075)	(59,605)	1,418	(4,941)	(221)

The following table shows the impact on loss before income tax of a one-percentage point strengthening or weakening of foreign currencies against the US dollar as at December 31, 2012 for the Company's financial instruments denominated in non-functional currencies:

	CAS	EUR	GBP	RMB	HK\$
	\$	\$	\$	\$	\$
1% Strengthening					
Earnings (loss) before tax	(31)	(596)	14	(49)	(2)
1% Weakening					
Earnings (loss) before tax	31	596	(14)	49	2

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) Market risk – 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, 2012, 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 \$(3,870) as at December 31, 2012 and is recorded as part of derivative financial liabilities in the consolidated statement of financial position.

(iii) Market risk – 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.

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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 \$(1,165) as at December 31, 2012 and nil as at December 31, 2011. 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.

Options

The Company sold options to a financial institution, giving it the right to sell euros to the Company on specific dates. The options have a nominal value of €21,500 with €/US\$ exchange of 1.3283, and they mature in January 2013 without renewal. The fair value is \$(239) as at December 31, 2012.

The market value of those financial instruments depends on several factors, such as foreign market volatility, the remaining duration of the instruments and other market conditions.

Because of the above, 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 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, 2012 and 2011, the Company has an allowance for doubtful accounts of \$168 and \$482 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, 2012, the Company does not anticipate non-performance that would materially impact its consolidated financial statements.

No financial assets are past due except for trade receivables. The aging analysis of the latter two categories of receivables is as follows:

	December 31, 2012	December 31, 2011
	\$	\$
Up to 3 months	22,966	24,235
More than 3 months	1,395	1,381
	24,361	25,616

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

	For the year ended December 31, 2012	For the seven-month period ended December 31, 2011
	\$	\$
Beginning of period	482	190
Provision for impairment	1,333	298
Trade receivables written off during the year as uncollectible ^(a)	(1,647)	-
Unused amounts reversed	-	(6)
End of period	168	482

^(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.

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, 2012:

	Carrying amount	1 year	2-3 years	4-5 years	Beyond 5 years	Total
	\$	\$	\$	\$	\$	\$
Bank indebtedness and short-term debt	8,014	8,531	-	-	-	8,531
Trade and accrued liabilities	62,214	62,214	-	-	-	62,214
Derivative financial instruments	6,354	2,817	3,537	-	-	6,354
Long-term debt	140,425	31,236	116,552	421	21	148,230
Total	217,007	104,798	120,089	421	21	225,329

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.

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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 period-ends are as follows:

	December 31, 2012	December 31, 2011
	\$	\$
Total borrowings	148,439	341,906
Less: Cash and cash equivalents and temporary investments (restricted)	(11,892)	(81,331)
Net debt	136,547	260,575
Shareholders' equity	148,112	339,241
Debt-to-equity ratio	92%	77%

NOTE 28 – KEY MANAGEMENT COMPENSATION AND EXPENSE 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:

	For the year ended December 31, 2012	For the seven-month period ended December 31, 2011
	\$	\$
Key management compensation		
Wage and salaries	4,731	3,085
Share-based compensation	219	301
Total	4,950	3,386

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Expense by nature	For the year ended December 31, 2012	For the seven-month period ended December 31, 2011
	\$	\$
Wages and salaries	39,653	31,677
Share-based compensation	655	567
Depreciation of property, plant and equipment and amortization of intangible assets	21,159	12,797
Research and development (net of tax credit)	4,763	3,027
Impairment of goodwill	124,910	-
Impairment of inventories	50,585	34,790
Impairment of property, plant and equipment	39,239	11,460
Impairment of intangible assets	40,597	700
Reversal of impairment of property, plant and equipment	(932)	-
Restructuring costs	2,781	-

NOTE 29 – SUBSEQUENT EVENT

In March 2013, the Company signed an amendment to its senior secured multi-currency revolving credit facility under which the facility will be reduced to \$100 million starting March 31, 2013. The amendment establishes new financial covenants for the year 2013 and maintains the original maturity (August 2015). The interest rate has been 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 3.5%. 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 review and approval by the lenders.

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 Thursday, June 27, 2013 at 9:00 a.m.

Club Saint-James
1145 Union Avenue
Montreal, Quebec

For more information, please contact:

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