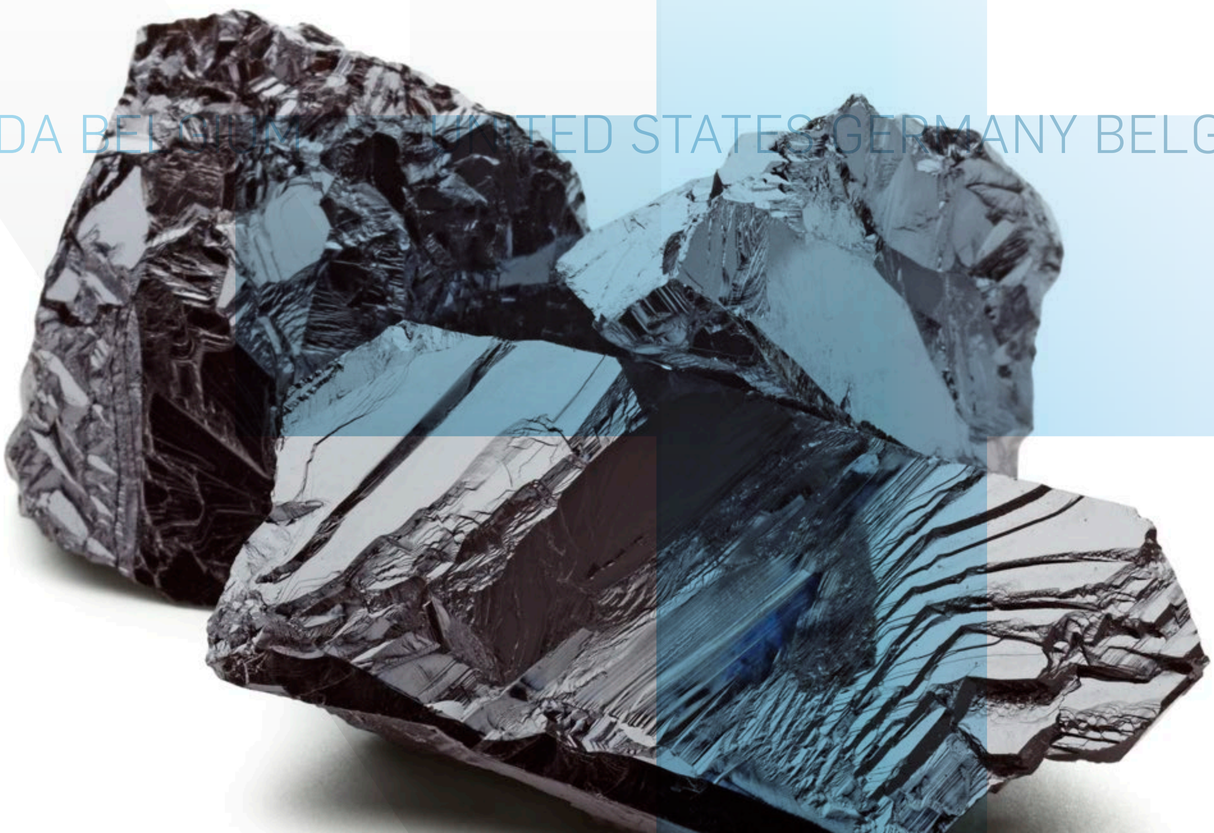
2014 ANNUAL REPORT

MORE THAN PRODUCTS

5N PLUS
SPECIALTY METALS AND CHEMICALS



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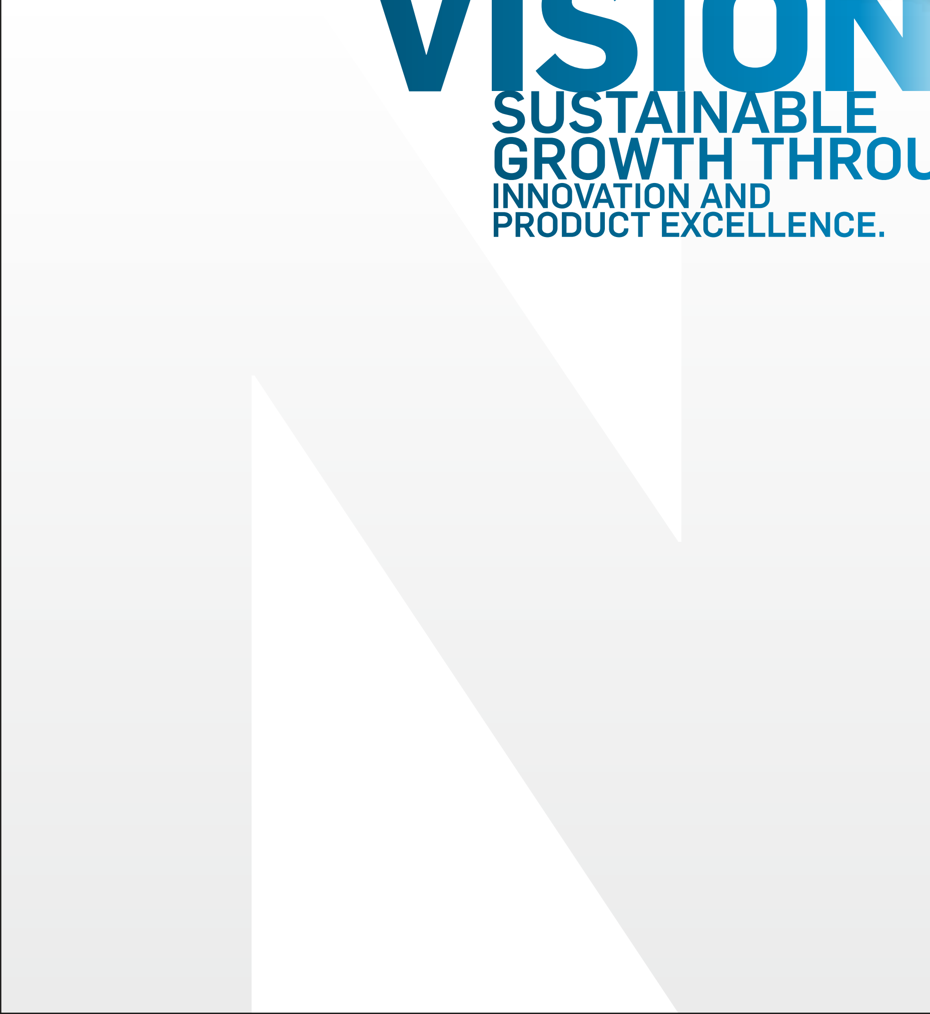
OUR VISION

SUSTAINABLE GROWTH THROUGH INNOVATION AND PRODUCT EXCELLENCE.



MESSAGE TO SHAREHOLDERS

Dear Shareholders,

This has been another important year for the company with significant improvements in financial performance and important progress towards our stated objectives of positioning ourselves throughout the value chain. Combined with record sales of bismuth metals and chemicals, the launch of our metal powder business and several new product initiatives including compounds for battery material applications, the mining industry and the solar module market, there is much to be proud of as we reach our 15th year of existence.

A YEAR OF ACCOMPLISHMENTS

For all practical purposes, profitability reached a five-year high with revenues increasing by 10% over 2013 figures, to 508 million dollars, led by strong bismuth sales which reached a record level for a second consecutive year. Demand for bismuth continues to grow in several industrial applications such as coatings and pigments driven primarily by the requirements for lead-free products.

We also saw several positive developments in the solar industry where our main customer in this market, First Solar, made important announcements in the year including another record conversion efficiency level, and a 25 year multi-million dollar agreement with Apple which will be purchasing annually 130 MW of electricity produced from First Solar CdTe solar modules. First Solar modules are becoming increasingly complex from a materials standpoint. We are positioning ourselves to increase our product offering and we announced during the year the renewal and extension of our exclusive supply agreements with this customer.

We launched or increased sales of several new products, most of which organically driven, for markets as diverse as batteries, solar modules… with renewed interest in our product for the CIGS based modules… catalysts and the mining industry.

Financial flexibility was greatly increased during the year as we issued a convertible debenture and renewed our credit facilities. We also increased our management bandwidth while simplifying our organizational structure, as we aim to further improve efficiency and execution with the intent of cost differentiation by leveraging our footprint of assets worldwide and our technical and research and development investments.

VALUE CHAIN STRATEGY

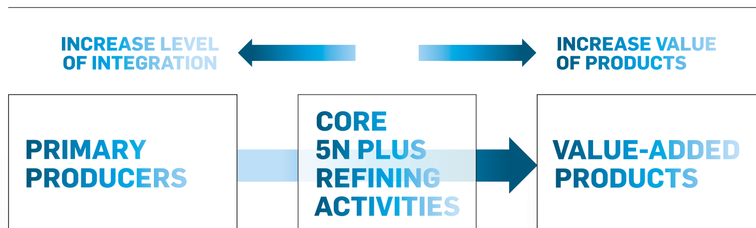
Our strategy implies gradually positioning ourselves at all levels of the value chain from primary sourcing all the way up to value-added products.

On one hand, we therefore aim to expand our custom refining activities to encompass primary sourcing opportunities. The bismuth feedstock offtake

agreement that we have entered into and announced in October 2013 is clearly in line with this objective, just as the corresponding significant investments that we have made this year into our Laos facility to treat this material. Despite some production delays, we have laid the foundation of what we expect will be a long term strategic asset for the Company.

On the other, we are pursuing two main value-added business opportunities, namely semiconductor substrates and metal powders, both of which saw important developments during the year.

VALUE CHAIN STRATEGY



In our semiconductor business, we are positioning ourselves to fully leverage this industrial and technological platform and expand into other material systems beyond germanium substrates. To facilitate this transition, we chose to acquire during the year all of the minority interest in Sylarus which was rebranded 5N Plus Semiconductors. We were also able to make significant technical and commercial progress, although the latter is still well below long-term expectations, especially following recent developments in the concentrator photovoltaic cell market, which negatively impacted our germanium substrate product line. Regardless, we remain hopeful that this business will contribute to our bottom line, as we overcome these short term pains and expand into other materials systems including III-V and II-VI, and will be an important component of our value-added product portfolio.

In our metal powders business, we acquired the technology from AM&M which was rebranded 5N Plus Micro Powders, assembled a technical, commercial and production team and successfully launched the business. Further investments are ongoing as we aim to develop a full fledge industrial capacity in 2015, which should enable a step change increase in production and sales levels. Our metal powders will be targeting the electronic packaging and the additive manufacturing or 3D printing markets, both of which are rapidly expanding and require a robust supply chain for high quality and cost effective fine metal powders.

Overall we aim through this supply chain strategy to become fully integrated, hence reducing our vulnerability to metal price fluctuations and further enhancing our competitive position.

A TURBULENT AND INCREASINGLY CHINESE LANDSCAPE

Minor metals have been subject to important price fluctuations over the last few years, a trend further enhanced by the growing impact of several metal exchanges in China, where many of the metals we deal with are traded. Bismuth for example has close to double in price over an 18-month period before seeing its value be cut in half during the last 6 months. Other metals that we are involved in have or are also likely to see their price fluctuate in a similar fashion, leading, together with an increasingly competitive landscape, to volatility in our financial performance.

In this respect, the influence of China, through supply and demand dynamics and the advent of these new metal exchanges, continues to be of significance. China is the largest producer of bismuth, indium, gallium and germanium worldwide and it is also an important producer of tellurium and selenium. This comes as no surprise as many of these metals are by-products of base metal refining, and contained at trace levels in the base metal concentrates which are increasingly being processed in China. In terms of demand, China is also likely to play an increasingly significant role as growth of the Chinese semiconductor industry is likely to gradually increase domestic sales of metals such as indium, gallium and germanium which are closely associated with electronics. With over 150 employees in China and close relationships with several Chinese suppliers and customers alike, we remain well positioned to capture new opportunities and mitigate the impact of any negative market developments there.

POSITIONNING OURSELVES FOR SUSTAINABLE GROWTH

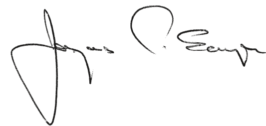
We continue to implement measures aimed at providing means for sustainable growth. In addition to our value chain strategy such measures include improving operational efficiency, cost leadership and fully leveraging our footprint of assets worldwide. We believe that there is room for further improvement in these areas, with a corresponding impact on value creation and growth.

Another important contributor to our growth strategy involves our research & development efforts in which we are increasingly investing. With key deliverables, besides continuous improvement of current operations, being closely associated with our value chain strategy, our R&D teams are defining an exciting growth roadmap that holds great promises.

Our ability to grow is again perhaps best appreciated by looking at our track record over the last five years enabling us once again to be amongst the Deloitte Fast 500™ for a fifth consecutive year.

And our commitment to continue building a sustainable business, best illustrated by our growing workforce, our continuing capital investments and our willingness to invest in both new products and activities as well as in existing ones to maintain our competitive advantage and generate value.

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



Jacques L'Ecuyer
President and Chief
Executive Officer

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations is intended to assist readers in understanding 5N Plus Inc. (the "Company" or "5N Plus"), its business environment, strategies, performance and risk factors. This MD&A should be read in conjunction with the audited consolidated financial statements and the accompanying notes for the year ended December 31, 2014. This MD&A has been prepared in accordance with the requirements of the Canadian Securities Administrators.

Information contained herein includes any significant developments to February 24, 2015, the date on which the MD&A was approved by the Company's board of directors. Unless otherwise indicated, the terms "we", "us" "our" and "the group" as used herein refer to the Company together with its subsidiaries.

The "Q4 2014" and the "Q4 2013" refer to the three-month periods ended December, 2014 and 2013. All amounts in this MD&A are expressed in U.S. dollars, and all amounts in the tables are in thousands of U.S. dollars, unless otherwise indicated. All quarterly information disclosed in this MD&A is based on unaudited figures.

Non-IFRS Measures

This MD&A also includes certain figures that are not performance measures consistent with IFRS. These measures are defined at the end of this MD&A under the heading Non-IFRS Measures. Please note that the comparatives periods have been restated to reflect a change in the EBITDA definition, see Selected Data Information section.

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 and investments, credit, liquidity, interest rate, inventory pricing, commodity pricing, currency fluctuation, fair value, source of supply, environmental regulations, competition, dependence on key personnel, business interruptions, protection of intellectual property, international operations, collective agreements and being a public issuer. A description of the risks affecting the Company's business and activities appears under the heading "Risk and Uncertainties" of this MD&A. Forward-looking statements can generally be identified by the use of terms such as "may", "should", "would", "believe", "expect", the negative of these terms, variations of them or any similar terms. No assurance can be given that any events anticipated by the forward-looking information in this MD&A will transpire or occur, or if any of them do so, what benefits that 5N Plus will derive therefrom. In particular, no assurance can be given as to the future financial performance of 5N Plus. The forward-looking information contained in this MD&A is made as of the date hereof and the Company has no obligation to publicly update such forward-looking information to reflect new information, subsequent or otherwise, unless required by applicable securities laws. The reader is warned against placing undue reliance on these forward-looking statements.

Management's Discussion and Analysis

Overview

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

Reportable Segments

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

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

The Eco-Friendly Materials segment is so labelled because it is mainly associated with bismuth, one of the very few heavy metals which have no detrimental effect on either human health or in the environment. As a result, bismuth is being increasingly used in a number of applications as a replacement for more harmful metals and chemicals. The Eco-Friendly Materials segment operates in North America, Europe and Asia. The Eco-Friendly Materials segment manufactures and sells refined bismuth and bismuth chemicals, low melting point alloys as well as refined selenium and selenium chemicals. These are used in the pharmaceutical and animal-feed industry as well as in a number of industrial applications including coatings, pigments, metallurgical alloys and electronics. Management of such activities is the responsibility of the Eco-Friendly Materials executive team.

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

Management's Discussion and Analysis

Highlights of Q4 2014 and Fiscal Year 2014

- EBITDA[1] reached $39.4 million during the year compared to $63.9 million in 2013 (or $18.7 million excluding the $45.2 million gain realised following the MCP Group S.A. ("MCP") litigation settlement). Adjusted EBITDA[1] increased to $35.0 million in 2014 compared to $30.4 million in 2013. EBITDA and Adjusted EBITDA were respectively of $4.0 million and $5.7 million in the fourth quarter of 2014 compared to $6.8 million and $7.9 million for the fourth quarter of 2013.

- Revenues for 2014 reached $508.2 million up from $459.0 million in 2013. Revenues for the fourth quarter of 2014 reached $114.8 million, down from $119.4 million for the fourth quarter of 2013.

- Net earnings for fiscal year 2014 were $10.7 million compared to $42.8 million in 2013 which included the positive impact of the MCP litigation settlement (or a loss of $2.4 million excluding the $45.2 million gain realised following the MCP litigation settlement). Net loss for the fourth quarter of 2014 reached $2.5 million, compared to net earnings of $1.6 million for the fourth quarter of 2013.

- Net debt[1] stood at $84.0 million, up from September 30, 2014 and up from $58.3 million as at December 31, 2013.

- Bookings[1] increased to $130.8 million in the quarter up from $101.3 million in the previous quarter. This compares with bookings of $156.1 million in the fourth quarter of 2013. Backlog[1] as at December 31, 2014 stood at $153.2 million, up from $137.2 million in the previous quarter and down from $170.1 million one year ago.

- On April 3, 2014, 5N Plus announced that it had acquired the remaining 33.33% ownership interest in its subsidiary Sylarus Technologies, LLC, located in St. George, Utah, and had changed its name to 5N Plus Semiconductors LLC.

- On May 5, 2014, 5N Plus announced that it had completed the acquisition of all of the issued and outstanding shares in the capital of AM&M Advanced Machine and Materials Inc. ("AM&M").

- On May 29, 2014, 5N Plus announced that it had entered into new supply agreements with First Solar, Inc., the world's leading thin-film solar module manufacturer, covering First Solar's compound semiconductor needs until March 31, 2019.

- On June 26, 2014, 5N Plus announced the closing of its offering of CA$60.0 million of convertible unsecured subordinated debentures and that the underwriters had purchased an additional CA$6.0 million.

- On August 7, 2014, 5N Plus announced the closing of a senior secured multi-currency revolving credit facility of $125.0 million maturing in August 2018 (with an additional $25.0 million accordion feature) to replace its existing $100.0 million senior secured revolving facility.

- On November 13, 2014, the Company was named for a fifth consecutive year as one of Canada's fastest growing technology companies in the Deloitte Technology Fast 50™ based on the percentage of revenue growth over five years. 5N Plus' increase in revenues of 581% from 2009 to 2013 resulted in a number 23 ranking. The Company was also ranked 179 on Deloitte's Technology Fast 500™, a list of the 500 fastest growing technology, media, telecommunications, life sciences and clean technology companies in North America.

The Company ended the year 2014 close to its highest level in terms of profitability as it reached record EBITDA (excluding the impact of the MCP litigation settlement realized in 2013), despite a relatively soft fourth quarter. The year was mainly characterized by strong demand for most of the Company's products with bismuth sales reaching a record level for a second consecutive year. Demand for the solar products was also high as one of the Company's main customers continues to make significant progress in terms of efficiency and costs demonstrating the overall competitiveness of the CdTe technology over other technologies and its ability to penetrate unsubsidized markets. This was recently highlighted by Apple's decision to enter into a 25-year commercial power purchase agreement, the largest of its kind, for 130 MW of electricity produced using CdTe solar cells. Sales of other products were in line with expectations with important advances having been made during the year in the semiconductor substrate business where the Company is now fully qualified with both of the main US based suppliers of space solar cells.

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[1] See Non-IFRS Measures

Management's Discussion and Analysis

The Company experienced however a relatively soft fourth quarter with demand being negatively impacted by significant underlying commodity price volatility. This is especially true for bismuth and gallium, the pricing of which has been under severe downward pressure following latest developments at the Fanya Metal Exchange which has forced the Company to record inventory impairment charges of $5.3 million in the quarter. The Company expects demand to recover in the first quarter although pricing volatility may continue. The Company's bookings and backlog increases recorded in the fourth quarter reflect this to a large extent with lower dollar figures being essentially associated with decreases in selling prices, following latest trends in underlying commodity prices, but not sales volumes. Similarly, should such pricing trends continue, the Company expects inventory dollar figures to come down together with its debt level as average unit pricing decreases."

The Company improved its financial flexibility in 2014, through the issuance of a convertible debenture and the renewal of its credit facility, enabling the Company to continue making progress in several strategic initiatives aimed at strengthening its position throughout the entire value chain. This included, on one hand, additional investments in the Laos facility with the intent of expanding the primary refining capabilities and providing an efficient footprint for the treatment of the bismuth feedstock produced in Vietnam; and on the other, investments aimed at expanding its value-added product portfolio by fully leveraging its industrial and technological platform in the semiconductor substrate business and by acquiring the AM&M business and technology as the Company intends to rapidly position itself in the metal powder business.

The Company estimates that current underlying commodity pricing volatility is likely to continue to weigh on its financial performance but remains cautiously optimistic about future demand and its ability to grow as the Company executes its strategic plan. To its employees, the Company would like to thank them for their dedication and hard work in what has turned out to be a record year in many respects despite the competitive landscape the Company operates in. To its stakeholders and shareholders, the Company would like to thank them as well for their continuing confidence and support.

Management's Discussion and Analysis

Summary of Results

	Q4 2014	Q4 2013	2014	2013
	$	$	$	$
Revenues	114,781	119,416	508,195	459,012
Operating expenses	109,124	111,474	473,150	428,637
Adjusted EBITDA[1]	5,657	7,942	35,045	30,375
Impairment of inventory	5,251	-	5,251	10,182
Gain related to the settlement of the purchase price of MCP	-	-	-	(45,188)
Litigation and restructuring costs	1,178	569	1,952	4,068
Gain on disposal of property, plant and equipment	-	-	(1,312)	-
Change in fair value of debenture conversion option	(1,368)	-	(7,179)	-
Foreign exchange and derivative (gain) loss	(3,425)	525	(3,111)	(2,590)
EBITDA[1 2]	4,021	6,848	39,444	63,903
Interest on long-term debt, imputed interest and other interest expense	2,860	1,779	8,769	8,524
Depreciation and amortization	2,546	2,419	11,148	10,686
Earnings (loss) before income taxes	(1,385)	2,650	19,527	44,693
Income tax (recovery) expense				
Current	(2,237)	132	4,875	4,338
Deferred	3,305	880	3,979	(2,425)
	1,068	1,012	8,854	1,913
Net (loss) earnings	(2,453)	1,638	10,673	42,780
Basic (loss) earnings per share	($0.03)	$0.02	$0.13	$0.51
Diluted (loss) earnings per share	($0.04)	$0.02	$0.05	$0.51

Revenues by Segment

	Q4 2014	Q4 2013	% Change	2014	2013	% Change
	$	$		$	$	
Electronic Materials Segment	41,898	46,264	(9%)	169,367	179,368	(6%)
Eco-Friendly Materials Segment	72,883	73,152	-	338,828	279,644	21%
Total revenues	114,781	119,416	(4%)	508,195	459,012	11%

Revenues for fiscal year 2014 increased by 11% compared to the prior fiscal year to $508.2 million versus $459.0 million in fiscal year 2013. Revenues for the Electronic Materials segment decreased by 6% compared to 2013 while the Eco-Friendly Materials segment achieved an increase of more than 21% supported by better volumes and average prices.

Revenues decreased by 4% compared to the prior year quarter. Revenues in Q4 2014 for the Electronic Materials segment reached $41.9 million, lower from $46.3 million in Q4 2013, negatively impacted by prices. Eco-Friendly Materials segment revenues reached $72.9 million, similar to the prior year quarter, with better prices mitigating lower volumes than prior year quarter.

Net earnings (loss) and Adjusted net earnings

	Q4 2014	Q4 2013	2014	2013
	$	$	$	$
Net (loss) earnings	(2,453)	1,638	10,673	42,780
Basic net (loss) earnings per share	($0.03)	$0.02	$0.13	$0.51
Reconciling items:				
Impairment of inventory	5,251	-	5,251	10,182
Litigation and restructuring costs	1,178	569	1,952	4,068
Change in fair value of debenture conversion option	(1,368)	-	(7,179)	-
Gain related to the settlement of the purchase price of MCP	-	-	-	(45,188)
Income taxes on taxable items above	(1,361)	(139)	(61)	(1,002)
Adjusted net earnings[1]	1,247	2,068	10,636	10,840
Basic adjusted net earnings per share[1]	$0.01	$0.02	$0.13	$0.13

In 2014, Adjusted net earnings[1] reached $10.6 million compared to $10.8 million for the prior fiscal year. Net earnings for fiscal year 2014 reached $10.7 million compared to $42.8 million in 2013, impacted by the MCP litigation settlement of $45.2 million in the second quarter of 2013. This is partially offset by the positive change in fair value of debenture conversion option and lower inventory impairment charge recorded this year compared to last year.

[1] See Non-IFRS Measures

[2] The comparative periods have been restated to reflect a change in the EBITDA[1] definition

Management's Discussion and Analysis

In Q4 2014, Adjusted net earnings[1] decreased by $0.8 million from $2.1 million to $1.2 million compared to the same period last year. Net loss reached $2.5 million in Q4 2014 compared to net earnings of $1.6 million for the same period last year. The decrease in net earnings compared to prior year quarter is mainly explained by an inventory impairment charge of $5.3 million as well as restructuring costs partially offset by a positive change in fair value of debenture conversion option of $1.4 million.

Adjusted EBITDA

	Q4 2014	Q4 2013	% Change	2014	2013	% Change
Electronic Materials	4,853	4,006	21%	23,642	22,466	5%
Eco-Friendly Materials	3,106	6,474	(52%)	22,167	16,285	36%
Corporate	(2,302)	(2,538)	(9%)	(10,764)	(8,376)	29%
Adjusted EBITDA[1]	5,657	7,942	(29%)	35,045	30,375	15%

For fiscal year 2014, Adjusted EBITDA[1] amounted to $35.0 million compared to $30.4 million for 2013. The Adjusted EBITDA improved mainly from an increase in average selling prices, volumes, and settlement of an insurance claim received in Q3 2014, net of higher labor costs, utilities and logistic costs. Adjusted EBITDA for the Electronic Materials segment increased by $1.2 million at $23.6 million with an Adjusted EBITDA margin[1] of 14% compared to 13% in 2013. Adjusted EBITDA for the Eco-Friendly Materials segment increased to $22.2 million compared to $16.3 million last year with an adjusted EBITDA margin of 7% compared to 6% in 2013.

In Q4 2014, Adjusted EBITDA amounted to $5.7 million compared to $7.9 million for the same period a year ago. The Adjusted EBITDA decreased mainly from lower volumes compared to the same period a year ago. Adjusted EBITDA for the Electronic Materials segment increased by $0.8 million at $4.9 million achieving an Adjusted EBITDA margin of 12% compared to 9% for the prior year quarter. Adjusted EBITDA for the Eco-Friendly Materials segment decreased to $3.1 million compared to $6.5 million in Q4 2013 with an Adjusted EBITDA margin of 4% compared to 9% for the prior year quarter.

Impairment Charges

	Q4 2014	Q4 2013	2014	2013
Electronic Materials	856	-	856	150
Eco-Friendly Materials	4,395	-	4,395	10,032
Impairment of inventories	5,251	-	5,251	10,182

An inventory impairment charge of $5.3 million mainly on bismuth and gallium was recorded in 2014 compared to a charge of $10.2 million in 2013, reflecting the expected net realized value of year-end inventories following recent decline in commodity prices impacting our industry.

Bookings and Backlog

	BACKLOG[1]			BOOKINGS[1]		
	Q4 2014	Q3 2014	Q4 2013	Q4 2014	Q3 2014	Q4 2013
	$	$	$	$	$	$
Electronic Materials	83,676	79,753	80,382	45,821	37,259	54,337
Eco-Friendly Materials	69,483	57,430	89,691	84,936	63,999	101,800
Total	153,159	137,183	170,073	130,757	101,258	156,137

Q4 2014 vs Q3 2014

Overall the backlog[1] as at December 31, 2014 stood at $153.2 million, higher than the previous quarter following the renewal pattern of most contracts which generally occurs in the fourth quarter or in the first quarter of the year.

Backlog as at December 31, 2014, for the Electronic Materials segment stood at $83.7 million increasing by $3.9 million, or 5%, over the backlog of Q3 2014. The backlog for the Eco-Friendly Materials segment stood at $69.5 million, an increase of $12.1 million or 21%, over the backlog of Q3 2014.

Bookings[1] for the Electronic Materials segment increased by $8.6 million to $45.8 million compared to Q3 2014. Bookings for the Eco-Friendly Materials segment increased by $20.9 million or 33%, from $64.0 million in Q3 2014 to $84.9 million in Q4 2014.

[1] See Non-IFRS Measures

Management's Discussion and Analysis

Q4 2014 vs Q4 2013

Backlog as at December 31, 2014 increased by $3.3 million for the Electronic Materials segment and decreased by $20.2 million for the Eco-Friendly Materials segment compared to the previous year quarter.

Bookings for the Electronic Materials segment decreased by $8.5 million, and by $16.9 million for the Eco-Friendly Materials segment compared to the previous year quarter.

Expenses

	Q4 2014	Q4 2013	% Change	2014	2013	% Change
	$	$		$	$	
Depreciation and amortization	**2,546**	2,419	5%	**11,148**	10,686	4%
SG&A	**8,639**	8,607	-%	**36,922**	36,066	2%
Litigation and restructuring costs	**1,178**	569	107%	**1,952**	4,068	(52%)
Financial (revenues) expenses	**(1,933)**	2,304	(184%)	**(1,521)**	5,934	(126%)
Income tax expense	**1,068**	1,012	6%	**8,854**	1,913	363%
Total expenses	**11,498**	14,911	(23%)	**57,355**	58,667	(2%)

Depreciation and Amortization

Depreciation and amortization expenses in Q4 2014 and 2014 amounted to $2.5 million and $11.1 million respectively, compared to $2.4 million and 10.7 million for the same periods of 2013.

SG&A

For Q4 2014 and 2014, SG&A expenses were $8.6 million and $36.9 million respectively, compared to $8.6 million and $36.1 million for the same periods of 2013. Variation is mostly explained by additional wages and professional expenses.

Litigation and Restructuring costs

The Company recorded litigation and restructuring costs of $1.2 million and $2.0 million for Q4 2014 and 2014 respectively compared to $0.6 million and $4.1 million for the same periods a year ago. On a fiscal year basis, the decrease is mainly due to lower expenses to attorney's and other professional fees for legal proceedings and employee severance costs.

Financial Expenses

Financial revenues for Q4 2014 amounted to $1.9 million compared to financial expenses of $2.3 million for the same period last year. The positive variance is mainly due to higher gain on foreign exchange and derivative of $4.0 million and the positive change in the fair value of the debenture conversion option of $1.4 million partially offset by higher interest expenses, either imputed or from debt.

For 2014, financial revenues amounted to $1.5 million compared to financial expenses of $5.9 million for the same period last year. Positive change in fair value of the debenture conversion option of $7.2 million combined with a higher gain on foreign exchange and derivative of $0.5 million are partially offset by higher interest expenses, either imputed or from debt.

Income Taxes

For Q4 2014 and 2014, income tax expense was $1.1 million and $8.9 million, respectively, representing an effective tax rate of 77% and 45% respectively. Effective tax rate is higher in Q4 2014 compared to the same quarter of 2013 mainly due to the losses carried forward for which no deferred tax asset was recognized in Q4 2014. Effective tax rate is higher for 2014 at 45% compared to 2013 mainly due to the fact that 2013 was impacted by a non-taxable gain on settlement of the MCP litigation which was reflected as a reduction of the acquisition price, and losses carried forward for which no deferred tax asset was recognized in 2014.

Management's Discussion and Analysis

Liquidity and Capital Resources

	Q4 2014	Q4 2013	% Change	2014	2013	% Change
	$	$		$	$	
Funds from operations[1]	4,030	9,043	(55%)	17,592	20,033	(12%)
Net changes in non-cash working capital items	(8,019)	372	(2,256%)	(34,765)	27,930	(224%)
Operating activities	(3,989)	9,415	(142%)	(17,173)	47,963	(136%)
Investing activities	(4,529)	(3,755)	21%	(15,753)	(11,748)	34%
Financing activities	11,268	3,510	221%	24,121	(22,410)	(208%)
Effect of foreign exchange rate changes on cash and cash equivalents related to operations	(261)	(382)	(32%)	(845)	(913)	(7%)
Net increase (decrease) in cash and cash equivalents	2,489	8,788	(72%)	(9,650)	12,892	(175%)

For Q4 2014, cash consumed by operating activities was $4.0 million compared to cash generated by operation of $9.4 million for the same period last year. The decrease is mainly attributable to higher inventory and accounts receivable.

Investing activities consumed $4.5 million in Q4 2014 compared to $3.8 million in the same period a year ago. This increase is explained by an increase in acquisition of property, plant and equipment and intangible assets.

Financing activities generated $11.3 million in Q4 2014 compared to $3.5 million in the same period a year ago. This increase is mainly explained by additional borrowing under the credit facility.

For 2014, cash consumed by operating activities was $17.2 million compared to cash generated of $48.0 million in 2013. This decrease in 2014 is mainly attributable to the inventory and accounts receivable increases. Investing activities consumed $15.8 million compared to $11.7 million in 2013. This increase is explained by an increase in acquisition of property, plant and equipment and intangible assets and by the acquisition of AM&M partially offset by the proceeds of disposition of real estate property recorded in Q1 2014. Cash generated by financing activities amounted to $24.1 million compared to cash consumed of $22.4 for the same period a year ago. This increase is mainly associated with the issuance of convertible debentures net of fees in Q2 2014 partially offset by repayment of long-term debt.

Working Capital

	As at December 31, 2014	As at December 31, 2013
	$	$
Inventories	204,454	174,374
Other current assets	93,100	97,233
Current liabilities	(67,992)	(86,861)
Working capital[1]	229,562	184,746
Working capital current ratio[1]	4.38	3.13

The increase in working capital[1] is mainly due to higher anticipated demand and its impact on inventory and by a reclassification from trade and accrued liabilities to other liabilities following new agreements with a supplier. The current level was impacted by average commodity pricing during the year and by the last quarter activities.

Net Debt

	As at December 31, 2014	As at December 31, 2013
	$	$
Bank indebtedness	975	10,462
Long-term debt including current portion	51,823	72,785
Convertible debentures	46,101	-
Total Debt	98,899	83,247
Cash and cash equivalents and restricted cash	(14,892)	(24,917)
Net Debt[1]	84,007	58,330

Total debt increased by $15.7 million to $98.9 million as at December 31, 2014, compared to $83.2 million as at December 31, 2013. The increase of debt is due to the increase in working capital.

Net debt after taking into account cash and cash equivalents and restricted cash increased by $25.7 million, from $58.3 million as at December 31, 2013 to $84.0 million as at December 31, 2014.

[1] See Non-IFRS Measures

Management's Discussion and Analysis

Available Short-Term Capital Resources

	As at December 31, 2014	As at December 31, 2013
	$	$
Cash and cash equivalents	12,777	22,427
Available bank indebtedness	650	12,912
Available revolving credit facility	79,976	11,980
Available short-term capital resources	93,403	47,319

The Company believes that funds from operations[1], combined with its available short-term capital resources of $93.4 million as at December 31, 2014 will enable it to support its growth, its working capital needs and its planned capital expenditures.

Funds from Operations

	Q4 2014	Q4 2013	2014	2013
	$	$	$	$
Funds from operations[1]	4,030	9,043	17,592	20,033
Net acquisition of PPE and intangible assets	(4,484)	(3,768)	(14,221)	(11,615)
Working capital changes	(8,019)	372	(34,765)	27,930
Issuance of common shares	-	-	164	-
Settlement of the purchase price of MCP	-	-	-	45,188
Others	333	(457)	5,553	(3,319)
	(12,170)	(3,853)	(43,269)	58,184
Total movement in net debt[1]	(8,140)	5,190	(25,677)	78,217
Net debt[1], beginning of period	(75,867)	(63,520)	(58,330)	(136,547)
Net debt[1], end of period	(84,007)	(58,330)	(84,007)	(58,330)

For Q4 2014 and 2014, funds from operations decreased to $4.0 million and $17.6 million respectively, compared to $9.0 million and $20.0 million for the same periods of 2013. The decrease was mainly attributable to unfavorable working capital changes.

	Q4 2014	Q4 2013	2014	2013
Net debt[1] to annualized adjusted EBITDA ratio	3.7	1.8	2.4	1.9
Annualized funds from operations[1] to net debt (%)	19.2	62.0	20.9	34.3

Net debt to annualized adjusted EBITDA ratio for 2014 was 2.4 compared to 1.9 for 2013, with Q4 2014 at 3.7 versus 1.8 in Q4 2013. Annualized funds from operations to net debt represented 20.9% for 2014 and 34.3% for 2013, with Q4 2014 at 19.2% of our net debt compared to 62.0% for the same period last year.

Share Information

	As at February 24, 2015	As at December 31, 2014
Issued and outstanding shares	83,979,657	83,979,657
Stock options potentially issuable	1,388,760	1,702,100
Convertible debentures potentially issuable	9,777,777	9,777,777

[1] See Non-IFRS Measures

Management's Discussion and Analysis

Stock Option Plan

On April 11, 2011, the Company adopted a new stock option plan replacing the previous plan (the "Old Plan"), in place since October 2007, with the same features as the Old Plan with the exception of a maximum number of options granted which cannot exceed 5,000,000. The aggregate number of shares which could be issued upon the exercise of options granted under the Old Plan could not exceed 10% of the issued shares of the Company at the time of granting the options. Options granted under the Old Plan may be exercised during a period not exceeding ten years from the date of grant. The stock options outstanding as at December 31, 2014 may be exercised during a period not exceeding six years from their date of grant. Options vest at a rate of 25% (100% for directors) per year, beginning one year following the grant date of the options. Any unexercised options will expire one month after the date a beneficiary ceases to be an employee, director or officer and one year for retired directors.

The following table presents information concerning all outstanding stock options:

	2014		2013	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		CA$		CA$
Outstanding, beginning of year	1,637,951	4.19	1,585,448	4.67
Granted	352,000	3.99	546,939	2.39
Cancelled	(206,463)	4.16	(141,386)	5.55
Exercised	(71,388)	2.46	-	-
Expired	(10,000)	7.80	(353,050)	3.00
Outstanding, end of year	1,702,100	4.21	1,637,951	4.19
Exercisable, end of year	1,192,918	4.37	1,001,826	4.94

Off-Balance Sheet Arrangements

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

The Company is exposed to currency risk on sales in Euro and other currencies and therefore periodically enters into foreign currency forward contracts to protect itself against currency fluctuation. The reader will find more details related to these contracts in Notes 17 and 25 of the audited consolidated financial statements for the year ended December 31, 2014.

The contractual maturities of the Company's financial liabilities as at December 31, 2014 are as follows:

	Carrying amount	1 year	2-3 years	4-5 years	Beyond 5 years	Total
	$	$	$	$	$	$
Bank indebtedness	975	1,030	-	-	-	1,030
Trade and accrued liabilities	60,286	60,286	-	-	-	60,286
Long-term debt	51,823	3,224	5,136	52,837	-	61,197
Convertible debentures	46,101	3,263	6,527	61,635	-	71,425
Long-term payable (including in other liabilities)	12,577	-	15,064	-	-	15,064
Total	**171,762**	**67,803**	**26,727**	**114,472**	**-**	**209,002**

Commitments

In September 2014, the Company signed a loan agreement with one of its suppliers for the construction of manufacturing equipment in Asia. The loan bears an interest rate of 8.5%, and is guaranteed by the supplier's corporate entity. Under this agreement, the total amount can reach up to $7 million upon achievement of certain milestones. The initial tranche was disbursed on October 15, 2014. As at December 31, 2014, the amount receivable under the loan is $1.8 million. Each tranche is to be reimbursed on a monthly basis over a term of 12 months starting after each drawdown.

In the normal course of business, the Company contracted letters of credit for an amount of up to $0.4 million as at December 31, 2014.

Management's Discussion and Analysis

The Company rents certain premises and equipment under the terms of operating leases. Future minimum payments, following recent contractual lease renewals, excluding operating costs are as follows:

	2014	2013
	$	$
Within one year	2,881	2,265
After one year but not more than five years	5,100	3,635
Total commitments	**7,981**	**5,900**

Contingencies

In the normal course of operations, the Company is exposed to events that could give rise to contingent liabilities or assets. As at February 24, 2015, the Company was not aware of any significant events that would have a material effect on its consolidated financial statements, except for the following.

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

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 (ICFR), or have caused them to be designed under their supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Based on their evaluation carried out to assess the effectiveness of the Company's internal control over financial reporting, the Chief Executive Officer and the Chief Financial Officer have concluded that the internal control over financial reporting was designed and operated effectively as at December 31, 2014, using the Internal Control – Integrated Framework (2013 Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO 2013 Framework").

Changes in Internal Control over Financial Reporting

No changes were made to our internal controls over financial reporting during fiscal year ended December 31, 2014 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Management's Discussion and Analysis

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 2014 in accordance with IFRS. The Company's significant accounting policies are described in Note 2 of the December 31, 2014 audited consolidated financial statements. The key assumptions and basis for estimates that management has made under IFRS, and their impact on the amounts reported in the consolidated financial statements and notes, remain substantially unchanged from those described in the Company's audited consolidated financial statements for the fiscal year ended December 31, 2013.

Changes in Accounting Policies

On January 1, 2014, the Company applied the new standard described below.

IFRS Interpretations Committee Interpretation 21, "Levies", provides guidance on accounting for levies in accordance with the requirements of IAS 37, "Provisions, Contingent Liabilities and Contingent Assets". The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that a liability for a levy is recognized only when the triggering event specified in the legislation occurs. The Company has applied IFRIC 21 on a retrospective basis in compliance with the transitional requirements of IFRIC 21. The application of IFRIC 21 did not have any impact to the consolidated financial statements.

Future Changes in Accounting Policies

The following standards have been issued but are not yet effective:

In May 2014, the IASB issued IFRS 15, "Revenues from Contracts with Customers", to specify how and when to recognize revenue as well as requiring the provision of more information and relevant disclosure. IFRS 15 supersedes IAS 18, "Revenue", IAS 11, "Construction Contracts", and other revenue-related interpretations. The standard will be effective on January 1, 2017 for the Company with earlier adoption permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

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

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 Cash Generating Units ("CGU"), carrying amount exceeds its recoverable amount, which is the higher of fair value less cost of disposal and value in use.

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

Inventories

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

Debenture conversion option

The convertible debentures issued by the Company included conversion and early redemption options, which are considered as Level 3 financial instruments. The derivative is measured at fair value through profit and loss, and its fair value must be measured at each reporting period, with subsequent changes in fair value recorded in the statement of earnings. A derivative valuation model is used and includes assumptions, to estimate the fair value. Detailed assumptions used in the model to determine the fair value of the embedded derivative, upon inception and as at December 31, 2014, are provided in the note 13 of the 2014 consolidated financial statements of the Company.

Income Taxes

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

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

Related Party Transactions

The Company's related parties are its joint ventures, directors and executive members. Transactions with these related parties are described in Notes 9, 10, 24 and 27 in the 2014 consolidated financial statements of the Company.

Financial Instruments and Risk Management

Fair Value of financial instruments

A detailed description of the methods and assumptions used to measure the fair value of the Company financial instruments and their fair value are discussed in Note 17 – Categories of Financial Assets and Financial Liabilities in the 2014 consolidated financial statements of the Company.

Management's Discussion and Analysis

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

Assets (Liabilities)	December 31, 2014	December 31, 2013
	$	$
Debenture conversion option	(2,093)	-
Interest rate swap	-	(2,588)
Foreign exchange forward contracts	-	(1,468)
Derivative forward contracts	147	955
Warrants	-	(181)
Total	(1,946)	(3,282)

Interest Rate Risk

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

Currency Risk

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

Foreign exchange forward contracts are described in Note 17 in the 2014 consolidated financial statements of the Company.

The Company had the following currency exposures on December 31, 2014:

	CA$	EUR	GBP	RMB	Other
	$	$	$	$	$
Cash and cash equivalents	256	3,896	724	1,864	264
Restricted cash	-	2,089	29	16	-
Accounts receivable	1,083	14,729	2,358	8,640	649
Bank indebtedness	-	-	-	(975)	-
Trade and accrued liabilities	(2,884)	(14,046)	(2,514)	(3,491)	(697)
Long-term debt	-	(61)	-	-	-
Convertible debentures	(46,101)	-	-	-	-
Net financial (liabilities) assets	(47,646)	6,607	597	6,054	216

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, 2014 for the Company's financial instruments denominated in non-functional currencies:

	CA$	EUR	GBP	RMB	Other
1% Strengthening	$	$	$	$	$
Earnings (loss) before tax	(476)	66	6	61	2
1% Weakening					
Earnings (loss) before tax	476	(66)	(6)	(61)	(2)

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.

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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, 2014 and 2013, the Company had an allowance for doubtful accounts of $0.1 million and $0.2 million respectively. The provision for doubtful accounts, if any, will be included in SG&A expenses in the consolidated statements of earnings, and will be net of any recoveries that were provided for in prior periods.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages liquidity risk through the management of its capital structure. It also manages liquidity risk by continually monitoring actual and projected cash flows, taking into account the Company’s sales and receipts and matching the maturity profile of financial assets and financial liabilities. The Board of Directors reviews and approves the Company’s annual operating and capital budgets, as well as any material transactions out of the ordinary course of business, including proposals on acquisitions and other major investments. Under the terms of its credit facility, the Company is required to satisfy certain restrictive covenants. In order to comply with these covenants, the Company has prepared, and will need to execute on, its budgeted EBITDA and cash flow estimates. Management believes that the assumptions used by the Company in preparing its budgets are reasonable and that it is not likely that the financial covenants on the credit facility during a certain period will be violated in the next 12 months. However, risk remains. Successful achievement of these budgeted results is dependent on stability in the price of metals and other raw materials, the reduction of debt due to the optimization of the Company’s working capital and the continued viability and support of the Company’s banks.

Risks and Uncertainties

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

Possible Failure to Realize Anticipated Benefits of Acquisitions and Investments

There is a risk that some of the expected benefits will fail to materialize, or may not occur within the time periods anticipated by management. The realization of such benefits may be affected by a number of factors, many of which are beyond our control. These factors include achieving the benefits of investments 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 and investments.

International Operations

We operate in a number of countries, including China and Laos, and, as such, face risks associated with international business activities. We could be significantly affected by such risks, which include the integration of international operations, challenges associated with dealing with numerous legal 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

Management's Discussion and Analysis

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 completed 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. The remediation performed has been approved and audited by local authorities and the Company is expecting full compliance confirmation in the near term.

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 have limitation to provide the same comprehensive set of services and products as we do. However, there can be no guarantee that this situation will continue in the future and competition could arise from new low-cost metal refiners or from certain of our customers who could decide to backward integrate. The forecasted growth in demand for our main products may attract more metal refiners into this industry and increase competition. Although we believe that our operations and our commercial network are important competitive advantages, greater competition could have an adverse effect on our revenues and operating margins if our competitors gain market share and we are unable to compensate for the volume lost to our competition.

Commodity Price Risk

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

Sources of Supply

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

Protection of Intellectual Property

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

Inventory Price Risk

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

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Business Interruptions

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

Dependence on Key Personnel

The Company relies on the expertise and know-how of its personnel to conduct its operations. The loss of any member of our senior management team could have a material adverse effect on us. Our future success also depends on our ability to retain and attract our key employees, train, retain and successfully integrate new talent into our management and technical teams. Recruiting and retaining talented personnel, particularly those with expertise in the specialty metals industry and refining technology is vital to our success and may prove difficult. We cannot provide assurance that we will be able to attract and retain qualified personnel when needed.

Collective Agreements

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

Risks Associated with Public Issuer Status

The Company's shares are publicly traded and, as such, it is subject to all of the obligations imposed on "reporting issuers" under applicable securities laws in Canada and all of the obligations applicable to a listed company under stock exchange rules. Direct and indirect costs associated with public company status have escalated in recent years and regulatory initiatives under consideration may further increase the costs of being public in Canada. Those costs could have a negative effect on the Company's financial results. Another risk associated with a public issuer status is the disclosure of key Company information as compared to privately owned competitors.

Non-IFRS Measures

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

Backlog represents the expected value of orders we have received but have not yet executed and that are expected to translate into sales within the next twelve 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 interest expenses (income), income taxes, depreciation and amortization. We use EBITDA because we believe it is a meaningful measure of the operating performance of our ongoing business without the effects of certain expenses. The definition of this non-IFRS measure used by the Company may differ from that used by other companies.

EBITDA margin is defined as EBITDA divided by revenues.

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

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

Management's Discussion and Analysis

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

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

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

Net debt or net cash is a measure we use to monitor how much debt we have after taking into account cash and cash equivalents and restricted cash. 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 restricted cash.

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

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

Additional Information

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

Management's Discussion and Analysis

Selected Data Information

The following table provides selected quarterly financial information for the years 2012 through to 2014.

(in thousands of United States dollars except per share amounts)	Q1	Q2	Q3	Q4	Total
Fiscal 2014					
Revenues	142,379	136,597	114,438	114,781	508,195
EBITDA[1 2]	11,178	11,524	12,721	4,021	39,444
Adjusted EBITDA[1]	10,501	10,816	8,071	5,657	35,045
Net earnings (loss) attributable to equity holders of 5N Plus	4,655	4,436	4,172	(2,451)	10,812
Basic earnings (loss) per share attributable to equity holders of 5N Plus	$0.06	$0,05	$0.05	($0.03)	$0.13
Net earnings (loss)	4,519	4,436	4,171	(2,453)	10,673
Basic earnings (loss) per share	$0.05	$0.05	$0.05	($0.03)	$0.13
Diluted earnings (loss) per share	$0.05	$0.05	($0.01)	($0.04)	$0.05
Adjusted net earnings (loss)[1]	4,916	4,303	170	1,247	10,636
Basic adjusted net earnings (loss) per share[1]	$0.06	$0.05	$-	$0.01	$0.13
Funds from operations[1]	6,806	5,774	982	4,030	17,592
Backlog[1]	187,330	150,363	137,183	153,159	153,159
Fiscal 2013					
Revenues	118,389	112,637	108,570	119,416	459,012
EBITDA[1 2]	12,121	38,008	6,926	6,848	63,903
Adjusted EBITDA[1]	10,115	6,543	5,775	7,942	30,375
Net earnings (loss) attributable to equity holders of 5N Plus	5,371	34,185	1,083	2,022	42,661
Basic earnings (loss) per share attributable to equity holders of 5N Plus	$0.06	$0.41	$0.01	$0,02	$0.51
Net earnings (loss)	5,538	34,281	1,323	1,638	42,780
Basic earnings (loss) per share	$0.07	$0.41	$0.02	$0.02	$0.51
Diluted earnings (loss) per share	$0.07	$0.41	$0.02	$0.02	$0.51
Adjusted net earnings (loss)[1]	6,296	959	1,517	2,068	10,840
Basic adjusted net earnings (loss) per share[1]	$0.08	$0.01	$0.02	$0.02	$0.13
Funds from operations[1]	4,608	1,560	4,822	9,043	20,033
Backlog[1]	166,290	153,277	133,352	170,073	170,073
Fiscal 2012					
Revenues	162,235	140,076	120,744	128,620	551,675
EBITDA[1 2]	14,707	(22,012)	8,662	(223,440)	(222,083)
Adjusted EBITDA[1]	16,867	5,594	9,001	6,395	37,857
Net earnings (loss) attributable to equity holders of 5N Plus	4,972	(21,922)	1,218	(212,006)	(227,738)
Basic earnings (loss) per share attributable to equity holders of 5N Plus	$0.07	($0.29)	$0.02	($2.71)	($2.91)
Net earnings (loss)	4,891	(22,062)	1,275	(211,953)	(227,849)
Basic earnings (loss) per share	$0.07	($0.30)	$0.02	($2.70)	($2.91)
Diluted earnings (loss) per share	$0.07	($0.30)	$0.02	($2.70)	($2.91)
Adjusted net earnings (loss)[1]	5,250	(1,911)	648	(6,880)	(2,893)
Basic adjusted net earnings (loss) per share[1]	$0.07	($0.03)	$0.01	($0.08)	($0.04)
Funds from operations[1]	11,236	(407)	10,320	4,243	25,392
Backlog[1]	215,588	188,982	162,323	165,790	165,790

	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012
(in thousands of United States dollars)	$	$	$	$	$	$	$	$
EBITDA – previous definition	7,942	5,775	(3,639)	10,115	(18,122)	9,001	(20,474)	16,867
Litigation and restructuring costs	(569)	(255)	(2,233)	(1,011)	(932)	(464)	(908)	(478)
Gain related to the settlement of MCP purchase price	-	-	45,188	-	-	-	-	-
Gain on disposal of property, plant and equipment	-	-	-	-	-	-	-	-
Impairment of intangible assets and goodwill	-	-	-	-	(165,507)	-	-	-
Impairment of property, plant and equipment	-	-	-	-	(39,239)	-	-	-
Reversal of impairment of property, plant and equipment	-	-	-	-	-	932	-	-
Foreign exchange and derivatives loss (gain)	(525)	1,406	(1,308)	3,017	360	(807)	(630)	(1,682)
EBITDA – current definition	6,848	6,926	38,008	12,121	(223,440)	8,662	(22,012)	14,707

(in thousands of United States dollars)	2014	2013	2012
Balance Sheet Data	$	$	$
Total assets	399,531	365,240	385,396
Net debt (net cash)[1]	84,007	58,330	136,547
Retirement benefit obligation	16,928	15,887	16,667
Shareholders' equity	196,443	190,052	144,955

[1] See Non-IFRS Measures

[2] The comparative periods have been restated to reflect a change in the EBITDA[1] definition

5N PLUS INC.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

(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
Richard Perron
Chief Financial Officer

Montréal, Canada
February 24, 2015

February 24, 2015

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 at December 31, 2014 and 2013 and the consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

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

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

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

PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.
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"PwC" refers to PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l., an Ontario limited liability partnership.

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

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, 2014 and 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP[1]

[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, 2014	As at December 31, 2013
	$	$
ASSETS		
Current		
Cash and cash equivalents	12,777	22,427
Restricted cash	2,115	2,490
Accounts receivable (Note 5)	72,391	60,616
Inventories (Note 6)	204,454	174,374
Income tax receivable	2,705	8,455
Derivative financial assets (Note 17)	147	955
Other current assets	2,965	2,290
Total current assets	297,554	271,607
Property, plant and equipment (Note 7)	68,261	59,614
Intangible assets (Note 8)	15,728	13,143
Deferred tax asset (Note 16)	11,037	13,387
Investment accounted for using the equity method (Note 9)	316	444
Other assets (Note 10)	6,635	7,045
Total non-current assets	101,977	93,633
Total assets	**399,531**	**365,240**
LIABILITIES AND EQUITY		
Current		
Bank indebtedness (Note 12)	975	10,462
Trade and accrued liabilities (Note 11)	60,286	65,016
Income tax payable	6,064	3,660
Derivative financial liabilities (Note 17)	-	3,284
Long-term debt due within one year (Note 12)	667	4,439
Total current liabilities	67,992	86,861
Long-term debt (Note 12)	51,156	68,346
Convertible debentures (Note 13)	46,101	-
Deferred tax liability (Note 16)	3,111	1,600
Retirement benefit obligation (Note 14)	16,928	15,887
Derivative financial liabilities (Note 17)	2,093	953
Other liabilities (Note 15)	15,711	1,064
Total non-current liabilities	135,100	87,850
Total liabilities	203,092	174,711
Shareholders' equity	196,443	190,052
Non-controlling interest	(4)	477
Total equity	196,439	190,529
Total liabilities and equity	**399,531**	**365,240**

Commitments and contingencies (Note 23)

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

5N PLUS INC.
CONSOLIDATED STATEMENTS OF EARNINGS

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

	For the year ended December 31, 2014	For the year ended December 31, 2013
	$	$
Revenues	508,195	459,012
Cost of sales (Note 27)	445,673	405,114
Selling, general and administrative expenses (Note 27)	36,922	36,066
Other expenses (income), net (Note 27)	8,778	(32,854)
Share of loss from joint ventures (Note 9)	128	59
	491,501	**408,385**
Operating earnings	16,694	50,627
Gain on disposal of property, plant and equipment	1,312	-
Financial expenses (revenues)		
Interest on long-term debt	5,465	5,935
Imputed interest and other interest expense	3,304	2,589
Changes in fair value of debenture conversion option (Note 17)	(7,179)	-
Foreign exchange and derivative gain	(3,111)	(2,590)
	(1,521)	**5,934**
Earnings before income tax	19,527	44,693
Income tax expense (Note 16)		
Current	4,875	4,338
Deferred	3,979	(2,425)
	8,854	1,913
Net earnings for the year	**10,673**	**42,780**
Attributable to:		
Equity holders of 5N Plus Inc.	10,812	42,661
Non-controlling interest	(139)	119
	10,673	**42,780**
Earnings per share attributable to equity holders of 5N Plus Inc. (Note 21)	0.13	0.51
Basic earnings per share	0.13	0.51
Diluted earnings per share	0.05	0.51

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

5N PLUS INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

	For the year ended December 31, 2014	For the year ended December 31, 2013
	$	**$**
Net earnings for the year	10,673	42,780
Other comprehensive income (loss)		
Items that may be reclassified subsequently to the consolidated statements of earnings		
Net changes in cash flow hedges		
Effective portion of changes in fair value of cash flow hedges	560	1,282
Reclassification to consolidated statements of earnings	(184)	(385)
Income taxes	(111)	(242)
	265	655
Currency translation adjustment	(57)	291
	208	946
Items that will not be reclassified subsequently to the consolidated statements of earnings		
Remeasurement of retirement benefit obligation	(3,365)	1,337
Income taxes	1,043	(414)
	(2,322)	923
Other comprehensive income (loss)	**(2,114)**	**1,869**
Comprehensive income for the year	**8,559**	**44,649**
Attributable to equity holders of 5N Plus Inc.	8,698	44,530
Attributable to non-controlling interests	(139)	119

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, 2014	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total shareholders' equity	Non-controlling interests	Total equity
		Attributable to equity holders of the Company						
		$ (Note 20)	$	$	$	$	$	$
Balances at beginning of year	83,908,269	343,272	3,747	(1,555)	(155,412)	190,052	477	190,529
Net earnings for the year	-	-	-	-	10,812	10,812	(139)	10,673
Other comprehensive income (loss)								
Net changes in cash flow hedges	-	-	-	265	-	265	-	265
Currency translation adjustment	-	-	-	(57)	-	(57)	-	(57)
Remeasurement of retirement benefit obligation	-	-	-	(2,322)	-	(2,322)	-	(2,322)
Total comprehensive income (loss)	-	-	-	(2,114)	10,812	8,698	(139)	8,559
Exercise of stock options	71,388	234	(70)	-	-	164	-	164
Share-based compensation	-	-	237	-	-	237	-	237
Purchase of a subsidiary's non-controlling interests including transaction costs (Note 4)	-	-	-	-	(2,708)	(2,708)	(342)	(3,050)
Balances at end of year	**83,979,657**	**343,506**	**3,914**	**(3,669)**	**(147,308)**	**196,443**	**(4)**	**196,439**

For the year ended December 31, 2013	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total shareholders' equity	Non-controlling interests	Total equity
		Attributable to equity holders of the Company						
		$	$	$	$	$	$	$
Balances at beginning of year	83,908,269	343,272	3,180	(3,424)	(198,073)	144,955	358	145,313
Net earnings for the year	-	-	-	-	42,661	42,661	119	42,780
Other comprehensive income								
Net changes in cash flow hedges	-	-	-	655	-	655	-	655
Currency translation adjustment	-	-	-	291	-	291	-	291
Remeasurement of retirement benefit obligation	-	-	-	923	-	923	-	923
Total comprehensive income	-	-	-	1,869	42,661	44,530	119	44,649
Share-based compensation	-	-	567	-	-	567	-	567
Balances at end of year	**83,908,269**	**343,272**	**3,747**	**(1,555)**	**(155,412)**	**190,052**	**477**	**190,529**

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, 2014	For the year ended December 31, 2013
	$	$
Operating activities		
Net earnings for the year	10,673	42,780
Adjustments to reconcile net earnings to cash flows		
Depreciation of property, plant and equipment and amortization of intangible assets	11,148	10,686
Amortization of other assets	732	2,017
Amortization of deferred revenues (Note 15)	(427)	-
Share-based compensation expense	668	567
Deferred income tax	3,979	(1,769)
Share of loss from joint ventures (Note 9)	128	59
Gain related to the settlement of the purchase price of MCP Group SA (Note 27)	-	(45,188)
Impairment of inventories (Note 6)	5,251	10,182
Gain on disposal of property, plant and equipment	(1,312)	-
Imputed interest	1,575	-
Retirement benefit obligation (Note 14)	(143)	-
Change in fair value of debenture conversion option (Note 17)	(7,179)	-
Unrealized gain on non-hedge financial instruments	(2,892)	(847)
Unrealized foreign exchange (gain) loss on assets and liabilities	(4,609)	1,546
Funds from operations before the following	17,592	20,033
Net change in non-cash working capital balances related to operations (Note 19)	(34,765)	27,930
Cash flows (used in) from operating activities	(17,173)	47,963
Investing activities		
Business acquisitions, net of cash acquired (Note 4)	(1,525)	-
Additions to property, plant and equipment (Notes 7 and 19)	(13,611)	(11,063)
Proceeds on disposal of property, plant and equipment	2,174	245
Additions of intangible assets (Note 8)	(2,784)	(797)
Restricted cash	(7)	(133)
Cash flows used in investing activities	(15,753)	(11,748)
Financing activities		
Repayment of long-term debt	(101,305)	(25,186)
Proceeds from the issuance of long-term debt	80,343	-
Issue expenses related to long-term debt	(1,915)	-
Proceeds from the issuance of convertible debentures, net of transaction costs (Note 13)	58,062	-
Net (decrease) increase in bank indebtedness	(9,487)	2,448
Issuance of common shares	164	-
Financial instruments – net	23	328
Increase in other liabilities	1,286	-
Purchase of a subsidiary’s non-controlling interest including transaction costs (Note 4)	(3,050)	-
Cash flows from (used in) financing activities	24,121	(22,410)
Effect of foreign exchange rate changes on cash and cash equivalents	(845)	(913)
Net (decrease) increase in cash and cash equivalents	(9,650)	12,892
Cash and cash equivalents, beginning of year	22,427	9,535
Cash and cash equivalents, end of year	**12,777**	**22,427**
Supplemental information(1)		
Income tax recovered	(2,779)	(7,636)
Interest paid	5,715	5,472

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

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

5N PLUS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Figures in thousands of United States dollars)

NOTE 1 – NATURE OF ACTIVITIES

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.

These consolidated financial statements were approved by the Board of Directors on February 24, 2015.

NOTE 2 – SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

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

Basis of preparation

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

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

a) Subsidiaries

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

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

5N PLUS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Figures in thousands of United States dollars)

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

		% Equity interest	
	Country of incorporation	2014	2013
5N Plus Inc.	Canada	100%	100%
5N PV Gmbh	Germany	100%	100%
5N Plus Lübeck Gmbh	Germany	100%	100%
5N Plus UK Limited	United Kingdom	100%	100%
5N Plus Belgium SA	Belgium	100%	100%
5N Plus Asia Limited	Hong Kong	100%	100%
5N Plus Wisconsin Inc	United States	100%	100%

The US dollar is the functional currency of all those subsidiaries.

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

b) Joint ventures

A joint venture is a contractual agreement whereby the Company agrees with other parties to undertake an economic activity that is subject to joint control, i.e. strategic financial and operating decisions relating to the joint venture's activities require the unanimous consent of the parties sharing control. Investments in joint ventures are accounted for using the equity method. The share of income (loss) of joint ventures is recognized in the consolidated statement of earnings and the share of other comprehensive income (loss) of joint ventures is included in other comprehensive income (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

Monetary assets and liabilities denominated in foreign currencies are translated at the prevailing exchange rate at the reporting date. Non-monetary assets and liabilities, and revenue and expense items denominated in foreign currencies are translated into the functional currency using the exchange rate prevailing at the dates of the respective transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in consolidated statement of earnings.

Foreign exchange gains and losses are presented in the consolidated statement of earnings within "foreign exchange and derivative loss (gain)".

5N PLUS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Figures in thousands of United States dollars)

c) Foreign operations

Assets and liabilities of subsidiaries that have a functional currency other than US dollar are translated from their functional currency to US dollars at exchange rates in effect at the reporting date. The resulting translation adjustments are included in the currency translation adjustment in other comprehensive income (loss). Revenue and expenses are translated at the average exchange rates for the period.

Segment reporting

The Company operates two principal segments: Electronic Materials and Eco-Friendly Materials. Discrete operating and financial information is available for these segments and is used to determine the operating performance of each segment and to allocate resources.

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

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

Corporate expenses associated with the head office and unallocated selling, general and administrative expenses together with financing costs and foreign exchange and derivative loss (gain) have been regrouped under the heading “Corporate and unallocated”.

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

Revenue recognition

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

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

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Property, plant and equipment

Property, plant and equipment are recorded at cost, net of accumulated depreciation, accumulated impairment losses and subsequent reversals, if applicable. Property, plant and equipment are depreciated using the straight-line method over their estimated useful lives, taking into account any residual values. Useful lives are as follows:

	Period
Land	Not depreciated
Building	25 years
Production equipment	10 years
Furniture	3 to 10 years
Office equipment	3 to 10 years
Rolling stock	3 to 10 years
Leasehold improvements	Over the term of the lease

However, “major overhauls and replacements” are capitalized to the consolidated statement of financial position as a separate component, with the replaced part or previous overhaul derecognized from the statement. Maintenance and repairs are charged to expense as incurred.

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.

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.

Intangible assets

Intangible assets acquired separately are recorded at cost, net of accumulated amortization, accumulated impairment losses and reversals, if applicable. Intangible assets acquired through a business combination are recognized at fair value at the date of acquisition. Intangible assets are amortized on a straight-line basis over their useful lives according to the following annual terms:

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

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Impairment of 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 of disposal 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 when events or changes in circumstances warrant such consideration.

Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

All financial instruments are required to be measured at fair value on initial recognition.

Measurement in subsequent periods depends on the classification of the financial instrument. At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

a) *Financial assets at fair value through profit or loss*

A financial asset is classified in this category if acquired principally for the purpose of selling or repurchasing in the short term. Derivatives are also included in this category unless they are designated as hedges.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the consolidated statement of earnings. Financial assets at fair value through profit or loss are classified as current assets except for the portion expected to be realized or paid beyond twelve months of the consolidated statements of financial position date, which is classified as non-current asset.

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.

Loans and receivables are recognized initially at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment. Loans and receivables are included in current assets, except for instruments with maturities greater than twelve months after the end of the reporting period, which are classified as non-current assets.

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.

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Available-for-sale financial assets are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income (loss). When an available-for-sale asset is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive income (loss) to the consolidated statement of earnings.

Available-for-sale financial assets are classified as non-current assets, unless the investment matures within twelve months, or management expects to dispose of them within twelve months.

d) Financial liabilities at amortized cost

Financial liabilities at amortized cost are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, they are measured at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

The Company has classified its financial instruments as follows:

Category	Financial instrument
Financial assets and liabilities at fair value through profit and loss	Derivative financial assets and liabilities
Loans and receivables	Cash and cash equivalents Restricted cash Accounts receivable Other current assets Loan receivable from a related party
Financial liabilities at amortized cost	Bank indebtedness Trade and accrued liabilities Long-term debt Convertible debentures Long-term payable

Transaction costs

Transaction costs related to financial instruments that are not classified as assets and liabilities at fair value through profit or loss, are recognized in consolidated statement of financial position as an adjustment to the cost of the financial instrument upon initial recognition and amortized using the effective interest rate method. Fees paid on the establishment of loan facilities are recognized as deferred costs under non-current assets and are amortized over the term of the facility.

Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. A financial asset 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 initial recognition (a “loss event”) and that loss event has an impact on the estimated cash flows of the financial assets that can be reliably estimated. If such evidence exists, the Company recognizes an impairment loss, as follows:

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(Figures in thousands of United States dollars)

a) *Financial assets carried at amortized cost*

The impairment loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Impairment losses as well as reversals are recognized in the consolidated statement of earnings.

b) *Available-for-sale financial assets*

The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the consolidated statement of earnings. This amount represents the cumulative loss in accumulated other comprehensive income that is reclassified to the consolidated statement of earnings. Impairment losses on available-for-sale financial assets may not be reversed.

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 hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge).

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

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

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

Embedded derivatives

Embedded derivatives, which include debenture conversion option, are recorded at fair value separately from the host contract when their economic characteristics and risks are not clearly and closely related to those of the host contract. Subsequent changes in fair value are recorded in financial expenses in the consolidated statement of earnings.

Cash and cash equivalents

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

Restricted cash

Restricted cash represents restricted cash held to secure certain liabilities of the Company.

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Inventories

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

From time to time, when substantially all required raw materials are in inventory, 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 are accounted for separately throughout the duration of the contract.

Income taxes

The tax expense for the year comprises current and deferred tax. Tax is recognized in the consolidated statement of earnings, 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.

a) Current tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the consolidated statement 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.

b) Deferred tax

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 statement 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 joint ventures, 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.

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Provisions

A provision is recognized when the Company 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.

Research and development expenses

Research expenses are charged to the consolidated statement of earnings in the period they are incurred. Development expenses are charged to the consolidated statement of earnings, except for those that meet the following criteria and are capitalized: the feasibility of the product has been established, management intends to manufacture the product and has the capacity to use or sell it, the future economic benefits are likely to occur, the market for the product is defined, and the Company has the resources to complete the project and can reliably measure development costs. Research and development expenses charged to the consolidated statement of earnings for the year are included under other expenses (income), net.

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; and
- Actuarial gains and losses arising from experience adjustment and changes in actuarial assumptions are charged or credited to equity in other comprehensive income (loss) in the period in which they arise.

Share-based payments

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

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Earnings per share

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

Diluted earnings per share assume the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on the income per share. The treasury stock method is used to determine the dilutive effect of the warrants and share options and the if-converted method is used for convertible debentures.

Significant management estimation and judgment in applying accounting policies

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

Estimation uncertainty

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

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

Impairment of non-financial assets

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

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

Inventories

Inventories are measured at the lower of cost and net realizable value, with cost determined using the average cost method. In estimating net realizable values, management takes into account the most reliable evidence available at the time the estimates are made. The Company's core business is subject to changes in foreign policies and internationally accepted metal prices which may cause future selling prices to change rapidly. The Company evaluates its inventories using a group of similar items basis and considers expected future prices as well as events that have occurred between the consolidated statement of financial position date and the date of the completion of the consolidated financial statements. Net realizable value for inventory to satisfy a specific sales contract is measured at the contract price.

Debenture conversion option

The convertible debentures issued by the Company included conversion and early redemption options, which are considered as Level 3 financial instruments. The derivative is measured at fair value through profit or loss, and its fair value must be measured at each reporting period, with subsequent changes in fair value recorded in the consolidated statement of earnings. A derivative valuation model is used, and includes assumptions, to estimate the fair value. Detailed assumptions used in the model to determine the fair value of the embedded derivative, upon inception and as at December 31, 2014, are provided in note 13.

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Income taxes

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

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

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NOTE 3 – CHANGES IN ACCOUNTING POLICIES AND FUTURE CHANGES IN ACCOUNTING POLICIES

Changes in accounting policies

On January 1, 2014, the Company applied the new standard described below.

IFRS Interpretations Committee Interpretation 21, "Levies", provides guidance on accounting for levies in accordance with the requirements of IAS 37, "Provisions, Contingent Liabilities and Contingent Assets". The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that a liability for a levy is recognized only when the triggering event specified in the legislation occurs. The Company has applied IFRIC 21 on a retrospective basis in compliance with the transitional requirements of IFRIC 21. The application of IFRIC 21 did not have any impact to the consolidated financial statements.

Future changes in accounting policies

The following standards have been issued but are not yet effective:

In May 2014, the IASB issued IFRS 15, "Revenues from Contracts with Customers", to specify how and when to recognize revenue as well as requiring the provision of more information and relevant disclosure. IFRS 15 supersedes IAS 18, "Revenue", IAS 11, "Construction Contracts", and other revenue-related interpretations. The standard will be effective on January 1, 2017 for the Company with earlier adoption permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

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

NOTE 4 – BUSINESS ACQUISITIONS

Purchase of a subsidiary's non-controlling interests

On April 3, 2014, the Company acquired for an amount of $2,975 the remaining 33.33% ownership interest in its subsidiary, Sylarus Technologies LLC, a germanium substrate supplier, and changed its name to 5N Plus Semiconductors LLC. As a result, Sylarus became a wholly owned subsidiary of the Company. The consideration paid and the related transaction costs have been recorded in equity.

Acquisition of AM&M Advanced Machine and Materials Inc.

On May 5, 2014, the Company acquired all of the issued and outstanding shares in the capital of AM&M Advanced Machine and Materials Inc. ("AM&M") for a total consideration of $2,290 (CA$2,517), mostly representing a technology. AM&M is a Kanata, Ontario based corporation specialized in manufacturing micron-sized metallic powders which can be used in a variety of electronic markets, including solder powders, silver-based powders and CIGS powders. The total consideration includes amounts outstanding to be paid up to May 2015 and a contingent consideration.

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NOTE 5 – ACCOUNTS RECEIVABLE

	2014	2013
	$	$
Gross trade receivables	62,537	54,008
Allowance for doubtful accounts	(104)	(218)
Trade receivables	62,433	53,790
Sales taxes receivable	6,319	4,413
Other receivables	3,639	2,413
Total accounts receivable	**72,391**	**60,616**

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 25.

Most of the accounts receivable are pledged as security for the revolving credit facility (Note 12).

NOTE 6 – INVENTORIES

	2014	2013
	$	$
Raw materials	54,219	45,356
Finished goods	150,235	129,018
Total inventories	**204,454**	**174,374**

For the year ended December 31, 2014, a total of $386,025 of inventories was included as an expense in cost of sales (2013 – $373,548). This includes $5,251 of impairment of inventories ($4,395 for the Eco Friendly Materials segment and $856 for the Electronic Materials segment) (2013 – $10,182 [$10,032 for the Eco-Friendly Materials segment and $150 for the Electronic Materials segment]).

For the year ended December 31, 2014, a total of $6,100 previously written down was recognized as a reduction of expenses in cost of sales ($2,160 for the Eco-Friendly Materials segment and $3,940 for the Electronic Materials segment) (2013 – $25,627 [$19,623 for the Eco-Friendly Materials segment and $6,004 for the Electronic Materials segment]).

The majority of inventories are pledged as security for the revolving credit facility (Note 12).

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NOTE 7 – PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Production equipment	Furniture, office equipment and rolling stock	Leasehold improvements	Total
	$	$	$	$	$
Net book value at December 31, 2012	22,662	30,083	1,497	1,306	55,548
Additions	1,187	9,498	621	-	11,306
Disposals	(41)	(182)	(22)	-	(245)
Depreciation	(1,297)	(4,676)	(925)	(124)	(7,022)
Effect of foreign exchange and others	93	(65)	1	(2)	27
Net book value at December 31, 2013	**22,604**	**34,658**	**1,172**	**1,180**	**59,614**
Additions	1,346	14,318	826	907	17,397
Disposals	(651)	(172)	(39)	-	(862)
Business acquisition	-	66	-	-	66
Depreciation	(1,046)	(5,885)	(864)	(162)	(7,957)
Effect of foreign exchange and others	78	(145)	34	36	3
Net book value at December 31, 2014	**22,331**	**42,840**	**1,129**	**1,961**	**68,261**
As at December 31, 2013					
Cost	27,140	44,016	3,060	1,952	76,168
Accumulated depreciation	(4,536)	(9,358)	(1,888)	(772)	(16,554)
Net book value	**22,604**	**34,658**	**1,172**	**1,180**	**59,614**
As at December 31, 2014					
Cost	27,056	55,404	2,986	2,826	88,272
Accumulated depreciation	(4,725)	(12,564)	(1,857)	(865)	(20,011)
Net book value	**22,331**	**42,840**	**1,129**	**1,961**	**68,261**

Depreciation has not started on $9,480 (mainly production equipment) because those assets are not ready for intended use.

Most of the property, plant and equipment are pledged as security for the revolving credit facility (Note 12).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 8 – INTANGIBLE ASSETS

	Customer relationships	Technology	Trade name and non-compete agreements	Software, intellectual property and development costs	Total
	$	$	$	$	$
Net book value at December 31, 2012	8,630	3,763	1,645	1,972	16,010
Additions	-	-	-	797	797
Amortization	(1,048)	(1,157)	(372)	(1,087)	(3,664)
Net book value at December 31, 2013	**7,582**	**2,606**	**1,273**	**1,682**	**13,143**
Additions	-	-	-	2,784	2,784
Disposals and others	-	-	(10)	(24)	(34)
Business acquisition	-	3,026	-	-	3,026
Amortization	(1,040)	(1,164)	(260)	(727)	(3,191)
Net book value at December 31, 2014	**6,542**	**4,468**	**1,003**	**3,715**	**15,728**
As at December 31, 2013					
Cost	10,458	5,625	3,062	4,503	23,648
Accumulated amortization	(2,876)	(3,019)	(1,789)	(2,821)	(10,505)
Net book value	**7,582**	**2,606**	**1,273**	**1,682**	**13,143**
As at December 31, 2014					
Cost	10,458	8,651	2,992	7,160	29,261
Accumulated amortization	(3,916)	(4,183)	(1,989)	(3,445)	(13,533)
Net book value	**6,542**	**4,468**	**1,003**	**3,715**	**15,728**

Amortization has not started on $2,945 (mainly development costs) because those assets are not yet ready for intended use.

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NOTE 9 – INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

	2014	2013
	$	$
Beginning of year	444	503
Share of loss from joint ventures	(128)	(59)
End of year	**316**	**444**

The following summarizes financial information of Ingal Stade GmbH (“Ingal”), in which the Company holds a 50% interest.

	2014	2013
	$	$
Total current assets	3,918	4,808
Total non-current assets	3,554	4,726
Total current liabilities	69	854
Total non-current liabilities due to venturers	6,761	7,716
Total revenues	6,035	9,713
Total net loss	(256)	(118)

NOTE 10 – OTHER ASSETS

	2014	2013
	$	$
Deferred costs	2,426	1,243
Deposit	86	106
Loan receivable from a related party (Notes 9 and 24)	3,259	4,014
Other	864	1,682
Total other assets	**6,635**	**7,045**

NOTE 11 – TRADE AND ACCRUED LIABILITIES

	2014	2013
	$	$
Trade payables	47,791	54,556
Accrued liabilities	12,495	10,460
Total trade and accrued liabilities	**60,286**	**65,016**

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NOTE 12 – BANK INDEBTEDNESS AND LONG-TERM DEBT

a) Bank indebtedness

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

The Chinese renminbi ("RMB") credit line bears interest at 50% of the RMB base rate.

		2014		2013
	Contractual Currency RMB	Reporting Currency US$	Contractual Currency RMB	Reporting Currency US$
Facility available	10,000	1,625	155,000	23,374
Amount drawn	6,000	975	63,911	10,462

b) Long-term debt

	2014	2013
	$	$
Senior secured revolving facility of $125,000 with a syndicate of banks, maturing in August 2018[1]	51,095	-
Senior secured revolving facility of $100,000 with a syndicate of banks, maturing in August 2015 (refinanced)[1]	-	68,020
Unsecured balance of holdback to the former shareholders of MCP for an amount of €2,500. The holdback was paid in April 2014	-	3,448
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[2]	657	733
Other loans	71	584
	51,823	72,785
Less: Current portion of long-term debt	**667**	**4,439**
	51,156	**68,346**

[1] In August 2014, the Company signed a senior secured multi-currency revolving credit facility of $125,000 maturing in August 2018 to replace its existing $100,000 senior secured revolving facility maturing in August 2015. At any time, the Company has the option to request that the credit facility be expanded to $150,000 through the exercise of an additional $25,000 accordion feature, subject to review and approval by the lenders. This revolving credit facility can be drawn in US dollars, Canadian dollars or Hong Kong dollars. Drawings bear interest at either the Canadian prime rate, US base rate, Hong Kong base rate or LIBOR, plus a margin based on the Company's senior consolidated debt to EBITDA ratio. The facility is subject to covenants. As at December 31, 2014, the Company has met all covenants.

In addition, in August 2014, the Company's subsidiary in Belgium entered into a bi-lateral credit facility of 5,000 Euros which is coterminous with the new senior secured multi-currency revolving credit facility, and guaranteed by the same security pool. This bi-lateral facility can be drawn in Euros or US dollars and bears interest at similar rates as the revolving credit facility. No amount was used as at December 31, 2014.

[2] The term loan is classified as short-term debt since these amounts could become payable on demand.

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 twelve months.

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NOTE 13 – CONVERTIBLE DEBENTURES

In June 2014, the Company issued convertible unsecured subordinated debentures for CA$60,000 (US$55,266) and an additional over-allotment option for CA$6,000 (US$5,580) for a total of CA$66,000 (US$60,846). The convertible unsecured subordinated debentures bear interest at a rate of 5.75% per annum, payable semi-annually on June 30 and December 31, commencing on December 31, 2014. The convertible debentures are convertible at the holder's option into the Company's common shares at a conversion price of CA$6.75 per share, representing a conversion rate of 148.1 common shares per CA$1,000 principal amount of convertible debentures. The convertible debentures will mature on June 30, 2019 and may be redeemed by the Company, in certain circumstances, after June 30, 2017.

The debenture conversion option was recorded as a derivative liability (Note 17). In accordance with IFRS, an obligation to issue shares for a price that is not fixed in the Company's functional currency must be classified as a derivative liability and measured at fair value, with changes recognized in change in fair value of debenture conversion option in the consolidated statement of earnings.

The fair value of the debenture conversion option, which consists of the holder's conversion option subject to the Company's early redemption options, was estimated based on a methodology for pricing convertible bonds using partial differential equations (PDE), with the following assumptions: risk-free interest rate of 2.00%; average expected volatility of 40%; expected dividend per share of nil; entity-specific credit spread, and expected life of 5 years. As a result, the initial fair value of the liability representing the debenture conversion option for the two tranches of the issuance of the debenture was estimated at CA$10,484 (US$9,666). Assumptions were reviewed in the valuation as at December 31, 2014, and remained the same except for the expected life of 4.5 years.

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.

	2014	2013
	$	$
Present value of unfunded obligations	16,928	15,887

Movement in the defined benefit obligation is as follows:

	2014	2013
	$	$
Beginning of year	15,887	16,667
Current service cost	81	94
Interest cost	508	509
Effect of foreign exchange	(2,181)	689
Benefits paid	(732)	(734)
Actuarial losses (gains)	3,365	(1,338)
End of year	**16,928**	**15,887**

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

	2014	2013
Discount rate	2.0%	3.4%
Salary growth rate	2.0%	2.0%
Pension growth rate	2.0%	2.0%

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

	Impact on defined benefit obligation		
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	0.50%	(6.86)%	7.70%
Salary growth rate	0.50%	0.59%	(0.57)%
Pension growth rate	0.50%	6.10%	(5.58)%

	Increase by 1 year in assumption	**Decrease by 1 year in assumption**
Life expectancy	4.04%	(3.59)%

The weighted average duration of the defined benefit obligation is 14.47 years (2013 – 13.50 years).

Expected maturity analysis of undiscounted pension liability:

	2014	**2013**
	$	**$**
Less than a year	686	762
Between 1 and 5 years	2,868	3,196
Over 5 years	19,696	22,792
Total	**23,250**	**26,750**

Expected contributions to pension benefit plans for year ending December 31, 2015 are $685.

NOTE 15 – OTHER LIABILITIES

	Long-term payable	**Deferred revenues**	**Other**	**Total**
	$	**$**	**$**	**$**
As at December 31, 2012	-	**10**	**1,550**	**1,560**
Additions	-	215	224	439
Utilized	-	(161)	(774)	(935)
As at December 31, 2013	-	**64**	**1,000**	**1,064**
Additions	12,821	2,694	145	15,660
Utilized	-	(427)	(586)	(1,013)
As at December 31, 2014	**12,821**	**2,331**	**559**	**15,711**

NOTE 16 – INCOME TAX

	2014	**2013**
	$	**$**
Current tax:		
Current tax for the year	4,975	4,744
Adjustment in respect of prior years	(100)	(406)
Total current tax	4,875	4,338
Deferred tax:		
Recognition and reversal of temporary differences	3,979	(2,425)
Total deferred tax	3,979	(2,425)
Income tax expense	**8,854**	**1,913**

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A reconciliation of income taxes at Canadian statutory rates with the reported income taxes is as follows:

	2014	2013
	$	$
Earnings before income tax	19,527	44,693
Canadian statutory income tax rates	26.9%	26.9%
Income tax on earnings at Canadian statutory rate	5,253	12,038
Increase (decrease) resulting from:		
Unrecorded losses carried forward	2,658	1,405
Non-deductible expenses (non-taxable gain) for tax purposes[1]	(207)	(11,044)
Benefits arising from a financing structure	(598)	(938)
Non-deductible (taxable) foreign exchange	1,832	171
Effect of difference of foreign tax rates compared to Canadian tax rates	(293)	527
Prior year adjustments	162	(162)
Other	47	(84)
Total income tax expense	**8,854**	**1,913**

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

The Company's applicable tax rate is the Canadian combined rates applicable in the jurisdiction in which the Company operates.

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

	2014	2013
	$	$
Deferred tax assets:		
To be recovered within 12 months	1,666	2,313
To be recovered after 12 months	9,371	11,074
Deferred tax liabilities:		
To be settled within 12 months	-	-
To be settled after 12 months	(3,111)	(1,600)
Deferred tax assets (liabilities), net	**7,926**	**11,787**

Movement in the deferred income tax amounts is as follows:

	2014	2013
	$	$
Beginning of year	11,787	10,018
Tax charge relating to components of other comprehensive income (loss)	932	(656)
Charged (credited) to consolidated statement of earnings	(3,979)	2,425
Business acquisition	(814)	-
End of year	**7,926**	**11,787**

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

Deferred tax assets	Property, plant and equipment	Inventories	Intangible assets	Loss carry forward	Retirement benefit obligation	Others	Total	Offset by jurisdiction	Total
	$	$	$	$	$	$	$	$	$
As at December 31, 2012	**4,609**	**1,743**	**-**	**8,243**	**1,012**	**3,932**	**19,539**	**(6,889)**	**12,650**
Charged (credited) to consolidated statements of earnings	3,547	570	-	(966)	1,545	(1,054)	3,642		
Charged to comprehensive income (loss)	-	-	-	-	(414)	(242)	(656)		
As at December 31, 2013	**8,156**	**2,313**	**-**	**7,277**	**2,143**	**2,636**	**22,525**	**(9,138)**	**13,387**
Charged (credited) to consolidated statements of earnings	(1,774)	7	515	(1,655)	(353)	(429)	(3,689)		
Credited (charged) to comprehensive income (loss)	-	-	-	-	1,043	(111)	932		
As at December 31, 2014	**6,382**	**2,320**	**515**	**5,622**	**2,833**	**2,096**	**19,768**	**(8,731)**	**11,037**

Deferred tax liabilities	Property, plant and equipment	Inventories	Intangible assets	Convertible debentures	Others	Total	Offset by jurisdiction	Total
	$	$	$	$	$	$	$	$
As at December 31, 2012	**3,687**	**58**	**4,480**	**-**	**1,296**	**9,521**	**(6,889)**	**2,632**
Charged (credited) to consolidated statements of earnings	321	1,556	(204)	-	(456)	1,217		
As at December 31, 2013	**4,008**	**1,614**	**4,276**	**-**	**840**	**10,738**	**(9,138)**	**1,600**
From business acquisition	-	-	814	-	-	814		
Charged (credited) to consolidated statements of earnings	(1,084)	(465)	294	**1,859**	(314)	290		
As at December 31, 2014	**2,924**	**1,149**	**5,384**	**1,859**	**526**	**11,842**	**(8,731)**	**3,111**

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Deferred tax assets of $5,332 (2013 – $13,387), included in 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 $49,691 as at December 31, 2014 (2013 – $40,448).

As at December 31, 2014, the Company had the following operating tax losses available for carryforward for which no deferred tax benefit has been recorded in the account.

	$	Expiry
United Kingdom	24,813	No limit
Belgium	4,916	No limit
United States	25,212	2031–2033
Laos	83	No limit
Peru	339	2015–2016
China	8,641	2018–2019
Total	**64,004**	

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.

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

As at December 31, 2014 and 2013, 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 similar terms and remaining maturities.

As at December 31, 2014, the fair value of the convertible debentures including the debenture conversion option, as quoted on the market, is CA$57,585 (US$49,517). The fair value of a long-term payable approximates its carrying value and is estimated based on discounted cash flow using current interest rates for instruments with similar terms and remaining maturities.

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

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

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The convertible debentures are included in Level 1 and the long–term payable is included in Level 3.

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, 2014	Level 1	Level 2	Level 3
	$	$	$
Financial assets (liabilities)			
Derivative forward contracts	-	147	-
Debenture conversion option (Note 13)	-	-	(2,093)
Total	**-**	**147**	**(2,093)**

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

Derivative assets and liabilities

As at December 31, 2014 and 2013, the Company has derivative financial instruments which relate to the following:

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

Assets (liabilities)	2014	2013
	$	$
Debenture conversion option (Note 13) (1)	(2,093)	-
Interest rate swap(2)	-	(2,588)
Foreign exchange forward contracts(3)	-	(1,468)
Derivative forward contracts(4)	147	955
Warrants(5)	-	(181)
Total	**(1,946)**	**(3,282)**

(1) This instrument is classified as a Level 3 financial instrument, since the implied volatility is an unobservable input. The change in fair value of debenture conversion option of $7,179 (2013 – nil) was recognized in the consolidated statement of earnings as at December 31, 2014. An increase of 5% in the volatility would have increased the fair value of the debenture conversion option by $587 and a decrease of 5% would have decreased the fair value of the debenture conversion by $1,217.

(2) 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 statement of comprehensive income. On September 4, 2012, the Company repaid part of its credit facility and de-designated $30,000 of nominal value of the swap. In August 2014, following the refinancing of its credit facility (Note 12), the Company terminated the interest rate swap.

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(3) The foreign exchange contracts are to cover projected Euro surpluses and Canadian dollar requirements. As at December 31, 2013, the contracts were as follows:

- The Company entered into twelve monthly foreign exchange collar contracts in June 2013, effective from July 2013 to June 2014, to sell US dollars in exchange for Canadian dollars. The six remaining contracts covering January to June 2014 were amended in December 2013. Under these collars, if the US$/CA$ rate is between 0.9950 and 1.0700, a monthly nominal amount of $750 is exchanged at the rate of 1.0700. If the US$/CA$ rate is higher than 1.0700, a monthly nominal amount of $1,500 is exchanged at the rate of 1.0700. If the US$/CA$ rate is below 0.9950, no nominal amount is exchanged and the monthly contract is terminated.
- The Company entered into six monthly foreign exchange collar contracts in December 2013, effective from July 2014 to December 2014, to sell US dollars in exchange for Canadian dollars. Under these collars, if the US$/CA$ rate is below $1.0620, a monthly nominal amount of $750 is exchanged at the rate of 1.0620. If the US$/CA$ rate is between 1.0620 and 1.1100, no nominal amount is exchanged. If the US$/CA$ rate is above 1.1100, a monthly nominal amount of $1,500 is exchanged at the rate of 1.0700.
- The Company entered into twelve monthly foreign exchange collar contracts in October 2013, effective from January 2014 to December 2014, to sell Euros in exchange for US dollars. Under these contracts, if the Euro/US$ rate is between 1.2750 and 1.4025, a monthly nominal amount of $3,000 is exchanged at the rate of 1.4025. If the Euro/US$ rate is higher than 1.4025, a monthly nominal amount of $6,000 is exchanged at the rate of 1.4025. If the Euro/US$ rate is below 1.2750, no nominal amount is exchanged, and the monthly contract is terminated.
- The Company entered into a foreign exchange synthetic collar contract in December 2013, maturing on December 15, 2014, to sell Euros in exchange for US dollars, in order to cover its expected excess Euro cash flows in the first quarter of fiscal year 2015. Under this contract, the Company bought a put for 12,000 Euros at 1.3025 Euro/US$, and sold a call on 18,000 Euros at 1.3625 Euro/US$.

(4) In February 2014, the Company entered into two derivative forward contracts to sell silver at a fixed price to cover purchases of materials containing the precious metal. The first contract fixed the price at $21.83 per ounce as at August 5, 2014 and its nominal value was approximately $1,900. The second contract fixes the price at $20.86 per ounce as at February 3, 2015 and its nominal value is approximately $2,200. Gains or losses on these derivative forward contracts are recorded as part of the cost of sales. In May 2014, the Company entered into two new derivative forward contracts in opposite position in order to crystallize its gain and to neutralize the impacts in the consolidated statement of earnings. As at September 30, 2014, the first contract and the contract in the opposite position matured.

(5) On June 6, 2012, the Company issued 6,451,807 warrants, which expired on June 6, 2014. 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. Gains or losses on these warrants are recorded in foreign exchange and derivative loss (gain).

The following methods were used to estimate fair value:

- Interest rate swap: Estimated by discounting expected future cash flows using period-end interest rate yield curves;
- Foreign exchange forward contracts: Estimated by discounting expected future cash flows using period-end currency rate;
- Derivative forward contracts: Estimated by discounting expected future cash flows using period-end market price of the precious metal (silver);
- Debenture conversion option: Refer to Note 13 for details valuation models; and
- Warrants: Fair value based on the TSX closing price. The ticker symbol of the publicly traded warrants is VNP.WT.

NOTE 18 – OPERATING SEGMENTS

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

For the year ended December 31, 2014	Eco-Friendly Materials	Electronic Materials	Corporate and unallocated	Total
	$	$	$	$
Segment revenues(3)	338,828	169,367	-	508,195
Adjusted EBITDA(1) (4)	22,167	23,642	(10,764)	35,045
Interest on long-term debt, imputed interest and other interest expense	-	-	8,769	8,769
Litigation and restructuring costs	1,109	652	191	1,952
Impairment of inventories (Note 6)	4,395	856	-	5,251
Change in fair value of debenture conversion option	-	-	(7,179)	(7,179)
Foreign exchange and derivative loss (gain)(2)	-	-	(3,111)	(3,111)
Gain on disposal of property, plant and equipment	(748)	(564)	-	(1,312)
Depreciation and amortization	2,783	8,205	160	11,148
Earnings (loss) before income tax	14,628	14,493	(9,594)	19,527
Capital expenditures	**9,137**	**4,298**	**176**	**13,611**

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For the year ended December 31, 2013	Eco-Friendly Materials	Electronic Materials	Corporate and unallocated	Total
	$	$	$	$
Segment revenues[3]	279,644	179,368	-	459,012
Adjusted EBITDA[1] [4]	16,285	22,466	(8,376)	30,375
Interest on long-term debt and other interest expense	-	-	8,524	8,524
Litigation and restructuring costs	1,080	441	2,547	4,068
Impairment of inventories (Note 6)	10,032	150	-	10,182
Gain related to the settlement of the purchase price of MCP	-	-	(45,188)	(45,188)
Foreign exchange and derivative loss (gain)[2]	-	-	(2,590)	(2,590)
Depreciation and amortization	3,957	6,569	160	10,686
Earnings before income tax	1,216	15,306	28,171	44,693
Capital expenditures	**6,776**	**4,287**	**-**	**11,063**

As at December 31, 2014	Eco-Friendly Materials	Electronic Materials	Corporate and unallocated	Total
	$	$	$	$
Total assets excluding the following:	187,116	192,865	8,197	388,178
Investment accounted for using the equity method	-	316	-	316
Deferred tax asset	7,831	3,206	-	11,037

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

[1] Earnings before income tax, depreciation and amortization, financial expense (revenues), litigation and restructuring costs, impairment of inventories, gain related to the settlement of the purchase price of MCP and gain or loss on disposal of property, plant and equipment.

[2] The foreign exchange and derivative loss (gain) excludes the loss (gain) on foreign exchange forward contracts on US$/CA$ recorded as part of wages and salaries and the loss (gain) on derivative forward contracts to sell silver metal recorded as part of cost of goods sold.

[3] The total revenues of $37,866 (2013 – $42,416) from the recycling and trading of complex materials is allocated to the Eco-Friendly materials and Electronic materials segments.

[4] The total adjusted EBITDA of $7,363 (2013 – $8,644) from the recycling and trading of complex materials is allocated to the Eco-Friendly materials and Electronic materials segments.

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The geographic distribution of the Company's revenues based on the location of the customers for the years ended December 31, 2014 and 2013, and the identifiable non-current assets as at December 31, 2014 and 2013 are summarized as follows:

Revenues	**2014**	**2013**
	$	**$**
Asia		
China	47,802	50,578
Japan	11,114	7,633
Other[(1)]	94,964	94,274
Americas		
United States	99,281	82,764
Other	14,207	19,982
Europe		
France	31,456	27,668
Germany	77,814	66,611
United Kingdom	22,400	22,628
Other[(1)]	90,498	79,264
Other	18,659	7,610
Total	**508,195**	**459,012**

Non-current assets (other than deferred tax assets)	**2014**	**2013**
	$	**$**
Asia		
Hong Kong	6,367	8,510
Other[(1)]	18,494	11,295
United States	6,918	5,973
Canada	19,434	16,857
Europe		
Belgium	10,049	7,832
Germany	24,485	24,371
Other	5,193	5,408
Total	**90,940**	**80,246**

[(1)] None exceeding 10%

For the year ended December 31, 2014, one customer represented approximately 10.59% (2013 – 11.58%) of the revenues, and is included in the Electronic Materials revenues.

NOTE 19 – SUPPLEMENTAL CASH FLOW INFORMATION

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

	2014	**2013**
	$	**$**
Decrease (increase) in assets:		
Accounts receivable	(11,765)	28,104
Inventories	(34,249)	(14,263)
Income tax receivable	5,639	10,235
Other current assets	921	466
Increase in liabilities:		
Trade and accrued liabilities	2,285	1,945
Income tax payable	2,404	1,443
Net change	**(34,765)**	**27,930**

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

	2014	2013
	$	$
a) Excluded additions unpaid at end of year: Additions to property, plant and equipment	5,423	1,637
b) Included additions unpaid at beginning of year: Additions to property, plant and equipment	1,637	1,394
c) Excluded a reclassification from trade and accrued liabilities to other liabilities following new agreements with a supplier	8,941	-

NOTE 20 – SHARE CAPITAL

Authorized:

- An unlimited number of common shares, participating, with no par value, entitling the holder to one vote per share; and
- 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, 2014 and 2013, no preferred shares were issued.

On November 17, 2014, the Toronto Stock Exchange has approved the Company's normal course issuer bid. Under this normal course issuer bid, the Company has the right to purchase for cancellation, from November 19, 2014 to November 18, 2015, a maximum of 4,691,230 common shares, representing 10% of the publicly-held common shares. No common shares were repurchased as at December 31, 2014.

NOTE 21 – EARNINGS PER SHARE

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

Numerators	**2014**	**2013**
	$	**$**
Net earnings attributable to equity holders of 5N Plus Inc.	10,812	42,661
Dilutive effect:		
Convertible debentures	(6,294)	-
Net earnings attributable to equity holders of 5N Plus Inc. adjusted for dilution effect	4,518	42,661
Net earnings for the period	10,673	42,780
Dilutive effect:		
Convertible debentures	(6,294)	-
Net earnings for the period adjusted for dilution effect	4,379	42,780

Denominators	**2014**	**2013**
Basic weighted average number of shares	83,948,943	83,908,269
Dilutive effect:		
Stock options	210,242	67,123
Convertible debentures	5,258,564	-
Diluted weighted average number of shares	89,417,749	83,975,392

5N PLUS INC.
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As at December 31, 2014, a total number of 1,042,510 stock options were excluded from the diluted weighted average number of shares due to their anti-dilutive effect because of the Company's stock price. The same applies to the warrants which expired on June 6, 2014.

As at December 31, 2013, a total number of 1,629,951 stock options and a total number of 6,451,807 warrants were excluded from the diluted weighted average number of shares due to their anti-dilutive effect because of the Company's stock price.

NOTE 22 – SHARE-BASED COMPENSATION

As at December 31, 2014, the Company had the following share-based compensation plans.

Stock Option Plan

On April 11, 2011, the Company adopted a new stock option plan replacing the previous plan (the "Old Plan"), in place since October 2007, with the same features as the Old Plan with the exception of a maximum number of options granted which cannot exceed 5,000,000. The aggregate number of shares which could be issued upon the exercise of options granted under the Old Plan could not exceed 10% of the issued shares of the Company at the time of granting the options. Options granted under the Old Plan may be exercised during a period not exceeding ten years from the date of grant. The stock options outstanding as at December 31, 2014 may be exercised during a period not exceeding six years from their date of grant. Options vest at a rate of 25% (100% for directors) per year, beginning one year following the grant date of the options. Any unexercised options will expire one month after the date a beneficiary ceases to be an employee, director or officer and one year for retired directors.

Restricted Share Unit 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, 2014, the Company granted 281,000 RSUs (2013 – 190,000), 12,478 of RSUs were paid (2013 – 26,720) and 124,127 RSUs were cancelled (2013 – nil). As at December 31, 2014, 387,155 RSUs were outstanding (2013 – 242,760).

Stock Appreciation Rights Plan

On June 7, 2010, the Company adopted a Restricted Share Unit for Foreign Employees plan (the "RSUFE Plan") which was slightly amended on November 7, 2012 by the Company to become the Stock Appreciation Rights plan (the "SAR Plan") which replaced the RSUFE Plan. The SAR Plan enables the Company to award eligible participants phantom stock options to foreign directors, officers and employees. SARs usually have a six year term and vest equally over a four-year period at an annual rate of 25% per year beginning one year following the SARs grant date. The amount of cash payout is equal to the sum of the positive differences between the volume weighted average trading price of the common shares of the Company on the TSX in the last twenty (20) trading days immediately preceding the exercise date and the grant price of each SAR redeemed.

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, 2014, the Company granted 230,000 SARs (2013 – 15,000), 48,197 of SARs were paid (2013 – 51,816) and 80,000 SARs were cancelled (2013 – 24,878). As at December 31, 2014, 217,640 SARs were outstanding (2013 – 115,837).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Deferred Share Unit Plan

On May 7, 2014, the Company adopted a Deferred Share Unit Plan (the “DSU Plan”) which enables the Company to provide Board directors and key officers and employees designated by the Board with phantom share units to enhance the Company's ability to attract and retain individuals with the right combination of skills and experience to serve on the Company’s Board or as Company’s executives. DSUs vest entirely at their date of grant and become payable in cash upon termination of services of a director or designated officer or employee with the Company. The amount of cash payout is equal to the volume weighted average trading price of the common shares of the Company on the TSX on the twenty (20) trading days immediately preceding the date of payment of the DSU. For the year ended December 31, 2014, the Company granted 122,878 DSUs. As at December 31, 2014, 122,878 DSUs were outstanding (2013 – nil).

The following table presents information concerning all outstanding stock options:

		2014		2013
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		CA$		CA$
Outstanding, beginning of year	1,637,951	4.19	1,585,448	4.67
Granted	352,000	3.99	546,939	2.39
Cancelled	(206,463)	4.16	(141,386)	5.55
Exercised	(71,388)	2.46	-	-
Expired	(10,000)	7.80	(353,050)	3.00
Outstanding, end of year	1,702,100	4.21	1,637,951	4.19
Exercisable, end of year	1,192,918	4.37	1,001,826	4.94

The outstanding stock options as at December 31, 2014 are as follows:

	Exercise price		
Maturity	Low	High	Number of options
	CA$	CA$	
January and December 2015	5.25	5.47	305,000
June 2016	4.87	4.91	143,624
June and September 2017	8.50	8.64	212,889
April and November 2018	2.22	3.61	329,837
May 2019	2.20	2.20	368,750
March to August 2020	3.33	4.29	342,000
			1,702,100

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 average

5N PLUS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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measurement of the fair values of the stock options at the grant date granted during the years ended December 31, 2014 and 2013:

	2014	2013
Expected stock price volatility	60%	59%
Dividend	None	None
Risk-free interest rate	1.33%	1.10%
Expected option life	4 years	4 years
Fair value – weighted average of options issued	CA$1.88	CA$1.00

The following table shows the share-based compensation expense recorded in the consolidated statements of earnings for the years ended December 31, 2014 and 2013:

Expense	2014	2013
	$	$
Stock options	237	567
SARs	26	15
RSUs	144	148
DSUs	261	-
Total	**668**	**730**

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

Liability	2014	2013
	$	$
RSUs	313	182
SARs	74	128
DSUs	261	-
Total	**648**	**310**

NOTE 23 – COMMITMENTS AND CONTINGENCIES

Commitments

In September 2014, the Company signed a loan agreement with one of its suppliers for the construction of manufacturing equipment in Asia. The loan bears an interest rate of 8.5%, and is guaranteed by the supplier’s corporate entity. Under this agreement, the total amount can reach up to $7,000 upon achievement of certain milestones. The initial tranche was disbursed on October 15, 2014. As at December 31, 2014, the amount receivable under the loan is $1,840. Each tranche is to be reimbursed on a monthly basis over a term of 12 months starting after each drawdown.

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

	2014	2013
	$	$
Within one year	2,881	2,265
After one year but not more than five years	5,100	3,635
Total commitments	**7,981**	**5,900**

In the normal course of business, the Company contracted letters of credit for an amount of up to $439 as at December 31, 2014.

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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.

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

NOTE 24 – RELATED PARTY TRANSACTIONS

The Company's related parties are its joint venture, 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 settled in cash.

Ingal, a 50% joint venture, supplies gallium metal to other companies of the group. During the year ended December 31, 2014, the Company purchased $2,790 worth of gallium from Ingal (2013 – $4,850).

As at December 31, 2014, the Company has a loan receivable from Ingal of $3,259 (€2,684) (2013 – $4,014 [€2,911]) (Note 10).

NOTE 25 – FINANCIAL RISK MANAGEMENT

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

Market risk

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

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

(i) Foreign currency risk

Foreign currency risk is defined as the Company's exposure to a gain or a loss in the value of its financial instruments as a result of fluctuations in foreign exchange rates. The Company is exposed to foreign exchange rate variability primarily in relation to certain sale commitments, expected purchase transactions and debt denominated in a foreign currency. In addition, these operations have exposure to foreign exchange rates primarily through cash and cash equivalents and other working capital accounts denominated in currencies other than their functional currencies.

5N PLUS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Figures in thousands of United States dollars)

The following table summarizes in US dollar equivalents the Company's major currency exposures as at December 31, 2014:

					2014
	CA$	**EUR**	**GBP**	**RMB**	**Other**
	$	**$**	**$**	**$**	**$**
Cash and cash equivalents	256	3,896	724	1,864	264
Restricted cash	-	2,089	29	16	-
Accounts receivable	1,083	14,729	2,358	8,640	649
Bank indebtedness	-	-	-	(975)	-
Trade and accrued liabilities	(2,884)	(14,046)	(2,514)	(3,491)	(697)
Long-term debt	-	(61)	-	-	-
Convertible debentures	(46,101)	-	-	-	-
Net financial assets (liabilities)	**(47,646)**	**6,607**	**597**	**6,054**	**216**

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, 2014 for the Company's financial instruments denominated in non-functional currencies:

	CA$	**EUR**	**GBP**	**RMB**	**Other**
	$	**$**	**$**	**$**	**$**
1% Strengthening					
Earnings before tax	(476)	66	6	61	2
1% Weakening					
Earnings before tax	476	(66)	(6)	(61)	(2)

Occasionally, the Company will enter into 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. The Company will also enter into foreign exchange contracts to sell Euros for US dollars.

(ii) Interest rate risk

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

(iii) Other price risk

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

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.

5N PLUS INC.
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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, 2014 and 2013, the Company has an allowance for doubtful accounts of $104 and $218 respectively. The provision for doubtful accounts, if any, is included in selling, general and administrative expenses in the consolidated statement of earnings, 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, 2014, no financial assets are past due except for trade receivables. The aging analysis of the latter two categories of trade receivables is as follows:

	2014	2013
	$	$
Up to 3 months	23,174	20,889
More than 3 months	738	625
	23,912	**21,514**

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

	2014	2013
	$	$
Beginning of year	218	168
Provision for impairment	-	50
Unused amounts reversed	(114)	-
End of year	**104**	**218**

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. 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, 2014:

						2014
	Carrying amount	1 year	2-3 years	4-5 years	Beyond 5 years	Total
	$	$	$	$	$	$
Bank indebtedness	975	1,030	-	-	-	1,030
Trade and accrued liabilities	60,286	60,286	-	-	-	60,286
Long-term debt	51,823	3,224	5,136	52,837	-	61,197
Convertible debentures	46,101	3,263	6,527	61,635	-	71,425
Long-term payable (including in other liabilities)	12,577	-	15,064	-	-	15,064
Total	**171,762**	**67,803**	**26,727**	**114,472**	**-**	**209,002**

5N PLUS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Figures in thousands of United States dollars)

NOTE 26 – CAPITAL MANAGEMENT

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

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

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

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

Debt-to-equity ratios as at December 31, 2014 and 2013 are as follows:

	2014	2013
	$	$
Bank indebtedness	975	10,462
Long-term debt including current portion	51,823	72,785
Convertible debentures	46,101	-
Total debt	98,899	83,247
Less: Cash and cash equivalents, and restricted cash	(14,892)	(24,917)
Net debt	84,007	58,330
Shareholders' equity	196,443	190,052
Debt-to-equity ratio	**43%**	**31%**

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Figures in thousands of United States dollars)

NOTE 27 – KEY MANAGEMENT COMPENSATION AND EXPENSES BY NATURE

Key management compensation

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

Key management compensation	2014	2013
	$	$
Wages and salaries	5,162	4,427
Share-based compensation	652	636
Total	**5,814**	**5,063**

Expenses by nature	2014	2013
	$	$
Wages and salaries[1]	41,200	39,525
Share-based compensation expense	668	730
Depreciation of property, plant and equipment and amortization of intangible assets	11,148	10,686
Amortization of other assets	732	2,017
Research and development, net of tax credit	3,343	3,758
Litigation and restructuring costs	1,952	4,068
Impairment of inventories	5,251	10,182
Gain related to the settlement of the purchase price of MCP[2]	-	(45,188)

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

[2] In 2013, the Company entered into a full and final settlement agreement with the Vendors, which were all former shareholders of MCP, in relation to a dispute. The Company acquired MCP from the Vendors on April 11, 2011. The Company filed a counterclaim in arbitration proceeding against the Vendors, as it estimated that the Vendors had breached the representation and warranties of the acquisition agreement.

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

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ANNUAL MEETING

The annual shareholders meeting will be held on Wednesday, May 6, 2015 at 10:30 a.m.

Club Saint-James
1145 Union Avenue
Montreal, Quebec

For more information, please contact:

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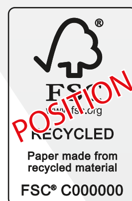

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