

5N PLUS INC.
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIODS OF THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2013 AND 2012
(Figures in thousands of United States dollars)

5N PLUS INC.
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Figures in thousands of United States dollars)

	As at September 30, 2013 (Note 4)	As at December 31, 2012 (Note 4)
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	13,639	9,535
Temporary investments (restricted)	2,503	2,357
Accounts receivable	66,828	87,807
Inventories (Note 5)	163,110	170,293
Income tax receivable	8,031	18,931
Derivative financial assets (Note 8)	751	-
Other current assets	3,080	2,514
Total current assets	257,942	291,437
Property, plant and equipment	56,618	55,548
Intangible assets	14,063	16,010
Deferred tax asset	15,669	12,650
Investments accounted for using the equity method	222	503
Other assets	6,866	9,248
Total non-current assets	93,438	93,959
Total assets	351,380	385,396
LIABILITIES AND EQUITY		
Current		
Bank indebtedness and short-term debt (Note 7)	8,965	8,014
Trade and accrued liabilities	57,241	62,214
Income tax payable	3,075	2,217
Derivative financial liabilities (Note 8)	2,369	2,817
Long-term debt due within one year (Note 7)	4,362	29,527
Total current liabilities	76,012	104,789
Long-term debt (Note 7)	66,335	110,898
Deferred tax liability	1,814	2,632
Retirement benefit obligation (Note 4)	16,961	16,667
Derivative financial liabilities (Note 8)	1,321	3,537
Other liabilities	1,311	1,560
Total non-current liabilities	87,742	135,294
Total liabilities	163,754	240,083
Shareholders' equity	186,765	144,955
Non-controlling interest	861	358
Total equity	187,626	145,313
Total liabilities and equity	351,380	385,396

Contingencies (Note 13)

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

5N PLUS INC.**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF EARNINGS**

For the periods of three and nine months ended September 30, 2013 and 2012

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

	Three months		Nine months	
	2013	2012	2013	2012
	\$	\$	\$	\$
Revenues	108,570	120,744	339,596	423,055
Cost of sales (Notes 5 and 15)	96,176	102,846	302,209	386,028
Selling, general and administrative expenses (Note 15)	7,682	9,618	27,459	33,181
Other expenses (income), net (Note 15)	2,289	3,900	(36,026)	14,521
Share of loss from joint ventures	28	161	281	380
	106,175	116,525	293,923	434,110
Operating income (loss)	2,395	4,219	45,673	(11,055)
Financial expenses (income)				
Interest on long-term debt	1,304	1,706	4,722	6,483
Other interest expense	308	244	2,023	882
Foreign exchange and derivative loss (gain)	(1,406)	807	(3,115)	3,119
	206	2,757	3,630	10,484
Earnings (loss) before income taxes	2,189	1,462	42,043	(21,539)
Income taxes expense (recovery)	866	187	901	(5,643)
Net earnings (loss) for the period	1,323	1,275	41,142	(15,896)
Attributable to:				
Equity holders of 5N Plus Inc.	1,083	1,218	40,639	(15,732)
Non-controlling interest	240	57	503	(164)
	1,323	1,275	41,142	(15,896)
Earnings (loss) per share attributable to equity holders of 5N Plus Inc. (Note 12)	\$0.01	\$0.01	\$0.48	\$(0.21)
Basic earnings (loss) per share (Note 12)	\$0.02	\$0.02	\$0.49	\$(0.21)
Diluted earnings (loss) per share (Note 12)	\$0.02	\$0.02	\$0.49	\$(0.21)

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

5N PLUS INC.**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME**

For the periods of three and nine months ended September 30, 2013 and 2012

(Figures in thousands of United States dollars)

	Three months		Nine months	
	2013 (Note 4)	2012 (Note 4)	2013 (Note 4)	2012 (Note 4)
	\$	\$	\$	\$
Net earnings (loss) for the period	1,323	1,275	41,142	(15,896)
Other comprehensive income (loss), net of tax				
i) Items that may be reclassified subsequently to the consolidated statement of earnings				
Cash flow hedges, net of income tax of (\$44) and (\$259) for the periods of three and nine months ended September 30, 2013 (\$143 and \$600 for the periods of three and nine months ended September 30, 2012)	121	(390)	705	(1,121)
De-designation of cash flow hedges, net of income tax of \$13 and \$78 for the periods of three and nine months ended September 30, 2013 ((\$228) for the periods of three and nine months ended September 30, 2012)	(35)	479	(211)	479
Currency translation adjustment	75	(34)	252	171
	161	55	746	(471)
ii) Item that will not be reclassified subsequently to the consolidated statement of earnings				
Remeasurements of retirement benefit obligation (Note 4)	-	(697)	-	(2,091)
	-	(697)	-	(2,091)
Other comprehensive income (loss), net of tax	161	(642)	746	(2,562)
Comprehensive income (loss) for the period	1,484	633	41,888	(18,458)
Attributable to equity holders of 5N Plus Inc.	1,244	576	41,385	(18,294)
Attributable to non-controlling interest	240	57	503	(164)

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

5N PLUS INC.
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Figures in thousands of United States dollars)

	For the nine-month period ended	
	September 30, 2013	September 30, 2012
	\$	\$
Operating activities		
Net earnings (loss) for the period	41,142	(15,896)
Adjustments to reconcile net earnings to cash flows		
Depreciation of property, plant and equipment and amortization of intangible assets	8,267	15,531
Amortization of other assets	1,822	781
Share-based compensation expense	425	472
Deferred income tax	(5,255)	(4,353)
Impairment of inventories	10,182	26,068
Reversal of impairment of property, plant and equipment	-	(932)
Share of loss from joint ventures	281	380
Gain related to the settlement of the purchase price of MCP (Note 7b)	(45,188)	-
Unrealized gain on non-hedge financial instruments	(1,841)	(906)
Unrealized foreign exchange loss on assets and liabilities	1,155	4
	10,990	21,149
Net change in non-cash working capital balances related to operations (Note 10)	27,558	73,734
Cash flows from operating activities	38,548	94,883
Investing activities		
Acquisition of property, plant and equipment	(7,137)	(11,615)
Acquisition of intangible assets	(710)	(77)
Temporary investments (restricted)	(146)	49,675
Cash flows from (used in) investing activities	(7,993)	37,983
Financing activities		
Repayment of long-term debt	(27,201)	(129,948)
Net increase (decrease) in bank indebtedness and short-term debt	951	(62,199)
Issuance of common shares	-	38,641
Share issuance expense	-	(1,621)
Financial instruments – net	330	263
Cash flows used in financing activities	(25,920)	(154,864)
Effect of foreign exchange rate changes on cash and cash equivalents	(531)	(123)
Net increase (decrease) in cash and cash equivalents	4,104	(22,121)
Cash and cash equivalents at beginning of period	9,535	29,449
Cash and cash equivalents at end of period	13,639	7,328
Supplemental information^(a)		
Income tax paid (recovery)	(7,037)	3,298
Interest paid	3,654	7,799

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

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

5N PLUS INC.
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the periods of three and nine months ended September 30, 2013 and 2012

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

	Three months		Nine months	
Total Equity	2013 (Note 4)	2012 (Note 4)	2013 (Note 4)	2012 (Note 4)
Shareholders' Equity				
Number of shares				
Balance at beginning of period	83,908,269	83,908,269	83,908,269	70,961,125
Common shares issued on exercise of stock options	-	-	-	43,531
Common shares issued for cash	-	-	-	12,903,613
Balance at end of period	83,908,269	83,908,269	83,908,269	83,908,269
	\$	\$	\$	\$
Share Capital				
Balance at beginning of period	343,272	343,272	343,272	305,928
Common shares issued on exercise of stock options	-	-	-	225
Common shares issued for cash	-	-	-	37,119
Balance at end of period	343,272	343,272	343,272	343,272
Contributed Surplus				
Balance at beginning of period	3,433	2,960	3,180	2,691
Share-based compensation expense	172	134	425	472
Exercise of stock options	-	-	-	(69)
Balance at end of period	3,605	3,094	3,605	3,094
Retained Earnings (Deficit)				
Balance at beginning of period	(158,517)	12,715	(198,073)	30,850
Net earnings (loss) attributable to equity holders of 5N Plus Inc. for the period	1,083	1,218	40,639	(15,732)
Share issuance expense (net of income tax of \$436)	-	-	-	(1,185)
Balance at end of period	(157,434)	13,933	(157,434)	13,933
Accumulated Other Comprehensive Loss				
Balance at beginning of period (Note 4)	(2,839)	(2,517)	(3,424)	(597)
Cash flow hedges, net of income tax of (\$44) and (\$259) for the periods of three and nine months ended September 30, 2013 (\$143 and \$600 for the periods of three and nine months ended September 30, 2012)	121	(390)	705	(1,121)
De-designation of cash flow hedges net of income tax of \$13 and \$78 for the periods of three and nine months ended September 30, 2013 ((\$228) for the periods of three and nine months ended September 30, 2012)	(35)	479	(211)	479
Currency translation adjustment	75	(34)	252	171
Remeasurements of retirement benefit obligation, net of deferred tax of \$313 and \$939 for the periods of three and nine months ended September 30, 2012 (Note 4)	-	(697)	-	(2,091)
Balance at end of period	(2,678)	(3,159)	(2,678)	(3,159)
Total shareholders' equity at end of period	186,765	357,140	186,765	357,140
Non-Controlling Interest				
Balance at beginning of period	621	248	358	469
Share of profit (loss)	240	57	503	(164)
Balance at end of period	861	305	861	305
Total Equity	187,626	357,445	187,626	357,445

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

5N PLUS INC.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2013 and 2012

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

NOTE 1 – GENERAL INFORMATION

Nature of operations

5N Plus Inc. (“5N Plus” or the “Company”) is a Canadian-based international company. 5N Plus is a producer of specialty metal and chemical products. Fully integrated with closed-loop recycling facilities, the Company’s head office is located at 4385 Garand Street, Saint-Laurent, Quebec (Canada) H4R 2B4. The Company operates manufacturing facilities and sales offices in several locations in Europe, the Americas and Asia. The Company’s shares are listed on the Toronto Stock Exchange (“TSX”). 5N Plus and its subsidiaries represent the “Company” mentioned throughout these interim condensed consolidated financial statements. The Company has two reportable business segments, namely Electronic Materials and Eco-Friendly Materials. Corporate expenses associated with the head office and unallocated selling, general and administrative expenses together with financing costs and foreign exchange and derivative loss (gain) have been regrouped under the heading Corporate and Unallocated (Note 9). Corresponding operations and activities are managed accordingly by the Company’s key decision-makers.

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

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

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

These unaudited interim condensed consolidated financial statements were authorized for issuance by the Company’s Board of Directors on November 11, 2013.

NOTE 2 – BASIS OF PRESENTATION

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and as applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”. These interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2012, which have been prepared in accordance with IFRS as issued by the IASB.

The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies.

Certain comparative figures have been reclassified to conform to the current presentation (Notes 4 and 15).

Income taxes

Taxes on income in interim periods are accrued using the tax rate that would be applicable to expected total annual profit and loss.

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

NOTE 3 – ACCOUNTING POLICIES

The accounting policies followed in these unaudited interim condensed consolidated financial statements are consistent with those used to prepare the annual consolidated financial statements for the year ended December 31, 2012, except as described below.

Changes in accounting policies

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

The Company has adopted the amendments to IAS 1, “Presentation of Financial Statements”, effective January 1, 2013. These amendments required the Company to group other comprehensive income items by those that will be reclassified subsequently to the interim consolidated statement of earnings and those that will not. The Company has reclassified comprehensive income items of the comparative period. These changes did not result in any adjustments to other comprehensive income or comprehensive income.

IAS 19, “Employee Benefits”, was amended in June 2011. The impact on the Company is as follows: to immediately recognize all past service costs and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset).

The Company assessed its conclusions on January 1, 2013, and the impact of the adoption of IAS 19 is presented in Note 4.

IFRS 10, “Consolidated Financial Statements”, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the condensed consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

The Company assessed its consolidation conclusions on January 1, 2013, and the impact of the adoption of IFRS 10 did not result in any change in the consolidation status of any of its subsidiaries or investees.

IFRS 12, “Disclosure of Interests in Other Entities”, includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special-purpose vehicles and other unconsolidated structured entities.

The Company assessed its disclosure requirements on January 1, 2013, and the impact of the adoption of IFRS 12 did not result in any change in its disclosure of interest.

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

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NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 4 – IAS 19, EMPLOYEE BENEFITS

The impact of the adoption of IAS 19 is as follows:

Adjustments to the statements of financial position:

	September 30, 2013	December 31, 2012	January 1, 2012
	\$	\$	\$
Equity before accounting change	190,783	148,470	339,710
Increase in retirement benefit obligation	(4,575)	(4,575)	(535)
Increase in deferred tax assets related to the retirement benefit obligation	1,418	1,418	166
Net change	(3,157)	(3,157)	(369)
Equity after accounting change	187,626	145,313	339,341

Adjustments to comprehensive income (loss):

	Three months		Nine months	
	2013	2012	2013	2012
	\$	\$	\$	\$
Comprehensive income (loss) before accounting change	1,484	1,330	41,888	(16,367)
Decrease in other comprehensive income for remeasurements of retirement benefit obligation, net of deferred tax of \$313 and \$939 for the periods of three and nine months ended September 30, 2012	-	(697)	-	(2,091)
Comprehensive income (loss) after accounting change	1,484	633	41,888	(18,458)

Adjustments to accumulated other comprehensive loss:

	Three months		Nine months	
	2013	2012	2013	2012
	\$	\$	\$	\$
Opening balance before accounting change	(2,839)	(754)	(267)	(228)
Decrease in other comprehensive income for remeasurements of retirement benefit obligation, net of deferred tax of nil and \$1,418 for the periods of three and nine months ended September 30, 2013 (\$792 and \$166 for the periods of three and nine months ended September 30, 2012)	-	(1,763)	(3,157)	(369)
Opening balance after accounting change	(2,839)	(2,517)	(3,424)	(597)

5N PLUS INC.**NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

September 30, 2013 and 2012

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

NOTE 5 – INVENTORIES

	September 30, 2013	December 31, 2012
	\$	\$
Raw materials	54,732	60,410
Work-in-progress and finished goods	108,378	109,883
Total inventories	163,110	170,293

For the periods of three and nine months ended September 30, 2013, a total of \$90,927 and \$271,865 of inventories was included as an expense in cost of sales (\$90,071 and \$319,881 for the periods of three and nine months ended September 30, 2012).

For the periods of three and nine months ended September 30, 2013, a total of \$9,312 and \$22,260 previously written down was recognized as a reduction of expenses in cost of sales (\$1,083 and \$6,107 for the Electronic Materials segment and \$8,229 and \$16,153 for the Eco-Friendly Materials segment). For the periods of three and nine months ended September 30, 2012, a total of \$7,087 and \$47,207 previously written down was recognized as a reduction of expenses in cost of sales (\$5,288 and \$32,974 for the Electronic Materials segment and \$1,799 and \$14,233 for the Eco-Friendly Materials segment).

The majority of inventories are pledged as security for the revolving credit facility (Note 7).

NOTE 6 – GOODWILL

Goodwill is allocated to the following cash-generating units (“CGUs”) for the purpose of annual impairment testing:

	\$
Electronic Materials segment	110,460
Eco-Friendly Materials segment	14,450
Total goodwill allocated before impairment	124,910
Impairment:	
Electronic Materials segment	(110,460)
Eco-Friendly Materials segment	(14,450)
	(124,910)
Total goodwill as at September 30, 2013 and December 31, 2012	-

5N PLUS INC.**NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

September 30, 2013 and 2012

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

NOTE 7 – BANK INDEBTEDNESS, SHORT- AND LONG-TERM DEBT**a) Bank indebtedness and short-term debt**

The Company has credit lines with financial institutions in China. These credit lines are guaranteed by other group companies. The bank indebtedness and short-term debt presented in the contractual and reporting (US) currency are as follows:

	As at September 30, 2013		As at December 31, 2012	
	RMB	US	RMB	US
Facility available	150,000	24,450	217,000	34,438
Amount drawn	55,000	8,965	50,500	8,014

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

b) Long-term debt

	September 30, 2013	December 31, 2012
	\$	\$
Unsecured balance of holdback to the former shareholders of MCP for an amount of €2,500. The holdback is repayable in April 2014 ^(a)	3,376	65,928
Senior secured revolving facility of \$100,000 with a syndicate of banks, maturing in August 2015 ^(b)	66,000	72,213
Term loan, non-interest bearing, repayable under certain conditions, maturing in 2023. If the loan has not been repaid in full by the end of 2023, the balance will be forgiven ^(c)	668	797
Debt, bearing interest at six-month LIBOR plus 3.00%, repaid in April 2013	-	769
Other loans	653	718
	70,697	140,425
Less: Current portion of long-term debt	4,362	29,527
	66,335	110,898

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

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

This full and final settlement entails: (a) a final adjustment to the purchase price of MCP through the final payment by the Company of an all-inclusive lump-sum amount of €7.5 million to the Vendors from which €15 million was paid in June 2013 with the balance to be paid on April 9, 2014; (b) the withdrawal and cancellation of all arbitration and civil proceedings; and (c) the granting of mutual releases and discharges.

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

The effective tax rate for the nine-month periods ended September 30, 2013 is mainly affected by the gain related to the settlement of purchase price of MCP, which decreased the effective tax rate by 26.33%.

5N PLUS INC.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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^(b) In March 2013, the Company signed an amendment to its senior secured multi-currency revolving credit facility under which the facility was reduced to \$100,000 starting March 31, 2013. The amendment established new financial covenants for the year 2013 and maintained the original maturity (August 2015). The interest rate was changed and is linked to the Debt/EBITDA ratio, and can vary from LIBOR, banker's acceptance rate or EURIBOR plus 3.00% to 4.50% or US base rate or prime rate plus 2.00% to 3.50%. Standby fees from 0.75% to 1.125% are paid on the unused portion. At any time, the Company has the option to request that the credit facility be expanded to \$140,000 through the exercise of an additional \$40,000 accordion feature, subject to review and approval by the lenders. This revolving credit facility can be drawn in US dollars, Canadian dollars or Euros. The amount drawn as at September 30, 2013 is in US dollars. The amount drawn as at December 31, 2012 was \$1,052 in Canadian dollars and \$71,161 in US dollars. The facility is subject to covenants. As at September 30, 2013, the Company has met all covenants.

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

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

NOTE 8 – CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Fair value

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

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

As at September 30, 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 the same terms and maturities.

The following table presents financial assets and financial liabilities measured at fair value in the interim 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).

5N PLUS INC.**NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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

As at September 30, 2013	Level 1	Level 2
	\$	\$
Financial assets (liabilities)		
Interest rate swap	-	(2,906)
Foreign exchange forward contracts	-	(439)
Derivative forward contracts	-	751
Warrants	(345)	-
Total	(345)	(2,594)
As at December 31, 2012	Level 1	Level 2
	\$	\$
Financial assets (liabilities)		
Interest rate swap	-	(3,870)
Foreign exchange forward contracts	-	(1,080)
Options	-	(239)
Warrants	(1,165)	-
Total	(1,165)	(5,189)

Derivative assets and liabilities

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

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

5N PLUS INC.

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The derivatives are measured at fair value as follows:

Assets (liabilities)	September 30, 2013	December 31, 2012
	\$	\$
Interest rate swap ^(a)	(2,906)	(3,870)
Foreign exchange forward contracts ^(b)	(439)	(1,080)
Derivative forward contracts ^(c)	751	-
Options	-	(239)
Warrants ^(d)	(345)	(1,165)
Total	(2,939)	(6,354)

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

The Company assessed the effectiveness of the cash flow hedge as at September 30, 2013.

^(b) The foreign exchange forward contracts are to cover projected euro and Canadian dollar requirements. As at September 30, 2013, the contracts are:

- Nominal value of the euro forwards is €9,000 until April 11, 2014 at US\$/euro rate of 1.3641. The change in its fair value is recorded in the interim consolidated statements of earnings. This contract has been terminated in October 2013 without any disbursement by the Company. Gains or losses on these euro forwards were recorded in the foreign exchange and derivative loss (gain).
- Nominal value of the euro forwards is €12,000 for a period of nine months starting after April 30, 2013 at US\$/euro rate of 1.338. The change in its fair value is recorded in the interim consolidated statements of earnings. Gains or losses on these euro forwards are recorded in the foreign exchange and derivative loss (gain).
- Nominal value of the euro forwards is €15,000 maturing on October 21, 2013 at US\$/euro rate of 1.335. The change in its fair value is recorded in the interim consolidated statements of earnings. Gains or losses on these euro forwards are recorded in the foreign exchange and derivative loss (gain).
- The Company entered into twelve monthly foreign exchange forward contracts in June 2013, effective from July 2013, to sell US dollars in exchange for Canadian dollars. Under these contracts, if the US\$/CA\$ rate is between 0.9950 and 1.0620, a monthly nominal amount of \$1,500 is exchanged at the rate of 1.062. If the US\$/CA\$ rate is higher than 1.0620, a monthly nominal amount of \$1,500 is exchanged at the rate of 1.062. If the US\$/CA\$ rate is below 0.9950, no nominal amount is exchanged, and the monthly contract is terminated. Gains or losses on these foreign exchange forward contracts are recorded as part of the wages and salaries.

The Company entered into twelve monthly foreign exchange forward contracts in October 2013, effective from January 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 1.250, no nominal amount is exchanged, and the monthly contract is terminated.

^(c) In March 2013, the Company entered into derivative forward contracts to sell silver metal at fixed price at \$30.43 per ounce as at March 4, 2014 to cover complex material 5N Plus purchased containing precious metal. The nominal value of the contracts

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was approximately \$2,600 at inception. Gains or losses on these derivative forward contracts are recorded as part of the cost of sales.

(d) On June 6, 2012, the Company issued 6,451,807 warrants, which expire on June 6, 2014. Gains or losses on these warrants are recorded in the 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;
- Options: Standard Black-Scholes model using period-end market data as input; and
- Warrants: Fair value based on the TSX closing price. The ticker symbol of the publicly traded warrants is VNP.WT.

NOTE 9 – OPERATING SEGMENTS

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

For the three-month period ended September 30, 2013	Eco-Friendly Materials	Electronic Materials	Corporate and Unallocated	Total
	\$	\$	\$	\$
Segment revenues	66,610	41,960	-	108,570
Adjusted EBITDA ⁽¹⁾	1,786	5,780	(1,791)	5,775
Interest on long-term debt and other interest expense	-	-	1,612	1,612
Litigation and restructuring costs	214	95	(54)	255
Foreign exchange and derivative loss ⁽²⁾	-	-	(1,406)	(1,406)
Depreciation and amortization	1,057	2,028	40	3,125
Earnings (loss) before income tax	515	3,657	(1,983)	2,189
Capital expenditures	1,815	1,363	-	3,178

For the three-month period ended September 30, 2012	Eco-Friendly Materials	Electronic Materials	Corporate and Unallocated	Total
	\$	\$	\$	\$
Segment revenues	71,020	49,724	-	120,744
Adjusted EBITDA ⁽¹⁾	2,299	9,233	(2,531)	9,001
Interest on long-term debt and other interest expense	-	-	1,950	1,950
Litigation and restructuring costs	352	112	-	464
Reversal of impairment of property, plant and equipment	-	(932)	-	(932)
Foreign exchange and derivative loss ⁽²⁾	-	-	807	807
Depreciation and amortization	-	-	5,250	5,250
Earnings (loss) before income tax	1,947	10,053	(10,538)	1,462
Capital expenditures	1,430	2,492	291	4,213

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For the nine-month period ended September 30, 2013	Eco-Friendly Materials	Electronic Materials	Corporate and Unallocated	Total
	\$	\$	\$	\$
Segment revenues	206,492	133,104	-	339,596
Adjusted EBITDA ⁽¹⁾	9,811	18,460	(5,838)	22,433
Interest on long-term debt and other interest expense	-	-	6,745	6,745
Litigation and restructuring costs	787	353	2,359	3,499
Impairment of inventories	10,032	150	-	10,182
Gain related to the settlement of the purchase price of MCP	-	-	(45,188)	(45,188)
Foreign exchange and derivative gain ⁽²⁾	-	-	(3,115)	(3,115)
Depreciation and amortization	3,175	4,972	120	8,267
Earnings (loss) before income tax	(4,183)	12,985	33,241	42,043
Capital expenditures	4,250	2,430	-	6,680

For the nine-month period ended September 30, 2012	Eco-Friendly Materials	Electronic Materials	Corporate and Unallocated	Total
	\$	\$	\$	\$
Segment revenues	245,203	177,852	-	423,055
Adjusted EBITDA ⁽¹⁾	13,873	28,328	(10,740)	31,461
Interest on long-term debt and other interest expense	-	-	7,365	7,365
Litigation and restructuring costs	805	566	478	1,849
Impairment of inventories	10,510	15,558	-	26,068
Reversal of impairment of property and equipment	-	(932)	-	(932)
Foreign exchange and derivative loss ⁽²⁾	-	-	3,119	3,119
Depreciation and amortization	-	-	15,531	15,531
Earnings (loss) before income tax	2,558	13,136	(37,233)	(21,539)
Capital expenditures	2,894	8,664	488	12,046

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

⁽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.

As at September 30, 2013	Eco-Friendly Materials	Electronic Materials	Corporate and Unallocated	Total
	\$	\$	\$	\$
Total assets excluding the following:	139,616	191,615	4,258	335,489
Investment accounted for using equity method	-	222	-	222
Deferred tax asset	7,229	6,270	2,170	15,669

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

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The geographic distribution of the Company's revenues based on the location of the customers for the periods of three and nine months ended September 30, 2013 and 2012, and the identifiable non-current assets as at September 30, 2013 and December 31, 2012 are summarized as follows:

Revenues	Three months		Nine months	
	2013	2012	2013	2012
	\$	\$	\$	\$
Asia				
China	12,154	14,183	26,443	55,424
Japan	1,733	2,632	6,093	8,128
Others	20,908	27,890	68,105	77,884
America				
United States	19,998	22,075	66,939	79,486
Canada and others	5,352	5,589	15,880	15,717
Europe				
Germany	14,840	20,228	51,846	70,168
France	6,212	5,884	21,592	25,897
United Kingdom	6,717	7,968	16,989	23,591
Others	18,156	13,068	60,144	63,114
Other	2,500	1,227	5,565	3,646
Total	108,570	120,744	339,596	423,055

For the periods of three and nine months ended September 30, 2013, one customer represented approximately 8.19% and 11.8% of revenues (11.9% and 12.0% for the periods of three and nine months ended September 30, 2012), and these amounts are included in Electronic Materials revenues.

Non-current assets as at	September 30, 2013	December 31, 2012
	\$	\$
Asia		
Hong Kong	8,975	10,801
Others	10,184	9,543
United States	7,223	6,058
Europe		
Germany	26,167	25,173
Belgium	11,688	9,164
Others	5,290	6,087
Canada	23,911	27,133
Total	93,438	93,959

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NOTE 10 – SUPPLEMENTAL CASH FLOW INFORMATION

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

	Nine months	
	2013	2012
	\$	\$
Decrease (increase) in assets:		
Accounts receivable	21,512	549
Inventories	(2,999)	95,705
Income tax receivable	10,720	(5,840)
Other current assets	(34)	180
Increase (decrease) in liabilities:		
Trade and accrued liabilities	(2,499)	(18,400)
Income tax payable	858	1,540
Net change	27,558	73,734

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

	Nine months	
	2013	2012
	\$	\$
a) Exclude additions unpaid at end of period:		
Additions to property, plant and equipment	937	621
b) Include additions unpaid at beginning of period:		
Additions to property, plant and equipment	1,394	190

NOTE 11 – SHARE CAPITAL

Authorized:

- An unlimited number of common shares, participating, with no par value, entitling the holder to one vote per share
- An unlimited number of preferred shares, issuable in one or more series with specific terms, privileges and restrictions to be determined for each class by the Board of Directors. As at September 30, 2013 and 2012, no preferred shares were issued

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

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NOTE 12 – EARNINGS (LOSS) PER SHARE

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

	Three months		Nine months	
	2013	2012	2013	2012
Numerators				
	\$	\$	\$	\$
Net earnings (loss) attributable to equity holders of 5N Plus Inc.	1,083	1,218	40,639	(15,732)
Net earnings (loss) for the period	1,323	1,275	41,142	(15,896)
	Three months		Nine months	
	2013	2012	2013	2012
Denominators				
	\$	\$	\$	\$
Weighted average number of shares outstanding – Basic	83,908,269	83,908,269	83,908,269	76,459,902
Effect of dilutive securities	64,830	-	34,059	-
Weighted average number of shares outstanding – Diluted	83,973,099	83,908,269	83,942,328	76,459,902

Given the Company's stock price for the periods of three and nine months ended September 30, 2012, stock options and warrants were excluded from the weighted average number of shares outstanding – diluted due to their anti-dilutive effect.

NOTE 13 – CONTINGENCIES**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 unaudited interim condensed consolidated financial statements, the Company was not aware of any significant events that would have a material effect on its interim condensed consolidated financial statements, except for the following.

As further described in Note 7b, during the three-month period ended June 30, 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 financial statements, will be required by the Company following potential third party claims pertaining to actions or events related to the alleged breaches of representations and warranties by the Vendors.

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NOTE 14 – FINANCIAL RISK MANAGEMENT

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

Market risk

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

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

(i) Currency risk

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

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

The following table summarizes in US dollar equivalents the Company's major currency exposures as at September 30, 2013:

	CA\$	EUR	GBP	RMB	HK\$
	\$	\$	\$	\$	\$
Cash and cash equivalents	7	4,559	595	4,289	39
Temporary investments (restricted)	-	2,503	-	-	-
Accounts receivable	865	20,415	3,148	4,411	-
Bank indebtedness and short-term debt	-	-	-	(8,965)	-
Trade and accrued liabilities	(2,265)	(12,047)	(1,152)	(6,266)	(462)
Long-term debt	(872)	(3,376)	-	-	-
Net financial assets (liabilities)	(2,265)	12,054	2,591	(6,531)	(423)

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The following table shows the impact on earnings (loss) before income tax of a one-percentage point strengthening or weakening of foreign currencies against the US dollar as at September 30, 2013 for the Company's financial instruments denominated in non-functional currencies:

	CA	EUR	GBP	RMB	HK
	\$	\$	\$	\$	\$
1% Strengthening Earnings (loss) before income tax	(23)	121	26	(65)	(4)
1% Weakening Earnings (loss) before income tax	23	(121)	(26)	65	4

Occasionally, the Company will enter into short-term foreign exchange forward contracts to cover projected euro and Canadian dollar requirements. These contracts would hedge a portion of ongoing foreign exchange risk on the Company's cash flows since much of its non-US dollar expenses outside China are incurred in Canadian dollars, euros, Hong Kong dollars and British pounds sterling.

(ii) Market risk – Interest rate risk

Interest rate risk refers to the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate fluctuations on its revolving credit facility, which bears interest at a floating interest rate.

As at September 30, 2013, the Company has an outstanding interest rate swap contract to hedge its interest rate risk on the revolving credit facility. The nominal value is \$100,000 commencing in January 2013 and ending in August 2015. This interest rate swap fixed the LIBOR at 1.82%. The Company received \$1,700 when entering into this interest rate swap in September 2011, which was the fair value of the instrument on signing. The fair value of the contract is \$(2,906) as at September 30, 2013 and is recorded as part of derivative financial liabilities in the interim consolidated statements of financial position.

(iii) Market risk – Other price risk

Other price risk is the risk that fair value or future cash flows will fluctuate because of changes in market prices, other than those arising from currency risk or interest rate 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 interim consolidated statements of financial position.

In March 2013, the Company entered into derivative forward contracts to sell silver metal at fixed at \$30.43 per ounce as at March 4, 2014 to cover complex material 5N Plus purchased containing precious metal. The nominal value of the contracts was approximately \$2,600 at inception. (Note 8)

Warrants

In June 2012, the Company issued 12,903,613 units at a price of CA\$3.10 per unit. Each unit comprises one common share and one-half of a common share purchase warrant. The Company issued 6,451,807 warrants, which are recorded as part of derivative financial liabilities at fair value based on the stock exchange market. The fair value is \$(345) as at September 30, 2013 and \$(1,165) as at December 31, 2012. Fair value depends on several factors, such as market volatility, foreign exchange rate volatility, interest rate fluctuations, the Company's market activity and other market conditions.

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Credit risk

Credit risk refers to the possibility that a customer or counterparty will fail to fulfill its obligations under a contract and, as a result, create a financial loss for the Company. The Company has a credit policy that defines standard credit practice. This policy dictates that all new customer accounts be reviewed prior to approval and establishes the maximum amount of credit exposure per customer. The creditworthiness and financial well-being of the customer are monitored on an ongoing basis.

The Company establishes an allowance for doubtful accounts as determined by management based on its assessment of collection; therefore, the carrying amount of accounts receivable generally represents the maximum credit exposure. As at September 30, 2013 and December 31, 2012, the Company has an allowance for doubtful accounts of \$280 and \$168, respectively. The provision for doubtful accounts, if any, is included in selling, general and administrative expenses in the interim consolidated statements 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 September 30, 2013, the Company does not anticipate non-performance that would materially impact its interim condensed consolidated financial statements.

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

	September 30, 2013	December 31, 2012
	\$	\$
Up to 3 months	7,117	22,966
More than 3 months	481	1,395
	7,598	24,361

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

	For the nine-month period ended September 30, 2013	For the year ended December 31, 2012
	\$	\$
Beginning of period	168	482
Provision for impairment	112	1,333
Accounts receivable written off during the year as uncollectible ^(a)	-	(1,647)
End of period	280	168

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

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

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Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due (Note 7b). 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 (including interest) as at September 30, 2013:

	Carrying amount	1 year	2-3 years	4-5 years	Beyond 5 years	Total
	\$	\$	\$	\$	\$	\$
Bank indebtedness and short-term debt	8,965	9,543	-	-	-	9,543
Trade and accrued liabilities	57,241	57,241	-	-	-	57,241
Derivative financial liabilities	3,690	2,369	1,321	-	-	3,690
Long-term debt	70,697	5,902	67,492	170	17	73,581
Total	140,593	75,055	68,813	170	17	144,055

NOTE 15 – EXPENSE BY NATURE

Expense by nature	Three months		Nine months	
	2013	2012	2013	2012
	\$	\$	\$	\$
Wages and salaries ⁽¹⁾	8,926	9,182	30,218	31,067
Share-based compensation expense	172	134	425	472
Depreciation of property, plant and equipment and amortization of intangible assets	3,125	5,250	8,267	15,531
Amortization of other assets	192	259	1,822	781
Research and development (net of tax credit)	934	-	2,432	1,248
Litigation and restructuring costs	255	464	3,499	1,849
Impairment of inventories	-	-	10,182	26,068
Reversal of impairment of property, plant and equipment	-	(932)	-	(932)
Gain related to the settlement of the purchase price of MCP (Note 7b)	-	-	(45,188)	-
Gain related to the derivative forward contracts to sell silver metal (Note 8)	(751)	-	(751)	-

⁽¹⁾ Includes gain on foreign exchange forward contracts related to US\$/C\$ (Note 8)