

5N PLUS INC.

Condensed Interim Consolidated Financial Statements

(Unaudited)

For the three and nine-month periods ended September 30, 2016 and 2015

(in thousands of United States dollars)

5N PLUS INC.Condensed Interim Consolidated Statements of Financial Position
(in thousands of United States dollars) (Unaudited)

	Notes	September 30 2016	December 31 2015
		\$	\$
Assets			
Current			
Cash and cash equivalents		23,247	8,816
Accounts receivable		29,028	37,325
Inventories	4	82,893	89,052
Income tax receivable		3,421	2,632
Other current assets		2,067	1,820
Total current assets		140,656	139,645
Property, plant and equipment		60,253	67,646
Intangible assets		10,009	7,315
Deferred tax assets		3,763	3,478
Investment accounted for using the equity method		825	310
Derivative financial assets	11	1,042	-
Other assets		1,271	2,343
Total non-current assets		77,163	81,092
Total assets		217,819	220,737
Liabilities			
Current			
Trade and accrued liabilities	10	57,251	38,744
Income tax payable		6,169	6,598
Current portion of long-term debt	5	338	435
Total current liabilities		63,758	45,777
Long-term debt	5	-	1,512
Convertible debentures	6	44,078	40,288
Deferred tax liabilities		725	668
Employee benefit plan obligation		16,319	13,934
Derivative financial liabilities	11	84	1,530
Other liabilities	10, 11	4,570	20,403
Total non-current liabilities		65,776	78,335
Total liabilities		129,534	124,112
Equity			
Equity holders of 5N Plus Inc.		88,293	96,632
Non-controlling interests		(8)	(7)
Total equity		88,285	96,625
Total liabilities and equity		217,819	220,737

Commitments and contingencies (Note 12)

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

5N PLUS INC.

Condensed Interim Consolidated Statements of Loss

For the three and nine-month periods ended September 30

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

		Three months		Nine months	
	Notes	2016	2015	2016	2015
		\$	\$	\$	\$
Revenue		55,491	68,732	176,794	251,645
Cost of sales	4,7	44,583	88,923	145,235	265,469
Selling, general and administrative expenses	7	6,640	7,443	19,791	21,186
Other expenses	7	6,023	3,964	10,589	18,291
Share of loss (gain) from joint ventures		37	(36)	(37)	(15)
		57,283	100,294	175,578	304,931
Operating (loss) earnings		(1,792)	(31,562)	1,216	(53,286)
Finance expense					
Interest on long-term debt		838	1,187	2,594	3,575
Imputed interest and other interest expense		988	938	3,796	3,380
Changes in fair value of debenture conversion option	11	(258)	(194)	(6)	(1,840)
Foreign exchange and derivative loss (gain)		93	(2,810)	(467)	(2,871)
		1,661	(879)	5,917	2,244
Loss before income taxes		(3,453)	(30,683)	(4,701)	(55,530)
Income tax expense (recovery)					
Current		539	(417)	1,585	(389)
Deferred		240	1,905	(232)	(555)
		779	1,488	1,353	(944)
Net loss		(4,232)	(32,171)	(6,054)	(54,586)
Attributable to:					
Equity holders of 5N Plus Inc.		(4,232)	(32,171)	(6,053)	(54,583)
Non-controlling interests		-	-	(1)	(3)
		(4,232)	(32,171)	(6,054)	(54,586)
Loss per share attributable to equity holders of 5N Plus Inc.	8	(0.05)	(0.38)	(0.07)	(0.65)
Basic loss per share	8	(0.05)	(0.38)	(0.07)	(0.65)
Diluted loss per share	8	(0.05)	(0.38)	(0.07)	(0.65)

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

5N PLUS INC.

Condensed Interim Consolidated Statements of Comprehensive Loss

For the three and nine-month periods ended September 30

(Figures in thousands of United States dollars) (unaudited)

	Notes	Three months		Nine months	
		2016	2015	2016	2015
		\$	\$	\$	\$
Net loss		(4,232)	(32,171)	(6,054)	(54,586)
Other comprehensive loss					
Items that may be reclassified subsequently to net loss					
Net changes in cash flow hedges					
Effective portion of changes in fair value of cash flow hedges	11	(496)	-	2,485	-
Reclassification to net loss		291	(40)	(2,506)	(262)
Income taxes		28	9	3	69
		(177)	(31)	(18)	(193)
Currency translation adjustment		(76)	(650)	(490)	(562)
		(253)	(681)	(508)	(755)
Items that will not be reclassified subsequently to net loss					
Remeasurement of employee benefit plan obligation		(485)	-	(2,200)	875
Income taxes		-	-	-	(271)
		(485)	-	(2,200)	604
Other comprehensive loss		(738)	(681)	(2,708)	(151)
Comprehensive loss		(4,970)	(32,852)	(8,762)	(54,737)
Attributable to equity holders of 5N Plus Inc.		(4,970)	(32,852)	(8,761)	(54,734)
Attributable to non-controlling interests		-	-	(1)	(3)

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

5N PLUS INC.

Condensed Interim Consolidated Statements of Cash Flows

For the nine-month periods ended September 30

(Figures in thousands of United States dollars) (unaudited)

	Notes	2016	2015
		\$	\$
Operating activities			
Net loss		(6,054)	(54,586)
Adjustments to reconcile net loss to cash flows			
Depreciation of property, plant and equipment and amortization of intangible assets	7	8,619	19,879
Amortization of other assets		1,187	1,135
Amortization of deferred revenues		(187)	(596)
Impairment of inventories		-	33,745
Allowance for a doubtful note receivable from a related party		-	2,447
Share-based compensation expense		1,533	205
Deferred income taxes		(232)	(555)
Share of gain from joint ventures		(37)	(15)
Imputed interest		2,060	2,151
Employee benefit plan obligation		(165)	(178)
Change in fair value of debenture conversion option	11	(6)	(1,840)
Loss on disposal of property, plant and equipment		121	-
Unrealized loss on non-hedge financial instruments		-	198
Unrealized foreign exchange loss (gain) on assets and liabilities		391	(6,107)
Funds from (used in) operations before the following		7,230	(4,117)
Net change in non-cash working capital balances	10	13,026	51,994
Cash from operating activities		20,256	47,877
Investing activities			
Additions to property, plant and equipment and intangible assets		(4,811)	(16,648)
Investment in a joint venture		(100)	-
Restricted cash		-	2,003
Cash used in investing activities		(4,911)	(14,645)
Financing activities			
Repayment of long-term debt		(3,141)	(51,639)
Proceeds from issuing long-term debt		1,505	13,395
Long-term debt issuance costs		(111)	(423)
Net decrease in bank indebtedness		-	(975)
Financial instruments – net		-	(51)
Increase in other liabilities		800	2,100
Cash used in financing activities		(947)	(37,593)
Effect of foreign exchange rate changes on cash and cash equivalents		33	(391)
Net increase (decrease) in cash and cash equivalents		14,431	(4,752)
Cash and cash equivalents, beginning of year		8,816	12,777
Cash and cash equivalents, end of period		23,247	8,025
Supplemental information⁽¹⁾			
Income taxes paid		2,561	3,209
Interest paid		1,707	2,444

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

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

5N PLUS INC.

Condensed Interim Consolidated Statements of Changes in Equity
For the nine-month periods ended September 30
(in thousands of United States dollars, except number of shares) (unaudited)

Attributable to equity holders of the Company								
	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total shareholders' equity	Non-controlling interests	Total equity
2016		\$	\$	\$	\$	\$	\$	\$
Balances at beginning of year	83,979,657	343,506	4,079	(6,447)	(244,506)	96,632	(7)	96,625
Net loss for the period	-	-	-	-	(6,053)	(6,053)	(1)	(6,054)
Other comprehensive loss								
Net changes in cash flow hedges	-	-	-	(18)	-	(18)	-	(18)
Currency translation adjustment	-	-	-	(490)	-	(490)	-	(490)
Remeasurement of employee benefit plan obligation	-	-	-	(2,200)	-	(2,200)	-	(2,200)
Total comprehensive loss	-	-	-	(2,708)	(6,053)	(8,761)	(1)	(8,762)
Share-based compensation	-	-	422	-	-	422	-	422
Balances at end of period	83,979,657	343,506	4,501	(9,155)	(250,559)	88,293	(8)	88,285
Attributable to equity holders of the Company								
	Number of shares	Share capital	Contributed Surplus	Accumulated other comprehensive loss	Deficit	Total shareholders' equity	Non-controlling interests	Total equity
2015		\$	\$	\$	\$	\$	\$	\$
Balances at beginning of year	83,979,657	343,506	3,914	(3,669)	(147,308)	196,443	(4)	196,439
Net loss for the period	-	-	-	-	(54,583)	(54,583)	(3)	(54,586)
Other comprehensive loss								
Net changes in cash flow hedges	-	-	-	(193)	-	(193)	-	(193)
Currency translation adjustment	-	-	-	(562)	-	(562)	-	(562)
Remeasurement of employe benefit plan obligation	-	-	-	604	-	604	-	604
Total comprehensive loss	-	-	-	(151)	(54,583)	(54,734)	(3)	(54,737)
Share-based compensation	-	-	126	-	-	126	-	126
Balances at end of period	83,979,657	343,506	4,040	(3,820)	(201,891)	141,835	(7)	141,828

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

5N PLUS INC.

Notes to Condensed Interim Consolidated Financial Statements

For the three and nine-month periods ended September 30

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

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 November 1, 2016.

2. Basis of Presentation

These condensed interim 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 condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2015, 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. The accounting policies followed in these unaudited condensed interim financial statements are consistent with those of the previous financial year, with the additional policy described below.

The functional and presentation currency of the Company is the United States dollar.

Income taxes

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

The income tax expense for the three and nine-month periods ended September 30, 2016 was mainly affected by losses carried forward for which no deferred tax asset was recognized.

3. Accounting Policies**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 mandatory on January 1, 2018 for the Company with earlier adoption permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

5N PLUS INC.**Notes to Condensed Interim Consolidated Financial Statements**

For the three and nine-month periods ended September 30

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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 mandatory 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.

In January 2016, IASB issued IFRS 16, “Leases”, which specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The standard will be mandatory for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

In January 2016, IASB amended IAS 7, “Statement of Cash Flows”, The amendments require that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. One way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities. This amendment will be mandatory for reporting periods beginning on or after January 1, 2017. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

4. Inventories

	September 30 2016	December 31 2015
	\$	\$
Raw materials	30,118	28,200
Finished goods	52,775	60,852
Total inventories	82,893	89,052

For the three and nine-month periods ended September 30, 2016, a total of \$35,997 and \$118,721 of inventories was included as an expense in cost of sales (\$56,431 and \$207,113 for the three and nine-month periods ended September 30, 2015). For the three and nine-month periods ended September 30, 2015, these include \$27,245 and \$33,745 of impairment of inventories (\$10,629 and \$17,129 For the Eco-Friendly Materials segment and \$16,616 and \$16,616 for the Electronic Materials segment).

For the three and nine-month periods ended September 30, 2016, a total of \$6,548 and \$18,745 of inventories previously written down was recognized as a reduction of expenses in cost of sales (\$673 and \$6,963 for the Eco-Friendly Materials segment and \$5,875 and \$11,782 for the Electronic Materials segment). For the three and nine-month periods ended September 30, 2015, a total of \$8,732 and \$16,980 of inventories previously written down was recognized as a reduction of expenses in cost of sales (\$6,006 and \$13,086 for the Eco-Friendly Materials segment and \$2,726 and \$3,894 for the Electronic Materials segment).

5N PLUS INC.**Notes to Condensed Interim Consolidated Financial Statements**

For the three and nine-month periods ended September 30

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

5. Long-Term Debt

	September 30 2016	December 31 2015
	\$	\$
Senior secured revolving facility of \$50,000 (\$100,000 as at December 31, 2015) with a syndicate of banks, maturing in August 2018 ⁽¹⁾	-	1,475
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⁾	338	420
Other loans	-	52
	338	1,947
Less: Current portion of long-term debt	338	435
	-	1,512

⁽¹⁾ In August 2014, the Company signed a senior secured multi-currency revolving credit facility of \$125,000 maturing in August 2018, which was reduced to \$100,000 as at June 30, 2015 and subsequently to \$50,000 as at February 18, 2016. At any time, the Company has the option to request that the credit facility be expanded through the exercise of an additional \$50,000 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. Under the terms of its credit facility, the Company is required to satisfy certain restrictive covenants as to financial ratios, including a temporary drawing limit on the credit facility of maximum \$25,000, which could be further reduced to \$15,000 if certain conditions are not met from February 18, 2016 to December 31, 2016. As at September 30, 2016, the financial covenants have been met and already exceed the full year requirement. During the first quarter of 2016, an amount of deferred costs of \$897 was expensed and recorded in Imputed interest and other interest expense. As at September 30, 2016, the Company 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 was reduced to 2,500 Euros as at February 18, 2016. This credit facility 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 drawn as at September 30, 2016 and December 31, 2015.

⁽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 will need to execute on its EBITDA and cash flow estimates. Management believes that the assumptions used by the Company in preparing its estimates are reasonable.

6. 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 11). 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 loss.

5N PLUS INC.**Notes to Condensed Interim Consolidated Financial Statements**

For the three and nine-month periods ended September 30

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

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 an approach based on partial differential equations or binomial lattices, with the following assumptions: 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 September 30, 2016 and December 31, 2015, and have not changed substantially except for the expected life of 2.75 and 3.5 years respectively and for average expected volatility of 42% as at September 30, 2016. On December 7, 2015, the Company entered into a cross-currency swap to hedge the convertible debenture denominated in Canadian dollars to US dollars (Note 11).

7. Expenses by Nature

Expenses by nature	Three months		Nine months	
	2016	2015	2016	2015
	\$	\$	\$	\$
Wages and salaries	9,470	10,163	28,777	30,627
Share-based compensation expense (included in Corporate and unallocated)	141	80	1,533	205
Depreciation of property, plant and equipment and amortization of intangible assets ⁽¹⁾	3,693	2,422	8,619	19,879
Amortization of other assets	90	178	1,187	1,135
Research and development, net of tax credit	893	879	2,391	1,664
Litigation and restructuring costs ⁽¹⁾	4,915	500	5,945	500
Impairment of inventories (note 4)	-	27,245	-	33,745
Allowance for a doubtful note receivable from a related party	-	2,447	-	2,447

⁽¹⁾ On September 29, 2016, the Company announced its intention to consolidate the Company's operations at Wellingborough, U.K. with other sites within the Group, as well as consolidate the operations of DeForest-Wisconsin, U.S.A. and Fairfield-Connecticut, U.S.A. during the first half of 2017 into a newly updated and scaled facility, located in the state of Connecticut, more precisely in the City of Trumbull. Therefore, during the third quarter of 2016, the Company recorded a provision for restructuring costs in accordance with IAS 37 "Provision, contingent liabilities and contingent assets" for an amount of \$3,500 which consist mainly of severances and other related costs to closures sites. In addition, the Company recorded an accelerated depreciation of \$1,804 following the review of the economic life and carrying value of its property, plant and equipment of these sites.

8. Loss per Share

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

Numerators	Three months		Nine months	
	2016	2015	2016	2015
	\$	\$	\$	\$
Net loss attributable to equity holders of 5N Plus	(4,232)	(32,171)	(6,053)	(54,583)
Net loss for the period	(4,232)	(32,171)	(6,054)	(54,586)

Denominators	Three months		Nine months	
	2016	2015	2016	2015
Basic and diluted weighted average number of shares	83,979,657	83,979,657	83,979,657	83,979,657

5N PLUS INC.**Notes to Condensed Interim Consolidated Financial Statements**

For the three and nine-month periods ended September 30

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

For the three and nine-month periods ended September 30, 2016, a total number of 2,860,648 stock options were excluded from the diluted weighted average number of shares due to their anti-dilutive effect. The same applies to the convertible debentures and to the 1,245,000 new Restricted share units, granted in March 2016, for the three and nine-month periods ended September 30, 2016.

For the three and nine-month periods ended September 30, 2015, a total number of 1,588,345 stock options were excluded from the diluted weighted average number of shares due to their anti-dilutive effect. The same applies to the convertible debentures for the three and nine-month periods ended September 30, 2015.

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, 2016	Eco-Friendly Materials	Electronic Materials	Corporate and unallocated	Total
	\$	\$	\$	\$
Segment revenues ⁽¹⁾	35,060	20,431	-	55,491
Adjusted EBITDA ^{(2) (3)}	3,360	6,313	(2,857) ⁽⁴⁾	6,816
Interest on long-term debt, imputed interest and other interest expense	-	-	1,826	1,826
Litigation and restructuring costs (Note 7)	2,376	1,100	1,439	4,915
Change in fair value of debenture conversion option	-	-	(258)	(258)
Foreign exchange and derivative (loss) gain	-	-	93	93
Depreciation and amortization	1,561	2,072	60	3,693
Earnings (loss) before income tax	(577)	3,141	(6,017)	(3,453)
Capital expenditures	295	1,073	-	1,368

For the three-month period ended September 30, 2015	Eco-Friendly Materials	Electronic Materials	Corporate and unallocated	Total
	\$	\$	\$	\$
Segment revenues ⁽¹⁾	43,733	24,999	-	68,732
Adjusted EBITDA ^{(2) (3)}	804	2,884	(2,636)	1,052
Interest on long-term debt, imputed interest and other interest expense	-	-	2,125	2,125
Impairment of inventories (Note 4)	10,629	16,616	-	27,245
Litigation and restructuring costs	-	-	500	500
Allowance for a doubtful note receivable from related party	-	2,447	-	2,447
Change in fair value of debenture conversion option	-	-	(194)	(194)
Foreign exchange and derivative (loss) gain	-	-	(2,810)	(2,810)
Depreciation and amortization	946	1,326	150	2,422
Loss before income tax	(10,771)	(17,505)	(2,407)	(30,683)
Capital expenditures	2,408	2,646	27	5,081

5N PLUS INC.**Notes to Condensed Interim Consolidated Financial Statements**

For the three and nine-month periods ended September 30

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

For the nine-month period ended September 30, 2016	Eco-Friendly Materials	Electronic Materials	Corporate and unallocated	Total
	\$	\$	\$	\$
Segment revenues ⁽¹⁾	117,089	59,705	-	176,794
Adjusted EBITDA ^{(2) (3)}	10,923	14,713	(9,856) ⁽⁴⁾	15,780
Interest on long-term debt, imputed interest and other interest expense	-	-	6,390	6,390
Litigation and restructuring costs (Note 7)	2,628	1,309	2,008	5,945
Change in fair value of debenture conversion option	-	-	(6)	(6)
Foreign exchange and derivative (loss) gain	-	-	(467)	(467)
Depreciation and amortization	3,555	4,880	184	8,619
Earnings (loss) before income tax	4,740	8,524	(17,965)	(4,701)
Capital expenditures	824	3,978	9	4,811

For the nine-month period ended September 30, 2015	Eco-Friendly Materials	Electronic Materials	Corporate and unallocated	Total
	\$	\$	\$	\$
Segment revenues ⁽¹⁾	166,213	85,432	-	251,645
Adjusted EBITDA ^{(2) (3)}	(538)	10,676	(6,853)	3,285
Interest on long-term debt, imputed interest and other interest expense	-	-	6,955	6,955
Impairment of inventories (Note 4)	17,129	16,616	-	33,745
Litigation and restructuring costs	-	-	500	500
Allowance for a doubtful note receivable from related party	-	2,447	-	2,447
Change in fair value of debenture conversion option	-	-	(1,840)	(1,840)
Foreign exchange and derivative loss (gain)	-	-	(2,871)	(2,871)
Depreciation and amortization	2,093	17,551	235	19,879
Loss before income tax	(19,760)	(25,938)	(9,832)	(55,530)
Capital expenditures	7,177	9,343	128	16,648

⁽¹⁾ The total revenues of \$1,395 and \$11,540 for the three and nine-month periods ended September 30, 2016 from the recycling and trading of complex materials is allocated to the Eco-Friendly materials and Electronic materials segments (\$4,257 and \$14,305 for the three and nine-month periods ended September 30 2015) .

⁽²⁾ Earnings (loss) before income tax, depreciation and amortization, impairment of inventories, litigation and restructuring costs and financial expense.

⁽³⁾ The total adjusted EBITDA of a negative amount of \$68 and \$124 for the three and nine-month periods ended September 30, 2016 from the recycling and trading of complex materials is allocated to the Eco-Friendly Materials and Electronic Materials segments (\$223 and \$614 for the three and nine-month periods ended September 30, 2015).

⁽⁴⁾ The total share-based compensation expense is included in Corporate and unallocated (Note 7).

As at September 30, 2016	Eco-Friendly Materials	Electronic Materials	Corporate and unallocated	Total
	\$	\$	\$	\$
Total assets excluding the deferred tax assets:	96,896	107,703	9,457	214,056

As at December 31, 2015	Eco-Friendly Materials	Electronic Materials	Corporate and unallocated	Total
	\$	\$	\$	\$
Total assets excluding the deferred tax assets:	104,157	108,342	4,760	217,259

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Notes to Condensed Interim Consolidated Financial Statements

For the three and nine-month periods ended September 30

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The geographic distribution of the Company's revenues based on the location of the customers for the periods ended September 30, 2016 and 2015, and the identifiable non-current assets as at September 30, 2016 and December 31, 2015 are summarized as follows:

Revenue	Three months		Nine months	
	2016	2015	2016	2015
	\$	\$	\$	\$
Asia				
China	2,511	7,548	8,551	16,561
Japan	1,122	1,502	3,660	4,920
Other ⁽¹⁾	13,984	14,838	40,353	48,636
Americas				
United States	10,777	16,125	35,014	61,751
Other	2,489	3,645	10,069	13,268
Europe				
Germany	7,371	8,571	21,940	29,791
France	3,380	3,442	11,908	16,493
United Kingdom	1,942	2,164	6,072	7,822
Other ⁽¹⁾	9,649	9,581	34,964	47,852
Other	2,266	1,316	4,263	4,551
Total	55,491	68,732	176,794	251,645

¹⁾ None exceeding 10%

For the three and nine-month periods ended September 30, 2016, one customer represented approximately 18.1% and 16.2% of the revenues, and is included in Electronic Materials revenues.

Non-current assets (other than deferred tax)	September 30	December 31
	2016	2015
	\$	\$
Asia ⁽¹⁾	16,042	17,470
United States	5,248	5,124
Canada	22,482	22,260
Europe		
Belgium	9,155	9,614
Germany	18,452	19,683
United Kingdom	2,021	3,463
Total	73,400	77,614

⁽¹⁾ None exceeding 10%

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Notes to Condensed Interim Consolidated Financial Statements

For the three and nine-month periods ended September 30

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

10. Supplemental Cash Flow Information

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

	2016	Nine month 2015
	\$	\$
Decrease (increase) in assets:		
Accounts receivable	6,755	28,061
Inventories	6,642	49,975
Income tax receivable	(782)	(3,390)
Other current assets	(251)	1,155
Increase (decrease) in liabilities:		
Trade and accrued liabilities	1,091	(23,600)
Income tax payable	(429)	(207)
Net change	13,026	51,994

For the nine-month periods ended September 30, 2016 and 2015, the condensed interim consolidated statements of cash flows exclude or include the following transactions:

	2016	Nine month 2015
	\$	\$
a) Excluded additions unpaid at end of the period:		
Additions to property, plant and equipment	3,451	4,231
b) Included additions unpaid at beginning of the period:		
Additions to property, plant and equipment	4,181	5,423
c) Excluded a reclassification from other liabilities to trade and accrued liabilities for which final settlement and payment are due in April 2017	16,038	-

11. Fair Value of Financial Instruments

The fair value of a financial instrument is determined by reference to the available market information at the reporting date. When no active market exists for a financial instrument, the Company determines the fair value of that instrument based on valuation methodologies as discussed below. In determining assumptions required under a valuation model, the Company primarily uses external, readily observable market data inputs. Assumptions or inputs that are not based on observable market data incorporate the Company's best estimates of market participant assumptions, and are used when external data is not available. Counterparty credit risk and the Company's own credit risk are taken into account in estimating the fair value of all financial assets and financial liabilities.

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Notes to Condensed Interim Consolidated Financial Statements

For the three and nine-month periods ended September 30

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

The following assumptions and valuation methodologies have been used to measure fair value of financial instruments:

- (i) The fair value of its short-term financial assets and financial liabilities, including cash and cash equivalents, accounts receivable and trade and accrued liabilities approximates their carrying value due to the short-term maturities of these instruments;
- (ii) The fair value of derivative instruments, which include cross-currency swap, are calculated as the present value of the estimated future cash flows using an appropriate interest rate yield curve and foreign exchange rate. Assumptions are based on market conditions prevailing at each reporting date. Derivative instrument reflect the estimated amount that the Company would receive or pay to settle the contracts at the reporting date;
- (iii) The fair value of the debenture conversion option, included in derivative financial liabilities, is described in Note 6;
- (iv) The fair value of long-term debt and a long-term payable are estimated based on discounted cash flows using current interest rate for instruments with similar terms and remaining maturities; and
- (v) The fair value of the convertible debentures is based on quoted prices observed in active markets.

The carrying values and fair values of financial instruments, by class, are as follows as at September 30, 2016 and December 31, 2015:

As at September 30, 2016					Carrying Value	Fair value
	At fair value through profit or loss	Loans and receivables	Financial liabilities at amortized cost	Derivative designated in a hedge relationship	Total	Total
	\$	\$	\$	\$	\$	\$
Financial assets						
Cash and cash equivalents	-	23,247	-	-	23,247	23,247
Accounts receivable	-	29,028	-	-	29,028	29,028
Derivative financial assets	-	-	-	1,042	1,042	1,042
Total	-	52,275	-	1,042	53,317	53,317
Financial liabilities						
Trade and accrued liabilities	-	-	57,251	-	57,251	57,251
Long-term debt	-	-	338	-	338	338
Convertible debentures and debenture conversion option (included in derivative financial liabilities)	84	-	44,078	-	44,162	44,860
Total	84	-	101,667	-	101,751	102,449

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Notes to Condensed Interim Consolidated Financial Statements

For the three and nine-month periods ended September 30

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

As at December 31, 2015					Carrying Value	Fair value
	At fair value through profit or loss	Loans and receivables	Financial liabilities at amortized cost	Derivative designated in a hedge relationship	Total	Total
	\$	\$	\$	\$	\$	\$
Financial assets						
Cash and cash equivalents	-	8,816	-	-	8,816	8,816
Accounts receivable	-	37,325	-	-	37,325	37,325
Total	-	46,141	-	-	46,141	46,141
Financial liabilities						
Trade and accrued liabilities	-	-	38,744	-	38,744	38,744
Long-term debt	-	-	1,947	-	1,947	1,947
Convertible debentures and debenture conversion option (included in derivative financial liabilities)	87	-	40,288	-	40,375	36,175
Derivative financial liabilities	-	-	-	1,443	1,443	1,443
Long-term payable (included in other liabilities)	-	-	14,939	-	14,939	14,804
Total	87	-	95,918	1,443	97,448	93,113

Fair value hierarchy

The fair value hierarchy reflects the significance of the inputs used in making the measurements and has the following levels:

- Level 1: Quoted prices (unadjusted) 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).

The following table presents the financial instruments, by class, which are recognized at fair value in the consolidated statements of financial position:

As at September 30, 2016		Level 1	Level 2	Level 3
		\$	\$	\$
Financial assets (liabilities)				
At fair value through profit or loss				
Debenture conversion option (Note 6) ⁽¹⁾	-	-	(84)	
Derivatives designated in a hedge relationship				
Cross-currency swap ⁽²⁾	-	1,042	-	
Total	-	1,042	(84)	

As at December 31, 2015		Level 1	Level 2	Level 3
		\$	\$	\$
Financial assets (liabilities)				
At fair value through profit or loss				
Debenture conversion option (Note 6) ⁽¹⁾	-	-	(87)	
Derivatives designated in a hedge relationship				
Cross-currency swap ⁽²⁾	-	(1,443)	-	
Total	-	(1,443)	(87)	

5N PLUS INC.**Notes to Condensed Interim Consolidated Financial Statements****For the three and nine-month periods ended September 30****(in thousands of United States dollars, except unless otherwise indicated) (unaudited)**

- ⁽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 the debenture conversion option of 258\$ and 6\$ was recognized in the consolidated statement of earnings (loss) for the three and the nine-month periods ended September 30, 2016 (\$194 and \$1,840 for the three and the nine-month periods ended September 30, 2015).
- ⁽²⁾ On December 7, 2015, the Company entered into a cross-currency swap to hedge the convertible debenture denominated in Canadian dollars with a notional amount of CA\$66,000 and bearing interest at a rate of 5.75% per annum, payable semi-annually on June 30 and December 31. Under this cross-currency swap, the Company exchange interest payments and principal redemption on the same terms and designates the cross-currency as a cash flow hedge of the variability of the \$US functional currency equivalent cash flows on the debt. The terms are such that on each interest payment date, the Company will receive 5.75% on a notional of CA\$66,000 and pay 6.485% based on a notional of US\$48,889.

12. Commitments and Contingencies**Commitments**

In the normal course of business, the Company contracted letters of credit for an amount of up to \$767 as at September 30, 2016 (\$502 as at December 31, 2015).

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 condensed interim consolidated financial statements, the Company was not aware of any significant events that would have a material effect on its consolidated financial statements.