

5N PLUS INC.

Condensed Interim Consolidated Financial Statements

(Unaudited)

For the three and nine-month periods ended September 30, 2017 and 2016

(in thousands of United States dollars)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of United States dollars) (unaudited)

	Notes	September 30 2017	December 31 2016
		\$	\$
Assets			
Current			
Cash and cash equivalents		35,064	24,301
Accounts receivable		25,238	29,799
Inventories	4	81,789	80,309
Income tax receivable		6,058	6,819
Other current assets	12	7,696	2,831
Total current assets		155,845	144,059
Property, plant and equipment		58,351	59,945
Intangible assets		12,433	11,109
Deferred tax assets		2,879	1,883
Investment accounted for using the equity method		669	779
Derivative financial assets	12	3,697	189
Other assets		962	1,093
Total non-current assets		78,991	74,998
Total assets		234,836	219,057
Liabilities			
Current			
Trade and accrued liabilities		53,112	57,381
Income tax payable		11,276	8,422
Current portion of long-term debt	5	272	325
Total current liabilities		64,660	66,128
Convertible debentures	6	48,434	43,157
Deferred tax liabilities		456	715
Employee benefit plan obligation		15,677	14,813
Derivative financial liabilities	12	67	68
Other liabilities		5,647	5,662
Total non-current liabilities		70,281	64,415
Total liabilities		134,941	130,543
Equity			
Equity holders of 5N Plus Inc.		99,906	88,522
Non-controlling interests		(11)	(8)
Total equity		99,895	88,514
Total liabilities and equity		234,836	219,057

Commitments and contingencies (Note 13)

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

For the three and nine-month periods ended September 30

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

	Notes	Three months		Nine months	
		2017	2016	2017	2016
		\$	\$	\$	\$
Revenue		50,325	55,491	167,424	176,794
Cost of sales	4	38,670	44,583	129,479	145,235
Selling, general and administrative expenses		6,069	6,640	19,542	19,791
Other expenses	7	1,183	6,023	1,227	10,589
Share of loss (gain) from joint ventures		23	37	144	(37)
		45,945	57,283	150,392	175,578
Operating earnings (loss)		4,380	(1,792)	17,032	1,216
Financial expense					
Interest on long-term debt		819	838	2,456	2,594
Imputed interest and other interest expense		677	988	2,269	3,796
Changes in fair value of debenture conversion option	12	(312)	(258)	(18)	(6)
Foreign exchange and derivative loss (gain)		40	93	399	(467)
		1,224	1,661	5,106	5,917
Earnings (loss) before income taxes		3,156	(3,453)	11,926	(4,701)
Income tax (recovery) expense					
Current		2,042	539	3,352	1,585
Deferred		(1,109)	240	(1,217)	(232)
		933	779	2,135	1,353
Net earnings (loss)		2,223	(4,232)	9,791	(6,054)
Attributable to:					
Equity holders of 5N Plus Inc.		2,224	(4,232)	9,794	(6,053)
Non-controlling interests		(1)	-	(3)	(1)
		2,223	(4,232)	9,791	(6,054)
Earnings (loss) per share attributable to equity holders of 5N Plus Inc.	9	0.03	(0.05)	0.12	(0.07)
Basic earning (loss) per share	9	0.03	(0.05)	0.12	(0.07)
Diluted earnings (loss) per share	9	0.03	(0.05)	0.12	(0.07)

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the three and nine-month periods ended September 30

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

	Notes	Three months		Nine months	
		2017	2016	2017	2016
		\$	\$	\$	\$
Net earnings (loss)		2,223	(4,232)	9,791	(6,054)
Other comprehensive income (loss)					
Items that may be reclassified subsequently to net earnings (loss)					
Net changes in cash flow hedges					
Effective portion of changes in fair value of cash flow hedges	12	1,876	(496)	3,508	2,485
Reclassification to net earnings (loss)		(1,836)	291	(3,821)	(2,506)
Income taxes		(6)	28	41	3
		34	(177)	(272)	(18)
Currency translation adjustment		325	(76)	758	(490)
		359	(253)	486	(508)
Items that will not be reclassified subsequently to net earnings (loss)					
Remeasurement of employee benefit plan obligation		22	(485)	661	(2,200)
Other comprehensive income (loss)		381	(738)	1,147	(2,708)
Comprehensive income (loss)		2,604	(4,970)	10,938	(8,762)
Attributable to equity holders of 5N Plus Inc.		2,605	(4,970)	10,941	(8,761)
Attributable to non-controlling interests		(1)	-	(3)	(1)

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the nine-month periods ended September 30

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

	Notes	2017	2016
		\$	\$
Operating activities			
Net earnings (loss)		9,791	(6,054)
Adjustments to reconcile net earnings (loss) to cash flows			
Depreciation of property, plant and equipment and amortization of intangible assets		5,792	8,619
Amortization of other assets		166	1,187
Amortization of deferred revenues		-	(187)
Share-based compensation expense		4,028	1,533
Deferred income taxes		(1,217)	(232)
Share of loss (gain) from joint ventures		144	(37)
Imputed interest		1,962	2,060
Employee benefit plan obligation		(253)	(165)
Change in fair value of debenture conversion option	12	(18)	(6)
(Gain) loss on disposal of property, plant and equipment		(390)	121
Unrealized gain on non hedge financial instruments	12	(283)	-
Unrealized foreign exchange loss on assets and liabilities		1,216	391
Funds from operations before the following		20,938	7,230
Net change in non-cash working capital balances related to operations	11	(5,715)	13,026
Cash from operating activities		15,223	20,256
Investing activities			
Additions to property, plant and equipment		(4,537)	(1,822)
Additions of intangible assets		(1,533)	(2,989)
Proceeds on disposal of property, plant and equipment		1,145	-
Investment in a joint venture		-	(100)
Cash used in investing activities		(4,925)	(4,911)
Financing activities			
Repayment of long-term debt		(74)	(3,141)
Proceeds from issuing long-term debt		-	1,505
Long-term debt issuance costs		-	(111)
Common shares repurchased		(654)	-
Issuance of common shares		805	-
Increase in other liabilities		-	800
Cash from (used) in financing activities		77	(947)
Effect of foreign exchange rate changes on cash and cash equivalents		388	33
Net increase in cash and cash equivalents		10,763	14,431
Cash and cash equivalents, beginning of period		24,301	8,816
Cash and cash equivalents, end of period		35,064	23,247
Supplemental information⁽¹⁾			
Income taxes (received) paid		(441)	2,561
Interest paid		1,542	1,707

⁽¹⁾ Amounts (received) 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.

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
2017								
Balances at beginning of period	83,778,557	342,684	4,596	(8,927)	(249,831)	88,522	(8)	88,514
Net earnings (loss) for the period	-	-	-	-	9,794	9,794	(3)	9,791
Other comprehensive income (loss)								
Net changes in cash flow hedges	-	-	-	(272)	-	(272)	-	(272)
Currency translation adjustment	-	-	-	758	-	758	-	758
Remeasurement of employee benefit plan obligation	-	-	-	661	-	661	-	661
Total comprehensive income (loss)	-	-	-	1,147	9,794	10,941	(3)	10,938
Common shares repurchased and cancelled (Note 8)	(475,016)	(1,943)	-	-	1,289	(654)	-	(654)
Exercise of stocks options	597,500	1,208	(403)	-	-	805	-	805
Share-based compensation	-	-	292	-	-	292	-	292
Balances at end of period	83,901,041	341,949	4,485	(7,780)	(238,748)	99,906	(11)	99,895
	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 period	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

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

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 condensed interim consolidated financial statements were approved by the Board of Directors on November 7, 2017.

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, 2016, 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 consolidated 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.

3 Changes in Accounting Policies and Futures Changes in 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", this new IFRS standard is applicable by the Company no later than January 1, 2018. IFRS 15 will supersede current revenue recognition guidance including IAS 18 "Revenue" and IAS 11 "Construction Contracts". It applies to new contracts at the effective date and to existing contracts that are not yet completed at the effective date, January 1, 2018.

IFRS 15 is currently under review by the Company assessing its impact on the consolidated financial statements of fiscal year 2017, the assessment extending through fiscal year 2018. 5N Plus will adopt the "modified approach", whereby the cumulative effect will be recorded as an adjustment to the opening balance sheet or retained earnings on the effective date, rather than a retroactive restatement of prior periods. At this point in time, based on the initial analysis of certain contracts and transactions, the Company does not anticipate any material deviations to IFRS 15, when recording revenue.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine-month periods ended September 30, 2017 and 2016
(in thousands of United States dollars, except unless otherwise indicated) (unaudited)

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.

4 Inventories

	September 30 2017	December 31 2016
	\$	\$
Raw materials	22,305	24,436
Finished goods	59,484	55,873
Total inventories	81,789	80,309

For the three and nine-months periods ended September 30, 2017, a total of \$22,577 and \$87,587 of inventories was included as an expense in cost of sales (\$35,997 and \$118,721 for the three and nine-month periods ended September 30, 2016).

For the three and nine-months periods ended September 30, 2017, a total of \$886 and \$7,020 of inventories previously written down was recognized as a reduction of expenses in cost of sales concurrently with the related inventories being sold (\$207 and \$757 for the Eco-Friendly Materials segment and \$679 and \$6,263 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 expense 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).

5 Long-Term Debt

	September 30 2017	December 31 2016
	\$	\$
Senior secured revolving facility of \$50,000 with a syndicate of banks, maturing in August 2018 ⁽¹⁾	-	-
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⁾	272	325
	272	325
Less: Current portion of long-term debt	272	325
	-	-

⁽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. During the first quarter of 2016, an amount of deferred costs of \$897 has been expensed and recorded in Imputed interest and other interest expense. As at September 30, 2017, 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 used as at September 30, 2017 and December 31, 2016.

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine-month periods ended September 30, 2017 and 2016
(in thousands of United States dollars, except unless otherwise indicated) (unaudited)

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

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, 2017 and December 31, 2016, and have not changed substantially except for the expected life of 1.75 and 2.5 years respectively and for average expected volatility of 37.7% as at September 30, 2017 and 43.1% as at December 31, 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 12).

7 Expenses (Revenue) by Nature

	Three months		Nine months	
	2017	2016	2017	2016
	\$	\$	\$	\$
Wages and salaries	8,834	9,470	28,382	28,777
Share-based compensation expense (included in Corporate and unallocated) (Note 10) ⁽¹⁾	787	141	3,758	1,533
Depreciation of property, plant and equipment and amortization of intangible assets	1,775	3,693 ⁽²⁾	5,792	8,619 ⁽²⁾
Amortization of other assets	56	90	166	1,187
Gain on disposal of property, plant and equipment	-	-	(390)	121
Research and development, net of tax credit	404	893	1,292	2,391
Litigation and restructuring (income) costs	-	4,915 ⁽²⁾	(3,368) ⁽³⁾	5,945 ⁽²⁾

⁽¹⁾ In June 2017, the Company entered into equity swap agreement to reduce its earnings exposure on the fluctuation in the Company's share price relating to DSU, PSU, RSU and SAR (Note 12). The changes in fair value of the equity swap are recorded against the share-based compensation expense for an amount of \$27 and \$270 for the three and nine-month ended September 30, 2017.

⁽²⁾ 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.

⁽³⁾ Including an income resulting from an amendment to optimize commercial agreements mitigated by cost related to termination of a non-core activity.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine-month periods ended September 30, 2017 and 2016
(in thousands of United States dollars, except unless otherwise indicated) (unaudited)

8 Share Capital

On February 21, 2017, the Toronto Stock Exchange approved an amendment to the Company's normal course issuer bid implemented on October 11, 2016. Under this normal course issuer bid amendment, the Company had the right to purchase for cancellation, from October 11, 2016 to October 10, 2017, a maximum of 2,100,000 (previously 600,000) common shares.

For the nine-month period ended September 30, 2017, the Company has repurchased and cancelled 475,016 common shares at an average price of \$1.38 for a total amount of \$654. An amount of \$1,943 has been applied against share capital and a negative amount of \$1,289 has been applied against the deficit.

9 Earnings (Loss) per Share

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

Numerators	Three months		Nine months	
	2017	2016	2017	2016
	\$	\$	\$	\$
Net earnings (loss) attributable to equity holders	2,224	(4,232)	9,794	(6,053)
Net earnings (loss) for the period	2,223	(4,232)	9,791	(6,054)

Denominators	Three months		Nine months	
	2017	2016	2017	2016
Basic weighted average number of shares	83,597,954	83,979,657	83,600,584	83,979,657
Dilutive effect:				
Stock options	623,100	-	285,581	-
Diluted weighted average number of shares	84,221,054	83,979,657	83,886,165	83,979,657

For the three and nine-month periods ended September 30, 2017, a total number of 320,997 and 789,747 stock options were excluded from the diluted weighted average number of shares due to their anti-dilutive effect because of the Company's stock price. The same applies to the convertible debentures and to the 1,558,360 new restricted share units for the three and nine-months periods ended September 30, 2017.

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 because of the Company's stock price. The same applies to the convertible debentures and to the 1,245,000 new restricted share units granted for the three and nine-months periods ended September 30, 2016.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine-month periods ended September 30, 2017 and 2016
(in thousands of United States dollars, except unless otherwise indicated) (unaudited)

10 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, 2017	Eco-Friendly Materials	Electronic Materials	Corporate and unallocated	Total
	\$	\$	\$	\$
Segment revenue ⁽¹⁾	32,699	17,626	-	50,325
Adjusted EBITDA ^{(2) (3)}	3,306	5,565	(2,716)	6,155
Interest on long-term debt, imputed interest and other interest expense	-	-	1,496	1,496
Change in fair value of debenture conversion option	-	-	(312)	(312)
Foreign exchange and derivative loss (gain)	-	-	40	40
Depreciation and amortization	732	1,030	13	1,775
Earnings (loss) before income tax	2,574	4,535	(3,953)	3,156
Capital expenditures	370	988	-	1,358

For the three-month period ended September 30, 2016	Eco-Friendly Materials	Electronic Materials	Corporate and unallocated	Total
	\$	\$	\$	\$
Segment revenue ⁽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 nine-month period ended September 30, 2017	Eco-Friendly Materials	Electronic Materials	Corporate and unallocated	Total
	\$	\$	\$	\$
Segment revenue ⁽¹⁾	111,893	55,531	-	167,424
Adjusted EBITDA ^{(2) (3)}	11,309	19,193	(11,436)	19,066
Interest on long-term debt, imputed interest and other interest expense	-	-	4,725	4,725
Litigation and restructuring costs (Note 7)	429	(3,797)	-	(3,368)
Change in fair value of debenture conversion option	-	-	(18)	(18)
Foreign exchange and derivative loss (gain)	-	-	399	399
Gain on disposal of property, plant and equipment	-	(390)	-	(390)
Depreciation and amortization	2,441	3,284	67	5,792
Earnings (loss) before income tax	8,439	20,096	(16,609)	11,926
Capital expenditures	1,666	2,871	-	4,537

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine-month periods ended September 30, 2017 and 2016

(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 revenue ⁽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

⁽¹⁾ The total revenues of \$3,060 and \$13,813 for the three and nine-month periods ended September 30, 2017 from the recycling and trading of complex materials is allocated to the Eco-Friendly materials and Electronic materials segments (\$1,395 and \$11,540 for the three and nine-month periods ended September 30, 2016).

⁽²⁾ Earnings (loss) before income tax, depreciation and amortization, litigation and restructuring costs, gain on disposal of property, plant and equipment and financial expense.

⁽³⁾ The total adjusted EBITDA of \$853 and \$2,418 for the three and nine-month periods ended September 30, 2017 from the recycling and trading of complex materials is allocated to the Eco-Friendly materials and Electronic materials segments (negative amounts of \$68 and \$124 for the three and nine-month periods ended September 30, 2016).

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

As at September 30, 2017	Eco-Friendly Materials	Electronic Materials	Corporate and unallocated	Total
	\$	\$	\$	\$
Total assets excluding the deferred tax asset:	100,232	106,058	25,667	231,957

As at December 31, 2016	Eco-Friendly Materials	Electronic Materials	Corporate and unallocated	Total
	\$	\$	\$	\$
Total assets excluding the deferred tax asset:	95,835	109,013	12,326	217,174

The geographic distribution of the Company's revenues based on the location of the customers for the periods ended September 30, 2017 and 2016, and the identifiable non-current assets as at September 30, 2017 and December 31, 2016 are summarized as follows:

Revenues	Three months		Nine months	
	2017	2016	2017	2016
	\$	\$	\$	\$
Asia				
China	3,323	2,511	11,829	8,551
Japan	1,123	1,122	3,186	3,660
Other ⁽¹⁾	10,513	13,984	36,533	40,353
Americas				
United States	11,827	10,777	31,387	35,014
Other	3,076	2,489	9,824	10,069
Europe				
Germany	5,956	7,371	22,503	21,940
France	2,651	3,380	10,830	11,908
United Kingdom	2,462	1,942	9,876	6,072
Other ⁽¹⁾	8,478	9,649	27,457	34,964
Other	916	2,266	3,999	4,263
Total	50,325	55,491	167,424	176,794

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine-month periods ended September 30, 2017 and 2016
(in thousands of United States dollars, except unless otherwise indicated) (unaudited)

	September 30 2017	December 31 2016
Non-current assets (other than deferred tax assets)		
	\$	\$
Asia ⁽¹⁾	15,630	15,721
United States	7,463	5,496
Canada	24,729	22,028
Europe		
Belgium	8,478	9,017
Germany	18,459	18,937
Other	1,353	1,916
Total	76,112	73,115

⁽¹⁾ None exceeding 10%

For the three and nine-month periods ended September 30, 2017, one customer represented approximately 10.5% and 12.3% of the revenues, and is included in the Electronic Materials revenues (18.1% and 16.2% for the three and nine-month periods ended September 30, 2016).

11 Supplemental Cash Flow Information

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

	Nine months	
	2017	2016
	\$	\$
Decrease (Increase) in assets:		
Accounts receivable	4,546	6,755
Inventories	(1,480)	6,642
Income tax receivable	761	(782)
Other current assets	(4,617)	(251)
(Decrease) increase in liabilities:		
Trade and accrued liabilities	(7,779)	1,091
Income tax payable	2,854	(429)
Net change	(5,715)	13,026

The reconciliation of assets/liabilities arising from financing activities consists of the following:

	December 31 2016	Cash Flows	Non-Cash changes			September 30 2017
			Imputed interest	Foreign Exchange movement	Fair value changes	
	\$	\$	\$	\$	\$	\$
Long-term debt	325	(74)	-	21	-	272
Convertible debenture ⁽¹⁾	43,157	-	1,592	3,685	-	48,434
Debenture conversion option	68	-	-	17	(18)	67
Cross-currency swap ⁽¹⁾	(189)	-	-	-	(3,508)	(3,697)
Deferred revenues	5,419	(11)	-	-	-	5,408
Total net liabilities from financing liabilities	48,780	(85)	1,592	3,723	(3,526)	50,484

⁽¹⁾ Interest settlements were reflected as cash flows from operating activities in the condensed interim consolidated statements of cash flows.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine-month periods ended September 30, 2017 and 2016

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

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

	Nine months	
	2017	2016
a) Excluded additions unpaid at end of the period:		
Additions to property, plant and equipment	\$ 437 ⁽¹⁾	\$ 3,451
b) Included additions unpaid at beginning of the period:		
Additions to property, plant and equipment	3,741	4,181
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

⁽¹⁾ During the second quarter, the Company agreed with a customer to net a trade receivable against a payable for the purchase of property, plant and equipment.

12 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.

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 and the equity swap agreement, is 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.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine-month periods ended September 30, 2017 and 2016
(in thousands of United States dollars, except unless otherwise indicated) (unaudited)

The carrying values and fair values of financial instruments, by class, are as follows as at September 30, 2017 and December 31, 2016:

As at September 30, 2017					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	-	35,064	-	-	35,064	35,064
Accounts receivable	-	25,238	-	-	25,238	25,238
Derivative financial assets	283 ⁽¹⁾	-	-	3,697	3,980	3,980
Total	283	60,302	-	3,697	64,282	64,282
Financial liabilities						
Trade and accrued liabilities	-	-	53,112	-	53,112	53,112
Current portion of long-term debt	-	-	272	-	272	272
Convertible debentures and debenture conversion option (included in derivative financial liabilities)	67	-	48,434	-	48,501	52,886
Total	67	-	101,818	-	101,885	106,270

(1) The fair value of this embedded derivative is recorded under other current assets with the related host deposit.

As at December 31, 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	-	24,301	-	-	24,301	24,301
Accounts receivable	-	29,799	-	-	29,799	29,799
Derivative financial assets	-	-	-	189	189	189
Total	-	54,100	-	189	54,289	54,289
Financial liabilities						
Trade and accrued liabilities	-	-	57,381	-	57,381	57,381
Current portion of long-term debt	-	-	325	-	325	325
Convertible debentures and debenture conversion option (included in derivative financial liabilities)	68	-	43,157	-	43,225	44,421
Total	68	-	100,863	-	100,931	102,127

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).

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine-month periods ended September 30, 2017 and 2016
(in thousands of United States dollars, except unless otherwise indicated) (unaudited)

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, 2017	Level 1	Level 2	Level 3
	\$	\$	\$
Financial assets (liabilities)			
At fair value through profit or loss			
Debenture conversion option (Note 6) ⁽¹⁾	-	-	(67)
Equity swap agreement ⁽²⁾	-	283	-
Derivatives designated in a hedge relationship			
Cross-currency swap ⁽³⁾	-	3,697	-
Total	-	3,980	(67)

As at December 31, 2016	Level 1	Level 2	Level 3
	\$	\$	\$
Financial assets (liabilities)			
At fair value through profit or loss			
Debenture conversion option (Note 6) ⁽¹⁾	-	-	(68)
Derivatives designated in a hedge relationship			
Cross-currency swap ⁽³⁾	-	189	-
Total	-	189	(68)

⁽¹⁾ This instrument is classified as a Level 3 financial instrument, since the implied volatility is an unobservable input. The change in fair value of debenture conversion option of \$312 and \$18 as revenue were recognized in the condensed interim consolidated statement of earnings (loss) for the three and nine-month periods ended September 30, 2017 (\$258 and \$6 for the three and nine-month periods ended September 30, 2016).

⁽²⁾ In June 2017, the Company has entered into swap agreement with a major Canadian financial institution to reduce its income exposure to fluctuations in its share price relating to the DSU, PSU, RSU and SAR programs. Pursuant to the agreement, the Company receives the economic benefit of share price appreciation while providing payments to the financial institution for the institution's cost of funds and any share price depreciation. The net effect of the equity swaps partly offset movements in the Company's share price impacting the cost of the DSU, PSU, RSU and SAR programs. As at September 30, 2017, the equity swap agreement covered 1,519,700 common shares of the Company. The fair value of this embedded derivative is recorded under other current assets with the related host deposit.

⁽³⁾ 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.

13 Commitments and Contingencies

Commitments

In the normal course of business, the Company contracted letters of credit for an amount of up to \$347 as at September 30, 2017 (\$741 as at December 31, 2016).

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.