

5N PLUS INC.

Condensed Interim Consolidated Financial Statements
(Unaudited)

For the three-month periods ended March 31, 2017 and 2016
(in thousands of United States dollars)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of United States dollars) (unaudited)

	Notes	March 31 2017	December 31 2016
		\$	\$
Assets			
Current			
Cash and cash equivalents		23,023	24,301
Accounts receivable		38,225	29,799
Inventories	4	75,074	80,309
Income tax receivable		6,930	6,819
Other current assets		3,753	2,831
Total current assets		147,005	144,059
Property, plant and equipment		58,435	59,945
Intangible assets		11,561	11,109
Deferred tax assets		1,758	1,883
Investment accounted for using the equity method		778	779
Derivative financial assets	12	818	189
Other assets		1,043	1,093
Total non-current assets		74,393	74,998
Total assets		221,398	219,057
Liabilities			
Current			
Trade and accrued liabilities		53,124	57,381
Income tax payable		8,616	8,422
Current portion of long-term debt	5	330	325
Total current liabilities		62,070	66,128
Convertible debentures	6	44,356	43,157
Deferred tax liabilities		1,939	715
Employee benefit plan obligation		14,688	14,813
Derivative financial liabilities	12	47	68
Other liabilities		5,656	5,662
Total non-current liabilities		66,686	64,415
Total liabilities		128,756	130,543
Equity			
Equity holders of 5N Plus Inc.		92,651	88,522
Non-controlling interests		(9)	(8)
Total equity		92,642	88,514
Total liabilities and equity		221,398	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-month periods ended March 31

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

	Notes	2017	2016
		\$	\$
Revenue		60,870	63,868
Cost of sales	4	48,760	53,739
Selling, general and administrative expenses		7,039	6,378
Other (revenues) expenses	7	(2,724)	3,050
Share of loss (gain) from joint ventures		8	(113)
		53,083	63,054
Operating earnings		7,787	814
Finance expense			
Interest on long-term debt		815	880
Imputed interest and other interest expense		990	1,819
Changes in fair value of debenture conversion option	12	(22)	309
Foreign exchange and derivative loss		177	27
		1,960	3,035
Earnings (loss) before income taxes		5,827	(2,221)
Income tax expense (recovery)			
Current		318	699
Deferred		1,356	(1,011)
		1,674	(312)
Net earnings (loss)		4,153	(1,909)
Attributable to:			
Equity holders of 5N Plus Inc.		4,154	(1,907)
Non-controlling interests		(1)	(2)
		4,153	(1,909)
Earnings (loss) per share attributable to equity holders of 5N Plus Inc.	9	0.05	(0.02)
Basic earning (loss) per share	9	0.05	(0.02)
Diluted earnings (loss) per share	9	0.05	(0.02)

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-month periods ended March 31

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

	Notes	2017	2016
		\$	\$
Net earnings (loss)		4,153	(1,909)
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	629	2,873
Reclassification to net earnings (loss)		(689)	(2,641)
Income taxes		8	(31)
		(52)	201
Currency translation adjustment		153	24
		101	225
Items that will not be reclassified subsequently to net earnings (loss)			
Remeasurement of employee benefit plan obligation		260	(800)
Other comprehensive income (loss)		361	(575)
Comprehensive income (loss)		4,514	(2,484)
Attributable to equity holders of 5N Plus Inc.		4,515	(2,482)
Attributable to non-controlling interests		(1)	(2)

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three-month periods ended March 31

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

	Notes	2017	2016
		\$	\$
Operating activities			
Net earnings (loss)		4,153	(1,909)
Adjustments to reconcile net earnings (loss) to cash flows			
Depreciation of property, plant and equipment and amortization of intangible assets		2,043	2,406
Amortization of other assets		55	1,008
Amortization of deferred revenues		-	(187)
Share-based compensation expense		574	837
Deferred income taxes		1,356	(1,011)
Share of loss (gain) from joint ventures		8	(113)
Imputed interest		873	758
Employee benefit plan obligation		(77)	(56)
Change in fair value of debenture conversion option	12	(22)	309
Gain on disposal of property, plant and equipment		(390)	-
Unrealized foreign exchange loss on assets and liabilities		157	429
Funds from operations before the following		8,730	2,471
Net change in non-cash working capital balances related to operations	11	(8,962)	7,014
Cash (used in) from operating activities		(232)	9,485
Investing activities			
Additions to property, plant and equipment		(1,223)	(902)
Additions of intangible assets		(516)	(1,002)
Proceeds on disposal of property, plant and equipment		1,145	-
Investment in a joint venture		-	(100)
Cash used in investing activities		(594)	(2,004)
Financing activities			
Repayment of long-term debt		-	(2,992)
Proceeds from issuing long-term debt		-	1,505
Long-term debt issuance costs		-	(111)
Common shares repurchased		(484)	-
Cash used in financing activities		(484)	(1,598)
Effect of foreign exchange rate changes on cash and cash equivalents		32	152
Net (decrease) increase in cash and cash equivalents		(1,278)	6,035
Cash and cash equivalents, beginning of period		24,301	8,816
Cash and cash equivalents, end of period		23,023	14,851
Supplemental information⁽¹⁾			
Income taxes paid		154	820
Interest (received) paid		(12)	98

⁽¹⁾ Amounts paid (recovered) 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 three-month periods ended March 31

(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 for the period	-	-	-	-	4,154	4,154	(1)	4,153
Other comprehensive income								
Net changes in cash flow hedges	-	-	-	(52)	-	(52)	-	(52)
Currency translation adjustment	-	-	-	153	-	153	-	153
Remeasurement of employee benefit plan obligation	-	-	-	260	-	260	-	260
Total comprehensive income	-	-	-	361	4,154	4,515	(1)	4,514
Common shares repurchased and cancelled (Note 8)	(352,396)	(1,441)	-	-	957	(484)	-	(484)
Share-based compensation	-	-	98	-	-	98	-	98
Balances at end of period	83,426,161	341,243	4,694	(8,566)	(244,720)	92,651	(9)	92,642

	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	-	-	-	-	(1,907)	(1,907)	(2)	(1,909)
Other comprehensive loss								
Net changes in cash flow hedges	-	-	-	201	-	201	-	201
Currency translation adjustment	-	-	-	24	-	24	-	24
Remeasurement of employee benefit plan obligation	-	-	-	(800)	-	(800)	-	(800)
Total comprehensive loss	-	-	-	(575)	(1,907)	(2,482)	(2)	(2,484)
Share-based compensation	-	-	224	-	-	224	-	224
Balances at end of period	83,979,657	343,506	4,303	(7,022)	(246,413)	94,374	(9)	94,365

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 consolidated financial statements were approved by the Board of Directors on May 2, 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 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", 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.

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.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three-month periods ended March 31, 2017 and 2016

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

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

	March 31 2017	December 31 2016
	\$	\$
Raw materials	20,678	24,436
Finished goods	54,396	55,873
Total inventories	75,074	80,309

For the period ended March 31, 2017, a total of \$ 38,149 of inventories was included as an expense in cost of sales (2016 – 46,311\$).

For the period ended March 31, 2017, a total of \$5,149 previously written down was recognized as a reduction of expenses in cost of sales concurrently with the related inventories being sold (\$385 for the Eco-Friendly Materials segment and \$4,764 for the Electronic Materials segment) (2016 – \$6,094 [\$2,856 for the Eco-Friendly Materials segment and \$3,238 for the Electronic Materials segment]).

5 Long-Term Debt

	March 31 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⁾	330	325
	330	325
Less: Current portion of long-term debt	330	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, including a temporary drawing limit on the credit facility of maximum \$25,000 until the first quarter 2017 financial statements are published. 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 March 31, 2017, the Company has met all covenants.

In addition, in August 2014, the Company's subsidiary in Belgium entered into a bi-lateral credit facility of 5,000 Euros, which 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 March 31, 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-month periods ended March 31, 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 March 31, 2017 and December 31, 2016, and have not changed substantially except for the expected life of 2.25 and 2.5 years respectively and for average expected volatility of 43.2% as at March 31, 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 (Revenues) by Nature

	Three months	
	2017	2016
	\$	\$
Wages and salaries	10,169	9,511
Share-based compensation expense (included in Corporate and unallocated) (Note 10)	574	837
Depreciation of property, plant and equipment and amortization of intangible assets	2,043	2,406
Amortization of other assets	55	1,008
Gain on disposal of property, plant and equipment	(390)	-
Research and development, net of tax credit	467	1,040
Litigation and restructuring (income) costs	(3,368) ⁽¹⁾	1,030

⁽¹⁾ 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-month periods ended March 31, 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 has 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 has 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 three-month period ended March 31, 2017, the Company has repurchased and cancelled 352,396 common shares at an average price of \$1.37 for a total amount of \$484. An amount of \$1,441 has been applied against share capital, and a negative amount of \$957 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	
	2017	2016
	\$	\$
Net earnings (loss) attributable to equity holders of 5N Plus	4,154	(1,907)
Net earnings (loss) for the period	4,153	(1,909)

Denominators	Three months	
	2017	2016
Basic and diluted weighted average number of shares	83,634,477	83,979,657

As at March 31, 2017, a total number of 2,673,648 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 1,593,360 new restricted share units.

As at March 31, 2016, a total number of 3,003,345 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 in March 2016.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three-month periods ended March 31, 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 March 31, 2017	Eco-Friendly Materials	Electronic Materials	Corporate and unallocated	Total
	\$	\$	\$	\$
Segment revenues ⁽¹⁾	41,531	19,339	-	60,870
Adjusted EBITDA ^{(2) (3)}	2,412	6,960	(3,300) ⁽⁴⁾	6,072
Interest on long-term debt, imputed interest and other interest expense	-	-	1,805	1,805
Litigation and restructuring costs (Note 7)	429	(3,797)	-	(3,368)
Change in fair value of debenture conversion option	-	-	(22)	(22)
Foreign exchange and derivative loss	-	-	177	177
Gain on disposal of property, plant and equipment	-	(390)	-	(390)
Depreciation and amortization	847	1,158	38	2,043
Earnings (loss) before income tax	1,136	9,989	(5,298)	5,827
Capital expenditures	606	617	-	1,223

For the three-month period ended March 31, 2016	Eco-Friendly Materials	Electronic Materials	Corporate and unallocated	Total
	\$	\$	\$	\$
Segment revenues ⁽¹⁾	44,300	19,568	-	63,868
Adjusted EBITDA ^{(2) (3)}	3,828	3,420	(2,998) ⁽⁴⁾	4,250
Interest on long-term debt, imputed interest and other interest expense	-	-	2,699	2,699
Litigation and restructuring costs (Note 7)	252	209	569	1,030
Change in fair value of debenture conversion option	-	-	309	309
Foreign exchange and derivative loss	-	-	27	27
Depreciation and amortization	923	1,426	57	2,406
Earnings (loss) before income tax	2,653	1,785	(6,659)	(2,221)
Capital expenditures	248	1,655	1	1,904

⁽¹⁾ The total revenues of \$5,719 (2016 – \$6,230) from the recycling and trading of complex materials is allocated to the Eco-Friendly materials and Electronic materials segments.

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

⁽³⁾ The total adjusted EBITDA negative of \$18 (2016 – adjusted EBITDA of \$312) from the recycling and trading of complex materials is allocated to the Eco-Friendly materials and Electronic materials segments.

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

As at March 31, 2017	Eco-Friendly Materials	Electronic Materials	Corporate and unallocated	Total
	\$	\$	\$	\$
Total assets excluding the deferred tax asset:	99,319	109,835	10,486	219,640

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three-month periods ended March 31, 2017 and 2016

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

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

Revenues	Three months	
	2017	2016
	\$	\$
Asia		
China	3,534	1,924
Japan	1,153	1,493
Other ⁽¹⁾	13,060	13,290
Americas		
United States	9,801	12,983
Other	3,101	3,453
Europe		
Germany	8,455	7,669
France	4,672	4,717
United Kingdom	3,426	2,234
Other ⁽¹⁾	12,848	14,755
Other	820	1,350
Total	60,870	63,868

Non-current assets (other than deferred tax assets)	March 31	December 31
	2017	2016
	\$	\$
Asia ⁽¹⁾	15,639	15,721
United States	5,978	5,496
Canada	21,669	22,028
Europe		
Belgium	8,819	9,017
Germany	18,895	18,937
Other	1,635	1,916
Total	72,635	73,115

⁽¹⁾ None exceeding 10%

For the three-month period ended March 31, 2017, one customer represented approximately 13.1% (2016 – 13.3%) of the revenues, and is included in the Electronic Materials revenues.

11 Supplemental Cash Flow Information

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

	Three months	
	2017	2016
	\$	\$
(Increase) decrease in assets:		
Accounts receivable	(8,432)	(2,796)
Inventories	5,235	8,229
Income tax receivable	(111)	(248)
Other current assets	(927)	78
(Decrease) increase in liabilities:		
Trade and accrued liabilities	(4,921)	1,693
Income tax payable	194	58
Net change	(8,962)	7,014

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three-month periods ended March 31, 2017 and 2016

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

The reconciliation of liabilities arising from financing liabilities consists is the following:

	December 31 2016	Non-Cash changes			March 31 2017
		Imputed interest	Foreign Exchange movement	Fair value changes	
Long-term debt	\$ 325	\$ -	\$ 5	\$ -	\$ 330
Convertible debenture	43,157	503	696	-	44,356
Debenture conversion option	68	-	1	(22)	47
Cross-currency swap	(189)	-	-	(629)	(818)
Deferred revenues	5,419	-	-	-	5,419
Total liabilities from financing liabilities	48,780	503	702	(651)	49,334

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

	Three months	
	2017	2016
a) Excluded additions unpaid at end of the period:	\$	\$
Additions to property, plant and equipment	3,720	3,740
b) Included additions unpaid at beginning of the period:		
Additions to property, plant and equipment	3,741	4,181

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, 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-month periods ended March 31, 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 March 31, 2017 and December 31, 2016:

As at March 31, 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	-	23,023	-	-	23,023	23,023
Accounts receivable	-	38,225	-	-	38,225	38,225
Derivative financial assets	-	-	-	818	818	818
Total	-	61,248	-	818	62,066	62,066
Financial liabilities						
Trade and accrued liabilities	-	-	53,124	-	53,124	53,124
Current portion of long-term debt	-	-	330	-	330	330
Convertible debentures and debenture conversion option (included in derivative financial liabilities)	47	-	44,356	-	44,403	47,107
Total	47	-	97,810	-	97,857	100,561

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three-month periods ended March 31, 2017 and 2016

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

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 March 31, 2017	Level 1	Level 2	Level 3
	\$	\$	\$
Financial assets (liabilities)			
At fair value through profit or loss			
Debenture conversion option (Note 6) ⁽¹⁾	-	-	(47)
Derivatives designated in a hedge relationship			
Cross-currency swap ⁽²⁾	-	818	-
Total	-	818	(47)
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 ⁽²⁾	-	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 \$22 as revenue and \$309 as expense were recognized in the condensed interim consolidated statement of earnings (loss) for the three-month period ended March 31, 2017 and 2016, respectively.

⁽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.

13 Commitments and Contingencies**Commitments**

In the normal course of business, the Company contracted letters of credit for an amount of up to \$697 as at March 31, 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.