

5N PLUS INC.

Condensed Interim Consolidated Financial Statements

(Unaudited)

For the three-month periods ended March 31, 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	March 31, 2016	December 31, 2015
		\$	\$
Assets			
Current			
Cash and cash equivalents		14,851	8,816
Accounts receivable		40,899	37,325
Inventories	4	81,306	89,052
Income tax receivable		2,880	2,632
Other current assets		1,724	1,820
Total current assets		141,660	139,645
Property, plant and equipment		65,938	67,646
Intangible assets		8,166	7,315
Deferred tax assets		4,533	3,478
Investment accounted for using the equity method		526	310
Derivative financial assets	11	1,430	-
Other assets		1,464	2,343
Total non-current assets		82,057	81,092
Total assets		223,717	220,737
Liabilities			
Current			
Trade and accrued liabilities		42,167	38,744
Income tax payable		6,656	6,598
Current portion of long-term debt	5	456	435
Total current liabilities		49,279	45,777
Long-term debt	5	32	1,512
Convertible debentures	6	43,342	40,288
Deferred tax liabilities		743	668
Employee benefit plan obligation		15,315	13,934
Derivative financial liabilities	11	401	1,530
Other liabilities	11	20,240	20,403
Total non-current liabilities		80,073	78,335
Total liabilities		129,352	124,112
Equity			
Equity holders of 5N Plus Inc.		94,374	96,632
Non-controlling interests		(9)	(7)
Total equity		94,365	96,625
Total liabilities and equity		223,717	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-month periods ended March 31

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

	Notes	2016	2015
		\$	\$
Revenue		63,868	95,663
Cost of sales	4	53,739	89,922
Selling, general and administrative expenses		6,378	7,024
Other expenses	7	3,050	1,195
Share of (gain) loss from joint ventures		(113)	78
		63,054	98,219
Operating earnings (loss)		814	(2,556)
Finance expense (revenue)			
Interest on long-term debt		880	1,190
Imputed interest and other interest expense		1,819	893
Changes in fair value of debenture conversion option	11	309	(713)
Foreign exchange and derivative loss (gain)		27	(2,423)
		3,035	(1,053)
Loss before income taxes		(2,221)	(1,503)
Income tax expense (recovery)			
Current		699	(288)
Deferred		(1,011)	736
		(312)	448
Net loss		(1,909)	(1,951)
Attributable to:			
Equity holders of 5N Plus Inc.		(1,907)	(1,949)
Non-controlling interests		(2)	(2)
		(1,909)	(1,951)
Loss per share attributable to equity holders of 5N Plus Inc.	8	(0.02)	(0.02)
Basic loss per share	8	(0.02)	(0.02)
Diluted loss per share	8	(0.02)	(0.05)

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-month periods ended March 31

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

	Notes	2016	2015
		\$	\$
Net loss		(1,909)	(1,951)
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	2,873	-
Reclassification to net loss		(2,641)	(111)
Income taxes		(31)	30
		201	(81)
Currency translation adjustment		24	64
		225	(17)
Items that will not be reclassified subsequently to net loss			
Remeasurement of employee benefit plan obligation		(800)	(1,385)
Income taxes		-	429
		(800)	(956)
Other comprehensive loss		(575)	(973)
Comprehensive loss		(2,484)	(2,924)
Attributable to equity holders of 5N Plus Inc.		(2,482)	(2,922)
Attributable to non-controlling interests		(2)	(2)

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 three-month periods ended March 31

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

	Notes	2016	2015
		\$	\$
Operating activities			
Net loss		(1,909)	(1,951)
Adjustments to reconcile net loss to cash flows			
Depreciation of property, plant and equipment and amortization of intangible assets		2,406	2,826
Amortization of other assets		1,008	166
Amortization of deferred revenues		(187)	(197)
Share-based compensation expense		837	40
Deferred income taxes		(1,011)	736
Share of (gain) loss from joint ventures		(113)	78
Imputed interest		758	689
Employee benefit plan obligation		(56)	94
Change in fair value of debenture conversion option	11	309	(713)
Unrealized loss on non-hedge financial instruments		-	198
Unrealized foreign exchange loss (gain) on assets and liabilities		429	(3,981)
Funds from (used in) operations before the following		2,471	(2,015)
Net change in non-cash working capital balances related to	10	7,014	14,657
Cash from operating activities		9,485	12,642
Investing activities			
Additions to property, plant and equipment and intangible assets		(1,904)	(6,254)
Investment in a joint venture		(100)	-
Restricted cash		-	66
Cash used in investing activities		(2,004)	(6,188)
Financing activities			
Repayment of long-term debt		(2,992)	(15,129)
Proceeds from issuing long-term debt		1,505	8,990
Long-term debt issuance costs		(111)	(113)
Net decrease in bank indebtedness		-	4
Financial instruments – net		-	147
Cash used in financing activities		(1,598)	(6,101)
Effect of foreign exchange rate changes on cash and cash equivalents		152	(550)
Net increase (decrease) in cash and cash equivalents		6,035	(197)
Cash and cash equivalents, beginning of year		8,816	12,777
Cash and cash equivalents, end of period		14,851	12,580
Supplemental information⁽¹⁾			
Income taxes paid		820	2,070
Interest paid		98	329

⁽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.

5N PLUS INC.

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)

For the three-month period ended March 31, 2016	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
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	-	-	-	-	(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 retirement benefit 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

For the three-month period ended March 31, 2015	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
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	-	-	-	-	(1,949)	(1,949)	(2)	(1,951)
Other comprehensive loss								
Net changes in cash flow hedges	-	-	-	(81)	-	(81)	-	(81)
Currency translation adjustment	-	-	-	64	-	64	-	64
Remeasurement of retirement benefit obligation	-	-	-	(956)	-	(956)	-	(956)
Total comprehensive loss	-	-	-	(973)	(1,949)	(2,922)	(2)	(2,924)
Share-based compensation	-	-	37	-	-	37	-	37
Balances at end of period	83,979,657	343,506	3,951	(4,642)	(149,257)	193,558	(6)	193,552

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-month periods ended March 31, 2016 and 2015

(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 May 3, 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 (recovery) for the three-month period ended March 31, 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-month periods ended March 31, 2016 and 2015

(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.

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

	March 31 2016	December 31 2015
	\$	\$
Raw materials	35,518	28,200
Finished goods	45,788	60,852
Total inventories	81,306	89,052

For the period ended March 31, 2016, a total of \$ 46,311 of inventories was included as an expense in cost of sales (2015 – \$80,644).

For the period ended March 31, 2016, a total of \$ 6,094 previously written down was recognized as a reduction of expenses in cost of sales (\$ 2,856 for the Eco-Friendly Materials segment and \$ 3,238 for the Electronic Materials segment) (2015 – \$5,131 [\$4,250 for the Eco-Friendly Materials segment and \$881 for the Electronic Materials segment]).

5N PLUS INC.

Notes to Condensed Interim Consolidated Financial Statements

For the three-month periods ended March 31, 2016 and 2015

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

5. Long-Term Debt

	March 31	December 31
	2016	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⁾	436	420
Other loans	52	52
	488	1,947
Less: Current portion of long-term debt	456	435
	32	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. Therefore, 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, 2016, 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, 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-month periods ended March 31, 2016 and 2015

(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 March 31, 2016 and December 31, 2015, and have not changed substantially except for the expected life of 3.25 and 3.5 years respectively and for average expected volatility of 45% as at March 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 11).

7. Expenses by Nature

Expenses by nature	Three months	
	2016	2015
	\$	\$
Wages and salaries	9,511	10,196
Share-based compensation expense (included in Corporate and unallocated)	837	40
Depreciation of property, plant and equipment and amortization of intangible assets	2,406	2,826
Amortization of other assets	1,008	166
Research and development, net of tax credit	1,040	451
Litigation and restructuring costs	1,030	-

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	
	2016	2015
	\$	\$
Net loss attributable to equity holders of 5N Plus	(1,907)	(1,949)
Dilutive effect:		
Convertible debentures	-	(2,999)
Net loss attributable to equity holders of 5N Plus adjusted for dilution effect	(1,907)	(4,948)
Net loss for the period	(1,909)	(1,951)
Dilutive effect:		
Convertible debentures	-	(2,999)
Net loss for the period adjusted for dilution effect	(1,909)	(4,950)
Denominators	Three months	
	2016	2015
Basic weighted average number of shares	83,979,657	83,979,657
Dilutive effect:		
Convertible debentures	-	9,777,777
Diluted weighted average number of shares	83,979,657	93,757,434

5N PLUS INC.

Notes to Condensed Interim Consolidated Financial Statements

For the three-month periods ended March 31, 2016 and 2015

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

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.

As at March 31, 2015, a total number of 1,620,760 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.

9. 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, 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

For the three-month period ended March 31, 2015	Eco-Friendly Materials	Electronic Materials	Corporate and unallocated	Total
	\$	\$	\$	\$
Segment revenues ⁽¹⁾	66,023	29,640	-	95,663
Adjusted EBITDA ^{(2) (3)}	(641)	3,259	(2,348) ⁽⁴⁾	270
Interest on long-term debt, imputed interest and other interest expense	-	-	2,083	2,083
Change in fair value of debenture conversion option	-	-	(713)	(713)
Foreign exchange and derivative gain	-	-	(2,423)	(2,423)
Depreciation and amortization	567	2,218	41	2,826
Earnings (loss) before income tax	(1,208)	1,041	(1,336)	(1,503)
Capital expenditures	2,537	3,717	-	6,254

⁽¹⁾ The total revenues of \$ 6,230 (2015 – \$2,552) 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 and financial expense (revenues).

⁽³⁾ The total adjusted EBITDA of negative \$ 312 (2015 – adjusted EBITDA negative of \$781) 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).

5N PLUS INC.

Notes to Condensed Interim Consolidated Financial Statements

For the three-month periods ended March 31, 2016 and 2015

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

As at March 31, 2016	Eco-Friendly Materials	Electronic Materials	Corporate and unallocated	Total
	\$	\$	\$	\$
Total assets excluding the deferred tax assets:	107,850	105,103	6,231	219,184
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

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

Revenue	Three months	
	2016	2015
	\$	\$
Asia		
China	1,924	6,797
Japan	1,493	2,098
Other ⁽¹⁾	13,290	15,565
Americas		
United States	12,983	25,700
Other	3,453	5,013
Europe		
Germany	7,669	10,035
France	4,717	6,811
United Kingdom	2,234	3,973
Other ⁽¹⁾	14,755	18,440
Other	1,350	1,231
Total	63,868	95,663

Non-current assets (other than deferred tax)	March 31	December 31
	2016	2015
	\$	\$
Asia ⁽¹⁾	16,988	17,470
United States	5,472	5,124
Canada	22,972	22,260
Europe		
Belgium	9,428	9,614
Germany	19,323	19,683
United Kingdom	3,341	3,463
Total	77,524	77,614

⁽¹⁾ None exceeding 10%

For the three-month period ended March 31, 2016, one customer represented approximately 13.3% (2015 – 9.7%) of the revenues, and is included in the Electronic Materials revenues.

5N PLUS INC.

Notes to Condensed Interim Consolidated Financial Statements

For the three-month periods ended March 31, 2016 and 2015

(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:

	Three months	
	2016	2015
	\$	\$
(Increase) decrease in assets:		
Accounts receivable	(2,796)	5,221
Inventories	8,229	23,313
Income tax receivable	(248)	(1,264)
Other current assets	78	970
Increase (decrease) in liabilities:		
Trade and accrued liabilities	1,693	(12,314)
Income tax payable	58	(1,269)
Net change	7,014	14,657

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

	Three months	
	2016	2015
	\$	\$
a) Excluded additions unpaid at end of the period:		
Additions to property, plant and equipment	3,740	4,662
b) Included additions unpaid at beginning of the period:		
Additions to property, plant and equipment	4,181	5,423

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.

5N PLUS INC.

Notes to Condensed Interim Consolidated Financial Statements

For the three-month periods ended March 31, 2016 and 2015

(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 and foreign exchange forward contracts, 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 March 31, 2016 and 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
	\$	\$	\$	\$	\$	\$
As at March 31, 2016						
Financial assets						
Cash and cash equivalents	-	14,851	-	-	14,851	14,851
Accounts receivable	-	40,899	-	-	40,899	40,899
Derivative financial assets	-	-	-	1,430	1,430	1,430
Total	-	55,750	-	1,430	57,180	57,180
Financial liabilities						
Trade and accrued liabilities	-	-	42,167	-	42,167	42,167
Long-term debt	-	-	488	-	488	488
Convertible debentures and debenture conversion option (included in derivative financial liabilities)	401	-	43,342	-	43,743	41,553
Long-term payable (included in other liabilities) ⁽¹⁾	-	-	15,687	-	15,687	15,687
Total	401	-	101,684	-	102,085	99,895

5N PLUS INC.

Notes to Condensed Interim Consolidated Financial Statements

For the three-month periods ended March 31, 2016 and 2015

(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) ⁽¹⁾	-	-	14,939	-	14,939	14,804
Total	87	-	95,918	1,443	97,448	93,113

⁽¹⁾ Long-term payable represent obligations in reference to the acquisition of specific production equipments of \$3,886 (\$3,805 as at December 31, 2015) and raw materials acquired from prior years of \$11,801 (\$11,134 as at December 31, 2015) for which final settlement and payment are not due before April 2017. These long-term payables are classified as financial liabilities at amortized cost. These two items are expected to be recognized as current liabilities during the second quarter of 2016.

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, 2016	Level 1	Level 2	Level 3
	\$	\$	\$
Financial assets (liabilities)			
At fair value through profit or loss			
Debenture conversion option (Note 6) ⁽¹⁾	-	-	(401)
Derivatives designated in a hedge relationship			
Cross-currency swap ⁽²⁾	-	1,430	-
Total	-	1,430	(401)

5N PLUS INC.

Notes to Condensed Interim Consolidated Financial Statements

For the three-month periods ended March 31, 2016 and 2015

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

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)

⁽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 \$309 and \$713 was recognized in the condensed interim consolidated statement of loss for the three-month period ended March 31, 2016 and 2015, 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.

12. Commitments and Contingencies**Commitments**

In the normal course of business, the Company contracted letters of credit for an amount of up to \$491 as at March 31, 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.