

**5N PLUS INC.**

Condensed Interim Consolidated Financial Statements

(Unaudited)

For the three and six-month periods ended June 30, 2016 and 2015

(in thousands of United States dollars)

**5N PLUS INC.**

Condensed Interim Consolidated Statements of Financial Position  
(in thousands of United States dollars) (Unaudited)

	Notes	June 30, 2016	December 31, 2015
		\$	\$
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents		15,225	8,816
Accounts receivable		29,028	37,325
Inventories	4	82,665	89,052
Income tax receivable		3,235	2,632
Other current assets		1,430	1,820
<b>Total current assets</b>		<b>131,583</b>	<b>139,645</b>
Property, plant and equipment		63,510	67,646
Intangible assets		9,113	7,315
Deferred tax assets		4,003	3,478
Investment accounted for using the equity method		866	310
Derivative financial assets	11	1,538	-
Other assets		1,358	2,343
<b>Total non-current assets</b>		<b>80,388</b>	<b>81,092</b>
<b>Total assets</b>		<b>211,971</b>	<b>220,737</b>
<b>Liabilities</b>			
<b>Current</b>			
Trade and accrued liabilities	10	47,431	38,744
Income tax payable		5,674	6,598
Current portion of long-term debt	5	350	435
<b>Total current liabilities</b>		<b>53,455</b>	<b>45,777</b>
Long-term debt	5	-	1,512
Convertible debentures	6	43,879	40,288
Deferred tax liabilities		746	668
Employee benefit plan obligation		15,814	13,934
Derivative financial liabilities	11	345	1,530
Other liabilities	10, 11	4,576	20,403
<b>Total non-current liabilities</b>		<b>65,360</b>	<b>78,335</b>
<b>Total liabilities</b>		<b>118,815</b>	<b>124,112</b>
<b>Equity</b>			
Equity holders of 5N Plus Inc.		93,164	96,632
Non-controlling interests		(8)	(7)
<b>Total equity</b>		<b>93,156</b>	<b>96,625</b>
<b>Total liabilities and equity</b>		<b>211,971</b>	<b>220,737</b>

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 Earnings (Loss)

For the three and six-month periods ended June 30

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

		Three months		Six months	
	Notes	2016	2015	2016	2015
		\$	\$	\$	\$
<b>Revenue</b>		<b>57,435</b>	87,250	<b>121,303</b>	182,913
Cost of sales	4,7	<b>46,913</b>	86,624	<b>100,652</b>	176,546
Selling, general and administrative expenses	7	<b>6,773</b>	6,719	<b>13,151</b>	13,743
Other expenses	7	<b>1,516</b>	13,132	<b>4,566</b>	14,327
Share of loss (gain) from joint ventures		<b>39</b>	(57)	<b>(74)</b>	21
		<b>55,241</b>	106,418	<b>118,295</b>	204,637
<b>Operating earnings (loss)</b>		<b>2,194</b>	(19,168)	<b>3,008</b>	(21,724)
<b>Finance expense</b>					
Interest on long-term debt		<b>876</b>	1,198	<b>1,756</b>	2,388
Imputed interest and other interest expense		<b>989</b>	1,549	<b>2,808</b>	2,442
Changes in fair value of debenture conversion option	11	<b>(57)</b>	(933)	<b>252</b>	(1,646)
Foreign exchange and derivative (gain) loss		<b>(587)</b>	2,362	<b>(560)</b>	(61)
		<b>1,221</b>	4,176	<b>4,256</b>	3,123
<b>Earnings (loss) before income taxes</b>		<b>973</b>	(23,344)	<b>(1,248)</b>	(24,847)
Income tax expense (recovery)					
Current		<b>347</b>	316	<b>1,046</b>	28
Deferred		<b>539</b>	(3,196)	<b>(472)</b>	(2,460)
		<b>886</b>	(2,880)	<b>574</b>	(2,432)
<b>Net earnings (loss)</b>		<b>87</b>	(20,464)	<b>(1,822)</b>	(22,415)
<b>Attributable to:</b>					
Equity holders of 5N Plus Inc.		<b>86</b>	(20,463)	<b>(1,821)</b>	(22,412)
Non-controlling interests		<b>1</b>	(1)	<b>(1)</b>	(3)
		<b>87</b>	(20,464)	<b>(1,822)</b>	(22,415)
<b>Earnings (loss) per share attributable to equity holders of 5N Plus Inc.</b>	8	-	(0.24)	<b>(0.02)</b>	(0.27)
<b>Basic earnings (loss) per share</b>	8	-	(0.24)	<b>(0.02)</b>	(0.27)
<b>Diluted earnings (loss) per share</b>	8	-	(0.24)	<b>(0.02)</b>	(0.27)

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

**5N PLUS INC.**

## Condensed Interim Consolidated Statements of Comprehensive Loss

For the three and six-month periods ended June 30

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

	Notes	Three months		Six months	
		2016	2015	2016	2015
		\$	\$	\$	\$
<b>Net earnings (loss)</b>		<b>87</b>	(20,464)	<b>(1,822)</b>	(22,415)
<b>Other comprehensive (loss) income</b>					
<b>Items that may be reclassified subsequently to net earnings (loss)</b>					
Net changes in cash flow hedges					
Effective portion of changes in fair value of cash flow hedges	11	<b>108</b>	-	<b>2,981</b>	-
Reclassification to net loss		<b>(156)</b>	(111)	<b>(2,797)</b>	(222)
Income taxes		<b>6</b>	30	<b>(25)</b>	60
		<b>(42)</b>	(81)	<b>159</b>	(162)
Currency translation adjustment		<b>(438)</b>	24	<b>(414)</b>	88
		<b>(480)</b>	(57)	<b>(255)</b>	(74)
<b>Items that will not be reclassified subsequently to net earnings (loss)</b>					
Remeasurement of employee benefit plan obligation		<b>(915)</b>	2,260	<b>(1,715)</b>	875
Income taxes		-	(700)	-	(271)
		<b>(915)</b>	1,560	<b>(1,715)</b>	604
<b>Other comprehensive (loss) income</b>		<b>(1,395)</b>	1,503	<b>(1,970)</b>	530
<b>Comprehensive loss</b>		<b>(1,308)</b>	(18,961)	<b>(3,792)</b>	(21,885)
Attributable to equity holders of 5N Plus Inc.		<b>(1,309)</b>	(18,960)	<b>(3,791)</b>	(21,882)
Attributable to non-controlling interests		<b>1</b>	(1)	<b>(1)</b>	(3)

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

**5N PLUS INC.**

## Condensed Interim Consolidated Statements of Cash Flows

For the six-month periods ended June 30

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

	Notes	2016	2015
		\$	\$
<b>Operating activities</b>			
Net loss		(1,822)	(22,415)
Adjustments to reconcile net loss to cash flows			
Depreciation of property, plant and equipment and amortization of intangible assets		4,926	17,457
Amortization of other assets		1,097	957
Amortization of deferred revenues		(187)	(397)
Impairment of inventories		-	6,500
Share-based compensation expense		1,392	125
Deferred income taxes		(472)	(2,460)
Share of (gain) loss from joint ventures		(74)	21
Imputed interest		1,570	1,418
Employee benefit plan obligation		(109)	(119)
Change in fair value of debenture conversion option	11	252	(1,646)
Loss on disposal of property, plant and equipment		117	-
Unrealized loss on non-hedge financial instruments		-	198
Unrealized foreign exchange loss (gain) on assets and liabilities		302	(3,136)
<b>Funds from (used in) operations before the following</b>		<b>6,992</b>	<b>(3,497)</b>
Net change in non-cash working capital balances	10	3,866	37,534
<b>Cash from operating activities</b>		<b>10,858</b>	<b>34,037</b>
<b>Investing activities</b>			
Additions to property, plant and equipment and intangible assets		(3,443)	(11,567)
Investment in a joint venture		(100)	-
Restricted cash		-	2,016
<b>Cash used in investing activities</b>		<b>(3,543)</b>	<b>(9,551)</b>
<b>Financing activities</b>			
Repayment of long-term debt		(3,131)	(33,979)
Proceeds from issuing long-term debt		1,505	12,834
Long-term debt issuance costs		(111)	(366)
Net decrease in bank indebtedness		-	(975)
Financial instruments – net		-	(51)
Increase in other liabilities		800	2,100
<b>Cash used in financing activities</b>		<b>(937)</b>	<b>(20,437)</b>
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>31</b>	<b>(307)</b>
<b>Net increase in cash and cash equivalents</b>		<b>6,409</b>	<b>3,742</b>
Cash and cash equivalents, beginning of year		8,816	12,777
<b>Cash and cash equivalents, end of period</b>		<b>15,225</b>	<b>16,519</b>
<b>Supplemental information<sup>(1)</sup></b>			
Income taxes paid		2,457	2,656
Interest paid		1,697	2,160

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

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

**5N PLUS INC.**

## Condensed Interim Consolidated Statements of Changes in Equity

For the six-month periods ended June 30

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

For the six-month period ended June 30, 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
<b>Balances at beginning of year</b>	83,979,657	\$ 343,506	\$ 4,079	\$ (6,447)	\$ (244,506)	\$ 96,632	\$ (7)	\$ 96,625
Net loss for the period	-	-	-	-	(1,821)	(1,821)	(1)	(1,822)
Other comprehensive loss								
Net changes in cash flow hedges	-	-	-	159	-	159	-	159
Currency translation adjustment	-	-	-	(414)	-	(414)	-	(414)
Remeasurement of employee benefit plan obligation	-	-	-	(1,715)	-	(1,715)	-	(1,715)
Total comprehensive loss	-	-	-	(1,970)	(1,821)	(3,791)	(1)	(3,792)
Share-based compensation	-	-	323	-	-	323	-	323
<b>Balances at end of period</b>	<b>83,979,657</b>	<b>343,506</b>	<b>4,402</b>	<b>(8,417)</b>	<b>(246,327)</b>	<b>93,164</b>	<b>(8)</b>	<b>93,156</b>

For the six-month period ended June 30, 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
<b>Balances at beginning of year</b>	83,979,657	\$ 343,506	\$ 3,914	\$ (3,669)	\$ (147,308)	\$ 196,443	\$ (4)	\$ 196,439
Net loss for the period	-	-	-	-	(22,412)	(22,412)	(3)	(22,415)
Other comprehensive loss								
Net changes in cash flow hedges	-	-	-	(162)	-	(162)	-	(162)
Currency translation adjustment	-	-	-	88	-	88	-	88
Remeasurement of employee benefit plan obligation	-	-	-	604	-	604	-	604
Total comprehensive loss	-	-	-	530	(22,412)	(21,882)	(3)	(21,885)
Share-based compensation	-	-	84	-	-	84	-	84
<b>Balances at end of period</b>	<b>83,979,657</b>	<b>343,506</b>	<b>3,998</b>	<b>(3,139)</b>	<b>(169,720)</b>	<b>174,645</b>	<b>(7)</b>	<b>174,638</b>

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

## **5N PLUS INC.**

Notes to Condensed Interim Consolidated Financial Statements

For the three and six-month periods ended June 30

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

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### **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 August 2, 2016.

### **2. Basis of Presentation**

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and as applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”. These condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2015, which have been prepared in accordance with IFRS as issued by the IASB.

The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The accounting policies followed in these unaudited condensed interim financial statements are consistent with those of the previous financial year, with the additional policy described below.

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

#### **Income taxes**

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

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

### **3. Accounting Policies**

#### **Future changes in accounting policies**

The following standards have been issued but are not yet effective:

In May 2014, the IASB issued IFRS 15, “Revenues from Contracts with Customers”, to specify how and when to recognize revenue as well as requiring the provision of more information and relevant disclosure. IFRS 15 supersedes IAS 18, “Revenue”, IAS 11, “Construction Contracts”, and other revenue-related interpretations. The standard will be mandatory on January 1, 2018 for the Company with earlier adoption permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

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(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**

	<b>June 30 2016</b>	December 31 2015
	\$	\$
Raw materials	<b>27,245</b>	28,200
Finished goods	<b>55,420</b>	60,852
<b>Total inventories</b>	<b>82,665</b>	89,052

For the three and six-month periods ended June 30, 2016, a total of \$36,413 and \$82,724 of inventories was included as an expense in cost of sales (\$76,538 and \$157,182 for the three and six-month periods ended June 30, 2015). For the three and six-month periods ended June 30, 2015, these include \$6,500 of impairment of inventories for the Eco-Friendly Materials segment.

For the three and six-month periods ended June 30, 2016, a total of \$6,103 and \$12,197 of inventories previously written down was recognized as a reduction of expenses in cost of sales (\$3,434 and \$6,290 for the Eco-Friendly Materials segment and \$2,669 and \$5,907 for the Electronic Materials segment). For the three and six-month periods ended June 30, 2015, a total of \$3,117 and \$8,248 of inventories previously written down was recognized as a reduction of expenses in cost of sales (\$2,830 and \$7,080 for the Eco-Friendly Materials segment and \$287 and \$1,168 for the Electronic Materials segment).

**5N PLUS INC.**

## Notes to Condensed Interim Consolidated Financial Statements

For the three and six-month periods ended June 30

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

**5. Long-Term Debt**

	<b>June 30</b>	December 31
	<b>2016</b>	2015
	\$	\$
Senior secured revolving facility of \$50,000 (\$100,000 as at December 31, 2015) with a syndicate of banks, maturing in August 2018 <sup>(1)</sup>	-	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 <sup>(2)</sup>	<b>350</b>	420
Other loans	-	52
	<b>350</b>	1,947
Less: Current portion of long-term debt	<b>350</b>	435
	-	1,512

<sup>(1)</sup> 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 June 30, 2016, the Company met all covenants.

In addition, in August 2014, the Company's subsidiary in Belgium entered into a bi-lateral credit facility of 5,000 Euros, which was reduced to 2,500 Euros as at February 18, 2016. This credit facility is coterminous with the new senior secured multi-currency revolving credit facility, and guaranteed by the same security pool. This bi-lateral facility can be drawn in Euros or US dollars and bears interest at similar rates as the revolving credit facility. No amount was drawn as at June 30, 2016 and December 31, 2015.

<sup>(2)</sup> 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 earnings (loss).

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Notes to Condensed Interim Consolidated Financial Statements

For the three and six-month periods ended June 30

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

The fair value of the debenture conversion option, which consists of the holder's conversion option subject to the Company's early redemption options, was estimated based on a methodology for pricing convertible bonds using an approach based on partial differential equations or binomial lattices, with the following assumptions: average expected volatility of 40%; expected dividend per share of nil; entity-specific credit spread, and expected life of 5 years. As a result, the initial fair value of the liability representing the debenture conversion option for the two tranches of the issuance of the debenture was estimated at CA\$10,484 (US\$9,666). Assumptions were reviewed in the valuation as at June 30, 2016 and December 31, 2015, and have not changed substantially except for the expected life of 3 and 3.5 years respectively and for average expected volatility of 43% as at June 30, 2016. On December 7, 2015, the Company entered into a cross-currency swap to hedge the convertible debenture denominated in Canadian dollars to US dollars (Note 11).

**7. Expenses by Nature**

Expenses by nature	Three months		Six months	
	2016	2015	2016	2015
	\$	\$	\$	\$
Wages and salaries	9,796	10,268	19,307	20,464
Share-based compensation expense (included in Corporate and unallocated)	555	85	1,392	125
Depreciation of property, plant and equipment and amortization of intangible assets	2,520	14,631	4,926	17,457
Amortization of other assets	89	791	1,097	957
Research and development, net of tax credit	458	334	1,498	785
Litigation and restructuring costs	-	-	1,030	-
Impairment of inventories (note 4)	-	6,500	-	6,500

**8. Earnings (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		Six months	
	2016	2015	2016	2015
	\$	\$	\$	\$
Net earnings (loss) attributable to equity holders of 5N Plus	86	(20,463)	(1,821)	(22,412)
Net earnings (loss) for the period	87	(20,464)	(1,822)	(22,415)

  

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

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

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

**5N PLUS INC.**

Notes to Condensed Interim Consolidated Financial Statements

For the three and six-month periods ended June 30

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

**9. Operating Segments**

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

<b>For the three-month period ended June 30, 2016</b>	<b>Eco-Friendly Materials</b>	<b>Electronic Materials</b>	<b>Corporate and unallocated</b>	<b>Total</b>
	\$	\$	\$	\$
Segment revenue <sup>(1)</sup>	37,729	19,706	-	57,435
Adjusted EBITDA <sup>(2) (3)</sup>	3,735	4,980	(4,001) <sup>(4)</sup>	4,714
Interest on long-term debt, imputed interest and other interest expense	-	-	1,865	1,865
Change in fair value of debenture conversion option	-	-	(57)	(57)
Foreign exchange and derivative gain	-	-	(587)	(587)
Depreciation and amortization	1,071	1,382	67	2,520
Earnings (loss) before income tax	2,664	3,598	(5,289)	973
<b>Capital expenditures</b>	<b>281</b>	<b>1,250</b>	<b>8</b>	<b>1,539</b>

<b>For the three-month period ended June 30, 2015</b>	<b>Eco-Friendly Materials</b>	<b>Electronic Materials</b>	<b>Corporate and unallocated</b>	<b>Total</b>
	\$	\$	\$	\$
Segment revenue <sup>(1)</sup>	56,457	30,793	-	87,250
Adjusted EBITDA <sup>(2) (3)</sup>	(701)	4,533	(1,869)	1,963
Interest on long-term debt, imputed interest and other interest expense	-	-	2,747	2,747
Impairment of inventories (Note 4)	6,500	-	-	6,500
Change in fair value of debenture conversion option	-	-	(933)	(933)
Foreign exchange and derivative loss	-	-	2,362	2,362
Depreciation and amortization	580	14,007	44	14,631
Earnings (loss) before income tax	(7,781)	(9,474)	(6,089)	(23,344)
<b>Capital expenditures</b>	<b>2,232</b>	<b>2,980</b>	<b>101</b>	<b>5,313</b>

**5N PLUS INC.**

## Notes to Condensed Interim Consolidated Financial Statements

For the three and six-month periods ended June 30

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

<b>For the six-month period ended June 30, 2016</b>	<b>Eco-Friendly Materials</b>	<b>Electronic Materials</b>	<b>Corporate and unallocated</b>	<b>Total</b>
	\$	\$	\$	\$
Segment revenue <sup>(1)</sup>	82,029	39,274	-	121,303
Adjusted EBITDA <sup>(2) (3)</sup>	7,563	8,400	(6,999) <sup>(4)</sup>	8,964
Interest on long-term debt, imputed interest and other interest expense	-	-	4,564	4,564
Litigation and restructuring costs (Note 7)	252	209	569	1,030
Change in fair value of debenture conversion option	-	-	252	252
Foreign exchange and derivative gain	-	-	(560)	(560)
Depreciation and amortization	1,994	2,808	124	4,926
Earnings (loss) before income tax	5,317	5,383	(11,948)	(1,248)
<b>Capital expenditures</b>	<b>529</b>	<b>2,905</b>	<b>9</b>	<b>3,443</b>

<b>For the six-month period ended June 30, 2015</b>	<b>Eco-Friendly Materials</b>	<b>Electronic Materials</b>	<b>Corporate and unallocated</b>	<b>Total</b>
	\$	\$	\$	\$
Segment revenue <sup>(1)</sup>	122,480	60,433	-	182,913
Adjusted EBITDA <sup>(2) (3)</sup>	(1,342)	7,792	(4,217)	2,233
Interest on long-term debt, imputed interest and other interest expense	-	-	4,830	4,830
Impairment of inventories (Note 4)	6,500	-	-	6,500
Change in fair value of debenture conversion option	-	-	(1,646)	(1,646)
Foreign exchange and derivative gain	-	-	(61)	(61)
Depreciation and amortization	1,147	16,225	85	17,457
Earnings (loss) before income tax	(8,989)	(8,433)	(7,425)	(24,847)
<b>Capital expenditures</b>	<b>4,769</b>	<b>6,697</b>	<b>101</b>	<b>11,567</b>

<sup>(1)</sup> The total revenue of \$3,915 and \$10,145 for the three and six-month periods ended June 30, 2016 from the recycling and trading of complex materials is allocated to the Eco-Friendly materials and Electronic materials segments (\$7,496 and \$10,048 for the three and six-month periods ended June 30 2015).

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

<sup>(3)</sup> The total adjusted EBITDA of a negative amount of \$368 and \$56 for the three and six-month periods ended June 30, 2016 from the recycling and trading of complex materials is allocated to the Eco-Friendly Materials and Electronic Materials segments (\$1,172 and \$391 for the three and six-month periods ended June 30, 2015).

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

<b>As at June 30, 2016</b>	<b>Eco-Friendly Materials</b>	<b>Electronic Materials</b>	<b>Corporate and unallocated</b>	<b>Total</b>
	\$	\$	\$	\$
Total assets excluding the deferred tax assets:	99,034	103,554	5,380	207,968

  

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

**5N PLUS INC.**

## Notes to Condensed Interim Consolidated Financial Statements

For the three and six-month periods ended June 30

(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 June 30, 2016 and 2015, and the identifiable non-current assets as at June 30, 2016 and December 31, 2015 are summarized as follows:

Revenue	Three months		Six months	
	2016	2015	2016	2015
	\$	\$	\$	\$
Asia				
China	4,116	2,216	6,040	9,013
Japan	1,045	1,320	2,538	3,418
Other <sup>(1)</sup>	13,079	18,233	26,369	33,798
Americas				
United States	11,254	19,926	24,237	45,626
Other	4,127	4,610	7,580	9,623
Europe				
Germany	6,900	11,185	14,569	21,220
France	3,811	6,240	8,528	13,051
United Kingdom	1,896	1,685	4,130	5,658
Other <sup>(1)</sup>	10,560	19,831	25,315	38,271
Other	647	2,004	1,997	3,235
<b>Total</b>	<b>57,435</b>	<b>87,250</b>	<b>121,303</b>	<b>182,913</b>

<sup>1)</sup> None exceeding 10%

For the three and six-month periods ended June 30, 2016, one customer represented approximately 17.8% and 15.4% of the revenues, and is included in Electronic Materials revenues. For the three and six-month periods ended June 30, 2015, one customer represented approximately 12.6% and 11.1% of revenues and is included in Electronic Materials revenues.

Non-current assets (other than deferred tax)	June 30	December 31
	2016	2015
	\$	\$
Asia <sup>(1)</sup>	16,402	17,470
United States	5,676	5,124
Canada	23,016	22,260
Europe		
Belgium	9,117	9,614
Germany	18,976	19,683
United Kingdom	3,198	3,463
<b>Total</b>	<b>76,385</b>	<b>77,614</b>

<sup>(1)</sup> None exceeding 10%

**5N PLUS INC.**

Notes to Condensed Interim Consolidated Financial Statements

For the three and six-month periods ended June 30

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

**10. Supplemental Cash Flow Information**

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

	2016	Six month 2015
	\$	\$
Decrease (increase) in assets:		
Accounts receivable	6,761	20,074
Inventories	6,870	37,693
Income tax receivable	(603)	(1,732)
Other current assets	389	413
(Decrease) increase in liabilities:		
Trade and accrued liabilities	(8,627)	(17,899)
Income tax payable	(924)	(1,015)
<b>Net change</b>	<b>3,866</b>	<b>37,534</b>

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

	2016	Six month 2015
	\$	\$
a) Excluded additions unpaid at end of the period:		
Additions to property, plant and equipment	3,467	4,279
b) Included additions unpaid at beginning of the period:		
Additions to property, plant and equipment	4,181	5,423
c) Excluded a reclassification from other liabilities to trade and accrued liabilities for which final settlement and payment are due in April 2017	16,038	-

**11. Fair Value of Financial Instruments**

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

**5N PLUS INC.**

## Notes to Condensed Interim Consolidated Financial Statements

For the three and six-month periods ended June 30

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

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

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

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

<b>As at June 30, 2016</b>					<b>Carrying Value</b>	<b>Fair value</b>
	<b>At fair value through profit or loss</b>	<b>Loans and receivables</b>	<b>Financial liabilities at amortized cost</b>	<b>Derivative designated in a hedge relationship</b>	<b>Total</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$
<b>Financial assets</b>						
Cash and cash equivalents	-	15,225	-	-	15,225	15,225
Accounts receivable	-	29,028	-	-	29,028	29,028
Derivative financial assets	-	-	-	1,538	1,538	1,538
<b>Total</b>	-	44,253	-	1,538	45,791	45,791
<b>Financial liabilities</b>						
Trade and accrued liabilities	-	-	47,431	-	47,431	47,431
Long-term debt	-	-	350	-	350	350
Convertible debentures and debenture conversion option (included in derivative financial liabilities)	345	-	43,879	-	44,224	44,398
<b>Total</b>	345	-	91,660	-	92,005	92,179

**5N PLUS INC.**

## Notes to Condensed Interim Consolidated Financial Statements

For the three and six-month periods ended June 30

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

As at December 31, 2015					Carrying Value	Fair value
	At fair value through profit or loss	Loans and receivables	Financial liabilities at amortized cost	Derivative designated in a hedge relationship	Total	Total
	\$	\$	\$	\$	\$	\$
<b>Financial assets</b>						
Cash and cash equivalents	-	8,816	-	-	8,816	8,816
Accounts receivable	-	37,325	-	-	37,325	37,325
<b>Total</b>	-	46,141	-	-	46,141	46,141
<b>Financial liabilities</b>						
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) <sup>(1)</sup>	-	-	14,939	-	14,939	14,804
<b>Total</b>	87	-	95,918	1,443	97,448	93,113

**Fair value hierarchy**

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

As at June 30, 2016	Level 1	Level 2	Level 3
	\$	\$	\$
<b>Financial assets (liabilities)</b>			
At fair value through profit or loss			
Debenture conversion option (Note 6) <sup>(1)</sup>	-	-	(345)
Derivatives designated in a hedge relationship			
Cross-currency swap <sup>(2)</sup>	-	1,538	-
<b>Total</b>	-	1,538	(345)

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

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

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- <sup>(1)</sup> This instrument is classified as a Level 3 financial instrument, since the implied volatility is an unobservable input. The change in fair value of the debenture conversion option of \$57 and a negative amount of \$252 was recognized in the consolidated statement of earnings (loss) for the three and the six-month periods ended June 30, 2016 (\$933 and \$1,646 for the three and the six-month periods ended June 30, 2015).
- <sup>(2)</sup> 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 June 30, 2016 (\$502 as at December 31, 2015).

**Contingencies**

In the normal course of operations, the Company is exposed to events that could give rise to contingent liabilities or assets. As at the date of issue of the condensed interim consolidated financial statements, the Company was not aware of any significant events that would have a material effect on its consolidated financial statements.