

5N PLUS INC.

Condensed Interim Consolidated Financial Statements

(Unaudited)

For the three and six-month periods ended June 30, 2017 and 2016

(in thousands of United States dollars)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of United States dollars) (unaudited)

	Notes	June 30 2017	December 31 2016
		\$	\$
Assets			
Current			
Cash and cash equivalents		30,375	24,301
Accounts receivable		33,145	29,799
Inventories	4	78,290	80,309
Income tax receivable		6,131	6,819
Other current assets	12	5,115	2,831
Total current assets		153,056	144,059
Property, plant and equipment		58,650	59,945
Intangible assets		12,047	11,109
Deferred tax assets		1,806	1,883
Investment accounted for using the equity method		677	779
Derivative financial assets	12	1,821	189
Other assets		1,003	1,093
Total non-current assets		76,004	74,998
Total assets		229,060	219,057
Liabilities			
Current			
Trade and accrued liabilities		54,769	57,381
Income tax payable		9,557	8,422
Current portion of long-term debt	5	263	325
Total current liabilities		64,589	66,128
Convertible debentures	6	46,027	43,157
Deferred tax liabilities		484	715
Employee benefit plan obligation		15,235	14,813
Derivative financial liabilities	12	364	68
Other liabilities		5,648	5,662
Total non-current liabilities		67,758	64,415
Total liabilities		132,347	130,543
Equity			
Equity holders of 5N Plus Inc.		96,723	88,522
Non-controlling interests		(10)	(8)
Total equity		96,713	88,514
Total liabilities and equity		229,060	219,057

Commitments and contingencies (Note 13)

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

For the three and six-month periods ended June 30

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

	Notes	Three months		Six months	
		2017	2016	2017	2016
		\$	\$	\$	\$
Revenue		56,229	57,435	117,099	121,303
Cost of sales	4	42,049	46,913	90,809	100,652
Selling, general and administrative expenses		6,434	6,773	13,473	13,151
Other expenses	7	2,768	1,516	44	4,566
Share of loss (gain) from joint ventures		113	39	121	(74)
		51,364	55,241	104,447	118,295
Operating earnings		4,865	2,194	12,652	3,008
Financial expense					
Interest on long-term debt		822	876	1,637	1,756
Imputed interest and other interest expense		602	989	1,592	2,808
Changes in fair value of debenture conversion option	12	316	(57)	294	252
Foreign exchange and derivative loss (gain)		182	(587)	359	(560)
		1,922	1,221	3,882	4,256
Earnings (loss) before income taxes		2,943	973	8,770	(1,248)
Income tax (recovery) expense					
Current		992	347	1,310	1,046
Deferred		(1,464)	539	(108)	(472)
		(472)	886	1,202	574
Net earnings (loss)		3,415	87	7,568	(1,822)
Attributable to:					
Equity holders of 5N Plus Inc.		3,416	86	7,570	(1,821)
Non-controlling interests		(1)	1	(2)	(1)
		3,415	87	7,568	(1,822)
Earnings (loss) per share attributable to equity holders of 5N Plus Inc.	9	0.04	-	0.09	(0.02)
Basic earning (loss) per share	9	0.04	-	0.09	(0.02)
Diluted earnings (loss) per share	9	0.04	-	0.09	(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 and six-month periods ended June 30

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

	Notes	Three months		Six months	
		2017	2016	2017	2016
		\$	\$	\$	\$
Net earnings (loss)		3,415	87	7,568	(1,822)
Other comprehensive income (loss)					
Items that may be reclassified subsequently to net earnings (loss)					
Net changes in cash flow hedges					
Effective portion of changes in fair value of cash flow hedges	12	1,003	108	1,632	2,981
Reclassification to net earnings (loss)		(1,296)	(156)	(1,985)	(2,797)
Income taxes		39	6	47	(25)
		(254)	(42)	(306)	159
Currency translation adjustment		280	(438)	433	(414)
		26	(480)	127	(255)
Items that will not be reclassified subsequently to net earnings (loss)					
Remeasurement of employee benefit plan obligation		379	(915)	639	(1,715)
Other comprehensive income (loss)		405	(1,395)	766	(1,970)
Comprehensive income (loss)		3,820	(1,308)	8,334	(3,792)
Attributable to equity holders of 5N Plus Inc.		3,821	(1,309)	8,336	(3,791)
Attributable to non-controlling interests		(1)	1	(2)	(1)

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six-month periods ended June 30

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

	Notes	2017	2016
		\$	\$
Operating activities			
Net earnings (loss)		7,568	(1,822)
Adjustments to reconcile net earnings (loss) to cash flows			
Depreciation of property, plant and equipment and amortization of intangible assets		4,017	4,926
Amortization of other assets		110	1,097
Amortization of deferred revenues		-	(187)
Share-based compensation expense		3,214	1,392
Deferred income taxes		(108)	(472)
Share of loss (gain) from joint ventures		121	(74)
Imputed interest		1,389	1,570
Employee benefit plan obligation		(156)	(109)
Change in fair value of debenture conversion option	12	294	252
(Gain) loss on disposal of property, plant and equipment		(390)	117
Unrealized gain on non hedge financial instruments	12	(243)	-
Unrealized foreign exchange loss on assets and liabilities		859	302
Funds from operations before the following		16,675	6,992
Net change in non-cash working capital balances related to operations	11	(7,293)	3,866
Cash from operating activities		9,382	10,858
Investing activities			
Additions to property, plant and equipment		(3,179)	(1,424)
Additions of intangible assets		(1,085)	(2,019)
Proceeds on disposal of property, plant and equipment		1,145	-
Investment in a joint venture		-	(100)
Cash used in investing activities		(3,119)	(3,543)
Financing activities			
Repayment of long-term debt		(74)	(3,131)
Proceeds from issuing long-term debt		-	1,505
Long-term debt issuance costs		-	(111)
Common shares repurchased		(654)	-
Issuance of common shares		339	-
Increase in other liabilities		-	800
Cash used in financing activities		(389)	(937)
Effect of foreign exchange rate changes on cash and cash equivalents		200	31
Net increase in cash and cash equivalents		6,074	6,409
Cash and cash equivalents, beginning of period		24,301	8,816
Cash and cash equivalents, end of period		30,375	15,225
Supplemental information⁽¹⁾			
Income taxes (received) paid		(746)	2,457
Interest paid		1,556	1,697

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

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six-month periods ended June 30

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

	Attributable to equity holders of the Company							
	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total shareholders' equity	Non-controlling interests	Total equity
2017								
Balances at beginning of period	83,778,557	\$ 342,684	\$ 4,596	\$ (8,927)	\$ (249,831)	\$ 88,522	\$ (8)	\$ 88,514
Net earnings for the period	-	-	-	-	7,570	7,570	(2)	7,568
Other comprehensive income								
Net changes in cash flow hedges	-	-	-	(306)	-	(306)	-	(306)
Currency translation adjustment	-	-	-	433	-	433	-	433
Remeasurement of employee benefit plan obligation	-	-	-	639	-	639	-	639
Total comprehensive income	-	-	-	766	7,570	8,336	(2)	8,334
Common shares repurchased and cancelled (Note 8)	(475,016)	(1,943)	-	-	1,289	(654)	-	(654)
Exercise of stocks options	242,500	499	(160)	-	-	339	-	339
Share-based compensation	-	-	180	-	-	180	-	180
Balances at end of period	83,546,041	341,240	4,616	(8,161)	(240,972)	96,723	(10)	96,713

	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	-	-	-	-	(1,821)	(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
Balances at end of period	83,979,657	343,506	4,402	(8,417)	(246,327)	93,164	(8)	93,156

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six-month periods ended June 30, 2017 and 2016

(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 condensed interim consolidated financial statements were approved by the Board of Directors on August 1st, 2017.

2 Basis of Presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and as applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, "Interim Financial Reporting". These condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2016, which have been prepared in accordance with IFRS as issued by the IASB.

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

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

Income taxes

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

3 Changes in Accounting Policies and Futures Changes in Accounting Policies

Future changes in accounting policies

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

In May 2014, the IASB issued IFRS 15, "Revenues from Contracts with Customers", 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 and six-month periods ended June 30, 2017 and 2016

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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

	June 30 2017	December 31 2016
	\$	\$
Raw materials	23,576	24,436
Finished goods	54,714	55,873
Total inventories	78,290	80,309

For the three and six-months periods ended June 30, 2017, a total of \$26,861 and \$65,010 of inventories was included as an expense in cost of sales (\$36,413 and \$82,724 for the three and six-month periods ended June 30, 2016).

For the three and six-months periods ended June 30, 2017, a total of \$985 and \$6,134 of inventories previously written down was recognized as a reduction of expenses in cost of sales concurrently with the related inventories being sold (\$165 and \$550 for the Eco-Friendly Materials segment and \$820 and \$5,584 for the Electronic 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 expense 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).

5 Long-Term Debt

	June 30 2017	December 31 2016
	\$	\$
Senior secured revolving facility of \$50,000 with a syndicate of banks, maturing in August 2018 ⁽¹⁾	-	-
Term loan, non-interest bearing, repayable under certain conditions, maturing in 2023. If the loan has not been repaid in full by the end of 2023, the balance will be forgiven ⁽²⁾	263	325
	263	325
Less: Current portion of long-term debt	263	325
	-	-

⁽¹⁾ In August 2014, the Company signed a senior secured multi-currency revolving credit facility of \$125,000 maturing in August 2018, which was reduced to \$100,000 as at June 30, 2015 and subsequently to \$50,000 as at February 18, 2016. At any time, the Company has the option to request that the credit facility be expanded through the exercise of an additional \$50,000 accordion feature, subject to review and approval by the lenders. This revolving credit facility can be drawn in US dollars, Canadian dollars or Hong Kong dollars. Drawings bear interest at either the Canadian prime rate, US base rate, Hong Kong base rate or LIBOR, plus a margin based on the Company's senior consolidated debt to EBITDA ratio. Under the terms of its credit facility, the Company is required to satisfy certain restrictive covenants as to financial ratios. During the first quarter of 2016, an amount of deferred costs of \$897 has been expensed and recorded in Imputed interest and other interest expense. As at June 30, 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 June 30, 2017 and December 31, 2016.

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six-month periods ended June 30, 2017 and 2016

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

6 Convertible Debentures

In June 2014, the Company issued convertible unsecured subordinated debentures for CA\$60,000 (US\$55,266) and an additional over-allotment option for CA\$6,000 (US\$5,580) for a total of CA\$66,000 (US\$60,846). The convertible unsecured subordinated debentures bear interest at a rate of 5.75% per annum, payable semi-annually on June 30 and December 31, commencing on December 31, 2014. The convertible debentures are convertible at the holder's option into the Company's common shares at a conversion price of CA\$6.75 per share, representing a conversion rate of 148.1 common shares per CA\$1,000 principal amount of convertible debentures. The convertible debentures will mature on June 30, 2019 and may be redeemed by the Company, in certain circumstances, after June 30, 2017.

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

The fair value of the debenture conversion option, which consists of the holder's conversion option subject to the Company's early redemption options, was estimated based on a methodology for pricing convertible bonds using an approach based on partial differential equations or binomial lattices, with the following assumptions: average expected volatility of 40%; expected dividend per share of nil; entity-specific credit spread, and expected life of 5 years. As a result, the initial fair value of the liability representing the debenture conversion option for the two tranches of the issuance of the debenture was estimated at CA\$10,484 (US\$9,666). Assumptions were reviewed in the valuation as at June 30, 2017 and December 31, 2016, and have not changed substantially except for the expected life of 2 and 2.5 years respectively and for average expected volatility of 43.4% as at June 30, 2017 and 43.1% as at December 31, 2016. On December 7, 2015, the Company entered into a cross-currency swap to hedge the convertible debenture denominated in Canadian dollars to US dollars (Note 12).

7 Expenses (Revenue) by Nature

	Three months		Six months	
	2017	2016	2017	2016
	\$	\$	\$	\$
Wages and salaries	9,379	9,796	19,548	19,307
Share-based compensation expense (included in Corporate and unallocated) (Note 10) ⁽¹⁾	2,397	555	2,971	1,392
Depreciation of property, plant and equipment and amortization of intangible assets	1,974	2,520	4,017	4,926
Amortization of other assets	55	89	110	1,097
Gain on disposal of property, plant and equipment	-	-	(390)	-
Research and development, net of tax credit	421	458	888	1,498
Litigation and restructuring (income) costs ⁽²⁾	-	-	(3,368)	1,030

⁽¹⁾ In June 2017, the Company entered into equity swap agreement to reduce its earnings exposure on the fluctuation in the Company's share price relating the DSU, PSU, RSU and SAR (Note 12). The changes in fair value of the equity swap are recorded against the share-based compensation expense for an amount of \$243.

⁽²⁾ Including an income resulting from an amendment to optimize commercial agreements mitigated by cost related to termination of a non-core activity.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six-month periods ended June 30, 2017 and 2016

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

8 Share Capital

On February 21, 2017, the Toronto Stock Exchange approved an amendment to the Company's normal course issuer bid implemented on October 11, 2016. Under this normal course issuer bid amendment, the Company 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 six-month period ended June 30, 2017, the Company has repurchased and cancelled 475,016 common shares at an average price of \$1.38 for a total amount of \$654. An amount of \$1,943 has been applied against share capital and a negative amount of \$1,289 has been applied against the deficit.

9 Earnings (Loss) per Share

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

Numerators	Three months		Six months	
	2017	2016	2017	2016
	\$	\$	\$	\$
Net earnings (loss) attributable to equity holders	3,416	86	7,570	(1,821)
Net earnings (loss) for the period	3,415	87	7,568	(1,822)

Denominators	Three months		Six months	
	2017	2016	2017	2016
Basic weighted average number of shares	83,450,507	83,979,657	83,540,987	83,979,657
Dilutive effect:				
Stock options	368,892	-	69,240	-
Diluted weighted average number of shares	83,819,399	83,979,657	83,610,227	83,979,657

For the three and six-month periods ended June 30, 2017, a total number of 636,672 and 1,834,672 stock options were excluded from the diluted weighted average number of shares due to their anti-dilutive effect because of the Company's stock price. The same applies to the convertible debentures and to the 1,558,360 new restricted share units for the three and six-months periods ended June 30, 2017.

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six-month periods ended June 30, 2017 and 2016

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

10 Operating Segments

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

For the three-month period ended June 30, 2017	Eco-Friendly Materials	Electronic Materials	Corporate and unallocated	Total
	\$	\$	\$	\$
Segment revenues ⁽¹⁾	37,663	18,566	-	56,229
Adjusted EBITDA ^{(2) (3)}	5,591	6,668	(5,420) ⁽⁴⁾	6,839
Interest on long-term debt, imputed interest and other interest expense	-	-	1,424	1,424
Change in fair value of debenture conversion option	-	-	316	316
Foreign exchange and derivative loss (gain)	-	-	182	182
Depreciation and amortization	862	1,096	16	1,974
Earnings (loss) before income tax	4,729	5,572	(7,358)	2,943
Capital expenditures	690	1,266	-	1,956

For the three-month period ended June 30, 2016	Eco-Friendly Materials	Electronic Materials	Corporate and unallocated	Total
	\$	\$	\$	\$
Segment revenues ⁽¹⁾	37,729	19,706	-	57,435
Adjusted EBITDA ^{(2) (3)}	3,735	4,980	(4,001) ⁽⁴⁾	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 loss (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
Capital expenditures	281	1,250	8	1,539

For the six-month period ended June 30, 2017	Eco-Friendly Materials	Electronic Materials	Corporate and unallocated	Total
	\$	\$	\$	\$
Segment revenues ⁽¹⁾	79,194	37,905	-	117,099
Adjusted EBITDA ^{(2) (3)}	8,003	13,628	(8,720) ⁽⁴⁾	12,911
Interest on long-term debt, imputed interest and other interest expense	-	-	3,229	3,229
Litigation and restructuring costs (Note 7)	429	(3,797)	-	(3,368)
Change in fair value of debenture conversion option	-	-	294	294
Foreign exchange and derivative loss (gain)	-	-	359	359
Gain on disposal of property, plant and equipment	-	(390)	-	(390)
Depreciation and amortization	1,709	2,254	54	4,017
Earnings (loss) before income tax	5,865	15,561	(12,656)	8,770
Capital expenditures	1,296	1,883	-	3,179

⁽¹⁾ The total revenue of \$5,034 and \$10,753 for the three and six-month periods ended June 30, 2017 from the recycling and trading of complex materials is allocated to the Eco-Friendly Materials and Electronic Materials segments (\$3,915 and \$10,145 for the three and six-month periods ended June 30, 2016).

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

⁽³⁾ The total adjusted EBITDA of \$1,583 and \$1,565 for the three and six-month periods ended June 30, 2017 from the recycling and trading of complex materials is allocated to the Eco-Friendly Materials and Electronic Materials segments (negative amounts of \$368 and \$56 for the three and six-month periods ended June 30, 2016).

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six-month periods ended June 30, 2017 and 2016

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

For the six-month period ended June 30, 2016	Eco-Friendly Materials	Electronic Materials	Corporate and unallocated	Total
	\$	\$	\$	\$
Segment revenues ⁽¹⁾	82,029	39,274	-	121,303
Adjusted EBITDA ^{(2) (3)}	7,563	8,400	(6,999) ⁽⁴⁾	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 loss (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)
Capital expenditures	529	2,905	9	3,443

⁽¹⁾ The total revenue of \$5,034 and \$10,753 for the three and six-month periods ended June 30, 2017 from the recycling and trading of complex materials is allocated to the Eco-Friendly Materials and Electronic Materials segments (\$3,915 and \$10,145 for the three and six-month periods ended June 30, 2016).

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

⁽³⁾ The total adjusted EBITDA of \$1,583 and \$1,565 for the three and six-month periods ended June 30, 2017 from the recycling and trading of complex materials is allocated to the Eco-Friendly Materials and Electronic Materials segments (negative amounts of \$368 and \$56 for the three and six-month periods ended June 30, 2016).

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

As at June 30, 2017	Eco-Friendly Materials	Electronic Materials	Corporate and unallocated	Total
	\$	\$	\$	\$
Total assets excluding the deferred tax asset:	101,966	104,483	20,805	227,254

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

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

Revenue	Three months		Six months	
	2017	2016	2017	2016
	\$	\$	\$	\$
Asia				
China	4,972	4,116	8,506	6,040
Japan	910	1,045	2,063	2,538
Other ⁽¹⁾	12,960	13,079	26,020	26,369
Americas				
United States	9,759	11,254	19,560	24,237
Other	3,647	4,127	6,748	7,580
Europe				
Germany	8,092	6,900	16,547	14,569
France	3,507	3,811	8,179	8,528
United Kingdom	3,988	1,896	7,414	4,130
Other ⁽¹⁾	6,131	10,560	18,979	25,315
Other	2,263	647	3,083	1,997
Total	56,229	57,435	117,099	121,303

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six-month periods ended June 30, 2017 and 2016

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

	June 30 2017	December 31 2016
Non-current assets (other than deferred tax assets)		
	\$	\$
Asia ⁽¹⁾	15,693	15,721
United States	6,418	5,496
Canada	23,031	22,028
Europe		
Belgium	8,630	9,017
Germany	18,986	18,937
Other	1,440	1,916
Total	74,198	73,115

⁽¹⁾ None exceeding 10%

For the three and six-month periods ended June 30, 2017, one customer represented approximately 12.9% and 13.0% of the revenues, and is included in the Electronic Materials revenues (17.8% and 15.4% for the three and six-month periods ended June 30, 2016).

11 Supplemental Cash Flow Information

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

	Six months	
	2017	2016
	\$	\$
(Increase) decrease in assets:		
Accounts receivable	(3,360)	6,761
Inventories	2,019	6,870
Income tax receivable	688	(603)
Other current assets	(2,061)	389
(Decrease) increase in liabilities:		
Trade and accrued liabilities	(5,714)	(8,627)
Income tax payable	1,135	(924)
Net change	(7,293)	3,866

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

	Non-Cash Changes					
	December 31 2016	Cash Flows	Imputed interest	Foreign Exchange movement	Fair value changes	June 30 2017
	\$	\$	\$	\$	\$	\$
Long-term debt	325	(74)	-	12	-	263
Convertible debenture	43,157	-	1,019	1,851	-	46,027
Debenture conversion option	68	-	-	2	294	364
Cross-currency swap	(189)	-	-	-	(1,632)	(1,821)
Deferred revenues	5,419	-	-	-	-	5,419
Total liabilities from financing liabilities	48,780	(74)	1,019	1,865	(1,338)	50,252

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six-month periods ended June 30, 2017 and 2016

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

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

	Six months	
	2017	2016
a) Excluded additions unpaid at end of the period:	\$	\$
Additions to property, plant and equipment	406 ⁽¹⁾	3,467
b) Included additions unpaid at beginning of the period:		
Additions to property, plant and equipment	3,741	4,181
c) Excluded a reclassification from other liabilities to trade and accrued liabilities for which final settlement and payment were due in April 2017	-	16,038

(1)

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

12 Fair Value of Financial Instruments

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

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

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six-month periods ended June 30, 2017 and 2016

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

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

As at June 30, 2017					Carrying Value	Fair value
	At fair value through profit or loss	Loans and receivables	Financial liabilities at amortized cost	Derivative designated in a hedge relationship	Total	Total
	\$	\$	\$	\$	\$	\$
Financial assets						
Cash and cash equivalents	-	30,375	-	-	30,375	30,375
Accounts receivable	-	33,145	-	-	33,145	33,145
Derivative financial assets	243 ⁽¹⁾	-	-	1,821	2,064	2,064
Total	243	63,520	-	1,821	65,584	65,584
Financial liabilities						
Trade and accrued liabilities	-	-	54,769	-	54,769	54,769
Current portion of long-term debt	-	-	263	-	263	263
Convertible debentures and debenture conversion option (included in derivative financial liabilities)	364	-	46,027	-	46,391	50,860
Total	364	-	101,059	-	101,423	105,892

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

As at December 31, 2016					Carrying Value	Fair value
	At fair value through profit or loss	Loans and receivables	Financial liabilities at amortized cost	Derivative designated in a hedge relationship	Total	Total
	\$	\$	\$	\$	\$	\$
Financial assets						
Cash and cash equivalents	-	24,301	-	-	24,301	24,301
Accounts receivable	-	29,799	-	-	29,799	29,799
Derivative financial assets	-	-	-	189	189	189
Total	-	54,100	-	189	54,289	54,289
Financial liabilities						
Trade and accrued liabilities	-	-	57,381	-	57,381	57,381
Current portion of long-term debt	-	-	325	-	325	325
Convertible debentures and debenture conversion option (included in derivative financial liabilities)	68	-	43,157	-	43,225	44,421
Total	68	-	100,863	-	100,931	102,127

Fair value hierarchy

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

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six-month periods ended June 30, 2017 and 2016

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

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

As at June 30, 2017	Level 1	Level 2	Level 3
	\$	\$	\$
Financial assets (liabilities)			
At fair value through profit or loss			
Debenture conversion option (Note 6) ⁽¹⁾	-	-	(364)
Equity swap agreement ⁽²⁾	-	243	-
Derivatives designated in a hedge relationship			
Cross-currency swap ⁽³⁾	-	1,821	-
Total	-	2,064	(364)

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

⁽¹⁾ This instrument is classified as a Level 3 financial instrument, since the implied volatility is an unobservable input. The change in fair value of debenture conversion option of \$316 and \$294 as revenue were recognized in the condensed interim consolidated statement of earnings (loss) for the three and six-month periods ended June 30, 2017 (\$57 and a negative amount of \$252 for the three and six-month periods ended June 30, 2016).

⁽²⁾ In June 2017, the Company has entered into swap agreement with a major Canadian financial institution to reduce its income exposure to fluctuations in its share price relating to the DSU, PSU, RSU and SAR programs. Pursuant to the agreement, the Company receives the economic benefit of share price appreciation while providing payments to the financial institutions for the institution's cost of funds and any share price depreciation. The net effect of the equity swaps partly offset movements in the Company's share price impacting the cost of the DSU, PSU, RSU and SAR programs. As at June 30, 2017, the equity swap agreement covered 1,032,300 common shares of the Company. The fair value of this embedded derivative is recorded under other current assets with the related host deposit.

⁽³⁾ On December 7, 2015, the Company entered into a cross-currency swap to hedge the convertible debenture denominated in Canadian dollars with a notional amount of CA\$66,000 and bearing interest at a rate of 5.75% per annum, payable semi-annually on June 30 and December 31. Under this cross-currency swap, the Company exchange interest payments and principal redemption on the same terms and designates the cross-currency as a cash flow hedge of the variability of the \$US functional currency equivalent cash flows on the debt. The terms are such that on each interest payment date, the Company will receive 5.75% on a notional of CA\$66,000 and pay 6.485% based on a notional of US\$48,889.

13 Commitments and Contingencies

Commitments

In the normal course of business, the Company contracted letters of credit for an amount of up to \$385 as at June 30, 2017 (\$741 as at December 31, 2016).

Contingencies

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