



5N PLUS INC.

Condensed Interim Consolidated Financial Statements

(Unaudited)

For the three and six-month periods ended June 30, 2019 and 2018
(in thousands of United States dollars)

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in thousands of United States dollars) (unaudited)

	Notes	June 30 2019	December 31 2018
		\$	\$
Assets			
Current			
Cash and cash equivalents		17,176	26,724
Accounts receivable		29,426	22,984
Inventories	4	91,362	96,889
Income tax receivable		5,660	4,891
Other current assets		7,454	7,797
Total current assets		151,078	159,285
Property, plant and equipment		56,359	57,297
Right of use assets	3	6,569	-
Intangible assets		11,338	11,199
Deferred tax assets		8,635	7,872
Other assets		1,316	1,404
Total non-current assets		84,217	77,772
Total assets		235,295	237,057
Liabilities			
Current			
Trade and accrued liabilities		29,217	39,249
Income tax payable		5,480	7,732
Derivative financial liabilities		-	197
Current portion of long-term debt	5	106	175
Current portion of convertible debentures	6	-	18,571
Current portion of lease liabilities	3	1,516	-
Total current liabilities		36,319	65,924
Long-term debt	5	55,000	30,000
Deferred tax liabilities		267	266
Employee benefit plan obligation		15,758	14,619
Lease liabilities	3	5,157	-
Other liabilities		6,515	6,545
Total non-current liabilities		82,697	51,430
Total liabilities		119,016	117,354
Equity		116,279	119,703
Total liabilities and equity		235,295	237,057

Commitments and contingencies (Note 13)

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

5N PLUS INC.**INTERIM CONSOLIDATED STATEMENTS OF EARNINGS**

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	
		2019	2018	2019	2018
		\$	\$	\$	\$
Revenue		50,290	58,359	101,703	116,906
Cost of sales	4, 7	41,051	44,916	83,851	90,810
Selling, general and administrative expenses	7	5,476	6,685	10,992	13,504
Other expenses (income), net	7	887	1,116	2,687	1,196
Share of loss from joint ventures		-	24	-	22
		47,414	52,741	97,530	105,532
Operating earnings		2,876	5,618	4,173	11,374
Financial expense					
Interest on long-term debt		756	832	1,445	1,625
Imputed interest and other interest expense	6	189	2,174	903	2,883
Foreign exchange and derivative loss (gain)		136	(23)	423	181
		1,081	2,983	2,771	4,689
Earnings before income taxes		1,795	2,635	1,402	6,685
Income tax expense (recovery)					
Current		(93)	1,076	1,147	2,473
Deferred		130	(1,861)	(354)	(2,256)
		37	(785)	793	217
Net earnings		1,758	3,420	609	6,468
Attributable to:					
Equity holders of 5N Plus Inc.		1,758	3,417	609	6,468
Non-controlling interests		-	3	-	-
		1,758	3,420	609	6,468
Earnings per share attributable to equity holders of 5N Plus Inc.	9	0.02	0.04	0.01	0.08
Basic earnings per share	9	0.02	0.04	0.01	0.08
Diluted earnings per share	9	0.02	0.04	0.01	0.08

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

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the three and six-month periods ended June 30
(in thousands of United States dollars) (unaudited)

	Notes	Three months		Six months	
		2019	2018	2019	2018
		\$	\$	\$	\$
Net earnings		1,758	3,420	609	6,468
Other comprehensive loss					
Items that may be reclassified subsequently to net earnings					
Net changes in cash flow hedges					
Effective portion of changes in fair value of cash flow hedges	12	-	(435)	723	(1,703)
Reclassification to net earnings		-	493	(693)	1,835
De-designation of cash flow hedges	6	-	(79)	145	(79)
Income taxes		-	2	(21)	(8)
		-	(19)	154	45
Currency translation adjustment		(402)	(999)	(4)	(253)
		(402)	(1,018)	150	(208)
Items that will not be reclassified subsequently to net earnings					
Remeasurement of employee benefit plan obligation		(495)	(108)	(1,380)	134
Income taxes		155	34	430	(41)
		(340)	(74)	(950)	93
Other comprehensive loss		(742)	(1,092)	(800)	(115)
Comprehensive income (loss)		1,016	2,328	(191)	6,353
Attributable to equity holders of 5N Plus Inc.		1,016	2,325	(191)	6,353
Attributable to non-controlling interests		-	3	-	-

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

5N PLUS INC.
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 Interest	Total Equity
2019								
Balances at beginning of period	84,609,791	\$ 343,480	\$ 4,444	\$ (5,674)	\$ (222,547)	\$ 119,703	\$ -	\$ 119,703
Net earnings for the period	-	-	-	-	609	609	-	609
Other comprehensive loss	-	-	-	(800)	-	(800)	-	(800)
Comprehensive loss	-	-	-	(800)	609	(191)	-	(191)
Reduction of share capital (Note 8)	-	(338,478)	338,478	-	-	-	-	-
Common shares repurchased and cancelled (Note 8)	(1,696,733)	(101)	-	-	(3,889)	(3,990)	-	(3,990)
Exercise of stocks options	430,000	949	(300)	-	-	649	-	649
Share-based compensation	-	-	108	-	-	108	-	108
Balances at end of period	83,343,058	5,850	342,730	(6,474)	(225,827)	116,279	-	116,279

	Attributable to equity holders of the Company							Non-controlling Interest	Total Equity
	Number of shares	Share Capital	Contributed Surplus	Accumulated other comprehensive loss	Deficit	Total shareholders' equity			
2018									
Balances at beginning of period	83,901,041	\$ 341,949	\$ 4,586	\$ (4,570)	\$ (236,519)	\$ 105,446	\$ (18)	\$ 105,428	
Net earnings for the period	-	-	-	-	6,468	6,468	-	6,468	
Other comprehensive income	-	-	-	(115)	-	(115)	-	(115)	
Comprehensive income (loss)	-	-	-	(115)	6,468	6,353	-	6,353	
Exercise of stocks options	373,750	763	(249)	-	-	514	-	514	
Share-based compensation	-	-	176	-	-	176	-	176	
Balances at end of period	84,274,791	342,712	4,513	(4,685)	(230,051)	112,489	(18)	112,471	

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

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six-month periods ended June 30

(in thousands of United States dollars) (unaudited)

	Notes	2019	2018
		\$	\$
Operating activities			
Net earnings		609	6,468
Adjustments to reconcile net earnings to cash flows			
Depreciation of property, plant and equipment and amortization of intangible assets		5,049	4,467
Depreciation of right of use assets		710	-
Amortization of other assets		84	93
Share-based compensation expense		691	2,434
Deferred income taxes		(354)	(2,256)
Share of gain from joint ventures		-	(22)
Imputed interest	6	648	2,660
Employee benefit plan obligation		(151)	(144)
Gain on disposal of property, plant and equipment		(60)	(185)
Unrealized loss (gain) on non-hedge financial instruments		851	(645)
Unrealized foreign exchange (gain) loss on assets and liabilities		(436)	314
Realized loss on non-hedge financial instruments		25	670
Realized foreign exchange gain on assets and liabilities		-	(355)
Loss (gain) on de-designation of cash flow hedges	6	145	(79)
Funds from operations before the following:		7,811	13,420
Net change in non-cash working capital balances	11	(15,005)	(13,902)
Cash used in operating activities		(7,194)	(482)
Investing activities			
Additions to property, plant and equipment		(3,555)	(4,738)
Additions of intangible assets		(565)	(685)
Proceeds on disposal of property, plant and equipment		180	800
Cash used in investing activities		(3,940)	(4,623)
Financing activities			
Repayment of long-term debt		(75)	(78)
Proceeds from issuance of long-term debt		25,000	30,000
Issue expenses related to long-term debt		-	(483)
Repayment of convertible debentures	6	(19,259)	(29,714)
Common shares repurchased		(3,990)	-
Issuance of common shares		649	514
Principal elements of lease payments		(782)	-
Increase in other liabilities		-	120
Cash from financing activities		1,543	359
Effect of foreign exchange rate changes on cash and cash equivalents		43	(246)
Net decrease in cash and cash equivalents		(9,548)	(4,992)
Cash and cash equivalents, beginning of period		26,724	34,024
Cash and cash equivalents, end of period		17,176	29,032
Supplemental information ⁽¹⁾			
Income tax paid		3,956	798
Interest paid		877	1,475

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

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

1. Nature of Activities

5N Plus Inc. (“5N Plus” or the “Company”) is a Canadian-based international company. 5N Plus is a leading global producer of engineered materials and specialty chemicals with integrated recycling and refining assets to manage the sustainability of its business model. The Company is headquartered at 4385 Garand Street, Montreal, Quebec (Canada) H4R 2B4. The Company operates R&D, manufacturing and commercial centers in several locations in Europe, the Americas and Asia. 5N Plus deploys a range of proprietary and proven technologies to manufacture products which are used as enabling precursors by its customers in a number of advanced electronics, optoelectronics, pharmaceutical, health, renewable energy and industrial applications. Many of the materials produced by 5N Plus are critical for the functionality and performance of the products and systems produced by its customers, many of whom are leaders within their industry. 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 6, 2019.

2. Basis of Presentation

These condensed interim consolidated financial statements have been prepared in accordance with IFRS as issued by IASB (IFRS) and as applicable to the preparation of interim financial statements, including 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, 2018, which have been prepared in accordance with IFRS as issued by the IASB (IFRS).

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 and the new accounting standards adopted as at January 1, 2019.

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. Adoption of New Accounting Standards and Futures Changes in Accounting Policies

Adoption of new accounting standards

IFRS 16 - Leases

On January 1, 2019, the Company adopted the new accounting standard IFRS 16 using the modified retrospective approach.

Adjustments recognized on adoption of IFRS 16

On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as at January 1, 2019 of 4.45%.

	January 1 2019
	\$
Operating lease commitments disclosed as at December 31, 2018	4,294
Effect of discounting those lease commitments	(260)
Effect of electing to account for short-term and low value leases off balance sheet	(80)
Adjustment as a result of a different treatment of extension options	3,198
Lease liability recognized as at January 1, 2019	7,152
Of which are:	
Current lease liabilities	1,554
Non-current lease liabilities	5,598

The associated right-of-use assets were measured at the amount equal to the lease liability and they relate to the following types of assets:

	June 30 2019	January 1 2019
	\$	\$
Land and buildings	5,793	6,342
Production equipment	445	454
Office equipment and rolling stock	331	356
Total right-of-use assets	6,569	7,152

As noted above, the change in accounting policy resulted in the increase of right-of-use assets and lease liabilities by \$7,152 in the balance sheet on January 1, 2019.

Practical expedients applied

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Company has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Company relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

The Company's leasing activities and how these are accounted for

The Company leases various production and warehouse locations, production equipment and furniture, office equipment and rolling stock. Rental contracts are typically made for fixed periods of 2 to 5 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From January 1, 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

Extension options

Extension options are included in a number of property and equipment leases across the Company. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension options held are exercisable only by the Company and not by the respective lessor.

IFRIC 23 – Uncertainty over Income Tax Treatments

On January 1, 2019, the Company also adopted the new accounting standard IFRIC 23.

The interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Company has concluded that there is no significant impact resulting from the application of this new standard on its consolidated financial statements.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six-month periods ended June 30

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

4. Inventories

	June 30 2019	December 31 2018
	\$	\$
Raw materials	29,495	32,912
Finished goods	61,867	63,977
Total inventories	91,362	96,889

For the three and six-month periods ended June 30, 2019, a total of \$22,284 and \$43,012 of inventories was included as an expense in cost of sales (\$26,625 and \$53,220 for the three and six-month periods ended June 30, 2018).

For the three and six-month periods ended June 30, 2019, no amount previously written down was recognized as a reduction of expenses in cost of sales concurrently with the related inventories being sold. For the three and six-month periods ended June 30, 2018, a total of \$103 and \$354 previously written down were recognized as a reduction of expenses in cost of sales concurrently with the related inventories being sold (\$nil for the Eco-Friendly Materials segment and \$103 and \$354 for the Electronic Materials segment).

5. Long-Term Debt

	June 30 2019	December 31 2018
	\$	\$
Senior secured revolving facility of \$79,000 with a syndicate of banks, maturing in April 2022 ⁽¹⁾	30,000	30,000
Unsecured subordinated term loan, maturing in March 2023 ⁽²⁾	25,000	-
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 ⁽³⁾	106	175
	55,106	30,175
Less current portion of long-term debt	106	175
	55,000	30,000

⁽¹⁾ In April 2018, the Company signed a senior secured multi-currency revolving credit facility of \$79,000 maturing in April 2022. At any time, the Company has the option to request that the credit facility be expanded through the exercise of an additional \$30,000 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 (up to \$4,000). 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 net debt to consolidated EBITDA ratio. Under the terms of its credit facility, the Company is required to satisfy certain restrictive covenants as to financial ratios. As at June 30, 2019 and December 31, 2018, the Company has met all covenants.

⁽²⁾ In February 2019, the Company signed a five-year unsecured subordinated term loan with Investissement Québec. The loan was disbursed in two tranches: the first tranche of \$5,000 on February 6, 2019 and the second tranche of \$20,000 on March 22, 2019. The two tranches of the term loan bear interest equivalent to the 5-year US dollar swap rate plus a margin of 4.19%, which equals to 6.82% and 6.64% respectively. Under the terms of the loan, the Company is required to satisfy certain restrictive covenants as to financial ratios. As at June 30, 2019, the Company has met all covenants.

⁽³⁾ The term loan is classified as short-term debt since these amounts could become payable on demand.

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 bore 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 were 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 matured on June 30, 2019 and could have been 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.

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 December 31, 2018 and have not changed substantially. 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).

On March 28, 2019, the Company redeemed all its outstanding 5.75% convertible unsecured subordinated debentures maturing on June 30, 2019 for an aggregate principal amount of CA\$26,000. On March 22, 2019 the Company completed the withdrawal of the second tranche of its new term loan in the amount of US\$20,000 to redeem the outstanding debentures. As at June 30, 2019, there were no outstanding convertible debentures.

Consequently, the Company de-designated the remaining nominal amount of the associated cross-currency swap of CA\$26,000 and reclassified the net loss of \$145, representing the accumulated net changes in cash flow hedges, from accumulated other comprehensive loss to realized loss on de-designation within the interim consolidated statement of earnings.

Following the redemption of the CA\$26,000 convertible debentures, an accelerated imputed interest of \$267 was recognized as an expense in the interim consolidated statement of earnings.

7. Expenses by Nature

	Three Months		Six Months	
	2019	2018	2019	2018
	\$	\$	\$	\$
Wages and salaries	9,217	10,253	18,475	21,343
Share-based compensation expense	405	1,135	1,542	1,789
Depreciation of property, plant and equipment and amortization of intangible assets	2,226	2,219	5,049	4,467
Depreciation of right of use assets (Note 3)	355	-	710	-
Amortization of other assets	44	38	84	93
Gain on disposal of property, plant and equipment	(60)	-	(60)	(185)
Research and development, net of tax credit	328	430	778	829
Litigation and restructuring income	-	-	-	(588) ¹

(1) Representing a non-recurring income relating to an amount receivable from an inactive legal entity for which no receivable had been recorded given the uncertainty attached to it.

8. Share Capital

On February 11, 2019, the Company's shareholders approved a special resolution by which the stated capital of the common shares of the Company be reduced to \$5,000 and the amount of the reduction be added to the contributed surplus of the Company pursuant to Section 38(1) of the *Canada Business Corporation Act* (the "Stated Capital Reduction"). Therefore, the share capital was reduced, and the contributed surplus was increased by the amount of \$338,478. No change in shareholders' equity resulted by this transaction.

On February 27, 2019, the TSX has approved the Company's normal course issuer bid. Under this normal course issuer bid, the Company has the right to purchase for cancellation, from March 1, 2019 to February 29, 2020, a maximum of 3,515,926 common shares.

For the six-month period ended June 30, 2019, the Company had repurchased and cancelled 1,696,733 common shares at an average price of \$2.35 for a total amount of \$3,990. An amount of \$101 has been applied against share capital, and an amount of \$3,889 has been applied against the deficit.

9. Earnings per Share

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

Numerators	Three months		Six months	
	2019	2018	2019	2018
	\$	\$	\$	\$
Net earnings attributable to equity holders	1,758	3,417	609	6,468
Net earnings for the period	1,758	3,420	609	6,468

Denominators	Three months		Six months	
	2019	2018	2019	2018
Basic weighted average number of shares	83,770,813	84,092,937	84,176,298	84,016,628
Dilutive effect:				
Stock options	244,079	521,240	301,417	478,003
Diluted weighted average number of shares	84,014,892	84,614,177	84,477,715	84,494,631

For the three and six-month periods ended June 30, 2019, a total number of 488,367 stock options was 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.

For the three and six-month periods ended June 30, 2018, a total number of 399,291 stock options was 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.

10. Operating Segments

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

	Three months		Six months	
	2019	2018	2019	2018
	\$	\$	\$	\$
Eco-Friendly Materials	31,423	36,941	62,542	74,865
Electronic Materials	18,867	21,418	39,161	42,041
Total revenue	50,290	58,359	101,703	116,906
Eco-Friendly Materials	3,515	5,404	6,656	9,188
Electronic Materials	4,695	6,553	8,821	13,407
Corporate and unallocated	(2,348)	(2,985)	(4,003)	(5,738)
Adjusted EBITDA ⁽¹⁾	5,862	8,972	11,474	16,857
Interest on long-term debt, imputed interest and other interest expense	945	3,006	2,348	4,508
Share-based compensation expense	405	1,135	1,542	1,789
Litigation and restructuring income (Note 7)	-	-	-	(588)
Foreign exchange and derivative loss (gain)	136	(23)	423	181
Gain on disposal of property, plant and equipment	-	-	-	(185)
Depreciation and amortizations	2,581	2,219	5,759	4,467
Earnings before income tax	1,795	2,635	1,402	6,685

⁽¹⁾ Earnings before income tax, depreciation and amortization, share-based compensation expense, gain on disposal of property, plant and equipment, litigation and restructuring costs (income) and financial expense (revenues).

	Three months		Six months	
	2019	2018	2019	2018
	\$	\$	\$	\$
Eco-Friendly Materials	484	565	1,954	2,175
Electronic Materials	539	1,146	1,601	2,563
Corporate and unallocated	-	-	-	-
Total capital expenditures	1,023	1,711	3,555	4,738

	Eco-Friendly Materials	Electronic Materials	Corporate and unallocated	Total
As at June 30, 2019				
	\$	\$	\$	\$
Total assets excluding the deferred tax asset:	97,645	112,558	16,457	226,660

	Eco-Friendly Materials	Electronic Materials	Corporate and unallocated	Total
As at December 31, 2018				
	\$	\$	\$	\$
Total assets excluding the deferred tax asset:	96,856	113,995	18,334	229,185

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six-month periods ended June 30

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

The geographic distribution of the Company's revenue based on the location of the customers for the periods ended June 30, 2019 and 2018, and the identifiable non-current assets as at June 30, 2019 and December 31, 2018 are summarized as follows:

Revenues	Three months		Six months	
	2019	2018	2019	2018
	\$	\$	\$	\$
Asia				
China	2,084	1,656	3,352	3,139
Japan	871	1,322	1,933	2,805
Other ⁽¹⁾	11,621	12,420	23,081	25,910
Americas				
United States	11,823	13,205	25,488	26,297
Other	4,580	5,885	8,038	11,103
Europe				
Germany	5,758	8,113	12,141	16,582
France	2,035	2,115	3,859	4,636
United Kingdom	603	1,040	1,333	1,905
Other ⁽¹⁾	9,395	11,303	19,197	21,304
Other	1,520	1,300	3,281	3,225
Total	50,290	58,359	101,703	116,906

⁽¹⁾ None exceeding 10%

Non-current assets (other than deferred tax assets)	June 30	December 31
	2019	2018
	\$	\$
Asia ⁽¹⁾	15,624	15,942
United States	15,342	9,896
Canada	18,590	18,543
Europe		
Belgium	8,536	8,159
Germany	17,490	17,360
Total	75,582	69,900

⁽¹⁾ None exceeding 10%

For the three and six-month periods ended June 30, 2019, one customer represented approximately 22% of the revenues and is included in the Electronic Materials revenues (20% for the three and six-month periods ended June 30, 2018).

11. Supplemental Cash Flow Information

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

	Six months	
	2019	2018
	\$	\$
Decrease (increase) in assets:		
Accounts receivable	(6,453)	(1,785)
Inventories	5,527	(932)
Income tax receivable	(769)	449
Other current assets	(274)	(837)
(Decrease) increase in liabilities:		
Trade and accrued liabilities	(10,784)	(11,866)
Income tax payable	(2,252)	1,069
Net change	(15,005)	(13,902)

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

	Six months	
	2019	2018
	\$	\$
a) Excluded additions unpaid at end of the period:		
Additions to property, plant and equipment	602	1,059
b) Included additions unpaid at beginning of the period:		
Additions to property, plant and equipment	469	1,050

12. Fair Value of Financial Instruments

Fair value hierarchy

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

As at June 30, 2019	Level 1	Level 2	Level 3
	\$	\$	\$
Financial assets			
At fair value through profit or loss			
Equity swap agreement ⁽¹⁾	-	5,218	-
Total	-	5,218	-

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three and six-month periods ended June 30
(in thousands of United States dollars, unless otherwise indicated) (unaudited)

As at December 31, 2018	Level 1	Level 2	Level 3
	\$	\$	\$
Financial assets (liabilities)			
At fair value through profit or loss			
Equity swap agreement ⁽¹⁾	-	5,835	-
Derivatives designated in a hedge relationship			
Cross-currency swap ⁽²⁾	-	(197)	-
Total	-	5,638	-

⁽¹⁾ In June 2017, the Company has entered into a swap agreement with a major Canadian financial institution to reduce its income exposure to fluctuations in its share price relating to the DSU, PSU, RSU and SAR programs. Pursuant to the agreement, the Company receives the economic benefit of share price appreciation while providing payments to the financial institution for the institution's cost of funds and any share price depreciation. The net effect of the equity swaps partly offset movements in the Company's share price impacting the cost of the DSU, PSU, RSU and SAR programs. As at June 30, 2019, the equity swap agreement covered 2,571,569 common shares of the Company. The fair value of this indexed deposit is recorded under other current assets.

⁽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 exchanged interest payments and principal redemption on the same terms and designated the cross-currency as a cash flow hedge of the variability of the \$US functional currency equivalent cash flows on the debt. The terms were such that on each interest payment date, the Company received 5.75% on a notional of CA\$66,000 and paid 6.485% based on a notional of US\$48,889.

Following the complete redemption of the convertible debentures, the Company de-designated the remaining nominal amount of the associated cross-currency swap of CA\$26,000CA. (Note 6)

13. Commitments and Contingencies

Commitments

In the normal course of business, the Company contracted letters of credit for an amount of up to \$446 as at June 30, 2019 (\$422 as at December 31, 2018).

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.