



# SPECIALTY METALS + CHEMICALS

2015  
ANNUAL  
REPORT





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# Message to the Shareholders

Dear Shareholders,

Shortly after joining 5N Plus on February 15, 2016, we announced our 2015 yearly results to the financial community. The results clearly depicted a year steeped in challenges and changes for 5N Plus and more broadly for the industry as a whole. Perhaps the most notable challenge came from the collapse in the price of the underlying basket of metals which the Company utilizes to produce value-added products. This decline, resulted in a significant and adverse impact to the Company's bottom line, despite, continuation of the healthy demand for our products and services. Furthermore, the Company underwent a leadership change after Mr. Jacques L'Ecuyer, founder, former President and CEO announced last fall his desire to step down. Under Jacques's visionary leadership 5N Plus expanded its footprint, product portfolio and market presence and positioned itself as a vanguard in the minor metal industry. Given this development, a healthy progression in the Company's natural evolution would call for the management to focus its attention on improving bottom line performance and extracting appropriate value from existing investments and assets.

## A year steeped in challenges and changes... in which we managed to reduce debt by 60% while continuing to invest in the business

2015 was a year of dramatic decreases in underlying commodity prices, driven by slowdown in the global economy and compounded by uncertainty surrounding the Fanya exchange in China. Being structurally long in inventories and given the absence of suitable hedging instruments, typical in our industry, our Company is significantly exposed to commodity prices. Correspondingly, the more than 60% decrease in commodity prices against an inventory value of more than \$200 million in our books at the beginning of the year led to significant inventory impairment charges of \$58.3 million in 2015. In light of these

circumstances, the Company focused on prudent cash management, reduction of working capital and aggressive reduction of debt. As a result, we were able to decrease debt levels by \$49.1 million, from \$84 million one year earlier, while continuing to invest in our future growth segments across the business. In addition, the Company succeeded in maintaining robust sales with leading market share across various product segments.



## Management to focus its attention on improving bottom line performance and extracting appropriate value from existing assets.

Over the past few months I have had the pleasure of meeting with many shareholders and perhaps the most common question is what prompted my decision to join 5N Plus in these difficult times? My answer to this question has invariably been that I believe in the viability of the industry in which the Company operates and most importantly I see a pent-up potential in 5N Plus which once unleashed can bring significant value to its shareholders. While I may be new to the Company, I am not new to the industry and over the years I have had the opportunity to monitor 5N Plus' activities. In my view, under the leadership of Jacques and his unique spirit of entrepreneurial leadership the Company had managed to expand its scope and growth prospect in various directions. Considering this development, I believe it is now time to leverage this posture and optimize the trajectory of the Company so as to extract competitive and sustainable value from the existing investments and assets. To that end, the management team and I, in full collaboration with the Board of Directors have begun the process of developing the Company's strategic plan and expect to communicate this plan later this year. It is important to note that a key feature of the plan will focus on enhancing value creation based on our existing competencies and

technological know-how as they are well aligned with relevant markets of the future and remain a core enabler for applications ranging from LED's and clean energy to pharmaceutical products and industrial lead-free alternatives.

On behalf of our employees worldwide, I would like to thank all of you for your continuing support and patience. Let me assure you we, the employees of 5N Plus, are committed to working diligently in order to reward your patience with tangible value creation and position the Company for the world of tomorrow. We would also like to thank Mr. Jacques L'Ecuyer for his leadership and dedication. Last but certainly not least, we would like to thank the Board of Directors for their tireless effort in making sure our journey to address the opportunities and challenges of tomorrow is along a sustainable path.

Sincerely Yours,

AJ Roshan  
President and Chief Executive Officer

## Management's Discussion and Analysis

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This Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations is intended to assist readers in understanding 5N Plus Inc. (the "Company" or "5N Plus"), its business environment, strategies, performance and risk factors. This MD&A should be read in conjunction with the audited consolidated financial statements and the accompanying notes for the year ended December 31, 2015. This MD&A has been prepared in accordance with the requirements of the Canadian Securities Administrators.

Information contained herein includes any significant developments to February 23, 2016, the date on which the MD&A was approved by the Company's board of directors. Unless otherwise indicated, the terms "we", "us" "our" and "the group" as used herein refer to the Company together with its subsidiaries.

The "Q4 2015" and the "Q4 2014" refer to the three-month periods ended December 31, 2015 and 2014. All amounts in this MD&A are expressed in U.S. dollars, and all amounts in the tables are in thousands of U.S. dollars, unless otherwise indicated. All quarterly information disclosed in this MD&A is based on unaudited figures.

### **Non-IFRS Measures**

This MD&A also includes certain figures that are not performance measures consistent with IFRS. These measures are defined at the end of this MD&A under the heading Non-IFRS Measures.

### **Notice Regarding Forward-Looking Statements**

Certain statements in this MD&A may be forward-looking within the meaning of applicable securities laws. Forward-looking information and statements are based on the best estimates available to the Company at the time and involve known and unknown risks, uncertainties or other factors that may cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Factors of uncertainty and risk that might result in such differences include the risks related to the possible failure to realize anticipated benefits of acquisitions and investments, credit, liquidity, interest rate, inventory pricing, commodity pricing, currency fluctuation, fair value, source of supply, environmental regulations, competition, dependence on key personnel, business interruptions, protection of intellectual property, international operations, collective agreements and being a public issuer. A description of the risks affecting the Company's business and activities appears under the heading "Risk and Uncertainties" of this MD&A dated February 23, 2016. Forward-looking statements can generally be identified by the use of terms such as "may", "should", "would", "believe", "expect", the negative of these terms, variations of them or any similar terms. No assurance can be given that any events anticipated by the forward-looking information in this MD&A will transpire or occur, or if any of them do so, what benefits that 5N Plus will derive therefrom. In particular, no assurance can be given as to the future financial performance of 5N Plus. The forward-looking information contained in this MD&A is made as of the date hereof and the Company has no obligation to publicly update such forward-looking information to reflect new information, subsequent or otherwise, unless required by applicable securities laws. The reader is warned against placing undue reliance on these forward-looking statements.

## Overview

5N Plus is the leading producer of specialty metal and chemical products. Fully integrated with closed-loop recycling facilities, the Company is headquartered in Montreal, Quebec, Canada and operates manufacturing facilities and sales offices in several locations in Europe, the Americas and Asia. 5N Plus deploys a range of proprietary and proven technologies to produce products which are used in a number of advanced pharmaceutical, electronic and industrial applications. Typical products include purified metals such as bismuth, gallium, germanium, indium, selenium and tellurium, inorganic chemicals based on such metals and compound semiconductor wafers. Many of these are critical precursors and key enablers in markets such as solar, light-emitting diodes and eco-friendly materials.

## Reportable Segments

The Company has two reportable segments, namely Electronic Materials and Eco-Friendly Materials. Corresponding operations and activities are managed accordingly by the Company's key decision makers. Segmented operating and financial information, labelled key performance indicators, are available and used to manage these business segments, review performance and allocate resources. Financial performance of any given segment is evaluated primarily in terms of revenues and Adjusted EBITDA<sup>1</sup> which is reconciled to consolidated numbers by taking into account corporate income and expenses.

The Electronic Materials segment operates in North America, Europe and Asia. The Electronic Materials segment manufactures and sells refined metals, compounds and alloys which are primarily used in a number of electronic applications. Typical end-markets include photovoltaics (terrestrial and spatial solar energy), light emitting diodes (LED), displays, high-frequency electronics, medical imaging and thermoelectrics. Main products are associated with the following metals: cadmium, gallium, germanium, indium and tellurium. These are sold either in elemental or alloyed form as well as in the form of chemicals and compounds. Revenues and earnings associated with recycling services and activities provided to customers of the Electronic Materials segment are also included in the Electronic Materials segment and management of such activities is the responsibility of the Electronic Materials executive team.

The Eco-Friendly Materials segment is so labelled because it is mainly associated with bismuth, one of the very few heavy metals which have no detrimental effect on either human health or in the environment. As a result, bismuth is being increasingly used in a number of applications as a replacement for more harmful metals and chemicals. The Eco-Friendly Materials segment operates in North America, Europe and Asia. The Eco-Friendly Materials segment manufactures and sells refined bismuth and bismuth chemicals, low melting point alloys as well as refined selenium and selenium chemicals. These are used in the pharmaceutical and animal-feed industry as well as in a number of industrial applications including coatings, pigments, metallurgical alloys and electronics. Management of such activities is the responsibility of the Eco-Friendly Materials executive team.

Corporate expenses associated with the head office and unallocated selling, general and administrative expenses (SG&A) together with financial expenses (revenues) have been regrouped under the heading Corporate.

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<sup>1</sup> See Non-IFRS Measures



## Highlights of Q4 2015 and Fiscal Year 2015

The Company operated throughout the year in a challenging global environment where its key underlying commodities underwent a dramatic decrease in prices, dropping on average by over 60%. Despite these unfavorable market conditions, the Company managed to substantially reduce its overall debt levels.

- Revenues for 2015 reached \$311.0 million down from \$508.2 million in fiscal year 2014. Revenues for the fourth quarter of 2015 reached \$59.4 million, down from \$114.8 million for the fourth quarter of 2014. Backlog<sup>1</sup> as at December 31, 2015 reached a level of 158 days of sales outstanding up by 36 days over the backlog as at December 31, 2014. Bookings<sup>1</sup> for the fourth quarter of 2015, reached 95 days which compares to 104 days in the fourth quarter of 2014.
- Adjusted EBITDA<sup>1</sup> and EBITDA<sup>1</sup> reached positive \$4.0 million and negative \$54.7 million in 2015 compared to \$35.0 million and \$39.4 million in 2014, with the EBITDA impacted by important inventory impairment charges totalling \$58.3 million in 2015. Adjusted EBITDA and EBITDA were \$0.7 million and negative \$26.0 million respectively in the fourth quarter of 2015 compared to \$5.7 million and \$4.0 million for the fourth quarter of 2014.
- The Company incurred a net loss of \$97.2 million in 2015 and \$42.6 million in the fourth quarter of 2015. This compares to net earnings of \$10.7 million in 2014 and a net loss of \$2.5 million in the fourth quarter of 2014.
- Net debt<sup>1</sup> was reduced by \$49.1 million during the year standing at \$34.9 million as at December 31, 2015 down from \$84.0 million one year earlier, positively impacted by working capital management, the lowest level for the Company since the acquisition of MCP Group.
- On December 10, 2015, the Company announced the appointment of its new President and Chief Executive Officer, Mr. Arjang Roshan, effective February 15, 2016.
- The Company also announced soon after the year-end the appointment of Mr. Luc Bertrand as its new Chairman of the Board, effective January 11, 2016. He succeeds Mr. Jean-Marie Bourassa, who continues to serve on the Board and as Chair of the Audit & Risk Management Committee, a position he already holds.
- On February 23, 2016, Mr. Arjang Roshan has been appointed as a member of the Board effective today in replacement of Mr. Jacques L'Ecuyer who has resigned from the Board of Directors.

Following a record year in 2014, fiscal year 2015 was a difficult year for the Company. The Company's performance was negatively impacted by significant and drastic decreases in the price of the commodities utilized across the various products and segments. Despite the difficult environment, the Company exercised discipline to sustainably secure future sales, generated significant cash-flow and showed rigor in substantially reducing debt levels by almost 60% to \$34.9 million down from \$84.0 million at the beginning of the year. Sales of the key products including bismuth and CdTe for solar cell applications remained close to record levels, while the Company continued to make progress in its growth markets.

Given the significant losses stemming, primarily from inventory impairment charges and accelerated amortization on selected assets, the Company's financial performance of 2015 was far from expectations, reinforcing the need to take appropriate actions to mitigate the impact of negative market volatility. Moving forward, while the metal markets will continue to influence the Company's performance, 5N Plus will become more focused on improving its performance relative to the factors which it has control over. The new President and Chief Executive Officer, Mr. Arjang Roshan, is excited about the challenge and looks forward to working closely with the management team and the people at 5N Plus to reposition the Company for the future.

5N Plus would like to take this opportunity to thank its founder and former President and Chief Executive Officer, Mr. Jacques L'Ecuyer who took the Company through many years of impressive growth, and also thank all employees for their dedication, conviction and hard work, counting on their engagement and support for the challenges and opportunities ahead. The Company primary focus in this respect will be to improve financial performance and set solid basis for further growth.

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<sup>1</sup> See Non-IFRS Measures



# Management's Discussion and Analysis

## Summary of Results

	Q4 2015	Q4 2014	2015	2014
	\$	\$	\$	\$
Revenues	59,367	114,781	311,012	508,195
Operating expenses	58,693	109,124	307,053	473,150
Adjusted EBITDA <sup>1</sup>	674	5,657	3,959	35,045
Impairment of inventory	(24,582)	(5,251)	(58,327)	(5,251)
Allowance for a doubtful note receivable from a related party	(544)	-	(2,991)	-
Litigation and restructuring costs	(2,953)	(1,178)	(3,453)	(1,952)
Gain on disposal of property, plant and equipment	-	-	-	1,312
Change in fair value of debenture conversion option	-	1,368	1,840	7,179
Foreign exchange and derivative gain	1,405	3,425	4,276	3,111
EBITDA <sup>1</sup>	(26,000)	4,021	(54,696)	39,444
Interest on long-term debt, imputed interest and other interest expense	2,012	2,860	8,967	8,769
Depreciation and amortization	7,287	2,546	27,166	11,148
(Loss) Earnings before income taxes	(35,299)	(1,385)	(90,829)	19,527
Income tax expense (recovery)				
Current	4,044	(2,237)	3,655	4,875
Deferred	3,272	3,305	2,717	3,979
	7,316	1,068	6,372	8,854
Net (loss) earnings	(42,615)	(2,453)	(97,201)	10,673
Basic (loss) earnings per share	(\$0.51)	(\$0.03)	(\$1.16)	\$0.13
Diluted (loss) earnings per share	(\$0.51)	(\$0.04)	(\$1.16)	\$0.05

## Revenues by Segment

	Q4 2015	Q4 2014	Change	2015	2014	Change
	\$	\$		\$	\$	
Electronic Materials	18,833	41,898	(55%)	104,265	169,367	(38%)
Eco-Friendly Materials	40,534	72,883	(44%)	206,747	338,828	(39%)
<b>Total revenues</b>	<b>59,367</b>	<b>114,781</b>	<b>(48%)</b>	<b>311,012</b>	<b>508,195</b>	<b>(39%)</b>

Revenues decreased by 48% compared to the prior year quarter, impacted by continuing erosion in the Company's key metal market prices which have on average decreased by more than 60% since the beginning of the year. Revenues in Q4 2015 for the Electronic Materials segment reached \$18.8 million, lower from \$41.9 million in Q4 2014, impacted negatively by prices and sales mix, and to a lesser extent volume. Eco-Friendly Materials segment revenues reached \$40.5 million, lower from \$72.9 million in Q4 2014, as well mostly impacted by prices and sales mix when compared to the prior year quarter.

For fiscal year 2015, revenues decreased by 39% compared to the prior fiscal year, explained mostly by unfavorable variances from prices and sales mix, and to a lesser extent volume. Revenues for the Electronic Materials segment reached \$104.3 million, lower from \$169.4 million in fiscal year 2014. Eco-Friendly Materials segment revenues reached \$206.7 million, lower from \$338.8 million in fiscal year 2014.

## EBITDA and Adjusted EBITDA

	Q4 2015	Q4 2014	Change	2015	2014	Change
	\$	\$		\$	\$	
Electronic Materials	64	4,853	(99%)	10,740	23,642	(55%)
Eco-Friendly Materials	3,377	3,106	9%	2,839	22,167	(87%)
Corporate						
Research and Development	(475)	(454)	(5%)	(1,599)	(1,195)	(34%)
Other	(2,292)	(1,848)	(24%)	(8,021)	(9,569)	16%
<b>Adjusted EBITDA<sup>1</sup></b>	<b>674</b>	<b>5,657</b>	<b>(88%)</b>	<b>3,959</b>	<b>35,045</b>	<b>(89%)</b>
<b>EBITDA<sup>1</sup></b>	<b>(26,000)</b>	<b>4,021</b>	<b>(747%)</b>	<b>(54,696)</b>	<b>39,444</b>	<b>(239%)</b>

<sup>1</sup> See Non-IFRS Measures

## Management's Discussion and Analysis

In Q4 2015, EBITDA<sup>1</sup> reached a negative amount of \$26.0 million compared to a positive amount of \$4.0 million, with margins impacted by commodity pricing decreasing rapidly across most metals and an inventory impairment charge of \$24.6 million. In Q4 2015, Adjusted EBITDA<sup>1</sup> amounted to \$0.7 million compared to \$5.7 million for the same period a year ago. The Adjusted EBITDA decreased mainly from lower selling prices compared to the same period a year ago. Adjusted EBITDA for the Electronic Materials segment decreased by \$4.8 million to \$0.1 million representing an Adjusted EBITDA margin<sup>1</sup> of nil compared to 12% for the prior year quarter. Adjusted EBITDA for the Eco-Friendly Materials segment increased marginally to \$3.4 million compared to \$3.1 million in Q4 2014. On a consolidated basis, margins have been impacted by further unfavorable underlying commodity pricing for many of our metals.

In fiscal year 2015, EBITDA reached negative \$54.7 million compared to a positive amount of \$39.4 million for fiscal year 2014, margins impacted by decreasing commodity pricing that started in the fourth quarter of 2014 and an inventory impairment charge of \$58.3 million. Adjusted EBITDA amounted to \$4.0 million compared to \$35.0 million for fiscal year 2014. The Adjusted EBITDA decreased mainly from lower selling prices and to a lesser extent volume compared to the same period a year ago. Adjusted EBITDA for the Electronic Materials segment decreased by \$12.9 million at \$10.7 million achieving an Adjusted EBITDA margin of 10% compared to 14% for the prior year. Adjusted EBITDA for the Eco-Friendly Materials segment decreased to \$2.8 million compared to \$22.2 million in fiscal year 2014 with an Adjusted EBITDA margin of 1% compared to 7% for the prior year.

### Net (loss) earnings and Adjusted net (loss) earnings

	Q4 2015	Q4 2014	2015	2014
	\$	\$	\$	\$
Net (loss) earnings	(42,615)	(2,453)	(97,201)	10,673
Basic net (loss) earnings per share	(\$0.51)	(\$0.03)	(\$1.16)	\$0.13
Reconciling items:				
Impairment of inventory	24,582	5,251	58,327	5,251
Accelerated amortization of intangible assets	-	-	11,834	-
Allowance for a doubtful note receivable from a related party	544	-	2,991	-
Litigation and restructuring costs	2,953	1,178	3,453	1,952
Change in fair value of debenture conversion option	-	(1,368)	(1,840)	(7,179)
Income taxes on taxable items above	1,570	(1,361)	(4,779)	(61)
<b>Adjusted net (loss) earnings<sup>1</sup></b>	<b>(12,966)</b>	<b>1,247</b>	<b>(27,215)</b>	<b>10,636</b>
<b>Basic adjusted net (loss) earnings per share<sup>1</sup></b>	<b>(\$0.15)</b>	<b>\$0.01</b>	<b>(\$0.32)</b>	<b>\$0.13</b>

In Q4 2015, Adjusted net earnings<sup>1</sup> decreased by \$14.2 million from an Adjusted net earnings of \$1.2 million to an Adjusted net loss of \$13.0 million when compared to the same period last year. Net loss reached \$42.6 million in Q4 2015 compared to \$2.5 million for the same period last year. The decrease in net earnings compared to prior year quarter is mainly explained by higher inventory impairment charge of \$19.3 million, lower positive change in fair value of the debenture conversion option, lower foreign exchange gain and higher income tax expenses following the reversal of previously recorded tax assets.

In fiscal year 2015, Adjusted net earnings decreased by \$37.9 million from an Adjusted net earnings of \$10.6 million to an Adjusted net loss of \$27.2 million when compared to fiscal year 2014. Net loss reached \$97.2 million compared to net earnings of \$10.7 million for the same period last year. The decrease in net earnings compared to fiscal year 2014 is mainly explained by higher inventory impairment charge of \$53.1 million, lower Adjusted EBITDA<sup>1</sup>, accelerated amortization of selected intangible assets of \$11.8 million following our review of economic life and carrying value of some assets, combined with an allowance for a doubtful note receivable from a related party and an increase in financial expenses mitigated by lower income tax expenses.

<sup>1</sup> See Non-IFRS Measures

## Management's Discussion and Analysis

### Inventory Impairment Charges

	Q4 2015	Q4 2014	2015	2014
	\$	\$	\$	\$
Electronic Materials	13,373	856	29,989	856
Eco-Friendly Materials	11,209	4,395	28,338	4,395
<b>Total</b>	<b>24,582</b>	<b>5,251</b>	<b>58,327</b>	<b>5,251</b>

An inventory impairment charge of \$24.6 million on most products was recorded in Q4 2015 and of \$58.3 million in 2015 compared to \$5.3 million for the same periods of 2014, reflecting the expected net realized value as at December 31, 2015 following decline in commodity prices impacting our industry. Despite improvements to the inventory levels expressed in days, the Company's inventory remains structurally long impacted by drastic decreases in underlying commodity prices, representing on average a decrease of 62% in prices to its commodity basket since the beginning of the year.

### Bookings and Backlog

	BACKLOG <sup>1</sup>			BOOKINGS <sup>1</sup>		
	Q4 2015	Q3 2015	Q4 2014	Q4 2015	Q3 2015	Q4 2014
	\$	\$	\$	\$	\$	\$
Electronic Materials	47,225	54,965	83,676	11,093	11,596	45,821
Eco-Friendly Materials	55,714	45,603	69,483	50,645	26,355	84,936
<b>Total</b>	<b>102,939</b>	<b>100,568</b>	<b>153,159</b>	<b>61,738</b>	<b>37,951</b>	<b>130,757</b>

(number of days based on annualized revenues)*	BACKLOG <sup>1</sup>			BOOKINGS <sup>1</sup>		
	Q4 2015	Q3 2015	Q4 2014	Q4 2015	Q3 2015	Q4 2014
Electronic Materials	229	201	182	54	42	100
Eco-Friendly Materials	125	95	87	114	55	106
Weighted average	158	134	122	95	50	104

\*Bookings and backlog are also presented in number of days to normalize the impact of commodity prices.

#### Q4 2015 vs Q3 2015

Overall the backlog<sup>1</sup> as at December 31, 2015 represented 158 days of annualized revenues, higher than the previous quarter following the renewal pattern of most contracts which generally occurs in the first and fourth quarters of the year. Backlog expressed in number of days is higher in Q4 2015 than in Q3 2015.

Backlog as at December 31, 2015, for the Electronic Materials segment represented 229 days of annualized segment revenues increasing by 28 days, or 14%, over the backlog of Q3 2015. The backlog for the Eco-Friendly Materials segment represented 125 days of annualized segment revenues, an increase of 30 days or 32%, over the backlog of Q3 2015.

Bookings<sup>1</sup> for the Electronic Materials segment increased by 12 days to 54 days compared to Q3 2015. Bookings for the Eco-Friendly Materials segment increased by 59 days, from 55 days in Q3 2015 to 114 days in Q4 2015.

#### Q4 2015 vs Q4 2014

Backlogs as at December 31, 2015 for the Electronic Materials segment increased by 47 days, and increased by 38 days for the Eco-Friendly Materials segment compared to December 31, 2014.

Booking decreased by 46 days for the Electronic Materials segment and increased by 8 days for the Eco-Friendly Materials segment compared to the previous year quarter.

<sup>1</sup> See Non-IFRS Measures

## Expenses

	Q4 2015	Q4 2014	Change	2015	2014	Change
	\$	\$		\$	\$	
Depreciation and amortization	7,287	2,546	186%	27,166	11,148	144%
SG&A	7,308	8,639	(15%)	28,494	36,922	(23%)
Litigation and restructuring costs	2,953	1,178	151%	3,453	1,952	77%
Allowance for a doubtful note receivable from a related party	544	-	100%	2,991	-	100%
Financial expenses (revenues)	607	(1,933)	131%	2,851	(1,521)	287%
Income tax expense	7,316	1,068	585%	6,372	8,854	(28%)
<b>Total expenses</b>	<b>26,015</b>	<b>11,498</b>	<b>126%</b>	<b>71,327</b>	<b>57,355</b>	<b>24%</b>

### Depreciation and Amortization

Depreciation and amortization expenses in Q4 2015 and YTD 2015 amounted to \$7.3 million and \$27.2 million respectively, compared to \$2.5 million and \$11.1 million for the same periods of 2014. The increase in fiscal year 2015 is attributable to an accelerated amortization of selected intangible assets of \$11.8 million recorded in Q2.

### SG&A

For Q4 2015 and fiscal year 2015, SG&A expenses were \$7.3 million and \$28.5 million respectively, compared to \$8.6 million and \$36.9 million for the same periods of 2014. Variation is mostly explained by lower wages and professional expenses as well as favourable exchange rates across most local currency denominated expenses on an YTD basis. SG&A are at their lowest level since the acquisition of MCP Group.

### Litigation and Restructuring costs

The Company recorded litigation and restructuring costs as provision of \$3.0 million and \$3.5 million respectively for Q4 2015 and fiscal year 2015, compared to \$1.2 million and \$2.0 million for the same periods a year ago, following initiatives to reduce its operating expenses and renegotiate unfavourable purchasing contracts.

### Allowance for a doubtful note receivable from a related party

During fiscal year 2015, the Company assessed that under current and foreseeable market price of gallium, its note receivable from Ingal Stade GmbH, a 50% joint venture, is not likely to be reimbursed, therefore the Company recorded an allowance for a doubtful note receivable from a related party of \$0.5 million and \$3.0 million respectively for Q4 2015 and 2015.

### Financial revenues and expenses

Financial expenses for Q4 2015 amounted to \$0.6 million compared to financial revenues of \$1.9 million for the same period last year. The increase in financial expenses of \$2.5 million is mainly due to lower gain from the change in the fair value of the debenture conversion option combined with lower unrealized foreign exchange and derivative gain.

For fiscal year 2015, financial expenses amounted to \$2.9 million compared to financial revenues of \$1.5 million for the same period last year for the same reasons mentioned above.

### Income Taxes

Although the Company reported a net loss before income taxes of \$35.3 million in Q4 2015 and \$90.8 million in 2015, income tax expense for Q4 2015 was \$7.3 million and \$6.4 million for 2015. The effective tax rate for Q4 2015 and fiscal year 2015 are higher due to losses carried forward for which no deferred tax asset was recognized as well as the devaluation of various deferred tax assets in certain jurisdictions due to their historical losses combined with the impact of foreign exchange fluctuation on temporary differences from some foreign countries.

## Liquidity and Capital Resources

	Q4 2015	Q4 2014	Change	2015	2014	Change
	\$	\$		\$	\$	
Funds (used in) from operations <sup>1</sup>	(5,734)	4,030	(242%)	(9,851)	17,592	(156%)
Net changes in non-cash working capital items	21,866	(8,019)	373%	73,860	(34,765)	312%
Operating activities	16,132	(3,989)	504%	64,009	(17,173)	473%
Investing activities	(3,671)	(4,529)	(19%)	(18,316)	(15,753)	16%
Financing activities	(11,536)	11,268	(202%)	(49,129)	24,121	(304%)
Effect of foreign exchange rate changes on cash and cash equivalents related to operations	(134)	(261)	(49%)	(525)	(845)	(38%)
<b>Net decrease in cash and cash equivalents</b>	<b>791</b>	<b>2,489</b>	<b>(68%)</b>	<b>(3,961)</b>	<b>(9,650)</b>	<b>(59%)</b>

For Q4 2015, cash generated by operating activities was \$16.1 million compared to cash consumed of \$4.0 million for the same period last year. The increase is mainly attributable to a better management of non-cash working capital mainly through \$58.3 million in inventory reduction and \$35.8 million in trade accounts receivable partially offset by lower accounts payable.

Investing activities consumed \$3.7 million in Q4 2015 compared to \$4.5 million in the same period a year ago. This decrease is explained by a decrease in acquisition of property, plant and equipment and intangible assets.

Financing activities consumed \$11.5 million in Q4 2015 compared to cash generated of \$11.3 million in the same period a year ago. This decrease is mainly associated with a net reduction in the amounts drawn under the revolving facility following a better management of non-cash working capital.

For fiscal year 2015, cash generated by operating activities was \$64.0 million compared to cash consumed of \$17.2 million in fiscal year 2014. The increase is mainly attributable to the favorable change in the non-cash working capital due to its better management. Investing activities consumed \$18.3 million compared to \$15.8 million for the same period a year ago mainly explained by an increase in addition to property, plant and equipment and intangible assets. Cash consumed by financing activities was \$49.1 million compared to cash generated of \$24.1 million for fiscal year 2014. This decrease is mainly associated with the issuance of convertible debentures net of fees in Q2 2014 partially offset by repayment of long-term debt.

## Working Capital

	As at December 31, 2015	As at December 31, 2014
	\$	\$
Inventories	89,052	204,454
Other current assets	50,593	93,100
Current liabilities	(45,777)	(67,992)
Working capital <sup>1</sup>	93,868	229,562
Working capital current ratio <sup>1</sup>	3.05	4.38

The decrease in working capital<sup>1</sup> is mainly due to a better alignment between material usage and purchase in an effort to reduce inventory as well as lower average commodity pricing compared to December 31, 2014.

## Net Debt

	As at December 31, 2015	As at December 31, 2014
	\$	\$
Bank indebtedness	-	975
Long-term debt including current portion	1,947	51,823
Convertible debentures	40,288	46,101
Cross-currency swap	1,443	-
<b>Total Debt</b>	<b>43,678</b>	<b>98,899</b>
Cash and cash equivalents and restricted cash	(8,816)	(14,892)
<b>Net Debt<sup>1</sup></b>	<b>34,862</b>	<b>84,007</b>

<sup>1</sup> See Non-IFRS Measures

## Management's Discussion and Analysis

On December 7, 2015, the Company entered into a cross-currency swap to hedge the convertible debenture denominated in Canadian dollars to US dollars.

Total debt, including the cross-currency swap decreased by \$55.2 million to \$43.7 million as at December 31, 2015, compared to \$98.9 million as at December 31, 2014. The decrease of total debt is due to the decrease in working capital.

Net debt<sup>1</sup> after taking into account cash and cash equivalents and restricted cash decreased by \$49.1 million, from \$84.0 million as at December 31, 2014 to \$34.9 million as at December 31, 2015.

### Available Short-Term Capital Resources

	As at December 31, 2015	As at December 31, 2014
	\$	\$
Cash and cash equivalents	8,816	12,777
Available bank indebtedness	1,541	650
Available revolving credit facility (reduced on February 18, 2016 as explained below)	103,969	79,976
<b>Available short-term capital resources</b>	<b>114,326</b>	<b>93,403</b>

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 (\$25,000 as at December 31, 2014) 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. As at December 31, 2015, 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 December 31, 2015 and 2014.

### Funds from Operations

	Q4 2015	Q4 2014	2015	2014
	\$	\$	\$	\$
<b>Funds (used in) from operations<sup>1</sup></b>	<b>(5,734)</b>	4,030	<b>(9,851)</b>	17,592
Net acquisition of PPE and intangible assets	(3,308)	(4,484)	(19,956)	(14,221)
Working capital changes	21,866	(8,019)	73,860	(34,765)
Issuance of common shares	-	-	-	164
Others	(994)	333	5,092	5,553
	17,564	(12,170)	58,996	(43,269)
<b>Total movement in net debt<sup>1</sup></b>	<b>11,830</b>	(8,140)	<b>49,145</b>	(25,677)
Net debt <sup>1</sup> , beginning of period	(46,692)	(75,867)	(84,007)	(58,330)
<b>Net debt<sup>1</sup>, end of period</b>	<b>(34,862)</b>	(84,007)	<b>(34,862)</b>	(84,007)

For Q4 2015 and fiscal year 2015, funds used in operations<sup>1</sup> decreased to \$5.7 million and \$9.9 million respectively, compared to funds from operations<sup>1</sup> of \$4.0 million and \$17.6 million for the same periods of 2014. However, these decreases were more than compensated by favorable working capital changes following management initiatives.

<sup>1</sup> See Non-IFRS Measures

# Management's Discussion and Analysis

## Share Information

	As at February 23, 2016	As at December 31, 2015
Issued and outstanding shares	83,979,657	83,979,657
Stock options potentially issuable	1,558,345	1,558,345
Convertible debentures potentially issuable	9,777,777	9,777,777

## Stock Option Plan

On April 11, 2011, the Company adopted a new stock option plan replacing the previous plan (the "Old Plan"), in place since October 2007, with the same features as the Old Plan with the exception of a maximum number of options granted which cannot exceed 5,000,000. The aggregate number of shares which could be issued upon the exercise of options granted under the Old Plan could not exceed 10% of the issued shares of the Company at the time of granting the options. Options granted under the Stock Option Plan may be exercised during a period not exceeding ten years from the date of grant. The stock options outstanding as at December 31, 2015 may be exercised during a period not exceeding six years from their date of grant. Options vest at a rate of 25% (100% for directors) per year, beginning one year following the grant date of the options. Any unexercised options will expire one month after the date a beneficiary ceases to be an employee, director or officer and one year for retired directors.

The following table presents information concerning all outstanding stock options:

	2015		2014	
	Number of options	Weighted average exercise price CA\$	Number of options	Weighted average exercise price CA\$
Outstanding, beginning of year	1,702,100	4.21	1,637,951	4.19
Granted	232,000	2.40	352,000	3.99
Cancelled	(75,755)	3.24	(206,463)	4.16
Exercised	-	-	(71,388)	2.46
Expired	(300,000)	5.45	(10,000)	7.80
Outstanding, end of year	1,558,345	3.74	1,702,100	4.21
Exercisable, end of year	1,024,324	4.08	1,192,918	4.37

## Off-Balance Sheet Arrangements

The Company has certain off-balance sheet arrangements, consisting of leasing certain premises and equipment under the terms of operating leases and contractual obligations in the normal course of business.

The Company is exposed to currency risk on sales in Euro and other currencies and therefore periodically enters into foreign currency forward contracts to protect itself against currency fluctuation. The reader will find more details related to these contracts in Notes 17 and 25 of the audited consolidated financial statements for the year ended December 31, 2015.

The following table reflects the contractual maturity of the Company's financial liabilities as at December 31, 2015:

	Carrying amount	1 year	2-3 years	4-5 years	Total
	\$	\$	\$	\$	\$
Trade and accrued liabilities	38,744	38,744	-	-	38,744
Long-term debt	1,947	534	1,671	17	2,222
Convertible debentures	40,288	3,170	3,170	50,474	56,814
Long-term payable (included in other liabilities)	14,939	-	16,585	-	16,585
<b>Total</b>	<b>95,918</b>	<b>42,448</b>	<b>21,426</b>	<b>50,491</b>	<b>114,365</b>



## Commitments

The Company rents certain premises and equipment under the terms of operating leases. Future minimum payments excluding operating costs are as follows:

	2015	2014
	\$	\$
No later than 1 year	2,289	2,881
Later than 1 year but no later than 5 years	2,479	4,133
Later than 5 years	364	967
<b>Total</b>	<b>5,132</b>	<b>7,981</b>

As at December 31, 2015, in the normal course of business, the Company contracted letters of credit for an amount of up to \$0.5 million (2014 – \$0.4 million).

## 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 consolidated financial statements, the Company was not aware of any significant events that would have a material effect on its consolidated financial statements.

## Governance

As required by Multilateral Instrument 52-109 of the Canadian Securities Administrators («MI 52-109»), 5N Plus has filed certificates signed by the Chief Executive Officer and the Chief Financial Officer that, among other things, attest to the design of the disclosure controls and procedures and the design and effectiveness of internal controls over financial reporting.

## Disclosure Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer have designed disclosure controls and procedures, or have caused them to be designed under their supervision, in order to provide reasonable assurance that:

- material information relating to the Company has been made known to them; and
- information required to be disclosed in the Company's filings is recorded, processed, summarized and reported within the time periods specified in securities legislation.

An evaluation was carried out, under the supervision of the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the disclosure controls and procedures are effective.

## Internal Control over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer have also designed internal controls over financial reporting (ICFR), or have caused them to be designed under their supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Based on their evaluation carried out to assess the effectiveness of the Company's ICFR, the Chief Executive Officer and the Chief Financial Officer have concluded that the ICFR were designed and operated effectively as at December 2015, using the Internal Control – Integrated Framework (2013 Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO 2013 Framework").

## Changes in Internal Control over Financial Reporting

No changes were made to our ICFR during fiscal year ended December 31, 2015 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

### Accounting Policies and Changes

The Company established its accounting policies and methods used in the preparation of its audited consolidated financial statements for the fiscal year 2015 in accordance with IFRS. The Company's significant accounting policies are described in Note 2 of the December 31, 2015 audited consolidated financial statements. The key assumptions and basis for estimates that management has made under IFRS, and their impact on the amounts reported in the consolidated financial statements and notes, remain substantially unchanged from those described in the Company's audited consolidated financial statements for the fiscal year ended December 31, 2014, except for the following.

Assets are reviewed for an indication of impairment at each statement of financial position date upon the occurrence of events or changes in circumstances indicating that the carrying value of the assets may not be recoverable which requires significant judgment.

### 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.

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.

### Significant Management Estimation and Judgment in Applying Accounting Policies

The following are significant management judgments used in applying the accounting policies of the Company that have the most significant effect on the consolidated financial statements.

### **Estimation uncertainty**

When preparing the consolidated financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, revenues and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, revenues and expenses are discussed below.

### **Impairment of non-financial assets**

Non-financial assets are reviewed for an indication of impairment at each statement of financial position date upon the occurrence of events or changes in circumstances indicating that the carrying value of the assets may not be recoverable which requires significant judgement.

An impairment loss is recognized for the amount by which an asset's or CGU's carrying amount exceeds its recoverable amount, which is the higher of fair value less cost of disposal and value in use.

To determine fair value less cost to dispose, management estimates expected future cash flows from each asset or CGU and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management makes assumptions about future operating results using pricing information on metal available as at December 31, 2015. These assumptions relate to future events and circumstances. The actual results may vary and may cause significant adjustments to the Company's assets in future periods. In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and to asset-specific risk factors. Management believes that the following assumptions are the most susceptible to change and therefore could impact the valuation of the assets in the next year: metal prices which have an impact on revenues and metal margins, the discount rate, foreign exchange rates and the ability to use existing tax losses in the future.

Management performed an impairment test on its non-current assets in accordance with IAS 36 "Impairment of assets", since the market capitalization of the Company was lower than the carrying amount of the net assets. Based on this analysis, management concluded that no impairment was required on the remaining non-current assets.

### **Inventories**

Inventories are measured at the lower of cost and net realizable value, with cost determined using the average cost method. In estimating net realizable values, management takes into account the most reliable evidence available at the time the estimates are made. The Company's core business is subject to changes in foreign policies and internationally accepted metal prices which may cause future selling prices to change rapidly. The Company evaluates its inventories using a group of similar items basis and considers expected future prices as well as events that have occurred between the consolidated statement of financial position date and the date of the completion of the consolidated financial statements. Net realizable value for inventory to satisfy a specific sales contract is measured at the contract price.

### **Debenture conversion option**

The convertible debentures issued by the Company included conversion and early redemption options, which are considered as Level 3 financial instruments. The derivative is measured at fair value through profit or loss, and its fair value must be measured at each reporting period, with subsequent changes in fair value recorded in the consolidated statement of (loss) earnings. A derivative valuation model is used, and includes assumptions, to estimate the fair value. Detailed assumptions used in the model to determine the fair value of the embedded derivative, upon inception and as at December 31, 2015, are provided in note 13 of the 2015 consolidated financial statements of the Company.

## Management's Discussion and Analysis

### Income taxes

The Company is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

The Company has deferred income tax assets that are subject to periodic recoverability assessments. Realization of the Company's deferred income tax assets is largely dependent on its achievement of projected future taxable income and the continued applicability of ongoing tax planning strategies. The Company's judgments regarding future profitability may change due to future market conditions, changes in tax legislation and other factors that could adversely affect the ongoing value of the deferred income tax assets. These changes, if any, may require a material adjustment of these deferred income tax asset balances through an adjustment to the carrying value thereon in the future. This adjustment would reduce the deferred income tax asset to the amount that is considered to be more likely than not to be realized and would be recorded in the period such a determination was to be made.

### Related Party Transactions

The Company's related parties are its joint ventures, directors and executive members. Transactions with these related parties are describes in Notes 9, 10, 24 and 27 in the 2015 consolidated financial statements of the Company.

## Financial Instruments and Risk Management

### Fair Value of financial instruments

A detailed description of the methods and assumptions used to measure the fair value of the Company financial instruments and their fair value are discussed in Note 17 – Fair Value of Financial Instruments in the 2015 consolidated financial statements of the Company.

The fair value of the derivatives financial instruments was as follows:

	2015	2014
	\$	\$
Derivatives forward contracts	-	147
Debenture conversion option	(87)	(2,093)
Cross-currency swap	(1,443)	-

### Financial Risk Management

For a detailed description of nature and extent of risks arising from financial instruments, and their related risk management, refer to Note 25 of the 2015 consolidated financial statements of the Company.

### Interest Rate Risk

Interest rate risk refers to the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company's policy is to limit its exposure to interest rate risk fluctuation by ensuring that a reasonable portion of its bank advance, long-term debt and convertible debentures are at fixed rate. The Company is exposed to interest rate fluctuations on its revolving credit facility, which bears a floating interest rate. A 1% increase/decrease in interest rates would not have a significant impact on the Company's net earnings.

### Foreign Currency Risk

The Company's sales are primarily denominated in U.S. dollars whereas a portion of its operating costs are realized in local currencies, such as Euros, Canadian dollars and Pounds Sterling. Even though the purchases of raw materials are denominated in U.S. dollars, which reduce to some extent exchange rate fluctuations, we are subject to currency translation risk which can negatively impact our results. Management has implemented a policy for managing foreign exchange risk against the relevant functional currency.

## Management's Discussion and Analysis

On December 7, 2015, the Company entered into cross-currency swap to hedge cash flows under the CA\$ convertible debentures, applying hedge accounting principles to the transaction. In addition, the Company will occasionally enter into foreign exchange forward contracts to sell US dollars in exchange for Canadian dollars and Euros. These contracts would hedge a portion of ongoing foreign exchange risk on the Company's cash flows since much of its non-US dollar expenses are incurred in Canadian dollars and Euros. The Company will also enter into foreign exchange contracts to sell Euros for US dollars.

The following table summarizes in US dollar equivalents the Company's major currency exposures as at December 31, 2015:

	CA\$	EUR	GBP	RMB	Other
	\$	\$	\$	\$	\$
Cash and cash equivalents	355	3,894	401	878	131
Accounts receivable	480	8,330	4	7,789	449
Trade and accrued liabilities	(5,798)	(7,902)	(1,065)	(6,006)	(674)
Long-term debt	(420)	(52)	-	-	-
Net financial assets (liabilities)	(5,383)	4,270	(660)	2,661	(94)

The following table shows the impact on earnings before income tax of a one-percentage point strengthening or weakening of foreign currencies against the US dollar as at December 31, 2015 for the Company's financial instruments denominated in non-functional currencies:

	CA\$	EUR	GBP	RMB	Other
1% Strengthening	\$	\$	\$	\$	\$
Earnings before tax	(54)	43	(7)	27	(1)
1% Weakening					
Earnings before tax	54	(43)	7	(27)	1

### Credit Risk

Credit risk refers to the possibility that a customer or counterparty will fail to fulfill its obligations under a contract and, as a result, create a financial loss for the Company. The Company has a large number of clients and is no longer dependent on a specific client. The Company has a credit policy that defines standard credit practice. This policy dictates that all new customer accounts be reviewed prior to approval and establishes the maximum amount of credit exposure per customer. The creditworthiness and financial well-being of the customer are monitored on an ongoing basis.

The Company establishes an allowance for doubtful accounts as determined by management based on its assessment of collection; therefore, the carrying amount of accounts receivable generally represents the maximum credit exposure. As at December 31, 2015 and 2014, the Company has an allowance for doubtful accounts of \$0.5 million and \$0.1 million respectively. The provision for doubtful accounts, if any, is included in selling, general and administrative expenses in the consolidated statement of (loss) earnings, and is net of any recoveries that were provided for in prior periods.

### Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages liquidity risk through the management of its capital structure. It also manages liquidity risk by continually monitoring actual and projected cash flows, taking into account the Company's sales and receipts and matching the maturity profile of financial assets and financial liabilities. The Board of Directors reviews and approves the Company's annual operating and capital budgets as well as any material transactions out of the ordinary course of business, including proposals on acquisitions and other major investments. Under the terms of its credit facility, the Company is required to satisfy certain restrictive covenants. 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. However, risk remains. Successful achievement of these estimates results is dependent on stability in the price of metals and other raw materials, the reduction of debt due to the optimization of the Company's working capital and the continued viability and support of the Company's banks.

### **Risk and Uncertainties**

The Company is subject to a number of risk factors which may limit its ability to execute its strategy and achieve its long-term growth objectives. Management analyses these risks and implements strategies in order to minimize their impact on the Company's performance.

### **Possible Failure to Realize Anticipated Benefits of Acquisitions and Investments**

There is a risk that some of the expected benefits will fail to materialize, or may not occur within the time periods anticipated by management. The realization of such benefits may be affected by a number of factors, many of which are beyond our control. These factors include achieving the benefits of investments and any future acquisitions that we may complete and will depend in part on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as our ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with ours. The integration of acquired businesses requires the dedication of substantial management effort, time and resources which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. The integration process may result in the loss of key employees, significant expenses and the disruption of ongoing business, customer and employee relationships that may adversely affect our ability to achieve the anticipated benefits of these acquisitions and investments.

### **International Operations**

We operate in a number of countries, including China and Laos, and, as such, face risks associated with international business activities. We could be significantly affected by such risks, which include the integration of international operations, challenges associated with dealing with numerous legal systems, the potential for volatile economic and labor conditions, political instability, expropriation, and changes in taxes, tariffs and other regulatory costs. Although we operate primarily in countries with relatively stable economic and political climates, there can be no assurance that our business will not be adversely affected by the risks inherent in international operations.

### **Environmental Regulations**

Our operations involve the use, handling, generation, processing, storage, transportation, recycling and disposal of hazardous materials and are subject to extensive environmental laws and regulations at the national, provincial, local and international level. These environmental laws and regulations include those governing the discharge of pollutants into the air and water, the use, management and disposal of hazardous materials and wastes, the clean-up of contaminated sites and occupational health and safety. We have incurred and will continue to incur capital expenditures in order to comply with these laws and regulations. In addition, violations of, or liabilities under, environmental laws or permits may result in restrictions being imposed on our operating activities or in our being subject to substantial fines, penalties, criminal proceedings, third party property damage or personal injury claims, clean-up costs or other costs. While we believe that we are currently in compliance with applicable environmental requirements, future developments such as more aggressive enforcement policies, the implementation of new, more stringent laws and regulations, or the discovery of currently unknown environmental conditions may require expenditures that could have a material adverse effect on our business, results of operations and financial condition. Our facility in Tilly, Belgium completed corrective measures under a remediation plan as a result of industrial legacy at this site, which has been in industrial use for more than 100 years. The remediation performed has been approved and audited by local authorities and the Company has received a full compliance confirmation and complete release and discharge from the authorities.

### **Competition Risk**

We are the leading producer of specialty metal and chemical products and have a limited number of competitors, few of which are as fully integrated as we are or have a similar range of products. Accordingly, they have limitation to provide the same comprehensive set of services and products as we do. However, there can be no guarantee that this situation will continue in the future and competition could arise from new low-cost metal refiners or from certain of our customers who could decide to backward integrate. Greater competition could have an adverse effect on our revenues and operating margins if our competitors gain market share and we are unable to compensate for the volume lost to our competition.

### **Commodity Price Risk**

The price we pay for, and availability of, various inputs fluctuates due to numerous factors beyond our control, including economic conditions, currency exchange rates, global demand for metal products, trade sanctions, tariffs, labor costs, competition, over capacity of producers and price surcharges. Fluctuations in availability and cost of inputs may materially affect our business, financial condition, results of operations and cash flows. To the extent that we are not able to pass on any increases, our business, financial condition, results of operations and cash flows may be materially adversely affected.

### **Sources of Supply**

We may not be able to secure the critical raw material feedstock on which we depend for our operations. We currently procure our raw materials from a number of suppliers with whom we have had long-term commercial relationships. The loss of any one of these suppliers or a reduction in the level of deliveries to us may reduce our production capacity and impact our deliveries to customers. This would in turn negatively impact our sales, net margins and may lead to liabilities with respect to some of our supply contracts.

### **Protection of Intellectual Property**

Protection of our proprietary processes, methods and other technologies is important to our business. We rely almost exclusively on a combination of trade secrets and employee confidentiality agreements to safeguard our intellectual property. We have deliberately chosen to limit our patent position to avoid disclosing valuable information. Failure to protect and monitor the use of our existing intellectual property rights could result in the loss of valuable technologies and processes.

### **Inventory Price Risk**

The Company monitors its risk associated with the value of its inventories in relation to the market price of such inventories. Because of the highly illiquid nature of many of its inventories, we rely on a combination of standard risk measurement techniques, such as value at risk as well as a more empirical assessment of the market conditions. Decisions on appropriate physical stock levels are taken by considering both the value at risk calculations and the market conditions.

### **Business Interruptions**

We may incur losses resulting from business interruptions. In many instances, especially those related to our long-term contracts, we have contractual obligations to deliver product in a timely manner. Any disruption in our activities which leads to a business interruption could harm our customers' confidence level and lead to the cancellation of our contracts and legal recourse against us. Although we believe that we have taken the necessary precautions to avoid business interruptions and carry business interruption insurance, we could still experience interruptions which would adversely impact our financial results.

### **Dependence on Key Personnel**

The Company relies on the expertise and know-how of its personnel to conduct its operations. The loss of any member of our senior management team could have a material adverse effect on us. Our future success also depends on our ability to retain and attract our key employees, train, retain and successfully integrate new talent into our management and technical teams. Recruiting and retaining talented personnel, particularly those with expertise in the specialty metals industry and refining technology is vital to our success and may prove difficult. We cannot provide assurance that we will be able to attract and retain qualified personnel when needed.

### **Collective Agreements**

A portion of our workforce is unionized and we are party to collective agreements that are due to expire at various times in the future. If we are unable to renew these collective agreements on similar terms as they become subject to renegotiation from time to time, this could result in work stoppages or other labour disturbances, such as strikes, walkouts or lock-outs, potentially affecting our performance.



### **Risks Associated with Public Issuer Status**

The Company's shares are publicly traded and, as such, it is subject to all of the obligations imposed on "reporting issuers" under applicable securities laws in Canada and all of the obligations applicable to a listed company under stock exchange rules. Direct and indirect costs associated with public company status have escalated in recent years and regulatory initiatives under consideration may further increase the costs of being public in Canada. Those costs could have a negative effect on the Company's financial results. Another risk associated with a public issuer status is the disclosure of key Company information as compared to privately owned competitors.

### **Non-IFRS Measures**

In this Management's Report, the Company's management uses certain measures which are not in accordance with IFRS. Non-IFRS measures are useful supplemental information but may not have a standardized meaning according to IFRS.

Backlog represents the expected orders we have received but have not yet executed and that are expected to translate into sales within the next twelve months expressed in number of days. Bookings represent orders received during the period considered, expressed in days, and is calculated by adding revenues to the increase or decrease in backlog for the period considered divided by annualized year revenues. We use backlog to provide an indication of expected future revenues in days, and bookings to determine our ability to sustain and increase our revenues.

EBITDA means net earnings (loss) before interest expenses (revenues), income taxes, depreciation and amortization. We use EBITDA because we believe it is a meaningful measure of the operating performance of our ongoing business without the effects of certain expenses. The definition of this non-IFRS measure used by the Company may differ from that used by other companies.

EBITDA margin is defined as EBITDA divided by revenues.

Adjusted EBITDA means EBITDA as defined above before impairment of inventories, allowance for doubtful of a receivable from a related party, litigation and restructuring costs, gain on disposal of property, plant and equipment, change in fair value of debenture conversion option, foreign exchange and derivatives loss (gain). We use adjusted EBITDA because we believe it is a meaningful measure of the operating performance of our ongoing business without the effects of inventory write-downs. The definition of this non-IFRS measure used by the Company may differ from that used by other companies.

Adjusted EBITDA margin is defined as Adjusted EBITDA divided by revenues.

Adjusted net earnings (loss) means the net earnings (loss) before the effect of charge of impairment related to inventory, PPE and intangible assets, impairment of goodwill, allowance for doubtful of a note receivable from a related party, litigation and restructuring costs, change in fair value of debenture conversion option net of the related income tax. We use adjusted net earnings (loss) because we believe it is a meaningful measure of the operating performance of our ongoing business without the effects of unusual inventory write-downs and property plant and equipment, intangible asset impairment charges, allowance for doubtful of a receivable from a related party, litigation and restructuring costs and change in fair value of debenture conversion option. The definition of this non-IFRS measure used by the Company may differ from that used by other companies.

Basic adjusted net earnings (loss) per share means adjusted net earnings (loss) divided by the weighted average number of outstanding shares. We use basic adjusted net earnings (loss) per share because we believe it is a meaningful measure of the operating performance of our ongoing business without the effects of unusual inventory write-downs and property plant and equipment and intangible asset impairment charges, allowance for doubtful of a receivable from a related party, litigation and restructuring costs and change in fair value of debenture conversion option per share. The definition of this non-IFRS measure used by the Company may differ from that used by other companies.

## Management's Discussion and Analysis

Funds (used in) from operations means the amount of cash generated from operating activities before changes in non-cash working capital balances related to operations. This amount appears directly in the consolidated statements of cash flows of the Company. We consider funds (used in) from operations to be a key measure as it demonstrates the Company's ability to generate cash necessary for future growth and debt repayment.

Net debt or net cash is a measure we use to monitor how much debt we have after taking into account cash and cash equivalents and restricted cash. We use it as an indicator of our overall financial position, and calculate it by taking our total debt, including the current portion and the cross-currency swap related to the convertible debenture, and subtracting cash and cash equivalents and restricted cash.

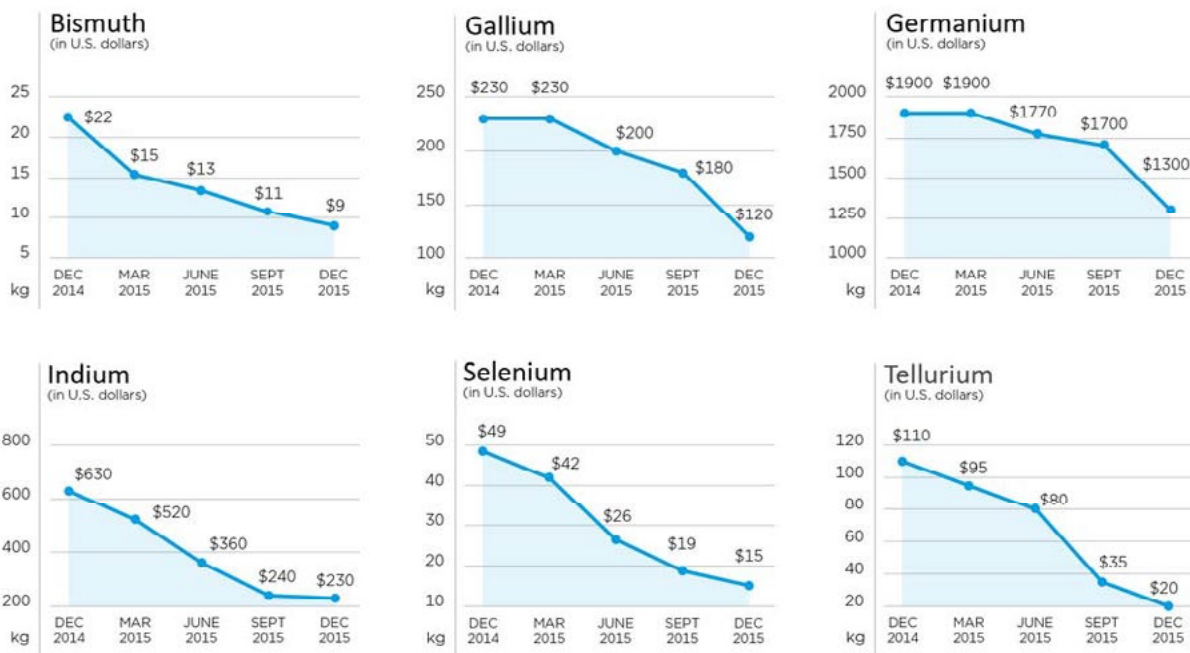
Working capital is a measure of liquid assets that is calculated by taking current assets and subtracting current liabilities. Given that the Company is currently indebted, we use it as an indicator of our financial efficiency and aim to maintain it at the lowest possible level.

Working capital ratio is calculated by dividing current assets by current liabilities.

### Additional Information

Our common shares trade on the Toronto Stock Exchange (TSX) under the ticker symbol VNP. Additional information relating to the Company, including the Company's annual information form is available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

### Metal Prices



Source: Low Metal Bulletin

# Management's Discussion and Analysis

## Selected Data Information

The following table provides selected quarterly financial information for the years 2013 through to 2015.

(in thousands of United States dollars except per share amounts)	Q1	Q2	Q3	Q4	Total
<b>Fiscal 2015</b>					
Revenues	95,663	87,250	68,732	59,367	311,012
EBITDA <sup>1</sup>	3,406	(5,966)	(26,136)	(26,000)	(54,696)
Adjusted EBITDA <sup>1</sup>	270	1,963	1,052	674	3,959
Net loss attributable to equity holders of 5N Plus	(1,949)	(20,463)	(32,171)	(42,615)	(97,198)
Basic loss per share attributable to equity holders of 5N Plus	(\$0.02)	(\$0.24)	(\$0.38)	(\$0.51)	(\$1.16)
Net loss	(1,951)	(20,464)	(32,171)	(42,615)	(97,201)
Basic loss per share	(\$0.02)	(\$0.24)	(\$0.38)	(\$0.51)	(\$1.16)
Diluted loss per share	(\$0.05)	(\$0.24)	(\$0.38)	(\$0.51)	(\$1.16)
Adjusted net loss <sup>1</sup>	(2,472)	(6,125)	(5,652)	(12,966)	(27,215)
Basic adjusted net loss per share <sup>1</sup>	(\$0.03)	(\$0.07)	(\$0.07)	(\$0.15)	(\$0.32)
Funds used in operations <sup>1</sup>	(2,015)	(1,482)	(620)	(5,734)	(9,851)
Backlog <sup>1</sup>	142 days	137 days	134 days	158 days	158 days
<b>Fiscal 2014</b>					
Revenues	142,379	136,597	114,438	114,781	508,195
EBITDA <sup>1</sup>	11,178	11,524	12,721	4,021	39,444
Adjusted EBITDA <sup>1</sup>	10,501	10,816	8,071	5,657	35,045
Net earnings (loss) attributable to equity holders of 5N Plus	4,655	4,436	4,172	(2,451)	10,812
Basic earnings (loss) per share attributable to equity holders of 5N Plus	\$0.06	\$0.05	\$0.05	(\$0.03)	\$0.13
Net earnings (loss)	4,519	4,436	4,171	(2,453)	10,673
Basic earnings (loss) per share	\$0.05	\$0.05	\$0.05	(\$0.03)	\$0.13
Diluted earnings (loss) per share	\$0.05	\$0.05	(\$0.01)	(\$0.04)	\$0.05
Adjusted net earnings <sup>1</sup>	4,916	4,303	170	1,247	10,636
Basic adjusted net earnings (loss) per share <sup>1</sup>	\$0.06	\$0.05	\$-	\$0.01	\$0.13
Funds from operations <sup>1</sup>	6,806	5,774	982	4,030	17,592
Backlog <sup>1</sup>	120 days	100 days	109 days	122 days	122 days
<b>Fiscal 2013</b>					
Revenues	118,389	112,637	108,570	119,416	459,012
EBITDA <sup>1</sup>	12,121	38,008	6,926	6,848	63,903
Adjusted EBITDA <sup>1</sup>	10,115	6,543	5,775	7,942	30,375
Net earnings attributable to equity holders of 5N Plus	5,371	34,185	1,083	2,022	42,661
Basic earnings per share attributable to equity holders of 5N Plus	\$0.06	\$0.41	\$0.01	\$0.02	\$0.51
Net earnings	5,538	34,281	1,323	1,638	42,780
Basic earnings per share	\$0.07	\$0.41	\$0.02	\$0.02	\$0.51
Diluted earnings per share	\$0.07	\$0.41	\$0.02	\$0.02	\$0.51
Adjusted net earnings <sup>1</sup>	6,296	959	1,517	2,068	10,840
Basic adjusted net earnings per share <sup>1</sup>	\$0.08	\$0.01	\$0.02	\$0.02	\$0.13
Funds from operations <sup>1</sup>	4,608	1,560	4,822	9,043	20,033
Backlog <sup>1</sup>	128 days	124 days	112 days	130 days	130 days

(in thousands of United States dollars)	2015	2014	2013
Balance Sheet Data	\$	\$	\$
Total assets	220,737	399,531	365,240
Net debt (net cash) <sup>1</sup>	34,862	84,007	58,330
Retirement benefit obligation	13,934	16,928	15,887
Shareholders' equity	96,632	196,443	190,052

<sup>1</sup> See Non-IFRS Measures

**5N PLUS INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**  
(Figures in thousands of United States dollars)

## Management's Report To the Shareholders of 5N Plus Inc.

The accompanying consolidated financial statements are the responsibility of the management of 5N Plus Inc. and have been reviewed by the Audit Committee and approved by the Board of Directors.

These consolidated financial statements and related notes have been prepared by management in conformity with International Financial Reporting Standards and necessarily include amounts based on management's informed judgments and estimates.

Management is also responsible for all other information included in this Annual Report and for ensuring that this information is consistent with the Company's consolidated financial statements and business activities.

Management is responsible for the design, establishment and maintenance of appropriate internal controls and procedures for financial reporting, to ensure that financial statements for external purposes are fairly presented in conformity with International Financial Reporting Standards. Such internal control systems are designed to provide reasonable assurance on the reliability of the financial information and the safeguarding of assets.

The Company's external auditors have free and independent access to the Audit Committee, which is comprised of independent directors. The Audit Committee, which meets regularly throughout the year with members of management, reviews the consolidated financial statements and recommends their approval to the Board of Directors.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP.

SIGNED  
Arjang Roshan  
President and Chief Executive Officer

SIGNED  
Richard Perron  
Chief Financial Officer

Montréal, Canada  
February 23, 2016



February 23, 2016

## **Independent Auditor's Report**

### **To the Shareholders of 5N Plus Inc.**

We have audited the accompanying consolidated financial statements of 5N Plus Inc. and its subsidiaries, which comprise the consolidated statements of financial position at December 31, 2015 and 2014 and the consolidated statements of (loss) earnings, comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

#### **Management's responsibility for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.



**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of 5N Plus Inc. and its subsidiaries as at December 31, 2015 and 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

*PricewaterhouseCoopers LLP<sup>1</sup>*

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<sup>1</sup> CPA auditor, CA, public accountancy permit No. A116853



**5N PLUS INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

<i>(Figures in thousands of United States dollars)</i>	Notes	December 31 2015	December 31 2014
		\$	\$
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents		8,816	12,777
Restricted cash		-	2,115
Accounts receivable	5	37,325	72,391
Inventories	6	89,052	204,454
Income tax receivable		2,632	2,705
Derivative financial assets	17	-	147
Other current assets		1,820	2,965
<b>Total current assets</b>		<b>139,645</b>	<b>297,554</b>
Property, plant and equipment	7	67,646	68,261
Intangible assets	8	7,315	15,728
Deferred tax asset	16	3,478	11,037
Investments accounted for using the equity method	9	310	316
Other assets	10	2,343	6,635
<b>Total non-current assets</b>		<b>81,092</b>	<b>101,977</b>
<b>Total assets</b>		<b>220,737</b>	<b>399,531</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current</b>			
Bank indebtedness	12	-	975
Trade and accrued liabilities	11	38,744	60,286
Income tax payable		6,598	6,064
Long-term debt due within one year	12	435	667
<b>Total current liabilities</b>		<b>45,777</b>	<b>67,992</b>
Long-term debt	12	1,512	51,156
Convertible debentures	13	40,288	46,101
Deferred tax liability	16	668	3,111
Retirement benefit obligation	14	13,934	16,928
Derivative financial liabilities	17	1,530	2,093
Other liabilities	15	20,403	15,711
<b>Total non-current liabilities</b>		<b>78,335</b>	<b>135,100</b>
<b>Total liabilities</b>		<b>124,112</b>	<b>203,092</b>
Shareholders' equity		96,632	196,443
Non-controlling interest		(7)	(4)
<b>Total equity</b>		<b>96,625</b>	<b>196,439</b>
<b>Total liabilities and equity</b>		<b>220,737</b>	<b>399,531</b>

Commitments and contingencies (Note 23)

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

**5N PLUS INC.**  
**CONSOLIDATED STATEMENTS OF (LOSS) EARNINGS**

**Years ended December 31**

<i>(Figures in thousands of United States dollars, except per share information)</i>	<b>Notes</b>	<b>2015</b>	<b>2014</b>
		\$	\$
<b>Revenues</b>		311,012	508,195
Cost of sales	27	346,970	445,673
Selling, general and administrative expenses	27	28,494	36,922
Other expenses	27	23,210	8,778
Share of loss from joint ventures	9	316	128
		<b>398,990</b>	<b>491,501</b>
<b>Operating (loss) earnings</b>		(87,978)	16,694
<b>Gain on disposal of property, plant and equipment</b>		-	1,312
<b>Financial expenses (revenues)</b>			
Interest on long-term debt		4,617	5,465
Imputed interest and other interest expense		4,350	3,304
Changes in fair value of debenture conversion option	17	(1,840)	(7,179)
Foreign exchange and derivative gain		(4,276)	(3,111)
		<b>2,851</b>	<b>(1,521)</b>
<b>(Loss) earnings before income tax</b>		(90,829)	19,527
Income tax expense			
Current	16	3,655	4,875
Deferred	16	2,717	3,979
		6,372	8,854
<b>Net (loss) earnings for the year</b>		<b>(97,201)</b>	<b>10,673</b>
<b>Attributable to:</b>			
Equity holders of 5N Plus Inc.		(97,198)	10,812
Non-controlling interest		(3)	(139)
		<b>(97,201)</b>	<b>10,673</b>
<b>(Loss) earnings per share attributable to equity holders of 5N Plus Inc.</b>	21	(1.16)	0.13
<b>Basic (loss) earnings per share</b>	21	(1.16)	0.13
<b>Diluted (loss) earnings per share</b>	21	(1.16)	0.05

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

**5N PLUS INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

**Years ended December 31**

*(Figures in thousands of United States dollars)*

	<b>Notes</b>	<b>2015</b>	<b>2014</b>
		\$	\$
<b>Net (loss) earnings for the year</b>		(97,201)	10,673
<b>Other comprehensive loss</b>			
<b>Items that may be reclassified subsequently to the consolidated statements of (loss) earnings</b>			
Net changes in cash flow hedges			
Effective portion of changes in fair value of cash flow hedges	17	(354)	560
Reclassification to consolidated statements of (loss) earnings		(262)	(184)
Income taxes		117	(111)
Currency translation adjustment		(499)	265
		(801)	(57)
		(1,300)	208
<b>Items that will not be reclassified subsequently to the consolidated statements of (loss) earnings</b>			
Remeasurement of retirement benefit obligation	14	1,038	(3,365)
Income taxes		(2,516)	1,043
		(1,478)	(2,322)
<b>Other comprehensive loss</b>		<b>(2,778)</b>	<b>(2,114)</b>
<b>Comprehensive (loss) income for the year</b>		<b>(99,979)</b>	<b>8,559</b>
Attributable to equity holders of 5N Plus Inc.		(99,976)	8,698
Attributable to non-controlling interests		(3)	(139)

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

**5N PLUS INC.**  
**CONSOLIDATED STATEMENTS OF (LOSS) EARNINGS**

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

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
For the year ended December 31, 2015		\$	\$	\$	\$	\$	\$	\$
<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 year	-	-	-	-	(97,198)	(97,198)	(3)	(97,201)
Other comprehensive loss	-	-	-	(499)	-	(499)	-	(499)
Net changes in cash flow hedges	-	-	-	(801)	-	(801)	-	(801)
Currency translation adjustment	-	-	-	(1,478)	-	(1,478)	-	(1,478)
Remeasurement of retirement benefit obligation	-	-	-	(2,778)	(97,198)	(99,976)	(3)	(99,979)
Total comprehensive loss	-	-	-	-	-	165	-	165
Share-based compensation	-	-	4,079	(6,447)	(244,506)	96,632	(7)	96,625
<b>Balances at end of year</b>	<b>83,979,657</b>	<b>343,506</b>	<b>4,079</b>	<b>(6,447)</b>	<b>(244,506)</b>	<b>96,632</b>	<b>(7)</b>	<b>96,625</b>
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
For the year ended December 31, 2014		\$	\$	\$	\$	\$	\$	\$
<b>Balances at beginning of year</b>	83,908,269	343,272	3,747	(1,555)	(155,412)	190,052	477	190,529
Net earnings for the year	-	-	-	-	10,812	10,812	(139)	10,673
Other comprehensive income (loss)	-	-	-	265	-	265	-	265
Net changes in cash flow hedges	-	-	-	(57)	-	(57)	-	(57)
Currency translation adjustment	-	-	-	(2,322)	-	(2,322)	-	(2,322)
Remeasurement of retirement benefit obligation	-	-	-	(2,114)	10,812	8,698	(139)	8,559
Total comprehensive income (loss)	-	-	-	-	-	164	-	164
Exercise of stock options	71,388	234	(70)	-	-	237	-	237
Share-based compensation	-	-	237	-	-	-	-	-
Purchase of a subsidiary's non-controlling interests including transaction costs (Note 4)	-	-	-	-	(2,708)	(2,708)	(342)	(3,050)
<b>Balances at end of year</b>	<b>83,979,657</b>	<b>343,506</b>	<b>3,914</b>	<b>(3,669)</b>	<b>(147,308)</b>	<b>196,443</b>	<b>(4)</b>	<b>196,439</b>

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

**5N PLUS INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**Years ended December 31**

<i>(Figures in thousands of United States dollars)</i>	<b>Notes</b>	<b>2015</b>	<b>2014</b>
		\$	\$
<b>Operating activities</b>			
Net (loss) earnings for the year		(97,201)	10,673
Adjustments to reconcile net (loss) earnings to cash flows			
Depreciation of property, plant and equipment and amortization of intangible assets		27,166	11,148
Amortization of other assets		1,331	732
Amortization of deferred revenues	15	(796)	(427)
Impairment of inventories	6	58,327	5,251
Allowance for doubtful accounts receivable	5, 25	799	-
Allowance for a doubtful note receivable from a related party	10, 27	2,991	-
Share-based compensation expense	22	400	668
Deferred income tax	16	2,717	3,979
Share of loss from joint ventures	9	316	128
Gain on disposal of property, plant and equipment		-	(1,312)
Imputed interest		2,897	1,575
Retirement benefit obligation	14	(232)	(143)
Change in fair value of debenture conversion option	17	(1,840)	(7,179)
Unrealized loss (gain) on non-hedge financial instruments		198	(2,892)
Unrealized foreign exchange gain on assets and liabilities		(6,924)	(4,609)
<b>Funds (used in) from operations before the following</b>		<b>(9,851)</b>	<b>17,592</b>
Net change in non-cash working capital balances related to operations	19	73,860	(34,765)
<b>Cash flows from (used in) operating activities</b>		<b>64,009</b>	<b>(17,173)</b>
<b>Investing activities</b>			
Business acquisitions, net of cash acquired	4	-	(1,525)
Investment in a joint venture	9	(310)	-
Additions to property, plant and equipment	7, 19	(14,818)	(13,611)
Proceeds on disposal of property, plant and equipment		-	2,174
Additions of intangible assets	8	(5,138)	(2,784)
Restricted cash		1,950	(7)
<b>Cash flows used in investing activities</b>		<b>(18,316)</b>	<b>(15,753)</b>
<b>Financing activities</b>			
Repayment of long-term debt		(67,613)	(101,305)
Proceeds from the issuance of long-term debt		17,829	80,343
Issue expenses related to long-term debt		(423)	(1,915)
Proceeds from the issuance of convertible debentures, net of transaction costs	13	-	58,062
Net decrease in bank indebtedness		(971)	(9,487)
Issuance of common shares		-	164
Financial instruments – net		(51)	23
Increase in other liabilities	15	2,100	1,286
Purchase of a subsidiary's non-controlling interest including transaction costs	4	-	(3,050)
<b>Cash flows (used in) from financing activities</b>		<b>(49,129)</b>	<b>24,121</b>
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>(525)</b>	<b>(845)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(3,961)</b>	<b>(9,650)</b>
Cash and cash equivalents, beginning of year		12,777	22,427
<b>Cash and cash equivalents, end of year</b>		<b>8,816</b>	<b>12,777</b>
<b>Supplemental information<sup>(1)</sup></b>			
Income tax paid (recovered)		2,585	(2,779)
Interest paid		3,924	5,715

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

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

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**NOTE 1 – NATURE OF ACTIVITIES**

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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 February 23, 2016.

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**NOTE 2 – SUMMARY OF PRINCIPAL ACCOUNTING POLICIES**

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The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

**Basis of preparation**

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles as set forth in Part 1 of the Chartered Professional Accountants of Canada (CPA Canada) Handbook – Accounting, which incorporates International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments which are recorded at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are also further disclosed in this note, in the *Significant management estimation and judgment in applying accounting policies* section.

a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Company has control. Control exists when the Company is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through the power over the entity.

The subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

The following table includes the principal subsidiaries which significantly impact the results or assets of the Company:

	Country of incorporation	% Equity interest	
		2015	2014
5N Plus Inc.	Canada	100%	100%
5N PV GmbH	Germany	100%	100%
5N Plus L beck GmbH	Germany	100%	100%
5N Plus UK Limited	United Kingdom	100%	100%
5N Plus Belgium SA	Belgium	100%	100%
5N Plus Asia Limited	Hong Kong	100%	100%
5N Plus Wisconsin Inc	United States	100%	100%

The US dollar is the functional currency of all those subsidiaries.

Intercompany transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognized in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

b) Joint ventures

A joint venture is a contractual agreement whereby the Company agrees with other parties to undertake an economic activity that is subject to joint control, i.e. strategic financial and operating decisions relating to the joint venture's activities require the unanimous consent of the parties sharing control. Investments in joint ventures are accounted for using the equity method. The share of earnings (loss) of joint ventures is recognized in the consolidated statement of (loss) earnings and the share of other comprehensive income (loss) of joint ventures is included in other comprehensive (loss) income.

**Foreign currency translation**

a) Functional and presentation currency

The Company's functional and presentation currency is the US dollar. Functional currency is determined for each of the Company's entities, and items included in the financial statements of each entity are measured using that functional currency.

b) Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated at the prevailing exchange rate at the reporting date. Non-monetary assets and liabilities, and revenue and expense items denominated in foreign currencies are translated into the functional currency using the exchange rate prevailing at the dates of the respective transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in consolidated statement of (loss) earnings.

Foreign exchange gains and losses are presented in the consolidated statement of (loss) earnings within "foreign exchange and derivative gain".

c) Foreign operations

Assets and liabilities of subsidiaries that have a functional currency other than US dollar are translated from their functional currency to US dollars at exchange rates in effect at the reporting date. The resulting translation adjustments are included in the currency translation adjustment in other comprehensive (loss) income. Revenue and expenses are translated at the average exchange rates for the period.

**Segment reporting**

The Company operates two principal segments: Electronic Materials and Eco-Friendly Materials. Discrete operating and financial information is available for these segments and is used to determine the operating performance of each segment and to allocate resources.

The Electronic Materials segment is associated with the following metals: cadmium, gallium, germanium, indium and tellurium. These are sold as elements, alloys, chemicals and compounds.

The Eco-Friendly Materials segment manufactures and sells refined bismuth and bismuth chemicals and low melting-point alloys as well as refined selenium and selenium chemicals.

Corporate expenses associated with the head office and unallocated selling, general and administrative expenses together with financing costs and foreign exchange and derivative loss (gain) have been regrouped under the heading "Corporate and unallocated".

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Each operating segment is managed separately as each of these service lines requires different technologies, resources and marketing approaches. The financial information of the recycling and trading of complex material is allocated to the two main segments. All intersegment transactions between the Electronic Materials and the Eco-Friendly Materials segments have been eliminated on consolidation.

**Revenue recognition**

Revenue comprises the sale of manufactured products and the rendering of services and is measured at the fair value of the sale of manufactured products, net of value-added tax, and estimated customer returns and allowances at the time of recognition. The estimates of fair value are based on the Company's historical experience with each customer and the specifics of each arrangement.

Revenue from the sale of manufactured products is recognized when the risks and rewards of ownership have been transferred to the buyer (which generally occurs upon shipment) and collectibility of the related receivables is reasonably assured. Revenue is recognized when (i) it can be measured reliably; (ii) it is probable that the economic benefits associated with the transaction will flow to the Company; and (iii) the costs incurred or to be incurred can be measured reliably. Revenue from custom refining activities is recognized when services are rendered.

**Property, plant and equipment**

Property, plant and equipment are recorded at cost, net of accumulated depreciation, accumulated impairment losses and subsequent reversals, if applicable. Property, plant and equipment are depreciated using the straight-line method over their estimated useful lives, taking into account any residual values. Useful lives are as follows:

	Period
Land	Not depreciated
Building	25 years
Production equipment	10 years
Furniture	3 to 10 years
Office equipment	3 to 10 years
Rolling stock	3 to 10 years
Leasehold improvements	Over the term of the lease

However, "major overhauls and replacements" are capitalized to the consolidated statement of financial position as a separate component, with the replaced part or previous overhaul derecognized from the statement. Maintenance and repairs are charged to expense as incurred.

Construction in progress is not depreciated until the assets are put into use. Costs are only capitalized if they are directly attributable to the construction or development of the assets.

Residual values, method of depreciation and useful life of the assets are reviewed annually and adjusted if appropriate.

**Leases**

Leases are classified as finance leases if the Company bears substantially all risks and rewards of ownership of the leased asset. At inception of the lease, the related asset is recognized at the lower of fair value and the present value of the minimum lease payments, and a corresponding amount is recognized as a finance lease obligation. Lease payments are split between finance charges and the reduction of the finance lease obligation to achieve a constant proportion of the capital balance outstanding. Finance charges are charged to net (loss) earnings over the lease term.

All other leases are classified as operating leases. Operating lease payments are recognized as an expense on a straight-line basis over the lease term.



### **Intangible assets**

Intangible assets acquired separately are recorded at cost, net of accumulated amortization, accumulated impairment losses and reversals, if applicable. Intangible assets acquired through a business combination are recognized at fair value at the date of acquisition. Intangible assets are amortized on a straight-line basis over their useful lives according to the following annual terms:

	Period
Customer relationships	10 years
Technology	5 years
Trade name and non-compete agreements	2 to 5 years
Software	5 years
Intellectual property	10 years
Development costs	Not exceeding 10 years

### **Impairment of non-financial assets**

The carrying amounts of the Company's non-financial assets subject to amortization are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are not yet available for use are tested for impairment annually or at any time if an indicator of impairment exists.

An impairment loss is recognized if the carrying amount of an asset or a cash-generating unit (CGU) exceeds its recoverable amount. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. The recoverable amount is determined for an individual asset; unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In such case, the CGU's belonging asset is used to determine the recoverable amount. Impairment losses are recognized in statement of (loss) earnings.

The Company evaluates impairment losses for potential reversals at each reporting date. An impairment loss is reversed if there is any indication that the loss has decreased or no longer exists due to changes in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Such reversal is recognized in statement of (loss) earnings.

### **Financial instruments**

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

All financial instruments are required to be measured at fair value on initial recognition. Measurement in subsequent periods depends on the classification of the financial instrument. At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

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a) *Financial assets at fair value through profit or loss*

A financial asset is classified in this category if acquired principally for the purpose of selling or repurchasing in the short term.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the consolidated statement of (loss) earnings. Financial assets at fair value through profit or loss are classified as current assets except for the portion expected to be realized or paid beyond twelve months of the consolidated statements of financial position date, which is classified as non-current asset.

b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are recognized initially at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment. Loans and receivables are included in current assets, except for instruments with maturities greater than twelve months after the end of the reporting period, which are classified as non-current assets.

c) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Available-for-sale financial assets are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income (loss). When an available-for-sale asset is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive income (loss) to the consolidated statement of (loss) earnings.

Available-for-sale financial assets are classified as non-current assets, unless the investment matures within twelve months, or management expects to dispose of them within twelve months.

d) *Financial liabilities at amortized cost*

Financial liabilities at amortized cost are initially recognized at the amount required to be paid, less, when material, a discount to reduce the liabilities to fair value. Subsequently, they are measured at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

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The Company has classified its financial instruments as follows:

Category	Financial instrument
Financial assets and liabilities at fair value through profit and loss	Derivative financial assets and liabilities
Loans and receivables	Cash and cash equivalents Restricted cash Accounts receivable Loan receivable from a related party
Financial liabilities at amortized cost	Bank indebtedness Trade and accrued liabilities Long-term debt Convertible debentures Long-term payable

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***Transaction costs***

Transaction costs related to financial instruments that are not classified as assets and liabilities at fair value through profit or loss, are recognized in consolidated statement of financial position as an adjustment to the cost of the financial instrument upon initial recognition and amortized using the effective interest rate method. Fees paid on the establishment of loan facilities are recognized as deferred costs under non-current assets and are amortized over the term of the facility.

***Impairment of financial assets***

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition (a “loss event”) and that loss event has an impact on the estimated cash flows of the financial assets that can be reliably estimated. If such evidence exists, the Company recognizes an impairment loss, as follows:

*a) Financial assets carried at amortized cost*

The impairment loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument’s original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Impairment losses as well as reversals are recognized in the consolidated statement of (loss) earnings.

*b) Available-for-sale financial assets*

The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the consolidated statement of (loss) earnings. This amount represents the cumulative loss in accumulated other comprehensive income that is reclassified to the consolidated statement of (loss) earnings. Impairment losses on available-for-sale financial assets may not be reversed.

***Derivative financial instruments and hedging activities***

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Company designates certain derivatives as hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge).

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 17.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than twelve months and as a current asset or liability when the remaining maturity of the hedged item is less than twelve months. Trading derivatives are classified as a current asset or liability.

The Company applies cash flow hedge accounting to certain foreign exchange forward contracts and cross-currency swap entered into to hedge forecasted transactions. In a cash flow hedge relationship, the portion of gains or losses on the hedging item that is determined to be an effective hedge is recognized in other comprehensive income (loss), while the ineffective portion is recorded in consolidated statement of (loss) earnings. The amounts recognized in other comprehensive income (loss) are reclassified in consolidated statement of (loss) earnings as a reclassification adjustment when the hedged item affects net earnings.

***Embedded derivatives***

Embedded derivatives, which include the debenture conversion option, are recorded at fair value separately from the host contract when their economic characteristics and risks are not clearly and closely related to those of the host contract. Subsequent changes in fair value are recorded in financial expenses in the consolidated statement of (loss) earnings.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand.

**Restricted cash**

Restricted cash represents restricted cash held to secure certain liabilities of the Company.

**Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost includes all expenditures directly attributable to the manufacturing process as well as suitable portions of related production overheads based on normal operating capacity. Costs of ordinarily interchangeable items are assigned using weighted average cost. Net realizable value is the estimated selling price in the ordinary course of business less costs of completion and any applicable selling expenses. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the impairment is reversed (i.e. the reversal is limited to the amount of the original impairment) so that the new carrying amount is the lower of the cost and the revised net realizable value.

From time to time, when substantially all required raw materials are in inventory, the Company may choose to enter into long-term fixed-price sales contracts. The quantity of raw materials required to fulfill these contracts is specifically assigned, and the average cost of these raw materials is accounted for separately throughout the duration of the contract.

**Income taxes**

The tax expense for the year comprises current and deferred tax. Tax is recognized in the consolidated statement of (loss) earnings, except to the extent that it relates to items recognized in other comprehensive (loss) income or directly in equity. In which case, the tax is also recognized in other comprehensive (loss) income or directly in equity, respectively.

a) Current tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the consolidated statement of financial position in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

b) Deferred tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that are enacted or substantively enacted at the date of the consolidated statement of financial position and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be used.

Deferred income tax is presented to provide impact of temporary differences arising on investments in subsidiaries and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not be reversed in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### **Provisions**

A provision is recognized when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise mainly employee termination payments. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

### **Research and development expenses**

Research expenses are charged to the consolidated statement of (loss) earnings in the period they are incurred. Development expenses are charged to the consolidated statement of (loss) earnings, except for those that meet the following criteria and are capitalized: the feasibility of the product has been established, management intends to manufacture the product and has the capacity to use or sell it, the future economic benefits are likely to occur, the market for the product is defined, and the Company has the resources to complete the project and can reliably measure development costs. Research and development expenses charged to the consolidated statement of (loss) earnings for the year are included under other expenses.

### **Employee future benefits**

The Company contributes to a defined benefit pension plan. The significant policies related to employee future benefits are as follows:

- The cost of pension and other post-retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service, market interest rates and management's best estimate of expected plan investment performance, retirement ages of employees and expected health care costs;
- Fair value is used to value the plan assets for the purpose of calculating the expected return on plan assets; and
- Actuarial gains and losses arising from experience adjustment and changes in actuarial assumptions are charged or credited to equity in other comprehensive (loss) income in the period in which they arise.

### **Share-based payments**

The fair value of the equity-settled share-based payment plan is determined using the Black-Scholes model on the grant date. Measurement inputs include the share price on the measurement date, the exercise price of the instrument, expected volatility, weighted average expected life of the instrument, expected dividends, expected forfeiture rate, and the risk-free interest rate. The impact of service and non-market vesting conditions is not taken into account in determining fair value. The compensation expense of the equity-settled awards is recognized in the consolidated statement of (loss) earnings over the graded vesting period, where the fair value of each tranche is recognized over its respective vesting period.

For cash-settled share-based payment plans, the compensation expense is determined based on the fair value of the liability incurred at each reporting date until the award is settled. The fair value of compensation expense is calculated by multiplying the number of units expected to vest with the fair value of one unit as of grant date based on the market price of the Company's common shares. Until the liability is settled, the Company re-measures the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in income for the period.

### **(Loss) earnings per share**

Basic (loss) earnings per share is calculated by dividing net (loss) earnings for the year attributable to equity owners of the Company by the weighted average number of common shares outstanding during the year.

Diluted (loss) earnings per share assume the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on the income per share. The treasury stock method is used to determine the dilutive effect of the warrants and share options and the if-converted method is used for convertible debentures.

### **Significant management estimation and judgment in applying accounting policies**

The following are significant management judgments used in applying the accounting policies of the Company that have the most significant effect on the consolidated financial statements.

#### ***Estimation uncertainty***

When preparing the consolidated financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, revenues and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, revenues and expenses are discussed below.

### ***Impairment of non-financial assets***

Non-financial assets are reviewed for an indication of impairment at each statement of financial position date upon the occurrence of events or changes in circumstances indicating that the carrying value of the assets may not be recoverable, which requires significant judgement.

An impairment loss is recognized for the amount by which an asset's or CGU's carrying amount exceeds its recoverable amount, which is the higher of fair value less cost of disposal and value in use.

To determine fair value less cost to dispose, management estimates expected future cash flows from each asset or CGU and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management makes assumptions about future operating results using pricing information on metal available as at December 31, 2015. These assumptions relate to future events and circumstances. The actual results may vary and may cause significant adjustments to the Company's assets in future periods. In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and to asset-specific risk factors. Management believes that the following assumptions are the most susceptible to change and therefore could impact the valuation of the assets in the next year: metal prices which have an impact on revenues and metal margins, the discount rate, foreign exchange rates and the ability to use existing tax losses in the future.

Management performed an impairment test on its non-current assets in accordance with IAS 36 "Impairment of assets", since the market capitalization of the Company was lower than the carrying amount of the net assets. Based on this analysis, management concluded that no impairment was required on the remaining non-current assets.

### ***Inventories***

Inventories are measured at the lower of cost and net realizable value, with cost determined using the average cost method. In estimating net realizable values, management takes into account the most reliable evidence available at the time the estimates are made. The Company's core business is subject to changes in foreign policies and internationally accepted metal prices which may cause future selling prices to change rapidly. The Company evaluates its inventories using a group of similar items basis and considers expected future prices as well as events that have occurred between the consolidated statement of financial position date and the date of the completion of the consolidated financial statements. Net realizable value for inventory to satisfy a specific sales contract is measured at the contract price.

### ***Debenture conversion option***

The convertible debentures issued by the Company included conversion and early redemption options, which are considered as Level 3 financial instruments. The derivative is measured at fair value through profit or loss, and its fair value must be measured at each reporting period, with subsequent changes in fair value recorded in the consolidated statement of (loss) earnings. A derivative valuation model is used, and includes assumptions, to estimate the fair value. Detailed assumptions used in the model to determine the fair value of the embedded derivative, upon inception and as at December 31, 2015, are provided in note 13.

### ***Income taxes***

The Company is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

The Company has deferred income tax assets that are subject to periodic recoverability assessments. Realization of the Company's deferred income tax assets is largely dependent on its achievement of projected future taxable income and the continued applicability of ongoing tax planning strategies. The Company's judgments regarding future profitability may change due to future market conditions, changes in tax legislation and other factors that could adversely affect the ongoing value of the deferred income tax assets. These changes, if any, may require a material adjustment of these deferred income tax asset balances through an adjustment to the carrying value thereon in the future. This adjustment would reduce the deferred income tax asset to the amount that is considered to be more likely than not to be realized and would be recorded in the period such a determination was to be made (Note 16).

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**NOTE 3 – CHANGES IN ACCOUNTING POLICIES AND FUTURE CHANGES IN ACCOUNTING POLICIES**

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**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.

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.



**NOTE 4 – BUSINESS ACQUISITIONS****Purchase of a subsidiary's non-controlling interests**

On April 3, 2014, the Company acquired for an amount of \$2,975 the remaining 33.33% ownership interest in its subsidiary, Sylarus Technologies LLC, a germanium substrate supplier, and changed its name to 5N Plus Semiconductors LLC. As a result, Sylarus became a wholly owned subsidiary of the Company. The consideration paid and the related transaction costs have been recorded in equity.

**Acquisition of AM&M Advanced Machine and Materials Inc.**

On May 5, 2014, the Company acquired all of the issued and outstanding shares in the capital of AM&M Advanced Machine and Materials Inc. ("AM&M") for a total consideration of \$2,290 (CA\$2,517), mostly representing a technology. AM&M is a Kanata, Ontario based corporation specialized in manufacturing micron-sized metallic powders which can be used in a variety of electronic markets, including solder powders, silver-based powders and CIGS powders. The total consideration includes amounts outstanding to be paid up to May 2015 (paid in 2015) and a contingent consideration.

**NOTE 5 – ACCOUNTS RECEIVABLE**

	<b>2015</b>	<b>2014</b>
	\$	\$
Gross trade receivables	31,469	62,537
Allowance for doubtful accounts (Note 25)	(488)	(104)
Trade receivables	30,981	62,433
Sales taxes receivable	4,081	6,319
Accounts receivable from a related party (Notes 9 and 24)	831	-
Other receivables, net of allowance for doubtful of \$415	1,432	3,639
<b>Total accounts receivable</b>	<b>37,325</b>	<b>72,391</b>

All of the Company's accounts receivable are short term. The net carrying value of accounts receivable is considered a reasonable approximation of fair value. The Company reviews all amounts periodically for indications of impairment and the amounts impaired have been provided for as an allowance for doubtful accounts.

The Company's exposure to credit risks and impairment losses related to accounts receivable is disclosed in Note 25.

Most of the accounts receivable are pledged as security for the revolving credit facility (Note 12).

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**NOTE 6 – INVENTORIES**

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Raw materials	28,200	54,219
Finished goods	60,852	150,235
<b>Total inventories</b>	<b>89,052</b>	<b>204,454</b>

For the year ended December 31, 2015, a total of \$316,688 of inventories was included as an expense in cost of sales (2014 – \$386,025). This includes \$58,327 of impairment of inventories (\$28,338 for the Eco Friendly Materials segment and \$29,989 for the Electronic Materials segment) (2014 – \$5,251 [\$4,395 for the Eco Friendly Materials segment and \$856 for the Electronic Materials segment]).

For the year ended December 31, 2015, a total of \$32,394 previously written down was recognized as a reduction of expenses in cost of sales (\$24,702 for the Eco-Friendly Materials segment and \$7,692 for the Electronic Materials segment) (2014 – \$6,100 [\$2,160 for the Eco-Friendly Materials segment and \$3,940 for the Electronic Materials segment]).

The majority of inventories are pledged as security for the revolving credit facility (Note 12).

**NOTE 7 – PROPERTY, PLANT AND EQUIPMENT**

	<b>Land and buildings</b>	<b>Production equipment</b>	<b>Furniture, office equipment and rolling stock</b>	<b>Leasehold improvements</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Net book value as at December 31, 2013*	22,604	33,445	2,385	1,180	59,614
Additions	1,346	14,318	826	907	17,397
Disposals	(651)	(172)	(39)	-	(862)
Business acquisition	-	66	-	-	66
Depreciation	(1,046)	(5,885)	(864)	(162)	(7,957)
Effect of foreign exchange and others	78	(145)	34	36	3
<b>Net book value as at December 31, 2014*</b>	<b>22,331</b>	<b>41,627</b>	<b>2,342</b>	<b>1,961</b>	<b>68,261</b>
Additions	939	11,568	667	402	13,576
Depreciation	(1,633)	(10,789)	(741)	(472)	(13,635)
Effect of foreign exchange and others	(231)	(301)	(49)	25	(556)
<b>Net book value as at December 31, 2015</b>	<b>21,406</b>	<b>42,105</b>	<b>2,219</b>	<b>1,916</b>	<b>67,646</b>
As at December 31, 2014					
Cost*	27,056	54,191	4,199	2,826	88,272
Accumulated depreciation	(4,725)	(12,564)	(1,857)	(865)	(20,011)
<b>Net book value*</b>	<b>22,331</b>	<b>41,627</b>	<b>2,342</b>	<b>1,961</b>	<b>68,261</b>
As at December 31, 2015					
Cost	27,206	65,596	3,428	2,836	99,066
Accumulated depreciation	(5,800)	(23,491)	(1,209)	(920)	(31,420)
<b>Net book value</b>	<b>21,406</b>	<b>42,105</b>	<b>2,219</b>	<b>1,916</b>	<b>67,646</b>

\*Certain figures have been reclassified to reflect current presentation.

As at December 31, 2015, property, plant and equipment that were not depreciated until ready for their intended use amounted to \$5,450 (2014 – \$9,480) (mainly production equipment).

Most of the property, plant and equipment are pledged as security for the revolving credit facility (Note 12).

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**NOTE 8 – INTANGIBLE ASSETS**

	Customer relationships	Technology	Trade name and non-compete agreements	Software, intellectual property and development costs	Total
	\$	\$	\$	\$	\$
Net book value as at December 31, 2013*	7,582	2,606	676	2,279	13,143
Additions	-	-	-	2,784	2,784
Disposals and others	-	-	(10)	(24)	(34)
Business acquisition	-	3,026	-	-	3,026
Amortization	(1,040)	(1,164)	(260)	(727)	(3,191)
<b>Net book value as at December 31, 2014*</b>	<b>6,542</b>	<b>4,468</b>	<b>406</b>	<b>4,312</b>	<b>15,728</b>
Additions	-	-	-	5,138	5,138
Disposals and others	-	-	-	(20)	(20)
Amortization <sup>(1)</sup>	(6,542)	(1,442)	(406)	(5,141)	(13,531)
<b>Net book value as at December 31, 2015</b>	<b>-</b>	<b>3,026</b>	<b>-</b>	<b>4,289</b>	<b>7,315</b>
As at December 31, 2014					
Cost*	10,458	8,651	2,395	7,757	29,261
Accumulated amortization	(3,916)	(4,183)	(1,989)	(3,445)	(13,533)
<b>Net book value*</b>	<b>6,542</b>	<b>4,468</b>	<b>406</b>	<b>4,312</b>	<b>15,728</b>
As at December 31, 2015					
Cost	-	3,026	-	6,517	9,543
Accumulated amortization	-	-	-	(2,228)	(2,228)
<b>Net book value</b>	<b>-</b>	<b>3,026</b>	<b>-</b>	<b>4,289</b>	<b>7,315</b>

\*Certain figures have been reclassified to reflect current presentation.

<sup>(1)</sup> During the second quarter of 2015, the Company initiated an efficiency review of its global operations, including the review of the economic life and carrying value of the Company's intangible assets, which resulted in an accelerated amortization recorded in other expenses of \$11,834 (\$6,020 for customer relationships, \$4,660 for intellectual property and development costs, \$833 for technology and \$321 for trade name and non-compete agreements).

As at December 31, 2015, intangible assets that were not depreciated until ready for their intended use amounted to \$6,562 (2014 — \$2,945).

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**NOTE 9 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**

	<b>2015</b>	<b>2014</b>
	\$	\$
<b>Beginning of year</b>	316	444
Share of loss from joint ventures	(316)	(128)
New investment	310	-
<b>End of year</b>	<b>310</b>	<b>316</b>

In 2015, the unrecognized share of loss of joint ventures for which the Company ceased to recognize when applying the equity method is \$597.

The following summarizes financial information of Ingal Stade GmbH (“Ingal”) and Zhuhai Gallium Industry Co., Ltd. (Zhuhai), in which the Company holds a 50% and 49% interest respectively.

	<b>2015</b>	<b>2014</b>
	\$	\$
Total current assets	4,100	3,918
Total non-current assets	3,501	3,554
Total current liabilities	2,210	69
Total non-current liabilities due to venturers	6,041	6,761
Total revenues	5,314	6,035
Total net loss	(1,825)	(256)

**NOTE 10 – OTHER ASSETS**

	<b>2015</b>	<b>2014</b>
	\$	\$
Deferred costs	1,519	2,426
Deposit	-	86
Loan receivable from a related party (Notes 9 and 24) <sup>(1)</sup>	-	3,259
Other	824	864
<b>Total other assets</b>	<b>2,343</b>	<b>6,635</b>

<sup>(1)</sup> In 2015, the Company assessed that under current and foreseeable market price for gallium, its note receivable from a related party (Ingal) is not likely be reimbursed.

**NOTE 11 – TRADE AND ACCRUED LIABILITIES**

	<b>2015</b>	<b>2014</b>
	\$	\$
Trade payables	26,357	47,791
Accrued liabilities	12,387	12,495
<b>Total trade and accrued liabilities</b>	<b>38,744</b>	<b>60,286</b>

**NOTE 12 – BANK INDEBTEDNESS AND LONG-TERM DEBT**

**a) Bank indebtedness**

The Company has credit lines with financial institutions in China. These credit lines are guaranteed by certain assets of the Company in China.

The Chinese renminbi (“RMB”) credit line bears interest at 45% of the RMB base rate.

	2015		2014	
	Contractual	Reporting	Contractual	Reporting
	Currency RMB	Currency US\$	Currency RMB	Currency US\$
Facility available	10,000	1,541	10,000	1,625
Amount drawn	-	-	6,000	975

**b) Long-term debt**

	2015	2014
	\$	\$
Senior secured revolving facility of \$100,000 (\$125,000 as at December 31, 2014) with a syndicate of banks, maturing in August 2018 <sup>(1)</sup>	1,475	51,095
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>	420	657
Other loans	52	71
	1,947	51,823
Less: Current portion of long-term debt	435	667
	<b>1,512</b>	<b>51,156</b>

<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 (\$25,000 as at December 31, 2014) 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. As at December 31, 2015, 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 December 31, 2015 and 2014.

<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.

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**NOTE 13 – CONVERTIBLE DEBENTURES**

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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 17). In accordance with IFRS, an obligation to issue shares for a price that is not fixed in the Company's functional currency must be classified as a derivative liability and measured at fair value, with changes recognized in change in fair value of debenture conversion option in the consolidated statement of (loss) 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, 2015 and 2014, and have not changed substantially except for the expected life of 3.5 and 4.5 years respectively.

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 17).

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**NOTE 14 – RETIREMENT BENEFIT OBLIGATION**

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The Company operates a defined pension plan in Germany based on employee pensionable earnings and length of service. Former general and senior managers had been provided with direct benefit commitments. Employees had been provided with indirect benefit commitments via the Unterst ztungseinrichtung der HEK GmbH e.V. Such promises had been made for employees with entry date of December 31, 1993 or earlier.

	<b>2015</b>	<b>2014</b>
	\$	\$
Present value of unfunded obligations	13,934	16,928

Movement in the defined benefit obligation is as follows:

	<b>2015</b>	<b>2014</b>
	\$	\$
<b>Beginning of year</b>	16,928	15,887
Current service cost	85	81
Interest cost	303	508
Effect of foreign exchange	(1,724)	(2,181)
Benefits paid	(620)	(732)
Actuarial (gains) losses	(1,038)	3,365
<b>End of year</b>	<b>13,934</b>	<b>16,928</b>

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The principal actuarial assumptions as at year ended were as follows:

	<b>2015</b>	<b>2014</b>
Discount rate	2.4%	2.0%
Salary growth rate	2.0%	2.0%
Pension growth rate	1.8%	2.0%

The sensitivity of the defined benefit obligation to changes in assumptions is set out below. The effects on each plan of a change in an assumption are weighted proportionately to the total plan obligations to determine the total impact for each assumption presented.

	<b>Impact on defined benefit obligation</b>		
	<b>Change in assumption</b>	<b>Increase in assumption</b>	<b>Decrease in assumption</b>
Discount rate	0.50%	(6.44)%	7.19%
Salary growth rate	0.50%	0.56%	(0.53)%
Pension growth rate	0.50%	6.05%	(5.55)%
		<b>Increase by 1 year in assumption</b>	<b>Decrease by 1 year in assumption</b>
Life expectancy		3.85%	(3.43)%

The weighted average duration of the defined benefit obligation is 13.56 years (2014 – 14.47 years).

Expected maturity analysis of undiscounted pension liability:

	<b>2015</b>	<b>2014</b>
	\$	\$
Less than a year	612	686
Between 1 and 5 years	2,599	2,868
Over 5 years	16,815	19,696
<b>Total</b>	<b>20,026</b>	<b>23,250</b>

Expected contributions to pension benefit plans for year ending December 31, 2016 are \$612.

**NOTE 15 – OTHER LIABILITIES**

	<b>Long-term payable</b>	<b>Deferred revenues</b>	<b>Other</b>	<b>Total</b>
	\$	\$	\$	\$
As at December 31, 2013	-	64	1,000	1,064
Additions	12,821	2,694	145	15,660
Utilized	-	(427)	(586)	(1,013)
<b>As at December 31, 2014</b>	<b>12,821</b>	<b>2,331</b>	<b>559</b>	<b>15,711</b>
Additions	2,362	3,600	34	5,996
Utilized	-	(796)	(346)	(1,142)
Unutilized amounts reversed	(162)	-	-	(162)
<b>As at December 31, 2015</b>	<b>15,021</b>	<b>5,135</b>	<b>247</b>	<b>20,403</b>

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**NOTE 16 – INCOME TAX**

	<b>2015</b>	<b>2014</b>
	\$	\$
Current tax:		
Current tax for the year	2,831	4,975
Adjustment in respect of prior years	824	(100)
<b>Total current tax</b>	<b>3,655</b>	<b>4,875</b>
Deferred tax:		
Recognition and reversal of temporary differences	(5,207)	3,979
Write down of deferred tax assets	7,924	-
<b>Total deferred tax</b>	<b>2,717</b>	<b>3,979</b>
<b>Income tax expense</b>	<b>6,372</b>	<b>8,854</b>

A reconciliation of income taxes at Canadian statutory rates with the reported income taxes is as follows:

	<b>2015</b>	<b>2014</b>
	\$	\$
(Loss) earnings before income tax	(90,829)	19,527
Canadian statutory income tax rates	26.9%	26.9%
Income tax on (loss) earnings at Canadian statutory rate	(24,433)	5,253
Increase (decrease) resulting from:		
Unrecorded losses carried forward	16,112	2,658
Write down of deferred tax assets	7,924	-
Non-deductible expenses (non-taxable gain) for tax purposes	(574)	(207)
Benefits arising from a financing structure	(771)	(598)
Non-deductible (taxable) foreign exchange	3,288	1,832
Effect of difference of foreign tax rates compared to Canadian tax rates	1,978	(293)
Prior year adjustments	2,004	162
Other	844	47
<b>Income tax expense</b>	<b>6,372</b>	<b>8,854</b>

The Company's applicable tax rate is the Canadian combined rates applicable in the jurisdiction in which the Company operates.

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	<b>2015</b>	<b>2014</b>
	\$	\$
Deferred tax assets:		
To be recovered within 12 months	1,529	1,666
To be recovered after 12 months	1,949	9,371
Deferred tax liabilities:		
To be settled within 12 months	(54)	-
To be settled after 12 months	(614)	(3,111)
<b>Deferred tax assets (liabilities), net</b>	<b>2,810</b>	<b>7,926</b>

Movement in the deferred income tax amounts is as follows:

	<b>2015</b>	<b>2014</b>
	\$	\$
<b>Beginning of year</b>	7,926	11,787
Tax charge relating to components of other comprehensive (loss) income	(2,399)	932
Credited to consolidated statement of (loss) earnings	(2,717)	(3,979)
Business acquisition	-	(814)
<b>End of year</b>	<b>2,810</b>	<b>7,926</b>



The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same jurisdiction, is as follows:

Deferred tax assets	Property, plant and equipment	Inventories	Intangible assets	Loss carry forward	Retirement benefit obligation	Others	Total	Offset by jurisdiction	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
As at December 31, 2013	8,156	2,313	-	7,277	2,143	2,636	22,525	(9,138)	13,387
(Charged) credited to consolidated statements of (loss) earnings	(1,774)	7	515	(1,655)	(353)	(429)	(3,689)		
Credited (charged) to comprehensive (loss) income	-	-	-	-	1,043	(111)	932		
<b>As at December 31, 2014</b>	<b>6,382</b>	<b>2,320</b>	<b>515</b>	<b>5,622</b>	<b>2,833</b>	<b>2,096</b>	<b>19,768</b>	<b>(8,731)</b>	<b>11,037</b>
(Charged) credited to consolidated statements of (loss) earnings	(3,707)	(618)	80	(1,898)	(317)	2,296	(4,164)		
Credited (charged) to comprehensive (loss) income	-	-	-	-	(2,516)	117	(2,399)		
<b>As at December 31, 2015</b>	<b>2,675</b>	<b>1,702</b>	<b>595</b>	<b>3,724</b>	<b>-</b>	<b>4,509</b>	<b>13,205</b>	<b>(9,727)</b>	<b>3,478</b>

Deferred tax liabilities	Property, plant and equipment	Inventories	Intangible assets	Convertible debentures	Others	Total	Offset by jurisdiction	Total
	\$	\$	\$	\$	\$	\$	\$	\$
As at December 31, 2013	4,008	1,614	4,276	-	840	10,738	(9,138)	1,600
From business acquisition	-	-	814	-	-	814		
Charged (credited) to consolidated statements of (loss) earnings	(1,084)	(465)	294	1,859	(314)	290		
<b>As at December 31, 2014</b>	<b>2,924</b>	<b>1,149</b>	<b>5,384</b>	<b>1,859</b>	<b>526</b>	<b>11,842</b>	<b>(8,731)</b>	<b>3,111</b>
Charged (credited) to consolidated statements of (loss) earnings	2,720	(931)	(4,570)	1,111	223	(1,447)		
<b>As at December 31, 2015</b>	<b>5,644</b>	<b>218</b>	<b>814</b>	<b>2,970</b>	<b>749</b>	<b>10,395</b>	<b>(9,727)</b>	<b>668</b>

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Deferred tax assets of \$3,092 (2014 – \$5,332), included in the consolidated statements of financial position, are dependent on projection of future taxable profits for entities that have suffered a loss in the current period.

Deferred income tax liabilities have not been recognized for the withholding tax and taxes that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are permanently reinvested. There is no unremitted earnings as at December 31, 2015 (2014 – \$49,691).

As at December 31, 2015, the Company had the following operating tax losses available for carry forward for which no deferred tax benefit has been recorded in the accounts.

	<b>\$</b>	<b>Expiry</b>
United Kingdom	48,334	No limit
Belgium	46,712	No limit
United States	19,879	No limit
Germany	3,743	No limit
Hong Kong	14,804	No limit
Korea	1,806	2023-2025
China	10,515	2017-2020

As at December 31, 2015, the Company had other deductible temporary differences of \$9,114 for which no deferred tax benefit has been recorded.

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**NOTE 17 – FAIR VALUE OF FINANCIAL INSTRUMENTS**

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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, restricted cash, accounts receivable, bank indebtedness and trade and accrued liabilities approximates their carrying value due to the short-term maturities of these instruments;
- (ii) The fair value of derivative instruments, which include cross-currency swap and foreign exchange forward contracts, are calculated as the present value of the estimated future cash flows using an appropriate interest rate yield curve and foreign exchange rate. Assumptions are based on market conditions prevailing at each reporting date. Derivative instrument reflect the estimated amount that the Company would receive or pay to settle the contracts at the reporting date;
- (iii) The fair value of the debenture conversion option, included in derivative financial liabilities, is described in Note 13;
- (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.

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The carrying values and fair values of financial instruments, by class, are as follows as at December 31, 2015 and December 31, 2014:

					Carrying	Fair
					Value	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>As at December 31, 2015</b>						
<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>	<b>-</b>	<b>46,141</b>	<b>-</b>	<b>-</b>	<b>46,141</b>	<b>46,141</b>
<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)	-	-	14,939	-	14,939	14,804
<b>Total</b>	<b>87</b>	<b>-</b>	<b>95,918</b>	<b>1,443</b>	<b>97,448</b>	<b>93,113</b>
<b>As at December 31, 2014</b>						
	At fair value through profit or loss	Loans and receivables	Financial liabilities at amortized cost		Carrying value	Fair value
	\$	\$	\$		Total	Total
	\$	\$	\$		\$	\$
<b>Financial assets</b>						
Cash and cash equivalents	-	12,777	-	-	12,777	12,777
Restricted cash	-	2,115	-	-	2,115	2,115
Accounts receivable	-	72,391	-	-	72,391	72,391
Derivative financial assets	147	-	-	-	147	147
<b>Total</b>	<b>147</b>	<b>87,283</b>	<b>-</b>	<b>-</b>	<b>87,430</b>	<b>87,430</b>
<b>Financial liabilities</b>						
Bank indebtedness	-	-	975	-	975	975
Trade and accrued liabilities	-	-	60,286	-	60,286	60,286
Long-term debt	-	-	51,823	-	51,823	51,823
Convertible debentures and debenture conversion option (included in derivative financial liabilities)	2,093	-	46,101	-	48,194	49,517
Long-term payable (included in other liabilities)	-	-	12,577	-	12,577	12,577
<b>Total</b>	<b>2,093</b>	<b>-</b>	<b>171,762</b>	<b>-</b>	<b>173,855</b>	<b>175,178</b>

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**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:

<b>As at December 31, 2015</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
	\$	\$	\$
<b>Financial assets (liabilities)</b>			
At fair value through profit or loss			
Debenture conversion option (Note 13) <sup>(1)</sup>	-	-	(87)
Derivatives designated in a hedge relationship			
Cross-currency swap <sup>(2)</sup>	-	(1,443)	-
<b>Total</b>	<b>-</b>	<b>(1,443)</b>	<b>(87)</b>

<b>As at December 31, 2014</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
	\$	\$	\$
<b>Financial assets (liabilities)</b>			
At fair value through profit or loss			
Derivative forward contracts <sup>(3)</sup>	-	147	-
Debenture conversion option (Note 13) <sup>(1)</sup>	-	-	(2,093)
<b>Total</b>	<b>-</b>	<b>147</b>	<b>(2,093)</b>

<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 debenture conversion option of \$1,840 and \$7,179 was recognized in the consolidated statement of (loss) earnings for the year ended December 31, 2015 and 2014, respectively. An increase of 5% in the volatility would have increased the fair value of the debenture option by \$85 and a decrease of 5% would have decreased the fair value of the debenture option by \$51.

<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.

<sup>(3)</sup> In February 2014, the Company entered into two derivative forward contracts to sell silver at a fixed price to cover purchases of materials containing the precious metal. The first contract fixed the price at \$21.83 per ounce as at August 5, 2014 and its nominal value was approximately \$1,900. The second contract fixed the price at \$20.86 per ounce as at February 3, 2015 and its nominal value was approximately \$2,200. Gains or losses on these derivative forward contracts are recorded as part of the cost of sales. In May 2014, the Company entered into two new derivative forward contracts in opposite position in order to crystallize its gain and to neutralize the impact in the consolidated statement of earnings. As at September 30, 2014, the first contract and the contract in the opposite position matured and, as at March 31, 2015, the second contract and the contract in opposite position matured.

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**NOTE 18 – OPERATING SEGMENTS**

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

<b>For the year ended December 31, 2015</b>	<b>Eco-Friendly Materials</b>	<b>Electronic Materials</b>	<b>Corporate and unallocated</b>	<b>Total</b>
	\$	\$	\$	\$
Segment revenues <sup>(1)</sup>	206,747	104,265	-	311,012
Adjusted EBITDA <sup>(2) (3)</sup>	2,839	10,740	(9,620)	3,959
Interest on long-term debt, imputed interest and other interest expense	-	-	8,967	8,967
Impairment of inventories (Note 6)	28,338	29,989	-	58,327
Litigation and restructuring costs	745	240	2,468	3,453
Allowance for a doubtful note receivable from related party	-	2,991	-	2,991
Change in fair value of debenture conversion option	-	-	(1,840)	(1,840)
Foreign exchange and derivative gain	-	-	(4,276)	(4,276)
Depreciation and amortization	4,167	22,366	633	27,166
Loss before income tax	(30,411)	(44,846)	(15,572)	(90,829)
<b>Capital expenditures</b>	<b>6,674</b>	<b>8,112</b>	<b>32</b>	<b>14,818</b>

<b>For the year ended December 31, 2014</b>	<b>Eco-Friendly Materials</b>	<b>Electronic Materials</b>	<b>Corporate and unallocated</b>	<b>Total</b>
	\$	\$	\$	\$
Segment revenues <sup>(1)</sup>	338,828	169,367	-	508,195
Adjusted EBITDA <sup>(2) (3)</sup>	22,167	23,642	(10,764)	35,045
Interest on long-term debt, imputed interest and other interest expense	-	-	8,769	8,769
Impairment of inventories (Note 6)	4,395	856	-	5,251
Litigation and restructuring costs	1,109	652	191	1,952
Change in fair value of debenture conversion option	-	-	(7,179)	(7,179)
Foreign exchange and derivative gain <sup>(4)</sup>	-	-	(3,111)	(3,111)
Gain on disposal of property, plant and equipment	(748)	(564)	-	(1,312)
Depreciation and amortization	2,783	8,205	160	11,148
Earnings (loss) before income tax	14,628	14,493	(9,594)	19,527
<b>Capital expenditures</b>	<b>9,137</b>	<b>4,298</b>	<b>176</b>	<b>13,611</b>

<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 asset:	104,157	108,342	4,760	217,259

<b>As at December 31, 2014</b>	<b>Eco-Friendly Materials</b>	<b>Electronic Materials</b>	<b>Corporate and unallocated</b>	<b>Total</b>
	\$	\$	\$	\$
Total assets excluding the deferred tax asset:	187,116	193,181	8,197	388,494

<sup>(1)</sup> The total revenues of \$15,508 (2014 – \$37,866) from the recycling and trading of complex materials is allocated to the Eco-Friendly materials and Electronic materials segments.

<sup>(2)</sup> (Loss) earnings before income tax, depreciation and amortization, allowance for a doubtful note receivable from a related party, impairment of inventories, litigation and restructuring costs, financial expense (revenues) and gain on disposal of property, plant and equipment.

<sup>(3)</sup> The total adjusted EBITDA of negative \$555 (2014 – adjusted EBITDA positive of \$7,363) from the recycling and trading of complex materials is allocated to the Eco-Friendly materials and Electronic materials segments.

<sup>(4)</sup> The foreign exchange and derivative gain excludes the loss (gain) on foreign exchange forward contracts on US\$/CA\$ recorded as part of wages and salaries and the loss (gain) on derivative forward contracts to sell silver metal recorded as part of cost of goods sold.

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The geographic distribution of the Company's revenues based on the location of the customers for the years ended December 31, 2015 and 2014, and the identifiable non-current assets as at December 31, 2015 and 2014 are summarized as follows:

<b>Revenues</b>	<b>2015</b>	<b>2014</b>
	\$	\$
Asia		
China	23,330	47,802
Japan	5,859	11,114
Other <sup>(1)</sup>	61,639	94,964
Americas		
United States	72,715	99,281
Other	15,572	14,207
Europe		
France	20,072	31,456
Germany	35,064	77,814
United Kingdom	9,214	22,400
Other <sup>(1)</sup>	61,236	90,498
Other	6,311	18,659
<b>Total</b>	<b>311,012</b>	<b>508,195</b>
<b>Non-current assets (other than deferred tax assets)</b>	<b>2015</b>	<b>2014</b>
	\$	\$
Asia		
Hong Kong	495	6,367
Other <sup>(1)</sup>	16,975	18,494
United States	5,124	6,918
Canada	22,260	19,434
Europe		
Belgium	9,614	10,049
Germany	19,683	24,485
Other	3,463	5,193
<b>Total</b>	<b>77,614</b>	<b>90,940</b>

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

For the year ended December 31, 2015, one customer represented approximately 12% (2014 – 10.59%) of the revenues, and is included in the Electronic Materials revenues.

**NOTE 19 – SUPPLEMENTAL CASH FLOW INFORMATION**

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

	<b>2015</b>	<b>2014</b>
	\$	\$
Decrease (increase) in assets:		
Accounts receivable	35,767	(11,765)
Inventories	58,347	(34,249)
Income tax receivable	73	5,639
Other current assets	1,270	921
(Decrease) increase in liabilities:		
Trade and accrued liabilities	(22,131)	2,285
Income tax payable	534	2,404
<b>Net change</b>	<b>73,860</b>	<b>(34,765)</b>

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

	<b>2015</b>	<b>2014</b>
	\$	\$
a) Excluded additions unpaid at end of year: Additions to property, plant and equipment	4,181	5,423
b) Included additions unpaid at beginning of year: Additions to property, plant and equipment	5,423	1,637
c) Excluded a reclassification from trade and accrued liabilities to other liabilities following new agreements with a supplier	-	8,941

**NOTE 20 – SHARE CAPITAL**

Authorized:

- An unlimited number of common shares, participating, with no par value, entitling the holder to one vote per share; and
- An unlimited number of preferred shares, issuable in one or more series with specific terms, privileges and restrictions to be determined for each class by the Board of Directors. As at December 31, 2015 and 2014, no preferred shares were issued.

**NOTE 21 – (LOSS) EARNINGS PER SHARE**

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

<b>Numerators</b>	<b>2015</b>	<b>2014</b>
	\$	\$
<b>Net (loss) earnings attributable to equity holders of 5N Plus</b>	(97,198)	10,812
Dilutive effect:		
Convertible debentures	-	(6,294)
<b>Net (loss) earnings attributable to equity holders of 5N Plus adjusted for dilution effect</b>	<b>(97,198)</b>	<b>4,518</b>
<b>Net (loss) earnings for the period</b>	<b>(97,201)</b>	<b>10,673</b>
Dilutive effect:		
Convertible debentures	-	(6,294)
<b>Net (loss) earnings for the period adjusted for dilution effect</b>	<b>(97,201)</b>	<b>4,379</b>
<b>Denominators</b>	<b>2015</b>	<b>2014</b>
<b>Basic weighted average number of shares</b>	83,979,657	83,948,943
Dilutive effect:		
Stock options	-	210,242
Convertible debentures	-	5,258,564
<b>Diluted weighted average number of shares</b>	<b>83,979,657</b>	<b>89,417,749</b>

As at December 31, 2015, a total number of 1,558,345 stock options were excluded from the diluted weighted average number of shares due to their anti-dilutive effect because of the Company's stock price. The same applies to the convertible debentures.

As at December 31, 2014, a total number of 1,042,510 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 warrants which expired on June 6, 2014.

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**NOTE 22 – SHARE-BASED COMPENSATION**

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As at December 31, 2015, the Company had the following share-based compensation plans.

**Stock Option Plan**

On April 11, 2011, the Company adopted a new stock option plan replacing the previous plan (the “Old Plan”), in place since October 2007, with the same features as the Old Plan with the exception of a maximum number of options granted which cannot exceed 5,000,000. The aggregate number of shares which could be issued upon the exercise of options granted under the Old Plan could not exceed 10% of the issued shares of the Company at the time of granting the options. Options granted under the Stock Option Plan may be exercised during a period not exceeding ten years from the date of grant. The stock options outstanding as at December 31, 2015 may be exercised during a period not exceeding six years from their date of grant. Options vest at a rate of 25% (100% for directors) per year, beginning one year following the grant date of the options. Any unexercised options will expire one month after the date a beneficiary ceases to be an employee, director or officer and one year for retired directors.

**Restricted Share Unit Plan**

On June 7, 2010, the Company adopted a Restricted Share Unit (“RSU”) Plan (the “Old RSU Plan”) to complement the stock option plan. Minor amendments to the Old RSU Plan were adopted by the Board of Directors in May 2013. However, on November 4, 2015, the Board of Directors terminated the Old RSU Plan and replaced it with the New RSU & PSU Plan (as defined hereinafter), thus no additional RSUs shall be credited to the accounts of participants under the Old RSU Plan. Only previously granted RSUs shall continue to vest and be settled as per the terms of the Old RSU Plan. The Old RSU Plan enabled the Company to award to eligible participants phantom share units that vest after a three-year period. The RSU is settled in cash and is recorded as a liability. The measurement of the compensation expense and corresponding liability for these awards is based on the fair value of the award, and is recorded as a charge to selling, general and administrative (“SG&A”) expenses over the vesting period of the award. At the end of each financial period, changes in the Company’s payment obligation due to changes in the market value of the common shares on the TSX are recorded as a charge to SG&A expenses. For the year ended December 31, 2015, the Company granted 276,000 RSUs (2014 – 281,000), 23,612 of RSUs were paid (2014 – 12,478) and 33,043 RSUs were cancelled (2014 – 124,127). As at December 31, 2015, 606,500 RSUs were outstanding (2014 – 387,155).

**Restricted Share Unit and Performance Share Unit Plan**

On November 4, 2015, the Company adopted a new Restricted Share Unit and Performance Share Unit (“PSU”) Plan (the “New RSU & PSU Plan”) to replace the Old RSU Plan, for the purpose of enhancing the Company’s ability to attract and retain talented individuals to serve as employees, officers and executives of the Company and its affiliates and promoting a greater alignment of interests between such employees, officers and executives and the shareholders of the Company. The New RSU & PSU Plan enables the Company to award eligible participants: (i) phantom RSUs that vest no later than three years following the grant date; and (ii) phantom PSUs that vest after certain periods of time and subject to the achievement of certain performance criteria as determined by the Board of Directors. Such plan provides for the settlement of RSUs and PSUs through either cash or the issuance of common shares of the Company from treasury, for an amount equivalent to the volume weighted average of the trading price of the common shares of the Company on the TSX for the five trading days immediately preceding the applicable RSU vesting determination date or PSU vesting determination date.

In the case of a participant’s termination by the Company for cause or as a result of a voluntary resignation by the participant before the end of a performance cycle, all RSUs and PSUs will be cancelled immediately as of the date on which the participant is advised of his termination or resigns.

In the case of a participant’s termination by the Company other than for cause, if such participant is deemed to be on long-term disability or if such participant retires before the end of a performance cycle, the number of RSUs which will vest at such event will be pro-rated based on the number of months worked at the end of the performance cycle and all PSUs will be cancelled immediately.



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In the case of a participant's death before the end of a performance cycle, the number of RSUs which will vest will be pro-rated based on the number of months worked at the end of the fiscal year preceding the participant's death and all PSUs will be cancelled immediately.

The maximum number of common shares which may be issued under the New RSU & PSU Plan is 5,000,000. Common shares in respect of RSUs or PSUs to be settled through the issuance of common shares but that have been forfeited, cancelled or settled in cash shall be available for RSUs or PSUs to be granted thereafter pursuant to this plan. No RSUs or PSUs to be settled through the issuance of common shares may be granted to any participant unless the number of common shares: (a) issued to "Insiders" within any one-year period; and (b) issuable to "Insiders" at any time, under the plan, or when combined with all of the Company's other security-based compensation arrangements, could not exceed 10% of the total number of issued and outstanding common shares, respectively. For the year ended December 31, 2015, no RSU and PSU under the New RSU & PSU Plan were outstanding.

**Stock Appreciation Rights Plan**

On June 7, 2010, the Company adopted a Restricted Share Unit for Foreign Employees Plan (the "RSUFE Plan") which was slightly amended on November 7, 2012 by the Company to become the Stock Appreciation Rights plan (the "SAR Plan") which replaced the RSUFE Plan. The SAR Plan enables the Company to award eligible participants phantom stock options to foreign directors, officers and employees. SARs usually have a six year term and vest equally over a four-year period at an annual rate of 25% per year beginning one year following the SARs grant date. The amount of cash payout is equal to the sum of the positive differences between the volume weighted average trading price of the common shares of the Company on the TSX in the last twenty (20) trading days immediately preceding the exercise date and the grant price of each SAR redeemed.

At the end of each financial period, changes in the Company's payment obligations due to changes in the market value of the common shares on the TSX are recorded as an expense. For the year ended December 31, 2015, the Company granted 120,000 SARs (2014 – 230,000), nil of SARs were paid (2014 – 48,197) and 7,970 SARs were cancelled (2014 – 80,000). As at December 31, 2015, 329,670 SARs were outstanding (2014 – 217,640).

**Deferred Share Unit Plan**

On May 7, 2014, the Company adopted a Deferred Share Unit ("DSU") Plan (the "DSU Plan") which enables the Company to provide Board directors and key officers and employees designated by the Board with phantom share units to enhance the Company's ability to attract and retain individuals with the right combination of skills and experience to serve on the Company's Board or as Company's executives. DSUs vest entirely at their date of grant and become payable in cash upon termination of services of a director, designated officer or employee with the Company. The amount of cash payout is equal to the volume weighted average trading price of the common shares of the Company on the TSX of the twenty (20) trading days immediately preceding the date of payment of the DSU. For the year ended December 31, 2015, the Company granted 272,343 DSUs (2014 – 122,878 DSUs) and 17,500 DSUs were paid (2014 – nil). As at December 31, 2015, 377,721 DSUs (2014 – 122,878 DSUs) were outstanding.

The following table presents information concerning all outstanding stock options:

	2015		2014	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		CA\$		CA\$
Outstanding, beginning of year	1,702,100	4.21	1,637,951	4.19
Granted	232,000	2.40	352,000	3.99
Cancelled	(75,755)	3.24	(206,463)	4.16
Exercised	-	-	(71,388)	2.46
Expired	(300,000)	5.45	(10,000)	7.80
Outstanding, end of year	1,558,345	3.74	1,702,100	4.21
Exercisable, end of year	1,024,324	4.08	1,192,918	4.37

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The outstanding stock options as at December 31, 2015 are as follows:

<b>Maturity</b>	<b>Exercise price</b>		<b>Number of options</b>
	<b>Low</b>	<b>High</b>	
	<b>CA\$</b>	<b>CA\$</b>	
June 2016	4.87	4.91	142,697
June and September 2017	8.50	8.64	211,401
April and November 2018	2.22	3.61	301,497
May 2019	2.20	2.20	368,750
March to August 2020	3.33	4.29	312,000
March 2021	2.40	2.40	222,000
			<b>1,558,345</b>

The fair value of stock options at the grant date was measured using the Black-Scholes option pricing model. The historical share price of the Company's common shares is used to estimate expected volatility, and government bond rates are used to estimate the risk-free interest rate.

The following table illustrates the inputs used in the average measurement of the fair values of the stock options at the grant date granted during the years ended December 31, 2015 and 2014:

	<b>2015</b>	<b>2014</b>
Expected stock price volatility	40%	60%
Dividend	None	None
Risk-free interest rate	0.74%	1.33%
Expected option life	4 years	4 years
Fair value – weighted average of options issued	CA\$0.75	CA\$1.88

The following table shows the share-based compensation expense recorded in the consolidated statements of earnings for the years ended December 31, 2015 and 2014:

<b>Expense</b>	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Stock options	165	237
SARs	(27)	26
RSUs	28	144
DSUs	234	261
<b>Total</b>	<b>400</b>	<b>668</b>

The following table shows the carrying amount and the intrinsic value of the share-based compensation liabilities:

<b>Liability</b>	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
SARs	36	74
RSUs	259	313
DSUs	417	261
<b>Total</b>	<b>712</b>	<b>648</b>

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**NOTE 23 – COMMITMENTS AND CONTINGENCIES**

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**Commitments**

The Company rents certain premises and equipment under the terms of operating leases. Future minimum payments excluding operating costs are as follows:

	<b>2015</b>	<b>2014</b>
	\$	\$
No later than 1 year	2,289	2,881
Later than 1 year but no later than 5 years	2,479	4,133
Later than 5 years	364	967
<b>Total</b>	<b>5,132</b>	<b>7,981</b>

As at December 31, 2015, in the normal course of business, the Company contracted letters of credit for an amount of up to \$502 (2014 – \$439).

**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 consolidated financial statements, the Company was not aware of any significant events that would have a material effect on its consolidated financial statements.

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**NOTE 24 – RELATED PARTY TRANSACTIONS**

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The Company's related parties are its joint ventures, directors and executive members.

Unless otherwise stated, none of the transactions incorporates special terms and conditions and no guarantees were given or received. Outstanding balances are settled in cash.

As at December 31, 2015, the Company has accounts receivable from Zhuhai of \$831 (Note 5).

As at December 31, 2014, the Company had a note receivable from Ingal of \$3,259 (€2,684) for which an allowance for a doubtful note receivable was recorded in 2015 (Notes 10 and 27).

Ingal, a 50% joint venture, supplies gallium metal to other companies of the group. During the year ended December 31, 2015, the Company purchased \$2,634 worth of gallium from Ingal (2014 – \$2,790).

**Key management compensation**

Key management includes directors (executive and non-executive) and certain senior management. The compensation expense paid or payable to key management for employee services is as follows:

	<b>2015</b>	<b>2014</b>
	\$	\$
Wages and salaries	3,048	5,162
Share-based compensation	400	652
<b>Total</b>	<b>3,448</b>	<b>5,814</b>

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**NOTE 25 – FINANCIAL RISK MANAGEMENT**

In the normal course of operations, the Company is exposed to various financial risks. These risk factors include market risk (foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

**Market risk**

Market risk is the risk that changes in market price, such as foreign exchange rates, equity prices and interest rates, will affect the Company's net earnings or the value of financial instruments.

The objective of market risk management is to mitigate exposures within acceptable limits, while maximizing returns.

(i) Foreign currency risk

Foreign currency risk is defined as the Company's exposure to a gain or a loss in the value of its financial instruments as a result of fluctuations in foreign exchange rates. The Company is exposed to foreign exchange rate variability primarily in relation to certain sale commitments, expected purchase transactions and debt denominated in a foreign currency. In addition, these operations have exposure to foreign exchange rates primarily through cash and cash equivalents and other working capital accounts denominated in currencies other than their functional currencies.

The following table summarizes in US dollar equivalents the Company's major currency exposures as at December 31, 2015:

	<b>CA\$</b>	<b>EUR</b>	<b>GBP</b>	<b>RMB</b>	<b>2015 Other</b>
	\$	\$	\$	\$	\$
Cash and cash equivalents	355	3,894	401	878	131
Accounts receivable	480	8,330	4	7,789	449
Trade and accrued liabilities	(5,798)	(7,902)	(1,065)	(6,006)	(674)
Long-term debt	(420)	(52)	-	-	-
<b>Net financial assets (liabilities)</b>	<b>(5,383)</b>	<b>4,270</b>	<b>(660)</b>	<b>2,661</b>	<b>(94)</b>

The following table shows the impact on earnings before income tax of a one-percentage point strengthening or weakening of foreign currencies against the US dollar as at December 31, 2015 for the Company's financial instruments denominated in non-functional currencies:

	<b>CA\$</b>	<b>EUR</b>	<b>GBP</b>	<b>RMB</b>	<b>Other</b>
	\$	\$	\$	\$	\$
1% Strengthening					
Earnings before tax	(54)	43	(7)	27	(1)
1% Weakening					
Earnings before tax	54	(43)	7	(27)	1

On December 7, 2015, the Company entered into a cross-currency swap to hedge cash flows under the CA\$ convertible debentures. In addition, the Company will occasionally enter into foreign exchange forward contracts to sell US dollars in exchange for Canadian dollars and Euros. These contracts would hedge a portion of ongoing foreign exchange risk on the Company's cash flows since much of its non-US dollar expenses are incurred in Canadian dollars and Euros. The Company may also enter into foreign exchange contracts to sell Euros for US dollars.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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(ii) Interest rate risk

Interest rate risk refers to the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company's policy is to limit its exposure to interest rate risk fluctuation by ensuring that a reasonable portion of its bank advance, long-term debt and convertible debentures are at fixed rate. The Company is exposed to interest rate fluctuations on its revolving credit facility, which bears a floating interest rate. A 1% increase/decrease in interest rates would not have a significant impact on the Company's net earnings.

(iii) Other price risk

Other price risk is the risk that fair value or future cash flows will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk. The Company is exposed to other price risk with respect to the underlying risks of the held-for-trading financial instruments included in the consolidated statements of financial position.

**Credit risk**

Credit risk refers to the possibility that a customer or counterparty will fail to fulfill its obligations under a contract and, as a result, create a financial loss for the Company. The Company has a credit policy that defines standard credit practice. This policy dictates that all new customer accounts be reviewed prior to approval and establishes the maximum amount of credit exposure per customer. The creditworthiness and financial well-being of the customer are monitored on an ongoing basis.

The Company establishes an allowance for doubtful accounts as determined by management based on its assessment of collection; therefore, the carrying amount of accounts receivable generally represents the maximum credit exposure. As at December 31, 2015 and 2014, the Company has an allowance for doubtful accounts of \$488 and \$104 respectively. The provision for doubtful accounts, if any, is included in selling, general and administrative expenses in the consolidated statement of (loss) earnings, and is net of any recoveries that were provided for in prior periods.

Counterparties to financial instruments may expose the Company to credit losses in the event of non-performance. Counterparties for derivative and cash transactions are limited to high credit quality financial institutions, which are monitored on an ongoing basis. Counterparty credit assessments are based on the financial health of the institutions and their credit ratings from external agencies. As at December 31, 2015, no financial assets are past due except for trade receivables. The aging analysis of the latter two categories of trade receivables is as follows:

	<b>2015</b>	<b>2014</b>
	\$	\$
Up to 3 months	7,181	23,174
More than 3 months	917	738
<b>Total</b>	<b>8,098</b>	<b>23,912</b>

The following table summarizes the changes in the allowance for doubtful accounts for trade receivables:

	<b>2015</b>	<b>2014</b>
	\$	\$
<b>Beginning of year</b>	104	218
Provision for impairment	453	-
Unused amounts reversed	(69)	(114)
<b>End of year</b>	<b>488</b>	<b>104</b>

Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages liquidity risk through the management of its capital structure. It also manages liquidity risk by continually monitoring actual and projected cash flows, taking into account the Company's sales and receipts and matching the maturity profile of financial assets and financial liabilities. The Board of Directors reviews and approves the Company's annual operating and capital budgets as well as any material transactions out of the ordinary course of business, including proposals on acquisitions and other major investments.

The following table reflects the contractual maturity of the Company's financial liabilities as at December 31, 2015:

	<b>2015</b>				
	<b>Carrying amount</b>	<b>1 year</b>	<b>2-3 years</b>	<b>4-5 years</b>	<b>Total</b>
	\$	\$	\$	\$	\$
Trade and accrued liabilities	38,744	38,744	-	-	38,744
Long-term debt	1,947	534	1,671	17	2,222
Convertible debentures	40,288	3,170	3,170	50,474	56,814
Long-term payable (included in other liabilities)	14,939	-	16,585	-	16,585
<b>Total</b>	<b>95,918</b>	<b>42,448</b>	<b>21,426</b>	<b>50,491</b>	<b>114,365</b>

**NOTE 26 – CAPITAL MANAGEMENT**

The Company's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may amend the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company requires the approval of its lenders on some of the capital transactions such as the payment of dividends and capital expenditures over a certain level.

The Company monitors capital on the basis of the debt-to-equity ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (comprising bank indebtedness, long-term debt, convertible debentures and cross-currency swap in the consolidated statement of financial position) less cash and cash equivalents and restricted cash. Total equity is the equity attributable to equity holders of 5N Plus Inc. in the consolidated statement of financial position.

Debt-to-equity ratios as at December 31, 2015 and 2014 are as follows:

	<b>2015</b>	<b>2014</b>
	\$	\$
Bank indebtedness	-	975
Long-term debt including current portion	1,947	51,823
Convertible debentures	40,288	46,101
Cross-currency swap (Note 17)	1,443	-
Total debt	43,678	98,899
Less: Cash and cash equivalents, and restricted cash	(8,816)	(14,892)
Net debt	34,862	84,007
Shareholders' equity	96,632	196,443
<b>Debt-to-equity ratio</b>	<b>36%</b>	<b>43%</b>

**5N PLUS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 27 – EXPENSES BY NATURE**

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<b>Expenses by nature</b>	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Wages and salaries <sup>(1)</sup>	39,942	41,200
Share-based compensation expense (Note 22)	400	668
Depreciation of property, plant and equipment and amortization of intangible assets (Notes 7 and 8)	27,166	11,148
Amortization of other assets	1,331	732
Research and development, net of tax credit	2,671	3,343
Litigation and restructuring costs	3,453	1,952
Impairment of inventories (Note 6)	58,327	5,251
Allowance for a doubtful note receivable from a related party (Note 10)	2,991	-

<sup>(1)</sup> Includes gain on foreign exchange forward contracts related to US\$/CA\$ (Note 17)

# Corporate Information

## STOCK EXCHANGE

5N Plus is listed on the Toronto Stock Exchange, under the symbol VNP.

## TRANSFER AGENT AND REGISTRAR

Computershare Investor Services Inc.

## AUDITORS

PricewaterhouseCoopers LLP

## HEAD OFFICE

4385 Garand Street  
Montreal, Quebec  
H4R 2B4

## ANNUAL MEETING

The annual shareholders meeting will be held on Wednesday, May 4, 2016 at 10:00 a.m.

Club Saint-James  
1145 Union Avenue  
Montreal, Quebec

For more information, please contact:

## INVESTOR RELATIONS

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## RELATIONS AVEC LES INVESTISSEURS

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Aussi disponible à l'adresse :  
www.5nplus.com







**5N PLUS**

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