5N PLUS INC.

Condensed Interim Consolidated Financial Statements

(Unaudited)

For the three and nine-month periods ended September 30, 2018 and 2017

(in thousands of United States dollars)

(in thousands of United States dollars) (unaudited)

	Notes	September 30 2018	December 31 2017
		$	$
Assets			
Current			
Cash and cash equivalents		**26,799**	34,024
Accounts receivable		**26,552**	25,639
Inventories	4	**92,035**	90,647
Income tax receivable		**5,693**	6,145
Other current assets		**10,500**	8,773
Total current assets		**161,579**	165,228
Property, plant and equipment		**56,745**	56,607
Intangible assets		**11,155**	10,856
Deferred tax assets		**8,914**	6,891
Investment accounted for using the equity method	7	**-**	718
Derivative financial assets	12	**844**	3,602
Other assets		**1,348**	1,030
Total non-current assets		**79,006**	79,704
Total assets		**240,585**	244,932
Liabilities			
Current			
Trade and accrued liabilities		**40,540**	57,043
Income tax payable		**13,504**	11,339
Current portion of long-term debt	5	**185**	271
Current portion of convertible debentures	6	**19,322**	-
Total current liabilities		**73,551**	68,653
Long-term debt	5	**30,000**	-
Convertible debentures	6	**-**	48,768
Deferred tax liabilities		**245**	251
Employee benefit plan obligation		**14,638**	15,396
Other liabilities		**6,547**	6,436
Total non-current liabilities		**51,430**	70,851
Total liabilities		**124,981**	139,504
Equity			
Equity holders of 5N Plus Inc.		**115,621**	105,446
Non-controlling interest		**(17)**	(18)
Total equity		**115,604**	105,428
Total liabilities and equity		**240,585**	244,932

Commitments and contingencies (Note 13)

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

5N PLUS INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EARNINGS

For the three and nine-month periods ended September 30

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

		Three months		Nine months	
	Notes	**2018**	2017	**2018**	2017
		$	$	**$**	$
Revenue		**53,379**	50,325	**170,285**	167,424
Cost of sales	4	**40,335**	38,670	**131,145**	129,479
Selling, general and administrative expenses		**5,723**	6,069	**19,227**	19,542
Other expenses (revenues), net	7	**1,215**	1,183	**2,411**	1,227
Share of loss from joint ventures		**-**	23	**22**	144
		47,273	45,945	**152,805**	150,392
Operating earnings		**6,106**	4,380	**17,480**	17,032
Financial expense					
Interest on long-term debt		**615**	819	**2,240**	2,456
Imputed interest and other interest expense	6	**286**	677	**3,169**	2,269
Changes in fair value of debenture conversion option	12	**-**	(312)	**-**	(18)
Foreign exchange and derivative loss		**208**	40	**389**	399
		1,109	1,224	**5,798**	5,106
Earnings before income taxes		**4,997**	3,156	**11,682**	11,926
Income tax expense (recovery)					
Current		**1,330**	2,042	**3,803**	3,352
Deferred		**209**	(1,109)	**(2,047)**	(1,217)
		1,539	933	**1,756**	2,135
Net earnings		**3,458**	2,223	**9,926**	9,791
Attributable to:					
Equity holders of 5N Plus Inc.		**3,457**	2,224	**9,925**	9,794
Non-controlling interests		**1**	(1)	**1**	(3)
		3,458	2,223	**9,926**	9,791
Earnings per share attributable to equity holders of 5N Plus Inc.	9	**0.04**	0.03	**0.12**	0.12
Basic earnings per share	9	**0.04**	0.03	**0.12**	0.12
Diluted earnings per share	9	**0.04**	0.03	**0.12**	0.12

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

(in thousands of United States dollars) (unaudited)

		Three months		Nine months	
	Notes	**2018**	2017	**2018**	2017
		$	$	**$**	$
Net earnings		**3,458**	2,223	**9,926**	9,791
Other comprehensive (loss) income					
Items that may be reclassified subsequently to net earnings					
Net changes in cash flow hedges					
Effective portion of changes in fair value of cash flow hedges	12	**360**	1,876	**(1,343)**	3,508
Reclassification to net earnings		**(326)**	(1,836)	**1,509**	(3,821)
De-designation of cash flow hedges	6	**-**	-	**(79)**	-
Income taxes		**(4)**	(6)	**(12)**	41
		30	34	**75**	(272)
Currency translation adjustment		**(728)**	325	**(981)**	758
		(698)	359	**(906)**	486
Items that will not be reclassified subsequently to net earnings					
Remeasurement of employee benefit plan obligation		**(117)**	22	**17**	661
Income taxes		**36**	-	**(5)**	-
		(81)	22	**12**	661
Other comprehensive (loss) income		**(779)**	381	**(894)**	1,147
Comprehensive income		**2,679**	2,604	**9,032**	10,938
Attributable to equity holders of 5N Plus Inc.		**2,678**	2,605	**9,031**	10,941
Attributable to non-controlling interests		**1**	(1)	**1**	(3)

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

5N PLUS INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the nine-month periods ended September 30

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

	Attributable to equity holders of the Company							
2018	**Number of shares**	**Share Capital**	**Contributed surplus**	**Accumulated other comprehensive loss**	**Deficit**	**Total shareholders' equity**	**Non-controlling Interest**	**Total Equity**
		$	$	$	$	$	$	$
Balances at beginning of period	**83,901,041**	**341,949**	**4,586**	**(4,570)**	**(236,519)**	**105,446**	**(18)**	**105,428**
Net earnings for the period	-	-	-	-	**9,925**	**9,925**	**1**	**9,926**
Other comprehensive income								
Net changes in cash flow hedges	-	-	-	**75**	-	**75**	-	**75**
Currency translation adjustment	-	-	-	**(981)**	-	**(981)**	-	**(981)**
Net remeasurement of employee benefit plan obligation	-	-	-	**12**	-	**12**	-	**12**
Total comprehensive income	-	-	-	**(894)**	**9,925**	**9,031**	**1**	**9,032**
Exercise of stocks options	**611,250**	**1,300**	**(418)**	-	-	**882**	-	**882**
Share-based compensation	-	-	**262**	-	-	**262**	-	**262**
Balances at end of period	**84,512,291**	**343,249**	**4,430**	**(5,464)**	**(226,594)**	**115,621**	**(17)**	**115,604**

	Attributable to equity holders of the Company							
2017	Number of shares	Share Capital	Contributed Surplus	Accumulated other comprehensive loss	Deficit	Total shareholders' equity	Non-controlling Interest	Total Equity
		$	$	$	$	$	$	$
Balances at beginning of period	83,778,557	342,684	4,596	(8,927)	(249,831)	88,522	(8)	88,514
Net earnings (loss) for the period	-	-	-	-	9,794	9,794	(3)	9,791
Other comprehensive income (loss)								
Net changes in cash flow hedges	-	-	-	(272)	-	(272)	-	(272)
Currency translation adjustment	-	-	-	758	-	758	-	758
Remeasurement of employee benefit plan obligation	-	-	-	661	-	661	-	661
Total comprehensive income (loss)	-	-	-	1,147	9,794	10,941	(3)	10,938
Common shares repurchased and cancelled (Note 8)	(475,016)	(1,943)	-	-	1,289	(654)	-	(654)
Exercise of stocks options	597,500	1,208	(403)	-	-	805	-	805
Share-based compensation	-	-	292	-	-	292	-	292
Balances at end of period	83,901,041	341,949	4,485	(7,780)	(238,748)	99,906	(11)	99,895

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

(in thousands of United States dollars) (unaudited)

	Notes	2018	2017
		$	$
Operating activities			
Net earnings		**9,926**	9,791
Adjustments to reconcile net earnings to cash flows			
Depreciation of property, plant and equipment and amortization of intangible assets		**6,341**	5,792
Amortization of other assets		**127**	166
Share-based compensation expense		**3,113**	4,028
Deferred income taxes		**(2,047)**	(1,217)
Share of loss from joint ventures		**22**	144
Imputed interest	6	**2,903**	1,962
Employee benefit plan obligation		**(206)**	(253)
Change in fair value of debenture conversion option	12	**-**	(18)
Loss on disposal of investment in joint venture	7	**360**	-
Gain on disposal of property, plant and equipment		**(510)**	(390)
Unrealized gain on non-hedge financial instruments		**(536)**	(283)
Unrealized foreign exchange loss on assets and liabilities		**273**	1,216
Realized loss on non-hedge financial instruments		**670**	-
Realized foreign exchange gain on assets and liabilities		**(355)**	-
Gain on de-designation of cash flow hedges	6	**(79)**	-
Funds from operations before the following:		**20,002**	20,938
Net change in non-cash working capital balances	11	**(21,074)**	(5,715)
Cash (used in) from operating activities		**(1,072)**	15,223
Investing activities			
Additions to property, plant and equipment		**(7,269)**	(4,537)
Additions of intangible assets		**(942)**	(1,533)
Proceeds on disposal of investment in joint venture	7	**417**	-
Proceeds on disposal of property, plant and equipment		**1,125**	1,145
Cash used in investing activities		**(6,669)**	(4,925)
Financing activities			
Repayment of long-term debt		**(78)**	(74)
Proceeds from issuance of long term debt		**30,000**	-
Issue expenses related to long-term debt		**(491)**	-
Repayment of convertible debentures	6	**(29,714)**	-
Common shares repurchased		**-**	(654)
Issuance of common shares		**882**	805
Increase in other liabilities		**120**	-
Cash from financing activities		**719**	77
Effect of foreign exchange rate changes on cash and cash equivalents		**(203)**	388
Net (decrease) increase in cash and cash equivalents		**(7,225)**	10,763
Cash and cash equivalents, beginning of period		**34,024**	24,301
Cash and cash equivalents, end of period		**26,799**	35,064
Supplemental information (1)			
Income tax paid (received)		**1,060**	(441)
Interest paid		**1,799**	1,542

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

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

1. Nature of Activities

5N Plus Inc. (“5N Plus” or the “Company”) is a Canadian-based international company. 5N Plus is a producer of engineered materials. Fully integrated with closed-loop recycling facilities, the Company’s head office is located at 4385 Garand Street, Saint-Laurent, Quebec (Canada) H4R 2B4. The Company operates manufacturing facilities and sales offices in several locations in Europe, the Americas and Asia. The Company’s shares are listed on the Toronto Stock Exchange (“TSX”). 5N Plus and its subsidiaries represent the “Company” mentioned throughout these consolidated financial statements. The Company has two reportable business segments, namely Electronic Materials and Eco-Friendly Materials.

These condensed interim consolidated financial statements were approved by the Board of Directors on November 6, 2018.

2. Basis of Presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and as applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”. These condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2017, which have been prepared in accordance with IFRS as issued by the IASB.

The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The accounting policies followed in these unaudited condensed interim financial statements are consistent with those of the previous financial year, with the additional policy described below and the new accounting standards adopted as at January 1, 2018.

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

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

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

Adoption of new accounting standards

IFRS 15 - Revenues from Contracts with Customers
On January 1, 2018, the Company has adopted the new accounting standard IFRS 15 to all contracts using the modified retrospective approach. The adoption of this standard had no significant impact on the Company's consolidated financial statements.

Under the new revenue standard, the Company's revenue continues to be recognised when products are delivered to the customer, which is also the moment when control of the products is transferred, and when there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of loss have been transferred to the customer and has accepted the products in accordance with the sales contract.

IFRS 9 - Financial Instruments
On January 1, 2018, the Company has also adopted the new accounting standard IFRS 9. The adoption of this standard had no significant impact on the Company's consolidated financial statements, except for the classification of its financial assets and liabilities as described below.

As permitted by IFRS 9, the Company has elected to continue to apply all the hedge accounting requirements of IAS 39.

Classification
From January 1, 2018, the Company classifies its financial assets and liabilities in the following measurement categories:

a) those to be measured subsequently at fair value (either through other comprehensive income (FVOCI), or through profit or loss (FVPL)); and
b) those to be measured at amortized cost.

IAS 39	IFRS 9
Financial assets and liabilities at fair value through profit and loss	**Financial assets and liabilities at fair value through profit or loss**
Other current assets	Other current assets
Derivative financial assets	Derivative financial assets
Derivative financial liabilities	Derivative financial liabilities
Loans and receivables	**Financial assets and liabilities at amortized cost**
Cash and cash equivalents	Cash and cash equivalents
Accounts receivable	Accounts receivable
Financial liabilities at amortized cost	
Bank indebtedness	Bank indebtedness
Trade and accrued liabilities	Trade and accrued liabilities
Long-term debt	Long-term debt
Convertible debentures	Convertible debentures

Measurement
At initial recognition, the Company measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets or financial liabilities carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments
For the subsequent measurement, there are three measurement categories into which the Company classifies its debt instruments:

a) Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of profit or loss.
b) FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the consolidated statement of profit or loss.
c) FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Impairment
From January 1, 2018, the Company assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Future changes in accounting policies

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

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 June 2017, the IFRS Interpretations Committee of the IASB issued IFRIC 23, Uncertainty over Income Tax Treatments (IFRIC 23). The interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The interpretation is effective for the annual period beginning on January 1, 2019. The Company has concluded that no impact will result from the application of IFRIC 23 on its financial statements.

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

4. Inventories

	September 30 2018	December 31 2017
	$	$
Raw materials	**28,257**	27,924
Finished goods	**63,778**	62,723
Total inventories	**92,035**	90,647

For the three and nine-month periods ended September 30, 2018, a total of $25,438 and $78,658 of inventories was included as an expense in cost of sales ($22,577 and $87,587 for the three and nine-month periods ended September 30, 2017).

For the three and nine-month periods ended September 30, 2018, a total of $1,198 and $1,552 previously written down was recognized as a reduction of expenses in cost of sales concurrently with the related inventories being sold ($nil for the Eco-Friendly Materials segment and $1,198 and $1,552 for the Electronic Materials segment). For the three and nine-month periods ended September 30, 2017, a total of $886 and $7,020 previously written down was recognized as a reduction of expenses in cost of sales concurrently with the related inventories being sold ($207 and $757 for the Eco-Friendly Materials segment and $679 and $6,263 for the Electronic Materials segment).

5. Long-Term Debt

	September 30 2018	December 31 2017
	$	$
Senior secured revolving facility of $79,000 with a syndicate of banks, maturing in April 2022[(1)]	**30,000**	-
Term loan, non-interest bearing, repayable under certain conditions, maturing in 2023. If the loan has not been repaid in full by the end of 2023, the balance will be forgiven [(2)]	**185**	271
	30,185	271
Less current portion of long-term debt	**185**	271
	30,000	-

(1) In April 2018, the Company signed a senior secured multi-currency revolving credit facility of $79,000 maturing in April 2022 to replace its existing $50,000 senior secured revolving facility maturing in August 2018. At any time, the Company has the option to request that the credit facility be expanded through the exercise of an additional $30,000 accordion feature, subject to review and approval by the lenders. This revolving credit facility can be drawn in US dollars, Canadian dollars or Hong Kong dollars (up to $4,000). Drawings bear interest at either the Canadian prime rate, US base rate, Hong Kong base rate or LIBOR, plus a margin based on the Company's senior net debt to consolidated EBITDA ratio. Under the terms of its credit facility, the Company is required to satisfy certain restrictive covenants as to financial ratios. As at September 30, 2018, the Company has met all covenants.

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

6. Convertible Debentures

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

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

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

The fair value of the debenture conversion option, which consists of the holder's conversion option subject to the Company's early redemption options, was estimated based on a methodology for pricing convertible bonds using an approach based on partial differential equations or binomial lattices, with the following assumptions: average expected volatility of 40%; expected dividend per share of nil; entity-specific credit spread, and expected life of 5 years. As a result, the initial fair value of the liability representing the debenture conversion option for the two tranches of the issuance of the debenture was estimated at CA$10,484 (US$9,666). Assumptions were reviewed in the valuation as at September 30, 2018 and December 31, 2017 and have not changed substantially. On December 7, 2015, the Company entered into a cross-currency swap to hedge the convertible debenture denominated in Canadian dollars to US dollars (Note 12).

On June 28, 2018, the Company partially redeemed its 5.75% convertible unsecured subordinated debentures maturing on June 30, 2019 for an aggregate principal amount of CA$40,000. On the same date, the Company completed a drawdown on its senior credit facility of US$30,000 to partially redeem the debentures on favorable terms reducing the current cost of gross debt. As at September 30, 2018, the aggregate principal amount of debentures currently outstanding is CA$26,000.

Consequently, the Company de-designated CA$40,000 of the nominal amount of the associated cross-currency swap and reclassified the net gain of $79, representing the accumulated net changes in cash flow hedges, from accumulated other comprehensive loss to realized gain on de-designation within the second quarter condensed interim consolidated statement of earnings.

Following the early redemption of the CA$40,000 convertible debentures, an accelerated imputed interest of $1,490 was recognized as an expense in the second quarter condensed interim consolidated statement of earnings.

7. Expenses by Nature

	Three months		Nine months	
	2018	2017	**2018**	2017
	$	$	**$**	$
Wages and salaries	**9,267**	8,834	**30,610**	28,382
Share-based compensation expense	**788**	787	**2,577**	3,758
Depreciation of property, plant and equipment and amortization of intangible assets	**1,874**	1,775	**6,341**	5,792
Amortization of other assets	**34**	56	**127**	166
Gain on disposal of property, plant and equipment	**(325)**	-	**(510)**	(390)
Research and development, net of tax credit	**405**	404	**1,234**	1,292
Litigation and restructuring costs (income)	**138**[1]	-	**(450)**[1]	(3,368)[2]

(1) During the third quarter, the Company sold its participation in the joint venture, Zhuhai Gallium Industry Co. for an amount of $417 and recognized a loss of $360. In addition, following the liquidation of its other joint venture, Ingal Stade GmbH which had closed its manufacturing activities in 2016, the Company received an amount of $222 in cash.

Also, included is a non-recurring income of $588 relating to an amount receivable from an inactive legal entity for which no receivable had been recorded given the uncertainty attached to it.

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

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

8. Share Capital

On February 21, 2017, the TSX approved an amendment to the Company's normal course issuer bid implemented on October 11, 2016. Under this normal course issuer bid amendment, the Company had the right to purchase for cancellation, from October 11, 2016 to October 10, 2017, a maximum of 2,100,000 (previously 600,000) common shares. The Company's normal course issuer bid program expired on October 10, 2017 and has not been renewed.

For the nine-month period ended September 30, 2017, the Company had repurchased and cancelled 475,016 common shares at an average price of $1.38 for a total amount of $654. An amount of $1,943 has been applied against share capital, and a negative amount of $1,289 has been applied against the deficit.

9. Earnings per Share

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

	Three months		Nine months	
Numerators	**2018**	2017	**2018**	2017
	$	$	**$**	$
Net earnings attributable to equity holders	**3,457**	2,224	**9,925**	9,794
Net earnings for the period	**3,458**	2,223	**9,926**	9,791

	Three months		Nine months	
Denominators	**2018**	2017	**2018**	2017
Basic weighted average number of shares	**84,339,709**	83,597,954	**84,125,505**	83,600,584
Dilutive effect:				
Stock options	**486,915**	623,100	**490,673**	285,581
Diluted weighted average number of shares	**84,826,624**	84,221,054	**84,616,178**	83,886,165

For the three and nine-month periods ended September 30, 2018, a total number of 369,291 and 379,291 stock options was excluded from the diluted weighted average number of shares due to their anti-dilutive effect because of the Company's stock price. The same applies to the convertible debentures and to the 1,854,026 new restricted share units for the three and nine-months periods ended September 30, 2018.

For the three and nine-month periods ended September 30, 2017, a total number of 320,997 and 789,747 stock options were excluded from the diluted weighted average number of shares due to their anti-dilutive effect because of the Company's stock price. The same applies to the convertible debentures and to the 1,558,360 new restricted share units for the three and nine-months periods ended September 30, 2017.

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

10. Operating Segments

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

For the three-month period ended September 30, 2018	**Eco-Friendly Materials**	**Electronic Materials**	**Corporate and unallocated**	**Total**
	$	**$**	**$**	**$**
Segment revenues (1)	**33,774**	**19,605**	**-**	**53,379**
Adjusted EBITDA (2) (3)	**2,214**	**8,677**	**(2,310)**	**8,581**
Interest on long-term debt, imputed interest and other interest expense	**-**	**-**	**901**	**901**
Share based compensation expense	**-**	**-**	**788**	**788**
Litigation and restructuring costs (Note 7)	**-**	**-**	**138**	**138**
Foreign exchange and derivative loss	**-**	**-**	**208**	**208**
Gain on disposal of property, plant and equipment	**-**	**(325)**	**-**	**(325)**
Depreciation and amortization	**641**	**1,221**	**12**	**1,874**
Earnings (loss) before income tax	**1,573**	**7,781**	**(4,357)**	**4,997**
Capital expenditures	**1,590**	**941**	**-**	**2,531**

For the three-month period ended September 30, 2017	Eco-Friendly Materials	Electronic Materials	Corporate and unallocated	Total
	$	$	$	$
Segment revenues (1)	32,699	17,626	-	50,325
Adjusted EBITDA (2) (3)	3,306	5,565	(1,929)	6,942
Interest on long-term debt, imputed interest and other interest expense	-	-	1,496	1,496
Share based compensation expense	-	-	787	787
Change in fair value of debenture conversion option	-	-	(312)	(312)
Foreign exchange and derivative loss	-	-	40	40
Depreciation and amortization	732	1,030	13	1,775
Earnings (loss) before income tax	2,574	4,535	(3,953)	3,156
Capital expenditures	370	988	-	1,358

For the nine-month period ended September 30, 2018	**Eco-Friendly Materials**	**Electronic Materials**	**Corporate and unallocated**	**Total**
	$	**$**	**$**	**$**
Segment revenues (1)	**108,639**	**61,646**	**-**	**170,285**
Adjusted EBITDA (2) (3)	**11,402**	**22,084**	**(8,048)**	**25,438**
Interest on long-term debt, imputed interest and other interest expense	**-**	**-**	**5,409**	**5,409**
Share based compensation expense	**-**	**-**	**2,577**	**2,577**
Litigation and restructuring costs (income) (Note 7)	**-**	**-**	**(450)**	**(450)**
Foreign exchange and derivative loss	**-**	**-**	**389**	**389**
Gain on disposal of property, plant and equipment	**(185)**	**(325)**	**-**	**(510)**
Depreciation and amortization	**2,009**	**4,292**	**40**	**6,341**
Earnings (loss) before income tax	**9,578**	**18,117**	**(16,013)**	**11,682**
Capital expenditures	**3,765**	**3,504**	**-**	**7,269**

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

For the nine-month period ended September 30, 2017	Eco-Friendly Materials	Electronic Materials	Corporate and unallocated	Total
	$	$	$	$
Segment revenues (1)	111,893	55,531	-	167,424
Adjusted EBITDA (2) (3)	11,309	19,193	(7,678)	22,824
Interest on long-term debt, imputed interest and other interest expense	-	-	4,725	4,725
Share based compensation expense	-	-	3,758	3,758
Litigation and restructuring costs (income) (Note 7)	429	(3,797)	-	(3,368)
Change in fair value of debenture conversion option	-	-	(18)	(18)
Foreign exchange and derivative loss	-	-	399	399
Gain on disposal of property, plant and equipment	-	(390)	-	(390)
Depreciation and amortization	2,441	3,284	67	5,792
Earnings (loss) before income tax	8,439	20,096	(16,609)	11,926
Capital expenditures	1,666	2,871	-	4,537

(1) The total revenue of $3,112 and $12,792 for the three and nine-month periods ended September 30, 2018 from the recycling and trading of complex materials is allocated to the Eco-Friendly Materials and Electronic Materials segments ($3,060 and $13,813 for the three and nine-month periods ended September 30, 2017).

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

(3) The total adjusted EBITDA of $1,492 and $3,135 for the three and nine-month periods ended September 30, 2018 from the recycling and trading of complex materials is allocated to the Eco-Friendly Materials and Electronic Materials segments ($853 and $2,418 for the three and nine-month periods ended September 30, 2017).

As at September 30, 2018	**Eco-Friendly Materials**	**Electronic Materials**	**Corporate and unallocated**	**Total**
	$	**$**	**$**	**$**
Total assets excluding the deferred tax asset:	**100,889**	**113,655**	**17,127**	**231,671**

As at December 31, 2017	Eco-Friendly Materials	Electronic Materials	Corporate and unallocated	Total
	$	$	$	$
Total assets excluding the deferred tax asset:	106,631	104,945	26,465	238,041

The geographic distribution of the Company's revenue based on the location of the customers for the periods ended September 30, 2018 and 2017, and the identifiable non-current assets as at September 30, 2018 and December 31, 2017 are summarized as follows:

	Three months		**Nine months**	
Revenues	**2018**	2017	**2018**	2017
	$	$	**$**	$
Asia				
China	**1,284**	4,918	**4,423**	10,710
Japan	**706**	1,123	**3,511**	3,186
Other (1)	**13,823**	8,918	**39,733**	37,652
Americas				
United States	**11,938**	11,958	**38,235**	31,387
Other	**4,694**	2,403	**15,797**	10,096
Europe				
Germany	**7,165**	4,219	**23,747**	23,431
France	**1,906**	4,316	**6,542**	9,787
United Kingdom	**1,445**	4,126	**3,350**	9,446
Other (1)	**9,831**	6,755	**31,135**	28,002
Other	**587**	1,589	**3,812**	3,727
Total	**53,379**	50,325	**170,285**	167,424

(1) None exceeding 10%

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

Non-current assets (other than deferred tax assets)	September 30 2018	December 31 2017
	$	$
Asia [1]	14,756	16,884
United States	9,601	8,180
Canada	19,270	21,609
Europe		
Belgium	8,219	8,454
Germany	18,246	17,686
Total	**70,092**	72,813

[1] None exceeding 10%

For the three and nine-month periods ended September 30, 2018, one customer represented approximately 20% of the revenues and is included in the Electronic Materials revenues (11% and 12% for the three and nine-month periods ended September 30, 2017).

11. Supplemental Cash Flow Information

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

	Nine months	
	2018	2017
	$	$
Decrease (increase) in assets:		
Accounts receivable	(913)	4,546
Inventories	(1,388)	(1,480)
Income tax receivable	452	761
Other current assets	(1,275)	(4,617)
(Decrease) increase in liabilities:		
Trade and accrued liabilities	(20,115)	(7,779)
Income tax payable	2,165	2,854
Net change	**(21,074)**	(5,715)

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

	Nine months	
	2018	2017
	$	$
a) Excluded additions unpaid at end of the period:		
Additions to property, plant and equipment	796	437
b) Included additions unpaid at beginning of the period:		
Additions to property, plant and equipment	1,050	3,741

12. Fair Value of Financial Instruments

The only financial instrument for which its carrying value does not approximate the fair value is as follows:

(i) As at September 30, 2018 and December 31, 2017, following the partial redemption of the convertible debentures, the fair value was of $20,286 and $52,766 respectively. (Note 6)

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

Fair value hierarchy

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

As at September 30, 2018	**Level 1**	**Level 2**	**Level 3**
	$	**$**	**$**
Financial assets (liabilities)			
At fair value through profit or loss			
Debenture conversion option (Note 6) [(1)]	**-**	**-**	**-**
Equity swap agreement [(2)]	**-**	**6,547**	**-**
Derivatives designated in a hedge relationship			
Cross-currency swap [(3)]	**-**	**844**	**-**
Total	**-**	**7,391**	**-**

As at December 31, 2017	Level 1	Level 2	Level 3
	$	$	$
Financial assets (liabilities)			
At fair value through profit or loss			
Debenture conversion option (Note 6) [(1)]	-	-	-
Equity swap agreement [(2)]		6,141	
Derivatives designated in a hedge relationship			
Cross-currency swap [(3)]	-	3,602	-
Total	-	9,743	-

(1) This instrument is classified as a Level 3 financial instrument, since the implied volatility is an unobservable input. The change in fair value of debenture conversion option was nil and no amount was recognized in the condensed interim consolidated statement of earnings for the three and nine-month periods ended September 30, 2018 ($312 and $18 as revenue for the three and nine-month periods ended September 30, 2017).

(2) In June 2017, the Company has entered into a swap agreement with a major Canadian financial institution to reduce its income exposure to fluctuations in its share price relating to the DSU, PSU, RSU and SAR programs. Pursuant to the agreement, the Company receives the economic benefit of share price appreciation while providing payments to the financial institution for the institution's cost of funds and any share price depreciation. The net effect of the equity swaps partly offset movements in the Company's share price impacting the cost of the DSU, PSU, RSU and SAR programs. As at September 30, 2018, the equity swap agreement covered 2,571,569 common shares of the Company. The fair value of this indexed deposit is recorded under other current assets.

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

Following the partially redemption of the convertible debentures in the second quarter of the year, the Company de-designated CA$40,000 of the nominal amount of the associated cross-currency swap. (Note 6)

13. Commitments and Contingencies

Commitments

In the normal course of business, the Company contracted letters of credit for an amount of up to $339 as at September 30, 2018 ($432 as at December 31, 2017).

Contingencies

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