



**5N PLUS INC.**

Condensed Interim Consolidated Financial Statements  
(Unaudited)

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



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

	Notes	September 30 2019	December 31 2018
		\$	\$
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents		18,182	26,724
Accounts receivable		30,077	22,984
Inventories	4	85,931	96,889
Income tax receivable		5,543	4,891
Other current assets		6,699	7,797
<b>Total current assets</b>		<b>146,432</b>	<b>159,285</b>
Property, plant and equipment		57,517	57,297
Right-of-use assets	3	6,330	-
Intangible assets		11,358	11,199
Deferred tax assets		8,299	7,872
Other assets		1,220	1,404
<b>Total non-current assets</b>		<b>84,724</b>	<b>77,772</b>
<b>Total assets</b>		<b>231,156</b>	<b>237,057</b>
<b>Liabilities</b>			
<b>Current</b>			
Trade and accrued liabilities		32,852	39,249
Income tax payable		4,271	7,732
Derivative financial liabilities		-	197
Current portion of long-term debt	5	105	175
Current portion of convertible debentures	6	-	18,571
Current portion of lease liabilities	3	1,526	-
<b>Total current liabilities</b>		<b>38,754</b>	<b>65,924</b>
Long-term debt	5	55,000	30,000
Deferred tax liabilities		266	266
Employee benefit plan obligation		15,722	14,619
Lease liabilities	3	4,904	-
Other liabilities		195	6,545
<b>Total non-current liabilities</b>		<b>76,087</b>	<b>51,430</b>
<b>Total liabilities</b>		<b>114,841</b>	<b>117,354</b>
<b>Equity</b>		<b>116,315</b>	<b>119,703</b>
<b>Total liabilities and equity</b>		<b>231,156</b>	<b>237,057</b>

Commitments and contingencies (Note 13)

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

**5N PLUS INC.**

## INTERIM CONSOLIDATED STATEMENTS OF EARNINGS

For the three and nine-month periods ended September 30

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

	Notes	Three months		Nine months	
		2019	2018	2019	2018
		\$	\$	\$	\$
<b>Revenue</b>		<b>49,554</b>	53,379	<b>151,257</b>	170,285
Cost of sales	4, 7	<b>40,141</b>	40,335	<b>123,992</b>	131,145
Selling, general and administrative expenses	7	<b>5,242</b>	5,723	<b>16,234</b>	19,227
Other expenses (income), net	7	<b>1,276</b>	1,215	<b>3,963</b>	2,411
Share of loss from joint ventures		-	-	-	22
		<b>46,659</b>	47,273	<b>144,189</b>	152,805
<b>Operating earnings</b>		<b>2,895</b>	6,106	<b>7,068</b>	17,480
<b>Financial expense</b>					
Interest on long-term debt		<b>747</b>	615	<b>2,192</b>	2,240
Imputed interest and other interest expense	6	<b>195</b>	286	<b>1,098</b>	3,169
Foreign exchange and derivative (gain) loss		<b>(472)</b>	208	<b>(49)</b>	389
		<b>470</b>	1,109	<b>3,241</b>	5,798
<b>Earnings before income taxes</b>		<b>2,425</b>	4,997	<b>3,827</b>	11,682
Income tax expense (recovery)					
Current		<b>854</b>	1,330	<b>2,001</b>	3,803
Deferred		<b>541</b>	209	<b>187</b>	(2,047)
		<b>1,395</b>	1,539	<b>2,188</b>	1,756
<b>Net earnings</b>		<b>1,030</b>	3,458	<b>1,639</b>	9,926
<b>Attributable to:</b>					
Equity holders of 5N Plus Inc.		<b>1,030</b>	3,457	<b>1,639</b>	9,925
Non-controlling interests		-	1	-	1
		<b>1,030</b>	3,458	<b>1,639</b>	9,926
<b>Earnings per share attributable to equity holders of 5N Plus Inc.</b>	9	<b>0.01</b>	0.04	<b>0.02</b>	0.12
<b>Basic earnings per share</b>	9	<b>0.01</b>	0.04	<b>0.02</b>	0.12
<b>Diluted earnings per share</b>	9	<b>0.01</b>	0.04	<b>0.02</b>	0.12

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

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME  
For the three and nine-month periods ended September 30  
(in thousands of United States dollars) (unaudited)

	Notes	Three months		Nine months	
		2019	2018	2019	2018
		\$	\$	\$	\$
<b>Net earnings</b>		<b>1,030</b>	3,458	<b>1,639</b>	9,926
<b>Other comprehensive loss</b>					
<b>Items that may be reclassified subsequently to net earnings</b>					
Net changes in cash flow hedges					
Effective portion of changes in fair value of cash flow hedges	12	-	360	<b>723</b>	(1,343)
Reclassification to net earnings		-	(326)	<b>(693)</b>	1,509
De-designation of cash flow hedges	6	-	-	<b>145</b>	(79)
Income taxes		-	(4)	<b>(21)</b>	(12)
		-	30	<b>154</b>	75
Currency translation adjustment		<b>(648)</b>	(728)	<b>(652)</b>	(981)
		<b>(648)</b>	(698)	<b>(498)</b>	(906)
<b>Items that will not be reclassified subsequently to net earnings</b>					
Remeasurement of employee benefit plan obligation		<b>(661)</b>	(117)	<b>(2,041)</b>	17
Income taxes		<b>205</b>	36	<b>635</b>	(5)
		<b>(456)</b>	(81)	<b>(1,406)</b>	12
<b>Other comprehensive loss</b>		<b>(1,104)</b>	(779)	<b>(1,904)</b>	(894)
<b>Comprehensive (loss) income</b>		<b>(74)</b>	2,679	<b>(265)</b>	9,032
Attributable to equity holders of 5N Plus Inc.		<b>(74)</b>	2,678	<b>(265)</b>	9,031
Attributable to non-controlling interests		-	1	-	1

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

**5N PLUS INC.**
**INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

For the nine-month periods ended September 30

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

2019	Attributable to equity holders of the Company							
	Number of shares	Share Capital	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total shareholders' equity	Non-controlling Interest	Total Equity
		\$	\$	\$	\$	\$	\$	\$
<b>Balances at beginning of period</b>	<b>84,609,791</b>	<b>343,480</b>	<b>4,444</b>	<b>(5,674)</b>	<b>(222,547)</b>	<b>119,703</b>	<b>-</b>	<b>119,703</b>
Net earnings for the period	-	-	-	-	1,639	1,639	-	1,639
Other comprehensive loss	-	-	-	(1,904)	-	(1,904)	-	(1,904)
Comprehensive loss	-	-	-	(1,904)	1,639	(265)	-	(265)
Reduction of share capital (Note 8)	-	(338,478)	338,478	-	-	-	-	-
Common shares repurchased and cancelled (Note 8)	(1,696,733)	(101)	-	-	(3,889)	(3,990)	-	(3,990)
Exercise of stocks options	488,500	1,060	(337)	-	-	723	-	723
Share-based compensation	-	-	144	-	-	144	-	144
<b>Balances at end of period</b>	<b>83,401,558</b>	<b>5,961</b>	<b>342,729</b>	<b>(7,578)</b>	<b>(224,797)</b>	<b>116,315</b>	<b>-</b>	<b>116,315</b>

2018	Attributable to equity holders of the Company							
	Number of shares	Share Capital	Contributed Surplus	Accumulated other comprehensive loss	Deficit	Total shareholders' equity	Non-controlling Interest	Total Equity
		\$	\$	\$	\$	\$	\$	\$
<b>Balances at beginning of period</b>	<b>83,901,041</b>	<b>341,949</b>	<b>4,586</b>	<b>(4,570)</b>	<b>(236,519)</b>	<b>105,446</b>	<b>(18)</b>	<b>105,428</b>
Net earnings for the period	-	-	-	-	9,925	9,925	1	9,926
Other comprehensive loss	-	-	-	(894)	-	(894)	-	(894)
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
<b>Balances at end of period</b>	<b>84,512,291</b>	<b>343,249</b>	<b>4,430</b>	<b>(5,464)</b>	<b>(226,594)</b>	<b>115,621</b>	<b>(17)</b>	<b>115,604</b>

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

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the nine-month periods ended September 30  
(in thousands of United States dollars) (unaudited)

	Notes	2019 \$	2018 \$
<b>Operating activities</b>			
Net earnings		1,639	9,926
Adjustments to reconcile net earnings to cash flows			
Depreciation of property, plant and equipment and amortization of intangible assets		7,174	6,341
Depreciation of right-of-use assets		1,078	-
Amortization of other assets		128	127
Share-based compensation expense		350	3,113
Deferred income taxes		187	(2,047)
Share of gain from joint ventures		-	22
Imputed interest	6	722	2,903
Employee benefit plan obligation		(221)	(206)
Loss on disposal of investment in joint venture		-	360
Gain on disposal of property, plant and equipment		(28)	(510)
Unrealized loss (gain) on non-hedge financial instruments		1,778	(536)
Unrealized foreign exchange (gain) loss on assets and liabilities		(596)	273
Realized loss on non-hedge financial instruments		25	670
Realized foreign exchange gain on assets and liabilities		-	(355)
Loss (gain) on de-designation of cash flow hedges	6	145	(79)
<b>Funds from operations before the following:</b>		<b>12,381</b>	20,002
Net change in non-cash working capital balances	11	(14,860)	(21,074)
<b>Cash used in operating activities</b>		<b>(2,479)</b>	(1,072)
<b>Investing activities</b>			
Additions to property, plant and equipment		(6,475)	(7,269)
Additions of intangible assets		(811)	(942)
Proceeds on disposal of investment in joint venture		-	417
Proceeds on disposal of property, plant and equipment		180	1,125
<b>Cash used in investing activities</b>		<b>(7,106)</b>	(6,669)
<b>Financing activities</b>			
Repayment of long-term debt		(75)	(78)
Proceeds from issuance of long-term debt		25,000	30,000
Issue expenses related to long-term debt		-	(491)
Repayment of convertible debentures	6	(19,259)	(29,714)
Common shares repurchased		(3,990)	-
Issuance of common shares		723	882
Principal elements of lease payments		(1,188)	-
Increase in other liabilities		-	120
<b>Cash from financing activities</b>		<b>1,211</b>	719
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>(168)</b>	(203)
<b>Net decrease in cash and cash equivalents</b>		<b>(8,542)</b>	(7,225)
Cash and cash equivalents, beginning of period		26,724	34,024
<b>Cash and cash equivalents, end of period</b>		<b>18,182</b>	26,799
<b>Supplemental information <sup>(1)</sup></b>			
Income tax paid		5,810	1,060
Interest paid		1,640	1,799

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

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

## 1. Nature of Activities

5N Plus Inc. (“5N Plus” or the “Company”) is a Canadian-based international company. 5N Plus is a leading global producer of engineered materials and specialty chemicals with integrated recycling and refining assets to manage the sustainability of its business model. The Company is headquartered at 4385 Garand Street, Montreal, Quebec (Canada) H4R 2B4. The Company operates R&D, manufacturing and commercial centers in several locations in Europe, the Americas and Asia. 5N Plus deploys a range of proprietary and proven technologies to manufacture products which are used as enabling precursors by its customers in a number of advanced electronics, optoelectronics, pharmaceutical, health, renewable energy and industrial applications. Many of the materials produced by 5N Plus are critical for the functionality and performance of the products and systems produced by its customers, many of whom are leaders within their industry. The Company’s shares are listed on the Toronto Stock Exchange (“TSX”). 5N Plus and its subsidiaries represent the “Company” mentioned throughout these consolidated financial statements. The Company has two reportable business segments, namely Electronic Materials and Eco-Friendly Materials.

These condensed interim consolidated financial statements were approved by the Board of Directors on November 5, 2019.

## 2. Basis of Presentation

These condensed interim consolidated financial statements have been prepared in accordance with IFRS as issued by IASB (IFRS) and as applicable to the preparation of interim financial statements, including IAS 34, “Interim Financial Reporting”. These condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2018, which have been prepared in accordance with IFRS as issued by the IASB (IFRS).

The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The accounting policies followed in these unaudited condensed interim financial statements are consistent with those of the previous financial year, with the additional policy described below and the new accounting standards adopted as at January 1, 2019.

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

### **Income taxes**

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



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

#### Adoption of new accounting standards

##### IFRS 16 - Leases

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

##### Adjustments recognized on adoption of IFRS 16

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

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

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

	September 30 2019	January 1 2019
	\$	\$
Land and buildings	5,517	6,342
Production equipment	421	454
Office equipment and rolling stock	392	356
<b>Total right-of-use assets</b>	<b>6,330</b>	<b>7,152</b>

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

#### Practical expedients applied

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

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

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

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

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

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

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

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

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

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

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

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

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

**Extension options**

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

**IFRIC 23 – Uncertainty over Income Tax Treatments**

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

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

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

#### 4. Inventories

	September 30 2019	December 31 2018
	\$	\$
Raw materials	30,233	32,912
Finished goods	55,698	63,977
<b>Total inventories</b>	<b>85,931</b>	<b>96,889</b>

For the three and nine-month periods ended September 30, 2019, a total of \$22,849 and \$65,861 of inventories was included as an expense in cost of sales (\$25,438 and \$78,658 for the three and nine-month periods ended September 30, 2018).

For the three and nine-month periods ended September 30, 2019, no amount previously written down was recognized as a reduction of expenses in cost of sales concurrently with the related inventories being sold. For the three and 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).

#### 5. Long-Term Debt

	September 30 2019	December 31 2018
	\$	\$
Senior secured revolving facility of \$79,000 with a syndicate of banks, maturing in April 2022 <sup>(1)</sup>	30,000	30,000
Unsecured subordinated term loan, maturing in March 2023 <sup>(2)</sup>	25,000	-
Term loan, non-interest bearing, repayable under certain conditions, maturing in 2023. If the loan has not been repaid in full by the end of 2023, the balance will be forgiven <sup>(3)</sup>	105	175
	<b>55,105</b>	<b>30,175</b>
Less current portion of long-term debt	105	175
	<b>55,000</b>	<b>30,000</b>

<sup>(1)</sup> In April 2018, the Company signed a senior secured multi-currency revolving credit facility of \$79,000 maturing in April 2022. At any time, the Company has the option to request that the credit facility be expanded through the exercise of an additional \$30,000 accordion feature, subject to review and approval by the lenders. This revolving credit facility can be drawn in US dollars, Canadian dollars or Hong Kong dollars (up to \$4,000). Drawings bear interest at either the Canadian prime rate, US base rate, Hong Kong base rate or LIBOR, plus a margin based on the Company's senior net debt to consolidated EBITDA ratio. Under the terms of its credit facility, the Company is required to satisfy certain restrictive covenants as to financial ratios. As at September 30, 2019 and December 31, 2018, the Company has met all covenants.

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

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

## 6. Convertible Debentures

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

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

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

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

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

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

## 7. Expenses by Nature

	Three Months		Nine Months	
	2019	2018	2019	2018
	\$	\$	\$	\$
Wages and salaries	8,911	9,267	27,386	30,610
Share-based compensation expense	586	788	2,128	2,577
Depreciation of property, plant and equipment and amortization of intangible assets	2,125	1,874	7,174	6,341
Depreciation of right-of-use assets (Note 3)	368	-	1,078	-
Amortization of other assets	44	34	128	127
Loss (gain) on disposal of property, plant and equipment	32	(325)	(28)	(510)
Research and development, net of tax credit	447	405	1,225	1,234
Litigation and restructuring costs (income)	-	138 <sup>1</sup>	-	(450) <sup>1</sup>

(1) During last year's 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.

## 8. Share Capital

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

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

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

## 9. Earnings per Share

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

Numerators	Three months		Nine months	
	2019	2018	2019	2018
	\$	\$	\$	\$
Net earnings attributable to equity holders	1,030	3,457	1,639	9,925
Net earnings for the period	1,030	3,458	1,639	9,926

Denominators	Three months		Nine months	
	2019	2018	2019	2018
Basic weighted average number of shares	83,368,493	84,339,709	83,904,070	84,125,505
Dilutive effect:				
Stock options	102,997	486,915	226,483	490,673
Diluted weighted average number of shares	83,471,490	84,826,624	84,130,553	84,616,178

For the three and nine-month periods ended September 30, 2019, a total number of 568,784 and 444,284 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.

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.

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**10. Operating Segments**

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

	Three months		Nine months	
	2019	2018	2019	2018
	\$	\$	\$	\$
Eco-Friendly Materials	27,951	33,774	90,493	108,639
Electronic Materials	21,603	19,605	60,764	61,646
<b>Total revenue</b>	<b>49,554</b>	<b>53,379</b>	<b>151,257</b>	<b>170,285</b>
Eco-Friendly Materials	2,290	2,214	8,946	11,402
Electronic Materials	6,373	8,677	15,194	22,084
Corporate and unallocated	(2,689)	(2,310)	(6,692)	(8,048)
Adjusted EBITDA <sup>(1)</sup>	5,974	8,581	17,448	25,438
Interest on long-term debt, imputed interest and other interest expense	942	901	3,290	5,409
Share-based compensation expense	586	788	2,128	2,577
Litigation and restructuring costs (income) (Note 7)	-	138	-	(450)
Foreign exchange and derivative (gain) loss	(472)	208	(49)	389
Gain on disposal of property, plant and equipment	-	(325)	-	(510)
Depreciation and amortizations	2,493	1,874	8,252	6,341
<b>Earnings before income tax</b>	<b>2,425</b>	<b>4,997</b>	<b>3,827</b>	<b>11,682</b>

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

	Three months		Nine months	
	2019	2018	2019	2018
	\$	\$	\$	\$
Eco-Friendly Materials	1,481	1,590	3,435	3,765
Electronic Materials	1,276	941	2,877	3,504
Corporate and unallocated	163	-	163	-
<b>Total capital expenditures</b>	<b>2,920</b>	<b>2,531</b>	<b>6,475</b>	<b>7,269</b>

As at September 30, 2019	Eco-Friendly Materials	Electronic Materials	Corporate and unallocated	Total
	\$	\$	\$	\$
<b>Total assets excluding the deferred tax asset:</b>	<b>93,795</b>	<b>114,640</b>	<b>14,422</b>	<b>222,857</b>

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

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

Revenues	Three months		Nine months	
	2019	2018	2019	2018
	\$	\$	\$	\$
Asia				
China	1,540	1,284	4,892	4,423
Japan	1,052	706	2,985	3,511
Other <sup>(1)</sup>	12,781	13,823	35,862	39,733
Americas				
United States	13,175	11,938	38,663	38,235
Other	2,611	4,694	10,649	15,797
Europe				
Germany	6,202	7,165	18,343	23,747
France	1,159	1,906	5,018	6,542
United Kingdom	1,221	1,445	2,554	3,350
Other <sup>(1)</sup>	8,407	9,831	27,604	31,135
Other	1,406	587	4,687	3,812
<b>Total</b>	<b>49,554</b>	<b>53,379</b>	<b>151,257</b>	<b>170,285</b>

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

Non-current assets (other than deferred tax assets)	September 30 2019	December 31 2018
	\$	\$
Asia <sup>(1)</sup>	15,276	15,942
United States	15,389	9,896
Canada	18,406	18,543
Europe		
Belgium	9,108	8,159
Germany	18,246	17,360
<b>Total</b>	<b>76,425</b>	<b>69,900</b>

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

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

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**11. Supplemental Cash Flow Information**

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

	Nine months	
	2019	2018
	\$	\$
Decrease (increase) in assets:		
Accounts receivable	(7,113)	(913)
Inventories	10,958	(1,388)
Income tax receivable	(652)	452
Other current assets	(520)	(1,275)
(Decrease) increase in liabilities:		
Trade and accrued liabilities	(14,072)	(20,115)
Income tax payable	(3,461)	2,165
<b>Net change</b>	<b>(14,860)</b>	<b>(21,074)</b>

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

	Nine months	
	2019	2018
	\$	\$
a) Excluded additions unpaid at end of the period:		
Additions to property, plant and equipment	933	796
b) Included additions unpaid at beginning of year:		
Additions to property, plant and equipment	469	1,050
c) Excluded a reclassification from other liabilities to trade and accrued liabilities following new agreement with a customer	6,320	-

**12. Fair Value of Financial Instruments****Fair value hierarchy**

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

As at September 30, 2019	Level 1	Level 2	Level 3
	\$	\$	\$
Financial assets			
At fair value through profit or loss			
Equity swap agreement <sup>(1)</sup>	-	4,244	-
<b>Total</b>	-	<b>4,244</b>	-



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

<sup>(1)</sup> 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, 2019, the equity swap agreement covered 2,571,569 common shares of the Company. The fair value of this indexed deposit is recorded under other current assets.

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

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

### 13. Commitments and Contingencies

#### Commitments

In the normal course of business, the Company contracted letters of credit for an amount of up to \$429 as at September 30, 2019 (\$422 as at December 31, 2018).

#### Contingencies

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