



ENABLING TECHNOLOGY'S PERFORMANCE

2016
ANNUAL
REPORT

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Dear Shareholders,

On February 24, 2016—just nine days after I took over the helm as President & CEO of 5N Plus—we announced financial results for fiscal year 2015, with adjusted EBITDA of \$4 million and operating losses of \$88 million. Nearly one year later, on February 21, 2017, the Company announced financial results for fiscal year 2016, with adjusted EBITDA of \$20.1 million and operating earnings of \$3.4 million. Clearly, 5N Plus is moving in the right direction and, while we're pleased with these results, we also believe there is a great deal more to achieve.

Prior to joining 5N Plus, I knew the Company well, as 5N Plus and my former employer collaborated and competed in various markets. This kind of “co-opetition” is not unusual in the world of specialty metals and chemicals. Through this conduit I was able to develop an appreciation for 5N Plus. What impressed me most was the Company's reach in various markets and positive customer sentiments for 5N Plus products, technologies and services. At the same time, the Company demonstrated a strong commitment to the highest standards of corporate responsibility.

When I decided to join 5N Plus, I knew the Company was going through some heavy weather. However, given my familiarity with its pedigree and people, I also knew that sound leadership and execution, together with a solid strategy, would get 5N Plus through the storm. Indeed, I firmly believed the Company's best days were still ahead.

Weathering the storm

Given my confidence in 5N Plus' fundamentals, and despite a challenging 2015, two noteworthy questions remained: where would we focus our efforts in 2016, and what would their impact be? I believe we've begun to answer these questions. By choosing to address three key challenges, senior management initiated a positive momentum shift in 2016.

Challenge 1

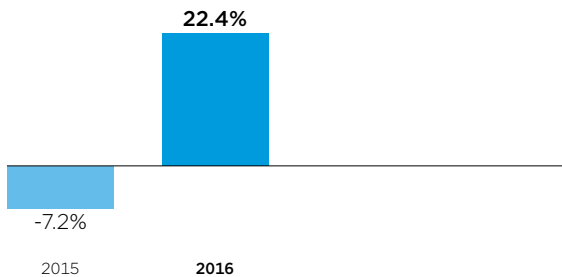
Mitigating the impact of price volatility

Ever since the acquisition of MCP Group, 5N Plus has been operating a portfolio of businesses with a single focus: to retain market share through a collection of assets stretched around the world. This required us to maintain numerous months of metal inventory across the value chain. We therefore remained highly exposed to price fluctuations. While some exposure is unavoidable in our industry, the challenge was to significantly reduce bottom line volatility.

My team ramped up a number of initiatives across our business units and, by the end of 2016, we had successfully reduced metal inventory by nearly 20%. In addition, we hedged a number of highly exposed downstream contracts to eliminate much of their metal-related risks. And we collaborated with business partners throughout the year to restructure a number of contracts. This yielded benefits for both parties, particularly by increasing our flexibility to further reduce earnings volatility.

Gross Margin

(%)



Challenge 2

Increasing selectivity in our businesses

The past year also saw us review the viability of demand for our downstream products. Comparing sales volumes across several businesses, we observed only a marginal variance in demand between a record year (2014) and a challenging one (2015). Our analysis clearly showed high variability in pricing power across our product portfolio. And so we questioned whether market share retention was the right posture for 5N Plus and whether greater selectivity, balancing market share against margin management, might be a better course.

Digging deeper, we found that in certain sectors, especially those associated with bulk metal and low value-added activity, 5N Plus was not well positioned and therefore struggled to generate returns. Conversely, 5N Plus clearly differentiated itself and delivered higher returns in sectors characterized by greater complexity and value-added activities. Armed with these insights, we took immediate action. In sectors contributing little to our bottom line, and where a viable path to profitability was unlikely, we reduced efforts to win market share. However, in sectors where 5N Plus did differentiate itself and was underrepresented, we took aggressive action to increase penetration.

The results followed: in 2016, gross margins were 22.4%, as compared to negative margins in 2015. While stable metal prices contributed significantly to these numbers, a notable portion came from selectivity and active portfolio management.

Challenge 3

Optimizing our assets

In 2016, we also launched formal assessments of production yields, capacity utilization, capital management, and value chain optimization—each a critical success factor in our industry. This exercise prompted us to close a jointly owned manufacturing facility in Germany and an office in France. We also consolidated production from Wellingborough, U.K. and Madison, U.S. to other sites. Moreover, given the Company's investments in recent years, we reduced future capital expenditure and began to harvest past investments. This enabled us to close the year with capital investment at less than half of the annual rate of depreciation and well below the past several years'. Last but not least, we succeeded in improving production yields across a number of downstream products.

All these efforts culminated in cost reductions of 3% and a reduction of net working capital by more than 15 days. At the end of 2016, average return on capital employed (ROCE) stood at 3% in comparison to -47.5% in 2015. We believe we can significantly improve ROCE in the near future.



Arjang J. (AJ) Roshan
President and Chief
Executive Officer

Luc Bertrand
Chairman of the Board

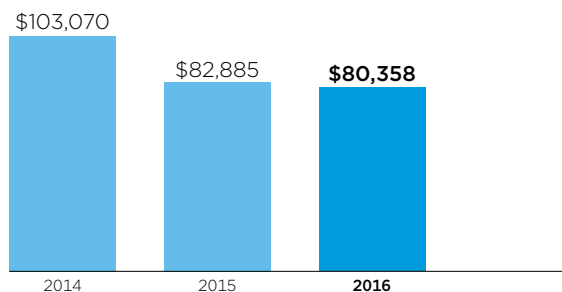
After the storm: looking to the future

Shortly after joining the Company, I began working with my team on a multi-year strategic plan designed to not only address recovery, but to also improve the stability and diversity of our earnings. Ultimately, our mission is to develop and execute a compelling plan that generates healthy growth in profits while strengthening the trust shareholders, employees and other stakeholders place in 5N Plus' management.

In September, we communicated our plan—"5N21"—and began to execute it. The principal thrust of 5N21 is to selectively extract value along the current value chain while also addressing emerging opportunities based on existing and non-organic competencies compatible with our corporate DNA.

In the short term, we expect the lion's share of the plan's value generation will come from existing businesses. In the mid-term, our efforts to selectively grow upstream business will further enhance bottom line performance and contribute to reducing earnings volatility. And, as 5N21 continues to mature, we expect more bottom line contributions from growth activities and greater diversification in our earnings potential.

OPEX
Excluding Depreciation and Amortization
(in thousands of USD)



Sustainable development remains critical

The Company's performance with respect to sustainable development remains a priority for my management team. This is another area where 5N Plus has earned a favorable reputation. As the new CEO, I am committed to ensuring our Company continues to build on the previous management's positive results. To cite just one example, over the past several years 5N Plus has continued to improve its performance with respect to Health, Safety and the Environment (HS&E), and the past year was no exception.

Encouraging prospects ahead

My management team and I are energized and encouraged by the Company's performance in 2016. Nevertheless, we believe there is much more to achieve. Over the past year, I've had the opportunity to meet many of our investors and one of their most interesting questions concerns our business's complexity and the challenge of managing so many moving parts. While this can be intimidating for some, I confess that I see it as a great source of opportunity. This is why I continue to believe in our mission. In a world of nearly instantaneous access to knowledge, where a competitive edge is often measured by the gap in how quickly you master complexity, ambiguity is an asset rather than a liability. With 5N21, our Company is embracing these attributes whenever they can be leveraged to competitive advantage.

I would like to thank our shareholders, customers, suppliers and other stakeholders for the trust they've placed in 5N Plus. I would also like to thank our dedicated men and women for their contributions over the past year. I look forward to working with you to further enhance our performance over the next twelve months.

Signed,

Arjang J. (AJ) Roshan
President and Chief Executive Officer

In our industry, upstream business benefits from higher metal prices and downstream business from lower metal prices. 5N21 strategic plan is designed to generate competitive returns in either pricing regimes... we call this “hedging our P&L”.



Q&A

with Arjang J. (AJ) Roshan

After a year on the job, what's your overall impression of 5N Plus?

Some people mistakenly associate 5N Plus with mining and primary metal production. 5N Plus is not a mining company. True, we use minor metals as active ingredients in our products. But we also employ technological know-how to transform metals into specialty chemicals and materials. Within this context, I am impressed by 5N Plus' ability to consistently satisfy the needs of its diverse customers across many industries. Our outstanding reputation is grounded in technological development, customer intimacy and corporate responsibility. Historically, there were challenges in translating these benefits into bottom line performance. That's what our 5N21 strategic plan is designed to do.

Can you share some changes you've instituted since arriving?

I'll give you three. First, the Company used to focus squarely on securing market share, which resulted in some unprofitable businesses. By contrast, our model now balances market share against risk and bottom line performance. If any business falls short, our model's response ranges from a measured exit to setting clear milestones for repositioning and delivering on targets. Second, we're focusing on growth sectors where we can be profitable and where we're underrepresented. And third, while 5N Plus was good at innovation, it was less successful at monetizing its advances. Our development is now more sharply focused on fewer and more strategic activities. We promote cross-collaboration between technical and commercial teams to deliver not just technological success but also commercial triumph.

What's the essence of the 5N21 strategic plan?

5N21 is built on the Company's strengths. It aims to grow earnings while reducing risk and volatility. Our business has two distinct parts. Upstream, where we use metallurgical technologies to extract metals essential to our products from feeds, by-products, concentrates and wastes, and downstream, where we use the valorized metals from upstream to produce high-value materials for a host of industries. We aim to grow these value-added activities and move further toward technologically complex sectors, which give us more pricing power and can be entry barriers to competitors. In this bimodal approach, upstream business benefits from higher metal prices and downstream business from lower prices. 5N21 strategic plan is designed to generate competitive returns in either pricing regimes... we call this “hedging our P&L”.

“ I find the process of taking challenged companies with sound DNA along a recovery path, and having them emerge healthy and profitable, extremely rewarding. In my experience, two ingredients are a must: the right people and the right organizational chemistry. We have both. ”

Where do you see future growth coming from?

Given the bimodal approach I just described, we see the biggest opportunities will come from upstream businesses, where we already have most of the competencies we need. Downstream, we see growth opportunities in specialty semiconductor and electronic materials. Our unique capabilities also give us an edge in health care, “Internet of things,” security and surveillance. Highly regulated and hyper-quality focused industries such as the dietary and pharmaceutical sectors also align with our DNA. Finally, we’re leveraging our technologies and know-how to seize opportunities in electronic packaging. We’ve set 12% as the minimum ROCE, to evaluate every project and growth activity.

How will you balance management goals and shareholder expectations?

One way is by aligning interests. This is easier said than done, so maybe the balance is best achieved in relative terms. That being said, I believe management’s actions can help to prevent large gaps from developing. The 12% ROCE for measuring our performance is one example. I believe it better aligns with shareholder interests. We’re exercising greater discipline and scrutiny to vet opportunities for true value creation and better integration. Ultimately, the new management team needs to build a track record with shareholders based on consistent and competitive results relative to our industry. We’re committed to doing exactly that.

Where do you expect 5N Plus to be in five years?

5N21 strategic plan provides some key financial figures for 2021, along with guidance for two milestone years, 2017 and 2019. Our mission is clear: to be our customers’ preferred partner; to be our employees’ preferred employer, as measured by their motivation and contribution; and to be trusted by shareholders, as measured by their desire to participate in our future. By 2021, if we’re able to deliver on this mission, double our earnings and deliver 15% ROCE (assuming constant metal prices), I can declare that we’ve met our goals.

Meet the new team

We asked the new 5N Plus management team to reflect on the challenges ahead and how the new strategic plan, 5N21, will serve shareholders.

Mission

As a leading global material technology company, our mission, each & everyday, is to earn and retain the privilege to be essential to our customers, preferred by our employees and trusted among our shareholders in a quest to enable innovation & technology deployment based on natural resources for the betterment of the human race.

Vision

As a leading global material technology company with employees and assets throughout the world, we are determined to enable and empower our people in a manner which inspires them to perform collectively at their best and optimize resource utilization so as to deliver competitive financial returns.



Evelyne Bundock
Vice President, Human Resources

“ As a new member of the leadership team, I had a chance during my first months at 5N Plus to tour our sites and offices. I met with leaders and employees around the globe so I could get to know our products, processes and—most important—the people that make us different. First impressions? Our people displayed tremendous pride as they explained—to a non-technical person like me—what they do and why it's important. ”

Human Resources

Our people's minds and passions are boundless

Our people care about their jobs. Their dedication to meeting customer expectations is immediately evident. > At 5N Plus, we have attracted many of the industry's smartest and most skilled people, who work collaboratively to deliver value to our customers. So where does HR fit in to help them do a better job? > In my view, Human Resource Management is more than payroll, benefits and labour relations—although these are important. Our added value is supporting our leaders and employees so they can grow and thrive in an ever-changing environment. Ultimately, this is good for the employee professionally and good for the customer as well as shareholder.

A plan for the future

At the close of my first 90 days with 5N Plus, my executive colleagues and I have established four areas of focus for HR:

- > **Engagement:** Continue to strengthen employee engagement so our people are not only thriving in their jobs, but are also actively engaged to build our future.
- > **Leadership development:** Give current and potential leaders the tools for success, including management and coaching skills.
- > **Talent management:** Implement best practices to ensure a continuous supply of expertise and know-how in key positions.
- > **Systems:** Update HR systems to support the requirements of our strategic plan 5N21, and, more broadly, support 5N Plus' growing business and global footprint.

Our pledge

Together with HR representatives from across our sites, we commit to supporting our leaders and employees so they can meet their goals, realize their potential and, ultimately, benefit our clients and shareholders.





Richard Perron
Chief Financial Officer

“ As CFO, my job is to prepare our Company for the future— a future where the dynamics are different. This is why we’ve built a new business model based on generating shareholder value independent of metal price fluctuations. 2016 demonstrated the dynamism of 5N Plus. Despite the collapse of the Fanya Metals Exchange, we emerged with enhanced profitability and a solid balance sheet. ”

Finance

Looking forward reveals opportunities

During the past year, we achieved a number of milestones on our five-year plan, 5N21. We continue to right-size our footprint, intensify cost controls and reposition operations to outperform competitors. > We also posted improved earnings. A solid balance sheet allows us to keep options open for financing M&A projects, and we’re sufficiently liquid to execute our footprint optimization. > Operationally, we’re now more selective, favouring continuous improvement and strategic capital expenditures over production volume. Our improved product mix has already yielded financial dividends and will be stepped up in 2017.

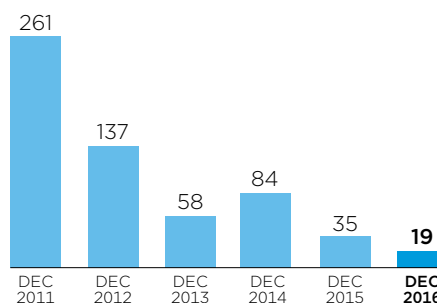
How Finance is contributing to 5N21

Today’s markets reward only efficient growth, which means simultaneously growing revenues, margins and earnings. To deliver on this, my team is providing broader perspectives and greater downstream visibility to navigate the future and meet profit and cash flow targets. > Investors are clearly looking for fair returns and a measure of predictability. My team is providing the tools, methods and expertise to further improve business analytics, inspire others and support our mission.

Creating opportunities to succeed

What gives me confidence in 5N21? It doesn’t rely on improved market conditions. Instead, it’s a series of internal actions that create value and mitigate volatility. > We therefore remain vigilant in spotting downstream and upstream growth opportunities. And we’re investing purposefully to move our products up the value chain. > Equally important, our global leadership is eager to effect change. While maintaining technical excellence is essential, we’re now also bringing on board resources to re-energize the organization, promote creativity and business success.

Net Debt
(in millions of USD)





Paul Tancell
Executive Vice President,
Eco-Friendly Materials

“ When our CEO, Arjang Roshan, asked me to lead the Eco-Friendly Materials Business Unit, I was delighted to accept. 5N Plus was hardly unknown to me. The Company is a recognized world leader in this market segment. So naturally I felt privileged to be offered the opportunity to work with an exceptional global team. ”

Eco-Friendly Materials

My first priorities

5N21 lays out some clear goals for Eco-Friendly Materials. Foremost is strengthening our core business and developing new, profitable growth initiatives. My immediate priority is to therefore develop a sound and achievable path that delivers on these objectives. > This will require input from the global team and I will therefore be travelling extensively to meet as many team members as possible. My job during these visits is to listen, learn and become better acquainted with our people and business. At the same time I expect to challenge and, hopefully, bring new perspectives to our discussions.



Implementing 5N21

The Eco-Friendly Materials business unit is a market leader in its sector. We're the supplier of choice for many customers, with an excellent reputation for product quality and service. This gives us a solid base from which to build in support of 5N21's goals. > Within our business unit this means focusing on areas where we can truly differentiate ourselves. In the pharmaceutical market, for example, 5N Plus is already a leading supplier of active ingredients. We will seek to build on this position. > Looking ahead, we will work to deliver quality growth in this and other regulated markets, where the barriers to entry for competitors are high and where we offer unique know-how and dedication to our customers.

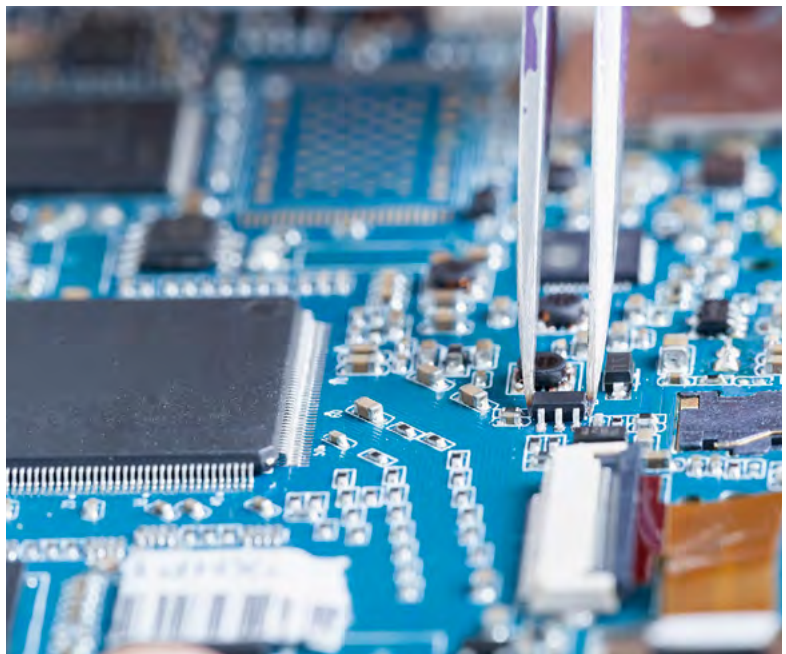
The Eco-Friendly Materials Business Unit largely markets bismuth, selenium and low melting point alloys. We're the world's leading supplier of bismuth and bismuth chemicals, with a market share of over 60%.

“ In my new leadership role in Electronic Materials, I will continue to reorient the business according to fundamentals set out in 5N21, our five-year strategic plan. My team and I will build on targeted areas of strength, which include 5N Plus’ reputation, our unique global network, competencies and unrivalled leadership in select sectors. ”



Nicholas Audet
Executive Vice President,
Electronic Materials

Electronic Materials



Micro Powders for electronic packaging

In recent years, 5N Plus acquired and developed a potentially disruptive gas atomization technology.

With two manufacturing lines in Montreal, our Micro Powders group is well positioned to enable the high-volume commercialization of metallic powders in the sub-25-micron range. >

As we focus on validating this technology, we're building partnerships with customers in the fast-moving electronics packaging market who demand ever-greater miniaturization. >

This represents a strong opportunity to diversify earnings in the latter half of our strategic plan.

Sunny days ahead for 5N Plus Semiconductors

We've made great strides in our semiconductors business, positioning us to make a strong contribution to 5N21. With our unique expertise, tools and processes, we possess unmatched capabilities in high-performance materials and engineered substrates. > Customers ranging from defence and national security to space and medical imaging recognize our know-how, innovation and products worldwide. > Indeed, over the years we've built relationships of trust with various government agencies and will work to blossom these partnerships into supplying critical materials and technologies for their specific needs.



The Electronic Materials Business Unit sells high-purity metals and compounds to electronics manufacturers, who make solar cells, LEDs, wireless devices, detectors and other products. We are the leading supplier of tellurium-based products to solar cell makers.

Looking forward

By optimizing our manufacturing footprint, we will more closely match assets to strategy. This will deliver cost competitiveness and operational agility, so we can rapidly respond to emerging opportunities. > Recognizing the need to diversify revenue and profit streams, we continue to promote two key growth initiatives—5N Plus Semiconductors and 5N Plus Micro Powders. > We're also gaining a deeper understanding of customer needs to ensure a more robust product pipeline and bottom line. > Finally, I'd like to note the pride I take in our Health, Safety & Environmental track record, and that I am committed to sustaining these achievements for years to come.



A robust value proposition

The 5N Plus value proposition in this area is to utilize technology in order to transform waste streams into revenue streams, while adequately addressing environmental concerns. > In line with 5N21, we expect our renewed focus on Recycling & Refining to generate better-balanced contributions between upstream and downstream activities.

Assets are already in place

Recycling and Refining support both our Electronic and Eco-Friendly businesses, and the assets are already in place to profitably grow this business within these segments. A combination of operational and commercial experts along with a dedicated plant in Laos and support from corporate R&D serve as the backbone of this activity. > By strategically deploying these assets, and adding several processing units, we will significantly enhance our flexibility and contribution to 5N21, processing a wider range of raw materials and thereby broadening and enhancing our offer to customers.



R&D powers higher returns and growth

As a successful technology company, our know-how has enabled commercial successes. > We benefit from a centralized R&D facility in Montreal, which employs highly skilled technical experts in key disciplines. We also deploy targeted R&D efforts supported by our R&D teams in St. George, Utah (U.S.) and Lubeck (Germany), which focus on dedicated themes within our two business segments. > This structure along with our advanced expertise gives us a competitive edge and speed-to-market, which are clear enablers in our commitment to 5N21.



Recycling, Refining and R&D

“Embarking on our five-year strategic plan, 5N21, we fully intend to ramp up Recycling & Refining into a core business. We believe this will enhance our access to critical metals, reduce our exposure to metal price volatility and lower costs.”

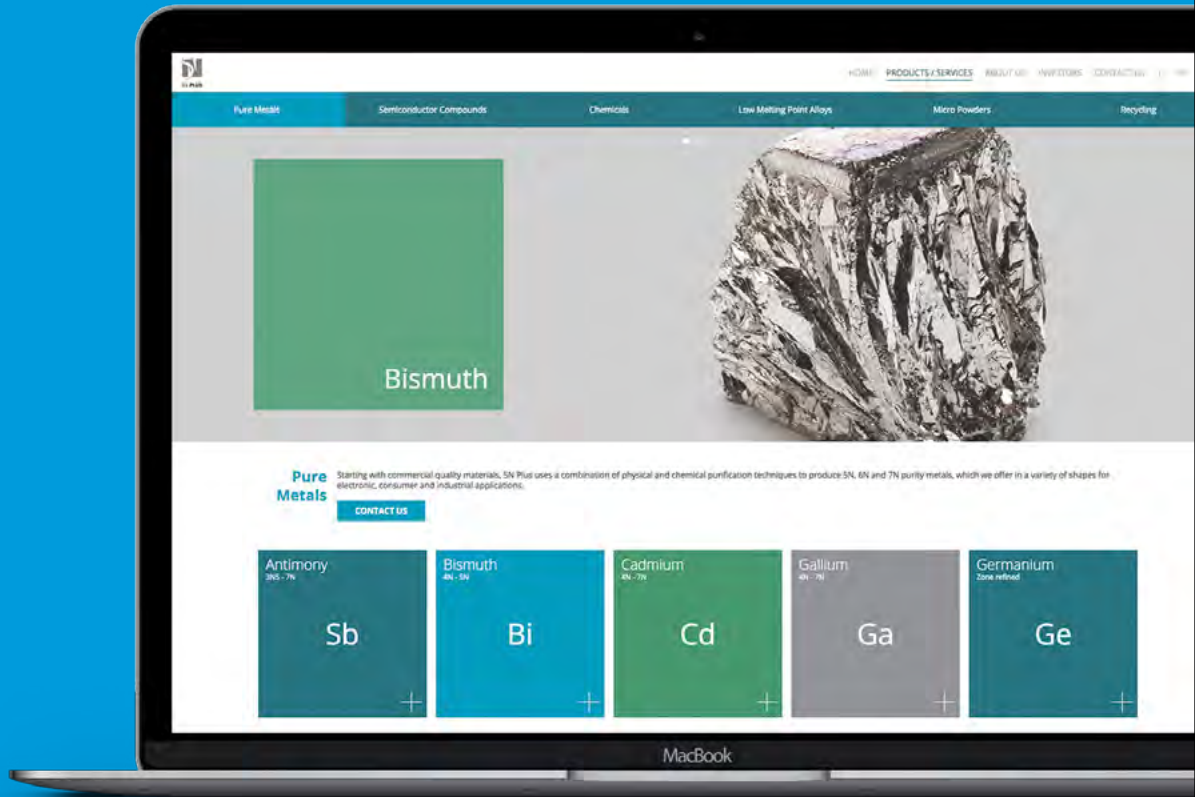


Pascal Coursol
Vice President, Recycling, Refining
and Corporate R&D

Our Footprint

With multiple facilities on three continents, 5N Plus is strategically situated close to resources, suppliers and customers. Our growing Asian presence includes minor metal recovery facilities in Laos and Malaysia; a bismuth chemicals manufacturing facility and an ultra-high purity gallium processing facility in China; and a partnership in South Korea for gallium chemicals production. We're a reliable link in any supply chain.





Our Specialty Products

Antimony	Cadmium Sulfide	Indium Sulphate
Bismuth	Cadmium Telluride	Indium Trichloride
Bismuth Beta Resorcyate	Cadmium Zinc Telluride	Lead Chloride
Bismuth Citrate	Cobalt Nitrate	Lead Nitrate
Bismuth Hydroxide	Cobalt Oxide	Lithium Sulfide
Bismuth Nitrate Solution	Gallium	Low Melting Point Alloys
Bismuth Oxide	Gallium Antimonide	Nickel Nitrate
Bismuth Oxychloride	Gallium Nitrate	Selenium
Bismuth Sodium Tartrate	Gallium Oxide	Sodium Selenite
Bismuth Subcarbonate	Gallium Trichloride	Tellurium
Bismuth Subcitrate	Germanium	Tellurium Dioxide
Bismuth Subgallate	Germanium Dioxide	Tin
Bismuth Subnitrate	Indium	Zinc
Bismuth Subsalcylate	Indium Antimonide	Zinc Selenite
Bismuth Subsuccinate	Indium Nitrate	Zinc Telluride
Cadmium	Indium Oxide	

Visit www.5nplus.com for more details

MD&A + Consolidated Financial Statements + Notes

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Management's Discussion and Analysis

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", the "Group" 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, 2016. 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 21, 2017, 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 2016" and the "Q4 2015" refer to the three-month periods ended December 31, 2016 and 2015 and the "FY 2016" and the "FY 2015" refer to the twelve-month periods ended December 31, 2016 and 2015 respectively. 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 growth strategy, 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, international trade regulations, , 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 21, 2017. 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.

Reporting 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 EBITDA¹ 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, compounds and wafers. 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.

Vision and Strategy

As a leading global material technology company with employees and assets throughout the world, we are determined to enable and empower our people in a manner which inspires them to perform collectively at their best and optimize resource utilization to deliver competitive financial returns.

The Company unveiled its Strategic Plan 5N21 ("5N21") designed to enhance profitability while reducing earnings volatility on September 12, 2016. 5N21 focuses on three major pillars:

1. Optimizing balance of contribution from upstream and downstream activities;
2. Extracting more value from core businesses and global asset; and
3. Delivering quality growth from both existing and future M&A opportunities.

¹ See Non-IFRS Measures

Highlights of Q4 2016 and Fiscal Year 2016

The Company completed a year with tangible results in numerous areas including reduction in operating expenses, in net debt and in net working capital¹ including inventory, while bolstering the balance sheet and improving profit margins despite a challenging operating environment. In 2016, the Company launched various initiatives and achieved a number of milestones including concrete progress toward its renewed vision and strategic plan named 5N21.

- Adjusted EBITDA¹ and EBITDA¹, reached \$20.1 million and \$15.1 million in fiscal year 2016, compared to \$4.0 million and (\$54.7) million in fiscal year 2015. The Adjusted EBITDA demonstrates improved profitability accommodated by moderately stable commodity prices, sustainable demand for most metals, and most importantly continued progress at improving the Company's sales mix and reducing operating expenses.
- On September 29, 2016, 5N Plus announced the consolidation of its operations at Wellingborough, United Kingdom and DeForest, Wisconsin, U.S.A. with other sites within the Group. The restructuring fees associated with these two initiatives along with the closure of redundant administrative offices, and the renegotiation of prior years' unfavorable contracts negatively impacted the EBITDA for fiscal year 2016 by \$5.9 million.
- Adjusted EBITDA and EBITDA for the fourth quarter 2016 reached \$4.3 million and \$4.8 million compared to \$0.7 million and (\$26.0) million during the same period in 2015.
- Revenue for fiscal year 2016 reached \$231.5 million compared to \$311.0 million for fiscal year 2015, impacted significantly by the decrease in the underlying commodity prices over the course of 2015, while gross margin¹ for 2016 improved to 22.4% compared to a negative gross margin in 2015.
- During the year 2016, net debt¹ was further reduced to \$19.0 million as at December 31, 2016 down from \$34.9 million for the same period in 2015, positively impacted by working capital management and overall improvement in performance.
- Backlog¹ reached as at December 31, 2016, a level of 136 days of sales outstanding, lower than the previous quarter, resulting from restructuring of certain contracts to balance market share against profitability, as well as client activities associated with retooling and upgrading of their manufacturing footprint. Bookings in Q4 2016 reached 78 days compared to 77 days in Q3 2016 and 95 days in Q4 2015.
- The Company does not expect any deviation to its most recent guidance for 2017 as per 5N21.
- On January 11, 2016, Mr. Luc Bertrand was appointed as the new Chairman of the Company's Board succeeding Mr. Jean-Marie Bourassa, who continues to serve on the Board and as Chair of the Audit & Risk Management Committee.
- On October 5, 2016, 5N Plus announced that the Toronto Stock Exchange ("TSX") approved 5N Plus normal course issuer bid under which, 5N Plus has the right to purchase for cancellation, from October 11, 2016 to October 10, 2017, a maximum of 600,000 common shares.
- On February 20, 2017, 5N Plus announced changes to its executive management structure. Responsibilities assumed by the former functions of Chief Commercial Officer and Chief Operating Officer will be reallocated across the existing business segments (Eco-Friendly and Electronic Materials). Mr. Nicholas Audet, formerly Chief Commercial Officer has been appointed Executive Vice President, Electronic Materials and Mr. Paul Tancell, formerly Global General Manager at Umicore, has joined 5N Plus and has been appointed Executive Vice President, Eco-Friendly Materials. Mr. Bertrand Lessard, Chief Operating Officer of the Company since 2014, will be leaving 5N Plus to pursue other interests.

¹ See Non-IFRS Measures

After a difficult year in 2015, 2016 was a foundational year in the Company's history. During the year, Management focused its efforts on realigning the overall cost structure, vetting investment opportunities, reducing inventory requirements, restructuring various contracts and reducing future volatility, especially due to metal prices. Furthermore, the Company adopted a new commercial approach aimed at balancing market share with quality of earnings. With the introduction of 5N21, the Company put more emphasis on growth initiatives and is invigorated by the tangible progress demonstrated by its results. The Company expects further enhancements in 2017 and as it continues to execute its plan.

Summary of Results

	Q4 2016	Q4 2015	2016	2015
	\$	\$	\$	\$
Revenue	54,704	59,367	231,498	311,012
Operating expenses*	(50,373)	(58,693)	(211,387)	(307,053)
Adjusted EBITDA ¹	4,331	674	20,111	3,959
Impairment of inventory	-	(24,582)	-	(58,327)
Allowance for a doubtful note receivable from a related party	-	(544)	-	(2,991)
Litigation and restructuring costs	-	(2,953)	(5,945)	(3,453)
Change in fair value of debenture conversion option	14	-	20	1,840
Foreign exchange and derivative gain	458	1,405	925	4,276
EBITDA ¹	4,803	(26,000)	15,111	(54,696)
Interest on long-term debt, imputed interest and other interest expense	1,851	2,012	8,241	8,967
Depreciation and amortization	2,120	7,287	10,739	27,166
Earnings (loss) before income taxes	832	(35,299)	(3,869)	(90,829)
Income tax expense (recovery)				
Current	(1,145)	4,044	440	3,655
Deferred	1,819	3,272	1,587	2,717
	674	7,316	2,027	6,372
Net earnings (loss)	158	(42,615)	(5,896)	(97,201)
Basic loss per share	\$0.00	(\$0.51)	(\$0.07)	(\$1.16)
Diluted loss per share	\$0.00	(\$0.51)	(\$0.07)	(\$1.16)

*Excluding litigation and restructuring costs and depreciation and amortization.

Revenue by Segment and Gross Margin

	Q4 2016	Q4 2015	Change	2016	2015	Change
	\$	\$		\$	\$	
Electronic Materials	19,333	18,833	3%	79,038	104,265	(24%)
Eco-Friendly Materials	35,371	40,534	(13%)	152,460	206,747	(26%)
Total revenue	54,704	59,367	(8%)	231,498	311,012	(26%)
Cost of sales	(44,802)	(81,501)	(45%)	(190,037)	(346,970)	(45%)
Depreciation on property, plant and equipment (PPE)	2,046	7,317	(72%)	10,353	13,635	(24%)
Gross margin¹	11,948	(14,817)		51,814	(22,323)	
Gross margin percentage¹	21.8%	(25.0%)		22.4%	(7.2%)	

During Q4 2016 and FY 2016, revenue decreased by 8% and 26% compared to the corresponding periods of 2015. These decreases were mainly due to an important decline in underlying commodity prices initiated over the course of 2015 in both segments. Although, sales volume was lower in FY 2016, gross margin¹ has substantially improved reflecting the moderate price stability in metals supported by our selective approach focused on better margin products. The gross margin reached 22.4% in 2016 compared to a negative contribution in 2015.

EBITDA and Adjusted EBITDA

	Q4 2016	Q4 2015	Change	2016	2015	Change
	\$	\$		\$	\$	
Electronic Materials	5,111	64	7,886%	19,824	10,740	85%
Eco-Friendly Materials	2,544	3,377	(25%)	13,467	2,839	374%
Corporate	(3,324)	(2,767)	20%	(13,180)	(9,620)	37%
Adjusted EBITDA¹	4,331	674	543%	20,111	3,959	408%
EBITDA¹	4,803	(26,000)		15,111	(54,696)	

¹ See Non-IFRS Measures

In Q4 2016, EBITDA¹ reached \$4.8 million compared to negative EBITDA of \$26.0 million in Q4 2015. For Q4 2016, EBITDA margin¹ was positively impacted by moderate price stability for most metals, resulting in no impairment charge on inventory. For the FY 2016, EBITDA reached \$15.1 million compared to negative EBITDA of \$54.7 million for FY 2015. In Q4 2015 and FY 2015, inventory impairment charges of \$24.6 million and \$58.3 million were recorded respectively which were mitigated by a foreign exchange gain of \$0.3 million and \$6.5 million recognized on the convertible debenture nominated in Canadian dollars which has been hedged by a cross-currency swap contract since December 7, 2015.

In Q4 2016, Adjusted EBITDA¹ rose by \$3.7 million to \$4.3 million compared to \$0.7 million in Q4 2015, driven by better realized margins and lower operating costs. Adjusted EBITDA for the Electronic Materials segment increased by \$5.0 million to \$5.1 million representing an Adjusted EBITDA margin of 26% compared to nil% for Q4 2015. Adjusted EBITDA for the Eco-Friendly Materials segment decreased by \$0.8 million to \$2.5 million compared to \$3.4 million in Q4 2015, for a similar Adjusted EBITDA margin¹. The Adjusted EBITDA under Corporate for Q4 2016 compared to the same period of last year was impacted by lower other revenue of \$0.2 million and higher short and long-term incentive plans provision of \$0.3 million following the appreciation of the Company share price and new issuance.

For the same reasons mentioned above, Adjusted EBITDA for FY 2016 increased by \$16.2 million to \$20.1 million compared to \$4.0 million for FY 2015. Adjusted EBITDA for the Electronic Materials segment increased by \$9.1 million to \$19.8 million representing an Adjusted EBITDA margin of 25% compared to 10% for the prior year. Adjusted EBITDA for the Eco-Friendly Materials segment increased by \$10.6 million to \$13.5 million compared to \$2.8 million in 2015. The Adjusted EBITDA under Corporate for FY 2016 decreased compared to FY 2015 due to recognition timing of R&D tax credits, as well as short and long-term incentive plans provision. Proceeds from an insurance claim was recorded in Q2 2015 with no similar non-recurring gain in FY 2016.

Net Earnings (Loss) and Adjusted Net Earnings (Loss)

	Q4 2016	Q4 2015	2016	2015
	\$	\$	\$	\$
Net earnings (loss)	158	(42,615)	(5,896)	(97,201)
Basic loss per share	\$0.00	(\$0.51)	(\$0.07)	(\$1.16)
Reconciling items:				
Impairment of inventory	-	24,582	-	58,327
Accelerated amortization of intangibles assets	-	-	-	11,834
Accelerated depreciation of tangible assets	-	-	1,804	-
Allowance for a doubtful note receivable from a related party	-	544	-	2,991
Litigation and restructuring costs	-	2,953	5,945	3,453
Change in fair value of debenture conversion option	(14)	-	(20)	(1,840)
Income taxes on taxable items above	4	1,570	5	(4,779)
Adjusted net earnings (loss)¹	148	(12,966)	1,838	(27,215)
Basic adjusted net earnings (loss) per share¹	\$0.00	(\$0.15)	\$0.02	(\$0.32)

Net earnings reached \$0.2 million in Q4 2016 compared to a net loss of \$42.6 million in Q4 2015. In Q4 2016, Adjusted net earnings¹ increased by \$13.1 million and reached \$0.1 million compared to Adjusted net loss¹ of \$13.0 million in Q4 2015. For Q4 2016, no significant items reconciling the Adjusted net earnings were identified.

In FY 2016, net loss reached \$5.9 million compared to \$97.2 million in FY 2015. Adjusted net earnings increased by \$29.1 million, from an Adjusted net loss of \$27.2 million to an Adjusted net earnings of \$1.8 million when compared to FY 2015. Excluding the income tax expense, the main items reconciling the Adjusted net earnings for FY 2016 were; the accelerated depreciation charge of tangible assets and the restructuring costs following the Company's announcement in September 2016 to optimize its footprint as well as non-recurring costs for the closure of an administrative office in Europe and the renegotiation of prior years unfavorable supply contracts.

¹ See Non-IFRS Measures

Inventory Impairment Charge

	Q4 2016	Q4 2015	2016	2015
	\$	\$	\$	\$
Electronic Materials	-	13,373	-	29,989
Eco-Friendly Materials	-	11,209	-	28,338
Total	-	24,582	-	58,327

Following the expected net realized value analysis as at December 31, 2016, no inventory impairment charge was recorded in Q4 2016 and FY 2016 compared to \$24.6 million and \$58.3 million recorded in Q4 and FY 2015 following the decline in commodity prices that impacted our industry during 2015.

Bookings and Backlog

	BACKLOG ¹			BOOKINGS ¹		
	Q4 2016	Q3 2016	Q4 2015	Q4 2016	Q3 2016	Q4 2015
	\$	\$	\$	\$	\$	\$
Electronic Materials	35,417	40,929	47,225	13,821	11,570	11,093
Eco-Friendly Materials	46,377	49,046	55,714	32,702	35,281	50,645
Total	81,794	89,975	102,939	46,523	46,851	61,738

<i>(number of days based on annualized revenues) *</i>	BACKLOG ¹			BOOKINGS ¹		
	Q4 2016	Q3 2016	Q4 2015	Q4 2016	Q3 2016	Q4 2015
Electronic Materials	167	183	229	65	52	54
Eco-Friendly Materials	120	128	125	84	92	114
Weighted average	136	148	158	78	77	95

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

Q4 2016 vs Q3 2016

Backlog¹ reached as at December 31, 2016 a level of 136 days of sales outstanding, lower than previous quarter, resulting from restructuring of certain contracts to balance market share against profitability, as well as client activities associated with retooling and upgrading of their manufacturing footprint. The renewal pattern generally extends to the Q1.

Backlog as at December 31, 2016, for the Electronic Materials segment represented 167 days of sales outstanding, a decrease of 16 days, or 9%, over the backlog ended September 30, 2016, explained by two good quarters in terms of shipments, especially for the Company's solar sector. The backlog for the Eco-Friendly Materials segment represented 120 days of annualized segment revenues, a decrease of 8 days or 6%, over the backlog of Q3 2016.

Bookings¹ for the Electronic Materials segment increased by 13 days compared to Q3 2016, higher than previous quarter also reflecting the renewal pattern of most contracts which generally occurs in the fourth quarter or the first quarter of the year. Bookings for the Eco-Friendly Materials segment decreased by 8 days, from 92 days in Q3 2016 to 84 days in Q4 2016.

Q4 2016 vs Q4 2015

Backlog as at December 31, 2016 for the Electronic Materials segment decreased by 62 days and by 5 days for the Eco-Friendly Materials segment compared to December 31, 2015, resulting from our selective posture aimed at balancing market share against margin management, as well as recent announcement from a client to retrofit its operations.

Bookings increased by 11 days for the Electronic Materials segment and decreased by 30 days for the Eco-Friendly Materials segment compared to the previous year quarter.

¹ See Non-IFRS Measures

Expenses

	Q4 2016	Q4 2015	2016	2015
	\$	\$	\$	\$
Depreciation and amortization	2,120	7,287	10,739	27,166
SG&A	6,195	7,308	25,986	28,494
Litigation and restructuring costs	-	2,953	5,945	3,453
Allowance for a doubtful note receivable from a related party	-	544	-	2,991
Financial expenses	1,379	607	7,296	2,851
Income tax expense	674	7,316	2,027	6,372
Total expenses	10,368	26,015	51,993	71,327

Depreciation and Amortization

Depreciation and amortization expenses in Q4 2016 and FY 2016 amounted to \$2.1 million and \$10.7 million respectively, compared to \$7.3 million and \$27.2 million for the same periods of 2015. The decrease in FY 2016 is mainly attributable to an accelerated amortization charge of selected intangible assets of \$11.8 million recorded in the quarter ended June 30, 2015 compared to \$1.8 million following the announcement in September 2016 of the Company's decision to optimize its footprint.

SG&A

For Q4 2016 and FY 2016, SG&A expenses were \$6.2 million and \$26.0 million respectively, compared to \$7.3 million and \$28.5 million for the same periods of 2015. Variation is mostly explained by lower wages and other expenses as well as favourable exchange rates across most local currency denominated expenses in FY 2016.

Litigation and Restructuring Costs

The Company recorded a provision for litigation and restructuring costs of \$5.9 million in FY 2016 compared to \$3.0 million and \$3.5 million, in Q4 2015 and FY 2015 respectively. Following the Company's announcement to consolidate its operations at Wellingborough, U.K. with other sites within the Group, and its operations at DeForest, Wisconsin, U.S.A. and Fairfield, Connecticut, U.S.A. during the first half of 2017 into a newly updated and scaled facility, the Company recorded restructuring and severance costs and other facility closure costs of \$3.5 million during the quarter ended September 30, 2016. The Company also recorded in the quarter ended September 30, 2016, litigation costs of \$1.0 million following initiatives to renegotiate unfavourable purchasing contracts. In addition, in the quarter ended March 31, 2016, the Company recorded non-recurring costs of \$1.0 million for the closure of an administrative office in Europe as well as for the settlement of unfavourable supply contracts. In FY 2015, the Company recorded litigation and restructuring costs as provision following initiatives to reduce its operating expenses and renegotiate unfavourable purchase contracts.

Allowance for a Doubtful Note Receivable from a Related Party

No allowance for a doubtful note receivable from a related party was recorded in FY 2016. In FY 2015, the Company assessed that under the gallium low-market price, its note receivable from Ingal Stade GmbH, a 50% joint venture, was 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 FY 2015. On December 31, 2016, following the closure of its manufacturing activities earlier this year, Ingal sold its assets.

Financial Expenses and Revenues

Financial expenses for Q4 2016 amounted to \$1.4 million compared to \$0.6 million for the same period last year. The increase in financial expenses of \$0.8 million is mainly due to lower unrealized foreign exchange and derivative gain. The full value of the convertible debenture is covered by a cross-currency swap contract and accounted for as a cash flow hedge since December 7, 2015.

Financial expenses for FY 2016 amounted to \$7.3 million compared to \$2.9 million for the same period last year. The increase in financial expenses of \$4.4 million is mainly due to a lower gain related the fair value of the debenture conversion option and by lower unrealized foreign exchange and derivative gain partially mitigated by lower interest on long-term debt.

Income Taxes

The Company reported net earnings before income taxes of \$0.8 million in Q4 2016 and net loss before income taxes of \$3.9 million in FY 2016. Income tax expense for Q4 2016 and FY 2016 were \$0.7 million and \$2.0 million respectively, compared to \$7.3 million and \$6.4 million for the same periods last year. The Income tax expense for Q4 2016 and FY 2016 was unfavorably impacted since the Company does not record the benefit of the tax losses incurred during the year in certain jurisdictions.

Liquidity and Capital Resources

	Q4 2016	Q4 2015	2016	2015
	\$	\$	\$	\$
Funds from (used in) operations ¹	5,256	(5,734)	12,486	(9,851)
Net changes in non-cash working capital items	(2,048)	21,866	10,978	73,860
Operating activities	3,208	16,132	23,464	64,009
Investing activities	(2,882)	(3,671)	(7,793)	(18,316)
Financing activities	946	(11,536)	(1)	(49,129)
Effect of foreign exchange rate changes on cash and cash equivalents related to operations	(218)	(134)	(185)	(525)
Net increase (decrease) in cash and cash equivalents	1,054	791	15,485	(3,961)

Cash provided by operating activities amounted to \$3.2 million for Q4 2016 compared to \$16.1 million for Q4 2015. Although the Company continued to better manage non-cash working capital, especially inventory expressed in days, the lower impact on cash provided by operating activities was mainly due to the lower commodity pricing and its effect on the value of the Company's products on a unit basis, with similar impact on accounts receivable. For FY 2016, cash provided by operating activities amounted to \$23.5 million compared to \$64.0 million for the same period last year. Better management of non-cash working capital led to a further reduction of \$9.2 million in inventory and \$6.2 million in trade accounts receivable mitigated by lower accounts payable of \$1.2 million.

Cash used in investing activities totalled \$2.9 million in Q4 2016 and \$7.8 million for FY 2016 compared to \$3.7 million and \$18.3 million for the corresponding periods of 2015 respectively. This decrease is explained by lower acquisition of property, plant and equipment and intangible assets.

For Q4 2016 and FY 2016, cash from financing activities amounted to \$0.9 million and nil compared to cash used by financing activities of \$11.5 million and \$49.1 million for the corresponding periods of 2015 respectively. These decreases are mainly associated with a net reduction in the amounts drawn under the revolving facility following a better management of non-cash working capital. The Company had no drawdown of its credit facility at the end 2016 and most of the fiscal year.

Working Capital

	As at December 31, 2016	As at December 31, 2015
	\$	\$
Inventories	80,309	89,052
Other current assets	63,750	50,593
Current liabilities	(66,128)	(45,777)
Working capital ¹	77,931	93,868
Working capital current ratio ¹	2.18	3.05

The decrease in working capital¹ compared to December 31, 2015 is mainly due to a better alignment between material usage and purchase in an effort to reduce inventory and lower average commodity pricing. In addition, during 2016, the Company proceeded with a reclassification of \$16.0 million from other liabilities to trade and accrued liabilities for which final settlement and payment are due in April 2017. Based on the agreement, the Company has the option to settle the majority of this amount in kind by the delivery of commercial grade metal currently available from excess and paid inventory, with no significant cash-flow impact. This should be completed over the next 2 years.

¹ See Non-IFRS Measures

Net Debt

	As at December 31, 2016	As at December 31, 2015
	\$	\$
Bank indebtedness	-	-
Long-term debt including current portion	325	1,947
Convertible debentures	43,157	40,288
Cross-currency swap	(189)	1,443
Total Debt	43,293	43,678
Cash and cash equivalents	(24,301)	(8,816)
Net Debt¹	18,992	34,862

Total debt, including the cross-currency swap decreased by \$0.4 million to \$43.3 million as at December 31, 2016, compared to \$43.7 million as at December 31, 2015.

Net debt¹, after considering cash and cash equivalents decreased by \$15.9 million, from \$34.9 million as at December 31, 2015 to \$19.0 million as at December 31, 2016.

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

Available Short-Term Capital Resources

	As at December 31, 2016	As at December 31, 2015
	\$	\$
Cash and cash equivalents	24,301	8,816
Available bank indebtedness	1,438	1,541
Available revolving credit facility (reduced on February 18, 2016 as explained below)	52,635	103,969
Available short-term capital resources	78,374	114,326

In August 2014, the Company signed a senior secured multi-currency revolving credit facility of \$125.0 million maturing in August 2018, which was reduced to \$100.0 million as at June 30, 2015 and subsequently to \$50.0 million 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 \$50.0 million 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 \$25.0 million until the financial statements of the first quarter of 2017 are published. During the first quarter of 2016, an amount of deferred costs of \$0.9 million was expensed and recorded in imputed interest and other interest expense. As at December 31, 2016, the Company had met all covenants.

In August 2014, the Company's subsidiary in Belgium entered into a bi-lateral credit facility of 5.0 million Euros, which was reduced to 2.5 million 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, 2016 and 2015.

¹ See Non-IFRS Measures

Funds from Operations

	Q4 2016	Q4 2015	2016	2015
	\$	\$	\$	\$
Funds from (used in) operations¹	5,256	(5,734)	12,486	(9,851)
Net acquisition of PPE and intangible assets	(2,882)	(3,308)	(7,693)	(19,956)
Working capital changes	(2,048)	21,866	10,978	73,860
Repurchase of common shares	(252)	-	(252)	-
Others	1,061	(994)	351	5,092
	(4,121)	17,564	3,384	58,996
Total movement in net debt¹	1,135	11,830	15,870	49,145
Net debt ¹ , beginning of period	(20,127)	(46,692)	(34,862)	(84,007)
Net debt¹, end of period	(18,992)	(34,862)	(18,992)	(34,862)

Funds from operations¹ increased by \$11.0 million to \$5.3 million in Q4 2016 and by \$22.3 million to \$12.5 million in FY 2016 compared to funds used in operations¹ of \$5.7 million and \$9.9 million for the corresponding periods of 2015 respectively. This increase was further supported by lower acquisition of PPE and intangible assets, offsetting the negative variance from the lower positive impact in working capital changes compared to the same periods last year.

Share Information

	As at February 21, 2017	As at December 31, 2016
Issued and outstanding shares	83,599,133	83,778,557
Stock options potentially issuable	2,860,648	2,860,648
Convertible debentures potentially issuable	9,777,777	9,777,777

On October 5, 2016, the Toronto Stock Exchange 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 October 11, 2016 to October 10, 2017, a maximum of 600,000 common shares. At the end of December 31, 2016, the Company has repurchased and cancelled 201,100 common shares at an average price of \$1.26 for a total amount of \$0.3 million. An amount of \$0.9 million has been applied against share capital, and a negative amount of \$0.6 million has been applied against the deficit. The acquired common shares have been cancelled.

Stock Option Plan

On April 11, 2011, the Company adopted a new stock option plan under which a maximum number of options granted cannot exceed 5,000,000. 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, 2016 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 beneficiary ceases to be an employee, director or officer and one year for retired directors.

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"). 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, not exceeding three years, 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.

For the year ended December 31, 2016, the Company granted 1,245,000 New RSUs (2015 – nil) and 20,000 New RSUs were cancelled (2015 – nil). As at December 31, 2016, 1,225,000 New RSUs were outstanding (2015 – nil).

¹ See Non-IFRS Measures

For the year ended December 31, 2016, the Company granted 500,000 PSUs (2015 – nil) and, as at December 31, 2016, 500,000 PSUs were outstanding (2015 – nil).

The following table presents information concerning all outstanding stock options:

	2016		2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		CA\$		CA\$
Outstanding, beginning of year	1,558,345	3.74	1,702,100	4.21
Granted	1,445,000	1.65	232,000	2.40
Cancelled	-	-	(75,755)	3.24
Expired	(142,697)	4.90	(300,000)	5.45
Outstanding, end of year	2,860,648	2.63	1,558,345	3.74
Exercisable, end of year	1,311,898	3.39	1,024,324	4.08

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 16 and 24 of the audited consolidated financial statements for the year ended December 31, 2016.

The following table reflects the contractual maturity of the Company's financial liabilities as at December 31, 2016:

	Carrying amount	1 year	2 years	3 years	Total
	\$	\$	\$	\$	\$
Trade and accrued liabilities ⁽¹⁾	57,381	57,381	-	-	57,381
Long-term debt	325	325	-	-	325
Convertible debentures	43,157	3,170	3,170	50,474	56,814
Total	100,863	60,876	3,170	50,474	114,520

⁽¹⁾ In 2016, the Company proceeded with a reclassification of \$16.04 million from other liabilities to trade and accrued liabilities, for which final settlement is due in April 2017. Based on the agreement, the Company has the option to settle the majority of this amount in kind by the delivery of commercial grade metal currently available from excess and paid inventory, with no significant cashflow impact.

Commitments

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

	2016	2015
	\$	\$
No later than 1 year	2,044	2,289
Later than 1 year but no later than 5 years	4,367	2,479
Later than 5 years	-	364
Total	6,411	5,132

As at December 31, 2016, in the normal course of business, the Company contracted letters of credit for an amount of up to \$0.7 million and \$0.5 million as at December 31, 2015.

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 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 the fiscal year ended December 31, 2016 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 2016 in accordance with IFRS. The Company's significant accounting policies are described in Note 2 of the audited consolidated financial statements for the year ended December 31, 2016. 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, 2015.

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.

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 cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less cost of disposal and value in use.

An intangible asset and related equipment that are not yet available for intended use are tested for impairment at least annually, which requires also significant judgement. To determine value in use, management estimates expected future cash flows from each asset 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 the forecasted prices obtained from various sources on the market, and based on the public information on metal available as at December 31, 2016. These assumptions relate to future events and circumstances. The actual results may vary and may cause adjustments to the Company's intangible assets in future periods.

Management's Discussion and Analysis

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and to asset-specific risk factors. Assets not yet available for intended use have a higher estimation uncertainty, since they depend on future market information, and the Company's ability to finish the project and realize the budgeted earnings. 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 and the discount rate.

By their nature, assets not yet available for intended use have a higher estimation uncertainty, as they depend on future market development and the Company's ability to commercialize and manufacture new products to realize forecasted earnings. For example, new manufacturing processes may not be scalable to industrial level within expected timeframe and new products might not receive sufficient market penetration. Management believes that the following assumptions are the most susceptible to change and impact the valuation of these assets in time: a) expected significant growth of the market for different metal products (demand), b) selling prices which have an impact on revenues and metal margins (pricing), and c) the discount rate associated with new processes and products (after considering a premium over the Company's weighted average cost of capital (WACC) to reflect the additional uncertainty).

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, 2016, are provided in note 12 of the 2016 consolidated financial statements of the Company.

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 8, 23 and 26 in the 2016 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 16 – Fair Value of Financial Instruments in the 2016 consolidated financial statements of the Company.

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

	2016	2015
	\$	\$
Debtenture conversion option	(68)	(87)
Cross-currency swap	189	(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 24 of the 2016 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 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.

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.

Management's Discussion and Analysis

The following table summarizes in US dollar equivalents the Company's major currency exposures as at December 31, 2016:

	CA\$	EUR	GBP	RMB	Other
	\$	\$	\$	\$	\$
Cash and cash equivalents	498	1,556	448	652	395
Accounts receivable	520	7,733	743	3,428	1,101
Trade and accrued liabilities	(6,618)	(9,941)	(3,506)	(4,127)	(1,084)
Long-term debt	(325)	-	-	-	-
Net financial assets (liabilities)	(5,925)	(652)	(2,315)	(47)	412

The following table shows the impact on earnings before income tax of a five-percentage point strengthening or weakening of foreign currencies against the US dollar as at December 31, 2016 for the Company's financial instruments denominated in non-functional currencies:

	CA\$	EUR	GBP	RMB	Other
	\$	\$	\$	\$	\$
5% Strengthening	(296)	(33)	(116)	(2)	21
5% Weakening	296	33	116	2	(21)

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 recoverability; therefore, the carrying amount of accounts receivable generally represents the maximum credit exposure. As at December 31, 2016 and 2015, the Company has an allowance for doubtful accounts of \$0.1 million and \$0.5 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

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

Risks Associated with our Growth Strategy

5N Plus' strategic plan is designed to enhance profitability while reducing earnings volatility and is founded on three pillars of growth: first, optimizing balance of contribution from upstream and downstream activities; second, extracting more value from core businesses and global asset; and third, delivering quality growth from both existing and future M&A opportunities. 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.

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 and tax systems, the potential for volatile economic and labor conditions, political instability, foreign exchange, expropriation, changes in taxes, 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.

International Trade Regulations

We do business in a number of countries from various locations, as such, face risks associated with changes to International trade regulations and policies. Such risks, included but are not limited to, barriers to or restrictions on free trade, changes in taxes, tariffs and other regulatory costs. Although we operate primarily in countries, with proximity to our clients and suppliers, and with relatively stable economic and political climates, there can be no assurance that our business will not be adversely affected by the risks inherent to the changing international political landscape and its impact on global trade.

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.

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

We monitor the risks associated with the value of our inventories in relation to the market price of such inventories. Because of the highly illiquid nature of many of our 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

We rely on the expertise and know-how of its personnel to conduct our 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

Our shares are publicly traded and, as such, we are 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. 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.

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.

Gross margin is a measure we use to monitor the sales contribution after paying cost of sales excluding depreciation of property, plant and equipment. We also expressed this measure in percentage of revenues by dividing the gross margin value by the total revenue.

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. 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.

Management's Discussion and Analysis

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.

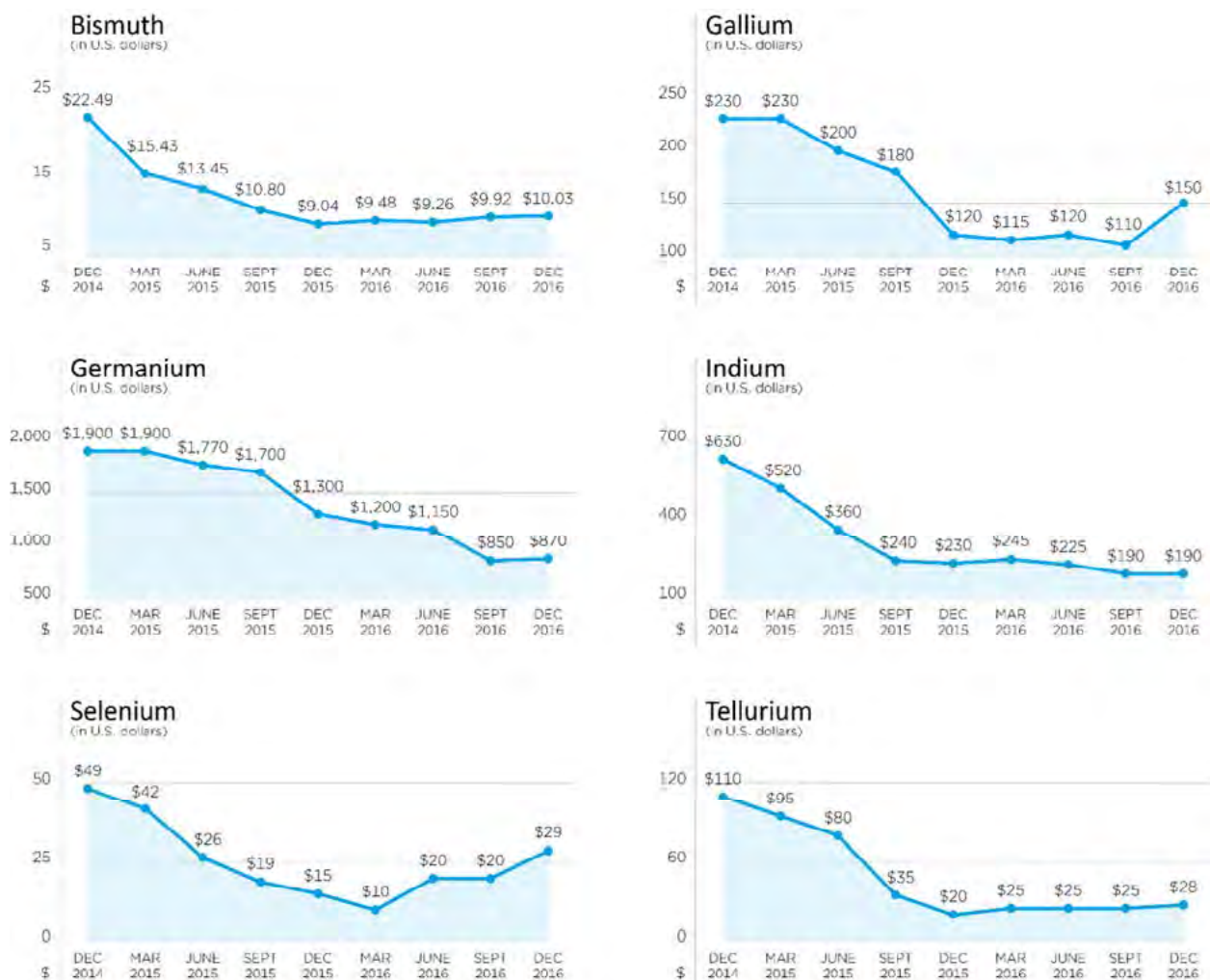
Working capital ratio is calculated by dividing current assets by current liabilities.

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.

Metal Prices

(in U.S. dollars per kilo)



Source: Low Metal Bulletin

Selected Quarterly Financial Information

As at and for the three months ended:

(in thousands of United States dollars except per share amounts)	Dec. 31, 2016	Sept. 30, 2016	June 30, 2016	Mar. 31, 2016	Dec. 31, 2015	Sept. 30, 2015	June 30, 2015	Mar. 31, 2015
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	54,704	55,491	57,435	63,868	59,367	68,732	87,250	95,663
EBITDA ¹	4,803	2,066	5,358	2,884	(26,000)	(26,136)	(5,966)	3,406
Adjusted EBITDA ¹	4,331	6,816	4,714	4,250	674	1,052	1,963	270
Net (loss) earnings attributable to equity holders of 5N Plus	158	(4,232)	86	(1,907)	(42,615)	(32,171)	(20,463)	(1,949)
Basic loss per share attributable to equity holders of 5N Plus	\$-	(\$0.05)	\$-	(\$0.02)	(\$0.51)	(\$0.38)	(\$0.24)	(\$0.02)
Net (loss) earnings	158	(4,232)	87	(1,909)	(42,615)	(32,171)	(20,464)	(1,951)
Basic loss per share	\$-	(\$0.05)	\$-	(\$0.02)	(\$0.51)	(\$0.38)	(\$0.24)	(\$0.02)
Diluted loss per share	\$-	(\$0.05)	\$-	(\$0.02)	(\$0.51)	(\$0.38)	(\$0.24)	(\$0.05)
Adjusted net (loss) earnings ¹	148	2,298	45	(653)	(12,966)	(5,652)	(6,125)	(2,472)
Basic adjusted net loss per share ¹	\$-	\$0.03	\$-	(\$0.01)	(\$0.15)	(\$0.07)	(\$0.07)	(\$0.03)
Funds from operations ¹	5,256	238	4,521	2,471	(5,734)	(620)	(1,482)	(2,015)
Backlog ¹	136 days	148 days	157 days	145 days	158 days	134 days	137 days	142 days

Selected Yearly Financial Information

As at and for the years ended December 31

(in thousands of United States dollars except per share amounts)	2016	2015	2014
	\$	\$	\$
Revenue	231,498	311,012	508,195
EBITDA	15,111	(54,696)	39,444
Adjusted EBITDA	20,011	3,959	35,045
Net (loss) earnings attributable to equity holders of 5N Plus	(5,895)	(97,198)	10,812
Basic (loss) earnings per share attributable to equity holders of 5N Plus	(\$0.07)	(\$1.16)	\$0.13
Net (loss) earnings	(5,896)	(97,201)	10,673
Basic (loss) per share	(\$0.07)	(\$1.16)	\$0.13
Diluted loss per share	(\$0.07)	(\$1.16)	\$0.05
Adjusted net (loss) earnings	1,838	(27,215)	10,636
Basic adjusted net loss per share	\$0.02	(\$0.32)	\$0.13
Funds from operations	12,486	(9,851)	17,592
Backlog	136 days	158 days	122 days
Balance Sheet			
Total assets	219,057	220,737	399,531
Total non-current liabilities	64,415	78,335	135,100
Net debt ¹	18,992	34,862	84,007
Shareholders' equity	88,522	96,632	196,443

¹ See Non-IFRS Measures

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 21, 2017



February 21, 2017

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 as at December 31, 2016 and 2015 and the consolidated statements of loss, 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.

*PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.
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"PwC" refers to PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l., an Ontario limited liability partnership.



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, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP¹

¹ CPA auditor, CA, public accountancy permit No. A116853

Consolidated Statements of Financial Position

(in thousands of United States dollars)

	Notes	December 31 2016	December 31 2015
		\$	\$
Assets			
Current			
Cash and cash equivalents		24,301	8,816
Accounts receivable	4	29,799	37,325
Inventories	5	80,309	89,052
Income tax receivable		6,819	2,632
Other current assets		2,831	1,820
Total current assets		144,059	139,645
Property, plant and equipment	6	59,945	67,646
Intangible assets	7	11,109	7,315
Deferred tax assets	15	1,883	3,478
Investment accounted for using the equity method	8	779	310
Derivative financial assets	16	189	-
Other assets	9	1,093	2,343
Total non-current assets		74,998	81,092
Total assets		219,057	220,737
Liabilities			
Current			
Trade and accrued liabilities	10	57,381	38,744
Income tax payable		8,422	6,598
Current portion of long-term debt	11	325	435
Total current liabilities		66,128	45,777
Long-term debt	11	-	1,512
Convertible debentures	12	43,157	40,288
Deferred tax liabilities	15	715	668
Employee benefit plan obligation	13	14,813	13,934
Derivative financial liabilities	16	68	1,530
Other liabilities	14,18	5,662	20,403
Total non-current liabilities		64,415	78,335
Total liabilities		130,543	124,112
Equity			
Equity holders of 5N Plus Inc.		88,522	96,632
Non-controlling interest		(8)	(7)
Total equity		88,514	96,625
Total liabilities and equity		219,057	220,737

Commitments and contingencies (Note 22)

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

Consolidated Statements of Loss

Years ended December 31
(in thousands of United States dollars, except per share information)

	Notes	2016	2015
		\$	\$
Revenue		231,498	311,012
Cost of sales	26	190,036	346,970
Selling, general and administrative expenses	26	25,986	28,494
Other expenses	26	12,072	23,210
Share of (gain) loss from joint ventures	8	(23)	316
		228,071	398,990
Operating earnings (loss)		3,427	(87,978)
Financial expenses			
Interest on long-term debt		3,429	4,617
Imputed interest and other interest expense		4,812	4,350
Changes in fair value of debenture conversion option	16	(20)	(1,840)
Foreign exchange and derivative gain		(925)	(4,276)
		7,296	2,851
Loss before income taxes		(3,869)	(90,829)
Income tax expense			
Current	15	440	3,655
Deferred	15	1,587	2,717
		2,027	6,372
Net loss		(5,896)	(97,201)
Attributable to:			
Equity holders of 5N Plus Inc.		(5,895)	(97,198)
Non-controlling interest		(1)	(3)
		(5,896)	(97,201)
Loss per share attributable to equity holders of 5N Plus Inc.	20	(0.07)	(1.16)
Basic loss per share	20	(0.07)	(1.16)
Diluted loss per share	20	(0.07)	(1.16)

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

Consolidated Statements of Comprehensive Loss

Years ended December 31
(Figures in thousands of United States dollars)

	Notes	2016	2015
		\$	\$
Net loss		(5,896)	(97,201)
Other comprehensive loss			
Items that may be reclassified subsequently to net loss			
Net changes in cash flow hedges			
Effective portion of changes in fair value of cash flow hedges	16	1,632	(354)
Reclassification to net loss		(1,221)	(262)
Income taxes		(55)	117
		356	(499)
Currency translation adjustment		(1,193)	(801)
		(837)	(1,300)
Items that will not be reclassified subsequently to net loss			
Remeasurement of employee benefit plan obligation	13	(1,643)	1,038
Income taxes		-	(2,516)
		(1,643)	(1,478)
Other comprehensive loss		(2,480)	(2,778)
Comprehensive loss		(8,376)	(99,979)
Attributable to equity holders of 5N Plus Inc.		(8,375)	(99,976)
Attributable to non-controlling interest		(1)	(3)

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

Consolidated Statements of Changes in Equity

Years ended December 31

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

Attributable to equity holders of the Company								
	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive loss	Deficit	shareholders' equity	Non-controlling interest	Total equity
2016								
Balances at beginning of year	83,979,657	\$ 343,506	\$ 4,079	\$ (6,447)	\$ (244,506)	\$ 96,632	\$ (7)	\$ 96,625
Net loss for the year	-	-	-	-	(5,895)	(5,895)	(1)	(5,896)
Other comprehensive loss								
Net changes in cash flow hedges	-	-	-	356	-	356	-	356
Currency translation adjustment	-	-	-	(1,193)	-	(1,193)	-	(1,193)
Remeasurement of employee benefit plan obligation	-	-	-	(1,643)	-	(1,643)	-	(1,643)
Total comprehensive loss	-	-	-	(2,480)	(5,895)	(8,375)	(1)	(8,376)
Common shares repurchased and cancelled (Note 19)	(201,100)	(822)	-	-	570	(252)	-	(252)
Share-based compensation	-	-	517	-	-	517	-	517
Balances at end of year	83,778,557	342,684	4,596	(8,927)	(249,831)	88,522	(8)	88,514
Attributable to equity holders of the Company								
	Number of shares	Share capital	Contributed Surplus	Accumulated other comprehensive loss	Deficit	shareholders' equity	Non-controlling interest	Total equity
2015								
Balances at beginning of year	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								
Net changes in cash flow hedges	-	-	-	(499)	-	(499)	-	(499)
Currency translation adjustment	-	-	-	(801)	-	(801)	-	(801)
Remeasurement of employee benefit plan obligation	-	-	-	(1,478)	-	(1,478)	-	(1,478)
Total comprehensive loss	-	-	-	(2,778)	(97,198)	(99,976)	(3)	(99,979)
Share-based compensation	-	-	165	-	-	165	-	165
Balances at end of year	83,979,657	343,506	4,079	(6,447)	(244,506)	96,632	(7)	96,625

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

Consolidated Statements of Cash Flows

Years ended December 31
(Figures in thousands of United States dollars)

	Notes	2016 \$	2015 \$
Operating activities			
Net loss		(5,896)	(97,201)
Adjustments to reconcile net loss to cash flows			
Depreciation of property, plant and equipment and amortization of intangible assets		10,739	27,166
Amortization of other assets		1,277	1,331
Amortization of deferred revenues	14	(187)	(796)
Impairment of inventories	5	-	58,327
(Reversal) allowance for doubtful accounts receivable	4, 24	(362)	799
Allowance for a doubtful note receivable from a related party	26	-	2,991
Share-based compensation expense	21	2,246	400
Deferred income taxes	15	1,587	2,717
Share of gain (loss) from joint ventures	8	(23)	316
Imputed interest		3,266	2,897
Employee benefit plan obligation	13	(252)	(232)
Change in fair value of debenture conversion option	16	(20)	(1,840)
Loss on disposal of property, plant and equipment		142	-
Unrealized loss on non-hedge financial instruments		-	198
Unrealized foreign exchange gain on assets and liabilities		(31)	(6,924)
Funds from (used in) operations before the following		12,486	(9,851)
Net change in non-cash working capital balances	18	10,978	73,860
Cash from operating activities		23,464	64,009
Investing activities			
Additions to property, plant and equipment	6, 18	(3,510)	(14,818)
Additions of intangible assets	7	(4,183)	(5,138)
Investment in a joint venture	8	(100)	(310)
Restricted cash		-	1,950
Cash used in investing activities		(7,793)	(18,316)
Financing activities			
Repayment of long-term debt		(3,143)	(67,613)
Proceeds from issuing long-term debt		1,505	17,829
Long-term debt issuance costs		(111)	(423)
Net decrease in bank indebtedness		-	(971)
Common shares repurchased	19	(252)	-
Financial instruments – net		-	(51)
Increase in other liabilities		2,000	2,100
Cash used in financing activities		(1)	(49,129)
Effect of foreign exchange rate changes on cash and cash equivalents		(185)	(525)
Net increase (decrease) in cash and cash equivalents		15,485	(3,961)
Cash and cash equivalents, beginning of year		8,816	12,777
Cash and cash equivalents, end of year		24,301	8,816
Supplemental information⁽¹⁾			
Income tax paid		2,433	2,585
Interest paid		3,285	3,924

⁽¹⁾ Amounts paid 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.

Notes to Consolidated Financial Statements

Years ended December 31

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

1. Nature of Activities

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

These consolidated financial statements were approved by the Board of Directors on February 21, 2017.

2. Summary of Principal Accounting Policies

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 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	
		2016	2015
5N Plus Inc.	Canada	100%	100%
5N PV GmbH	Germany	100%	100%
5N Plus Lübeck 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".

Notes to Consolidated Financial Statements

Years ended December 31

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

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, compounds and wafers.

The Eco-Friendly Materials segment mainly 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 expenses (revenues) have been regrouped under the heading "Corporate and unallocated".

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. Cash payments received or advances due pursuant to contractual arrangements are recorded as deferred revenue until all of the foregoing conditions of revenue recognition have been met.

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 overhaul and replacement are capitalized in 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 the 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.

Notes to Consolidated Financial Statements

Years ended December 31
(in thousands of United States dollars, unless otherwise indicated)

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:

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.

Notes to Consolidated Financial Statements

Years ended December 31
(in thousands of United States dollars, unless otherwise indicated)

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 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

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 16.

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.

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.

Notes to Consolidated Financial Statements

Years ended December 31

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

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, 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 expense 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.

Restructuring provisions, consisting of severance and other related costs to closures sites, are recognized when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimates of the associated costs, an appropriate timelines which has been communicated to those affected by it.

Research and development expenses

Research expenses are charged to the consolidated statement of (loss) earnings in the period they are incurred and are included under other expenses. Development expenses which are directly attributable expenses, either internal or external, are charged to the consolidated statement of (loss) earnings, except if the Company can demonstrate all of the following (in that case capitalised as an intangible assets – development costs):

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- Its intention to complete the intangible asset and use or sell it;
- Its ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits. Among other things, the Company can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

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.

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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 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.

An intangible asset and related equipment that are not yet available for their intended use are tested for impairment at least annually, which also requires significant judgement. To determine the recoverable amount (fair value less cost to dispose of these assets), management estimates expected future cash flows from the assets 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 the estimated forecasted prices obtained from various market sources including publically available metals information as at December 31, 2016. These key assumptions relate to future events and circumstances. The actual results will vary and may cause adjustments to the Company's intangible and tangible 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.

By their nature, assets not yet available for intended use have a higher estimation uncertainty, as they depend on future market development and the Company's ability to commercialize and manufacture new products to realize forecasted earnings. For example new manufacturing processes may not be scalable to industrial level within expected timeframe and new products might not receive sufficient market penetration. Management believes that the following assumptions are the most susceptible to change and impact the valuation of these assets in time: a) expected significant growth of the market for different metal products (demand), b) selling prices which have an impact on revenues and metal margins (pricing), and c) the discount rate associated with new processes and products (after considering a premium over the Company's weighted average cost of capital (WACC) to reflect the additional uncertainty).

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, 2016, are provided in note 12.

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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 15).

3. Changes in Accounting Policies and Futures Changes in Accounting Policies

Future changes in accounting policies

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

In May 2014, the IASB issued IFRS 15, "Revenues from Contracts with Customers", to specify how and when to recognize revenue as well as requiring the provision of more information and relevant disclosure. IFRS 15 supersedes IAS 18, "Revenue", IAS 11, "Construction Contracts", and other revenue-related interpretations. The standard will be mandatory on January 1, 2018 for the Company with earlier adoption permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

In July 2014, the IASB amended IFRS 9, "Financial Instruments", to bring together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39, "Financial Instruments: Recognition and Measurement". The standard supersedes all previous versions of IFRS 9 and will be mandatory on January 1, 2018 for the Company with earlier application permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

In January 2016, IASB issued IFRS 16, "Leases", which specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The standard will be mandatory for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

4. Accounts Receivable

	2016	2015
	\$	\$
Gross trade receivables	25,095	31,469
Allowance for doubtful accounts (Note 24)	(126)	(488)
Trade receivables	24,969	30,981
Sales taxes receivable	3,643	4,081
Accounts receivable from a related party (Note 23)	-	831
Other receivables (2015 - net of allowance for doubtful of \$415)	1,187	1,432
Total accounts receivable	29,799	37,325

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 24.

Most of the accounts receivable are pledged as security for the revolving credit facility (Note 11).

5. Inventories

	2016	2015
	\$	\$
Raw materials	24,436	28,200
Finished goods	55,873	60,852
Total inventories	80,309	89,052

For the year ended December 31, 2016, a total of \$150,400 of inventories was included as an expense in cost of sales (2015 – \$316,688). For the year ended December 31, 2015, these include \$58,327 of impairment of inventories (\$28,338 for the Eco Friendly Materials segment and \$29,989 for the Electronic Materials segment).

For the year ended December 31, 2016, a total of \$23,642 previously written down was recognized as a reduction of expenses in cost of sales (\$8,089 for the Eco-Friendly Materials segment and \$15,553 for the Electronic Materials segment) (2015 – \$32,394 [\$24,702 for the Eco-Friendly Materials segment and \$7,692 for the Electronic Materials segment]).

The majority of inventories are pledged as security for the revolving credit facility (Note 11).

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6. Property, Plant and Equipment

	Land and buildings	Production equipment	Furniture, office equipment and rolling stock	Leasehold improvements	Total
	\$	\$	\$	\$	\$
Net book value as at December 31, 2014	22,331	41,627	2,342	1,961	68,261
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)
Net book value as at December 31, 2015	21,406	42,105	2,219	1,916	67,646
Additions	738	1,409	516	407	3,070
Disposals	-	(96)	(46)	-	(142)
Depreciation (Note 26)	(1,459)	(7,812)	(947)	(135)	(10,353)
Effect of foreign exchange and others	(194)	(20)	(20)	(42)	(276)
Net book value as at December 31, 2016	20,491	35,586	1,722	2,146	59,945
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)
Net book value	21,406	42,105	2,219	1,916	67,646
As at December 31, 2016					
Cost	27,526	57,775	2,307	3,185	90,793
Accumulated depreciation	(7,035)	(22,189)	(585)	(1,039)	(30,848)
Net book value	20,491	35,586	1,722	2,146	59,945

As at December 31, 2016, property, plant and equipment that were not depreciated until ready for their intended use amounted to \$5,874 (2015 – \$5,450) (mainly production equipment).

Most of the property, plant and equipment are pledged as security for the revolving credit facility (Note 11).

7. 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, 2014	6,542	4,468	406	4,312	15,728
Additions	-	-	-	5,138	5,138
Disposals and others	-	-	-	(20)	(20)
Amortization ⁽¹⁾	(6,542)	(1,442)	(406)	(5,141)	(13,531)
Net book value as at December 31, 2015	-	3,026	-	4,289	7,315
Additions	-	-	-	4,183	4,183
Disposals and others	-	-	-	(3)	(3)
Amortization	-	-	-	(386)	(386)
Net book value as at December 31, 2016	-	3,026	-	8,083	11,109
As at December 31, 2015					
Cost	-	3,026	-	6,517	9,543
Accumulated amortization	-	-	-	(2,228)	(2,228)
Net book value	-	3,026	-	4,289	7,315
As at December 31, 2016					
Cost	-	3,026	-	10,267	13,293
Accumulated amortization	-	-	-	(2,184)	(2,184)
Net book value	-	3,026	-	8,083	11,109

⁽¹⁾ 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, 2016, intangible assets that were not depreciated until ready for their intended use amounted to \$10,401 (2015 – \$6,562). The categories of development costs which includes capitalized costs of \$7,350 (2015 - \$3,537), primarily consist of internally generated intangible assets.

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8. Investments Accounted for Using the Equity Method

	2016	2015
	\$	\$
Beginning of year	310	316
Share of gain (loss) from joint ventures	23	(316)
New investment	446	310
End of year	779	310

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.

	2016	2015
	\$	\$
Total current assets	1,568	4,100
Total non-current assets	625	3,501
Total current liabilities	560	2,210
Total non-current liabilities due to venturers	5,651	6,041
Total revenues	2,474	5,314
Total net loss	(5,170)	(1,825)

On December 31, 2016, following the closure of its manufacturing activities earlier this year, Ingal sold its assets. In 2016, the unrecognized share of loss of this joint venture for which the Company ceased to recognize when applying the equity method is \$2,873 (2015 – \$597).

9. Other Assets

	2016	2015
	\$	\$
Deferred costs	353	1,519
Other	740	824
Total other assets	1,093	2,343

10. Trade and Accrued Liabilities

	2016	2015
	\$	\$
Trade payables ⁽¹⁾	41,266	26,357
Accrued liabilities ⁽²⁾	16,115	12,387
Total trade and accrued liabilities	57,381	38,744

⁽¹⁾ In 2016, the Company proceeded with a reclassification of \$16,038 from other liabilities to trade and accrued liabilities, for which final settlement is due in April 2017. Based on the agreement, the Company has the option to settle the majority of this amount in kind by the delivery of commercial grade metal currently available from excess and paid inventory, with no significant cashflow impact.

⁽²⁾ As at December 31, 2016, an amount of \$781 was still outstanding in respect of the \$1,521 provision outstanding as at December 31, 2015.

11. Bank Indebtedness and Long-Term Debt

a) Bank indebtedness

The Company has a Chinese renminbi (“RMB”) credit line with a financial institutions in China. This credit line is guaranteed by certain assets of the Company in China. The credit line bears interest at RMB base rate plus 2% to 4%.

	2016		2015	
	Contractual Currency RMB	Reporting Currency US\$	Contractual Currency RMB	Reporting Currency US\$
Facility available	10,000	1,438	10,000	1,541
Amount drawn	-	-	-	-

b) Long-term debt

	2016	2015
	\$	\$
Senior secured revolving facility of \$50,000 (\$100,000 as at December 31, 2015) with a syndicate of banks, maturing in August 2018 ⁽¹⁾	-	1,475
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⁾	325	420
Other loans	-	52
	325	1,947
Less current portion of long-term debt	325	435
	-	1,512

⁽¹⁾ In August 2014, the Company signed a senior secured multi-currency revolving credit facility of \$125,000 maturing in August 2018, which was reduced to \$100,000 as at June 30, 2015 and subsequently to \$50,000 as at February 18, 2016. At any time, the Company has the option to request that the credit facility be expanded through the exercise of an additional \$50,000 accordion feature, subject to review and approval by the lenders. This revolving credit facility can be drawn in US dollars, Canadian dollars or Hong Kong dollars. Drawings bear interest at either the Canadian prime rate, US base rate, Hong Kong base rate or LIBOR, plus a margin based on the Company’s senior consolidated debt to EBITDA ratio. Under the terms of its credit facility, the Company is required to satisfy certain restrictive covenants as to financial ratios, including a temporary drawing limit on the credit facility of maximum \$25,000 until the first quarter 2017 financial statements are published. During the first quarter of 2016, an amount of deferred costs of \$897 was expensed and recorded in Imputed interest and other interest expense. As at December 31, 2016, 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, 2016 and 2015.

⁽²⁾ 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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12. 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 16). 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.

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, 2016 and 2015, and have not changed substantially except for the expected life of 2.5 and 3.5 years respectively and for average expected volatility of 43.1% as at December 31, 2016. On December 7, 2015, the Company entered into a cross-currency swap to hedge the convertible debenture denominated in Canadian dollars to US dollars (Note 16).

13. Employee Benefit Plan Obligation

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 Unterstuetzungseinrichtung der HEK GmbH e.V. Such promises had been made for employees with entry date of December 31, 1993 or earlier.

	2016	2015
	\$	\$
Present value of unfunded obligations	14,813	13,934

Movement in the defined benefit obligation is as follows:

	2016	2015
	\$	\$
Beginning of year	13,934	16,928
Current service cost	70	85
Interest cost	331	303
Effect of foreign exchange	(512)	(1,724)
Benefits paid	(653)	(620)
Actuarial losses (gains)	1,643	(1,038)
End of year	14,813	13,934

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

	2016	2015
Discount rate	1.7%	2.4%
Salary growth rate	2.0%	2.0%
Pension growth rate	1.8%	1.8%

Assumptions regarding mortality are based on mortality tables "Richttafeln 2005 G" by Prof. Dr. Klaus Heubeck as biometrical basis in accordance with age of earliest retirement by law *RV-Altersgrenzenanpassungsgesetz*, dated April 20, 2007.

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.

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50%	(6.64)%	7.44%
Salary growth rate	0.50%	0.58%	(0.56)%
Pension growth rate	0.50%	5.71%	(5.24)%
		Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy		4.13%	(3.66)%

The weighted average duration of the defined benefit obligation is 14 years (2015 – 13.56 years).

Expected maturity analysis of undiscounted pension liability:

	2016	2015
	\$	\$
Less than a year	628	612
Between 1 and 5 years	2,649	2,599
Over 5 years	15,882	16,815
Total	19,159	20,026

Expected contributions to pension benefit plans for year ending December 31, 2017 are \$628.

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14. Other Liabilities

	Long-term payable	Deferred revenues	Other	Total
	\$	\$	\$	\$
As at December 31, 2014	12,821	2,331	559	15,711
Additions	2,362	3,600	34	5,996
Utilized	-	(796)	(346)	(1,142)
Unutilized amounts reversed	(162)	-	-	(162)
As at December 31, 2015	15,021	5,135	247	20,403
Additions	1,017	471	-	1,488
Utilized	-	(187)	(4)	(191)
Reclassified to current liabilities (Notes 10 et 18)	(16,038)	-	-	(16,038)
As at December 31, 2016	-	5,419	243	5,662

15. Income Taxes

	2016	2015
	\$	\$
Current tax:		
Current tax for the year	175	2,831
Adjustment in respect of prior years	265	824
Total current tax	440	3,655
Deferred tax:		
Recognition and reversal of temporary differences	1,538	(5,207)
Change in tax rate	49	-
Write down of deferred tax assets	-	7,924
Total deferred tax	1,587	2,717
Income tax expense	2,027	6,372

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

	2016	2015
	\$	\$
Loss before income tax	(3,869)	(90,829)
Canadian statutory income tax rates	26.9%	26.9%
Income tax on loss at Canadian statutory rate	(1,041)	(24,433)
Increase (decrease) resulting from:		
Unrecorded losses carried forward	2,408	16,112
Write down of deferred tax assets	-	7,924
(Non-taxable gain) non-deductible expenses for tax purposes	(478)	(574)
Benefits arising from a financing structure	(773)	(771)
Non-deductible (taxable) foreign exchange	510	3,288
Effect of difference of foreign tax rates compared to Canadian tax rates	855	1,978
Prior year adjustments	265	2,004
Other	281	844
Income tax expense	2,027	6,372

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:

	2016	2015
	\$	\$
Deferred tax assets:		
To be recovered within 12 months	1,016	1,529
To be recovered after 12 months	867	1,949
Deferred tax liabilities:		
To be settled within 12 months	(90)	(54)
To be settled after 12 months	(625)	(614)
Deferred tax assets (liabilities), net	1,168	2,810

Movement in the deferred income tax amounts is as follows:

	2016	2015
	\$	\$
Beginning of year	2,810	7,926
Tax charge relating to components of other comprehensive loss	(55)	(2,399)
Credited to consolidated statement of loss	(1,587)	(2,717)
End of year	1,168	2,810

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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, 2014	\$ 6,382	2,320	515	5,622	2,833	2,096	19,768	(8,731)	11,037
(Charged) credited to consolidated statements of loss	(3,707)	(618)	80	(1,898)	(317)	2,296	(4,164)		
Credited (charged) to comprehensive loss	-	-	-	-	(2,516)	117	(2,399)		
As at December 31, 2015	2,675	1,702	595	3,724	-	4,509	13,205	(9,727)	3,478
(Charged) credited to consolidated statements of loss	(1,458)	138	68	435	-	(3,821)	(4,638)		
Credited (charged) to comprehensive loss	-	-	-	-	-	(55)	(55)		
As at December 31, 2016	1,217	1,840	663	4,159	-	633	8,512	(6,629)	1,883
Deferred tax liabilities	Property, plant and equipment	Inventories	Intangible assets	Convertible debentures	Others	Total	Offset by jurisdiction	Total	
As at December 31, 2014	\$ 2,924	1,149	5,384	1,859	526	11,842	(8,731)	3,111	
Charged (credited) to consolidated statements of loss	2,720	(931)	(4,570)	1,111	223	(1,447)			
As at December 31, 2015	5,644	218	814	2,970	749	10,395	(9,727)	668	
Charged (credited) to consolidated statements of loss	(3,738)	132	-	135	420	(3,051)			
As at December 31, 2016	1,906	350	814	3,105	1,169	7,344	(6,629)	715	

Deferred tax assets of \$1,883 (2015 – \$3,092), 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, 2016 and 2015.

As at December 31, 2016, the Company had the following operating tax losses available for carry forward for which no deferred tax benefit has been recorded in the accounts.

	\$	Expiry
United Kingdom	49,668	No limit
Belgium	46,510	No limit
United States	26,611	No limit
Germany	3,838	No limit
Hong Kong	17,882	No limit
Korea	1,491	2023-2026
China	6,276	2017-2021

As at December 31, 2016, the Company had other deductible temporary differences of \$10,508 for which no deferred tax benefit has been recorded (2015 – \$9,114).

16. Fair Value of Financial Instruments

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

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

- (i) The fair value of its short-term financial assets and financial liabilities, including cash and cash equivalents, accounts receivable and trade and accrued liabilities approximates their carrying value due to the short-term maturities of these instruments;
- (ii) The fair value of derivative instruments, which includes cross-currency swap, is calculated as the present value of the estimated future cash flows using an appropriate interest rate yield curve and foreign exchange rate. Assumptions are based on market conditions prevailing at each reporting date. Derivative instrument reflect the estimated amount that the Company would receive or pay to settle the contracts at the reporting date;
- (iii) The fair value of the debenture conversion option, included in derivative financial liabilities, is described in Note 12;
- (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, 2016 and December 31, 2015:

As at December 31, 2016					Carrying	Fair
	At fair value	Loans and	Financial	Derivative	Value	value
	through profit or loss	receivables	liabilities at amortized cost	designated in a hedge relationship	Total	Total
	\$	\$	\$	\$	\$	\$
Financial assets						
Cash and cash equivalents	-	24,301	-	-	24,301	24,301
Accounts receivable	-	29,799	-	-	29,799	29,799
Derivative financial assets	-	-	-	189	189	189
Total	-	54,100	-	189	54,289	54,289

Financial liabilities						
Trade and accrued liabilities	-	-	57,381	-	57,381	57,381
Long-term debt	-	-	325	-	325	325
Convertible debentures and debenture conversion option (included in derivative financial liabilities)	68	-	43,157	-	43,225	44,421
Total	68	-	100,863	-	100,931	102,127

As at December 31, 2015					Carrying	Fair
	At fair value	Loans and	Financial	Derivative	value	value
	through profit or loss	receivables	liabilities at amortized cost	designated in a hedge relationship	Total	Total
	\$	\$	\$	\$	\$	\$
Financial assets						
Cash and cash equivalents	-	8,816	-	-	8,816	8,816
Accounts receivable	-	37,325	-	-	37,325	37,325
Total	-	46,141	-	-	46,141	46,141

Financial liabilities						
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
Total	87	-	95,918	1,443	97,448	93,113

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:

As at December 31, 2016	Level 1	Level 2	Level 3
	\$	\$	\$
Financial assets (liabilities)			
At fair value through profit or loss			
Debenture conversion option (Note 12) ⁽¹⁾	-	-	(68)
Derivatives designated in a hedge relationship			
Cross-currency swap ⁽²⁾	-	189	-
Total	-	189	(68)

As at December 31, 2015	Level 1	Level 2	Level 3
	\$	\$	\$
Financial assets (liabilities)			
At fair value through profit or loss			
Debenture conversion option (Note 12) ⁽¹⁾	-	-	(87)
Derivatives designated in a hedge relationship			
Cross-currency swap ⁽²⁾	-	(1,443)	-
Total	-	(1,443)	(87)

⁽¹⁾ This instrument is classified as a Level 3 financial instrument, since the implied volatility is an unobservable input. The change in fair value of debenture conversion option of \$20 and \$1,840 was recognized in the consolidated statement of loss for the year ended December 31, 2016 and 2015, respectively. An increase of 5% in the volatility would have increased the fair value of the debenture conversion option by \$67 and a decrease of 5% would have decreased the fair value of the debenture conversion option by \$42.

⁽²⁾ On December 7, 2015, the Company entered into a cross-currency swap to hedge the convertible debenture denominated in Canadian dollars with a notional amount of CA\$66,000 and bearing interest at a rate of 5.75% per annum, payable semi-annually on June 30 and December 31. Under this cross-currency swap, the Company 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.

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17. Operating Segments

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

For the year ended December 31, 2016	Eco-Friendly Materials	Electronic Materials	Corporate and unallocated	Total
	\$	\$	\$	\$
Segment revenues ⁽¹⁾	152,460	79,038	-	231,498
Adjusted EBITDA ^{(2) (3)}	13,467	19,824	(13,180) ⁽⁴⁾	20,111
Interest on long-term debt, imputed interest and other interest expense	-	-	8,241	8,241
Litigation and restructuring costs (Note 26)	2,628	1,309	2,008	5,945
Change in fair value of debenture conversion option	-	-	(20)	(20)
Foreign exchange and derivative gain	-	-	(925)	(925)
Depreciation and amortization	4,778	5,711	250	10,739
Loss before income tax	6,061	12,804	(22,734)	(3,869)
Capital expenditures	1,557	1,953	-	3,510

For the year ended December 31, 2015	Eco-Friendly Materials	Electronic Materials	Corporate and unallocated	Total
	\$	\$	\$	\$
Segment revenues ⁽¹⁾	206,747	104,265	-	311,012
Adjusted EBITDA ^{(2) (3)}	2,839	10,740	(9,620) ⁽⁴⁾	3,959
Interest on long-term debt, imputed interest and other interest expense	-	-	8,967	8,967
Impairment of inventories (Note 5)	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)
Capital expenditures	6,674	8,112	32	14,818

⁽¹⁾ The total revenues of \$14,422 (2015 – \$15,508) from the recycling and trading of complex materials is allocated to the Eco-Friendly materials and Electronic materials segments.

⁽²⁾ Loss before income tax, depreciation and amortization, allowance for a doubtful note receivable from a related party, impairment of inventories, litigation and restructuring costs and financial expense (revenues).

⁽³⁾ The total adjusted EBITDA of \$1,641 (2015 – adjusted EBITDA negative of \$555) from the recycling and trading of complex materials is allocated to the Eco-Friendly materials and Electronic materials segments.

⁽⁴⁾ The total share-based compensation expense is included in Corporate and unallocated (Note 26).

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

As at December 31, 2015	Eco-Friendly Materials	Electronic Materials	Corporate and unallocated	Total
	\$	\$	\$	\$
Total assets excluding the deferred tax asset:	104,157	108,342	4,760	217,259

The geographic distribution of the Company's revenues based on the location of the customers for the years ended December 31, 2016 and 2015, and the identifiable non-current assets as at December 31, 2016 and 2015 are summarized as follows:

Revenues	2016	2015
	\$	\$
Asia		
China	11,551	23,330
Japan	4,563	5,859
Other ⁽¹⁾	53,180	61,639
Americas		
United States	46,502	72,715
Other	12,165	15,572
Europe		
France	14,837	20,072
Germany	29,954	35,064
United Kingdom	8,327	9,214
Other ⁽¹⁾	44,105	61,236
Other	6,314	6,311
Total	231,498	311,012

Non-current assets (other than deferred tax assets)	2016	2015
	\$	\$
Asia ⁽¹⁾	15,721	17,470
United States	5,496	5,124
Canada	22,028	22,260
Europe		
Belgium	9,017	9,614
Germany	18,937	19,683
Other	1,916	3,463
Total	73,115	77,614

⁽¹⁾ None exceeding 10%

For the year ended December 31, 2016, one customer represented approximately 16% (2015 – 12%) of the revenues, and is included in the Electronic Materials revenues.

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18. Supplemental Cash Flow Information

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

	2016	2015
	\$	\$
Decrease (increase) in assets:		
Accounts receivable	6,238	35,767
Inventories	9,226	58,347
Income tax receivable	(4,187)	73
Other current assets	(927)	1,270
(Decrease) increase in liabilities:		
Trade and accrued liabilities	(1,196)	(22,131)
Income tax payable	1,824	534
Net change	10,978	73,860

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

	2016	2015
	\$	\$
a) Excluded additions unpaid at end of year:		
Additions to property, plant and equipment	3,741	4,181
b) Included additions unpaid at beginning of year:		
Additions to property, plant and equipment	4,181	5,423
c) Excluded a reclassification from other liabilities to trade and accrued liabilities for which final settlement and payment are due in April 2017 (Note 10)	16,038	-

19. 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, 2016 and 2015, no preferred shares were issued.

On October 5, 2016, the Toronto Stock Exchange 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 October 11, 2016 to October 10, 2017, a maximum of 600,000 common shares. At the end of December 31, 2016, the Company has repurchased and cancelled 201,100 common shares at an average price of \$1.26 for a total amount of \$252. An amount of \$822 has been applied against share capital, and a negative amount of \$570 has been applied against the deficit. The acquired common shares have been cancelled.

20. Loss per Share

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

Numerators	2016	2015
	\$	\$
Net loss attributable to equity holders of 5N Plus	(5,895)	(97,198)
Net loss for the period	(5,896)	(97,201)

Denominators	2016	2015
Basic and diluted weighted average number of shares	83,977,281	83,979,657

As at December 31, 2016, a total number of 2,860,648 stock options were excluded from the diluted weighted average number of shares due to their anti-dilutive effect because of the Company's stock price. The same applies to the convertible debentures.

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.

21. Share-Based Compensation

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 3 years.

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, 2016, the Company granted nil RSUs (2015 – 276,000), 148,950 of RSUs were paid (2015 – 23,612) and 17,550 RSUs were cancelled (2015 – 33,043). As at December 31, 2016, 440,000 RSUs were outstanding (2015 – 606,500).

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Restricted Share Unit and Performance Share Unit Plan

On November 4, 2015, the Company adopted a new Restricted Share Unit ("RSU") 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, not exceeding three years, 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.

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, 2016, the Company granted 1,245,000 New RSUs (2015 – nil) and 20,000 New RSUs were cancelled (2015 – nil). As at December 31, 2016, 1,225,000 New RSUs were outstanding (2015 – nil).

For the year ended December 31, 2016, the Company granted 500,000 PSUs (2015 – nil) and, as at December 31, 2016, 500,000 PSUs were outstanding (2015 – nil).

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, 2016, the Company granted 35,000 SARs (2015 – 120,000), 4,519 of SARs were expired (2015 – nil) and 95,000 SARs were cancelled (2015 – 7,970). As at December 31, 2016, 265,151 SARs were outstanding (2015 – 329,670).

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 (with the exception of the 400,000 DSUs granted to the Company’s CEO on March 2, 2016 which will vest on March 2, 2019) 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, 2016, the Company granted 745,503 DSUs (2015 – 272,343 DSUs) and 109,060 DSUs were paid (2015 – 17,500). As at December 31, 2016, 1,014,164 DSUs were outstanding (2015 – 377,721).

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, 2016 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.

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The following table presents information concerning all outstanding stock options:

	2016		2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average Exercise price
Outstanding, beginning of year	1,558,345	CA\$ 3.74	1,702,100	CA\$ 4.21
Granted	1,445,000	1.65	232,000	2.40
Cancelled	-	-	(75,755)	3.24
Expired	(142,697)	4.90	(300,000)	5.45
Outstanding, end of year	2,860,648	2.63	1,558,345	3.74
Exercisable, end of year	1,311,898	3.39	1,024,324	4.08

The outstanding stock options as at December 31, 2016 are as follows:

Maturity	Exercise price		Number of options
	Low	High	
	CA\$	CA\$	
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
March 2022	1.65	1.65	1,445,000
			<u>2,860,648</u>

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, 2016 and 2015:

	2016	2015
Expected stock price volatility	70%	40%
Dividend	None	None
Risk-free interest rate	0.63%	0.74%
Expected option life	4 years	4 years
Fair value – weighted average of options issued	CA\$0.86	CA\$0.75

The following table shows the share-based compensation expense recorded in the consolidated statements of earnings for the years ended December 31, 2016 and 2015:

Expense	2016	2015
	\$	\$
RSUs	854	28
PSUs	117	-
SARs	54	(27)
DSUs	704	234
Stock options	517	165
Total	2,246	400

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

Liability	2016	2015
	\$	\$
RSUs	886	259
PSUs	113	-
SARs	90	36
DSUs	960	417
Total	2,049	712

22. Commitments and Contingencies

Commitments

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

	2016	2015
	\$	\$
No later than 1 year	2,044	2,289
Later than 1 year but no later than 5 years	4,367	2,479
Later than 5 years	-	364
Total	6,411	5,132

As at December 31, 2016, in the normal course of business, the Company contracted letters of credit for an amount of up to \$741 (2015 – \$502).

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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23. Related Party Transactions

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

Unless otherwise stated, none of the transactions incorporate 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 4).

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 26).

Ingal, a 50% joint venture, supplies gallium metal to other companies of the group. During the year ended December 31, 2016, the Company purchased \$496 worth of gallium from Ingal (2015 – \$2,634). On December 31, 2016, following the closure of its manufacturing activities earlier this year, Ingal sold its assets.

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:

	2016	2015
	\$	\$
Wages and salaries	2,649	3,048
Share-based compensation	2,005	400
Total	4,654	3,448

24. 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, certain local operating expenses 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, 2016:

	2016				
	CA\$	EUR	GBP	RMB	Other
	\$	\$	\$	\$	\$
Cash and cash equivalents	498	1,556	448	652	395
Accounts receivable	520	7,733	743	3,428	1,101
Trade and accrued liabilities	(6,618)	(9,941)	(3,506)	(4,127)	(1,084)
Long-term debt	(325)	-	-	-	-
Net financial assets (liabilities)	(5,925)	(652)	(2,315)	(47)	412

The following table shows the impact on loss before income tax of a five-percentage point strengthening or weakening of foreign currencies against the US dollar as at December 31, 2016 for the Company's financial instruments denominated in non-functional currencies:

	CA\$	EUR	GBP	RMB	Other
	\$	\$	\$	\$	\$
5% Strengthening	(296)	(33)	(116)	(2)	21
5% Weakening	296	33	116	2	(21)

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. As at December 31, 2016, the Company has no foreign exchange contracts outstanding.

(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 fluctuation by ensuring that a reasonable portion of its 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.

Notes to Consolidated Financial Statements

Years ended December 31

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

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 recoverability; therefore, the carrying amount of accounts receivable generally represents the maximum credit exposure. As at December 31, 2016 and 2015, the Company has an allowance for doubtful accounts of \$126 and \$488 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, 2016, no financial assets were past due except for trade receivables. The aging analysis of trade receivables is as follows:

	2016	2015
	\$	\$
Up to 3 months	3,414	7,181
More than 3 months	91	917
Total	3,505	8,098

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

	2016	2015
	\$	\$
Beginning of year	488	104
Provision for impairment	73	453
Unused amounts reversed	(435)	(69)
End of year	126	488

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

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, 2016:

	2016				
	Carrying amount	1 year	2 year	3 year	Total
	\$	\$	\$	\$	\$
Trade and accrued liabilities (Note 10)	57,381	57,381	-	-	57,381
Long-term debt	325	325	-	-	325
Convertible debentures	43,157	3,170	3,170	50,474	56,814
Total	100,863	60,876	3,170	50,474	114,520

25. 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 long-term debt, convertible debentures and cross-currency swap in the consolidated statement of financial position) less cash and cash equivalents. 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, 2016 and 2015 are as follows:

	2016	2015
	\$	\$
Long-term debt including current portion	325	1,947
Convertible debentures	43,157	40,288
Cross-currency swap (Note 16)	(189)	1,443
Total debt	43,293	43,678
Less: Cash and cash equivalents	(24,301)	(8,816)
Net debt	18,992	34,862
Shareholders' equity	88,522	96,632
Debt-to-equity ratio	21%	36%

Notes to Consolidated Financial Statements

Years ended December 31

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

26. Expenses by Nature

Expenses by nature	2016	2015
	\$	\$
Wages and salaries	37,383	39,942
Share-based compensation expense (included in Corporate and unallocated)(Note 21)	2,246	400
Depreciation of property, plant and equipment and amortization of intangible assets (Notes 6 and 7) ⁽¹⁾	10,739	27,166
Amortization of other assets	1,277	1,331
Research and development, net of tax credit	3,212	2,671
Litigation and restructuring costs ⁽¹⁾	5,945	3,453
Impairment of inventories (Note 5)	-	58,327
Allowance for a doubtful note receivable from a related party (Note 23)	-	2,991

- ⁽¹⁾ On September 29, 2016, the Company announced its intention to consolidate the Company's operations at Wellingborough, U.K. with other sites within the Group, as well as consolidate the operations of DeForest-Wisconsin, U.S.A. and Fairfield-Connecticut, U.S.A. during the first half of 2017 into a newly updated and scaled facility, located in the state of Connecticut, more precisely in the City of Trumbull. Therefore, during the third quarter of 2016, the Company recorded a provision for restructuring costs in accordance with IAS 37 "Provision, contingent liabilities and contingent assets" for an amount of \$3,500 which consist mainly of severances and other related costs to closures sites. As at December 31, 2016, an amount of \$155 was paid. In addition, the Company recorded an accelerated depreciation of \$1,804 following the review of the economic life and carrying value of its property, plant and equipment of these sites.

Board of Directors



- 1 **Arjang J. (AJ) Roshan**
President and Chief Executive Officer
- 2 **Luc Bertrand**
Chairman of the Board

- 3 **Jean-Marie Bourassa**
Chairman of the Audit and Risk Management Committee
- 4 **James T. Fahey**
Member of the Governance and Compensation Committee - Member Audit and Risk Management

- 5 **Jennie S. Hwang**
Member of the Governance and Compensation Committee - Member Audit and Risk Management
- 6 **Nathalie Le Prohon**
Chair of the Governance and Compensation Committee

Executive Committee



- 1 **Arjang J. (AJ) Roshan**
President and Chief Executive Officer
- 2 **Richard Perron**
Chief Financial Officer

- 3 **Nicholas Audet**
Executive Vice President, Electronic Materials
- 4 **Paul Tancell**
Executive Vice President, Eco-Friendly Materials

- 5 **Evelyne Bundock**
Vice President, Human Resources
- 6 **Pascal Coursol**
Vice President, Recycling, Refining and Corporate R&D

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
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ANNUAL MEETING

The annual shareholders meeting will be
held on Wednesday, May 3, 2017
at 10:00 a.m.

Club Saint-James
1145 Union Avenue
Montreal, Quebec

For more information, please contact:

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www.5nplus.com



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