



5N PLUS INC.

Condensed Interim Consolidated Financial Statements
(Unaudited)

For the three-month periods ended March 31, 2021 and 2020
(in thousands of United States dollars)

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

	Notes	March 31 2021	December 31 2020
		\$	\$
Assets			
Current			
Cash and cash equivalents		35,386	39,950
Accounts receivable		29,711	30,110
Inventories	3	67,930	67,139
Income tax receivable		5,474	5,440
Other current assets	10	11,627	8,256
Total current assets		150,128	150,895
Property, plant and equipment		52,352	53,191
Right-of-use assets		4,760	5,047
Intangible assets		9,358	9,668
Deferred tax assets		5,707	6,789
Other assets	10	3,125	1,088
Total non-current assets		75,302	75,783
Total assets		225,430	226,678
Liabilities			
Current			
Trade and accrued liabilities		37,030	31,671
Income tax payable		3,624	3,328
Current portion of long-term debt	4	-	109
Current portion of lease liabilities		1,295	1,442
Total current liabilities		41,949	36,550
Long-term debt	4	45,000	50,000
Employee benefit plan obligation		15,588	17,202
Derivative financial liabilities	4, 10	354	439
Lease liabilities		3,766	3,916
Other liabilities		195	195
Total non-current liabilities		64,903	71,752
Total liabilities		106,852	108,302
Equity		118,578	118,376
Total liabilities and equity		225,430	226,678

Commitments and contingencies (Note 11)
Proposed acquisition of AZUR SPACE (Note 12)

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

5N PLUS INC.

INTERIM CONSOLIDATED STATEMENTS OF EARNINGS

For the three-month periods ended March 31

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

	Notes	2021	2020
		\$	\$
Revenue		46,876	49,954
Cost of sales	3, 5	37,417	40,460
Selling, general and administrative expenses	5	4,976	4,891
Other expenses (income), net	5	2,229	1,015
		44,622	46,366
Operating earnings		2,254	3,588
Financial (income) expense			
Interest on long-term debt		634	682
Imputed interest and other interest expense		106	217
Foreign exchange and derivative (gain) loss		(859)	449
		(119)	1,348
Earnings before income taxes		2,373	2,240
Income tax expense			
Current		756	1,337
Deferred		854	311
		1,610	1,648
Net earnings		763	592
Attributable to:			
Equity holders of 5N Plus Inc.		763	592
		763	592
Earnings per share attributable to equity holders of 5N Plus Inc.	7	0.01	0.01
Basic earnings per share	7	0.01	0.01
Diluted earnings per share	7	0.01	0.01

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

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three-month periods ended March 31

(in thousands of United States dollars) (unaudited)

	2021	2020
	\$	\$
Net earnings	763	592
Other comprehensive income		
Items that may be reclassified subsequently to net earnings		
Currency translation adjustment	(263)	(310)
	(263)	(310)
Items that will not be reclassified subsequently to net earnings		
Remeasurement of employee benefit plan obligation	726	955
Income taxes	(229)	(302)
	497	653
Other comprehensive income	234	343
Comprehensive income	997	935
Attributable to equity holders of 5N Plus Inc.	997	935

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

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

For the three-month periods ended March 31

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

	Attributable to equity holders of the Company						
	Number of shares	Share Capital	Contributed Surplus	Accumulated other comprehensive loss	Deficit	Total shareholders' equity	Total Equity
2021							
Balances at beginning of period	81,651,130	\$ 5,835	\$ 342,802	\$ (5,716)	\$ (224,545)	\$ 118,376	\$ 118,376
Net earnings for the period	-	-	-	-	763	763	763
Other comprehensive income	-	-	-	234	-	234	234
Comprehensive income	-	-	-	234	763	997	997
Common shares repurchased and cancelled (Note 6)	(249,572)	(17)	-	-	(792)	(809)	(809)
Share-based compensation	-	-	14	-	-	14	14
Balances at end of period	81,401,558	5,818	342,816	(5,482)	(224,574)	118,578	118,578

	Attributable to equity holders of the Company						
	Number of shares	Share Capital	Contributed Surplus	Accumulated other comprehensive loss	Deficit	Total shareholders' equity	Total Equity
2020							
Balances at beginning of period	83,401,558	\$ 5,961	\$ 342,737	\$ (6,750)	\$ (224,651)	\$ 117,297	\$ 117,297
Net earnings for the period	-	-	-	-	592	592	592
Other comprehensive income	-	-	-	343	-	343	343
Comprehensive income	-	-	-	343	592	935	935
Common shares repurchased and cancelled (Note 6)	(771,200)	(55)	-	-	(756)	(811)	(811)
Share-based compensation	-	-	26	-	-	26	26
Balances at end of period	82,630,358	5,906	342,763	(6,407)	(224,815)	117,447	117,447

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

	Notes	2021	2020
		\$	\$
Operating activities			
Net earnings		763	592
Adjustments to reconcile net earnings to cash flows			
Depreciation of property, plant and equipment		1,928	2,369
Depreciation of right-of-use assets		352	365
Amortization of intangible assets		350	365
Amortization of other assets		44	44
Share-based compensation expense (income)		4,743	(1,543)
Deferred income taxes		854	311
Imputed interest		56	67
Employee benefit plan obligation		(123)	(103)
Loss on disposal of property, plant and equipment		-	30
Unrealized (gain) loss on non-hedge financial instruments		(3,432)	2,071
Unrealized foreign exchange (gain) loss on assets and liabilities		(636)	206
Funds from operations before the following:		4,899	4,774
Net change in non-cash working capital balances	9	876	(4,116)
Cash from operating activities		5,775	658
Investing activities			
Additions to property, plant and equipment		(1,691)	(2,220)
Additions of intangible assets		(45)	(45)
Acquisition of investment in equity instruments	10	(2,000)	-
Cash used in investing activities		(3,736)	(2,265)
Financing activities			
Repayment of long-term debt	4	(5,109)	-
Proceeds from issuance of long-term debt	4	-	5,000
Deferred costs related to long-term debt	4	(116)	-
Common shares repurchased	6	(809)	(811)
Principal elements of lease payments		(398)	(400)
Cash (used in) from financing activities		(6,432)	3,789
Effect of foreign exchange rate changes on cash and cash equivalents		(171)	(241)
Net (decrease) increase in cash and cash equivalents		(4,564)	1,941
Cash and cash equivalents, beginning of period		39,950	20,065
Cash and cash equivalents, end of period		35,386	22,006
Supplemental information ⁽¹⁾			
Income tax paid		430	717
Interest paid		638	858

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

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

1. Nature of Activities

5N Plus Inc. (“5N Plus” or the “Company”) is a Canadian-based international company. 5N Plus is a leading global producer of specialty semiconductors and performance materials. The Company’s ultra-pure materials often form the core element of its customer products. These customers rely on 5N Plus’s products to enable performance and sustainability in their own products. 5N Plus deploys a range of proprietary and proven technologies to develop and manufacture its products. The Company’s products enable various applications in a number of key industries including renewable energy, security, space, pharmaceutical, medical imaging, and industrial and additive manufacturing. The Company is headquartered at 4385 Garand Street, Montreal, Quebec (Canada) H4R 2B4. The Company operates R&D, manufacturing and commercial centers in strategically located facilities around the world including Europe, North America and Asia. The Company’s mission is to be critical to its customers, valued by its employees and trusted by its shareholders. The Company’s core values focus on integrity, commitment and customer development along with emphasis on sustainable development, continuous improvement, health and safety. The Company’s shares are listed on the Toronto Stock Exchange (“TSX”). 5N Plus and its subsidiaries represent the “Company” mentioned throughout these consolidated financial statements. The Company has two reportable business segments, namely Electronic Materials and Eco-Friendly Materials.

These condensed interim consolidated financial statements were approved by the Board of Directors on May 10, 2021.

The Company is not aware of any significant changes to its risk factors previously disclosed, however since January 2020, the gradual outbreak of the novel strain of the coronavirus, COVID-19 and its declaration as a pandemic by the World Health Organization, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures have caused material disruption to businesses globally resulting in an economic slowdown. While the Company has been able to mitigate the short-term impact from the crisis, it is not possible to reliably estimate the length, severity and long-term impact the global pandemic may have on the Company’s financial results, conditions and cash flows. The outbreak of the COVID-19 should be considered a risk factor.

2. Basis of Presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by IASB (IFRS) and as applicable to the preparation of interim financial statements, including IAS 34, “Interim Financial Reporting”. These condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2020, which have been prepared in accordance with IFRS.

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

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

Income taxes

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

Financial assets

Investment in equity instruments

At initial recognition, the Company measures an investment in equity instruments at its fair value plus or minus, in the case of an investment in equity instruments not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition or issue of the investment in equity instruments. Transaction costs of investments in equity instruments carried at FVPL are expensed in the consolidated statement of earnings.

For the subsequent measurement, investments in equity instruments which the Company did not make an irrevocable election to present in fair value through other comprehensive income (FVOCI) are measured at FVPL. A gain or loss on an investment in equity instruments that is subsequently measured at FVPL is recognized in the consolidated statement of earnings and presented net within other gains (losses) in the period in which it arises.

3. Inventories

	March 31 2021	December 31 2020
	\$	\$
Raw materials	22,425	21,272
Finished goods	45,505	45,867
Total inventories	67,930	67,139

For the three-month period ended March 31, 2021, a total of \$21,008 of inventories was included as an expense in cost of sales (\$21,263 for the three-month period ended March 31, 2020).

For the three-month period ended March 31, 2021, a total of \$113 previously written down was recognized as a reduction of expenses in costs of sales concurrently with the related inventories being sold (\$85 for the Eco-Friendly materials segment and \$28 for the Electronic segment). For the three-month period ended March 31, 2020, no amount previously written down was recognized as a reduction of expenses in costs of sales concurrently with the related inventories being sold.

4. Long-Term Debt

	March 31 2021	December 31 2020
	\$	\$
Senior secured revolving facility of \$79,000 with a syndicate of banks, maturing in April 2023 ⁽¹⁾	20,000	25,000
Unsecured subordinated term loan, maturing in March 2024 ⁽²⁾	25,000	25,000
Term loan, repaid in full in March 2021	-	109
	45,000	50,109
Less current portion of long-term debt	-	109
	45,000	50,000

⁽¹⁾ In March 2021, the Company signed a senior secured multi-currency revolving credit facility of \$79,000 maturing in April 2023 to replace its existing \$79,000 senior secured revolving facility maturing in April 2022. The agreement includes a contingent option to expand the facility to \$124,000. At any time, the Company has the option to request that the credit facility be expanded through the exercise of an additional \$30,000 accordion feature, subject to review and approval by the lenders. This revolving credit facility can be drawn in US dollars, Canadian dollars or Hong Kong dollars (up to \$4,000). Drawings bear interest at either the Canadian prime rate, US base rate, Hong Kong base rate or LIBOR, plus a margin based on the Company's senior net debt to consolidated EBITDA ratio. Under the terms of its credit facility, the Company is required to satisfy certain restrictive covenants as to financial ratios. As at March 31, 2021 and December 31, 2020, the Company had met all covenants.

In February 2020, the Company entered into an interest rate swap agreement, maturing in April 2022, with a major Canadian financial institution to reduce its financial expense fluctuations on Libor rate on a portion of its credit facility (Note 10).

⁽²⁾ In February 2019, the Company signed a five-year unsecured subordinated term loan with Investissement Québec. The loan was disbursed in two tranches: the first tranche of \$5,000 on February 6, 2019 and the second tranche of \$20,000 on March 22, 2019. The two tranches of the term loan bear interest equivalent to the 5-year US dollar swap rate plus a margin of 4.19%, which equals to 6.82% and 6.64% respectively. Under the terms of the loan, the Company is required to satisfy certain restrictive covenants as to financial ratios. As at March 31, 2021 and December 31, 2020, the Company had met all covenants.

5N PLUS INC.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three-month periods ended March 31

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

5. Expenses by Nature

	Three months	
	2021	2020
	\$	\$
Wages and salaries	9,482	9,270
Share-based compensation expense	1,396	170
Depreciation of property, plant and equipment	1,928	2,369
Depreciation of right-of-use assets	352	365
Amortization of intangible assets	350	365
Amortization of other assets	44	44
Loss on disposal of property, plant and equipment	-	30
Research and development, net of tax credit	482	450

6. Share Capital

On March 5, 2020, the TSX has approved the Company's normal course issuer bid (NCIB). Under this NCIB, the Company had the right to purchase for cancellation, from March 9, 2020 to March 8, 2021, a maximum of 2,000,000 common shares.

For the three-month period ended March 31, 2021, the Company had repurchased and cancelled 249,572 common shares at an average price of \$3.24 for a total amount of \$809. An amount of \$17 has been applied against share capital, and an amount of \$792 has been applied against the deficit.

For the three-month period ended March 31, 2020, the Company had repurchased and cancelled 771,200 common shares at an average price of \$1.05 for a total amount of \$811. An amount of \$55 has been applied against share capital, and an amount of \$756 has been applied against the deficit.

7. Earnings per Share

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

Numerators	Three months	
	2021	2020
	\$	\$
Net earnings attributable to equity holders of 5N Plus	763	592
Net earnings for the period	763	592

Denominators	Three months	
	2021	2020
Basic weighted average number of shares	81,525,956	83,237,367
Dilutive effect:		
Stock options	312,944	49,870
Diluted weighted average number of shares	81,838,900	83,287,237

For the three-month period ended March 31, 2021, no stock option was excluded from the diluted weighted average number of shares due to their anti-dilutive effect because of the Company's stock price.

For the three-month period ended March 31, 2020, a total number of 524,031 stock options was excluded from the diluted weighted average number of shares due to their anti-dilutive effect because of the Company's stock price.

8. Operating Segments

The following tables summarize the information reviewed by the entity's chief operating decision maker when measuring performance:

	Three months	
	2021	2020
	\$	\$
Eco-Friendly Materials	28,062	30,170
Electronic Materials	18,814	19,784
Total revenue	46,876	49,954
Eco-Friendly Materials	4,157	3,122
Electronic Materials	4,252	5,782
Corporate and unallocated	(2,129)	(2,047)
Adjusted EBITDA⁽¹⁾	6,280	6,857
Interest on long-term debt, imputed interest and other interest expense	740	899
Share-based compensation expense	1,396	170
Foreign exchange and derivative (gain) loss	(859)	449
Depreciation and amortizations	2,630	3,099
Earnings before income tax	2,373	2,240

⁽¹⁾ Earnings before income tax, depreciation and amortization, share-based compensation expense, and financial expense (revenues).

	Three months	
	2021	2020
Capital expenditures	\$	\$
Eco-Friendly Materials	1,010	1,690
Electronic Materials	681	530
Total	1,691	2,220

	March 31	December 31
	2021	2020
Assets excluding the deferred tax assets	\$	\$
Eco-Friendly Materials	93,327	88,355
Electronic Materials	93,243	101,807
Corporate and unallocated	33,153	29,727
Total	219,723	219,889

5N PLUS INC.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three-month periods ended March 31

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

The geographic distribution of the Company's revenue based on the location of the customers for the periods ended March 31, 2021 and 2020, and the identifiable non-current assets as at March 31, 2021 and December 31, 2020 are summarized as follows:

Revenues	Three months	
	2021	2020
	\$	\$
Asia		
China	2,390	1,318
Japan	907	911
Other ⁽¹⁾	3,168	9,138
Americas		
United States	18,030	14,060
Other	4,288	4,161
Europe		
Germany	6,254	6,315
Belgium	1,901	1,502
Netherlands	1,703	1,723
France	1,309	2,279
Other ⁽¹⁾	5,573	6,336
Other	1,353	2,211
Total	46,876	49,954

⁽¹⁾ None exceeding 10%

Non-current assets (other than deferred tax assets)	March 31	December 31
	2021	2020
	\$	\$
Asia ⁽¹⁾	9,273	9,629
United States	13,537	13,673
Canada	17,302	15,606
Europe		
Belgium	9,277	9,652
Germany	20,206	20,434
Total	69,595	68,994

⁽¹⁾ None exceeding 10%

For the three-month period ended March 31, 2021, one customer represented approximately 23% of the revenues and is included in the Electronic Materials revenues (24% for the three-month period ended March 31, 2020).

9. Supplemental Cash Flow Information

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

	Three months	
	2021	2020
	\$	\$
Decrease (increase) in assets:		
Accounts receivable	400	(6,271)
Inventories	(791)	3,825
Income tax receivable	(34)	(181)
Other current assets	68	384
Increase (decrease) in liabilities:		
Trade and accrued liabilities	937	(2,602)
Income tax payable	296	729
Net change	876	(4,116)

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

	Three months	
	2021	2020
	\$	\$
Excluded additions unpaid at end of the period:		
Additions to property, plant and equipment	203	382
Included additions unpaid at beginning of the period:		
Additions to property, plant and equipment	775	1,012

5N PLUS INC.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three-month periods ended March 31

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

10. Fair Value of Financial Instruments

Fair value hierarchy

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

As at March 31, 2021	Level 1	Level 2	Level 3
	\$	\$	\$
Financial assets (liabilities)			
At fair value through profit or loss			
Equity swap agreement ⁽¹⁾	-	9,398	-
Investment in equity instruments ⁽²⁾	-	-	2,000
Interest rate swap agreement ⁽³⁾	-	(354)	-
Total	-	9,044	2,000

As at December 31, 2020	Level 1	Level 2	Level 3
	\$	\$	\$
Financial assets (liabilities)			
At fair value through profit or loss			
Equity swap agreement ⁽¹⁾	-	5,950	-
Interest rate swap agreement ⁽³⁾	-	(439)	-
Total	-	5,511	-

⁽¹⁾ In June 2017, the Company has entered into a swap agreement with a major Canadian financial institution to reduce its income exposure to fluctuations in its share price relating to the DSU, PSU, RSU and SAR programs. Pursuant to the agreement, the Company receives the economic benefit of share price appreciation while providing payments to the financial institution for the institution's cost of funds and any share price depreciation. The net effect of the equity swaps partly offset movements in the Company's share price impacting the cost of the DSU, PSU, RSU and SAR programs. As at March 31, 2021, the equity swap agreement covered 2,571,569 common shares of the Company. The fair value of this indexed deposit is recorded under other current assets.

⁽²⁾ In January 2021, the Company acquired a minority equity stake in Microbion Corporation (Microbion) for an amount of \$2,000 recorded in Other assets.

⁽³⁾ In February 2020, the Company entered into an interest rate swap agreement with a major Canadian financial institution to reduce its financial expense fluctuations on Libor rate on a portion of its credit facility (Note 4). Under this interest rate swap, the Company exchanges interest payments. The terms are such that on each interest payment date, the Company will receive or pay the net difference between the fixed rate of 1.435% and its Libor rate on a notional amount of \$25,000.

11. Commitments and Contingencies

Commitments

In the normal course of business, the Company contracted letters of credit for an amount of up to \$628 as at March 31, 2021 (\$699 as at December 31, 2020).

Contingencies

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

12. Proposed acquisition of AZUR SPACE

On March 30, 2021, the Company entered into an agreement with AZUR SPACE Solar Power GmbH (“AZUR SPACE”) pursuant to which the Company would acquire all of the issued and outstanding shares of AZUR SPACE (the “Transaction”) for an expected total purchase price between 73 and 79 million euros subject to prevailing closing adjustments. This includes 6.5 million shares of 5N Plus, subject to the TSX approval, to be issued from treasury at closing and cash payment. The sum of these two items will be approximately 53 million euros, subject to the volume-weighted average closing share price of 5N Plus prior to closing. Furthermore, 5N Plus expects AZUR SPACE’s maximum net indebtedness not to exceed 27 million euros. The cash portion of the Transaction is expected to be funded through a senior debt facility (Note 4). However, the Transaction remains subject to the customary closing conditions, including regulatory approvals.