



**5N PLUS INC.**

Condensed Interim Consolidated Financial Statements  
(Unaudited)

For the three-month periods ended March 31, 2023 and 2022  
(in thousands of United States dollars)



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

	Notes	March 31 2023	December 31 2022
		\$	\$
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents		41,423	42,691
Accounts receivable		33,580	32,872
Inventories	3	94,755	86,254
Income tax receivable		3,780	5,488
Other current assets	10	14,640	19,857
<b>Total current assets</b>		<b>188,178</b>	<b>187,162</b>
Property, plant and equipment		79,359	77,951
Right-of-use assets		29,802	30,082
Intangible assets	6	30,989	31,563
Goodwill		11,825	11,825
Deferred tax assets		5,857	6,002
Other assets	10	3,360	3,400
<b>Total non-current assets</b>		<b>161,192</b>	<b>160,823</b>
<b>Total assets</b>		<b>349,370</b>	<b>347,985</b>
<b>Liabilities</b>			
<b>Current</b>			
Trade and accrued liabilities		39,244	40,200
Income tax payable		5,684	8,780
Derivative financial liabilities	10	67	-
Current portion of deferred revenue	4	12,835	11,730
Current portion of lease liabilities		2,078	2,136
Current portion of long-term debt	5	25,000	-
<b>Total current liabilities</b>		<b>84,908</b>	<b>62,846</b>
Long-term debt	5	96,000	121,000
Deferred tax liabilities		6,776	6,959
Employee benefit plan obligations		12,165	11,643
Lease liabilities		28,138	28,266
Deferred revenue	4	4,411	2,354
Other liabilities		1,926	2,141
<b>Total non-current liabilities</b>		<b>149,416</b>	<b>172,363</b>
<b>Total liabilities</b>		<b>234,324</b>	<b>235,209</b>
<b>Equity</b>			
		115,046	112,776
<b>Total liabilities and equity</b>		<b>349,370</b>	<b>347,985</b>

Commitments and contingencies (Note 11)

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

**5N PLUS INC.**

## INTERIM CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

For the three-month periods ended March 31

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

	Notes	2023	2022
		\$	\$
<b>Revenue</b>		<b>55,287</b>	64,421
Cost of sales	3, 6	42,002	54,249
Selling, general and administrative expenses	6	6,893	7,493
Other expenses (income), net	6	1,666	7,392
		<b>50,561</b>	69,134
<b>Operating earnings (loss)</b>		<b>4,726</b>	(4,713)
<b>Financial expense</b>			
Interest on long-term debt		2,032	945
Imputed interest and other interest expense		228	326
Foreign exchange and derivative loss		15	299
		<b>2,275</b>	1,570
<b>Earnings (loss) before income taxes</b>		<b>2,451</b>	(6,283)
Income tax expense (recovery)			
Current		914	1,845
Deferred		83	(2,373)
		<b>997</b>	(528)
<b>Net earnings (loss)</b>		<b>1,454</b>	(5,755)
<b>Earnings (loss) per share</b>	7	<b>0.02</b>	(0.07)
<b>Basic earnings (loss) per share</b>	7	<b>0.02</b>	(0.07)
<b>Diluted earnings (loss) per share</b>	7	<b>0.02</b>	(0.07)

Net earnings (loss) are completely attributable to equity holders of 5N Plus Inc.

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

## INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the three-month periods ended March 31

**(in thousands of United States dollars) (unaudited)**

	2023	2022
	\$	\$
<b>Net earnings (loss)</b>	<b>1,454</b>	<b>(5,755)</b>
<b>Other comprehensive income (loss)</b>		
<b>Items that may be reclassified subsequently to net earnings (loss)</b>		
Currency translation adjustment	792	(426)
	<b>792</b>	<b>(426)</b>
<b>Items that will not be reclassified subsequently to net earnings (loss)</b>		
Remeasurement of employee benefit plan obligations	(337)	2,098
Income taxes	106	(713)
	<b>(231)</b>	<b>1,385</b>
<b>Other comprehensive income</b>	<b>561</b>	<b>959</b>
<b>Comprehensive income (loss)</b>	<b>2,015</b>	<b>(4,796)</b>

Comprehensive income (loss) is completely attributable to equity holders of 5N Plus Inc.

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)**

<b>2023</b>	<b>Number of shares</b>	<b>Share Capital</b>	<b>Contributed Surplus</b>	<b>Accumulated other comprehensive loss</b>	<b>Deficit</b>	<b>Total equity</b>
<b>Balances at beginning of period</b>	<b>88,330,236</b>	<b>\$ 21,004</b>	<b>\$ 342,985</b>	<b>\$ (5,987)</b>	<b>\$ (245,226)</b>	<b>\$ 112,776</b>
Net earnings for the period	-	-	-	-	1,454	1,454
Other comprehensive income	-	-	-	561	-	561
Comprehensive income	-	-	-	561	1,454	2,015
Exercise of stock options	124,488	255	(74)	-	-	181
Share-based compensation	-	-	74	-	-	74
<b>Balances at end of period</b>	<b>88,454,724</b>	<b>21,259</b>	<b>342,985</b>	<b>(5,426)</b>	<b>(243,772)</b>	<b>115,046</b>

<b>2022</b>	<b>Number of shares</b>	<b>Share Capital</b>	<b>Contributed Surplus</b>	<b>Accumulated other comprehensive loss</b>	<b>Deficit</b>	<b>Total equity</b>
<b>Balances at beginning of period</b>	<b>88,330,236</b>	<b>\$ 21,004</b>	<b>\$ 342,659</b>	<b>\$ (5,189)</b>	<b>\$ (222,227)</b>	<b>\$ 136,247</b>
Net loss for the period	-	-	-	-	(5,755)	(5,755)
Other comprehensive income	-	-	-	959	-	959
Comprehensive income (loss)	-	-	-	959	(5,755)	(4,796)
Share-based compensation	-	-	61	-	-	61
<b>Balances at end of period</b>	<b>88,330,236</b>	<b>21,004</b>	<b>342,720</b>	<b>(4,230)</b>	<b>(227,982)</b>	<b>131,512</b>

Equity is completely attributable to equity holders of 5N Plus Inc.

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

	Notes	2023	2022
		\$	\$
<b>Operating activities</b>			
Net earnings (loss)		1,454	(5,755)
Adjustments to reconcile net earnings (loss) to cash flows			
Depreciation of property, plant and equipment		2,549	3,273
Depreciation of right-of-use assets		695	688
Amortization of intangible assets		815	868
Amortization of other assets		64	77
Impairment of non-current assets	6	-	5,386
Share-based compensation expense		996	159
Deferred income taxes		83	(2,373)
Imputed interest		164	132
Employee benefit plan obligations		(41)	(101)
Gain on disposal of property, plant and equipment		(26)	-
Unrealized gain on non-hedge financial instruments		(984)	(123)
Unrealized foreign exchange loss on assets and liabilities		108	569
<b>Funds from operations before the following:</b>		5,877	2,800
Net change in non-cash working capital balances	9	(9,649)	(7,742)
<b>Cash used in operating activities</b>		<b>(3,772)</b>	<b>(4,942)</b>
<b>Investing activities</b>			
Additions to property, plant and equipment		(3,709)	(3,956)
Additions to intangible assets		(175)	(109)
Proceeds on settlement of indexed deposit agreement	10	6,506	-
Proceeds on disposal of property, plant and equipment		310	-
<b>Cash from (used in) investing activities</b>		<b>2,932</b>	<b>(4,065)</b>
<b>Financing activities</b>			
Deferred costs related to long-term debt		-	(5)
Issuance of common shares		181	-
Principal elements of lease payments		(771)	(761)
<b>Cash flows used in financing activities</b>		<b>(590)</b>	<b>(766)</b>
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>162</b>	<b>(206)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(1,268)</b>	<b>(9,979)</b>
Cash and cash equivalents, beginning of period		42,691	35,940
<b>Cash and cash equivalents, end of period</b>		<b>41,423</b>	<b>25,961</b>
<b>Supplemental information<sup>(1)</sup></b>			
Income tax paid		2,229	955
Interest paid		1,953	956

<sup>(1)</sup> Amounts paid for income tax and interest 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. 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 Specialty Semiconductors and Performance Materials.

These condensed interim consolidated financial statements were approved by the Board of Directors on May 3, 2023.

In February 2022, Russian military forces invaded Ukraine; the invasion is being actively resisted by Ukrainian military personnel and the people of Ukraine, and the outcome of the ongoing conflict remains uncertain at this time. A prolonged armed conflict in Ukraine or an expansion of the armed conflict to other European countries could have a negative effect on the European and global economies. As well, Russia is a major exporter of oil and natural gas. Any disruption of supplies of oil and natural gas from Russia could have a significant adverse effect on the European and world economies. All of the foregoing factors could potentially have a negative impact on the Company’s sales and results of operations.

## 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, 2022, 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.



### 3. Inventories

	March 31 2023	December 31 2022
	\$	\$
Raw materials	30,341	28,436
Finished goods	64,414	57,818
<b>Total inventories</b>	<b>94,755</b>	<b>86,254</b>

For the three-month period ended March 31, 2023, a total of \$22,758 of inventories was included as an expense in cost of sales (\$30,320 for the three-month period ended March 31, 2022).

For the three-month period ended March 31, 2023, a total of \$8 previously written down was recognized as a reduction of expenses in costs of sales concurrently with the related inventories being sold (\$nil for the Specialty Semiconductors segment and \$8 for the Performance Materials segment). For the three-month period ended March 31, 2022, a total of \$36 previously written down was recognized as a reduction of expenses in costs of sales concurrently with the related inventories being sold (\$18 for the Specialty Semiconductors segment and \$18 for the Performance Materials segment).

### 4. Deferred revenue

	March 31 2023	December 31 2022
	\$	\$
Prepayments from clients	10,548	9,409
Current portion of deferred revenue related to long-term contracts	2,287	2,321
<b>Current portion of deferred revenue</b>	<b>12,835</b>	<b>11,730</b>
Non-current portion of deferred revenue related to long-term contracts	4,411	2,354
<b>Non-current portion of deferred revenue</b>	<b>4,411</b>	<b>2,354</b>
<b>Total deferred revenue</b>	<b>17,246</b>	<b>14,084</b>

For the three-month period March 31, 2023, \$2,345 (2022 - \$2,951) of revenue was realized in relation to the deferred revenue balance outstanding at the beginning of the year.

### 5. Long-Term Debt

	March 31 2023	December 31 2022
	\$	\$
Senior secured revolving facility of \$124,000 with a syndicate of banks, maturing in April 2026	96,000	96,000
Subordinated term loan, maturing in March 2024	25,000	25,000
	<b>121,000</b>	<b>121,000</b>
Less current portion of long-term debt	<b>25,000</b>	<b>-</b>
	<b>96,000</b>	<b>121,000</b>

#### Senior secured revolving facility

In June 2022, the Company signed a senior secured multi-currency revolving credit facility of \$124,000 maturing in April 2026 to replace its existing \$124,000 senior secured revolving facility maturing in April 2023. 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 SOFR, 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, 2023 and December 31, 2022, the Company had met all covenants.

### Subordinated term loan

In February 2019, the Company signed a five-year 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, 2023 and December 31, 2022, the Company has met all covenants.

## 6. Expenses by Nature

	Three months	
	2023	2022
	\$	\$
Wages and salaries	13,327	14,645
Depreciation of property, plant and equipment	2,549	3,273
Depreciation of right-of-use assets	695	688
Amortization of other assets	64	77
Other expenses (income), net		
Amortization of intangible assets	815	868
Share-based compensation expense	12	124
Gain on disposal of property, plant and equipment	(26)	-
Impairment of non-current assets <sup>(1)</sup>	-	5,386
Research and development, net of tax credit <sup>(2)</sup>	910	1,099
Other income	(45)	(85)

<sup>(1)</sup> During the first quarter of 2022, the Company recorded an impairment of non-current assets of \$5,386 (\$5,123 for customer relationships and \$263 for other intangibles), included in the Specialty Semiconductors segment, to reflect the assessment of the carrying value of intangible assets impacted by the invasion of Ukraine by Russia, more precisely in reference to Russia based customers. The Company's initial assumptions regarding the timing of future cashflows from these customers could no longer be supported given the uncertainty associated with recent international sanctions against Russia, and the unknown duration of the conflict. The impairment charges were recognized under Other expenses within the consolidated statement of earnings (loss).

<sup>(2)</sup> Reduced research and development, net of tax credit by an amount of \$680 for the three-month period ended March 31, 2023 resulting from research and development subsidies. There is an outstanding receivable related to this grant as at March 31, 2023 for an amount of \$1,747 included within Accounts receivable.

Reduced research and development, net of tax credit by an amount of \$498 for the three-month period ended March 31, 2022 resulting from research and development subsidies.

## 7. Earnings per Share

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

Numerators	Three months	
	2023	2022
	\$	\$
Net earnings (loss) for the period	1,454	(5,755)

Denominators	Three months	
	2023	2022
Basic weighted average number of shares	88,367,689	88,330,236
Dilutive effect:		
Stock options	472,982	-
Diluted weighted average number of shares	88,840,671	88,330,236

For the three-month period ended March 31, 2023, 219,864 stock options were excluded from the diluted weighted average number of shares due to their anti-dilutive effect.

For the three-month period ended March 31, 2022, 787,287 stock options were excluded from the diluted weighted average number of shares due to their anti-dilutive effect due to the net loss for the period.

## 8. Operating Segments

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

	Three months	
	2023	2022
	\$	\$
Specialty Semiconductors	32,739	27,301
Performance Materials	22,548	37,120
<b>Total revenue</b>	<b>55,287</b>	<b>64,421</b>
Specialty Semiconductors	7,222	5,671
Performance Materials	4,461	2,622
Corporate and unallocated	(2,886)	(2,667)
<b>Adjusted EBITDA <sup>(1)</sup></b>	<b>8,797</b>	<b>5,626</b>
Interest on long-term debt, imputed interest and other interest expense	2,260	1,271
Share-based compensation expense	12	124
Foreign exchange and derivative loss	15	299
Impairment of non-current assets (Note 6)	-	5,386
Depreciation and amortization	4,059	4,829
<b>Earnings (loss) before income tax</b>	<b>2,451</b>	<b>(6,283)</b>

<sup>(1)</sup> Earnings (loss) before income tax, depreciation and amortization, impairment of non-current assets, share-based compensation expense, and financial expense (income).

	Three months	
	2023	2022
<b>Capital expenditures</b>	\$	\$
Specialty Semiconductors	2,663	2,587
Performance Materials	1,046	1,337
Corporate and unallocated	-	32
<b>Total</b>	<b>3,709</b>	<b>3,956</b>

	March 31	December 31
	2023	2022
<b>Assets excluding deferred tax assets</b>	\$	\$
Specialty Semiconductors	181,787	180,473
Performance Materials	131,087	129,901
Corporate and unallocated	30,639	31,609
<b>Total</b>	<b>343,513</b>	<b>341,983</b>

**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 three-month periods ended March 31, 2023 and 2022, and the identifiable non-current assets as at March 31, 2023 and December 31, 2022 are summarized as follows:

Revenues	Three months	
	2023	2022
	\$	\$
Asia		
China	2,510	2,475
Japan	1,048	1,724
Other <sup>(1)</sup>	4,184	8,635
Americas		
United States	25,245	17,587
Other	2,113	4,945
Europe		
Germany	9,886	11,945
Belgium	299	1,958
Netherlands	1,085	3,125
France	2,790	2,727
Other <sup>(1)</sup>	5,886	7,823
Other	241	1,477
<b>Total</b>	<b>55,287</b>	<b>64,421</b>

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

Non-current assets (other than deferred tax assets)	March 31	December 31
	2023	2022
	\$	\$
Asia	3,356	3,411
United States	13,262	13,590
Canada	28,710	29,156
Germany	110,007	108,664
<b>Total</b>	<b>155,335</b>	<b>154,821</b>

For the three-month period ended March 31, 2023, one customer represented approximately 22% of the revenues (22% within the Specialty Semiconductors segment and nil within the Performance Materials segment). For the three-month period ended March 31, 2022, one customer represented approximately 17% of the revenues (14% within the Specialty Semiconductors segment and 3% within the Performance Materials segment).

**9. Supplemental Cash Flow Information**

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

	Three months	
	2023	2022
	\$	\$
(Increase) decrease in assets:		
Accounts receivable	(412)	2,094
Inventories	(7,976)	(6,790)
Income tax receivable	1,708	(272)
Other current assets	(140)	(502)
(Decrease) increase in liabilities:		
Trade and accrued liabilities	(2,549)	(3,375)
Income tax payable	(3,096)	1,105
Deferred revenue	2,816	(2)
<b>Net change</b>	<b>(9,649)</b>	<b>(7,742)</b>

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

	Three months	
	2023	2022
Excluded additions unpaid at end of the period:		
Additions to property, plant and equipment	\$ 2,201	\$ 2,504
Included additions unpaid at beginning of the period:		
Additions to property, plant and equipment	2,329	3,095

## 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, 2023	Level 1	Level 2	Level 3
	\$	\$	\$
Financial assets (liabilities)			
At fair value through profit or loss			
Total return swap <sup>(1)</sup>	-	(67)	-
Investment in equity instruments <sup>(2)</sup>	-	-	2,000
Restricted investment <sup>(3)</sup>	-	-	644
<b>Total</b>	-	(67)	2,644
As at December 31, 2022	Level 1	Level 2	Level 3
	\$	\$	\$
Financial assets			
At fair value through profit or loss			
Indexed deposit agreement <sup>(1)</sup>	-	5,517	-
Investment in equity instruments <sup>(2)</sup>	-	-	2,000
Restricted investment <sup>(3)</sup>	-	-	620
<b>Total</b>	-	5,517	2,620

<sup>(1)</sup> In March 2023, the indexed deposit agreement entered with a major Canadian financial institution in June 2017, was amended to a total return swap wherein share price fluctuations are settled via cash annually. As part of this amendment, the Company received, \$6,506 which represents the fair value of the indexed deposit agreement as at the amendment date.

The Company entered into the total return swap, previously the indexed deposit agreement, 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 the 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 total return swap partly offset movements in the Company's share price impacting the cost of the DSU, PSU, RSU and SAR programs. As at March 31, 2023, the total return swap covered 2,571,569 common shares of the Company.

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

<sup>(3)</sup> The fair value of the restricted investment is recorded in Other assets.

## **11. Commitments and Contingencies**

### **Commitments**

In the normal course of business, the Company contracted letters of credit for an amount of up to \$900 as at March 31, 2023 (\$883 as at December 31, 2022).

### **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.