5N PLUS
Enabling Performance™

1 Management Report

Quarter Ended
March 31, 2023

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" or "5N Plus"), its business environment, strategies, performance and risk factors. This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements of Q1 2023 and the audited consolidated financial statements and the accompanying notes for the year ended December 31, 2022, based on International Financial Reporting Standards (''IFRS'') as issued by the International Accounting Standards Boards, unless otherwise stated. This MD&A has been prepared in accordance with the requirements of the Canadian Securities Administrators.

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.

Information contained herein includes any significant developments until May 3, 2023, 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. "Q1 2023" and "Q1 2022" refer to the three-month periods ended March 31, 2023 and March 31, 2022, respectively.

Non-IFRS Measures

This MD&A contains certain non-IFRS financial measures and ratios, which do not have a standard meaning under IFRS and, therefore, may not be comparable to similar measures presented by other issuers. Such non-IFRS measures and ratios include backlog, bookings, EBITDA, EBITDA margin, Adjusted EBITDA, Adjusted EBITDA margin, Adjusted operating expenses, Adjusted net earnings (loss), Basic adjusted net earnings (loss), Adjusted gross margin, total debt, net debt, working capital and working capital ratio.

For definitions, further information and reconciliation of these measures to the most directly comparable measures under IFRS, see the "Non-IFRS Measures" section.

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. A description of the risks affecting the Company's business and activities appears under the heading "Risk and Uncertainties" of 5N Plus's 2022 MD&A dated February 21, 2023 and note 10 of the unaudited condensed interim consolidated financial statements for the three-month periods ended March 31, 2023 and March 31, 2022 available on www.sedar.com.

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 a leading global producer of specialty semiconductors and performance materials. The Company's ultra-pure materials often form the core element of its customers' products. These customers rely on 5N Plus' 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 several key industries, including renewable energy, security, space, pharmaceutical, medical imaging, and industrial. Headquartered in Montréal, Québec, 5N Plus operates R&D, manufacturing and commercial centers in strategically located facilities around the world including Europe, North America and Asia.

Vision, Mission and Values

The Company's vision is to enable critical industries through essential products based on advanced material technology and 5N Plus' aim is to propel the growth of these markets by developing and manufacturing advanced materials to enable product performance.

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 are integrity, commitment and customer development, with an emphasis on sustainable development, continuous improvement, and health and safety.

Reporting Segments

The Company has the following two reportable segments: Specialty Semiconductors and Performance Materials. Corresponding operations and activities are managed accordingly by the Company's key decision makers. Segmented operating and financial information and 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 EBITDA[1], which are reconciled to consolidated numbers considering corporate income and expenses.

Operating in North America and Europe, the Specialty Semiconductors segment integrates the products and operations of AZUR SOLAR Space GmbH ("AZUR") since November 5, 2021. The segment manufactures and sells products used in several applications, such as renewable energy, space satellites and imaging. Typical end markets include photovoltaics (terrestrial and spatial solar energy), medical imaging, infrared imaging, optoelectronics and advanced electronics. These products are sold either as semiconductor compounds, semiconductor wafers, ultra high purity metals, epitaxial semiconductor substrates and solar cells. Revenues and earnings associated with recycling services and activities provided to Specialty Semiconductors customers are captured in this segment.

The Performance Materials segment operates in North America, Europe and Asia and manufactures and sells products that are used in several applications in pharmaceutical and healthcare, industrial, and extractive and catalytic . Main products are sold as active pharmaceutical ingredients, animal feed additives, specialized chemicals, commercial grade metals, alloys and engineered powders. All commercial grade metal and engineered powder sales have been regrouped under Performance Materials. Revenues and earnings associated with recycling services and activities provided to Performance Materials customers are captured in this segment.

Corporate expenses associated with the head office and unallocated selling, general and administrative expenses (SG&A), together with financial expenses (income), are grouped under "Corporate".

[1] See Non-IFRS Measures

Q1 2023 Highlights – A Stronger Company

After a solid first quarter, management remains very optimistic about the near-term outlook for the Company and, in particular, for its Specialty Semiconductors segment. 5N Plus remains a partner of choice that works with the world's leading companies to support critical technology advancements, both on earth and in space.

All amounts are expressed in U.S. dollars.

The Company delivered solid first quarter financial results, generating 56% year-over-year consolidated Adjusted EBITDA[1] growth.

This performance was supported by an increase in revenue and Adjusted EBITDA under Specialty Semiconductors, resulting from sustained demand from the terrestrial renewable energy and solar space power markets. The Company's first quarter performance was also supported by a 70% increase in Adjusted EBITDA under Performance Materials, which now benefits from an improved product mix following the Company's exit from the manufacturing of low margin extractive and catalytic products in the second half of 2022.

The Company generated a strong consolidated adjusted gross margin[1] of 29.8% for Q1 2023, compared to 21.9% in Q1 2022, reflecting the implementation of its commercial excellence program last year.

Despite a generally complex global economic environment, the Company continues to capitalize on its momentum as a strategic global supplier-of-choice for critical enabling materials in high-growth end markets. In line with its focused commercial excellence program, the Company approaches client partnerships and product development opportunities with discipline based on three pillars:

- Innovation – innovative and reliable supplier of critical enablers in growing sectors;
- Value optimization across product offering – critical enabler without being a critical cost component; and
- Co-investment initiatives – creating and leveraging long-term relationships to become an integral partner to customers to accelerate go-to-market while optimizing capital deployment.

Subsequent to quarter-end, 5N Plus confirmed its role in the European Space Agency's (ESA) mission to Jupiter and NASA's intention to employ AZUR's 3G28 solar cells in its future mission to Jupiter, illustrating the Company's continued role as a critical supplier to the world's leading space agencies. AZUR's contract with the ESA generated approximately $5.2 million, which was primarily recognized in the Company's 2022 financial results.

In April 2023, the Company was pleased to publish its first comprehensive sustainability report outlining its evolving environmental, social and governance (ESG) framework, including its commitment to reduce its environmental footprint, contribute to a sustainable economy through its enabling products and actively work to have a positive impact on the communities where it operates. The Company intends to further integrate sustainability into its business model.

[1] See Non-IFRS Measures

Financial Highlights

- Revenue in Q1 2023 reached $55.3 million, compared to $64.4 million for the same period last year. The decrease is primarily attributable to the Company's exit from the manufacturing of low margin extractive and catalytic products in the second half of 2022.

- Adjusted EBITDA[1] in Q1 2023 reached $8.8 million, compared to $5.6 million for the same period last year, an increase of 56%, with Specialty Semiconductors increasing by 27% to $7.2 million due to higher demand, and Performance Materials increasing by 70% to $4.5 million due to a more favourable product mix.

- Adjusted gross margin[1] in Q1 2023 was 29.8%, compared to 21.9% in Q1 2022.

- On March 31, 2023, the backlog[1] represented 306 days of annualized revenue, 53 days higher than the previous quarter and 110 days higher than the same period last year. The increase is attributable to favourable negotiations of long-term contracts.

- Net debt[1] stood at $79.6 million on March 31, 2023, compared to $78.3 million at the end of 2022.

Outlook

Management remains focused on building on its momentum to reap the full potential of its strategy by meeting customer demand in value-added markets and for products that offer high-growth potential and superior margins. The Company continues to expect strong demand in its target markets, including terrestrial renewable energy and space solar power under Specialty Semiconductors and in the health and pharmaceutical sector under Performance Materials.

The Company is investing in its operations to increase capacity to serve the renewable energy and space power sectors to support continued EBITDA[1] growth. This includes plans to increase production capacity of AZUR by 30% over the course of 2023 and 2024, through productivity improvements, the installation of new equipment and the commissioning of co-investment equipment.

Management maintains its previously disclosed Adjusted EBITDA guidance range of between $35 million and $40 million for FY 2023, with a higher contribution expected to be generated in the second half of the year, and a projected Adjusted EBITDA range of between $45 million and $50 million for FY 2024.

[1] See Non-IFRS Measures

Summary of Results

(in thousands of U.S. dollars, except per share amounts)	**Q1 2023**	Q1 2022
	$	$
Revenue	**55,287**	64,421
Adjusted operating expenses[1]*	**(46,490)**	(58,795)
Adjusted EBITDA[1]	**8,797**	5,626
Share-based compensation expense	**(12)**	(124)
Impairment of non-current assets	**-**	(5,386)
Foreign exchange and derivative loss	**(15)**	(299)
EBITDA[1]	**8,770**	(183)
Interest on long-term debt, imputed interest and other interest expense	**2,260**	1,271
Depreciation and amortization	**4,059**	4,829
Earnings (loss) before income taxes	**2,451**	(6,283)
Income tax expense (recovery)		
Current	**914**	1,845
Deferred	**83**	(2,373)
	997	(528)
Net earnings (loss)	**1,454**	(5,755)
Basic earnings (loss) per share	**$0.02**	($0.07)
Diluted earnings (loss) per share	**$0.02**	($0.07)

**Excluding impairment of inventories, share-based compensation expense, impairment of non-current assets, and depreciation and amortization.*

Revenue by Segment and Adjusted Gross Margin

(in thousands of U.S. dollars)	**Q1 2023**	Q1 2022	Change
	$	$	
Specialty Semiconductors	**32,739**	27,301	20%
Performance Materials	**22,548**	37,120	(39%)
Total revenue	**55,287**	64,421	(14%)
Cost of sales	**(42,002)**	(54,249)	(23%)
Depreciation included in cost of sales	**3,202**	3,905	(18%)
Adjusted gross margin[1]	**16,487**	14,077	17%
Adjusted gross margin percentage[1]	**29.8%**	21.9%	

Revenue in Q1 2023 decreased by 14%, reaching $55.3 million, compared to $64.4 million for the same period last year. The decrease is primarily attributable to the Company's exit from the manufacturing of low margin extractive and catalytic products in the second half of 2022 and related divestiture of its Tilly, Belgium operations during Q4 2022. The decrease in revenue was partly offset by strong demand for products under Specialty Semiconductors.

Adjusted gross margin[1] in Q1 2023 was favourably impacted by the consolidated product mix, supported by the implementation of the Company's commercial excellence program last year, and the Company's exit from the manufacturing of low margin extractive and catalytic products. Adjusted gross margin reached $16.5 million, or 29.8%, compared to $14.1 million, or 21.9%, in Q1 2022.

Specialty Semiconductors Segment

Revenue in Q1 2023 increased by 20%, reaching $32.7 million, compared to $27.3 million in Q1 2022, supported by higher demand. Adjusted gross margin in Q1 2023 was 31.0%, compared to 24.5% in Q1 2022.

Performance Materials Segment

Revenue in Q1 2023 reached $22.5 million, compared to $37.1 million in Q1 2022. The decrease is primarily attributable to the divestiture of the Tilly, Belgium operations during Q4 2022. Adjusted gross margin in Q1 2023 was 28.8%, compared to 20.3% in Q1 2022.

[1] See Non-IFRS Measures

Operating Earnings (Loss), EBITDA and Adjusted EBITDA

(in thousands of U.S. dollars)	Q1 2023	Q1 2022	Change
	$	$	
Specialty Semiconductors	**7,222**	5,671	27%
Performance Materials	**4,461**	2,622	70%
Corporate	**(2,886)**	(2,667)	8%
Adjusted EBITDA[1]	**8,797**	5,626	56%
EBITDA[1]	**8,770**	(183)	
Operating earnings (loss)	**4,726**	(4,713)	

Adjusted EBITDA[1] in Q1 2023 reached $8.8 million, an increase of $3.2 million, compared to $5.6 million in Q1 2022. Adjusted EBITDA increased by $1.6 million or 27% under Specialty Semiconductors supported by higher demand. Under Performance Materials, Adjusted EBITDA increased by $1.8 million or 70% impacted by a more favourable product mix.

In Q1 2023, EBITDA[1] was $8.8 million, compared to negative $0.2 million in Q1 2022. The increase of $9.0 million is mainly explained by the increase in Adjusted EBITDA of $3.2 million whereas a non-recurrent impairment on non-current assets of $5.4 million was recorded in Q1 2022. For more information, see the "Expenses" section.

In Q1 2023, operating earnings amounted to $4.7 million, compared to operating loss of $4.7 million in Q1 2022.

Specialty Semiconductors Segment

Adjusted EBITDA in Q1 2023 increased by $1.6 million or 27% to $7.2 million due to higher demand, and represented an Adjusted EBITDA margin[1] of 22%, compared to 21% in Q1 2022.

Performance Materials Segment

Adjusted EBITDA in Q1 2023 increased by $1.8 million or 70% to $4.5 million representing an Adjusted EBITDA margin of 20%, compared to 7% in Q1 2022.

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

(in thousands of U.S. dollars, except per share amounts)	Q1 2023	Q1 2022
	$	$
Net earnings (loss)	**1,454**	(5,755)
Basic earnings (loss) per share	**$0.02**	($0.07)
Reconciling items:		
Share-based compensation expense	**12**	124
Impairment of non-current assets	**-**	5,386
Income tax recovery on taxable items above	**(3)**	(1,677)
Adjusted net earnings (loss)[1]	**1,463**	(1,922)
Basic adjusted net earnings (loss) per share[1]	**$0.02**	($0.02)

In Q1 2023, net earnings were $1.5 million or $0.02 per share, compared to a net loss of $5.8 million or $0.07 per share in Q1 2022. Adjusted net earnings[1] were $1.5 million or $0.02 per share in Q1 2023, compared to an adjusted net loss of $1.9 million or $0.02 per share in Q1 2022.

Excluding income tax recovery, the item reconciling to Adjusted net earnings in Q1 2023 was the share-based compensation expense. For more information, see the "Expenses" section.

[1] See Non-IFRS Measures

Backlog and Bookings

(in thousands of U.S. dollars)	BACKLOG[1] Q1 2023	Q4 2022	Q1 2022	BOOKINGS[1] Q1 2023	Q4 2022	Q1 2022
	$	$	$	**$**	$	$
Specialty Semiconductors	**147,362**	129,710	73,199	**50,391**	57,325	6,137
Performance Materials	**37,865**	39,611	65,485	**20,802**	33,648	42,151
Total	**185,227**	169,321	138,684	**71,193**	90,973	48,288

Comparative results have been adjusted to reflect a change in our reporting segments

(number of days based on annualized revenues) *	BACKLOG[1] Q1 2023	Q4 2022	Q1 2022	BOOKINGS[1] Q1 2023	Q4 2022	Q1 2022
Specialty Semiconductors	**365**	365	245	**140**	164	21
Performance Materials	**153**	124	161	**84**	106	104
Weighted average	**306**	253	196	**118**	136	68

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

Q1 2023 vs. Q4 2022

Backlog[1] on March 31, 2023, represented 306 days of annualized revenue, an increase of 53 days, or 21%, over the backlog on December 31, 2022. The increase in the backlog is mainly attributable to favourable negotiations of long-term contracts.

Backlog on March 31, 2023, for Specialty Semiconductors represented 365 days of annualized revenue, at a similar level over the backlog on December 31, 2022, when expressed in days. While the estimated number of days based on annualized revenues cannot exceed 365 days per our definition, it is important to note that the effective backlog under Specialty Semiconductors surpasses the next twelve months due to confirmed long-term contracts in renewable energy and space applications.

The backlog for Performance Materials represented 153 days of annualized revenue, an increase of 29 days, or 23%, over the backlog on December 31, 2022. The increase expressed in number of days, is calculated over reduced annualized revenue following the Company's exit from the manufacturing of low margin extractive and catalytic products and related divestiture of its Tilly, Belgium operations. The key contracts under this segment, now presenting an improved product mix, continue to be mainly renewed in the fourth and first quarters of the year.

Bookings[1] for Specialty Semiconductors decreased by 24 days, from 164 days in Q4 2022 to 140 days in Q1 2023. Bookings for Performance Materials decreased by 22 days, from 106 days in Q4 2022 to 84 days in Q1 2023. Bookings are calculated by adding revenues to the increase or decrease in backlog for the period divided by annualized revenues. As such, the increase or decrease in bookings is attributable to the same factors as the increase or decrease in backlog.

Q1 2023 vs. Q1 2022

Backlog on March 31, 2023, for Specialty Semiconductors increased by 120 days, largely attributable to favourable negotiations of long-term contracts under Specialty Semiconductors. The backlog for Performance Materials, represented 153 days, a decrease of 8 days, compared to 161 days on March 31, 2022.

Bookings for Specialty Semiconductors increased by 119 days for the same factors mentioned above and decreased by 20 days for Performance Materials compared to the previous year quarter.

[1] See Non-IFRS Measures

Expenses

(in thousands of U.S. dollars)	Q1 2023	Q1 2022
	$	$
Depreciation and amortization	4,059	4,829
SG&A	6,893	7,493
Share-based compensation expense	12	124
Impairment of non-current assets	-	5,386
Financial expense	2,275	1,570
Income tax expense (recovery)	997	(528)
Total expenses	**14,236**	18,874

Depreciation and Amortization

Depreciation and amortization expenses in Q1 2023 amounted to $4.1 million, compared to $4.8 million, for the same period in 2022. The decrease in Q1 2023 is mainly associated with the Company's divestiture of its Tilly, Belgium operations in Q4 2022.

SG&A

SG&A expenses in Q1 2023 were $6.9 million, compared to $7.5 million for the same period in 2022. The decrease is mainly related to the Company's divestiture of its Tilly, Belgium operations in Q4 2022.

Share-based Compensation Expense

Share-based compensation expense in Q1 2023 amounted to $nil million, compared to $0.1 million in Q1 2022.

Impairment of Non-Current Assets

There were no charges recorded in Q1 2023 compared to an impairment of non-current assets of $5.4 million ($5.1 million for customer relationships and $0.3 million for other intangibles) in Q1 2022 under Specialty Semiconductors, to reflect the assessment of the carrying value of intangible assets due to the impact of the Russia/Ukraine conflict on the Company's Russia-based customer relationships. The Company's initial assumptions regarding future cashflows from these customers could no longer be supported given the international sanctions in place against Russia and the uncertainty related to, and the unknown duration of, the Ukraine/Russia conflict.

Financial Expense

Financial expense in Q1 2023 amounted to $2.3 million, compared to $1.6 million in Q1 2022. The negative impact is mainly due to a significant increase in interest rates in Q1 2023 compared to Q1 2022, mitigated by a lower foreign exchange and derivative loss.

Income Taxes

The Company reported earnings before income taxes of $2.5 million in Q1 2023. Income tax expense in Q1 2023 was $1.0 million, compared to an income tax recovery of $0.5 million in the same period in 2022. Both periods were impacted by deferred tax assets applicable only in certain jurisdictions.

Liquidity and Capital Resources

(in thousands of U.S. dollars)	Q1 2023	Q1 2022
	$	$
Funds from operations before the following	5,877	2,800
Net changes in non-cash working capital items	(9,649)	(7,742)
Cash used in operating activities	(3,772)	(4,942)
Cash from (used in) investing activities	2,932	(4,065)
Cash used in financing activities	(590)	(766)
Effect of foreign exchange rate changes on cash and cash equivalents	162	(206)
Net decrease in cash and cash equivalents	**(1,268)**	(9,979)

In Q1 2023, cash used in operating activities amounted to $3.8 million, compared to $4.9 million in Q1 2022. The decrease in Q1 2023 is mainly due to the net difference from higher contribution of funds from operating activities of $3.1 million, negatively impacted by a less favourable change in non-cash working capital in Q1 2023.

In Q1 2023, cash generated from investing activities amounted to $2.9 million, compared to cash used in investing activities of $4.1 million in Q1 2022. The increase of $7.0 million is mainly explained by the proceeds on settlement of an indexed deposit agreement which was amended during Q1 2023, resulting in a receipt of cash of $6.5 million. The remaining increase of $0.5 million is attributable to proceeds on disposal of PPE of $0.3 million and lower additions to PPE of $0.2 million in Q1 2023.

In Q1 2023, cash used in financing activities amounted to $0.6 million, compared to $0.8 million in Q1 2022. The decrease of $0.2 million is attributable to cash received from the issuance of common shares in Q1 2023, while the principal elements of lease payments were similar for both periods.

Working Capital

(in thousands of U.S. dollars)	As at March 31, 2023	As at December 31, 2022
	$	$
Inventories	**94,755**	86,254
Other current assets	**93,423**	100,908
Current liabilities	**(84,908)**	(62,846)
Working capital[1]	**103,270**	124,316
Working capital current ratio[1]	**2.22**	2.98

The $21.0 million decrease in working capital[1] compared to December 31, 2022 is mainly attributable to higher current liabilities following the presentation of the subordinated term loan of $25.0 million maturing in March 2024 as a current portion of long-term debt in Q1 2023. In addition, inventories generally higher in the first half of the year, increased by $8.5 million in Q1 2023, and were mitigated by lower other current assets of $7.5 million.

Net Debt

(in thousands of U.S. dollars)	As at March 31, 2023	As at December 31, 2022
	$	$
Bank indebtedness	-	-
Long-term debt including current portion	**121,000**	121,000
Total Debt[1]	**121,000**	121,000
Cash and cash equivalents	**(41,423)**	(42,691)
Net Debt[1]	**79,577**	78,309

Total debt[1] stood at $121.0 million as at March 31 2023 and as at December 31, 2022.

Net debt[1], after considering cash and cash equivalents, increased by $1.3 million to $79.6 million on March 31, 2023, from $78.3 million on December 31, 2022.

Share Information

	As at May 3, 2023	As at March 31, 2023
Issued and outstanding shares	88,454,724	88,454,724
Stock options potentially issuable	1,615,162	1,615,162

[1] See Non-IFRS Measures

Off-balance Sheet Arrangements

The Company is exposed to currency risk on sales in euros and other currencies, as well as interest rate fluctuations on its credit facility, and, therefore, may periodically enter into foreign currency forward contracts and interest rate or foreign currency swap contracts to protect itself against interest rate and currency fluctuations. The reader will find more details related to these contracts in Notes 19 and 27 of the audited consolidated financial statements for the year ended December 31, 2022.

Commitments

As at March 31, 2023, in the normal course of business, the Company contracted letters of credit for an amount of $0.9 million ($0.9 million 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 consolidated financial statements, the Company was not aware of any significant events that would have a material effect on its consolidated financial statements.

Divestiture of 5N Belgium SA

On December 19, 2022, the Company divested its 100% interest in 5N Plus Belgium SA, previously included within its Performance Materials segment, and recognized a loss on divestiture of $7.8 million. The decision to cease the production of lower margin products used in extractive and catalytic applications was made following a strategic review of the Company's operations. As part of the transaction, a provision of $2.6 million was recorded in the fourth quarter of 2022, of which 2.0 million euros or $2.1 million is held in escrow, was recorded under Litigation and Restructuring costs to support the new owners to ensure site compliance with most recent environmental standards and other related costs. Prior to the divestiture, the Company recorded an impairment charge of $7.1 million on PPE was recorded in the third quarter of 2022 following the announcement of its intention to halt production at its manufacturing facility in Tilly, Belgium.

If the Company's exit from the manufacturing of low margin extractive and catalytic products and related divestiture of 5N Belgium SA had been completed as of January 1, 2022, the yearly consolidated Adjusted EBITDA[1] would have been higher by approximately $2.0 million, and revenue under Performance Materials segment lower by $39.3 million.

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 of the effectiveness of the Company's disclosure controls and procedures was carried out under the supervision of the Chief Executive Officer and Chief Financial Officer. 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.

[1] See Non-IFRS Measures

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 the ICFR during the three-month period ended March 31, 2023 that have materially affected, or are reasonably likely to materially affect, the ICFR.

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's financial instruments and their fair value is discussed in Note 19 – Fair Value of Financial Instruments in the 2022 audited consolidated financial statements of the Company.

Financial Risk Management

For a detailed description of the nature and extent of risks arising from financial instruments, and their related risk management, refer to Note 27 of the 2022 audited consolidated financial statements of the Company. The Company is not aware of any significant changes to its risk factors from those disclosed at that time.

Risk and Uncertainties

For a detailed description of risk factors associated with 5N Plus and its business, refer to "Risk and Uncertainties" of 5N Plus' 2022 MD&A dated February 21, 2023. Factors of uncertainty and risk that might result in such differences include the risks associated with interest rate, foreign currency, credit, liquidity, global economic conditions, crisis and climate change management, international operations including China, environmental regulations, social and governance (ESG) considerations, safety and hazards, prolonged armed conflict in Ukraine, COVID-19, availability and retention of qualified employees, collective agreements, litigation, our growth strategy, competition, commodity price, sources of supply, protection of intellectual property, inventory price, business interruptions, changes in backlog, acquisitions, systems, network infrastructure and data failure, as well as market price of the common shares.

Non-IFRS Measures

In this Management's Report, certain non-IFRS measures are used. The Company's management believes that these non-IFRS measures provide useful information to investors regarding the Company's financial condition and results of operations as they provide additional key metrics of its performance. These non-IFRS measures are not recognized under IFRS, do not have any standardized meaning prescribed under IFRS and may differ from similarly named measures as reported by other issuers, and accordingly may not be comparable. These measures should not be viewed as a substitute for the related financial information prepared in accordance with IFRS.

Backlog represents the expected orders the Company has received, but has not yet executed, and that are expected to translate into sales within the next twelve months, expressed in dollars and estimated in number of days not to exceed 365 days. Bookings represent orders received during the period considered, expressed in number of days, and calculated by adding revenues to the increase or decrease in backlog for the period considered, divided by annualized year revenues. 5N Plus uses backlog to provide an indication of expected future revenues in days, and bookings to determine its ability to sustain and increase its revenues.

EBITDA means net earnings (loss) before interest expenses, income taxes, depreciation and amortization. 5N Plus uses EBITDA because it believes it is a meaningful measure of the operating performance of its 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 is reconciled to the most comparable IFRS measure:

(in thousands of U.S. dollars)	**Q1 2023**	Q1 2022
	$	$
Net earnings (loss)	**1,454**	(5,755)
Interest on long-term debt, imputed interest and other interest expense	**2,260**	1,271
Income taxes expense (recovery)	**997**	(528)
Depreciation and amortization	**4,059**	4,829
EBITDA	**8,770**	(183)

EBITDA margin is defined as EBITDA divided by revenues.

Adjusted EBITDA means Operating earnings (loss) as defined before the effect of impairment of inventories, share-based compensation expense (recovery), litigation and restructuring costs, impairment of non-current assets and depreciation and amortization. 5N Plus uses adjusted EBITDA because it believes it is a meaningful measure of the operating performance of its 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.

Adjusted EBITDA margin is defined as Adjusted EBITDA divided by revenues.

Adjusted EBITDA and Adjusted EBITDA margin are reconciled to the most comparable IFRS measure:

(in thousands of U.S. dollars)	**Q1 2023**	Q1 2022
	$	$
Revenues	**55,287**	64,421
Operating expenses	**(50,561)**	(69,134)
Operating earnings (loss)	**4,726**	(4,713)
Share-based compensation expense	**12**	124
Impairment of non-current assets	**-**	5,386
Depreciation and amortization	**4,059**	4,829
Adjusted EBITDA	**8,797**	5,626
Adjusted EBITDA margin	**15.9%**	8.7%

Adjusted operating expenses means operating expenses before impairment of inventories, share-based compensation expense (recovery), litigation and restructuring costs, impairment of non-current assets and depreciation and amortization. 5N Plus uses Adjusted operating expenses to calculate Adjusted EBITDA. 5N Plus believes it is a meaningful measure of the operating performance of its ongoing business. The definition of this non-IFRS measure used by the Company may differ from that used by other companies.

Adjusted operating expenses are reconciled to the most comparable IFRS measure:

(in thousands of U.S. dollars)	**Q1 2023**	Q1 2022
	$	$
Operating expenses	**50,561**	69,134
Share-based compensation expense	**(12)**	(124)
Impairment of non-current assets	**-**	(5,386)
Depreciation and amortization	**(4,059)**	(4,829)
Adjusted operating expenses	**46,490**	58,795

Adjusted net earnings (loss) means the net earnings (loss) before the effect of impairment of inventory, share-based compensation expense (recovery), litigation and restructuring costs and impairment of non-current assets, net of the related income tax. 5N Plus uses adjusted net earnings (loss) because it believes it is a meaningful measure of the operating performance of its ongoing business without the effects of unusual expenses or income. 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. 5N Plus uses basic adjusted net earnings (loss) per share because it believes it is a meaningful measure of the operating performance of its ongoing business without the effects of unusual expenses or income. The definition of this non-IFRS measure used by the Company may differ from that used by other companies.

Adjusted net earnings (loss) and Basic adjusted net earnings (loss) are reconciled to the most comparable IFRS measures:

(in thousands of U.S. dollars, except per share amounts and number of shares)	**Q1 2023**	Q1 2022
	$	$
Net earnings (loss)	**1,454**	(5,755)
Basic earnings (loss) per share	**$0.02**	($0.07)
Reconciling items:		
Share-based compensation (recovery) expense	**12**	124
Impairment of non-current assets	**-**	5,386
Income tax recovery on taxable items above	**(3)**	(1,677)
Adjusted net earnings (loss)	**1,463**	(1,922)
Basic weighted average number of shares	**88,367,689**	88,330,236
Basic adjusted net earnings (loss) per share	**$0.02**	($0.02)

Adjusted gross margin is a measure used to monitor the sales contribution after paying cost of sales, excluding depreciation and inventory impairment charges. 5N Plus also expressed this measure in percentage of revenues by dividing the gross margin value by the total revenue.

Adjusted gross margin is reconciled to the most comparable IFRS measure:

(in thousands of U.S. dollars)	**Q1 2023**	Q1 2022
	$	$
Total revenue	**55,287**	64,421
Cost of sales	**(42,002)**	(54,249)
Gross margin	**13,285**	10,172
Depreciation included in cost of sales	**3,202**	3,905
Adjusted gross margin	**16,487**	14,077
Adjusted gross margin percentage	**29.8%**	21.9%

Net debt is calculated as total debt less cash and cash equivalents. Any introduced IFRS 16 reporting measures in reference to lease liabilities are excluded from the calculation. 5N Plus uses this measure as an indicator of its overall financial position.

Total debt and Net debt are reconciled to the most comparable IFRS measure:

(in thousands of U.S. dollars)	**As at March 31, 2023**	As at December 31, 2022
	$	$
Bank indebtedness	**-**	-
Long-term debt including current portion	**121,000**	121,000
Lease liabilities including current portion	**30,216**	30,402
Subtotal Debt	**151,216**	151,402
Lease liabilities including current portion	**(30,216)**	(30,402)
Total Debt	**121,000**	121,000
Cash and cash equivalents	**(41,423)**	(42,691)
Net Debt	**79,577**	78,309

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, it uses it as an indicator of its financial efficiency and aims to maintain it at the lowest possible level.

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

Working capital is reconciled to the most comparable IFRS measure:

(in thousands of U.S. dollars)	**As at March 31, 2023**	As at December 31, 2022
	$	$
Inventories	**94,755**	86,254
Other current assets excluding inventories	**93,423**	100,908
Current assets	**188,178**	187,162
Current liabilities	**(84,908)**	(62,846)
Working capital	**103,270**	124,316
Working capital current ratio	**2.22**	2.98

Additional Information

5N Plus' 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.

Selected Quarterly Financial Information

(in thousands of U.S. dollars, except per share amounts)	**March 31, 2023**	Dec 31, 2022	Sept 30, 2022	June 30, 2022	March 31, 2022	Dec 31, 2021	Sept 30, 2021	June 30, 2021
				$	$	$	$	$
Revenue	**55,287**	61,042	66,372	72,388	64,421	64,556	50,839	47,719
EBITDA[1]	**8,770**	(3,671)	1,751	6,739	(183)	7,822	5,105	6,318
Adjusted EBITDA[1]	**8,797**	6,705	9,114	8,583	5,626	10,086	5,537	6,336
Net earnings (loss)	**1,454**	(8,146)	(6,968)	(2,130)	(5,755)	980	(792)	2,159
Basic earnings (loss) per share	**$0.02**	($0.09)	($0.08)	($0.02)	($0.07)	$0.01	($0.01)	$0.03
Diluted earnings (loss) per share	**$0.02**	($0.09)	($0.08)	($0.02)	($0.07)	$0.01	($0.01)	$0.03
Adjusted net earnings (loss)[1]	**1,463**	2,132	520	(997)	(1,922)	1,879	(246)	1,932
Basic adjusted net earnings (loss) per share[1]	**$0.02**	$0.02	$-	($0.01)	($0.02)	$0.02	$-	$0.02
Funds from operations	**5,877**	5,478	2,055	3,165	2,800	5,604	2,394	3,656
Backlog[1]	**306 days**	253 days	192 days	140 days	196 days	221 days	174 days	199 days

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

[1] See Non-IFRS Measures