



5N PLUS INC.

Condensed Interim Consolidated Financial Statements
(Unaudited)

For the three-month periods ended March 31, 2020 and 2019
(in thousands of United States dollars)

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

	Notes	March 31 2020	December 31 2019
		\$	\$
Assets			
Current			
Cash and cash equivalents		22,006	20,065
Accounts receivable		34,748	28,477
Inventories	3	79,542	83,367
Income tax receivable		5,614	5,433
Other current assets		4,919	7,371
Total current assets		146,829	144,713
Property, plant and equipment		57,730	58,590
Right-of-use assets		5,720	6,050
Intangible assets		10,665	10,990
Deferred tax assets		7,811	8,425
Other assets		1,113	1,174
Total non-current assets		83,039	85,229
Total assets		229,868	229,942
Liabilities			
Current			
Trade and accrued liabilities		27,581	32,066
Income tax payable		4,103	3,374
Current portion of long-term debt	4	98	107
Current portion of lease liabilities		1,405	1,469
Total current liabilities		33,187	37,016
Long-term debt	4	60,000	55,000
Deferred tax liabilities		267	269
Employee benefit plan obligation		13,959	15,398
Derivatives financial liabilities	4, 10	358	-
Lease liabilities		4,455	4,767
Other liabilities		195	195
Total non-current liabilities		79,234	75,629
Total liabilities		112,421	112,645
Equity		117,447	117,297
Total liabilities and equity		229,868	229,942

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	2020	2019
		\$	\$
Revenue		49,954	51,413
Cost of sales	3, 5	40,460	42,800
Selling, general and administrative expenses	5	4,891	5,516
Other expenses (income), net	5	1,015	1,800
		46,366	50,116
Operating earnings		3,588	1,297
Financial expense			
Interest on long-term debt		682	689
Imputed interest and other interest expense		217	714
Foreign exchange and derivative loss		449	287
		1,348	1,690
Earnings (loss) before income taxes		2,240	(393)
Income tax expense (recovery)			
Current		1,337	1,240
Deferred		311	(484)
		1,648	756
Net earnings (loss)		592	(1,149)
Attributable to:			
Equity holders of 5N Plus Inc.		592	(1,149)
		592	(1,149)
Earnings (loss) per share attributable to equity holders of 5N Plus Inc.	7	0.01	(0.01)
Basic earnings (loss) per share	7	0.01	(0.01)
Diluted earnings (loss) 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 (LOSS)

For the three-month periods ended March 31

(in thousands of United States dollars) (unaudited)

	Notes	2020	2019
		\$	\$
Net earnings (loss)		592	(1,149)
Other comprehensive income (loss)			
Items that may be reclassified subsequently to net earnings (loss)			
Net changes in cash flow hedges			
Effective portion of changes in fair value of cash flow hedges	10	-	723
Reclassification to net earnings		-	(693)
De-designation of cash flow hedges		-	145
Income taxes		-	(21)
		-	154
Currency translation adjustment		(310)	398
		(310)	552
Items that will not be reclassified subsequently to net earnings (loss)			
Remeasurement of employee benefit plan obligation		955	(885)
Income taxes		(302)	275
		653	(610)
Other comprehensive income (loss)		343	(58)
Comprehensive income (loss)		935	(1,207)
Attributable to equity holders of 5N Plus Inc.		935	(1,207)

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
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

	Attributable to equity holders of the Company						
	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total shareholders' equity	Total equity
2019		\$	\$	\$	\$	\$	\$
Balances at beginning of period	84,609,791	343,480	4,444	(5,674)	(222,547)	119,703	119,703
Net loss for the period	-	-	-	-	(1,149)	(1,149)	(1,149)
Other comprehensive loss	-	-	-	(58)	-	(58)	(58)
Comprehensive loss	-	-	-	(58)	(1,149)	(1,207)	(1,207)
Reduction of share capital (Note 6)	-	(338,478)	338,478	-	-	-	-
Common shares repurchased and cancelled (Note 6)	(384,379)	(23)	-	-	(936)	(959)	(959)
Exercise of stocks options	315,000	676	(215)	-	-	461	461
Share-based compensation	-	-	69	-	-	69	69
Balances at end of period	84,540,412	5,655	342,776	(5,732)	(224,632)	118,067	118,067

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

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three-month periods ended March 31

(in thousands of United States dollars) (unaudited)

	Notes	2020	2019
		\$	\$
Operating activities			
Net earnings (loss)		592	(1,149)
Adjustments to reconcile net earnings (loss) to cash flows			
Depreciation of property, plant and equipment and amortization of intangible assets		2,734	2,823
Depreciation of right-of-use assets		365	355
Amortization of other assets		44	40
Share-based compensation expense		(1,543)	2,136
Deferred income taxes		311	(484)
Imputed interest		67	574
Employee benefit plan obligation		(103)	(74)
Loss on disposal of property, plant and equipment		30	-
Unrealized loss (gain) on non-hedge financial instruments		2,071	(999)
Unrealized foreign exchange loss (gain) on assets and liabilities		206	(447)
Realized loss on non-hedge financial instruments		-	25
Loss on de-designation of cash flow hedges		-	145
Funds from operations before the following:		4,774	2,945
Net change in non-cash working capital balances	9	(4,116)	(9,530)
Cash from (used in) operating activities		658	(6,585)
Investing activities			
Additions to property, plant and equipment		(2,220)	(2,532)
Additions of intangible assets		(45)	(308)
Cash used in investing activities		(2,265)	(2,840)
Financing activities			
Proceeds from issuance of long-term debt	4	5,000	25,000
Repayment of convertible debentures		-	(19,259)
Common shares repurchased	6	(811)	(959)
Issuance of common shares		-	461
Principal elements of lease payments		(400)	(394)
Cash from financing activities		3,789	4,849
Effect of foreign exchange rate changes on cash and cash equivalents		(241)	15
Net increase (decrease) in cash and cash equivalents		1,941	(4,561)
Cash and cash equivalents, beginning of period		20,065	26,724
Cash and cash equivalents, end of period		22,006	22,163
Supplemental information ⁽¹⁾			
Income tax paid		717	2,082
Interest paid		858	479

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

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

1. Nature of Activities

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

These condensed interim consolidated financial statements were approved by the Board of Directors on May 5, 2020.

Since January 2020, the gradual outbreak of the novel strain of the coronavirus, COVID-19 and its eventual 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. The Company rapidly implemented strategic measures to protect its global workforce from the COVID-19 virus, endeavouring to mitigate any long-term impact of the pandemic on its business. At the date of publication of these condensed interim consolidated financial statements, while the Company has been able to mitigate the short term impact from the crisis without significant loss of production capacity and customer demand, 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.

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, 2019, 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 policy 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.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three periods ended March 31
(in thousands of United States dollars, unless otherwise indicated) (unaudited)

3. Inventories

	March 31 2020	December 31 2019
	\$	\$
Raw materials	26,442	27,228
Finished goods	53,100	56,139
Total inventories	79,542	83,367

For the three-month period ended March 31, 2020, a total of \$21,263 of inventories was included as an expense in cost of sales (\$20,728 for the three-month period ended March 31, 2019).

4. Long-Term Debt

	March 31 2020	December 31 2019
	\$	\$
Senior secured revolving facility of \$79,000 with a syndicate of banks, maturing in April 2022 ⁽¹⁾	35,000	30,000
Unsecured subordinated term loan, maturing in March 2024 ⁽²⁾	25,000	25,000
Term loan, non-interest bearing, repayable under certain conditions, maturing in 2023. If the loan has not been repaid in full by the end of 2023, the balance will be forgiven. ⁽³⁾	98	107
	60,098	55,107
Less current portion of long-term debt	98	107
	60,000	55,000

⁽¹⁾ In April 2018, the Company signed a senior secured multi-currency revolving credit facility of \$79,000 maturing in April 2022. At any time, the Company has the option to request that the credit facility be expanded through the exercise of an additional \$30,000 accordion feature, subject to review and approval by the lenders. This revolving credit facility can be drawn in US dollars, Canadian dollars or Hong Kong dollars (up to \$4,000). Drawings bear interest at either the Canadian prime rate, US base rate, Hong Kong base rate or LIBOR, plus a margin based on the Company's senior net debt to consolidated EBITDA ratio. Under the terms of its credit facility, the Company is required to satisfy certain restrictive covenants as to financial ratios. As at March 31, 2020 and December 31, 2019, the Company has met all covenants.

In February 2020, the Company has 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 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, 2020 and December 31, 2019, the Company has met all covenants.

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

5. Expenses by Nature

	Three Months	
	2020	2019
	\$	\$
Wages and salaries	9,270	9,258
Share-based compensation expense	170	1,137
Depreciation of property, plant and equipment and amortization of intangible assets	2,734	2,823
Depreciation of right-of-use assets	365	355
Amortization of other assets	44	40
Loss on disposal of property, plant and equipment	30	-
Research and development, net of tax credit	450	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 has 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, 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.

On February 27, 2019, the TSX has approved the Company's NCIB. Under this NCIB, the Company has the right to purchase for cancellation, from March 1, 2019 to February 29, 2020, a maximum of 3,515,926 common shares. For the three-month period ended March 31, 2019, the Company had repurchased and cancelled 384,379 common shares at an average price of \$2.49 for a total amount of \$959. An amount of \$23 has been applied against share capital, and an amount of \$936 has been applied against the deficit.

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

7. Earnings (loss) per Share

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

Numerators	Three months	
	2020	2019
	\$	\$
Net earnings (loss) attributable to equity holders of 5N Plus	592	(1,149)
Net earnings (loss) for the period	592	(1,149)

Denominators	Three months	
	2020	2019
Basic weighted average number of shares	83,237,367	84,679,173
Dilutive effect:		
Stock options	49,870	-
Diluted weighted average number of shares	83,287,237	84,679,173

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	
	2020	2019
	\$	\$
Eco-Friendly Materials	30,170	31,119
Electronic Materials	19,784	20,294
Total revenue	49,954	51,413
Eco-Friendly Materials	3,122	3,141
Electronic Materials	5,782	4,126
Corporate and unallocated	(2,047)	(1,655)
Adjusted EBITDA⁽¹⁾	6,857	5,612
Interest on long-term debt, imputed interest and other interest expense	899	1,403
Share-based compensation expense	170	1,137
Foreign exchange and derivative loss	449	287
Depreciation and amortizations	3,099	3,178
Earnings (loss) before income tax	2,240	(393)

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

	Three months	
	2020	2019
Capital expenditures	\$	\$
Eco-Friendly Materials	1,690	1,470
Electronic Materials	530	1,062
Corporate and unallocated	-	-
Total	2,220	2,532

	March 31	December 31
	2020	2019
Assets excluding the deferred tax asset	\$	\$
Eco-Friendly Materials	91,188	90,771
Electronic Materials	112,359	112,023
Corporate and unallocated	18,510	18,723
Total	222,057	221,517

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, 2020 and 2019, and the identifiable non-current assets as at March 31, 2020 and December 31, 2019 are summarized as follows:

Revenues	Three months	
	2020	2019
	\$	\$
Asia		
China	1,318	1,268
Japan	911	1,062
Other ⁽¹⁾	9,138	11,460
Americas		
United States	14,060	13,665
Other	4,161	3,458
Europe		
Germany	6,315	6,383
France	2,279	1,824
United Kingdom	1,764	730
Other ⁽¹⁾	7,797	9,802
Other	2,211	1,761
Total	49,954	51,413

⁽¹⁾ None exceeding 10%

Non-current assets (other than deferred tax assets)	March 31	December 31
	2020	2019
	\$	\$
Asia ⁽¹⁾	14,670	15,447
United States	14,823	15,159
Canada	17,482	18,119
Europe		
Belgium	9,965	9,796
Germany	18,288	18,283
Total	75,228	76,804

⁽¹⁾ None exceeding 10%

For the three-month period ended March 31, 2020, one customer represented approximately 24% of the revenues and is included in the Electronic Materials revenues (22% for the three-month period ended March 31, 2019).

9. Supplemental Cash Flow Information

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

	Three months	
	2020	2019
	\$	\$
Decrease (increase) in assets:		
Accounts receivable	(6,271)	(5,179)
Inventories	3,825	1,569
Income tax receivable	(181)	(608)
Other current assets	384	(151)
(Decrease) increase in liabilities:		
Trade and accrued liabilities	(2,602)	(4,854)
Income tax payable	729	(307)
Net change	(4,116)	(9,530)

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

	Three months	
	2020	2019
	\$	\$
Excluded additions unpaid at end of the period:		
Additions to property, plant and equipment	382	31
Included additions unpaid at beginning of year:		
Additions to property, plant and equipment	1,012	469
Excluded adjustment recognized on adoption of IFRS 16:		
Adjustment to right-of-use assets	-	7,152
Excluded adjustment recognized on adoption of IFRS 16:		
Adjustment to lease liabilities	-	7,152

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, 2020	Level 1	Level 2	Level 3
	\$	\$	\$
Financial assets			
At fair value through profit or loss			
Equity swap agreement ⁽¹⁾	-	2,802	-
Total	-	2,802	-
Financial liabilities			
At fair value through profit or loss			
Interest rate swap agreement ⁽²⁾	-	358	-
Total	-	358	-
As at December 31, 2019	Level 1	Level 2	Level 3
	\$	\$	\$
Financial assets			
At fair value through profit or loss			
Equity swap agreement ⁽¹⁾	-	4,862	-
Total	-	4,862	-

⁽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, 2020, 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 February 2020, the Company has 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 \$650 as at March 31, 2020 (\$430 as at December 31, 2019).

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.