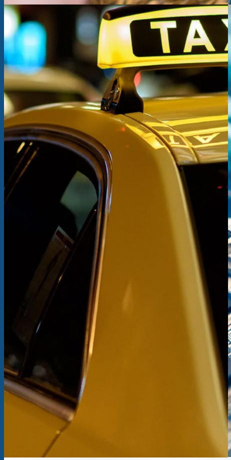
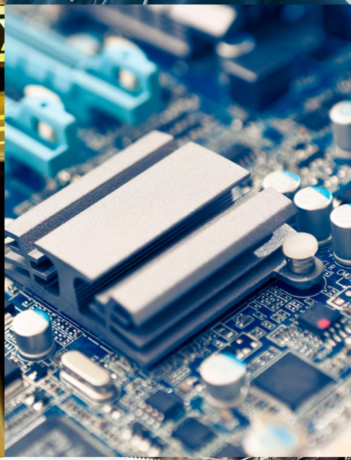




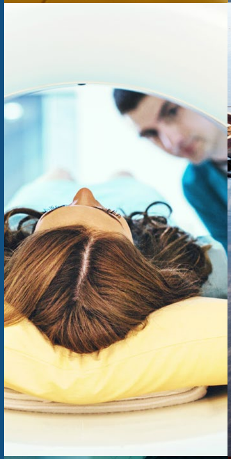
# Management Report

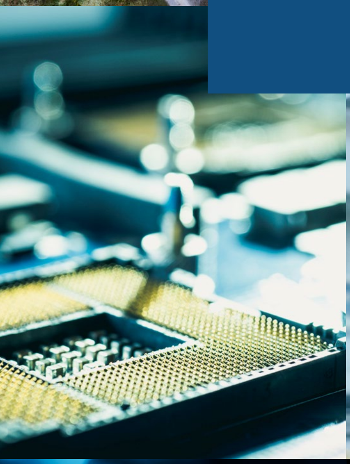
**Quarter Ended**
**March 31, 2020**

# 1

5N PLUS

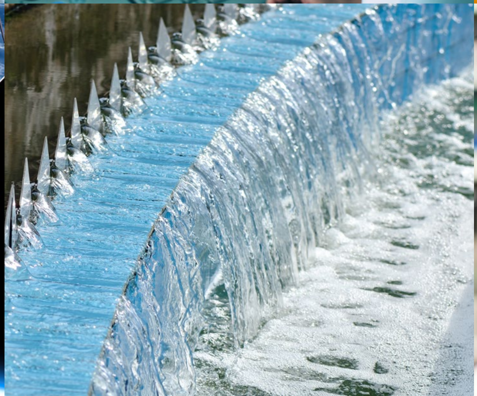
Enabling Performance










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 2020 and the audited consolidated financial statements and the accompanying notes for the year ended December 31, 2019. This MD&A has been prepared in accordance with the requirements of the Canadian Securities Administrators.

Information contained herein includes any significant developments to May 5, 2020, 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 2020" and "Q1 2019" refer to the three-month periods ended March 31, 2020 and 2019 respectively. All amounts in this MD&A are expressed in U.S. dollars, and all amounts in the tables are in thousands of U.S. dollars, unless otherwise indicated. All quarterly information disclosed in this MD&A is based on unaudited figures.

## Non-IFRS Measures

This MD&A also includes certain figures that are not performance measures consistent with IFRS. These measures are defined at the end of this MD&A under the heading Non-IFRS Measures.

**Notice Regarding Forward-Looking Statements**

Certain statements in this MD&A may be forward-looking within the meaning of applicable securities laws. Forward-looking information and statements are based on the best estimates available to the Company at the time and involve known and unknown risks, uncertainties or other factors that may cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. A description of the risks affecting the Company's business and activities appears under the heading "Risk and Uncertainties" of the 5N Plus' 2019 MD&A dated February 25, 2020 and note 10 of the unaudited condensed interim consolidated financial statements for the three-month periods ended March 31, 2020 and 2019 available on www.sedar.com.

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 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. 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. The outbreak of the COVID-19 should be considered a new risk factor.

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.

# Management's Discussion and Analysis

## Overview

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 in Montreal, Québec, Canada and 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 produce 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.

## Reporting Segments

The Company has two reportable segments, namely Electronic Materials and Eco-Friendly Materials. Corresponding operations and activities are managed accordingly by the Company's key decision makers. Segmented operating, 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 is reconciled to consolidated numbers by taking into account corporate income and expenses.

The Electronic Materials segment operates in North America, Europe and Asia. The Electronic Materials segment manufactures and sells products which are used in a number of applications such as security, aerospace, sensing, imaging, renewable energy and various technical industries. Typical end markets include photovoltaics (terrestrial and spatial solar energy), advance electronics, optoelectronics, electronic packaging, medical imaging and thermoelectric. These are sold either in elemental or alloyed form as well as in the form of chemicals, compounds and wafers. Revenues and earnings associated with recycling services and activities provided to customers of the Electronic Materials segment are also included in the Electronic Materials segment.

The Eco-Friendly Materials segment is so labelled because it is mainly associated with bismuth, one of the very few heavy metals which has no detrimental effect on either human health or in the environment. The Eco-Friendly Materials segment operates in North America, Europe and Asia. The Eco-Friendly Materials segment manufactures and sells products which are used in a number of applications such as pharmaceutical, healthcare, animal feed additive, catalytic and extractive, as well as various industrial materials. Main products are sold either in elemental or alloyed form but mostly in the form of specialized chemicals. Revenues and earnings associated with recycling services and activities provided to customers of the Eco-Friendly Materials segment are also included in the Eco-Friendly Materials segment.

Corporate expenses associated with the head office and unallocated selling, general and administrative expenses (SG&A) together with financial expenses (revenues) have been regrouped under the heading Corporate.

## Vision and Strategy

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

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

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

[1] See Non-IFRS Measures

## Highlights of Q1 2020 – Healthy Demand, Improved Earnings and Enhanced Margins Despite a Challenging Environment

Against the backdrop of the COVID-19 pandemic, 5N Plus took decisive actions to protect its global workforce and operating activities, while seamlessly serving its customer base. Proactive measures prepared the Company to sustainably operate its various sites, across the globe, and ensure continuity of supply for all customers of 5N Plus — many of whom were designated as "essential businesses". While some of the new measures introduced operational inefficiencies and government orders forced two facilities to shut down, 5N Plus was able to not only serve its orderbook but also significantly improve earnings, ending Q1 2020, well ahead of the same period last year.

During Q2 2019, 5N Plus announced that the contributions from refining and recycling activities were expected to substantially decline impacted by a shortage of input materials. This was largely because key suppliers of complex feed had begun to withhold their materials, declaring historically low metal notations as the cause. In the previous quarterly earnings conference call, the Company indicated that it expected this situation to continue for several quarters with 15-20% adverse impact on the Company's Adjusted EBITDA[1]. In Q1 2020, this impact was evident in the Eco-Friendly Materials segment. In addition, mandatory plant shutdowns ordered by local governments further weighed down on this segment. Despite these challenges, margin expansion in the Company's other businesses more than compensated for headwinds in this segment.

During Q1 2020, the Electronic Materials segment delivered substantial earnings growth as compared to the same period last year, despite the aforementioned headwinds in recycling and refining activities. This growth was driven by margin expansion across nearly all businesses in this segment. 5N Plus has resolved nearly all operating challenges associated with the production of its new products. In addition, a favorable product mix and increased sales of specialty semiconductor products have significantly increased the segments earnings, expanding the Adjusted EBITDA margin[1] to 29% for the quarter versus 20% during the same period last year.

The Company's balance sheet remained healthy with adequate resources to support current business along with future growth activities. 5N Plus has continued to invest in projects with clear pay-back benefit and those improving health and safety of its employee along with reducing environmental footprint of its operation. Despite steep declines in metal notations in 2019, book value of metal inventory remains well aligned with market notations.

As of the end of March 2020, the backlog[1] was reduced by 14 days as compared to the same period last year, and 55 days as compared to Q4 2019. Much of this was driven by the bankruptcy filing of a customers' customer. Notwithstanding this extraordinary event, shift of mix between short versus long-term contracts can cause significant changes to the backlog and booking[1] figures. From time to time, the Company may elect to alter this mix in order to enhance pricing leverage. The Company ended the quarter with a healthy backlog of 188 days of sales outstanding.

[1] See Non-IFRS Measures

For the first quarter of 2020, the Company reported the following:

- Adjusted EBITDA[1] and EBITDA[1] for the first quarter of 2020 reached $6.9 million and $6.2 million compared to $5.6 million and $4.2 million during the same quarter of 2019, positively impacted by higher overall downstream volume and stable metal notations during the quarter, mitigating the contribution shortfall from Recycling and Refining activities due to low metal notations.
- Revenue for Q1 2020 reached $50.0 million compared to $51.4 million for Q1 2019 with the net difference attributed to the relatively lower metal notations for the period, while overall volume of product sold in Q1 2020 was higher than the same period last year.
- Gross Margin[1] expanded from 22.4% in Q1 2019 to 24.4% in Q1 2020, despite operating inefficiencies attributed to the outbreak of the COVID-19 virus, abetted by the sale of products with lower metal content and higher value-added revenue.
- Net earnings for the first quarter of 2020 were $0.6 million or $0.01 per share compared to a net loss of $1.1 million or $0.01 per share for the same period last year.
- Annualized Return on Capital Employed (ROCE)[1] reached 10.6% for the first quarter of 2020 compared to 8.2% for the full year of 2019.
- Net debt[1] stood at $38.1 million as of March 31, 2020 from $35.0 million at the end of fiscal year 2019, impacted by additional working capital and contingency measures to support business continuity given the current global environment.
- On March 5, 2020, 5N Plus announced that the Toronto Stock Exchange had approved its normal course issuer bid ("NCIB"). Under the NCIB, 5N Plus has the right to purchase for cancellation, from March 9, 2020 to March 8, 2021, a maximum of 2,000,000 common shares, representing approximately 2.4% of the 83,401,558 common shares issued and outstanding as of February 25, 2020.
- From March 9, 2020 to March 31, 2020, 5N Plus purchased and cancelled 771,200 of the Company's shares under the NCIB plan.

Over the past several quarters, 5N Plus has taken numerous measures to reposition the Company, emphasizing more value-added activities with higher margins, enhancing its global cost structure, improving productivity, bolstering the Company's balance sheet and significantly reducing its risk exposure. Given the current global challenges associated with the COVID-19 pandemic along with new operating realities, 5N Plus is ideally positioned to not only navigate its path through the current environment but most importantly emerge stronger and more competitive.

Considering the transitory business environment associated with the COVID-19 pandemic, many publicly listed companies have refrained from providing earnings guidance for financial year 2020. 5N Plus has decided to also adopt this prudent measure. However, to provide some visibility; prior to the impact of COVID-19, the Company had expected 25-35% growth in Adjusted EBITDA for fiscal year 2020 compared to 2019. This included the suboptimal conditions associated with recycling and refining activities.

[1] See Non-IFRS Measures

## Summary of Results

| | **Q1 2020** | Q1 2019 |
|---|---|---|
| | **$** | $ |
| Revenue | **49,954** | 51,413 |
| Adjusted operating expenses[1*] | **(43,097)** | (45,801) |
| Adjusted EBITDA[1] | **6,857** | 5,612 |
| Impairment of inventory | **-** | - |
| Share-based compensation expense | **(170)** | (1,137) |
| Foreign exchange and derivative loss | **(449)** | (287) |
| EBITDA[1] | **6,238** | 4,188 |
| Interest on long-term debt, imputed interest and other interest expense | **899** | 1,403 |
| Depreciation and amortization | **3,099** | 3,178 |
| 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) |
| | | |
| Basic earnings (loss) per share | **$0.01** | ($0.01) |
| Diluted earnings (loss) per share | **$0.01** | ($0.01) |

**Excluding share-based compensation expense, impairment of inventory and depreciation and amortization.*

## Revenue by Segment and Gross Margin

| | **Q1 2020** | Q1 2019 | Change |
|---|---|---|---|
| | **$** | $ | |
| Electronic Materials | **19,784** | 20,294 | (3%) |
| Eco-Friendly Materials | **30,170** | 31,119 | (3%) |
| **Total revenue** | **49,954** | 51,413 | (3%) |
| Cost of sales | **(40,460)** | (42,800) | (5%) |
| Depreciation included in cost of sales | **2,685** | 2,922 | (8%) |
| **Gross margin[1]** | **12,179** | 11,535 | 6% |
| **Gross margin percentage[1]** | **24.4%** | 22.4% | |

In Q1 2020, revenue decreased slightly when compared to the same quarter of last year, with gross margin[1] reaching 24.4% compared to 22.4% in Q1 2019 despite lower contribution from the upstream activities, reflecting the impact of lower metal notations, while overall downstream volume was higher.

[1] See Non-IFRS Measures

## Operating earnings, EBITDA and Adjusted EBITDA

| | Q1 2020 | Q1 2019 | Change |
|---|---|---|---|
| | **$** | $ | |
| Electronic Materials | **5,782** | 4,126 | 40% |
| Eco-Friendly Materials | **3,122** | 3,141 | (1%) |
| Corporate | **(2,047)** | (1,655) | 24% |
| **Adjusted EBITDA[1]** | **6,857** | 5,612 | 22% |
| **EBITDA[1]** | **6,238** | 4,188 | 49% |
| **Operating earnings** | **3,588** | 1,297 | 177% |

In Q1 2020, Adjusted EBITDA[1] was $6.9 million compared to $5.6 million in Q1 2019, positively impacted by stable metal notations, and higher overall downstream volume, mitigating the contribution shortfall from upstream activities due to low metal notations.

In Q1 2020, EBITDA[1] was $6.2 million compared to $4.2 million in Q1 2019. The increase is mainly explained by the higher Adjusted EBITDA combined with lower share-based compensation expense mitigating higher foreign exchange and derivative loss.

In Q1 2020, operating earnings reached $3.6 million compared to $1.3 million in Q1 2019.

**Electronic Materials Segment**
Adjusted EBITDA in Q1 2020 increased by $1.7 million to $5.8 million representing an Adjusted EBITDA margin[1] of 29% compared to 20% in Q1 2019.

**Eco-Friendly Materials Segment**
Adjusted EBITDA in Q1 2020 reached $3.1 million and an Adjusted EBITDA margin of 10%, similar to Q1 2019.

## Net Earnings and Adjusted Net Earnings

| | Q1 2020 | Q1 2019 |
|---|---|---|
| | **$** | $ |
| Net earnings (loss) | **592** | (1,149) |
| Basic earnings (loss) per share | **$0.01** | ($0.01) |
| Reconciling items: | | |
| Share-based compensation expense | **170** | 1,137 |
| Accelerated imputed interest | **-** | 267 |
| Income tax recovery on taxable items above | **(45)** | (375) |
| **Adjusted net earnings (loss)[1]** | **717** | (120) |
| **Basic adjusted net earnings per share[1]** | **$0.01** | $- |

Net earnings were $0.6 million or $0.01 per share in Q1 2020 compared to a net loss of $1.1 million or $0.01 per share in Q1 2019. Adjusted net earnings[1] increased by $0.8 million and were $0.7 million or $0.01 per share in Q1 2020 compared to an adjusted net loss of $0.1 million in Q1 2019. Excluding the income tax recovery, the only item reconciling the Adjusted net earnings in Q1 2020 is the share-based compensation expense.

[1] See Non-IFRS Measures

## Backlog and Bookings

| | BACKLOG[1] | | | BOOKINGS[1] | | |
|---|---|---|---|---|---|---|
| | **Q1 2020** | Q4 2019 | Q1 2019 | **Q1 2020** | Q4 2019 | Q1 2019 |
| | **$** | $ | $ | **$** | $ | $ |
| Electronic Materials | **51,602** | 68,888 | 62,730 | **2,498** | 20,025 | 21,253 |
| Eco-Friendly Materials | **51,135** | 50,009 | 51,077 | **31,296** | 26,819 | 30,703 |
| **Total** | **102,737** | 118,897 | 113,807 | **33,794** | 46,844 | 51,956 |

| | BACKLOG[1] | | | BOOKINGS[1] | | |
|---|---|---|---|---|---|---|
| *(number of days based on annualized revenues) ** | **Q1 2020** | Q4 2019 | Q1 2019 | **Q1 2020** | Q4 2019 | Q1 2019 |
| Electronic Materials | **238** | 306 | 282 | **12** | 89 | 96 |
| Eco-Friendly Materials | **155** | 189 | 150 | **95** | 101 | 90 |
| Weighted average | **188** | 243 | 202 | **62** | 96 | 92 |

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

### Q1 2020 vs Q4 2019

Backlog[1] as at March 31, 2020 reached a level of 188 days of annualized revenue, a decrease of 55 days or 23% over the backlog ended December 31, 2019. The decrease was mainly driven by the bankruptcy filing of one of the end-customers within Electronic Materials resulting in retroactive adjustment to the backlog in terms of dollar and days of sales.

Backlog as at March 31, 2020 for the Electronic Materials segment represented 238 days of annualized segment revenue, a decrease of 68 days or 22% over the backlog ended December 31, 2019. The backlog for the Eco-Friendly Materials segment represented 155 days of annualized segment revenue, a decrease of 34 days or 18% over the backlog ended December 31, 2019.

Bookings[1] for the Electronic Materials segment decreased by 77 days, from 89 days in Q4 2019 to 12 days in Q1 2020. Following the retroactive adjustment to the backlog in reference to the bankruptcy filing of a customer's customer within Electronic Materials, the bookings calculated by adding revenues to the increase or decrease in backlog for the period divided by annualized year revenues, are also negatively impacted. Bookings for the Eco-Friendly Materials segment decreased by 6 days, from 101 days in Q4 2019 to 95 days in Q1 2020.

### Q1 2020 vs Q1 2019

Backlog as at March 31, 2020 for the Electronic Materials segment decreased by 44 days and increased by 5 days for the Eco-Friendly Materials segment compared to March 31, 2019, reaching 188 days on a consolidated basis compared to 202 days.

Bookings for the Electronic Materials segment decreased by 84 days and increased by 5 days for the Eco-Friendly Materials segment compared to the previous year quarter.

## Expenses

| | **Q1 2020** | Q1 2019 |
|---|---|---|
| | **$** | $ |
| Depreciation and amortization | **3,099** | 3,178 |
| SG&A | **4,891** | 5,516 |
| Share-based compensation expense | **170** | 1,137 |
| Financial expense | **1,348** | 1,690 |
| Income taxes expense | **1,648** | 756 |
| **Total expenses** | **11,156** | 12,277 |

[1] See Non-IFRS Measures

**Depreciation and Amortization**

Depreciation and amortization expenses in Q1 2020 amounted to $3.1 million compared to $3.2 million for the same period of 2019.

**SG&A**

In Q1 2020, SG&A expenses were $4.9 million compared to $5.5 million for the same period of 2019. In 2020, the expenses were positively impacted by favorable exchange rates across most local currency denominated expenses when compared to 2019, as well as timing of certain expenses.

**Share-Based Compensation Expense**

Share-based compensation expense in Q1 2020 amounted to $0.2 million compared to $1.1 million for the same period of 2019, reflecting the scheduled vesting of long-term incentive plans and the decline in the Company's share price initiated in 2019.

**Financial Expense**

Financial expense in Q1 2020 amounted to $1.3 million compared to $1.7 million in Q1 2019. The decrease is mainly due to imputed interest recognized as a non-cash expense related to the outstanding convertible debentures redeemed in March 2019 net of higher loss in foreign exchange and derivatives compared to the same period last year.

**Income Taxes**

The Company reported earnings before income taxes of $2.2 million in Q1 2020. Income tax expense in Q1 2020 was $1.6 million compared to $0.8 million in Q1 2019. Both periods were impacted by deferred tax assets applicable in certain jurisdictions.

## Liquidity and Capital Resources

| | **Q1 2020** | Q1 2019 |
|---|---|---|
| | **$** | $ |
| Funds from operations[1] | **4,774** | 2,945 |
| Net changes in non-cash working capital items | **(4,116)** | (9,530) |
| Operating activities | **658** | (6,585) |
| Investing activities | **(2,265)** | (2,840) |
| 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 generated by operating activities amounted to $0.7 million in Q1 2020 compared to cash used in operating activities of $6.6 million in Q1 2019. The increase in funds from operations[1] is mainly explained by the higher EBITDA[1]. The negative change in non-cash working capital in Q1 2020 is mainly due to an increase in accounts receivable of $6.3 million combined with a decrease in trade and accrued liabilities of $2.6 million, mitigated by a decrease of $3.8 million in inventory, of $0.4 million in other current assets and of $0.5 million in net position of income tax receivable.

In Q1 2020, cash used in investing activities totaled $2.3 million compared to $2.8 million in Q1 2019, mainly attributed to timing of additions to PPE.

In Q1 2020, cash from financing activities amounted to $3.8 million compared to $4.8 million in Q1 2019. The decrease is mainly explained by the new drawdown of $5.0 million from the credit facility while in Q1 2019, the Company completed the new five-year unsecured subordinated term loan of $25.0 million for which only $19.3 million were used to redeem the Company's outstanding convertible unsecured subordinated debentures of CA$26.0 million combined with the issuance of common shares for an amount of $0.5 million. Since the beginning of 2020, the Company has repurchased and cancelled 771,200 common shares under the NCIB plan for an amount of $0.8 million compared to 384,379 common shares for an amount of $1.0 million during Q1 2019.

[1] See Non-IRFS Measures

## Working Capital

| | As at March 31, 2020 | As at December 31, 2019 |
|---|---|---|
| | $ | $ |
| Inventories | 79,542 | 83,367 |
| Other current assets | 67,287 | 61,346 |
| Current liabilities | (33,187) | (37,016) |
| **Working capital[1]** | **113,642** | 107,697 |
| **Working capital current ratio[1]** | **4.42** | 3.91 |

The increase in working capital[1] compared to December 31, 2019 was mainly attributable to lower current liabilities and higher current assets, while inventories are lower impacted by current low metal notations and lower refining and recycling activities communicated in 2019.

## Net Debt

| | As at March 31, 2020 | As at December 31, 2019 |
|---|---|---|
| | $ | $ |
| Bank indebtedness | - | - |
| Long-term debt including current portion | 60,098 | 55,107 |
| **Total Debt[1]** | **60,098** | 55,107 |
| Cash and cash equivalents | (22,006) | (20,065) |
| **Net Debt[1]** | **38,092** | 35,042 |

Total debt[1] increased by $5.0 million to $60.1 million as at March 31, 2020 compared to $55.1 million as at December 31, 2019, mainly due to the drawdown of $5.0 million on the Company's credit facility for working capital purposes.

Net debt[1], after considering cash and cash equivalents, increased by $3.1 million, from $35.0 million as at December 31, 2019 to $38.1 million as at March 31, 2020, mostly impacted by non-cash working capital requirements.

## Share Information

| | As at May 5, 2020 | As at March 31, 2020 |
|---|---|---|
| Issued and outstanding shares | 82,528,861 | 82,630,358 |
| Stock options potentially issuable | 754,656 | 912,531 |

On March 5, 2020, the TSX approved the Company's NCIB plan under which, 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 repurchased and cancelled 771,200 common shares at an average price of $1.05 (CA$1.49) for a total amount of $0.8 million applied against the equity.

## Off-Balance Sheet Arrangements

The Company is exposed to currency risk on sales in Euro and other currencies as well as interest rate fluctuations on its credit facility, and therefore periodically enters 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 16 and 24 of the audited consolidated financial statements for the year ended December 31, 2019.

## Commitments

As at March 31, 2020, in the normal course of business, the Company contracted letters of credit for an amount of $0.7 million ($0.4 million as at December 31, 2019).

[1] See Non-IFRS Measures

## Contingencies

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

## Governance

As required by Multilateral Instrument 52-109 of the Canadian Securities Administrators («MI 52-109 »), 5N Plus has filed certificates signed by the Chief Executive Officer and the Chief Financial Officer that, among other things, attest to the design of the disclosure controls and procedures and the design and effectiveness of internal controls over financial reporting.

### Disclosure Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer have designed disclosure controls and procedures, or have caused them to be designed under their supervision, in order to provide reasonable assurance that:

- material information relating to the Company has been made known to them; and
- information required to be disclosed in the Company's filings is recorded, processed, summarized and reported within the time periods specified in securities legislation.

An evaluation was carried out, under the supervision of the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the disclosure controls and procedures are effective.

### Internal Control over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer have also designed internal controls over financial reporting (ICFR) or have caused them to be designed under their supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Based on their evaluation carried out to assess the effectiveness of the Company's ICFR, the Chief Executive Officer and the Chief Financial Officer have concluded that the ICFR were designed and operated effectively using the Internal Control – Integrated Framework (2013 Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO 2013 Framework").

### Changes in Internal Control over Financial Reporting

No changes were made to our ICFR during the three-month period ended March 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

## Financial Instruments and Risk Management

### Fair Value of financial instruments

A detailed description of the methods and assumptions used to measure the fair value of the Company financial instruments and their fair value are discussed in Note 16 – Fair Value of Financial Instruments in the 2019 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 24 of the 2019 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' 2019 MD&A dated February 25, 2020. Factors of uncertainty and risk that might result in such differences include the risks associated with our growth strategy, credit, liquidity, interest rate, litigation, inventory pricing, commodity pricing, currency fluctuation, fair value, source of supply, environmental regulations, competition, dependence on key personnel, business interruptions, changes to backlog, protection of intellectual property, international operations including China, international trade regulations, collective agreements and being a public issuer as well as systems, network infrastructure and data failure, interruption and breach. 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 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. 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. The outbreak of the COVID-19 should be considered a new risk factor.

## Non-IFRS Measures

In this Management's Report, the Company's management uses certain measures which are not in accordance with IFRS. Non-IFRS measures are useful supplemental information but may not have a standardized meaning according to IFRS.

Backlog represents the expected orders we have received but have not yet executed and that are expected to translate into sales within the next twelve months expressed in number of days. Bookings represent orders received during the period considered, expressed in days, and is calculated by adding revenues to the increase or decrease in backlog for the period considered divided by annualized year revenues. We use backlog to provide an indication of expected future revenues in days, and bookings to determine our ability to sustain and increase our revenues.

EBITDA means net earnings before interest expenses, income taxes, depreciation and amortization. We use EBITDA because we believe it is a meaningful measure of the operating performance of our ongoing business without the effects of certain expenses. The definition of this non-IFRS measure used by the Company may differ from that used by other companies.

EBITDA margin is defined as EBITDA divided by revenues.

Adjusted EBITDA means EBITDA as defined above before impairment of inventories, share-based compensation expense, impairment of non-current assets, litigation and restructuring costs (income), gain on disposal of property, plant and equipment, foreign exchange and derivatives loss (gain). We use adjusted EBITDA because we believe it is a meaningful measure of the operating performance of our ongoing business without the effects of 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 operating expenses means operating charges before shared-based compensation expense, impairment of non-current assets, litigation and restructuring costs (income), gain on disposal on property, plant and equipment and depreciation and amortization. We use adjusted operating expenses to calculate the Adjusted EBITDA. We believe it is a meaningful measure of the operating performance of our ongoing business. The definition of this non-IFRS measure used by the Company may differ from that used by other companies.

Adjusted net earnings means the net earnings before the effect of charge of impairment related to inventory, PPE and intangible assets, share-based compensation expense, litigation and restructuring costs (income), gain on disposal of property, plant and equipment net of the related income tax. We use adjusted net earnings because we believe it is a meaningful measure of the operating performance of our ongoing business without the effects of unusual inventory write-downs and property plant and equipment, intangible asset impairment charges, share-based compensation expense, litigation and restructuring costs (income) and gain on disposal of property, plant and equipment. The definition of this non-IFRS measure used by the Company may differ from that used by other companies.

Basic adjusted net earnings per share means adjusted net earnings divided by the weighted average number of outstanding shares. We use basic adjusted net earnings per share because we believe it is a meaningful measure of the operating performance of our ongoing business without the effects of unusual inventory write-downs and property plant and equipment and intangible asset impairment charges, share-based compensation expense, litigation and restructuring costs (income) and gain on disposal of property, plant and equipment. The definition of this non-IFRS measure used by the Company may differ from that used by other companies.

Funds (used in) from operations means the amount of cash generated from operating activities before changes in non-cash working capital balances related to operations. This amount appears directly in the consolidated statements of cash flows of the Company. We consider funds (used in) from operations to be a key measure as it demonstrates the Company's ability to generate cash necessary for future growth and debt repayment.

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

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. We use this measure as an indicator of our overall financial position.

Return on Capital Employed (ROCE) is a non-IFRS financial measure, calculated by dividing the annualized Adjusted EBIT by capital employed at the end of the period. Adjusted EBIT is calculated as the Adjusted EBITDA less depreciation of PPE and amortization of intangible assets (adjusted for accelerated depreciation charge, if any). Capital employed is the sum of the accounts receivable, the inventory, the PPE, the goodwill and intangibles less trade and accrued liabilities (adjusted for exceptional items). We use ROCE to measure the return on capital employed, whether the financing is through equity or debt. In our view, this measure provides useful information to determine if capital invested in the Company yields competitive returns. The usefulness of ROCE is limited by the fact that it is a ratio and not providing information as to the absolute amount of our net income, debt or equity. It also excludes certain items from the calculation and other companies may use a similar measure but calculate it differently.

Working capital is a measure of liquid assets that is calculated by taking current assets and subtracting current liabilities. Given that the Company is currently indebted, we use it as an indicator of our financial efficiency and aim to maintain it at the lowest possible level.

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

## Additional Information

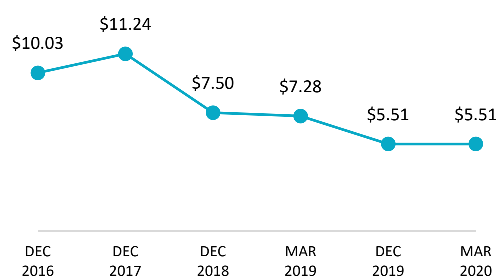
Our common shares trade on the Toronto Stock Exchange (TSX) under the ticker symbol VNP. Additional information relating to the Company, including the Company's annual information form is available under the Company's profile on SEDAR at www.sedar.com.

### Selected Quarterly Financial Information

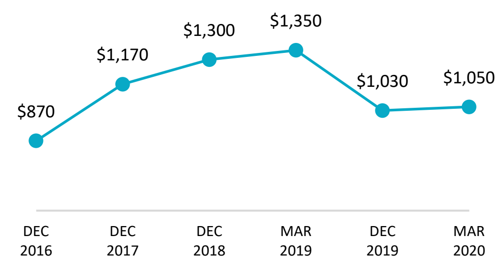
| (in thousands of United States dollars except per share amounts) | **March 31, 2020** | Dec. 31, 2019 | Sept. 30, 2019 | June 30, 2019 | March 31, 2019 | Dec. 31, 2018 | Sept. 30, 2018 | June 30, 2018 |
|---|---|---|---|---|---|---|---|---|
| | **$** | $ | $ | $ | $ | $ | $ | $ |
| Revenue | **49,954** | 44,714 | 49,554 | 50,290 | 51,413 | 47,710 | 53,379 | 58,359 |
| EBITDA[1] | **6,238** | 3,682 | 5,860 | 5,321 | 4,188 | 5,589 | 7,772 | 7,860 |
| Adjusted EBITDA[1] | **6,857** | 4,502 | 5,974 | 5,862 | 5,612 | 6,912 | 8,581 | 8,972 |
| Net earnings (loss) attributable to equity holders of 5N Plus | **592** | 146 | 1,030 | 1,758 | (1,149) | 4,046 | 3,457 | 3,417 |
| Basic earnings (loss) per share attributable to equity holders of 5N Plus | **$0.01** | $- | $0.01 | $0.02 | ($0.01) | $0.05 | $0.04 | $0.04 |
| Net earnings (loss) | **592** | 146 | 1,030 | 1,758 | (1,149) | 4,046 | 3,458 | 3,420 |
| Basic earnings (loss) per share | **$0.01** | $- | $0.01 | $0.02 | ($0.01) | $0.05 | $0.04 | $0.04 |
| Diluted earnings (loss) per share | **$0.01** | $- | $0.01 | $0.02 | ($0.01) | $0.05 | $0.04 | $0.04 |
| Adjusted net earnings[1] (loss) | **717** | 480 | 1,460 | 2,055 | (120) | 5,407 | 3,919 | 5,344 |
| Basic adjusted net earnings per share[1] | **$0.01** | $0.01 | $0.02 | $0.02 | $- | $0.06 | $0.05 | $0.06 |
| Funds from operations[1] | **4,774** | 3,343 | 4,570 | 4,866 | 2,945 | 8,641 | 6,582 | 7,194 |
| Backlog[1] | **188 days** | 243 days | 215 days | 201 days | 202 days | 217 days | 181 days | 170 days |

**Metal Prices** (in U.S. dollars per kilo)

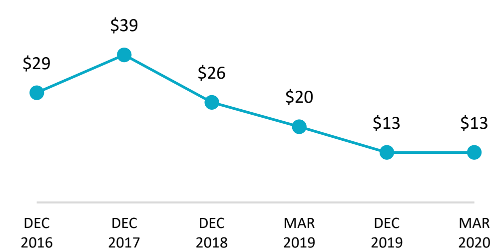
Bismuth



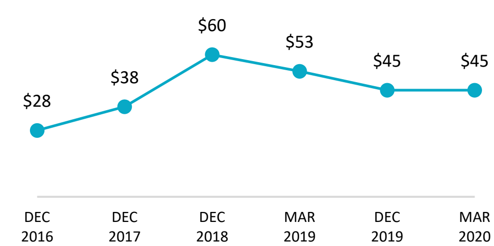

Germanium




Selenium




Tellurium




*Source : Low Metal Bulletin*

[1] See Non-IFRS Measures