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# Management Report

Quarter Ended  
June 30, 2022



**5N PLUS**  
Enabling Performance™

## Management's Discussion and Analysis

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 Q2 2022 and the audited consolidated financial statements and the accompanying notes for the year ended December 31, 2021, 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 August 2, 2022, 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. "Q2 2022" and "Q2 2021" refer to the three-month periods ended June 30, 2022, and June 30, 2021 respectively, "YTD 2022" and "YTD 2021" refer to the six-month periods ended June 30, 2022, and June 30, 2021 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 included: backlog, bookings, EBITDA, EBITDA margin, Adjusted EBITDA, Adjusted EBITDA margin, Adjusted operating expenses, Adjusted net earnings, Basic adjusted net earnings, 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 the 5N Plus's 2021 MD&A dated February 22, 2022 and note 11 of the unaudited condensed interim consolidated financial statements for the three and six-month periods ended June 30, 2022 and June 30, 2021 available on [www.sedar.com](http://www.sedar.com).

The Company is not aware of any significant changes to its risk factors previously disclosed, however since February 2022, Russian military forces invaded Ukraine; the invasion is being actively resisted by Ukrainian military personnel and the people of Ukraine, and the outcome of the ongoing conflict is uncertain at this time. Although AZUR SPACE Solar Power GmbH ("AZUR"), a subsidiary of the Company, had sales in Russia in the past, the amount of such sales is not material to the Company as a whole. The Company has no sales in Russia in 2022. A prolonged armed conflict in Ukraine or an expansion of the armed conflict to other European countries could have a negative impact on the European and global economies. As well, Russia is a major exporter of oil and natural gas. Any disruption of supplies of oil and natural gas from Russia could have a significant adverse effect on the European and world economies. All of the foregoing factors could potentially have a negative effect on the Company's sales and results of operations.

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

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## Adjustment of Comparatives Results

Certain comparative results in this MD&A have been adjusted to reflect changes to our Reporting Segments. Please refer to the "Reporting Segments" section for more information.

## 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's products to enable performance and sustainability in their own products. 5N Plus deploys a range of proprietary and proven technologies to develop and manufacture its products. The Company's products enable various applications in 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's 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

Following the acquisition of AZUR SPACE Solar Power GmbH ("AZUR") on November 5, 2021, and the subsequent integration of its activities within the Company's operations, 5N Plus repositioned certain products and applications between its two reportable segments effective in the fourth quarter of 2021.

The Company has two new 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<sup>1</sup>, which are reconciled to consolidated numbers considering corporate income and expenses.

The Specialty Semiconductors segment operates in North America and Europe and is similar to the former Electronic Materials segment and integrates the products and operations of 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 is similar to the former Eco-Friendly Materials segment. The segment manufactures and sells products that are used in several applications in pharmaceutical and healthcare, industrial, and catalytic and extractive. 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".

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<sup>1</sup> See Non-IFRS Measures

## Q2 2022 Highlights

**Standing up to the challenges, new and higher value-added products boosted Adjusted EBITDA<sup>1</sup>. The Company's strategic sectors of activity yielded a quarter of revenue and Adjusted EBITDA growth over and above the contribution from AZUR, showing adaptability to inflation and very favorable outlook despite macro-economic and geopolitical uncertainties.**

In Q2 2022, the Company delivered significant revenue and Adjusted EBITDA growth over the same period last year and sequentially, supported by strong demand in the Specialized Semiconductors segment, as well as from realized benefits from targeted commercial initiatives introduced to mitigate the impact of inflation on selected products and markets.

Supported by dynamic pricing adjustments and other commercial activities, the Performance Materials segment delivered an outstanding performance in Q2 2022, significantly above the previous quarter. This was further supported by capital investments completed last year, investments which are critical in a time of high inflation and which have improved the competitiveness of our operations for pharmaceutical and health products.

During the quarter, the Company continued to selectively deploy its business development activities and leveraged its recognized expertise in the transformation of mining and metallurgical by-products into high-purity critical minerals, with a focus on value-added products in strategic sectors and promising end markets, including those requiring specialized semiconductors. We believe the Company is entering a unique period to support the world's clean energy transition and other technological advancements, and we are evaluating strategic capital investments in our existing facilities to effectively increase our production capacity for semiconductor materials in particular, to address rapidly increasing demand in namely the renewable energy, solar space and medical imaging markets.

The Company is experiencing historically high demand levels for solar cells in the space industry and approaching these business opportunities with discipline in terms of partners and project selection, given the longer time horizon of space programs, to strategically position itself over the mid-term. We are actively promoting the first wave of the Company's commercial excellence program and new go-to-market strategy focused on a segmented approach to commercial partnering and value pricing.

From an operational standpoint, while we experienced delays during the quarter due to contractor availability and delayed equipment deliveries, we are nonetheless pleased with the progress of the St-Laurent project (Montreal, Canada), to expand the development and manufacturing of critical and strategic minerals for advanced II-VI based semiconductors, including those containing tellurium, now expected to be completed and commissioned by the end of Q3 2022.

The strategic review of our operations, as we aim to focus on businesses which are compatible with our long-term strategy aimed at positioning 5N Plus for growth in value-added markets, also remained ongoing during the second quarter. We announced that our subsidiary in Belgium intends to halt production at the Tilly, Belgium manufacturing facility, which produces lead-based products and nitrate chemicals. This process is advancing as per applicable Belgian labour laws, and we will keep the market informed as the process follows its course.

**All amounts are expressed in U.S. dollars.**

### Financial Highlights

- Revenue in Q2 2022 increased by 52%, reaching \$72.4 million, compared to \$47.7 million for the same period last year, supported by higher demand in Specialty Semiconductors, as well as pharmaceutical and health in Performance Materials. Not accounting for the contribution from AZUR, revenue increased by 20% compared to Q2 2021.
- Adjusted EBITDA in Q2 2022 reached \$8.6 million, compared to \$6.3 million for the same period last year. Adjusted EBITDA increased by \$3.1 million under Specialty Semiconductors, and \$0.4 million under Performance Materials despite the impact of inflation and supply challenges.

<sup>1</sup> See Non-IFRS Measures

## Management's Discussion and Analysis

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- On June 30, 2022, the backlog<sup>1</sup> represented 140 days of annualized revenue, 56 days lower than the previous quarter. The net difference in backlog is largely attributable to the timing of negotiations for long-term contracts, the quarterly realization of long-term contracts under negotiation for renewal in the coming quarters and our commercial go-to-market strategy to effectively mitigate the impact of inflation.
- Net debt<sup>1</sup> stood at \$89.6 million on June 30, 2022, from \$80.1 million at the end of last year, the increase reflecting additional working capital required at this time of the year.

### Q2 2022 and Subsequent Developments

- On May 11, 5N Plus announced that it has reached a strategic commercial agreement with Rio Tinto to refine the tellurium to be produced at its Kennecott copper operation in Utah. An important step towards securing a North American supply chain of critical minerals to support the clean energy transition and other technological advancements.
- On May 18, 5N Plus announced that its subsidiary 5N Plus Belgium SA intends to halt production at its manufacturing facility in Tilly, Belgium, and proceed with the site's closure. Belgian laws require the sharing of information and consultation ("I&C") with employee representatives prior to confirmation of its intention to close. Only after this I&C phase and once alternatives have been examined, 5N Plus Belgium SA will be able to confirm and initiate the plant closure process.
- On June 16, 5N Plus announced the renewal of its \$124 million senior secured multi-currency revolving syndicated credit facility to fund operations and growth initiatives. The facility can be increased to \$154 million through a \$30 million accordion feature.
- On July 28, 5N Plus announced the appointment of Mr. Roland Dubois as Chief Commercial Officer effective no later than September 1, 2022, who will be responsible for leading the Company's commercial excellence program and go-to-market strategy with a segmented approach to commercial partnering.

### Outlook

While remaining mindful of the current geo-political environment and inflationary pressures, 5N Plus believes it is advantageously positioned to capitalize on business opportunities and strategic partnerships over the medium term, namely in the renewable energy, solar space and medical imaging markets, each of which are expected to sustain well above double-digit growth rates over the coming years.

We expect to benefit from growing demand for specialty semiconductor compounds in renewable energy in support of the climate transition, with plans to substantially increase our production capacity in the coming quarters. The commissioning of the St-Laurent project, expected by the end of Q3 2022, will also provide additional capacity to support the renewable energy market.

As previously disclosed, one of our key priorities is to ensure the successful integration of AZUR, which is progressing as planned. AZUR presents unique growth opportunities within the space industry with both North American and European demand for solar cells expected to exceed available global capacity outside of China.

We are also strategically positioning ourselves with medical imaging equipment manufacturers introducing Photon Counting Detectors to replace scintillator technology, allowing significantly lower radiation and improved image enhancing diagnostic accuracy.

The implementation of the Company's commercial excellence program and go-to-market strategies are expected to continue to gain momentum through to year end. This will be further supported by creation of the role of Chief Commercial Officer, who will be responsible for leading and implementing the Company's program as we focus on value-creating commercial partnerships with our clients by sector.

5N Plus is ideally positioned to not only navigate through the current environment but most importantly, to emerge stronger and uniquely positioned in relevant markets with recognized expertise, and more competitive than ever.

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<sup>1</sup> See Non-IFRS Measures

# Management's Discussion and Analysis

## Summary of Results

(in thousands of U.S. dollars, except per share amounts)	Q2 2022	Q2 2021	YTD 2022	YTD 2021
	\$	\$	\$	\$
Revenue	72,388	47,719	136,809	94,595
Adjusted operating expenses <sup>1*</sup>	(63,805)	(41,383)	(122,600)	(81,979)
<b>Adjusted EBITDA<sup>1</sup></b>	<b>8,583</b>	<b>6,336</b>	<b>14,209</b>	<b>12,616</b>
Impairment of inventories	-	-	-	-
Impairment of non-current assets	-	-	(5,386)	-
Share-based compensation (expense) recovery	(1,036)	309	(1,160)	(1,087)
Litigation and restructuring costs	(372)	-	(372)	-
Foreign exchange and derivative (loss) gain	(436)	(327)	(735)	532
<b>EBITDA<sup>1</sup></b>	<b>6,739</b>	<b>6,318</b>	<b>6,556</b>	<b>12,061</b>
Interest on long-term debt, imputed interest and other interest expense	1,384	848	2,655	1,588
Depreciation and amortization	4,856	2,570	9,685	5,200
<b>Earnings (loss) before income taxes</b>	<b>499</b>	<b>2,900</b>	<b>(5,784)</b>	<b>5,273</b>
Income tax expense (recovery)				
Current	2,819	1,474	4,664	2,230
Deferred	(190)	(733)	(2,563)	121
	2,629	741	2,101	2,351
<b>Net (loss) earnings</b>	<b>(2,130)</b>	<b>2,159</b>	<b>(7,885)</b>	<b>2,922</b>
Basic (loss) earnings per share	(\$0.02)	\$0.03	(\$0.09)	\$0.04
Diluted (loss) earnings per share	(\$0.02)	\$0.03	(\$0.09)	\$0.04

<sup>1</sup>Excluding impairment of inventories, impairment of non-current assets, share-based compensation (expense) recovery, litigation and restructuring costs, and depreciation and amortization.

## Revenue by Segment and Adjusted Gross Margin

(in thousands of U.S. dollars)	Q2 2022	Q2 2021	Change	YTD 2022	YTD 2021	Change
	\$	\$		\$	\$	
Specialty Semiconductors	30,644	12,663	142%	57,945	24,805	134%
Performance Materials	41,744	35,056	19%	78,864	69,790	13%
<b>Total revenue</b>	<b>72,388</b>	<b>47,719</b>	<b>52%</b>	<b>136,809</b>	<b>94,595</b>	<b>45%</b>
Cost of sales	(60,147)	(38,120)	58%	(114,396)	(75,537)	51%
Depreciation included in cost of sales	3,954	2,192	80%	7,859	4,427	78%
<b>Adjusted gross margin<sup>1</sup></b>	<b>16,195</b>	<b>11,791</b>	<b>37%</b>	<b>30,272</b>	<b>23,485</b>	<b>29%</b>
<b>Adjusted gross margin percentage<sup>1</sup></b>	<b>22.4%</b>	<b>24.7%</b>		<b>22.1%</b>	<b>24.8%</b>	

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

Revenue in Q2 2022 increased by 52%, reaching \$72.4 million, compared to \$47.7 million for the same period last year, supported by higher demand in Specialty Semiconductors, as well as pharmaceutical and health in Performance Materials. Not accounting for the contribution from the recently acquired AZUR, revenue increased by 20% compared to Q2 2021.

Adjusted gross margin<sup>1</sup> in Q2 2022 was favorably impacted by volume, reaching \$16.2 million, or 22.4%, compared to \$11.8 million, or 24.7%, in Q2 2021. In YTD 2022, Adjusted gross margin was favorably impacted by volume, reaching \$30.3 million, or 22.1%, compared to \$23.5 million, or 24.8%, in YTD 2021. The Adjusted gross margin percentage was mainly impacted by inflation and ongoing supply challenges under Performance Materials.

<sup>1</sup> See Non-IFRS Measures

## Management's Discussion and Analysis

### Specialty Semiconductors Segment

Revenue in Q2 2022 increased by 142%, reaching \$30.6 million, compared to \$12.7 million in Q2 2021. In YTD 2022, revenue was \$57.9 million, compared to \$24.8 million in the same period last year, supported by higher demand, over and above the contribution from AZUR.

Adjusted gross margin<sup>1</sup> in Q2 2022 was 27.7%, compared to 33.9% in Q2 2021. In YTD 2022, Adjusted gross margin was 26.2%, compared to 33.5% in YTD 2021, mainly explained by a less favorable product and client mix for the period, as well as inflation.

### Performance Materials Segment

Revenue in Q2 2022 increased by 19%, reaching \$41.7 million compared to \$35.1 million in Q2 2021. In YTD 2022, revenue was \$78.9 million, compared to \$69.8 million in the same period last year, favorably impacted by higher demand for Performance Materials products.

Adjusted gross margin in Q2 2022 was 18.9%, compared to 21.8% in Q2 2021. In YTD 2022, Adjusted gross margin was 19.6%, compared to 22.1% in YTD 2021, mainly explained by inflation and ongoing supply challenges.

### Operating Earnings (Loss), EBITDA and Adjusted EBITDA

(in thousands of U.S. dollars)	Q2 2022	Q2 2021	Change	YTD 2022	YTD 2021	Change
	\$	\$		\$	\$	
Specialty Semiconductors	6,410	3,306	94%	12,081	6,472	87%
Performance Materials	5,568	5,171	8%	8,190	10,414	(21%)
Corporate	(3,395)	(2,141)	59%	(6,062)	(4,270)	42%
<b>Adjusted EBITDA<sup>1</sup></b>	<b>8,583</b>	<b>6,336</b>	<b>35%</b>	<b>14,209</b>	<b>12,616</b>	<b>13%</b>
<b>EBITDA<sup>1</sup></b>	<b>6,739</b>	<b>6,318</b>	<b>7%</b>	<b>6,556</b>	<b>12,061</b>	<b>(46%)</b>
<b>Operating earnings (loss)</b>	<b>2,319</b>	<b>4,075</b>	<b>(43%)</b>	<b>(2,394)</b>	<b>6,329</b>	<b>(138%)</b>

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

Adjusted EBITDA<sup>1</sup> in Q2 2022 reached \$8.6 million, compared to \$6.3 million in the same period last year. Adjusted EBITDA increased by \$3.1 million under Specialty Semiconductors and \$0.4 million under Performance Materials despite the impact of inflation and supply challenges.

In Q2 2022, EBITDA<sup>1</sup> was \$6.7 million, compared to \$6.3 million in Q2 2021. In YTD 2022, EBITDA was \$6.6 million, compared to \$12.1 million. The decrease is mainly explained by a non-cash impairment charge on non-current assets of \$5.4 million recorded in Q1 2022. For more information, see the "Expenses" section.

In Q2 2022, operating earnings reached \$2.3 million, compared to \$4.1 million in Q2 2021 and an operating loss of \$2.4 million in YTD 2022 compared to operating earnings of \$6.3 million in YTD 2021. The decrease is mainly explained by the same reasons mentioned above.

### Specialty Semiconductors Segment

Adjusted EBITDA in Q2 2022 increased by \$3.1 million to \$6.4 million representing an Adjusted EBITDA margin<sup>1</sup> of 21% compared to 26% in Q2 2021. Adjusted EBITDA in YTD 2022 increased by \$5.6 million to \$12.1 million representing an Adjusted EBITDA margin of 21% compared to 26% for the same period in 2021.

### Performance Materials Segment

Adjusted EBITDA in Q2 2022 increased by \$0.4 million to \$5.6 million representing an Adjusted EBITDA margin of 13% compared to 15% in Q2 2021. Adjusted EBITDA in YTD 2022 decreased by \$2.2 million to \$8.2 million representing an Adjusted EBITDA margin of 10% compared to 15% in the same period in 2021.

<sup>1</sup> See Non-IFRS Measures

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

(in thousands of U.S. dollars, except per share amounts)	Q2 2022	Q2 2021	YTD 2022	YTD 2021
	\$	\$	\$	\$
Net (loss) earnings	(2,130)	2,159	(7,885)	2,922
Basic (loss) earnings per share	(\$0.02)	\$0.03	(\$0.09)	\$0.04
Reconciling items:				
Impairment of non-current assets	-	-	5,386	-
Share-based compensation expense (recovery)	1,036	(309)	1,160	1,087
Litigation and restructuring costs	372	-	372	-
Income tax recovery on taxable items above	(275)	82	(1,952)	(288)
<b>Adjusted net (loss) earnings<sup>1</sup></b>	<b>(997)</b>	<b>1,932</b>	<b>(2,919)</b>	<b>3,721</b>
<b>Basic adjusted net (loss) earnings per share<sup>1</sup></b>	<b>(\$0.01)</b>	<b>\$0.02</b>	<b>(\$0.03)</b>	<b>\$0.05</b>

In Q2 2022, net loss was \$2.1 million or \$0.02 per share, compared to net earnings of \$2.2 million or \$0.03 per share in Q2 2021. Adjusted net loss<sup>1</sup> was \$1.0 million or \$0.01 per share in Q2 2022, compared to Adjusted net earnings<sup>1</sup> of \$1.9 million or \$0.02 per share, in Q2 2021.

In YTD 2022, net loss was \$7.9 million or \$0.09 per share, compared to net earnings of \$2.9 million or \$0.04 per share in YTD 2021. Adjusted net loss was \$2.9 million or \$0.03 per share in YTD 2022, compared to Adjusted net earnings of \$3.7 million or \$0.05 per share, in YTD 2021.

Excluding the income tax recovery, the items reconciling Adjusted net loss in Q2 2022 and YTD 2022 are the share-based compensation expense, litigation and restructuring costs of \$0.4 million recorded this quarter, and a non-cash impairment charge on non-current assets of \$5.4 million recorded in Q1 2022.

## Backlog and Bookings

(in thousands of U.S. dollars)	BACKLOG <sup>1</sup>			BOOKINGS <sup>1</sup>		
	Q2 2022	Q1 2022	Q2 2021	Q2 2022	Q1 2022	Q2 2021
	\$	\$	\$	\$	\$	\$
Specialty Semiconductors	65,345	73,199	39,459	22,790	6,137	15,388
Performance Materials	45,445	65,485	64,721	21,704	42,151	36,453
<b>Total</b>	<b>110,790</b>	<b>138,684</b>	<b>104,180</b>	<b>44,494</b>	<b>48,288</b>	<b>51,841</b>

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

(number of days based on annualized revenues) *	BACKLOG <sup>1</sup>			BOOKINGS <sup>1</sup>		
	Q2 2022	Q1 2022	Q2 2021	Q2 2022	Q1 2022	Q2 2021
Specialty Semiconductors	195	245	284	68	21	111
Performance Materials	99	161	168	47	104	95
Weighted average	140	196	199	56	68	99

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

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

### Q2 2022 vs Q1 2022

Backlog<sup>1</sup> on June 30, 2022, represented 140 days of annualized revenue, a decrease of 56 days or 29% over the backlog on March 31, 2022. The net difference in backlog is largely attributable to the timing of negotiations for long-term contracts, the quarterly realization of long-term contracts under negotiation for renewal in the coming quarters and our commercial go-to-market strategy to effectively mitigate the impact of inflation.

Backlog on June 30, 2022 for Specialty Semiconductors represented 195 days of annualized segment revenue, a decrease of 50 days, or 20%, over the backlog on March 31, 2022. The backlog for Performance Materials represented 99 days of annualized segment revenue, a decrease of 62 days, or 39%, over the backlog on March 31, 2022.

<sup>1</sup> See Non-IFRS Measures



## Management's Discussion and Analysis

Bookings<sup>1</sup> for the Specialty Semiconductors increased by 47 days, from 21 days in Q1 2022 to 68 days in Q2 2022. Bookings for Performance Materials decreased by 57 days, from 104 days in Q1 2022 to 47 days in Q2 2022. Bookings are calculated by adding revenues to the increase or decrease in backlog<sup>1</sup> for the period divided by annualized year revenues. As such, the decrease in bookings is attributable to the same factors as the decrease in backlog.

### Q2 2022 vs Q2 2021

Backlog on June 30, 2022, for Specialty Semiconductors decreased by 89 days, largely attributable to the quarterly realization of long-term contracts under negotiation for renewal in the coming quarters. The backlog for Performance Materials decreased by 69 days, compared to June 30, 2021, reaching 99 days, compared to 168 days in Q2 2021.

Bookings for Specialty Semiconductors decreased by 43 days for the same factors mentioned above, and by 48 days for Performance Materials, compared to the previous year quarter.

### Expenses

(in thousands of U.S. dollars)	Q2 2022	Q2 2021	YTD 2022	YTD 2021
	\$	\$	\$	\$
Depreciation and amortization	4,856	2,570	9,685	5,200
SG&A	7,421	5,153	14,914	10,129
Impairment of non-current assets	-	-	5,386	-
Share-based compensation expense (recovery)	1,036	(309)	1,160	1,087
Litigation and restructuring costs	372	-	372	-
Financial expense	1,820	1,175	3,390	1,056
Income tax expense	2,629	741	2,101	2,351
<b>Total expenses</b>	<b>18,134</b>	<b>9,330</b>	<b>37,008</b>	<b>19,823</b>

### Depreciation and Amortization

Depreciation and amortization expenses in Q2 2022 and YTD 2022 amounted to \$4.9 million and \$9.7 million, respectively, compared to \$2.6 million and \$5.2 million for the same periods in 2021. The increase in Q2 2022 and YTD 2022 are mainly explained by the increase in property, plant and equipment ("PPE"), intangible assets and right-of-use assets following the acquisition of AZUR in Q4 2021.

### SG&A

SG&A expenses in Q2 2022 and YTD 2022 were \$7.4 million and \$14.9 million, respectively, compared to \$5.2 million and \$10.1 million for the same periods in 2021. The increases are mainly explained by the acquisition of AZUR in Q4 2021 as well as general inflation impacting various expenses and progressing easing of restrictions related to COVID-19.

### Impairment of Non-current Assets

In Q1 2022, the Company recorded a non-cash impairment charge on non-current assets of \$5.4 million (\$5.1 million for customer relationships and \$0.3 million for other intangibles), included in the Specialty Semiconductors segment, to reflect the assessment of the carrying value of intangible assets impacted by the Russia/Ukraine conflict, more precisely in reference to Russia-based customers. The impairment charge results from the fact that the Company's initial assumptions regarding the timing of future cashflows from these customers can no longer be supported given the uncertainty associated with recent international sanctions against Russia and the unknown duration of the conflict.

### Share-based Compensation Expense

Share-based compensation expense in Q2 2022 amounted to \$1.0 million, compared to a recovery of \$0.3 million in Q2 2021. In YTD 2022, share-based compensation expense amounted to \$1.2 million, compared to \$1.1 million in the same period in 2021, reflecting the scheduled vesting of long-term incentive plans and the negative changes in the Company's share price initiated at the end of 2021.

<sup>1</sup> See Non-IFRS Measures

## Litigation and Restructuring Costs

In Q2 2022, the Company recorded litigation and restructuring costs of \$0.4 million following the settlement of a contract by mutual agreement. No expenses or income from litigation and restructuring activity were recognized in YTD 2021.

## Financial Expense

Financial expense in Q2 2022 amounted to \$1.8 million, compared to \$1.2 million in Q2 2021. The negative impact is mainly due to the interest on long-term debt and imputed interest which is higher following the acquisition of AZUR.

In YTD 2022, financial expense amounted to \$3.4 million, compared to \$1.1 million in YTD 2021. The negative impact is mainly due to the interest on long-term debt, imputed interest which is higher following the acquisition of AZUR, combined with a loss on foreign exchange and derivatives this year while the Company recorded a gain in the same period last year.

## Income Taxes

The Company reported earnings before income taxes of \$0.5 million in Q2 2022 and a loss before income taxes of \$5.8 million in YTD 2022. Income tax expense in Q2 2022 and YTD 2022 were \$2.6 million and \$2.1 million, respectively, compared to \$0.7 million and \$2.4 million in the same periods in 2021. Both periods were impacted by deferred tax assets applicable only in certain jurisdictions.

## Liquidity and Capital Resources

(in thousands of U.S. dollars)	Q2 2022	Q2 2021	YTD 2022	YTD 2021
	\$	\$	\$	\$
Funds from operations before the following	3,165	3,656	5,965	8,555
Net changes in non-cash working capital items	1,981	(6,719)	(5,761)	(5,843)
Cash from (used in) operating activities	5,146	(3,063)	204	2,712
Cash used in investing activities	(2,775)	(1,266)	(6,840)	(5,002)
Cash from (used in) financing activities	8,750	(82)	7,984	(6,514)
Effect of foreign exchange rate changes on cash and cash equivalents	(645)	(111)	(851)	(282)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>10,476</b>	<b>(4,522)</b>	<b>497</b>	<b>(9,086)</b>

In Q2 2022, cash generated by operating activities amounted to \$5.1 million, compared to cash used in operating activities of \$3.1 million in Q2 2021. In YTD 2022, cash generated by operating activities amounted to \$0.2 million, compared to \$2.7 million in YTD 2021. The decrease in YTD 2022 is mainly due to lower contribution of funds from operating activities.

In Q2 2022, cash used in investing activities totaled \$2.8 million compared to \$1.3 million in Q2 2021. In YTD 2022, cash used in investing activities totaled \$6.8 million compared to \$5.0 million in YTD 2021, mainly attributed to the timing of additions to PPE. During Q1 2021, the Company acquired a minority equity stake in Microbion Corporation for \$2.0 million.

In Q2 2022, cash generated by financing activities amounted to \$8.8 million, compared to cash used in financial activities of \$0.1 million in Q2 2021. The increase of \$8.8 million is mainly explained by the new drawdown of \$10.0 million from the credit facility in Q2 2022, reduced by expenses of \$0.5 million following the renewal of its credit facility and an increase in lease payments.

In YTD 2022, cash generated by financing activities amounted to \$8.0 million, compared to cash used in financial activities of \$6.5 million in YTD 2021. The increase of \$14.5 million is mainly explained by the new drawdown of \$10.0 million from the credit facility in YTD 2022 while, in YTD 2021, the Company reimbursed \$5.0 million of the credit facility. In Q2 2022, the Company announced the renewal of its credit facility for which \$0.5 million of related costs were paid. Following the acquisition of AZUR, lease payments in YTD 2022 increased by \$0.7 million. In addition, the Company repurchased and cancelled 249,572 common shares under its Normal Course Issuer Buyback ("NCIB") program for an amount of \$0.8 million in Q1 2021. Since March 8, 2021, there is no active NCIB.

# Management's Discussion and Analysis

## Working Capital

(in thousands of U.S. dollars)	As at June 30, 2022	As at December 31, 2021
	\$	\$
Inventories	95,911	95,526
Other current assets	102,115	99,996
Current liabilities	(58,204)	(65,059)
<b>Working capital<sup>1</sup></b>	<b>139,822</b>	<b>130,463</b>
<b>Working capital current ratio<sup>1</sup></b>	<b>3.40</b>	<b>3.01</b>

The increase of \$9.4 million in working capital<sup>1</sup> as compared to December 31, 2021, is mainly attributable to lower current liabilities.

## Net Debt

(in thousands of U.S. dollars)	As at June 30, 2022	As at December 31, 2021
	\$	\$
Bank indebtedness	-	-
Long-term debt including current portion	126,000	116,000
<b>Total Debt<sup>1</sup></b>	<b>126,000</b>	<b>116,000</b>
Cash and cash equivalents	(36,437)	(35,940)
<b>Net Debt<sup>1</sup></b>	<b>89,563</b>	<b>80,060</b>

Total debt<sup>1</sup> stood at \$126.0 million on June 30, 2022, from \$116.0 million at the end of last year, following a new drawdown of \$10.0 million from the credit facility in Q2 2022.

Net debt<sup>1</sup>, after considering cash and cash equivalents, increased by \$9.5 million to \$89.6 million on June 30, 2022, from \$80.1 million on December 31, 2021, reflecting additional working capital required at this time of the year.

In June 2022, the Company signed a senior secured multi-currency revolving credit facility of \$124.0 million maturing in April 2026 to replace its existing \$124.0 million senior secured revolving facility maturing in April 2023. At any time, the Company has the option to request that the credit facility be expanded through the exercise of an additional \$30.0 million 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 \$4.0 million). Drawings bear interest at either the Canadian prime rate, US base rate, Hong Kong base rate or SOFR, plus a margin based on the Company's senior net debt to consolidated EBITDA ratio. Under the terms of its credit facility, the Company is required to satisfy certain restrictive covenants as to financial ratios. As at June 30, 2022 and December 31, 2021, the Company had met all covenants.

## Share Information

	As at August 2, 2022	As at June 30, 2022
Issued and outstanding shares	88,330,236	88,330,236
Stock options potentially issuable	1,598,938	1,598,938

## 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 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 17 and 25 of the audited consolidated financial statements for the year ended December 31, 2021.

## Commitments

As at June 30, 2022, in the normal course of business, the Company contracted letters of credit for an amount of \$0.7 million (\$1.0 million as at December 31, 2021).

<sup>1</sup> 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.

## Acquisition of AZUR

On November 5, 2021, the Company acquired all of the issued and outstanding shares of AZUR for a purchase price of 50.1 million euros, subject to post-closing adjustments. The consideration transferred was comprised of 6.5 million shares of 5N Plus, which were issued from the treasury at 12.4 million euros, along with a cash payment of 37.7 million euros. Furthermore, the Company financed the working capital and equipment loans for an amount of 23.8 million euros. The cash portion of the transaction was funded through the Company's liquidity and senior debt facility.

Located in Heilbronn, Germany, AZUR is a global leader and develops and manufactures multi-junction solar cells based on III-V compound semiconductor materials. The integration of AZUR has not only expanded the Company's position within renewable energy but has also established 5N Plus as a reliable and competitive supplier to the European and U.S. space programs through Canada's membership in the European Space Agency (ESA).

To estimate the fair value of the intangible assets, management used the excess earnings method to value customer relationships and the royalty relief method to value technology and trade names using discounted cash flow models. Management developed significant assumptions related to revenue and gross margin forecasts, customer retention rates, royalty rates and discount rates.

The table below presents the Company's adjusted preliminary assessment of the fair values of the assets acquired and liabilities assumed as at June 30, 2022. The Company has not restated the consolidated statement of financial position as at December 31, 2021 as the adjustments were deemed not material. The Company also determined that the net impact on net earnings as a result of these adjustments was not material for the year ended December 31, 2021, and as such, were accounted for in the consolidated statement of earnings for the six-month period ended June 30, 2022.

Identified assets acquired and liabilities assumed	(in thousands of U.S. dollars)		
	Preliminary	Adjustments	Adjusted Preliminary
	\$	\$	\$
Cash and cash equivalents	1,017	-	1,017
Accounts receivable	8,342	1,057	9,399
Inventories	21,394	(1,057)	20,337
Other current assets	256	-	256
Property, plant and equipment	31,128	3,627	34,755
Right-of-use assets	21,626	(938)	20,688
Intangible assets	32,144	(973)	31,171
Other assets	5	-	5
Goodwill	13,841	(1,390)	12,451
<b>Total assets acquired</b>	<b>129,753</b>	<b>326</b>	<b>130,079</b>
Trade and accrued liabilities	12,197	(1,591)	10,606
Long-term debt <sup>(1)</sup>	27,396	-	27,396
Employee benefit plan obligations	2,673	-	2,673
Lease liabilities	21,626	(938)	20,688
Other liabilities	1,059	2,227	3,286
Deferred tax liabilities	7,094	628	7,722
<b>Total liabilities assumed</b>	<b>72,045</b>	<b>326</b>	<b>72,371</b>
<b>Total net assets</b>	<b>57,708</b>	<b>-</b>	<b>57,708</b>

<sup>1)</sup> The long-term debt acquired was repaid in full on November 5, 2021.

The preliminary amount recorded for goodwill is not deductible for tax purposes. The accounts receivable are presented net of a loss allowance of \$28 thousand.

# Management's Discussion and Analysis

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## Governance

As required by Multilateral Instrument 52-109 of the Canadian Securities Administrators ("MI 52-109"), 5N Plus will file 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.

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 six-month period ended June 30, 2022 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 17 – Fair Value of Financial Instruments in the 2021 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 25 of the 2021 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's 2021 MD&A dated February 22, 2022. Factors of uncertainty and risk include the risks associated with the Company's 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, being a public issuer, systems, network infrastructure and data failure, interruption and breach, global economic conditions, COVID-19, business acquisitions, environmental, social and governance (ESG) considerations, as well as the market price of common shares.

The Company is not aware of any significant changes to its risk factors previously disclosed, however since February 2022, Russian military forces invaded Ukraine; the invasion is being actively resisted by Ukrainian military personnel and the people of Ukraine, and the outcome of the ongoing conflict is uncertain at this time. Although AZUR had sales in Russia in the past, the amount of such sales is not material to the Company as a whole. The Company has no sales in Russia in 2022. A prolonged armed conflict in Ukraine or an expansion of the armed conflict to other European countries could have a negative effect on the European and global economies. As well, Russia is a major exporter of oil and natural gas. Any disruption of supplies of oil and natural gas from Russia could have a significant adverse effect on the European and world economies. All of the foregoing factors could potentially have a negative impact on the Company's sales and results of operations.

We have incurred and will continue to incur capital expenditures in order to comply with environmental laws and regulations. Exceedances in wastewater and air emissions generated by some Company facilities over the limits prescribed in applicable laws and permits have been registered. At such facilities, the Company is collaborating with governmental authorities and implementing various measures including upgrading equipment to ensure compliance. During the quarter, the Company announced its intention to close its Tilly, Belgium facility despite numerous investments to improve the site's competitiveness and compliance with environmental standards related to the production of lead-based products. Management believes that other than the costs associated with the production interruption and closing of the Tilly, Belgium facility, dealing with these environmental compliance issues will not have a material effect on the Company's earnings or competitive position during fiscal 2022. Belgian laws require the sharing of information and consultation with employee representatives prior to confirm intention to close, only after this I&C phase and once alternatives have been examined that 5N Plus Belgium SA will be able to confirm and initiate plant closure process. Future developments such as more aggressive enforcement policies, the implementation of new, more stringent laws and regulations may require expenditures that could have a material adverse effect on our business, results of operations and financial condition.

### Non-IFRS Measures

In this Management's Report, 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 number of 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 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.

## Management's Discussion and Analysis

EBITDA is reconciled to the most comparable IFRS measure:

(in thousands of U.S. dollars)	Q2 2022	Q2 2021	YTD 2022	YTD 2021
	\$	\$	\$	\$
Net (loss) earnings	(2,130)	2,159	(7,885)	2,922
Interest on long-term debt, imputed interest and other interest expense	1,384	848	2,655	1,588
Income taxes expense	2,629	741	2,101	2,351
Depreciation and amortization	4,856	2,570	9,685	5,200
<b>EBITDA</b>	<b>6,739</b>	<b>6,318</b>	<b>6,556</b>	<b>12,061</b>

EBITDA margin is defined as EBITDA divided by revenues.

Adjusted EBITDA means Operating (loss) earnings as defined before the effect of impairment of inventories, impairment of non-current assets, share-based compensation expense (recovery), litigation and restructuring costs (income), and gain on disposal of property, plant and equipment. 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)	Q2 2022	Q2 2021	YTD 2022	YTD 2021
	\$	\$	\$	\$
Revenues	72,388	47,719	136,809	94,595
Operating expenses	(70,069)	(43,644)	(139,203)	(88,266)
Operating earnings (loss)	2,319	4,075	(2,394)	6,329
Impairment of non-current assets	-	-	5,386	-
Share-based compensation expense (recovery)	1,036	(309)	1,160	1,087
Litigation and restructuring costs	372	-	372	-
Depreciation and amortization	4,856	2,570	9,685	5,200
<b>Adjusted EBITDA</b>	<b>8,583</b>	<b>6,336</b>	<b>14,209</b>	<b>12,616</b>
<b>Adjusted EBITDA margin</b>	<b>11.9%</b>	<b>13.3%</b>	<b>10.4%</b>	<b>13.3%</b>

Adjusted operating expenses means operating expenses before impairment of inventories, impairment of non-current assets, share-based compensation expense (recovery), litigation and restructuring costs (recovery), gain on disposal of property, plant and equipment 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)	Q2 2022	Q2 2021	YTD 2022	YTD 2021
	\$	\$	\$	\$
Operating expenses	70,069	43,644	139,203	88,266
Impairment of non-current assets	-	-	(5,386)	-
Share-based compensation expense (recovery)	(1,036)	309	(1,160)	(1,087)
Litigation and restructuring costs	(372)	-	(372)	-
Depreciation and amortization	(4,856)	(2,570)	(9,685)	(5,200)
<b>Adjusted operating expenses</b>	<b>63,805</b>	<b>41,383</b>	<b>122,600</b>	<b>81,979</b>

## Management's Discussion and Analysis

Adjusted net earnings means the net earnings before the effect of charges of impairment related to inventory, PPE and intangible assets, share-based compensation expense (recovery), litigation and restructuring costs (income), accelerated depreciation, and gain on disposal of PPE, net of the related income tax. 5N Plus uses adjusted net earnings because it believes it is a meaningful measure of the operating performance of its ongoing business without the effects of unusual inventory write-downs, property plant and equipment and intangible asset impairment charges, share-based compensation expense (recovery), litigation and restructuring costs (income), accelerated depreciation and gain on disposal of PPE. 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. 5N Plus uses basic adjusted net earnings per share because it believes it is a meaningful measure of the operating performance of its ongoing business without the effects of unusual impairment charges on inventories, PPE and intangible asset, share-based compensation expense (recovery), litigation and restructuring costs (income), accelerated depreciation 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.

Adjusted net earnings and Basic adjusted net earnings are reconciled to the most comparable IFRS measure:

(in thousands of U.S. dollars, except per share amounts and number of shares)	Q2 2022	Q2 2021	YTD 2022	YTD 2021
	\$	\$	\$	\$
Net (loss) earnings	(2,130)	2,159	(7,885)	2,922
Basic (loss) earnings per share	(\$0.02)	\$0.03	(\$0.09)	\$0.04
Reconciling items:				
Impairment of non-current assets	-	-	5,386	-
Share-based compensation expense (recovery)	1,036	(309)	1,160	1,087
Litigation and restructuring costs	372	-	372	-
Income tax recovery on taxable items above	(275)	82	(1,952)	(288)
<b>Adjusted net (loss) earnings</b>	<b>(997)</b>	<b>1,932</b>	<b>(2,919)</b>	<b>3,721</b>
Basic weighted average number of shares	88,330,236	81,471,503	88,330,236	81,498,579
<b>Basic adjusted net (loss) earnings per share</b>	<b>(\$0.01)</b>	<b>\$0.02</b>	<b>(\$0.03)</b>	<b>\$0.05</b>

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)	Q2 2022	Q2 2021	YTD 2022	YTD 2021
	\$	\$	\$	\$
<b>Total revenue</b>	<b>72,388</b>	<b>47,719</b>	<b>136,809</b>	<b>94,595</b>
Cost of sales	(60,147)	(38,120)	(114,396)	(75,537)
<b>Gross margin</b>	<b>12,241</b>	<b>9,599</b>	<b>22,413</b>	<b>19,058</b>
Depreciation included in cost of sales	3,954	2,192	7,859	4,427
<b>Adjusted Gross margin</b>	<b>16,195</b>	<b>11,791</b>	<b>30,272</b>	<b>23,485</b>
<b>Adjusted Gross margin percentage</b>	<b>22.4%</b>	<b>24.7%</b>	<b>22.1%</b>	<b>24.8%</b>

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.



## Management's Discussion and Analysis

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

(in thousands of U.S. dollars)	As at June 30, 2022	As at December 31, 2021
	\$	\$
Bank indebtedness	-	-
Long-term debt including current portion	126,000	116,000
Lease liabilities including current portion	28,803	32,640
<b>Subtotal Debt</b>	<b>154,803</b>	<b>148,640</b>
Lease liabilities including current portion	(28,803)	(32,640)
<b>Total Debt</b>	<b>126,000</b>	<b>116,000</b>
Cash and cash equivalents	(36,437)	(35,940)
<b>Net Debt</b>	<b>89,563</b>	<b>80,060</b>

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 June 30, 2022	As at December 31, 2021
	\$	\$
Inventories	95,911	95,526
Other current assets excluding inventories	102,115	99,996
Current assets	198,026	195,522
Current liabilities	(58,204)	(65,059)
<b>Working capital</b>	<b>139,822</b>	<b>130,463</b>
<b>Working capital current ratio</b>	<b>3.40</b>	<b>3.01</b>

### Additional Information

5N Plus's 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](http://www.sedar.com).

### Selected Quarterly Financial Information

(in thousands of U.S. dollars, except per share amounts)	June 30, 2022	March 31, 2022	Dec 31, 2021	Sept 30, 2021	June 30, 2021	March 31, 2021	Dec 31, 2020	Sept 30, 2020
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	72,388	64,421	64,556	50,839	47,719	46,876	46,230	39,872
EBITDA <sup>1</sup>	6,739	(183)	7,822	5,105	6,318	5,743	2,230	7,450
Adjusted EBITDA <sup>1</sup>	8,583	5,626	10,086	5,537	6,336	6,280	6,543	7,744
Net (loss) earnings	(2,130)	(5,755)	980	(792)	2,159	763	(2,864)	2,709
Basic (loss) earnings per share	(\$0.02)	(\$0.07)	\$0.01	(\$0.01)	\$0.03	\$0.01	(\$0.03)	\$0.03
Diluted (loss) earnings per share	(\$0.02)	(\$0.07)	\$0.01	(\$0.01)	\$0.03	\$0.01	(\$0.03)	\$0.03
Adjusted net (loss) earnings <sup>1</sup>	(997)	(1,922)	1,879	(246)	1,932	1,789	184	1,955
Basic adjusted net (loss) earnings per share <sup>1</sup>	(\$0.01)	(\$0.02)	\$0.02	\$-	\$0.02	\$0.02	\$-	\$0.02
Funds from operations	3,165	2,800	5,604	2,394	3,656	4,899	4,355	11,181
Backlog <sup>1</sup>	140 days	196 days	221 days	174 days	199 days	195 days	189 days	171 days

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

<sup>1</sup> See Non-IFRS Measures