Management Report

Quarter Ended
September 30, 2020

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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 Q3 2020 and the audited consolidated financial statements and the accompanying notes for the year ended December 31, 2019. The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). This MD&A has been prepared in accordance with the requirements of the Canadian Securities Administrators. All quarterly information disclosed in this MD&A is based on unaudited figures.

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 to November 10, 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.

"Q3 2020" and "Q3 2019" refer to the three-month periods ended September 30, 2020 and 2019 respectively, and "YTD 2020" and "YTD 2019" refer to the nine-month periods ended September 30, 2020 and 2019 respectively.

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 and nine-month periods ended September 30, 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 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, 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 Q3 and YTD 2020 - Improved Product Mix Boosts Margins and Elevates Adjusted EBITDA, Despite Headwinds from COVID 19 and Historically Low Metal Notations Weighing on Upstream Activities.

All amounts are expressed in U.S. dollars.

5N Plus posted strong results in the third quarter of 2020, achieving surging gross margin[1] of 31.3% and Adjusted EBITDA[1] of $7.7 million or 19.4% of revenue despite a globally challenging business environment due to the current pandemic. The improved earnings and higher margins were supported by a shift in product mix away from commodities to higher value-added products. As compared to the same period last year, revenue for the quarter was impacted by lower metal notations and COVID-19 related challenges, with segment Eco-Friendly Materials absorbing the majority of the impact.

During the quarter, 5N Plus initiated the closure of an Asian subsidiary with planned consolidation of select activities within the Company's global footprint. This decision was taken solely due to unfavorable business conditions arising from abrupt changes in the regulatory environment and inconsistent enforcement practices, resulting in restructuring and impairment charges. Also, during the quarter, 5N Plus executed a negotiated settlement addressing upstream related challenges which resulted in a non-recurring income of $8.0 million. The financial impact of these two non-recurring events resulted in a net gain with a favorable cash flow impact to follow over the coming quarters.

For the third quarter of 2020 and year-to-date, the Company reported the following:

- Adjusted EBITDA[1] for the third quarter of 2020 reached $7.7 million compared to $6.0 million during the same period last year. EBITDA[1] for the third quarter of 2020 reached $7.5 million compared to $5.9 million during the same quarter of 2019.

- Adjusted EBITDA and EBITDA for the nine-month period ended September 30, 2020 reached $22.2 million and $20.2 million respectively compared to $17.4 million and $15.4 million during the same period of 2019, favorably impacted by various activities related to semiconductor compounds and engineered substrates within segment Electronic Materials. Despite challenges associated with COVID-19 and low but stable metal notations impacting upstream activities, operational improvements in segment Eco-Friendly Materials narrowed the shortfall as compared to the same period last year.

- Revenue for the third quarter and the nine-month period ended September 30, 2020 reached $39.9 million and $131.0 million compared to $49.6 million and $151.3 million during the same periods in 2019. The portion of the revenue attributed to the sale of metals was significantly lower than the same periods last year and the historically low metal notations reduced contribution from upstream activities. In addition, reduced demand from certain industries due to COVID-19 impacted overall revenue.

- Net earnings for the third quarter of 2020 were $2.7 million or $0.03 per share compared to $1.0 million or $0.01 per share for the same period last year and $5.1 million or $0.06 per share for the nine-month period compared to $1.6 million or $0.02 per share for the same period last year.

- Annualized Return on Capital Employed (ROCE)[1] reached 12.9% for the third quarter of 2020 as compared to 8.2% at the end of 2019.

- Net debt[1] stood at $24.7 million as of September 30, 2020, a decrease of $10.4 million compared to December 31, 2019.

- From March 9, 2020 to September 30, 2020, 5N Plus purchased and cancelled 1,358,569 of the Company's common shares under the normal course issuer bid (NCIB) plan. Under the NCIB, 5N Plus has the right to purchase for cancellation, until March 8, 2021, a maximum of 2,000,000 common shares.

[1] See Non-IFRS Measures

- As of September 30, 2020, the Backlog[1] reached a level of 171 days of annualized revenue, lower than previous quarter which ended at 202 days and lower than in Q3 2019 at 215 days. The net difference in backlog is largely attributed to the timing associated with the negotiation of long-term contracts some of which are well underway and are expected to be completed early next year. Bookings[1] in Q3 2020 reached 53 days compared to 66 days in Q2 2020 and 102 days in Q3 2019.

- On July 21, 2020, 5N Plus announced the introduction of the third generation of engineered semiconductor substrate, INZBE3, designed for infrared imaging and detection applications based on breakthrough process technologies with immediate surging demand expected by the customer base.

- On October 7, 2020, 5N Plus announced that it has entered the Additive Manufacturing market, (commonly referred to as 3D Printing), as the supplier of high-performance engineered powders and have begun to launch a broad portfolio of metal powder products to support this ambition.

- On October 21, 2020, 5N Plus and Metalpine GmbH, an Austria-based technology leader in the production of high-quality performance powders for Additive Manufacturing announced that the parties have entered into a strategic agreement aimed at jointly serving the growing demand from Additive Manufacturing markets.

- On October 28, 2020, 5N Plus announced the completion of a series of investment packages related to process technologies, totaling nearly $10.0 million. These investments were aimed at substantially enhancing capability, increasing capacity and improving environmental footprint. The focus of these investments were select sites in Europe and China with segment Eco-Friendly Materials as the major beneficiary.

As of year-to-date and since 2018, revenue and earnings from organic growth initiatives have continued to grow, albeit slower than expected. Numerous customer feedbacks and growth in repeat orders, especially for engineered compounds, powders and substrates have only confirmed the viability of these growth initiatives and their relevance to the markets of the future. To expedite the development of these activities, various paths are under consideration by the Company including non-organic measures to increase the addressable markets associated with these initiatives. In the recent months, 5N Plus has begun to take tangible steps to support this aim. As with the remainder of 2020, 5N Plus' key priority will remain the health and safety of its people and given the current visibility, the Company maintains its guidance of $25 million to $28 million Adjusted EBITDA[1] for 2020.

[1] See Non-IFRS Measures

Summary of Results

(in thousands of U.S. dollars, except per share amounts)	Q3 2020	Q3 2019	YTD 2020	YTD 2019
	$	$	**$**	$
Revenue	**39,872**	49,554	**130,962**	151,257
Adjusted operating expenses[1] *	**(32,128)**	(43,580)	**(108,714)**	(133,809)
Adjusted EBITDA[1]	**7,744**	5,974	**22,248**	17,448
Impairment of inventory	**-**	-	**-**	-
Impairment of non-current assets	**(4,934)**	-	**(4,934)**	-
Share-based compensation expense	**(254)**	(586)	**(934)**	(2,128)
Litigation and restructuring income (costs), net	**5,577**	-	**5,577**	-
Foreign exchange and derivative (loss) gain	**(683)**	472	**(1,763)**	49
EBITDA[1]	**7,450**	5,860	**20,194**	15,369
Interest on long-term debt, imputed interest and other interest expense	**948**	942	**2,720**	3,290
Depreciation and amortization	**2,975**	2,493	**9,074**	8,252
Earnings before income taxes	**3,527**	2,425	**8,400**	3,827
Income tax expense				
Current	**656**	854	**2,946**	2,001
Deferred	**162**	541	**404**	187
	818	1,395	**3,350**	2,188
Net earnings	**2,709**	1,030	**5,050**	1,639
Basic earnings per share	**$0.03**	$0.01	**$0.06**	$0.02
Diluted earnings per share	**$0.03**	$0.01	**$0.06**	$0.02

**Excluding impairment of inventory, share-based compensation expense, litigation and restructuring income (costs), net, impairment of non-current assets, and depreciation and amortization.*

Revenue by Segment and Gross Margin

(in thousands of U.S. dollars)	Q3 2020	Q3 2019	Change	YTD 2020	YTD 2019	Change
	$	$		**$**	$	
Electronic Materials	**20,615**	21,603	(5%)	**59,917**	60,764	(1%)
Eco-Friendly Materials	**19,257**	27,951	(31%)	**71,045**	90,493	(21%)
Total revenue	**39,872**	49,554	(20%)	**130,962**	151,257	(13%)
Cost of sales	**(29,982)**	(40,141)	(25%)	**(101,565)**	(123,992)	(18%)
Depreciation included in cost of sales	**2,570**	2,227	15%	**7,833**	7,474	5%
Gross margin[1]	**12,460**	11,640	7%	**37,230**	34,739	7%
Gross margin percentage[1]	**31.3%**	23.5%		**28.4%**	23.0%	

In Q3 2020, revenue decreased by 20% compared to the same quarter of last year, while gross margin[1] surged to 31.3% compared to 23.5% in Q3 2019, tracking an average gross margin of 28.4%, or $37.2 million after 9 months compared to 23.0% or $34.7 million, with both periods impacted by historical low underlying metal notations, and relative metal notations stability during 2020.

Operating earnings, EBITDA and Adjusted EBITDA

(in thousands of U.S. dollars)	Q3 2020	Q3 2019	Change	YTD 2020	YTD 2019	Change
	$	$		**$**	$	
Electronic Materials	**8,192**	6,373	29%	**20,674**	15,194	36%
Eco-Friendly Materials	**1,412**	2,290	(38%)	**8,138**	8,946	(9%)
Corporate	**(1,860)**	(2,689)	(31%)	**(6,564)**	(6,692)	(2%)
Adjusted EBITDA[1]	**7,744**	5,974	30%	**22,248**	17,448	28%
EBITDA[1]	**7,450**	5,860	27%	**20,194**	15,369	31%
Operating earnings	**5,158**	2,895	78%	**12,883**	7,068	82%

[1] See Non-IFRS Measures

In Q3 2020, Adjusted EBITDA[1] was $7.7 million compared to $6.0 million in Q3 2019, favorably impacted by increased contribution from semiconductor compounds and semiconductor engineered substrates against the backdrop of stable but low metal notation. In YTD 2020, Adjusted EBITDA increased by $4.8 million, from $17.4 million in YTD 2019 to $22.2 million, mostly impacted by the same factors mentioned above, mitigating the shortfall in contribution from upstream activities due to low metal notations. In Q3 2020 and YTD 2020, the Company also recorded a reduction in wages expense of $0.9 million and $1.2 million respectively, resulting from the Canada Emergency Wage Subsidy in response to challenges posed by COVID-19 pandemic.

In Q3 2020, EBITDA[1] was $7.5 million compared to $5.9 million in Q3 2019. The increase is mainly explained by higher Adjusted EBITDA as well as by a non-recurrent gain related to the settlement and termination of a supply agreement, net of restructuring and impairment charges associated with the decision to consolidate selected activities and close a subsidiary located in Asia, mitigating higher foreign exchange and derivative loss.

In YTD 2020, EBITDA was $20.2 million compared to $15.4 million in YTD 2019. The increase is mainly explained by the higher Adjusted EBITDA combined with non-recurring items mentioned above as well as lower share-based compensation expense, and higher foreign exchange and derivative loss.

In Q3 2020, operating earnings reached $5.2 million compared to $2.9 million in Q3 2019 and $12.9 million in YTD 2020 compared to $7.1 million in YTD 2019.

Electronic Materials Segment
Adjusted EBITDA in Q3 2020 increased by $1.8 million to $8.2 million representing an Adjusted EBITDA margin[1] of 40% compared to 30% in Q3 2019. Adjusted EBITDA increased by $5.5 million to $20.7 million in YTD 2020 representing an Adjusted EBITDA margin of 35% compared to 25% in YTD 2019.

Eco-Friendly Materials Segment
Adjusted EBITDA in Q3 2020 decreased by $0.9 million to $1.4 million representing an Adjusted EBITDA margin of 7% compared to 8% in Q3 2019. Adjusted EBITDA decreased by $0.8 million to $8.1 million in YTD 2020 representing an Adjusted EBITDA margin of 11% compared to 10% in YTD 2019.

Net Earnings and Adjusted Net Earnings

(in thousands of U.S. dollars, except per share amounts)	**Q3 2020**	Q3 2019	**YTD 2020**	YTD 2019
	$	$	**$**	$
Net earnings	**2,709**	1,030	**5,050**	1,639
Basic earnings per share	**$0.03**	$0.01	**$0.06**	$0.02
Reconciling items:				
Share-based compensation expense	**254**	586	**934**	2,128
Litigation and restructuring (income) costs, net	**(5,577)**	-	**(5,577)**	-
Impairment of non-current assets	**4,934**	-	**4,934**	-
Accelerated imputed interest	**-**	-	**-**	267
Income tax recovery on taxable items above	**(365)**	(156)	**(545)**	(639)
Adjusted net earnings[1]	**1,955**	1,460	**4,796**	3,395
Basic adjusted net earnings per share[1]	**$0.02**	$0.02	**$0.06**	$0.04

In Q3 2020, net earnings were $2.7 million or $0.03 per share compared to $1.0 million or $0.01 per share in Q3 2019. Adjusted net earnings[1] amounted to $2.0 million or $0.02 per share, a similar level than the same quarter last year.

In YTD 2020, net earnings were $5.1 million or $0.06 per share compared to $1.6 million or $0.02 per share in YTD 2019. Adjusted net earnings increased by $1.4 million and were $4.8 million or $0.06 per share in YTD 2020 compared to $3.4 million or $0.04 per share in YTD 2019.

[1] See Non-IFRS Measures

Excluding the income tax recovery, the items reconciling the Adjusted net earnings[1] in Q3 2020 and YTD 2020 are the share-based compensation expense, a non-recurrent gain related to the termination of a supply agreement net of the impairment of the related production equipment as well as restructuring and impairment charges associated with the decision to close a subsidiary located in Asia.

Backlog and Bookings

	BACKLOG[1]			BOOKINGS[1]		
(in thousands of U.S. dollars)	**Q3 2020**	Q2 2020	Q3 2019	**Q3 2020**	Q2 2020	Q3 2019
	$	$	$	**$**	$	$
Electronic Materials	**36,025**	51,432	69,380	**5,208**	19,348	27,181
Eco-Friendly Materials	**38,578**	39,775	47,387	**18,060**	10,258	28,196
Total	**74,603**	91,207	116,767	**23,268**	29,606	55,377

	BACKLOG[1]			BOOKINGS[1]		
(number of days based on annualized revenues) *	**Q3 2020**	Q2 2020	Q3 2019	**Q3 2020**	Q2 2020	Q3 2019
Electronic Materials	**159**	240	293	**23**	90	115
Eco-Friendly Materials	**183**	168	155	**86**	43	92
Weighted average	**171**	202	215	**53**	66	102

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

Q3 2020 vs Q2 2020

Backlog as at September 30, 2020 reached a level of 171 days of annualized revenue, a decrease of 31 days or 15% over the backlog as at June 30, 2020. The net difference in backlog is largely attributed to the timing associated with the negotiation of long-term contracts.

On November 9, 2020, the Company secured multi-year contracts within its segment Electronic Materials, more precisely in the Renewable Energy Sector. The renewal of these contracts is expected to significantly improve the backlog and bookings and will be reflected in the fourth quarter 2020 reporting period.

Backlog[1] as at September 30, 2020 for the Electronic Materials segment represented 159 days of annualized segment revenue, a decrease of 81 days or 34% over the backlog as at June 30, 2020. The backlog for the Eco-Friendly Materials segment represented 183 days of annualized segment revenue, an increase of 15 days or 9% over the backlog as at June 30, 2020.

Bookings[1] for the Electronic Materials segment decreased by 67 days, from 90 days in Q2 2020 to 23 days in Q3 2020, due to the renewal timing of a long-term contract within the segment. Bookings for the Eco-Friendly Materials segment increased by 43 days, from 43 days in Q2 2020 to 86 days in Q3 2020, the renewal of long-term contracts mostly occurring at year-end and Q1 for this segment.

Q3 2020 vs Q3 2019

Backlog as at September 30, 2020 for the Electronic Materials segment decreased by 134 days, the decrease mainly driven by the bankruptcy filing of one of the end-customers resulting in retroactive adjustment during Q1, and the timing associated with the negotiation of long-term contracts within the segment, while the Eco-Friendly Materials segment increased by 28 days compared to September 30, 2019, reaching 183 days on a consolidated basis compared to 155 days in Q3 2019.

Bookings for the Electronic Materials segment decreased by 92 days and by 6 days for the Eco-Friendly Materials segment compared to the previous year quarter.

[1] See Non-IRFS Measures

Expenses

(in thousands of U.S. dollars)	Q3 2020	Q3 2019	YTD 2020	YTD 2019
	$	$	**$**	$
Depreciation and amortization	**2,975**	2,493	**9,074**	8,252
SG&A	**4,522**	5,242	**14,002**	16,234
Share-based compensation expense	**254**	586	**934**	2,128
Litigation and restructuring (income) costs, net	**(5,577)**	-	**(5,577)**	-
Impairment of non-current assets	**4,934**	-	**4,934**	-
Financial expense	**1,631**	470	**4,483**	3,241
Income taxes expense	**818**	1,395	**3,350**	2,188
Total expenses	**9,557**	10,186	**31,200**	32,043

Depreciation and Amortization

Depreciation and amortization expenses in Q3 2020 and YTD 2020 amounted to $3.0 million and $9.1 million respectively compared to $2.5 million and $8.3 million for the same periods of 2019. The increase is primarily attributable to the completion of specific capital expenditure late 2019 and early 2020.

SG&A

SG&A expenses in Q3 2020 and YTD 2020 were $4.5 million and $14.0 million respectively compared to $5.2 million and $16.2 million for the same periods of 2019. In 2020, the expenses were positively impacted by lower travel and consulting expenses, either avoided or delayed, due to the COVID-19 pandemic. The Company also recorded a reduction in wages expense of $0.2 million in Q3 2020 and YTD 2020 resulting from the Canada Emergency Wage Subsidy in response to challenges posed by the COVID-19 pandemic.

Share-Based Compensation Expense

Share-based compensation expense in Q3 2020 and YTD 2020 amounted to $0.3 million and $0.9 million respectively compared to $0.6 million and $2.1 million for the same periods of 2019, reflecting the scheduled vesting of long-term incentive plans and the decline in the Company’s share price initiated in 2019.

Litigation and restructuring costs (income)

In Q3 2020, the Company recorded a non-recurring income of $8.0 million from the settlement and termination of a supply agreement, net of associated costs of $0.1 million. In addition, the Company also made the decision to consolidate selected activities and close one of its subsidiaries located in Asia following the introduction of unfavorable business conditions and new regulations by local authorities preventing the site to be economically viable, incurring a provision for restructuring costs for an amount of $2.3 million which consist of severances and other related costs to site closure.

No expenses or income from litigation and restructuring activity were recognized in YTD 2019.

Impairment of non-current assets

In Q3 2020, the Company recorded an impairment charge on non-current assets of $4.9 million following the decision to close one of its subsidiaries mentioned above as well as an impairment of specific production equipment related to the site affected by the termination of a supply agreement also mentioned above.

Financial Expense

Financial expense in Q3 2020 amounted to $1.6 million compared to $0.5 million in Q3 2019. The increase is mainly due to higher loss in foreign exchange and derivatives compared to the same period last year.

In YTD 2020, financial expense amounted to $4.5 million compared to $3.2 million in YTD 2019. The increase is mainly due to the same factor mentioned above mitigated by imputed interest recognized as a non-cash expense related to the outstanding convertible debentures redeemed in March 2019.

Income Taxes

The Company reported earnings before income taxes of $3.5 million in Q3 2020 and $8.4 million in YTD 2020. Income tax expense in Q3 2020 and YTD 2020 were $0.8 million and $3.4 million respectively compared to $1.4 million and $2.2 million for the same periods in 2019. Both periods were impacted by deferred tax assets applicable in certain jurisdictions.

Liquidity and Capital Resources

(in thousands of U.S. dollars)	**Q3 2020**	Q3 2019	**YTD 2020**	YTD 2019
	$	$	**$**	$
Funds from operations[1]	**11,181**	4,570	**21,475**	12,381
Net changes in non-cash working capital items	**(8,867)**	145	**(2,322)**	(14,860)
Operating activities	**2,314**	4,715	**19,153**	(2,479)
Investing activities	**(1,969)**	(3,166)	**(6,123)**	(7,106)
Financing activities	**(783)**	(332)	**(2,754)**	1,211
Effect of foreign exchange rate changes on cash and cash equivalents	**197**	(211)	**87**	(168)
Net (decrease) increase in cash and cash equivalents	**(241)**	1,006	**10,363**	(8,542)

Cash generated by operating activities amounted to $2.3 million in Q3 2020 compared to $4.7 million in Q3 2019. In YTD 2020, cash generated by operating activities amounted to $19.2 million compared to cash used in operating activities of $2.5 million for the same period in 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 YTD 2020 is mainly due to an increase in accounts receivables of $5.2 million and a decrease of $4.6 million in trade and accrued liabilities partially mitigated by a decrease in inventory of $7.2 million as well as a decrease of $0.7 million in net position of income tax receivable.

In Q3 2020, cash used in investing activities totaled $2.0 million compared to $3.2 million in Q3 2019 and $6.1 million in YTD 2020 compared to $7.1 million in YTD 2019, mainly attributed to timing of additions to PPE.

In Q3 2020, cash used in financing activities amounted to $0.8 million compared to $0.3 million in Q3 2019. The increase is mainly explained by the 281,238 common shares repurchased and cancelled under the NCIB plan for an amount of $0.4 million while none were repurchased in Q3 2019.

In YTD 2020, cash used in financing activities amounted to $2.8 million compared to cash from financing activities of $1.2 million in YTD 2019. In Q1 2019, the Company completed a 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. The decrease in also explained by the issuance of common shares for an amount of $0.7 million in YTD 2019. Since the beginning of 2020, the Company has repurchased and cancelled 1,358,569 common shares under the NCIB plan for an amount of $1.6 million compared to 1,696,733 common shares for an amount of $4.0 million in YTD 2019.

Working Capital

(in thousands of U.S. dollars)	**As at September 30, 2020**	As at December 31, 2019
	$	$
Inventories	**76,130**	83,367
Other current assets	**75,703**	61,346
Current liabilities	**(31,496)**	(37,016)
Working capital[1]	**120,337**	107,697
Working capital current ratio[1]	**4.82**	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 reduced upstream activities.

[1] See Non-IFRS Measures

Net Debt

(in thousands of U.S. dollars)	As at September 30, 2020	As at December 31, 2019
	$	$
Bank indebtedness	-	-
Long-term debt including current portion	55,104	55,107
Total Debt[1]	**55,104**	55,107
Cash and cash equivalents	(30,428)	(20,065)
Net Debt[1]	**24,676**	35,042

Total debt[1] is stable at $55.1 million when compared to December 31, 2019. The drawdown of $5.0 million on the Company's credit facility for working capital purposes in Q1 2020 was reimbursed during Q2 2020 following the cash and cash equivalents generated during that quarter.

Net debt[1], after considering cash and cash equivalents, decreased by $10.4 million, from $35.0 million as at December 31, 2019 to $24.7 million as at September 30, 2020.

Share Information

	As at November 10, 2020	As at September 30, 2020
Issued and outstanding shares	81,848,468	82,042,989
Stock options potentially issuable	694,656	694,656

On March 5, 2020, the TSX approved the Company's NCIB plan under which, the Company has the right to purchase for cancellation, until March 8, 2021, a maximum of 2,000,000 common shares. For the nine-month period ended September 30, 2020, the Company repurchased and cancelled 1,358,569 common shares at an average price of $1.15 (CA$1.59) for a total amount of $1.6 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 September 30, 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).

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.

Subsequent Event

On November 9, 2020, the Company secured multi-year contracts within its segment Electronic Materials, more precisely in the Renewable Energy Sector. The renewal of these contracts is expected to significantly improve the backlog[1] and bookings[1] within the segment and will be reflected in the fourth quarter 2020 reporting period.

[1] See Non-IFRS Measures

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").

In light of the COVID-19 pandemic and in compliance with the recommendations from public health authorities, the Company implemented remote work arrangements and these new working arrangements, may have an impact on the performance of some internal controls. The Company will continually monitor and assess the effects of the COVID-19 pandemic on its ICFR. Management has reiterated the importance of internal controls and maintained frequent communication across the organization at all levels.

Changes in Internal Control over Financial Reporting

No changes were made to our ICFR during the nine-month period ended September 30, 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 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, 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), accelerated depreciation, 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), 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.

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), 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.

Funds from (used in) 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 from (used in) 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

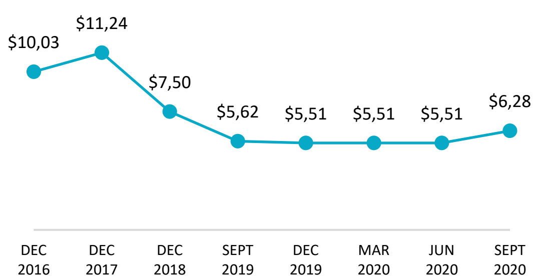
Our common shares trade on the Toronto Stock Exchange (TSX) under the ticker symbol VNP. Additional information relating to the Company, including the Company's annual information form is available under the Company's profile on SEDAR at www.sedar.com.

Selected Quarterly Financial Information

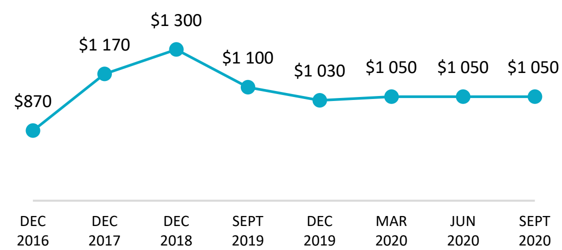
(in thousands of U.S. dollars, except per share amounts)	**Sept. 30, 2020**	June 30, 2020	March 31, 2020	Dec. 31, 2019	Sept. 30, 2019	June 30, 2019	March 31, 2019	Dec. 31, 2018
	$	$	$	$	$	$	$	$
Revenue	**39,872**	41,136	49,954	44,714	49,554	50,290	51,413	47,710
EBITDA[1]	**7,450**	6,506	6,238	3,682	5,860	5,321	4,188	5,589
Adjusted EBITDA[1]	**7,744**	7,647	6,857	4,502	5,974	5,862	5,612	6,912
Net earnings (loss) attributable to equity holders of 5N Plus	**2,709**	1,749	592	146	1,030	1,758	(1,149)	4,046
Basic earnings (loss) per share attributable to equity holders of 5N Plus	**$0.03**	$0.02	$0.01	$-	$0.01	$0.02	($0.01)	$0.05
Net earnings (loss)	**2,709**	1,749	592	146	1,030	1,758	(1,149)	4,046
Basic earnings (loss) per share	**$0.03**	$0.02	$0.01	$-	$0.01	$0.02	($0.01)	$0.05
Diluted earnings (loss) per share	**$0.03**	$0.02	$0.01	$-	$0.01	$0.02	($0.01)	$0.05
Adjusted net earnings[1] (loss)	**1,955**	2,124	717	480	1,460	2,055	(120)	5,407
Basic adjusted net earnings per share[1]	**$0.02**	$0.03	$0.01	$0.01	$0.02	$0.02	$-	$0.06
Funds from operations[1]	**11,181**	5,520	4,774	3,343	4,570	4,866	2,945	8,641
Backlog[1]	**171 days**	202 days	188 days	243 days	215 days	201 days	202 days	217 days

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

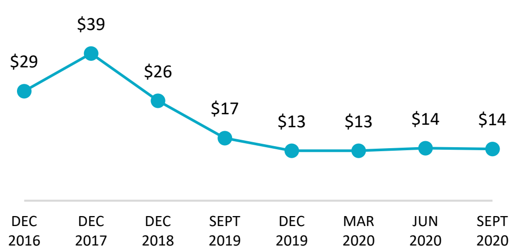
Bismuth



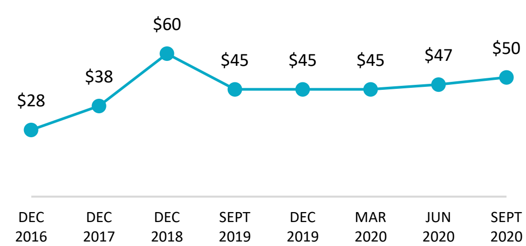
Germanium



Selenium



Tellurium



Source : Low Metal Bulletin

[1] See Non-IFRS Measures