



5N PLUS INC.

Condensed Interim Consolidated Financial Statements

(Unaudited)

For the three and six-month periods ended June 30, 2020 and 2019
(in thousands of United States dollars)

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

	Notes	June 30 2020	December 31 2019
		\$	\$
Assets			
Current			
Cash and cash equivalents		30,669	20,065
Accounts receivable		22,826	28,477
Inventories	3	79,624	83,367
Income tax receivable		5,110	5,433
Other current assets		4,544	7,371
Total current assets		142,773	144,713
Property, plant and equipment		57,273	58,590
Right-of-use assets		5,355	6,050
Intangible assets		10,320	10,990
Deferred tax assets		8,089	8,425
Other assets		1,084	1,174
Total non-current assets		82,121	85,229
Total assets		224,894	229,942
Liabilities			
Current			
Trade and accrued liabilities		25,070	32,066
Income tax payable		4,812	3,374
Current portion of long-term debt	4	102	107
Current portion of lease liabilities		1,348	1,469
Total current liabilities		31,332	37,016
Long-term debt	4	55,000	55,000
Deferred tax liabilities		267	269
Employee benefit plan obligation		14,836	15,398
Derivative financial liabilities	4, 10	603	-
Lease liabilities		4,215	4,767
Other liabilities		195	195
Total non-current liabilities		75,116	75,629
Total liabilities		106,448	112,645
Equity		118,446	117,297
Total liabilities and equity		224,894	229,942

Commitments and contingencies (Note 11)

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

5N PLUS INC.**INTERIM CONSOLIDATED STATEMENTS OF EARNINGS**

For the three and six-month periods ended June 30

(in thousands of United States dollars, except per share information) (unaudited)

	Notes	Three months		Six months	
		2020	2019	2020	2019
		\$	\$	\$	\$
Revenue		41,136	50,290	91,090	101,703
Cost of sales	3, 5	31,123	41,051	71,583	83,851
Selling, general and administrative expenses	5	4,589	5,476	9,480	10,992
Other expenses (income), net	5	1,287	887	2,302	2,687
		36,999	47,414	83,365	97,530
Operating earnings		4,137	2,876	7,725	4,173
Financial expense					
Interest on long-term debt		673	756	1,355	1,445
Imputed interest and other interest expense		200	189	417	903
Foreign exchange and derivative loss		631	136	1,080	423
		1,504	1,081	2,852	2,771
Earnings before income taxes		2,633	1,795	4,873	1,402
Income tax expense (recovery)					
Current		953	(93)	2,290	1,147
Deferred		(69)	130	242	(354)
		884	37	2,532	793
Net earnings		1,749	1,758	2,341	609
Attributable to:					
Equity holders of 5N Plus Inc.		1,749	1,758	2,341	609
		1,749	1,758	2,341	609
Earnings per share attributable to equity holders of 5N Plus Inc.	7	0.02	0.02	0.03	0.01
Basic earnings per share	7	0.02	0.02	0.03	0.01
Diluted earnings per share	7	0.02	0.02	0.03	0.01

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

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the three and six-month periods ended June 30
(in thousands of United States dollars) (unaudited)

	Notes	Three months		Six months	
		2020	2019	2020	2019
		\$	\$	\$	\$
Net earnings		1,749	1,758	2,341	609
Other comprehensive income (loss)					
Items that may be reclassified subsequently to net earnings					
Net changes in cash flow hedges					
Effective portion of changes in fair value of cash flow hedges		-	-	-	723
Reclassification to net earnings		-	-	-	(693)
De-designation of cash flow hedges		-	-	-	145
Income taxes		-	-	-	(21)
		-	-	-	154
Currency translation adjustment		56	(402)	(254)	(4)
		56	(402)	(254)	150
Items that will not be reclassified subsequently to net earnings					
Remeasurement of employee benefit plan obligation		(656)	(495)	299	(1,380)
Income taxes		208	155	(94)	430
		(448)	(340)	205	(950)
Other comprehensive loss		(392)	(742)	(49)	(800)
Comprehensive income (loss)		1,357	1,016	2,292	(191)
Attributable to equity holders of 5N Plus Inc.		1,357	1,016	2,292	(191)

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

5N PLUS INC.**INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

For the six-month periods ended June 30

(in thousands of United States dollars, except number of shares) (unaudited)

	Attributable to equity holders of the Company						
	Number of shares	Share Capital	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total shareholders' equity	Total Equity
2020							
Balances at beginning of period	83,401,558	\$ 5,961	\$ 342,737	\$ (6,750)	\$ (224,651)	\$ 117,297	\$ 117,297
Net earnings for the period	-	-	-	-	2,341	2,341	2,341
Other comprehensive loss	-	-	-	(49)	-	(49)	(49)
Comprehensive income (loss)	-	-	-	(49)	2,341	2,292	2,292
Common shares repurchased and cancelled (Note 6)	(1,077,331)	(77)	-	-	(1,095)	(1,172)	(1,172)
Share-based compensation	-	-	29	-	-	29	29
Balances at end of period	82,324,227	5,884	342,766	(6,799)	(223,405)	118,446	118,446

	Attributable to equity holders of the Company						
	Number of shares	Share Capital	Contributed Surplus	Accumulated other comprehensive loss	Deficit	Total shareholders' equity	Total Equity
2019							
Balances at beginning of period	84,609,791	\$ 343,480	\$ 4,444	\$ (5,674)	\$ (222,547)	\$ 119,703	\$ 119,703
Net earnings for the period	-	-	-	-	609	609	609
Other comprehensive loss	-	-	-	(800)	-	(800)	(800)
Comprehensive income (loss)	-	-	-	(800)	609	(191)	(191)
Reduction of share capital (Note 6)	-	(338,478)	338,478	-	-	-	-
Common shares repurchased and cancelled (Note 6)	(1,696,733)	(101)	-	-	(3,889)	(3,990)	(3,990)
Exercise of stocks options	430,000	949	(300)	-	-	649	649
Share-based compensation	-	-	108	-	-	108	108
Balances at end of period	83,343,058	5,850	342,730	(6,474)	(225,827)	116,279	116,279

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

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six-month periods ended June 30

(in thousands of United States dollars) (unaudited)

	Notes	2020	2019
		\$	\$
Operating activities			
Net earnings		2,341	609
Adjustments to reconcile net earnings to cash flows			
Depreciation of property, plant and equipment		4,625	4,622
Depreciation of right-of-use assets		733	710
Amortization of intangible assets		741	427
Amortization of other assets		88	84
Share-based compensation expense		(935)	691
Deferred income taxes		242	(354)
Imputed interest		127	648
Employee benefit plan obligation		(213)	(151)
Loss (gain) on disposal of property, plant and equipment		30	(60)
Unrealized loss on non-hedge financial instruments		2,218	851
Unrealized foreign exchange loss (gain) on assets and liabilities		297	(436)
Realized loss on non-hedge financial instruments		-	25
Loss on de-designation of cash flow hedges		-	145
Funds from operations before the following:		10,294	7,811
Net change in non-cash working capital balances	9	6,545	(15,005)
Cash from (used in) operating activities		16,839	(7,194)
Investing activities			
Additions to property, plant and equipment		(4,082)	(3,555)
Additions of intangible assets		(72)	(565)
Proceeds on disposal of property, plant and equipment		-	180
Cash used in investing activities		(4,154)	(3,940)
Financing activities			
Repayment of long-term debt	4	(5,000)	(75)
Proceeds from issuance of long-term debt	4	5,000	25,000
Repayment of convertible debentures		-	(19,259)
Common shares repurchased	6	(1,172)	(3,990)
Issuance of common shares		-	649
Principal elements of lease payments		(799)	(782)
Cash (used in) from financing activities		(1,971)	1,543
Effect of foreign exchange rate changes on cash and cash equivalents		(110)	43
Net increase (decrease) in cash and cash equivalents		10,604	(9,548)
Cash and cash equivalents, beginning of period		20,065	26,724
Cash and cash equivalents, end of period		30,669	17,176
Supplemental information ⁽¹⁾			
Income tax paid		389	3,956
Interest paid		1,561	877

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

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

1. Nature of Activities

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

These condensed interim consolidated financial statements were approved by the Board of Directors on August 4, 2020.

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. The Company rapidly implemented strategic measures to protect its global workforce from the COVID-19 virus, endeavouring to mitigate any long-term impact of the pandemic on its business. At the date of publication of these condensed interim consolidated financial statements, while the Company has been able to mitigate the short term impact from the crisis without significant loss of production capacity and customer demand, it is not possible to reliably estimate the length, severity and long term impact the global pandemic may have on the Company's financial results, conditions and cash flows.

2. Basis of Presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by IASB (IFRS) and as applicable to the preparation of interim financial statements, including IAS 34, "Interim Financial Reporting". These condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2019, which have been prepared in accordance with IFRS.

The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The accounting policies followed in these unaudited condensed interim financial statements are consistent with those of the previous financial year, with the additional policy described below.

The functional and presentation currency of the Company is the United States dollar.

Income taxes

Taxes on income in interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three and six-month periods ended June 30
(in thousands of United States dollars, unless otherwise indicated) (unaudited)

3. Inventories

	June 30 2020	December 31 2019
	\$	\$
Raw materials	22,794	27,228
Finished goods	56,830	56,139
Total inventories	79,624	83,367

For the three and six-month periods ended June 30, 2020, a total of \$16,488 and \$37,751 of inventories was included as an expense in cost of sales (\$22,284 and \$43,012 for the three and six-month periods ended June 30, 2019).

4. Long-Term Debt

	June 30 2020	December 31 2019
	\$	\$
Senior secured revolving facility of \$79,000 with a syndicate of banks, maturing in April 2022 ⁽¹⁾	30,000	30,000
Unsecured subordinated term loan, maturing in March 2024 ⁽²⁾	25,000	25,000
Term loan, non-interest bearing, repayable under certain conditions, maturing in 2023. If the loan has not been repaid in full by the end of 2023, the balance will be forgiven ⁽³⁾	102	107
	55,102	55,107
Less current portion of long-term debt	102	107
	55,000	55,000

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

In February 2020, the Company entered into an interest rate swap agreement with a major Canadian financial institution to reduce its financial expense fluctuations on Libor rate on a portion of its credit facility (Note 10).

⁽²⁾ In February 2019, the Company signed a five-year unsecured subordinated term loan with Investissement Québec. The loan was disbursed in two tranches: the first tranche of \$5,000 on February 6, 2019 and the second tranche of \$20,000 on March 22, 2019. The two tranches of the term loan bear interest equivalent to the 5-year US dollar swap rate plus a margin of 4.19%, which equals to 6.82% and 6.64% respectively. Under the terms of the loan, the Company is required to satisfy certain restrictive covenants as to financial ratios. As at June 30, 2020 and December 31, 2019, the Company has met all covenants.

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

5. Expenses by Nature

	Three months		Six months	
	2020	2019	2020	2019
	\$	\$	\$	\$
Wages and salaries	8,529	9,217	17,799	18,475
Share-based compensation expense	510	405	680	1,542
Depreciation of property, plant and equipment	2,256	2,011	4,625	4,622
Depreciation of right-of-use assets	368	355	733	710
Amortization of intangible assets	376	215	741	427
Amortization of other assets	44	44	88	84
Loss (gain) on disposal of property, plant and equipment	-	(60)	30	(60)
Research and development, net of tax credit	533	328	983	778

6. Share Capital

On March 5, 2020, the TSX has approved the Company's normal course issuer bid (NCIB). Under this NCIB, the Company has the right to purchase for cancellation, from March 9, 2020 to March 8, 2021, a maximum of 2,000,000 common shares. For the six-month period ended June 30, 2020, the Company had repurchased and cancelled 1,077,331 common shares at an average price of \$1.09 for a total amount of \$1,172. An amount of \$77 has been applied against share capital, and an amount of \$1,095 has been applied against the deficit.

On February 27, 2019, the TSX has approved the Company's NCIB. Under this NCIB, the Company had the right to purchase for cancellation, from March 1, 2019 to February 29, 2020, a maximum of 3,515,926 common shares. For the six-month period ended June 30, 2019, the Company had repurchased and cancelled 1,696,733 common shares at an average price of \$2.35 for a total amount of \$3,990. An amount of \$101 has been applied against share capital, and an amount of \$3,889 has been applied against the deficit.

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

7. Earnings per Share

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

Numerators	Three months		Six months	
	2020	2019	2020	2019
	\$	\$	\$	\$
Net earnings attributable to equity holders of 5N Plus	1,749	1,758	2,341	609
Net earnings for the period	1,749	1,758	2,341	609

Denominators	Three months		Six months	
	2020	2019	2020	2019
Basic weighted average number of shares	82,494,186	83,770,813	82,865,777	84,176,298
Dilutive effect:				
Stock options	-	244,079	21,502	301,417
Diluted weighted average number of shares	82,494,186	84,014,892	82,887,279	84,477,715

For the three and six-month periods ended June 30, 2020, a total number of 704,656 and 457,156 stock options were excluded from the diluted weighted average number of shares due to their anti-dilutive effect because of the Company's stock price.

For the three and six-month periods ended June 30, 2019, a total number of 488,367 stock options was excluded from the diluted weighted average number of shares due to their anti-dilutive effect because of the Company's stock price.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three and six-month periods ended June 30
(in thousands of United States dollars, unless otherwise indicated) (unaudited)

8. Operating Segments

The following tables summarize the information reviewed by the entity's chief operating decision maker when measuring performance:

	Three months		Six months	
	2020	2019	2020	2019
	\$	\$	\$	\$
Eco-Friendly Materials	21,618	31,423	51,788	62,542
Electronic Materials	19,518	18,867	39,302	39,161
Total revenue	41,136	50,290	91,090	101,703
Eco-Friendly Materials	3,604	3,515	6,726	6,656
Electronic Materials	6,700	4,695	12,482	8,821
Corporate and unallocated	(2,657)	(2,348)	(4,704)	(4,003)
Adjusted EBITDA⁽¹⁾	7,647	5,862	14,504	11,474
Interest on long-term debt, imputed interest and other interest expense	873	945	1,772	2,348
Share-based compensation expense	510	405	680	1,542
Foreign exchange and derivative loss	631	136	1,080	423
Depreciation and amortizations	3,000	2,581	6,099	5,759
Earnings before income tax	2,633	1,795	4,873	1,402

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

	Three months		Six months	
	2020	2019	2020	2019
Capital expenditures	\$	\$	\$	\$
Eco-Friendly Materials	1,405	484	3,095	1,954
Electronic Materials	457	539	987	1,601
Corporate and unallocated	-	-	-	-
Total	1,862	1,023	4,082	3,555

	June 30 2020	December 31 2019
Assets excluding the deferred tax asset	\$	\$
Eco-Friendly Materials	90,538	90,771
Electronic Materials	104,899	112,023
Corporate and unallocated	21,368	18,723
Total	216,805	221,517

5N PLUS INC.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the three and six-month periods ended June 30

(in thousands of United States dollars, unless otherwise indicated) (unaudited)

The geographic distribution of the Company's revenue based on the location of the customers for the periods ended June 30, 2020 and 2019, and the identifiable non-current assets as at June 30, 2020 and December 31, 2019 are summarized as follows:

Revenues	Three months		Six months	
	2020	2019	2020	2019
	\$	\$	\$	\$
Asia				
China	1,596	2,084	2,914	3,352
Japan	775	871	1,686	1,933
Other ⁽¹⁾	7,967	11,621	17,105	23,081
Americas				
United States	15,249	11,823	29,309	25,488
Other	2,832	4,580	6,993	8,038
Europe				
Germany	3,396	5,758	9,711	12,141
France	1,229	2,035	3,508	3,859
United Kingdom	334	603	2,098	1,333
Other ⁽¹⁾	6,277	9,395	14,074	19,197
Other	1,481	1,520	3,692	3,281
Total	41,136	50,290	91,090	101,703

⁽¹⁾ None exceeding 10%

	June 30	December 31
Non-current assets (other than deferred tax assets)	2020	2019
	\$	\$
Asia ⁽¹⁾	13,964	15,447
United States	14,423	15,159
Canada	16,787	18,119
Europe		
Belgium	9,779	9,796
Germany	19,079	18,283
Total	74,032	76,804

⁽¹⁾ None exceeding 10%

For the three and six-month periods ended June 30, 2020, one customer represented approximately 30% and 26% of the revenues and is included in the Electronic Materials revenues (22% for the three and six-month periods ended June 30, 2019).

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three and six-month periods ended June 30
(in thousands of United States dollars, unless otherwise indicated) (unaudited)

9. Supplemental Cash Flow Information

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

	Six months	
	2020	2019
	\$	\$
Decrease (increase) in assets:		
Accounts receivable	5,651	(6,453)
Inventories	3,743	5,527
Income tax receivable	323	(769)
Other current assets	978	(274)
(Decrease) increase in liabilities:		
Trade and accrued liabilities	(5,588)	(10,784)
Income tax payable	1,438	(2,252)
Net change	6,545	(15,005)

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

	Six months	
	2020	2019
	\$	\$
Excluded additions unpaid at end of the period:		
Additions to property, plant and equipment	314	602
Included additions unpaid at beginning of the period:		
Additions to property, plant and equipment	1,012	469
Excluded adjustment recognized on adoption of IFRS 16:		
Adjustment to right-of-use assets	-	7,152
Excluded adjustment recognized on adoption of IFRS 16:		
Adjustment to lease liabilities	-	7,152

10. Fair Value of Financial Instruments

Fair value hierarchy

The following table presents the financial instruments, by level, which are recognized at fair value in the interim consolidated statements of financial position:

As at June 30, 2020	Level 1	Level 2	Level 3
	\$	\$	\$
Financial assets			
At fair value through profit or loss			
Equity swap agreement ⁽¹⁾	-	3,030	-
Total	-	3,030	-
Financial liabilities			
At fair value through profit or loss			
Interest rate swap agreement ⁽²⁾	-	603	-
Total	-	603	-
As at December 31, 2019	Level 1	Level 2	Level 3
	\$	\$	\$
Financial assets			
At fair value through profit or loss			
Equity swap agreement ⁽¹⁾	-	4,862	-
Total	-	4,862	-

⁽¹⁾ In June 2017, the Company has entered into a swap agreement with a major Canadian financial institution to reduce its income exposure to fluctuations in its share price relating to the DSU, PSU, RSU and SAR programs. Pursuant to the agreement, the Company receives the economic benefit of share price appreciation while providing payments to the financial institution for the institution's cost of funds and any share price depreciation. The net effect of the equity swaps partly offset movements in the Company's share price impacting the cost of the DSU, PSU, RSU and SAR programs. As at June 30, 2020, the equity swap agreement covered 2,571,569 common shares of the Company. The fair value of this indexed deposit is recorded under other current assets.

⁽²⁾ In February 2020, the Company entered into an interest rate swap agreement with a major Canadian financial institution to reduce its financial expense fluctuations on Libor rate on a portion of its credit facility (Note 4). Under this interest rate swap, the Company exchanges interest payments. The terms are such that on each interest payment date, the Company will receive or pay the net difference between the fixed rate of 1.435% and its Libor rate on a notional amount of \$25,000.

11. Commitments and Contingencies

Commitments

In the normal course of business, the Company contracted letters of credit for an amount of up to \$642 as at June 30, 2020 (\$430 as at December 31, 2019).

Contingencies

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

12. Subsequent Event

On July 30, 2020, 5N PV Malaysia Sdn Bhd, a subsidiary of 5N Plus Inc., was issued a notice by the Malaysian authorities to temporarily halt the operations of its site located in the municipality of Kulim, on the basis of a dispute between the two parties over the interpretation and application of the import license. The Company is maintaining ongoing dialogue with the authorities in order to settle the dispute. The site is part of the Company's upstream operations and the suspension is not expected to have any adverse commercial impact to the business.