



5N PLUS INC.

Condensed Interim Consolidated Financial Statements

(Unaudited)

For the three and six-month periods ended June 30, 2021 and 2020

(in thousands of United States dollars)

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

	Notes	June 30 2021	December 31 2020
		\$	\$
Assets			
Current			
Cash and cash equivalents		30,864	39,950
Accounts receivable		34,627	30,110
Inventories	3	69,976	67,139
Income tax receivable		4,928	5,440
Other current assets	10	8,781	8,256
Total current assets		149,176	150,895
Property, plant and equipment		51,926	53,191
Right-of-use assets		4,444	5,047
Intangible assets		9,099	9,668
Deferred tax assets		6,415	6,789
Other assets	10	3,041	1,088
Total non-current assets		74,925	75,783
Total assets		224,101	226,678
Liabilities			
Current			
Trade and accrued liabilities		32,819	31,671
Income tax payable		4,017	3,328
Derivative financial liabilities	4, 10	277	-
Current portion of long-term debt	4	-	109
Current portion of lease liabilities		1,071	1,442
Total current liabilities		38,184	36,550
Long-term debt	4	45,000	50,000
Employee benefit plan obligation		15,612	17,202
Derivative financial liabilities	4, 10	-	439
Lease liabilities		3,685	3,916
Other liabilities		195	195
Total non-current liabilities		64,492	71,752
Total liabilities		102,676	108,302
Equity		121,425	118,376
Total liabilities and equity		224,101	226,678

Commitments and contingencies (Note 11)

Proposed acquisition of AZUR SPACE (Note 12)

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	
		2021	2020	2021	2020
		\$	\$	\$	\$
Revenue		47,719	41,136	94,595	91,090
Cost of sales	3, 5	38,120	31,123	75,537	71,583
Selling, general and administrative expenses	5	5,153	4,589	10,129	9,480
Other expenses (income), net	5	371	1,287	2,600	2,302
		43,644	36,999	88,266	83,365
Operating earnings		4,075	4,137	6,329	7,725
Financial expense (income)					
Interest on long-term debt		648	673	1,282	1,355
Imputed interest and other interest expense		200	200	306	417
Foreign exchange and derivative loss (gain)		327	631	(532)	1,080
		1,175	1,504	1,056	2,852
Earnings before income taxes		2,900	2,633	5,273	4,873
Income tax expense (recovery)					
Current		1,474	953	2,230	2,290
Deferred		(733)	(69)	121	242
		741	884	2,351	2,532
Net earnings		2,159	1,749	2,922	2,341
Attributable to:					
Equity holders of 5N Plus Inc.		2,159	1,749	2,922	2,341
		2,159	1,749	2,922	2,341
Earnings per share attributable to equity holders of 5N Plus Inc.	7	0.03	0.02	0.04	0.03
Basic earnings per share	7	0.03	0.02	0.04	0.03
Diluted earnings per share	7	0.03	0.02	0.04	0.03

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

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the three and six-month periods ended June 30
(in thousands of United States dollars) (unaudited)

	Three months		Six months	
	2021	2020	2021	2020
	\$	\$	\$	\$
Net earnings	2,159	1,749	2,922	2,341
Other comprehensive income (loss)				
Items that may be reclassified subsequently to net earnings				
Currency translation adjustment	388	56	125	(254)
	388	56	125	(254)
Items that will not be reclassified subsequently to net earnings				
Remeasurement of employee benefit plan obligation	75	(656)	801	299
Income taxes	(24)	208	(253)	(94)
	51	(448)	548	205
Other comprehensive income (loss)	439	(392)	673	(49)
Comprehensive income	2,598	1,357	3,595	2,292
Attributable to equity holders of 5N Plus Inc.	2,598	1,357	3,595	2,292

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
2021							
Balances at beginning of period	81,651,130	\$ 5,835	\$ 342,802	\$ (5,716)	\$ (224,545)	\$ 118,376	\$ 118,376
Net earnings for the period	-	-	-	-	2,922	2,922	2,922
Other comprehensive income	-	-	-	673	-	673	673
Comprehensive income	-	-	-	673	2,922	3,595	3,595
Common shares repurchased and cancelled (Note 6)	(249,572)	(17)	-	-	(792)	(809)	(809)
Exercise of stock options	137,000	328	(90)	-	-	238	238
Share-based compensation	-	-	25	-	-	25	25
Balances at end of period	81,538,558	6,146	342,737	(5,043)	(222,415)	121,425	121,425

	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 (loss) income	-	-	-	(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

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	2021	2020
		\$	\$
Operating activities			
Net earnings		2,922	2,341
Adjustments to reconcile net earnings to cash flows			
Depreciation of property, plant and equipment		3,810	4,625
Depreciation of right-of-use assets		710	733
Amortization of intangible assets		680	741
Amortization of other assets		102	88
Share-based compensation expense (income)		931	(935)
Deferred income taxes		121	242
Imputed interest		107	127
Employee benefit plan obligation		(247)	(213)
(Gain) loss on disposal of property, plant and equipment		(32)	30
Unrealized (gain) loss on non-hedge financial instruments		(6)	2,218
Unrealized foreign exchange (gain) loss on assets and liabilities		(543)	297
Funds from operations before the following:		8,555	10,294
Net change in non-cash working capital balances	9	(5,843)	6,545
Cash from operating activities		2,712	16,839
Investing activities			
Additions to property, plant and equipment		(2,942)	(4,082)
Additions of intangible assets		(113)	(72)
Acquisition of investment in equity instruments	10	(2,000)	-
Proceeds on disposal of property, plant and equipment		53	-
Cash used in investing activities		(5,002)	(4,154)
Financing activities			
Repayment of long-term debt	4	(5,109)	(5,000)
Proceeds from issuance of long-term debt	4	-	5,000
Deferred costs related to long-term debt	4	(116)	-
Common shares repurchased	6	(809)	(1,172)
Issuance of common shares		328	-
Principal elements of lease payments		(808)	(799)
Cash used in financing activities		(6,514)	(1,971)
Effect of foreign exchange rate changes on cash and cash equivalents		(282)	(110)
Net (decrease) increase in cash and cash equivalents		(9,086)	10,604
Cash and cash equivalents, beginning of period		39,950	20,065
Cash and cash equivalents, end of period		30,864	30,669
Supplemental information⁽¹⁾			
Income tax paid		726	389
Interest paid		1,289	1,561

⁽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 specialty semiconductors and performance materials. The Company's ultra-pure materials often form the core element of its customer 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 a number of key industries including renewable energy, security, space, pharmaceutical, medical imaging, and industrial and additive manufacturing. The Company is headquartered at 4385 Garand Street, Montreal, Quebec (Canada) H4R 2B4. The Company operates R&D, manufacturing and commercial centers in strategically located facilities around the world including Europe, North America and Asia. 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 focus on integrity, commitment and customer development along with emphasis on sustainable development, continuous improvement, health and safety. 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 3, 2021.

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 risk factor.

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, 2020, 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 policies 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.

Financial assets**Investment in equity instruments**

At initial recognition, the Company measures an investment in equity instruments at its fair value plus or minus, in the case of an investment in equity instruments not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition or issue of the investment in equity instruments. Transaction costs of investments in equity instruments carried at FVPL are expensed in the consolidated statement of earnings.

For the subsequent measurement, investments in equity instruments which the Company did not make an irrevocable election to present in fair value through other comprehensive income (FVOCI) are measured at FVPL. A gain or loss on an investment in equity instruments that is subsequently measured at FVPL is recognized in the consolidated statement of earnings and presented net within other gains (losses) in the period in which it arises.

3. Inventories

	June 30 2021	December 31 2020
	\$	\$
Raw materials	21,365	21,272
Finished goods	48,611	45,867
Total inventories	69,976	67,139

For the three and six-month periods ended June 30, 2021, a total of \$22,448 and \$43,456 of inventories was included as an expense in cost of sales (\$16,488 and \$37,751 for the three and six-month periods ended June 30, 2020).

For the three and six-month periods ended June 30, 2021, a total of \$54 and \$167 previously written down was recognized as a reduction of expenses in costs of sales concurrently with the related inventories being sold (\$27 and \$112 for the Eco-Friendly materials segment and \$27 and \$55 for the Electronic segment). For the three and six-month periods ended June 30, 2020, no amount previously written down was recognized as a reduction of expenses in costs of sales concurrently with the related inventories being sold.

4. Long-Term Debt

	June 30 2021	December 31 2020
	\$	\$
Senior secured revolving facility of \$79,000 with a syndicate of banks, maturing in April 2023 ⁽¹⁾	20,000	25,000
Unsecured subordinated term loan, maturing in March 2024 ⁽²⁾	25,000	25,000
Term loan, repaid in full in March 2021	-	109
	45,000	50,109
Less current portion of long-term debt	-	109
	45,000	50,000

⁽¹⁾ In March 2021, the Company signed a senior secured multi-currency revolving credit facility of \$79,000 maturing in April 2023 to replace its existing \$79,000 senior secured revolving facility maturing in April 2022. The agreement includes a contingent option to expand the facility to \$124,000. 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, 2021 and December 31, 2020, the Company had met all covenants.

In February 2020, the Company entered into an interest rate swap agreement, maturing in April 2022, 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, 2021 and December 31, 2020, the Company had met all covenants.

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)**5. Expenses by Nature**

	Three months		Six months	
	2021	2020	2021	2020
	\$	\$	\$	\$
Wages and salaries ⁽¹⁾	9,477	8,529	18,959	17,799
Share-based compensation (income) expense	(309)	510	1,087	680
Depreciation of property, plant and equipment	1,882	2,256	3,810	4,625
Depreciation of right-of-use assets	358	368	710	733
Amortization of intangible assets	330	376	680	741
Amortization of other assets	58	44	102	88
(Gain) loss on disposal of property, plant and equipment	(32)	-	(32)	30
Research and development, net of tax credit	395	533	877	983

⁽¹⁾ For the three and six-month periods ended June 30, 2020, wages and salaries were reduced by an amount of \$295 resulting from the Canada Emergency Wage Subsidy.

6. Share Capital

On March 5, 2020, the TSX approved the Company's normal course issuer bid (NCIB). Under this NCIB, the Company had 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, 2021, the Company repurchased and cancelled 249,572 common shares at an average price of \$3.24 for a total amount of \$809. An amount of \$17 has been applied against share capital, and an amount of \$792 has been applied against the deficit.

For the six-month period ended June 30, 2020, the Company 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.

7. Earnings per Share

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

	Three months		Six months	
Numerators	2021	2020	2021	2020
	\$	\$	\$	\$
Net earnings attributable to equity holders of 5N Plus	2,159	1,749	2,922	2,341
Net earnings for the period	2,159	1,749	2,922	2,341

	Three months		Six months	
Denominators	2021	2020	2021	2020
Basic weighted average number of shares	81,471,503	82,494,186	81,498,579	82,865,777
Dilutive effect:				
Stock options	235,318	-	272,378	21,502
Diluted weighted average number of shares	81,706,821	82,494,186	81,770,957	82,887,279

For the three and six-month periods ended June 30, 2021, a total number of 109,033 and 48,212 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, 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.

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	
	2021	2020	2021	2020
	\$	\$	\$	\$
Eco-Friendly Materials	28,501	21,618	56,563	51,788
Electronic Materials	19,218	19,518	38,032	39,302
Total revenue	47,719	41,136	94,595	91,090
Eco-Friendly Materials	4,952	3,604	9,109	6,726
Electronic Materials	3,525	6,700	7,777	12,482
Corporate and unallocated	(2,141)	(2,657)	(4,270)	(4,704)
Adjusted EBITDA⁽¹⁾	6,336	7,647	12,616	14,504
Interest on long-term debt, imputed interest and other interest expense	848	873	1,588	1,772
Share-based compensation (income) expense	(309)	510	1,087	680
Foreign exchange and derivative loss (gain)	327	631	(532)	1,080
Depreciation and amortizations	2,570	3,000	5,200	6,099
Earnings before income tax	2,900	2,633	5,273	4,873

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

	Three months		Six months	
	2021	2020	2021	2020
	\$	\$	\$	\$
Capital expenditures				
Eco-Friendly Materials	583	1,405	1,593	3,095
Electronic Materials	668	457	1,349	987
Total	1,251	1,862	2,942	4,082

	June 30	December 31
Assets excluding the deferred tax assets	2021	2020
	\$	\$
Eco-Friendly Materials	96,524	88,355
Electronic Materials	93,438	101,807
Corporate and unallocated	27,724	29,727
Total	217,686	219,889

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, 2021 and 2020, and the identifiable non-current assets as at June 30, 2021 and December 31, 2020 are summarized as follows:

Revenues	Three months		Six months	
	2021	2020	2021	2020
	\$	\$	\$	\$
Asia				
China	2,506	1,596	4,896	2,914
Japan	921	775	1,828	1,686
Other ⁽¹⁾	4,301	7,967	7,469	17,105
Americas				
United States	17,439	15,249	35,469	29,309
Other ⁽¹⁾	4,461	2,832	8,749	6,993
Europe				
Germany	5,614	3,396	11,868	9,711
Belgium	1,868	703	3,769	2,205
Netherlands	2,649	1,495	4,352	3,218
France	1,275	1,229	2,584	3,508
Other ⁽¹⁾	5,626	4,413	11,199	10,749
Other	1,059	1,481	2,412	3,692
Total	47,719	41,136	94,595	91,090

⁽¹⁾ None exceeding 10%

Non-current assets (other than deferred tax assets)	June 30 2021	December 31 2020
	\$	\$
Asia ⁽¹⁾	9,026	9,629
United States	13,284	13,673
Canada	17,058	15,606
Europe		
Belgium	9,117	9,652
Germany	20,025	20,434
Total	68,510	68,994

⁽¹⁾ None exceeding 10%

For the three and six-month periods ended June 30, 2021, one customer represented approximately 23% of the revenues and is included in the Electronic Materials revenues (30% and 26% for the three and six-month periods ended June 30, 2020).

9. Supplemental Cash Flow Information

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

	Six months	
	2021	2020
	\$	\$
(Increase) decrease in assets:		
Accounts receivable	(4,517)	5,651
Inventories	(2,837)	3,743
Income tax receivable	512	323
Other current assets	(381)	978
Increase (decrease) in liabilities:		
Trade and accrued liabilities	691	(5,588)
Income tax payable	689	1,438
Net change	(5,843)	6,545

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

	Six months	
	2021	2020
	\$	\$
Excluded additions unpaid at end of the period:		
Additions to property, plant and equipment	360	314
Included additions unpaid at beginning of the period:		
Additions to property, plant and equipment	775	1,012

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, 2021	Level 1	Level 2	Level 3
	\$	\$	\$
Financial assets (liabilities)			
At fair value through profit or loss			
Equity swap agreement ⁽¹⁾	-	6,112	-
Investment in equity instruments ⁽²⁾	-	-	2,000
Interest rate swap agreement ⁽³⁾	-	(277)	-
Total	-	5,835	2,000

As at December 31, 2020	Level 1	Level 2	Level 3
	\$	\$	\$
Financial assets (liabilities)			
At fair value through profit or loss			
Equity swap agreement ⁽¹⁾	-	5,950	-
Interest rate swap agreement ⁽³⁾	-	(439)	-
Total	-	5,511	-

⁽¹⁾ In June 2017, the Company 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, 2021, 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 January 2021, the Company acquired a minority equity stake in Microbion Corporation (Microbion) for an amount of \$2,000 recorded in Other assets.

⁽³⁾ 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 \$579 as at June 30, 2021 (\$699 as at December 31, 2020).

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. Proposed acquisition of AZUR SPACE

On March 30, 2021, the Company entered into an agreement with AZUR SPACE Solar Power GmbH ("AZUR SPACE") pursuant to which the Company would acquire all of the issued and outstanding shares of AZUR SPACE (the "Transaction") for an expected total purchase price between 73 and 79 million euros subject to prevailing closing adjustments. This includes 6.5 million shares of 5N Plus, subject to the TSX approval, to be issued from treasury at closing and cash payment. The sum of these two items will be approximately 53 million euros, subject to the volume-weighted average closing share price of 5N Plus prior to closing. Furthermore, 5N Plus expects AZUR SPACE's maximum net indebtedness not to exceed 27 million euros. The cash portion of the Transaction is expected to be funded through a senior debt facility (Note 4). However, the Transaction remains subject to the customary closing conditions, including regulatory approvals.