



**5N PLUS INC.**

Condensed Interim Consolidated Financial Statements  
(Unaudited)

For the three and six-month periods ended June 30, 2023 and 2022  
(in thousands of United States dollars)



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

	Notes	June 30 2023	December 31 2022
		\$	\$
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents		40,087	42,691
Accounts receivable		34,289	32,872
Inventories	3	100,406	86,254
Income tax receivable		1,758	5,488
Other current assets	10	5,382	19,857
<b>Total current assets</b>		<b>181,922</b>	<b>187,162</b>
Property, plant and equipment	6	79,211	77,951
Right-of-use assets		29,470	30,082
Intangible assets	6	30,337	31,563
Goodwill		11,825	11,825
Deferred tax assets		6,997	6,002
Other assets	10	3,297	3,400
<b>Total non-current assets</b>		<b>161,137</b>	<b>160,823</b>
<b>Total assets</b>		<b>343,059</b>	<b>347,985</b>
<b>Liabilities</b>			
<b>Current</b>			
Trade and accrued liabilities		31,022	40,200
Income tax payable		4,932	8,780
Derivative financial liabilities	10	420	-
Current portion of deferred revenue	4	13,038	11,730
Current portion of lease liabilities		2,107	2,136
Current portion of long-term debt	5	25,000	-
<b>Total current liabilities</b>		<b>76,519</b>	<b>62,846</b>
Long-term debt	5	88,500	121,000
Deferred tax liabilities		6,265	6,959
Employee benefit plan obligations		12,156	11,643
Lease liabilities		27,998	28,266
Deferred revenue	4	5,647	2,354
Other liabilities		1,926	2,141
<b>Total non-current liabilities</b>		<b>142,492</b>	<b>172,363</b>
<b>Total liabilities</b>		<b>219,011</b>	<b>235,209</b>
<b>Equity</b>		<b>124,048</b>	<b>112,776</b>
<b>Total liabilities and equity</b>		<b>343,059</b>	<b>347,985</b>

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 (LOSS)

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	
		2023	2022	2023	2022
		\$	\$	\$	\$
<b>Revenue</b>		<b>59,075</b>	72,388	<b>114,362</b>	136,809
Cost of sales	3, 6	<b>42,765</b>	60,147	<b>84,767</b>	114,396
Selling, general and administrative expenses	6	<b>7,569</b>	7,421	<b>14,462</b>	14,914
Other (income) expenses, net	6	<b>(4,500)</b>	2,501	<b>(2,834)</b>	9,893
		<b>45,834</b>	70,069	<b>96,395</b>	139,203
<b>Operating earnings (loss)</b>		<b>13,241</b>	2,319	<b>17,967</b>	(2,394)
<b>Financial expense</b>					
Interest on long-term debt		<b>2,141</b>	1,103	<b>4,173</b>	2,048
Imputed interest and other interest (income) expense		<b>(85)</b>	281	<b>143</b>	607
Foreign exchange and derivative (gain) loss		<b>(274)</b>	436	<b>(259)</b>	735
		<b>1,782</b>	1,820	<b>4,057</b>	3,390
<b>Earnings (loss) before income taxes</b>		<b>11,459</b>	499	<b>13,910</b>	(5,784)
Income tax expense (recovery)					
Current		<b>2,855</b>	2,819	<b>3,769</b>	4,664
Deferred		<b>(1,539)</b>	(190)	<b>(1,456)</b>	(2,563)
		<b>1,316</b>	2,629	<b>2,313</b>	2,101
<b>Net earnings (loss)</b>		<b>10,143</b>	(2,130)	<b>11,597</b>	(7,885)
<b>Basic earnings (loss) per share</b>	7	<b>0.11</b>	(0.02)	<b>0.13</b>	(0.09)
<b>Diluted earnings (loss) per share</b>	7	<b>0.11</b>	(0.02)	<b>0.13</b>	(0.09)

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

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)**

	Three months		Six months	
	2023	2022	2023	2022
	\$	\$	\$	\$
<b>Net earnings (loss)</b>	<b>10,143</b>	(2,130)	<b>11,597</b>	(7,885)
<b>Other comprehensive loss</b>				
<b>Items that may be reclassified subsequently to net earnings (loss)</b>				
Currency translation adjustment	(1,175)	(3,156)	(383)	(3,582)
	(1,175)	(3,156)	(383)	(3,582)
<b>Items that will not be reclassified subsequently to net earnings (loss)</b>				
Remeasurement of employee benefit plan obligations	(57)	2,986	(394)	5,084
Income taxes	17	(895)	123	(1,608)
	(40)	2,091	(271)	3,476
<b>Other comprehensive loss</b>	<b>(1,215)</b>	(1,065)	<b>(654)</b>	(106)
<b>Comprehensive income (loss)</b>	<b>8,928</b>	(3,195)	<b>10,943</b>	(7,991)

Comprehensive income (loss) is completely attributable to equity holders of 5N Plus Inc.

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)**

<b>2023</b>	<b>Number of shares</b>	<b>Share Capital</b>	<b>Contributed Surplus</b>	<b>Accumulated other comprehensive loss</b>	<b>Deficit</b>	<b>Total equity</b>
<b>Balances at beginning of period</b>	<b>88,330,236</b>	<b>\$ 21,004</b>	<b>\$ 342,985</b>	<b>\$ (5,987)</b>	<b>\$ (245,226)</b>	<b>\$ 112,776</b>
Net earnings for the period	-	-	-	-	11,597	11,597
Other comprehensive loss	-	-	-	(654)	-	(654)
Comprehensive (loss) income	-	-	-	(654)	11,597	10,943
Exercise of stock options	124,488	255	(74)	-	-	181
Share-based compensation	-	-	148	-	-	148
<b>Balances at end of period</b>	<b>88,454,724</b>	<b>21,259</b>	<b>343,059</b>	<b>(6,641)</b>	<b>(233,629)</b>	<b>124,048</b>

<b>2022</b>	<b>Number of shares</b>	<b>Share Capital</b>	<b>Contributed Surplus</b>	<b>Accumulated other comprehensive loss</b>	<b>Deficit</b>	<b>Total equity</b>
<b>Balances at beginning of period</b>	<b>88,330,236</b>	<b>\$ 21,004</b>	<b>\$ 342,659</b>	<b>\$ (5,189)</b>	<b>\$ (222,227)</b>	<b>\$ 136,247</b>
Net loss for the period	-	-	-	-	(7,885)	(7,885)
Other comprehensive loss	-	-	-	(106)	-	(106)
Comprehensive loss	-	-	-	(106)	(7,885)	(7,991)
Share-based compensation	-	-	142	-	-	142
<b>Balances at end of period</b>	<b>88,330,236</b>	<b>21,004</b>	<b>342,801</b>	<b>(5,295)</b>	<b>(230,112)</b>	<b>128,398</b>

Equity is completely attributable to equity holders of 5N Plus Inc.

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

	Notes	2023	2022
		\$	\$
<b>Operating activities</b>			
Net earnings (loss)		11,597	(7,885)
Adjustments to reconcile net earnings (loss) to cash flows			
Depreciation of property, plant and equipment		5,127	6,630
Depreciation of right-of-use assets		1,312	1,338
Amortization of intangible assets		1,635	1,717
Amortization of other assets		129	128
Impairment of non-current assets	6	608	5,386
Share-based compensation expense (recovery)		1,253	(867)
Deferred income taxes		(1,456)	(2,563)
Imputed interest		334	299
Employee benefit plan obligations		(94)	(195)
Loss on disposal of property, plant and equipment		1,025	3
Unrealized (gain) loss on non-hedge financial instruments		(540)	1,918
Unrealized foreign exchange loss on assets and liabilities		174	669
<b>Funds from operations before the following:</b>		21,104	6,578
Net change in non-cash working capital balances	9	(13,498)	(6,374)
<b>Cash from operating activities</b>		7,606	204
<b>Investing activities</b>			
Additions to property, plant and equipment	9	(8,049)	(6,686)
Additions to intangible assets		(348)	(155)
Proceeds on settlement of indexed deposit agreement	10	6,506	-
Proceeds on disposal of property, plant and equipment		320	1
<b>Cash used in investing activities</b>		(1,571)	(6,840)
<b>Financing activities</b>			
Repayment of long-term debt		(7,500)	-
Proceeds from issuance of long-term debt		-	10,000
Deferred costs related to long-term debt		-	(513)
Issuance of common shares		181	-
Principal elements of lease payments		(1,466)	(1,503)
<b>Cash flows (used in) from financing activities</b>		(8,785)	7,984
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>		146	(851)
<b>Net (decrease) increase in cash and cash equivalents</b>		(2,604)	497
Cash and cash equivalents, beginning of period		42,691	35,940
<b>Cash and cash equivalents, end of period</b>		40,087	36,437
<b>Supplemental information<sup>(1)</sup></b>			
Income tax paid		3,894	2,335
Interest paid		4,052	2,066

<sup>(1)</sup> Amounts paid for income tax and interest 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. 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 Specialty Semiconductors and Performance Materials.

These condensed interim consolidated financial statements were approved by the Board of Directors on August 1, 2023.

In February 2022, Russian military forces invaded Ukraine; the invasion is being actively resisted by Ukrainian military personnel and the people of Ukraine, and the outcome of the ongoing conflict remains uncertain at this time. A prolonged armed conflict in Ukraine or an expansion of the armed conflict to other European countries could have a negative effect on the European and global economies. As well, Russia is a major exporter of oil and natural gas. Any disruption of supplies of oil and natural gas from Russia could have a significant adverse effect on the European and world economies. All of the foregoing factors could potentially have a negative impact on the Company’s sales and results of operations.

## 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, 2022, 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.

### 3. Inventories

	June 30 2023	December 31 2022
Raw materials	\$ 30,146	\$ 28,436
Finished goods	70,260	57,818
<b>Total inventories</b>	<b>100,406</b>	<b>86,254</b>

For the three and six-month periods ended June 30, 2023, a total of \$23,213 and \$45,971 of inventories was included as an expense in cost of sales (\$34,623 and \$64,943 for the three and six-month periods ended June 30, 2022).

For the three and six-month periods ended June 30, 2023, a total of \$nil and \$8 previously written down was recognized as a reduction of expenses in costs of sales concurrently with the related inventories being sold (\$nil for the Specialty Semiconductors segment and \$nil and \$8 for the Performance Materials segment). For the three and six-month periods ended June 30, 2022, a total of \$191 and \$227 previously written down was recognized as a reduction of expenses in costs of sales concurrently with the related inventories being sold (\$3 and \$21 for the Specialty Semiconductors segment and \$188 and \$206 for the Performance Materials segment).

### 4. Deferred revenue

	June 30 2023	December 31 2022
Prepayments from clients	\$ 10,979	\$ 9,409
Current portion of deferred revenue related to long-term contracts	2,059	2,321
<b>Current portion of deferred revenue</b>	<b>13,038</b>	<b>11,730</b>
Non-current portion of deferred revenue related to long-term contracts	5,647	2,354
<b>Non-current portion of deferred revenue</b>	<b>5,647</b>	<b>2,354</b>
<b>Total deferred revenue</b>	<b>18,685</b>	<b>14,084</b>

For the six-month period ended June 30, 2023, \$6,773 (2022 - \$5,491) of revenue was realized in relation to the deferred revenue balance outstanding at the beginning of the period.

### 5. Long-Term Debt

	June 30 2023	December 31 2022
Senior secured revolving facility of \$124,000 with a syndicate of banks, maturing in April 2026	\$ 88,500	\$ 96,000
Subordinated term loan, maturing in March 2024	25,000	25,000
	<b>113,500</b>	<b>121,000</b>
Less current portion of long-term debt	25,000	-
	<b>88,500</b>	<b>121,000</b>

#### Senior secured revolving facility

In June 2022, the Company signed a senior secured multi-currency revolving credit facility of \$124,000 maturing in April 2026 to replace its existing \$124,000 senior secured revolving facility maturing in April 2023. At any time, the Company has the option to request that the credit facility be expanded through the exercise of an additional \$30,000 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 SOFR, plus a margin based on the Company's senior net debt to consolidated EBITDA ratio. Under the terms of its credit facility, the Company is required to satisfy certain restrictive covenants as to financial ratios. As at June 30, 2023 and December 31, 2022, the Company had met all covenants.

**Subordinated term loan**

In February 2019, the Company signed a five-year 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, 2023 and December 31, 2022, the Company has met all covenants.

**6. Expenses by Nature**

	Three months		Six months	
	2023	2022	2023	2022
	\$	\$	\$	\$
Wages and salaries	14,161	14,046	27,488	28,691
Depreciation of property, plant and equipment	2,578	3,357	5,127	6,630
Depreciation of right-of-use assets	617	650	1,312	1,338
Amortization of other assets	65	51	129	128
Other (income) expenses, net				
Amortization of intangible assets	820	849	1,635	1,717
Share-based compensation expense	701	1,036	713	1,160
Loss on disposal of property, plant and equipment <sup>(1)</sup>	1,051	3	1,025	3
Impairment of non-current assets <sup>(2)</sup>	608	-	608	5,386
Research and development, net of tax credit <sup>(3)</sup>	1,106	348	2,016	1,447
Litigation and restructuring (income) costs, net <sup>(4)</sup>	(8,772)	372	(8,772)	372
Other income	(14)	(107)	(59)	(192)

<sup>(1)</sup> Includes a loss on disposal of \$1,051 on production equipment following a change of technical requirements and functionalities by the Company. The Company disposed this production equipment in a non-monetary transaction with the supplier in exchange for a credit to be applied against future purchases of production equipment (Note 9).

<sup>(2)</sup> The Company recorded an impairment of non-current assets of \$608 in relation to Property, plant and equipment included within the Performance Materials segment, to reflect the assessment of the carrying value of production equipment following the Company's decision to switch to higher capacity equipment.

During the first quarter of 2022, the Company recorded an impairment of non-current assets of \$5,386 (\$5,123 for customer relationships and \$263 for other intangibles), included in the Specialty Semiconductors segment, to reflect the assessment of the carrying value of intangible assets impacted by the invasion of Ukraine by Russia, more precisely in reference to Russia based customers. The Company's initial assumptions regarding the timing of future cashflows from these customers could no longer be supported given the uncertainty associated with international sanctions against Russia, and the unknown duration of the conflict. The impairment charges were recognized under Other (income) expenses, net within the consolidated statement of earnings (loss).

<sup>(3)</sup> Reduced research and development, net of tax credit by an amount of \$695 and \$1,375 for the three and six-month periods ended June 30, 2023 resulting from research and development subsidies. There is an outstanding receivable related to this grant as at June 30, 2023 for an amount of \$1,277 included within Accounts receivable.

Reduced research and development, net of tax credit by an amount of \$1,043 and \$ 1,537 for the three and six-month periods ended June 30, 2022 resulting from research and development subsidies.

<sup>(4)</sup> Litigation and restructuring income includes \$8,974 received from the previous shareholder of AZUR. The income was received as per stipulations in the share purchase agreement and is not related to AZUR's performance post-acquisition.

During the second quarter of 2022, the Company recorded litigation and restructuring costs of \$372 following the settlement of a contract by mutual agreement.

## 7. Earnings per Share

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

Numerators	Three months		Six months	
	2023	2022	2023	2022
	\$	\$	\$	\$
<b>Net earnings (loss) for the period</b>	<b>10,143</b>	(2,130)	<b>11,597</b>	(7,885)

  

Denominators	Three months		Six months	
	2023	2022	2023	2022
<b>Basic weighted average number of shares</b>	<b>88,454,724</b>	88,330,236	<b>88,411,447</b>	88,330,236
Dilutive effect:				
Stock options	<b>507,033</b>	-	<b>490,133</b>	-
<b>Diluted weighted average number of shares</b>	<b>88,961,757</b>	88,330,236	<b>88,901,580</b>	88,330,236

For the three and six-month periods ended June 30, 2023, 219,864 stock options were excluded from the diluted weighted average number of shares due to their anti-dilutive effect.

For the three and six-month periods ended June 30, 2022, 1,598,938 stock options were excluded from the diluted weighted average number of shares due to their anti-dilutive effect due to the net loss for each respective period.

## 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	
	2023	2022	2023	2022
	\$	\$	\$	\$
Specialty Semiconductors	<b>36,313</b>	30,644	<b>69,052</b>	57,945
Performance Materials	<b>22,762</b>	41,744	<b>45,310</b>	78,864
<b>Total revenue</b>	<b>59,075</b>	72,388	<b>114,362</b>	136,809
Specialty Semiconductors	<b>8,128</b>	6,410	<b>15,350</b>	12,081
Performance Materials	<b>6,235</b>	5,568	<b>10,696</b>	8,190
Corporate and unallocated	<b>(3,519)</b>	(3,395)	<b>(6,405)</b>	(6,062)
<b>Adjusted EBITDA <sup>(1)</sup></b>	<b>10,844</b>	8,583	<b>19,641</b>	14,209
Interest on long-term debt, imputed interest and other interest expense	<b>2,056</b>	1,384	<b>4,316</b>	2,655
Share-based compensation expense	<b>701</b>	1,036	<b>713</b>	1,160
Foreign exchange and derivative (gain) loss	<b>(274)</b>	436	<b>(259)</b>	735
Depreciation and amortization	<b>4,015</b>	4,856	<b>8,074</b>	9,685
Impairment of non-current assets (Note 6)	<b>608</b>	-	<b>608</b>	5,386
Loss on disposal of property, plant and equipment (Note 6)	<b>1,051</b>	-	<b>1,051</b>	-
Litigation and restructuring (income) costs, net (Note 6)	<b>(8,772)</b>	372	<b>(8,772)</b>	372
<b>Earnings (loss) before income tax</b>	<b>11,459</b>	499	<b>13,910</b>	(5,784)

<sup>(1)</sup> Earnings (loss) before income tax, depreciation and amortization, impairment of non-current assets, share-based compensation expense, loss on disposal of property, plant and equipment, litigation and restructuring (income) costs, and financial expense (income).

**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)

	Three months		Six months	
	2023	2022	2023	2022
<b>Capital expenditures</b>				
	\$	\$	\$	\$
Specialty Semiconductors	2,839	1,446	5,502	4,033
Performance Materials	1,501	1,284	2,547	2,621
Corporate and unallocated	-	-	-	32
<b>Total</b>	<b>4,340</b>	<b>2,730</b>	<b>8,049</b>	<b>6,686</b>
			<b>June 30</b>	December 31
<b>Assets excluding deferred tax assets</b>			<b>2023</b>	<b>2022</b>
			\$	\$
Specialty Semiconductors			184,160	180,473
Performance Materials			130,727	129,901
Corporate and unallocated			21,175	31,609
<b>Total</b>			<b>336,062</b>	<b>341,983</b>

The geographic distribution of the Company's revenue based on the location of the customers for the three and six-month periods ended June 30, 2023 and 2022, and the identifiable non-current assets as at June 30, 2023 and December 31, 2022 are summarized as follows:

	Three months		Six months	
	2023	2022	2023	2022
<b>Revenues</b>				
	\$	\$	\$	\$
Asia				
China	3,657	2,572	6,167	5,047
Japan	1,813	1,122	2,861	2,846
Other <sup>(1)</sup>	4,325	11,651	8,509	20,286
Americas				
United States	23,266	17,631	48,511	35,218
Other <sup>(1)</sup>	3,209	7,603	5,322	12,548
Europe				
Germany	9,567	12,954	19,453	24,899
Belgium	220	2,651	519	4,609
Netherlands	930	3,712	2,015	6,837
France	4,229	5,394	7,019	8,121
Other <sup>(1)</sup>	7,585	6,040	13,471	13,863
Other	274	1,058	515	2,535
<b>Total</b>	<b>59,075</b>	<b>72,388</b>	<b>114,362</b>	<b>136,809</b>

<sup>(1)</sup> None exceeding 10%

		June 30	December 31
		2023	2022
<b>Non-current assets (other than deferred tax assets)</b>			
		\$	\$
Asia		3,094	3,411
United States		13,029	13,590
Canada		28,444	29,156
Germany		109,573	108,664
<b>Total</b>		<b>154,140</b>	<b>154,821</b>

For the three and six-month periods ended June 30, 2023, one customer represented approximately 21% of the revenues (21% within the Specialty Semiconductors segment and nil within the Performance Materials segment). For the three and six-month periods ended June 30, 2022, one customer represented approximately 16% of the revenues (13% within the Specialty Semiconductors segment and 3% within the Performance Materials segment).

## 9. Supplemental Cash Flow Information

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

	Six months	
	2023	2022
	\$	\$
(Increase) decrease in assets:		
Accounts receivable	(1,339)	(1,290)
Inventories	(13,997)	(2,302)
Income tax receivable	3,730	(381)
Other current assets	8,959	(188)
(Decrease) increase in liabilities:		
Trade and accrued liabilities	(11,255)	(3,087)
Income tax payable	(3,848)	2,448
Deferred revenue	4,252	(1,574)
<b>Net change</b>	<b>(13,498)</b>	<b>(6,374)</b>

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

	Six months	
	2023	2022
	\$	\$
Excluded additions unpaid at end of the period:		
Additions to property, plant and equipment	2,142	2,307
Included additions unpaid at beginning of the period:		
Additions to property, plant and equipment	2,329	3,095
Excluded non-cash proceeds on the disposal of Property, plant and equipment	2,515	-

Additions to property, plant and equipment consist of the following:

	Six months	
	2023	2022
	\$	\$
Additions to property, plant and equipment before prepayments	7,163	5,547
Prepayments for construction in progress	3,401	1,139
Less: Non-cash deposits for construction in progress	(2,515)	-
Additions to property, plant and equipment	8,049	6,686

As at June 30, 2023, property, plant and equipment includes \$7,477 of prepayments for construction in progress (\$4,001 as at December 31, 2022).

## 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, 2023	Level 1	Level 2	Level 3
	\$	\$	\$
Financial assets (liabilities)			
At fair value through profit or loss			
Total return swap <sup>(1)</sup>	-	(420)	-
Investment in equity instruments <sup>(2)</sup>	-	-	2,000
Restricted investment <sup>(3)</sup>	-	-	647
<b>Total</b>	-	(420)	2,647
As at December 31, 2022	Level 1	Level 2	Level 3
	\$	\$	\$
Financial assets			
At fair value through profit or loss			
Indexed deposit agreement <sup>(1)</sup>	-	5,517	-
Investment in equity instruments <sup>(2)</sup>	-	-	2,000
Restricted investment <sup>(3)</sup>	-	-	620
<b>Total</b>	-	5,517	2,620

<sup>(1)</sup> In March 2023, the indexed deposit agreement entered with a major Canadian financial institution in June 2017, was amended to a total return swap wherein share price fluctuations are settled via cash annually. As part of this amendment, the Company received, \$6,506 which represents the fair value of the indexed deposit agreement as at the amendment date.

The Company entered into the total return swap, previously the indexed deposit agreement, 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 the 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 total return swap partly offset movements in the Company's share price impacting the cost of the DSU, PSU, RSU and SAR programs. As at June 30, 2023, the total return swap covered 2,571,569 common shares of the Company.

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

<sup>(3)</sup> The fair value of the restricted investment is recorded in Other assets.

## 11. Commitments and Contingencies

### Commitments

In the normal course of business, the Company contracted letters of credit for an amount of up to \$760 as at June 30, 2023 (\$883 as at December 31, 2022).

### 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.