5N Plus Inc.

Management Report Quarter Ended June 30, 2021

5N PLUS

This Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations is intended to assist readers in understanding 5N Plus Inc. (the "Company" or "5N Plus"), its business environment, strategies, performance and risk factors. This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements of Q2 2021 and the audited consolidated financial statements and the accompanying notes for the year ended December 31, 2020. This MD&A has been prepared in accordance with the requirements of the Canadian Securities Administrators.

All amounts in this MD&A are expressed in U.S. dollars, and all amounts in the tables are in thousands of U.S. dollars, unless otherwise indicated.

Information contained herein includes any significant developments to August 3, 2021, the date on which the MD&A was approved by the Company's Board of Directors. Unless otherwise indicated, the terms "we", "us" "our" and "the group" as used herein refer to the Company together with its subsidiaries.

"Q2 2021" and "Q2 2020" refer to the three-month periods ended June 30, 2021 and June 30, 2020 respectively, and "YTD 2021" and "YTD 2020" refer to the six-month periods ended June 30, 2021 and June 30, 2020 respectively.

Non-IFRS Measures

This MD&A also includes certain figures that are not performance measures consistent with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. 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's 2020 MD&A dated February 23, 2021 and note 10 of the unaudited condensed interim consolidated financial statements for the three and six-month periods ended June 30, 2021 and June 30, 2020 available on www.sedar.com.

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 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. Headquartered in Montreal, Québec, 5N Plus 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.

Reporting Segments
The Company has two reportable segments: 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 are reconciled to consolidated numbers by accounting for corporate income and expenses.

The Electronic Materials segment operates in North America, Europe and Asia. The 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 Electronic Materials customers are also captured in this segment.

The Eco-Friendly Materials segment is labelled as such because it is mainly associated with bismuth, one of the few heavy metals that has no detrimental effect on either human health or the environment. The segment operates in North America, Europe and Asia, and 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 primarily in the form of specialized chemicals. Revenues and earnings associated with recycling services and activities provided to Eco-Friendly Materials customers are also captured in this segment.

Corporate expenses associated with the head office and unallocated selling, general and administrative expenses (SG&A) together with financial expenses (income) have been regrouped under the heading "Corporate".

Vision and Mission
The Company's vision is to enable critical industries through essential products based on advanced material technology and 5N Plus's aim is to propel the growth of these markets by developing and manufacturing advanced materials to enable product performance.

The Company's mission is to be:

- Critical to its customers
- Valued by its employees
- Trusted by its shareholders

[1] See Non-IFRS Measures

Highlights of Q2 & YTD 2021 – Revenue growth marking an important upward inflection point in 5N Plus's future revenue profile while Eco-Friendly Materials delivering outstanding performance

All amounts are expressed in U.S. dollars.

In the second quarter of 2021, Eco-Friendly Materials delivered significant revenue growth despite recovery challenges from the global pandemic. The segment continued to deliver an outstanding performance supported by recent investments in process technology and asset optimization. 5N Plus continues to selectively position its business development, emphasizing higher value-added products and better margins.

Electronic Materials performed in line with the Company's expectations as communicated in the previous quarterly report. The lower Adjusted EBITDA[1] for the segment in the quarter and YTD is consistent with lower contributions from products related to medical imaging and renewable energy. In 2020, the Company's new generation of semiconductor wafers were used to build up a fleet of medical imaging devices undergoing regulatory and customer qualifications. During this phase of market development, the Company anticipated lower demand from this activity. 5N Plus also expected lower contributions from renewable energy for the quarter given the fact that the long-term contracts negotiated in 2020 provided asymmetrical revenue contribution favoring the latter part of the contracts.

An important milestone in the quarter is the inflection in the Company's revenue profile. In 2021, the Company indicated that revenue growth will be a key focus for the management in the years ahead. Notwithstanding contributions from future acquisitions, including that of AZUR SPACE Solar Power GmbH ("AZUR"), the current business is expected to deliver revenue growth in 2021 as compared to the previous year. Both segments ended the quarter with strong backlog[1] confirming solid demand for their products.

Second Quarter Financial Highlights

- Revenue in Q2 2021 reached $47.7 million compared to $41.1 million in the same period last year and was favorably impacted by higher demand. Year-to-date revenue stands at $94.6 million compared to $91.1 million in the same period last year.

- Adjusted EBITDA in Q2 2021 reached $6.3 million compared to $7.6 million in the same period last year, impacted by unfavorable sales mix under Electronic Materials, partially mitigated by sales growth and improved performance from Eco-Friendly Materials. EBITDA[1] in Q2 2021 reached $6.3 million compared to $6.5 million in the same period of last year. Adjusted EBITDA in YTD 2021 reached $12.6 million compared to $14.5 million in YTD 2020.

- Net earnings in Q2 2021 improved to $2.2 million or $0.03 per share as compared to $1.7 million or $0.02 per share in the same period last year. Net earnings in YTD 2021 improved to $2.9 million or $0.04 per share as compared to $2.3 million or $0.03 per share in the same period last year.

- On June 30, 2021, the backlog represented 199 days of annualized revenue, higher than the previous quarter. Bookings[1] in Q2 2021 reached 99 days compared to 66 days for the same period last year.

- Annualized Return on Capital Employed ("ROCE")[1] reached 12.2% in Q2 2021 compared to 14.4% at the end of 2020.

- Net debt[1] stood at $14.1 million on June 30, 2021 from $10.2 million at the end of 2020, due to requirement in non-cash working capital.

[1] See Non-IFRS Measures

Summary of Key Q2 2021 Developments

- On March 30, 2021, 5N Plus announced that it entered into an agreement with AZUR pursuant to which 5N Plus would acquire all of the issued and outstanding shares of AZUR (the "Transaction"). The Transaction is subject to the customary closing conditions, including regulatory approvals. The Transaction will allow 5N Plus to meaningfully expand into new, larger and growing markets and develop a highly competitive value chain spanning from procurement of strategic materials to finished epitaxy engineered substrates. 5N Plus plans to fully integrate AZUR's workforce and will appoint Mr. Jürgen Heizmann, Managing Director of AZUR, as a member of 5N Plus's Executive Committee. The Company made positive progress with relevant regulatory authorities regarding the Transaction's closure in the second quarter of 2021, and final steps should be expected by late Q3 or early Q4 2021.

- On June 2, 2021, 5N Plus announced an investment of $8.5 million in its Montreal campus to expand the development and manufacturing of critical and strategic materials, including those containing tellurium, for advanced II-VI semiconductor compounds and engineered powders. The investment is supported by and has received funding from the Ministère de l'Économie et de l'Innovation (Ministry of Economy and Innovation) and the Ministère de l'Énergie et des Ressources Naturelles (Ministry of Energy and Natural Resources) within the province of Quebec, comprising approximately a third of the investment. This investment will not only ensure competitive and reliable access to critical products, it will also decrease the Company's carbon footprint per unit of production for II-VI materials and while simultaneously reducing consumption of chemical reagents along with processed water and solid by-product generation.

Outlook

The customary closing conditions, including foreign regulatory approvals associated with the announced acquisition of AZUR continue to move forward with positive progress. The process associated with the Transaction has been amended in the context of European regulatory environment. This transaction is one of the first files undergoing this new process and the measured rate of progress is to be expected. 5N Plus is working closely with the related agencies and third parties to move the file through various stages. Based on the Company's best visibility, the file is in the last stages of the approval process and the final outcome should be expected by late Q3 or early Q4. With this assumption, the EBITDA[1] guidance provided last quarter which was in the range of $25 million-$30 million remains valid.

Looking ahead, the Company remains focused on:

- Expanding its Total Addressable Market (TAM) and meaningfully growing its revenue;
- Demonstrating continued excellence in Environment, Social and Governance (ESG) themes;
- Taking purposeful and thoughtful action to support the business' simplification along its strategic transformation.

In the second half of 2021, acquisition and successful integration of AZUR will be a key priority. This transformational transaction will uniquely position 5N Plus within the specialty semiconductor space, expanding its value chain and enlarging its accessible market. The acquisition of AZUR is well aligned with the Company's goal to substantially increase its TAM within the high-value technology space. Given the transformation path of 5N Plus, some changes should be expected in the forthcoming quarters. The Company will continue to strengthen its position with respect to ESG themes, to which the recent investment announcement in Montreal is a testament. Moreover, the Company will be looking to focus its activities on select areas which will have impact on its asset base with emphasis on economies of scale and development of supportive ecosystems. Last but certainly not least, 5N Plus will be focusing on revenue growth, utilizing both organic and external initiatives, while delivering competitive returns beyond the Company's cost of capital.

[1] See Non-IFRS Measures

Summary of Results

(in thousands of U.S. dollars, except per share amounts)	Q2 2021	Q2 2020	YTD 2021	YTD 2020
	$	$	$	$
Revenue	**47,719**	41,136	**94,595**	91,090
Adjusted operating expenses[1] *	**(41,383)**	(33,489)	**(81,979)**	(76,586)
Adjusted EBITDA[1]	**6,336**	7,647	**12,616**	14,504
Impairment of inventories	**-**	-	**-**	-
Share-based compensation income (expense)	**309**	(510)	**(1,087)**	(680)
Foreign exchange and derivative (loss) gain	**(327)**	(631)	**532**	(1,080)
EBITDA[1]	**6,318**	6,506	**12,061**	12,744
Interest on long-term debt, imputed interest and other interest expense	**848**	873	**1,588**	1,772
Depreciation and amortization	**2,570**	3,000	**5,200**	6,099
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
Basic earnings per share	**$0.03**	$0.02	**$0.04**	$0.03
Diluted earnings per share	**$0.03**	$0.02	**$0.04**	$0.03

**Excluding impairment of inventories, share-based compensation expense (income), and depreciation and amortization.*

Revenue by Segment and Gross Margin

(in thousands of U.S. dollars)	Q2 2021	Q2 2020	Change	YTD 2021	YTD 2020	Change
	$	$		$	$	
Electronic Materials	**19,218**	19,518	(2%)	**38,032**	39,302	(3%)
Eco-Friendly Materials	**28,501**	21,618	32%	**56,563**	51,788	9%
Total revenue	**47,719**	41,136	16%	**94,595**	91,090	4%
Cost of sales	**(38,120)**	(31,123)	22%	**(75,537)**	(71,583)	6%
Depreciation included in cost of sales	**2,192**	2,578	(15%)	**4,427**	5,263	(16%)
Gross margin[1]	**11,791**	12,591	(6%)	**23,485**	24,770	(5%)
Gross margin percentage[1]	**24.7%**	30.6%		**24.8%**	27.2%	

In Q2 2021, revenue increased by 16% compared to the same quarter of last year with gross margin[1] reaching 24.7% compared to 30.6% in Q2 2020. On a YTD basis, the Company is tracking an average gross margin of 24.8%, or $23.5 million compared to 27.2% or $24.8 million last year, impacted by a less favorable mix of products within Electronic Materials, partially mitigated by higher volume under Eco-Friendly Materials.

Operating earnings, EBITDA and Adjusted EBITDA

(in thousands of U.S. dollars)	Q2 2021	Q2 2020	Change	YTD 2021	YTD 2020	Change
	$	$		$	$	
Electronic Materials	**3,525**	6,700	(47%)	**7,777**	12,482	(38%)
Eco-Friendly Materials	**4,952**	3,604	37%	**9,109**	6,726	35%
Corporate	**(2,141)**	(2,657)	(19%)	**(4,270)**	(4,704)	(9%)
Adjusted EBITDA[1]	**6,336**	7,647	(17%)	**12,616**	14,504	(13%)
EBITDA[1]	**6,318**	6,506	(3%)	**12,061**	12,744	(5%)
Operating earnings	**4,075**	4,137	(1%)	**6,329**	7,725	(18%)

In Q2 2021, Adjusted EBITDA[1] was $6.3 million compared to $7.6 million in Q2 2020, impacted by unfavorable product sales mix under Electronic Materials, partially mitigated by higher volume under Eco-Friendly Materials.

[1] See Non-IFRS Measures

In YTD 2021, Adjusted EBITDA[1] was $12.6 million compared to $14.5 million in YTD 2020, impacted by unfavorable product sales mix under Electronic Materials.

In Q2 2021, EBITDA[1] was $6.3 million compared to $6.5 million in Q2 2020. The decrease is mainly explained by a lower Adjusted EBITDA mitigated by a lower foreign exchange and derivative loss as well as an income in share-based compensation in Q2 2021 against which the Company presented an expense in the same quarter of last year.

In YTD 2021, EBITDA was $12.1 million compared to $12.7 million in YTD 2020. The decrease is mainly explained by a lower Adjusted EBITDA combined with an increase of share-based compensation expense mitigated by foreign exchange and derivative gain against which the Company presented a loss in the same period of last year.

In Q2 2021, operating earnings reached $4.1 million, a similar level to Q2 2020 and $6.3 million in YTD 2021 compared to $7.7 million in YTD 2020.

Electronic Materials Segment
Adjusted EBITDA in Q2 2021 decreased by $3.2 million to $3.5 million representing an Adjusted EBITDA margin[1] of 18% compared to 34% in Q2 2020. Adjusted EBITDA decreased by $4.7 million to $7.8 million in YTD 2021 representing an Adjusted EBITDA margin of 20% compared to 32% in YTD 2020.

Eco-Friendly Materials Segment
Adjusted EBITDA in Q2 2021 increased by $1.3 million to $5.0 million representing an Adjusted EBITDA margin of 17%, similar level to Q2 2020. Adjusted EBITDA increased by $2.4 million in YTD 2021 to $9.1 million representing an Adjusted EBITDA margin of 16% compared to 13% in YTD 2020.

Net Earnings and Adjusted Net Earnings

(in thousands of U.S. dollars, except per share amounts)	**Q2 2021**	Q2 2020	**YTD 2021**	YTD 2020
	$	$	**$**	$
Net earnings	**2,159**	1,749	**2,922**	2,341
Basic earnings per share	**$0.03**	$0.02	**$0.04**	$0.03
Reconciling items:				
Share-based compensation (income) expense	**(309)**	510	**1,087**	680
Income tax expense (recovery) on taxable items above	**82**	(135)	**(288)**	(180)
Adjusted net earnings[1]	**1,932**	2,124	**3,721**	2,841
Basic adjusted net earnings per share[1]	**$0.02**	$0.03	**$0.05**	$0.03

In Q2 2021, net earnings were $2.2 million or $0.03 per share compared to $1.7 million or $0.02 per share in Q2 2020. Adjusted net earnings[1] decreased by $0.2 million and were $1.9 million or $0.02 per share in Q2 2021 compared to $2.1 million or $0.03 per share in Q2 2020.

In YTD 2021, net earnings were $2.9 million or $0.04 per share compared to $2.3 million or $0.03 per share in YTD 2020. Adjusted net earnings increased by $0.9 million and were $3.7 million or $0.05 per share in YTD 2021 compared to $2.8 million or $0.03 per share in YTD 2020.

Excluding the income tax expense (recovery), the only item reconciling the Adjusted net earnings in Q2 2021 and YTD 2021 is the share-based compensation expense (income).

[1] See Non-IFRS Measures

Backlog and Bookings

(in thousands of U.S. dollars)	BACKLOG[1] Q2 2021	Q1 2021	Q2 2020	BOOKINGS[1] Q2 2021	Q1 2021	Q2 2020
	$	$	$	**$**	$	$
Electronic Materials	**53,807**	53,894	51,432	**19,131**	19,659	19,348
Eco-Friendly Materials	**50,373**	46,164	39,775	**32,710**	31,682	10,258
Total	**104,180**	100,058	91,207	**51,841**	51,341	29,606

(number of days based on annualized revenues) *	BACKLOG[1] Q2 2021	Q1 2021	Q2 2020	BOOKINGS[1] Q2 2021	Q1 2021	Q2 2020
Electronic Materials	**255**	261	240	**91**	95	90
Eco-Friendly Materials	**161**	150	168	**105**	103	43
Weighted average	**199**	195	202	**99**	100	66

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

Q2 2021 vs Q1 2021

Backlog[1] on June 30, 2021 represented 199 days of annualized revenue, an increase of 4 days or 2% over the backlog on March 31, 2021.

Backlog on June 30, 2021 for the Electronic Materials segment represented 255 days of annualized segment revenue, a decrease of 6 days or 2% over the backlog on March 31, 2021. The backlog for the Eco-Friendly Materials segment represented 161 days of annualized segment revenue, an increase of 11 days or 7% over the backlog on March 31, 2021.

Bookings[1] for the Electronic Materials segment decreased by 4 days, from 95 days in Q1 2021 to 91 days in Q2 2021. Bookings for the Eco-Friendly Materials segment increased by 2 days, from 103 days in Q1 2021 to 105 days in Q2 2021. The renewal timing of long-term contracts is mostly occurring in Q4.

Q2 2021 vs Q2 2020

Backlog on June 30, 2021 for the Electronic Materials segment increased by 15 days, supported by the sensing and imaging sector. The Eco-Friendly Materials segment decreased by 7 days compared to June 30, 2020, reaching 161 days compared to 168 days in Q2 2020.

Bookings for the Electronic Materials segment are similar to the level of the previous year quarter and increased by 62 days for the Eco-Friendly Materials segment compared to the previous year quarter.

Expenses

(in thousands of U.S. dollars)	Q2 2021	Q2 2020	YTD 2021	YTD 2020
	$	$	**$**	$
Depreciation and amortization	**2,570**	3,000	**5,200**	6,099
SG&A	**5,153**	4,589	**10,129**	9,480
Share-based compensation (income) expense	**(309)**	510	**1,087**	680
Financial expense	**1,175**	1,504	**1,056**	2,852
Income tax expense	**741**	884	**2,351**	2,532
Total expenses	**9,330**	10,487	**19,823**	21,643

[1] See Non-IFRS Measures

Depreciation and Amortization

Depreciation and amortization expenses in Q2 2021 and YTD 2021 amounted to $2.6 million and $5.2 million respectively compared to $3.0 million and $6.1 million for the same periods of 2020.

SG&A

SG&A expenses in Q2 2021 and YTD 2021 were $5.2 million and $10.1 million respectively compared to $4.6 million and $9.5 million for the same periods of 2020. The expenses were impacted by exchange rates across most local currency denominated.

Share-Based Compensation Expense (Income)

Share-based compensation income in Q2 2021 amounted to $0.3 million compared to an expense of $0.5 million for the same period of 2020, reflecting the decline in the Company's share price during the quarter. In YTD 2021, share-based compensation expense amounted to $1.1 million compared to $0.7 million for the same period of 2020, reflecting the scheduled vesting of long-term incentive plans and the changes in the Company's share price initiated at the end of 2020.

Financial Expense

Financial expense in Q2 2021 amounted to $1.2 million compared to $1.5 million in Q2 2020. The positive impact is mainly due to a lower loss in foreign exchange and derivatives compared to the same period last year, while the interest on long-term debt was at similar levels for both periods.

In YTD 2021, financial expense amounted to $1.1 million compared to $2.9 million in YTD 2020. The decrease is mainly due to a gain in foreign exchange and derivatives recorded in YTD 2021 compared to a loss for the same period last year, while the interest on long-term debt was at similar levels for both periods.

Income Taxes

The Company reported earnings before income taxes of $2.9 million in Q2 2021 and $5.3 million in YTD 2021. Income tax expense in Q2 2021 and YTD 2021 were $0.7 million and $2.4 million respectively compared to $0.9 million and $2.5 million for the same periods in 2020. Both periods were impacted by deferred tax assets applicable only in certain jurisdictions.

Liquidity and Capital Resources

(in thousands of U.S. dollars)	**Q2 2021**	Q2 2020	**YTD 2021**	YTD 2020
	$	$	**$**	$
Funds from operations[1]	**3,656**	5,520	**8,555**	10,294
Net changes in non-cash working capital items	**(6,719)**	10,661	**(5,843)**	6,545
Operating activities	**(3,063)**	16,181	**2,712**	16,839
Investing activities	**(1,266)**	(1,889)	**(5,002)**	(4,154)
Financing activities	**(82)**	(5,760)	**(6,514)**	(1,971)
Effect of foreign exchange rate changes on cash and cash equivalents	**(111)**	131	**(282)**	(110)
Net (decrease) increase in cash and cash equivalents	**(4,522)**	8,663	**(9,086)**	10,604

In Q2 2021, cash used in operating activities amounted to $3.1 million compared to cash generated by operating activities of $16.2 million in Q2 2020. In YTD 2021, cash generated by operating activities amounted to $2.7 million compared to $16.8 million in YTD 2020. The decrease is mainly due to the negative change in non-cash working capital in 2021, where the change in non-cash working capital dampened the funds from operations[1] contribution.

In Q2 2021, cash used in investing activities totaled $1.3 million compared to $1.9 million in Q2 2020, mainly attributed to the timing of additions to property, plant and equipment ("PPE"). In YTD 2021, cash used in investing activities totaled $5.0 million compared to $4.2 million in YTD 2020, mainly attributed to the acquisition of a minority equity stake in Microbion Corporation for an amount of $2.0 million as well as the timing of additions to PPE.

[1] See Non-IFRS Measures

In Q2 2021, cash used in financing activities amounted to $0.1 million compared to $5.8 million in Q2 2020. The decrease of $5.7 million is explained by the reimbursement in Q2 2020 of $5.0 million of the credit facility. The decrease is also explained by the issuance of common shares for an amount of $0.3 million in Q2 2021 while the Company repurchased and cancelled 306,131 common shares under the Normal Course Issuer Buyback ("NCIB") plan for an amount of $0.4 million in Q2 2020.

In YTD 2021, cash used in financing activities amounted to $6.5 million compared to $2.0 million in YTD 2020. The increase of $4.5 million is explained by the reimbursement in Q1 2021 of $5.0 million of the credit facility. Since the beginning of 2021, the Company repurchased and cancelled 249,572 common shares under the NCIB plan for an amount of $0.8 million compared to 1,077,331 common shares for an amount of $1.2 million in YTD 2020 mitigated by the issuance of common shares for an amount of $0.3 million in YTD 2021.

Working Capital

(in thousands of U.S. dollars)	**As at June 30, 2021**	As at December 31, 2020
	$	$
Inventories	**69,976**	67,139
Other current assets	**79,200**	83,756
Current liabilities	**(38,184)**	(36,550)
Working capital[1]	**110,992**	114,345
Working capital current ratio[1]	**3.91**	4.13

The decrease in working capital[1] compared to December 31, 2020 was mainly attributable to higher current liabilities reflecting the current operations level, and recent increase in metal notations observed since the beginning of the year as well as a decrease in cash and cash equivalents.

Net Debt

(in thousands of U.S. dollars)	**As at June 30, 2021**	As at December 31, 2020
	$	$
Bank indebtedness	**-**	-
Long-term debt including current portion	**45,000**	50,109
Total Debt[1]	**45,000**	50,109
Cash and cash equivalents	**(30,864)**	(39,950)
Net Debt[1]	**14,136**	10,159

Total debt[1] decreased by $5.1 million and stood at $45.0 million compared to $50.1 million on December 31, 2020, following the reimbursement of $5.0 million of the credit facility during Q1 2021.

Net debt[1], after considering cash and cash equivalents, increased by $4.0 million, from $10.2 million on December 31, 2020 to $14.1 million on June 30, 2021.

In March 2021, the Company signed a senior secured multi-currency revolving credit facility of $79.0 million maturing in April 2023 to replace its existing $79.0 million senior secured revolving facility maturing in April 2022. The agreement includes a contingent option to expand the facility to $124.0 million. At any time, the Company has the option to request that the credit facility be expanded further through the exercise of an additional $30.0 million accordion feature, subject to review and approval by the lenders. This revolving credit facility can be drawn in U.S. dollars, Canadian dollars or Hong Kong dollars. Drawings bear interest at either the Canadian prime rate, U.S. base rate, Hong Kong base rate or LIBOR, plus a margin based on the Company's senior net debt to consolidated EBITDA[1] 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.

[1] See Non-IFRS Measures

Share Information

	As at August 3, 2021	As at June 30, 2021
Issued and outstanding shares	**81,538,558**	81,538,558
Stock options potentially issuable	**583,812**	583,812

On March 5, 2020, the TSX approved the Company's NCIB plan under which the Company had the right to purchase for cancellation a maximum of 2,000,000 common shares from March 9, 2020 until March 8, 2021. During Q1 2021, the Company repurchased and cancelled 249,572 common shares at an average price of $3.24 (CA$4.10) for a total amount of $0.8 million applied against the equity. On March 31, 2021, all approved common shares had been repurchased and cancelled. No NCIB is currently active.

Off-Balance Sheet Arrangements

The Company is exposed to currency risk on sales in Euro and other currencies as well as interest rate fluctuations on its credit facility, and therefore may periodically enter into foreign currency forward contracts and interest rate or foreign currency swap contracts to protect itself against interest rate and currency fluctuations. The reader will find more details related to these contracts in Notes 16 and 24 of the audited consolidated financial statements for the year ended December 31, 2020.

Commitments

As at June 30, 2021, in the normal course of business, the Company contracted letters of credit for an amount of $0.6 million ($0.7 million 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 unaudited 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.

Proposed Acquisition of AZUR

On March 30, 2021, the Company entered into an agreement with AZUR pursuant to which the Company would acquire all of the issued and outstanding shares of AZUR 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 to finance working capital in the range of 20 to 26 million euros with a provision not to exceed 27 million euros. The cash portion of the Transaction is expected to be funded through a senior debt facility. The Transaction is currently subject to the customary closing conditions, including regulatory approvals.

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 of the effectiveness of the Company's disclosure controls and procedures was carried out under the supervision of the Chief Executive Officer and Chief Financial Officer. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the disclosure controls and procedures are effective.

Internal Control over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer have also designed internal controls over financial reporting (ICFR) or have caused them to be designed under their supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Based on their evaluation carried out to assess the effectiveness of the Company's ICFR, the Chief Executive Officer and the Chief Financial Officer have concluded that the ICFR were designed and operated effectively using the Internal Control – Integrated Framework (2013 Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO 2013 Framework").

In light of the COVID-19 pandemic and in compliance with the recommendations from public health authorities, the Company implemented remote work arrangements. 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 the ICFR during the six-month period ended June 30, 2021 that have materially affected, or are reasonably likely to materially affect, the ICFR.

Financial Instruments and Risk Management

Fair Value of Financial Instruments

A detailed description of the methods and assumptions used to measure the fair value of the Company financial instruments and their fair value is discussed in Note 16 – Fair Value of Financial Instruments in the 2020 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 2020 audited consolidated financial statements of the Company. The Company is not aware of any significant changes to its risk factors from those disclosed at that time.

Risk and Uncertainties

For a detailed description of risk factors associated with 5N Plus and its business, refer to "Risk and Uncertainties" of 5N Plus's 2020 MD&A dated February 23, 2021. Factors of uncertainty and risk include the risks associated with COVID-19, the Company's growth strategy, credit, liquidity, interest rate, litigation, inventory pricing, commodity pricing, currency fluctuation, fair value, source of supply, environmental regulations, competition, dependence on key personnel, business interruptions, changes to backlog, protection of intellectual property, international operations including China, international trade regulations, collective agreements and being a public issuer, systems, network infrastructure and data failure, interruption and breach, global economic conditions as well as the market price of common shares.

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 the Company has 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 are calculated by adding revenues to the increase or decrease in backlog for the period considered divided by annualized year revenues. 5N Plus uses backlog to provide an indication of expected future revenues in days, and bookings to determine its ability to sustain and increase its revenues.

EBITDA means net earnings before interest expenses, income taxes, depreciation and amortization. 5N Plus uses EBITDA because it believes it is a meaningful measure of the operating performance of its ongoing business without the effects of certain expenses. The definition of this non-IFRS measure used by the Company may differ from that used by other companies.

EBITDA margin is defined as EBITDA divided by revenues.

Adjusted EBITDA means EBITDA as defined above before impairment of inventories, share-based compensation expense (income), impairment of non-current assets, litigation and restructuring costs (income), gain on disposal of property, plant and equipment, foreign exchange and derivatives loss (gain). 5N Plus uses adjusted EBITDA because it believes it is a meaningful measure of the operating performance of its ongoing business without the effects of certain expenses. The definition of this non-IFRS measure used by the Company may differ from that used by other companies.

Adjusted EBITDA margin is defined as Adjusted EBITDA divided by revenues.

Adjusted operating expenses means operating charges before impairment of inventories, share-based compensation expense (income), impairment of non-current assets, litigation and restructuring costs (income), gain on disposal on property, plant and equipment and depreciation and amortization. 5N Plus uses adjusted operating expenses to calculate the Adjusted EBITDA. 5N Plus believes it is a meaningful measure of the operating performance of its ongoing business. The definition of this non-IFRS measure used by the Company may differ from that used by other companies.

Adjusted net earnings means the net earnings before the effect of charge of impairment related to inventory, PPE and intangible assets, share-based compensation expense (income), litigation and restructuring costs (income), accelerated depreciation, gain on disposal of property, plant and equipment net of the related income tax. 5N Plus uses adjusted net earnings because it believes it is a meaningful measure of the operating performance of its ongoing business without the effects of unusual inventory write-downs and property plant and equipment, intangible asset impairment charges, share-based compensation expense (income), 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. 5N Plus uses basic adjusted net earnings per share because it believes it is a meaningful measure of the operating performance of its ongoing business without the effects of unusual impairment charges on inventories, PPE and intangible asset, share-based compensation expense (income), 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. 5N Plus considers funds from (used in) operations to be a key measure as it demonstrates the Company's ability to generate the cash necessary for future growth and debt repayment.

Gross margin is a measure used to monitor the sales contribution after paying cost of sales, excluding depreciation and impairment inventory charge. 5N Plus 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. 5N Plus uses this measure as an indicator of its 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). 5N Plus uses ROCE to measure the return on capital employed, whether the financing is through equity or debt. In the view of the Company, 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 its 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, it uses it as an indicator of its 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

5N Plus's common shares trade on the Toronto Stock Exchange (TSX) under the ticker symbol VNP. Additional information relating to the Company, including the Company's annual information form is available under the Company's profile on SEDAR at www.sedar.com.

Selected Quarterly Financial Information

(in thousands of U.S. dollars, except per share amounts)	**June 30, 2021**	March 31, 2021	Dec 31, 2020	Sept 30, 2020	June 30, 2020	March 31, 2020	Dec 31, 2019	Sept 30, 2019
	$	$	$	$	$	$	$	$
Revenue	**47,719**	46,876	46,230	39,872	41,136	49,954	44,714	49,554
EBITDA[1]	**6,318**	5,743	2,230	7,450	6,506	6,238	3,682	5,860
Adjusted EBITDA[1]	**6,336**	6,280	6,543	7,744	7,647	6,857	4,502	5,974
Net earnings (loss) attributable to equity holders of 5N Plus	**2,159**	763	(2,864)	2,709	1,749	592	146	1,030
Basic earnings (loss) per share attributable to equity holders of 5N Plus	**$0.03**	$0.01	($0.03)	$0.03	$0.02	$0.01	$-	$0.01
Net earnings (loss)	**2,159**	763	(2,864)	2,709	1,749	592	146	1,030
Basic earnings (loss) per share	**$0.03**	$0.01	($0.03)	$0.03	$0.02	$0.01	$-	$0.01
Diluted earnings (loss) per share	**$0.03**	$0.01	($0.03)	$0.03	$0.02	$0.01	$-	$0.01
Adjusted net earnings[1]	**1,932**	1,789	184	1,955	2,124	717	480	1,460
Basic adjusted net earnings per share[1]	**$0.02**	$0.02	$-	$0.02	$0.03	$0.01	$0.01	$0.02
Funds from operations[1]	**3,656**	4,899	4,355	11,181	5,520	4,774	3,343	4,570
Backlog[1]	**199 days**	195 days	189 days	171 days	202 days	188 days	243 days	215 days

[1] See Non-IFRS Measures