



Management Report

Quarter Ended
December 31, 2020

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5N PLUS

Enabling Performance

This Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations is intended to assist readers in understanding 5N Plus Inc. (the "Company" or "5N Plus"), its business environment, strategies, performance and risk factors. This MD&A should be read in conjunction with the 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 February 23, 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.

"Q4 2020" and "Q4 2019" refer to the three-month periods ended December 31, 2020 and 2019 respectively, and "FY 2020" and "FY 2019" refer to the years ended December 31, 2020 and 2019 respectively.

Non-IFRS Measures

This MD&A also includes certain figures that are not performance measures consistent with IFRS. These measures are defined at the end of this MD&A under the heading Non-IFRS Measures.

Notice Regarding Forward-Looking Statements

Certain statements in this MD&A may be forward-looking within the meaning of applicable securities laws. Forward-looking information and statements are based on the best estimates available to the Company at the time and involve known and unknown risks, uncertainties or other factors that may cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Factors of uncertainty and risk that might result in such differences include the risks associated with our growth strategy, credit, liquidity, interest rate, litigation, inventory pricing, commodity pricing, currency fluctuation, fair value, source of supply, environmental regulations, competition, dependence on key personnel, business interruptions, changes to backlog, protection of intellectual property, international operations including China, international trade regulations, collective agreements and being a public issuer, systems, network infrastructure and data failure, interruption and breach, global economic conditions as well as market price of the common shares. A description of the risks affecting the Company's business and activities appears under the heading "Risk and Uncertainties" of this MD&A dated February 23, 2021.

Since January 2020, the gradual outbreak of the novel strain of the coronavirus, COVID-19 and its declaration as a pandemic by the World Health Organization, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures have caused material disruption to businesses globally resulting in an economic slowdown. While the Company has been able to mitigate the short-term impact from the crisis, it is not possible to reliably estimate the length, severity and long-term impact the global pandemic may have on the Company's financial results, conditions and cash flows. The outbreak of the COVID-19 should be considered a new risk factor.

Forward-looking statements can generally be identified by the use of terms such as "may", "should", "would", "believe", "expect", the negative of these terms, variations of them or any similar terms. No assurance can be given that any events anticipated by the forward-looking information in this MD&A will transpire or occur, or if any of them do so, what benefits that 5N Plus will derive therefrom. In particular, no assurance can be given as to the future financial performance of 5N Plus. The forward-looking information contained in this MD&A is made as of the date hereof and the Company has no obligation to publicly update such forward-looking information to reflect new information, subsequent or otherwise, unless required by applicable securities laws. The reader is warned against placing undue reliance on these forward-looking statements.

Management's Discussion and Analysis

Overview

5N Plus is a leading global producer of engineered materials and specialty chemicals with integrated recycling and refining assets to manage the sustainability of its business model. The Company is headquartered in Montreal, Québec, Canada and operates R&D, manufacturing and commercial centers in several locations in Europe, the Americas and Asia. 5N Plus deploys a range of proprietary and proven technologies to produce products which are used as enabling precursors by its customers in a number of advanced electronics, optoelectronics, pharmaceutical, health, renewable energy and industrial applications. Many of the materials produced by 5N Plus are critical for the functionality and performance of the products and systems produced by its customers, many of whom are leaders within their industry.

Reporting Segments

The Company has two reportable segments, namely Electronic Materials and Eco-Friendly Materials. Corresponding operations and activities are managed accordingly by the Company's key decision makers. Segmented operating, financial information and labelled key performance indicators are available and used to manage these business segments, review performance and allocate resources. Financial performance of any given segment is evaluated primarily in terms of revenues and Adjusted EBITDA¹ which is reconciled to consolidated numbers by taking into account corporate income and expenses.

The Electronic Materials segment operates in North America, Europe and Asia. The Electronic Materials segment manufactures and sells products which are used in a number of applications such as security, aerospace, sensing, imaging, renewable energy and various technical industries. Typical end markets include photovoltaics (terrestrial and spatial solar energy), advance electronics, optoelectronics, electronic packaging, medical imaging and thermoelectric. These are sold either in elemental or alloyed form as well as in the form of chemicals, compounds and wafers. Revenues and earnings associated with recycling services and activities provided to customers of the Electronic Materials segment are also included in the Electronic Materials segment.

The Eco-Friendly Materials segment is so labelled because it is mainly associated with bismuth, one of the very few heavy metals which has no detrimental effect on either human health or in the environment. The Eco-Friendly Materials segment operates in North America, Europe and Asia. The Eco-Friendly Materials segment manufactures and sells products which are used in a number of applications such as pharmaceutical, healthcare, animal feed additive, catalytic and extractive, as well as various industrial materials. Main products are sold either in elemental or alloyed form but mostly in the form of specialized chemicals. Revenues and earnings associated with recycling services and activities provided to customers of the Eco-Friendly Materials segment are also included in the Eco-Friendly Materials segment.

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

Vision and Mission

The Company's vision stems from its core belief that material technology is the kingmaker of many critical markets and 5N Plus' aim is to propel the growth of these markets by developing and manufacturing advanced materials to enable the product performance in these markets.

The Company's mission is to be:

- Critical to its Customers
- Preferred by its Employees
- Trusted by its Shareholders

¹ See Non-IFRS Measures

Highlights of Q4 & Fiscal Year 2020 – An Exceptional Year - Adjusted EBITDA up 31%, Operating Cash Flow reaching \$25M, despite COVID-19 headwinds & historically low metal notations weighing on upstream activities – 5N Plus moves forward with strategic transformation

All amounts are expressed in U.S. dollars.

5N Plus concluded 2020 with strong quarterly and full year results - well above the same periods in 2019. The Company's full year gross margin¹ surged to 27.6% and Adjusted EBITDA¹ to \$28.8 million (16.2% of revenue), despite reduced demand from businesses impacted by COVID-19 and historically low metal notations weighing on upstream activities. In 2020, 5N Plus generated \$24.9 million of cashflow, further strengthening its balance sheet while completing a series of investments supporting the Company's growth initiatives and enhancing operational agility.

During the year, higher value-added businesses such as semiconductor compounds and engineered substrates along with health and pharmaceutical compounds experienced strong demand. The demand from materials related to semiconductor applications was exceptionally strong with medical and infrared imaging markets driving the demand. The contribution from these businesses enabled margin expansion in the Company's earnings and notable improvement to Adjusted EBITDA as compared to the previous year.

Fourth Quarter Financial Highlights

- Revenue for the fourth quarter 2020 reached \$46.2 million compared to \$44.7 million for the same period last year and \$177.2 million for FY 2020 as compared to \$196.0 million for fiscal year 2019. Revenue contributions from metal sales were significantly lower than the same period last year, while sales mix continued to shift toward products with higher value-added activities enabled by notable contribution from internal growth initiatives resulting in significant year-over-year margin improvements.
- On December 31, 2020, the Backlog¹ represented 189 days of annualized revenue, higher than previous quarter which ended at 171 days. The net difference in backlog is largely attributed to the timing associated with the negotiation of long-term contracts. Bookings¹ in Q4 2020 reached 133 days compared to 53 days in Q3 2020 and 96 days in Q4 2019.
- Net earnings in FY 2020 were \$2.2 million or \$0.03 per share compared to \$1.8 million or \$0.02 for the year 2019.
- EBITDA¹ for FY 2020 reached \$22.4 million compared to \$19.1 million for the year 2019.
- Adjusted EBITDA for Q4 2020 reached \$6.5 million compared to \$4.5 million during the same period last year, up 45% quarter-over-quarter.
- Adjusted EBITDA in FY 2020 reached \$28.8 million compared to \$22.0 million in 2019, up 31% year-over-year, supported by an improved product mix favoring semiconductor compounds and engineered substrates, in addition to high demand from health and pharmaceutical products.
- Return on Capital Employed ("ROCE")¹ reached 14.4% in 2020 compared to 8.2% at the end of 2019.
- Net debt¹ stood at \$10.2 million as of December 31, 2020, a decrease of \$24.9 million compared to December 31, 2019, the Company further solidifying its balance sheet.
- On March 5, 2020, 5N Plus announced that the Toronto Stock Exchange had approved its normal course issuer bid ("NCIB"). Under the NCIB, 5N Plus has the right to purchase for cancellation, from March 9, 2020 to March 8, 2021, a maximum of 2,000,000 common shares. From March 9, 2020 to December 31, 2020, 5N Plus purchased and cancelled 1,750,428 of the Company's common shares.

¹ See Non-IFRS Measures

Management's Discussion and Analysis

Summary of Key 2020 Developments

- On June 3, 2020, 5N Plus announced that its subsidiary, 5N Plus Semiconductors, located in St. George, Utah, signed a \$12.5 million contract with the U.S. Government aimed at further advancing process and product technologies for specialty semiconductors required by U.S. satellite suppliers.
- On July 21, 2020, 5N Plus announced the introduction of the third generation of engineered semiconductor substrate, INZBE3, designed for infrared imaging and detection applications based on breakthrough process technologies.
- On October 7, 2020, 5N Plus announced that it has entered the Additive Manufacturing market, (commonly referred to as 3D Printing), as a supplier of high-performance engineered powders and has begun to launch a broad portfolio of metal powder products to support this venture.
- On October 21, 2020, 5N Plus and Metalpine GmbH, an Austria-based technology leader in the production of high-quality performance powders for Additive Manufacturing announced that they have entered into a strategic agreement aimed at jointly serving the growing demand from Additive Manufacturing markets.
- On October 28, 2020, 5N Plus announced the completion of a series of investment packages related to process technologies, totaling nearly \$10.0 million. These investments were aimed at enhancing capability, increasing capacity, and decreasing environmental footprint. The focus of these investments were select sites in Europe and China with segment Eco-Friendly Materials as the major beneficiary.
- On November 12, 2020, 5N Plus announced that it has secured multi-year contracts for the supply of semiconductor materials associated with the manufacturing of thin-film photovoltaic (PV) modules by First Solar, Inc (Nasdaq FLSR). 5N Plus is the world leading supplier of engineered semiconductor compounds to thin film renewable energy industry.

Subsequent Event

- On January 12, 2021, 5N Plus announced that it has entered into a strategic agreement with Montana-based Microbion Corporation aimed at furthering the development of Microbion's new class of antibiotic and antibiofilm drugs. Under the terms of the agreement, 5N Plus has taken an equity stake in Microbion and will assume responsibility for the manufacturing of bismuth-based Active Pharmaceutical Ingredients (API) required in Microbion's family of drug products currently under development.

In 2020, 5N Plus began the next phase of its strategic transformation toward advanced materials with improved margins and away from products affected by metal notations and commoditization. In support of the former, the Company has begun to consider M&A opportunities to augment and expedite its growth, specifically in the field of advanced materials. To address the latter, 5N Plus has launched a strategic review of certain legacy businesses to assess their long-term compatibility with the Company's focus. The aim of this review is to identify the best option for the future of these businesses. To that end, nearly all non-recurring charges taken by the Company during the year relate to the preparation of these businesses for their future options.

Looking forward, 5N Plus plans to further build on its recent actions aimed at utilizing external opportunities to augment organic growth initiatives. The Company's strong cash flow in 2020 has further strengthened its balance sheet with net debt standing at \$10.2 million dollars as of end of 2020. The Company's balance sheet is a strong asset as 5N Plus looks to external opportunities. 5N Plus remains well prepared to manage the ongoing impact of the global pandemic to its business. The strategic plan launched in 2016 has culminated in the Company being well prepared to navigate the next strategic step leading to higher revenues supported by markedly higher total addressable markets; expanded earnings margins supported by higher value-added activities and simplification supported by a more focused product portfolio.

Summary of Results

(in thousands of U.S. dollars, except per share amounts)	Q4 2020	Q4 2019	FY 2020	FY 2019
	\$	\$	\$	\$
Revenue	46,230	44,714	177,192	195,971
Adjusted operating expenses ^{1*}	(39,687)	(40,212)	(148,401)	(174,021)
Adjusted EBITDA¹	6,543	4,502	28,791	21,950
Impairment of inventories	(2,411)	-	(2,411)	-
Impairment of non-current assets	-	-	(4,934)	-
Share-based compensation expense	(867)	(455)	(1,801)	(2,583)
Litigation and restructuring income (costs), net	-	-	5,577	-
Foreign exchange and derivative loss	(1,035)	(365)	(2,798)	(316)
EBITDA¹	2,230	3,682	22,424	19,051
Interest on long-term debt, imputed interest and other interest expense	770	789	3,490	4,079
Depreciation and amortization	2,651	2,887	11,725	11,139
(Loss) earnings before income taxes	(1,191)	6	7,209	3,833
Income tax expense (recovery)				
Current	439	186	3,385	2,187
Deferred	1,234	(326)	1,638	(139)
	1,673	(140)	5,023	2,048
Net (loss) earnings	(2,864)	146	2,186	1,785
Basic (loss) earnings per share	(\$0.03)	\$-	\$0.03	\$0.02
Diluted (loss) earnings per share	(\$0.03)	\$-	\$0.03	\$0.02

¹Excluding impairment of inventories and non-current assets, share-based compensation expense, litigation and restructuring income (costs), and depreciation and amortization.

Revenue by Segment and Gross Margin

(in thousands of U.S. dollars)	Q4 2020	Q4 2019	Change	FY 2020	FY 2019	Change
	\$	\$		\$	\$	
Electronic Materials	21,567	20,517	5%	81,484	81,281	-%
Eco-Friendly Materials	24,663	24,197	2%	95,708	114,690	(17%)
Total revenue	46,230	44,714	3%	177,192	195,971	(10%)
Cost of sales	(39,241)	(37,221)	5%	(140,806)	(161,213)	(13%)
Impairment of inventories	2,411	-	100%	2,411	-	100%
Depreciation included in cost of sales	2,231	2,457	(9%)	10,064	9,931	1%
Gross margin¹	11,631	9,950	17%	48,861	44,689	9%
Gross margin percentage¹	25.2%	22.3%		27.6%	22.8%	

In Q4 2020, revenue increased by 3% compared to the same quarter of last year, with gross margin¹ reaching 25.2% compared to 22.3% in Q4 2019. On a full year basis, we are tracking an average gross margin of 27.6%, or \$48.9 million compared to 22.8% or \$44.7 million last year, supported by an improved product mix favorably impacted by various activities related to semiconductor compounds and engineered substrates, and solid demand for pharma and health products, mitigating lower demand for industrial products associated with COVID-19 and low metal notations impacting upstream activities.

¹ See Non-IFRS Measures

Management's Discussion and Analysis

Operating earnings, EBITDA and Adjusted EBITDA

(in thousands of U.S. dollars)	Q4 2020	Q4 2019	Change	FY 2020	FY 2019	Change
	\$	\$		\$	\$	
Electronic Materials	6,184	4,387	41%	26,858	19,581	37%
Eco-Friendly Materials	3,370	2,047	65%	11,508	10,993	5%
Corporate	(3,011)	(1,932)	56%	(9,575)	(8,624)	11%
Adjusted EBITDA¹	6,543	4,502	45%	28,791	21,950	31%
EBITDA¹	2,230	3,682	(39%)	22,424	19,051	18%
Operating earnings	614	1,160	(47%)	13,497	8,228	64%

In Q4 2020, Adjusted EBITDA¹ was \$6.5 million compared to \$4.5 million in Q4 2019. In FY 2020, Adjusted EBITDA increased by \$6.8 million, from \$22.0 million in FY 2019 to \$28.8 million, supported by an improved product mix favorably impacted by various activities related to semiconductor compounds and engineered substrates, and solid demand for pharmaceutical and health products, in spite of challenges associated with COVID-19 and low metal notations impacting upstream activities. In FY 2020, the Company recorded a reduction in wage expense of \$1.2 million resulting from the Canada Emergency Wage Subsidy in response to challenges posed by COVID-19 pandemic.

In Q4 2020, EBITDA¹ was \$2.2 million compared to \$3.7 million in Q4 2019. The decrease is mainly explained by an impairment of inventories of \$2.4 million on specific items recorded in Q4 2020 as well as an increase in foreign exchange and derivative losses and share-based compensation expense mitigated by higher Adjusted EBITDA.

In FY 2020, EBITDA was \$22.4 million compared to \$19.1 million in FY 2019. The increase is mainly explained by the higher Adjusted EBITDA, lower share-based compensation expense, and a non-recurrent gain related to the settlement and termination of a supply agreement, net of restructuring and impairment charges associated with the decision to consolidate selected activities and close a subsidiary located in Asia, impairment of inventories and higher foreign exchange and derivative losses.

In Q4 2020, operating earnings reached \$0.6 million compared to \$1.2 million in Q4 2019 and \$13.5 million in FY 2020 compared to \$8.2 million in FY 2019.

Electronic Materials Segment

Adjusted EBITDA in Q4 2020 increased by \$1.8 million to \$6.2 million representing an Adjusted EBITDA margin¹ of 29% compared to 21% in Q4 2019. Adjusted EBITDA increased by \$7.3 million to \$26.9 million in FY 2020 representing an Adjusted EBITDA margin of 33% compared to 24% in FY 2019.

Eco-Friendly Materials Segment

Adjusted EBITDA in Q4 2020 increased by \$1.3 million to \$3.4 million representing an Adjusted EBITDA margin of 14% compared to 8% in Q4 2019. Adjusted EBITDA increased by \$0.5 million to \$11.5 million in FY 2020 representing an Adjusted EBITDA margin of 12% compared to 10% in FY 2019.

¹ See Non-IFRS Measures

Net (Loss) Earnings and Adjusted Net Earnings

(in thousands of U.S. dollars, except per share amounts)	Q4 2020	Q4 2019	FY 2020	FY 2019
	\$	\$	\$	\$
Net (loss) earnings	(2,864)	146	2,186	1,785
Basic (loss) earnings per share	(\$0.03)	\$-	\$0.03	\$0.02
Reconciling items:				
Impairment of inventories	2,411	-	2,411	-
Share-based compensation expense	867	455	1,801	2,583
Litigation and restructuring (income) costs, net	-	-	(5,577)	-
Impairment of non-current assets	-	-	4,934	-
Accelerated imputed interest	-	-	-	267
Income tax recovery on taxable items above	(230)	(121)	(775)	(760)
Adjusted net earnings¹	184	480	4,980	3,875
Basic adjusted net earnings per share¹	\$-	\$0.01	\$0.06	\$0.05

In Q4 2020, net loss was \$2.9 million or \$0.03 per share compared to net earnings of \$0.1 million in Q4 2019. Adjusted net earnings¹ amounted to \$0.2 million in Q4 2020 compared to \$0.5 million or \$0.01 per share in Q4 2019. Excluding the income tax recovery, the items reconciling the Adjusted net earnings in Q4 2020 are the impairment of inventories and the share-based compensation expense.

In FY 2020, net earnings were \$2.2 million or \$0.03 per share compared to \$1.8 million or \$0.02 per share in FY 2019. Adjusted net earnings increased by \$1.1 million and were \$5.0 million or \$0.06 per share in FY 2020 compared to \$3.9 million or \$0.05 per share in FY 2019.

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

Impairment of inventories

(in thousands of U.S. dollars)	Q4 2020	Q4 2019	FY 2020	FY 2019
	\$	\$	\$	\$
Electronic Materials	244	-	244	-
Eco-Friendly Materials	2,167	-	2,167	-
Total	2,411	-	2,411	-

Following the expected net realized value analysis as at December 31, 2020, an impairment of inventories of \$2.4 million on specific products was recorded in Q4 2020.

Backlog and Bookings

(in thousands of U.S. dollars)	BACKLOG ¹			BOOKINGS ¹		
	Q4 2020	Q3 2020	Q4 2019	Q4 2020	Q3 2020	Q4 2019
	\$	\$	\$	\$	\$	\$
Electronic Materials	53,049	36,025	68,888	38,591	5,208	20,025
Eco-Friendly Materials	42,544	38,578	50,009	28,629	18,060	26,819
Total	95,593	74,603	118,897	67,220	23,268	46,844

¹ See Non-IFRS Measures

Management's Discussion and Analysis

(number of days based on annualized revenues) *	BACKLOG ¹			BOOKINGS ¹		
	Q4 2020	Q3 2020	Q4 2019	Q4 2020	Q3 2020	Q4 2019
Electronic Materials	224	159	306	163	23	89
Eco-Friendly Materials	157	183	189	106	86	101
Weighted average	189	171	243	133	53	96

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

Q4 2020 vs Q3 2020

Backlog¹ on December 31, 2020 represented 189 days of annualized revenue, an increase of 18 days or 11% over the backlog of September 30, 2020. The net difference in backlog is largely attributed to the timing associated with the negotiation of long-term contracts.

Backlog on December 31, 2020 for the Electronic Materials segment represented 224 days of annualized segment revenue, an increase of 65 days or 41% over the backlog of September 30, 2020. The backlog for the Eco-Friendly Materials segment represented 157 days of annualized segment revenue, a decrease of 26 days or 14% over the backlog of September 30, 2020.

Bookings¹ for the Electronic Materials segment increased by 140 days, from 23 days in Q3 2020 to 163 days in Q4 2020, due to the renewal timing of a long-term contract within the segment. Bookings for the Eco-Friendly Materials segment increased by 20 days, from 86 days in Q3 2020 to 106 days in Q4 2020, the renewal of long-term contracts mostly occurring at year-end and Q1 for this segment.

Q4 2020 vs Q4 2019

Backlog on December 31, 2020 for the Electronic Materials segment decreased by 82 days, the decrease mainly driven by the bankruptcy filing of one of the end-customers resulting in retroactive adjustment during Q1, and the timing associated with the negotiation of long-term contracts within the segment, while the Eco-Friendly Materials segment decreased by 32 days compared to December 31, 2019, reaching 157 days on a consolidated basis compared to 189 days in Q4 2019.

Bookings for the Electronic Materials segment increased by 74 days and by 5 days for the Eco-Friendly Materials segment compared to the previous year quarter.

Expenses

(in thousands of U.S. dollars)	Q4 2020	Q4 2019	FY 2020	FY 2019
	\$	\$	\$	\$
Depreciation and amortization	2,651	2,887	11,725	11,139
SG&A	5,872	4,945	19,874	21,179
Share-based compensation expense	867	455	1,801	2,583
Litigation and restructuring (income) costs, net	-	-	(5,577)	-
Impairment of non-current assets	-	-	4,934	-
Financial expense	1,805	1,154	6,288	4,395
Income taxes expense (recovery)	1,673	(140)	5,023	2,048
Total expenses	12,868	9,301	44,068	41,344

Depreciation and Amortization

Depreciation and amortization expenses in Q4 2020 and FY 2020 amounted to \$2.7 million and \$11.7 million respectively compared to \$2.9 million and \$11.1 million for the same periods of 2019.

¹ See Non-IFRS Measures

SG&A

SG&A expenses in Q4 2020 and FY 2020 were \$5.9 million and \$19.9 million respectively compared to \$4.9 million and \$21.2 million for the same periods of 2019. In 2020, the expenses were positively impacted by lower travel and consulting expenses, either avoided or delayed, due to the COVID-19 pandemic. The Company also recorded a reduction in wage expense of \$0.2 million in FY 2020 resulting from the Canada Emergency Wage Subsidy in response to challenges posed by the COVID-19 pandemic.

Share-Based Compensation Expense

Share-based compensation expense in Q4 2020 and FY 2020 amounted to \$0.9 million and \$1.8 million respectively compared to \$0.5 million and \$2.6 million for the same periods of 2019, reflecting the scheduled vesting of long-term incentive plans and the rise in the Company's share price initiated at the end of FY 2020.

Litigation and restructuring costs (income), net

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

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

Impairment of non-current assets

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

Financial Expense

Financial expense in Q4 2020 amounted to \$1.8 million compared to \$1.2 million in Q4 2019. The increase is mainly due to higher loss in foreign exchange and derivatives compared to the same period last year.

In FY 2020, financial expense amounted to \$6.3 million compared to \$4.4 million in FY 2019. The increase is mainly due to the same factor mentioned above mitigated by lower interest on long-term debt in FY 2020.

Income Taxes

The Company reported a loss before income taxes of \$1.2 million in Q4 2020 and earnings before taxes of \$7.2 million in FY 2020. Income tax expense in Q4 2020 and FY 2020 was \$1.7 million and \$5.0 million respectively compared to an income tax recovery of \$0.1 million and an income tax expense of \$2.0 million for the same periods in 2019. The reader will find more details in Note 15 of the audited consolidated financial statements for the year ended December 31, 2020.

Management's Discussion and Analysis

Liquidity and Capital Resources

(in thousands of U.S. dollars)	Q4 2020	Q4 2019	FY 2020	FY 2019
	\$	\$	\$	\$
Funds from operations ¹	4,355	3,343	25,830	15,724
Net changes in non-cash working capital items	13,297	1,817	10,975	(13,043)
Operating activities	17,652	5,160	36,805	2,681
Investing activities	(2,338)	(3,076)	(8,461)	(10,182)
Financing activities	(6,050)	(417)	(8,804)	794
Effect of foreign exchange rate changes on cash and cash equivalents	258	216	345	48
Net increase (decrease) in cash and cash equivalents	9,522	1,883	19,885	(6,659)

Cash generated by operating activities amounted to \$17.7 million in Q4 2020 compared to \$5.2 million in Q4 2019. In FY 2020, cash generated by operating activities amounted to \$36.8 million compared to \$2.7 million for FY 2019. The increase in funds from operations¹ is mainly explained by the higher Adjusted EBITDA¹. The positive change in non-cash working capital in FY 2020 is mainly due to a decrease in inventory of \$13.8 million due to the current low metal notations and reduced upstream activities.

In Q4 2020, cash used in investing activities totaled \$2.3 million compared to \$3.1 million in Q4 2019 and \$8.5 million in FY 2020 compared to \$10.2 million in FY 2019, mainly attributed to timing of additions to property, plant, and equipment ("PPE").

In Q4 2020, cash used in financing activities amounted to \$6.1 million compared to \$0.4 million in Q4 2019. The increase is explained by the reimbursement this quarter of \$5.0 million of the credit facility combined with the 391,859 common shares repurchased and cancelled under the NCIB plan for an amount of \$0.7 million while none were repurchased in Q4 2019.

In FY 2020, cash used in financing activities amounted to \$8.8 million compared to cash from financing activities of \$0.8 million in FY 2019. In FY 2020, the net movement in the credit facility resulted in a decrease of \$5.0 million, and nil for 2019. In Q1 2019, the Company completed a new five-year unsecured subordinated term loan of \$25.0 million for which only \$19.3 million were used to redeem the Company's outstanding convertible unsecured subordinated debentures of CA\$26.0 million. The decrease is also explained by the issuance of common shares for an amount of \$0.7 million in 2019. Since the beginning of 2020, the Company has repurchased and cancelled 1,750,428 common shares under the NCIB plan for an amount of \$2.2 million compared to 1,696,733 common shares for an amount of \$4.0 million in FY 2019.

Working Capital

(in thousands of U.S. dollars)	As at December 31, 2020	As at December 31, 2019
	\$	\$
Inventories	67,139	83,367
Other current assets	83,756	61,346
Current liabilities	(36,550)	(37,016)
Working capital¹	114,345	107,697
Working capital current ratio¹	4.13	3.91

The increase in working capital¹ compared to December 31, 2019 was mainly attributable to higher other current assets and lower current liabilities, while inventories are lower impacted by current low metal notations and reduced upstream activities. The higher current assets are mainly explained by higher cash and cash equivalent position at the end of this fiscal year when compared to last year.

¹ See Non-IFRS Measures

Net Debt

(in thousands of U.S. dollars)	As at December 31, 2020	As at December 31, 2019
	\$	\$
Bank indebtedness	-	-
Long-term debt including current portion	50,109	55,107
Total Debt¹	50,109	55,107
Cash and cash equivalents	(39,950)	(20,065)
Net Debt¹	10,159	35,042

Total debt¹ decreased by \$5.0 million and stood at \$50.1 million compared to December 31, 2019. The drawdown of \$5.0 million on the credit facility for working capital purposes in Q1 2020 was reimbursed during Q2 2020 following the cash and cash equivalents generated during that quarter. In Q4 2020, a second \$5.0 million was reimbursed.

Net debt¹, after considering cash and cash equivalents, decreased by \$24.9 million, from \$35.0 million on December 31, 2019 to \$10.2 million on December 31, 2020.

Available Short-Term Capital Resources

(in thousands of U.S. dollars)	As at December 31, 2020	As at December 31, 2019
	\$	\$
Cash and cash equivalents	39,950	20,065
Available bank indebtedness	1,533	1,431
Available revolving credit facility	54,000	49,000
Available short-term capital resources	95,483	70,496

In April 2018, the Company signed a senior secured multi-currency revolving credit facility of \$79.0 million maturing in April 2022. At any time, the Company has the option to request that the credit facility be expanded through the exercise of an additional \$30.0 million 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 \$4.0 million). 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 December 31, 2020, the Company has met all covenants.

On 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 \$5.0 million on February 6, 2019 and the second tranche of \$20.0 million 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 December 31, 2020, the Company has met all covenants.

¹ See Non-IFRS Measures

Management's Discussion and Analysis

Share Information

	As at February 23, 2021	As at December 31, 2020
Issued and outstanding shares	81,498,960	81,651,130
Stock options potentially issuable	672,600	672,600

On March 5, 2020, the TSX approved the Company's NCIB plan under which, the Company has the right to purchase for cancellation, from March 9, 2020 until March 8, 2021, a maximum of 2,000,000 common shares. For FY 2020, the Company repurchased and cancelled 1,750,428 common shares at an average price of \$1.26 (CA\$1.71) for a total amount of \$2.2 million applied against the equity.

Restricted Share Unit and Performance Share Unit Plan

On November 4, 2015, the Company adopted a new Restricted Share Unit ("RSU") and Performance Share Unit ("PSU") Plan (the "RSU & PSU Plan") to replace the previous RSU Plan. The RSU & PSU Plan enables the Company to award eligible participants: (i) phantom RSUs that vest no later than three years following the grant date; and (ii) phantom PSUs that vest after certain periods of time, not exceeding three years, and subject to the achievement of certain performance criteria as determined by the Board of Directors. Such plan provides for the settlement of RSUs and PSUs through either cash or the issuance of common shares of the Company from treasury, for an amount equivalent to the volume weighted average of the trading price of the common shares of the Company on the TSX for the five trading days immediately preceding the applicable RSU vesting determination date or PSU vesting determination date.

In FY 2020, the Company granted 234,770 RSUs (2019 – 248,543), 322,540 RSUs were paid (2019 – 1,157,099) and 41,250 RSUs were forfeited (2019 – 81,042). As at December 31, 2020, 735,408 RSUs were outstanding (2019 – 864,428).

In FY 2020, the Company granted nil PSUs (2019 – 430,000) and 168,300 PSUs were paid (2019 – 165,000). As at December 31, 2020, 596,700 PSUs were outstanding (2019 – 765,000).

Stock Option Plan

On April 11, 2011, the Company adopted a new stock option plan under which a maximum number of options granted cannot exceed 5,000,000. Options granted under the Stock Option Plan may be exercised during a period not exceeding ten years from the date of grant. The stock options outstanding as at December 31, 2020 may be exercised during a period not exceeding six years from their date of grant. Options vest at a rate of 25% (100% for directors) per year, beginning one year following the grant date of the options. Any unexercised options will expire one month after the date beneficiary ceases to be an employee, director or officer and one year for retired directors.

The following table presents information concerning all outstanding stock options:

	2020		2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		CA\$		CA\$
Outstanding, beginning of year	932,041	2.58	1,490,541	2.32
Granted	86,240	2.10	123,016	3.43
Exercised	-	-	(488,500)	1.98
Forfeited	(133,681)	2.43	(193,016)	2.61
Expired	(212,000)	4.03	-	-
Outstanding, end of year	672,600	2.09	932,041	2.58
Exercisable, end of year	472,975	1.94	632,360	2.65

Off-Balance Sheet Arrangements

The Company has few off-balance sheet arrangements since most of the leases are recognized on the consolidated statement of financial position following the adoption of the standard, IFRS 16 – Leases, as at January 1, 2019. Any off-balance sheet arrangements consist of contractual obligations in the normal course of business.

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.

The following table reflects the contractual cash flows of the Company's financial liabilities as at December 31, 2020:

(in thousands of U.S. dollars)	Carrying amount	1 year	2 years	3 years	4 years	Over 5 years	Total
	\$	\$	\$	\$	\$	\$	\$
Trade and accrued liabilities	31,671	31,671	-	-	-	-	31,671
Long-term debt	50,109	2,179	26,803	1,670	25,418	-	56,070
Lease liabilities	5,358	1,457	719	463	343	3,882	6,864
Total	87,138	35,307	27,522	2,133	25,761	3,882	94,605

Commitments

As at December 31, 2020, in the normal course of business, the Company contracted letters of credit for an amount of \$0.7 million (\$0.4 million as at December 31, 2019).

Contingencies

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

Subsequent Event

On January 12, 2021, the Company announced that it has entered into a strategic agreement with Microbion Corporation ("Microbion"), aimed at furthering the development of Microbion's new class of antibiotic and antibiofilm drugs. Under the terms of the agreement, 5N Plus obtained drug substance manufacturing rights, and will assume responsibility for the manufacturing of Bismuth-based Active Pharmaceutical Ingredients (API) required in Microbion's family of drug products under development, including the company's lead drug product Pravibismane. Microbion retains responsibility for the development, manufacturing and commercialization of the final drug products currently under development. Concurrently, the Company acquired a minority equity stake for an amount of \$2.0 million.

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.

Management's Discussion and Analysis

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

Internal Control over Financial Reporting

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

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

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

Changes in Internal Control over Financial Reporting

No changes were made to our ICFR during the fiscal year ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect our ICFR.

Adoption of New Accounting Standards and Future Changes in Accounting Policies

Adoption of new accounting standards

IFRS 3 – Business combinations

On January 1, 2020, the Company has adopted the amended standard IFRS 3 Business combinations which clarifies the definition of a business, with the objective of assisting entities in determining whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments are applicable to transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning, on or after January 1, 2020, with earlier application permitted. The effects, if any, of these amendments, will be dependent on the facts and the circumstances of any future business combinations. For the year ended December 31, 2020, the Company has no new business combination recorded in its consolidated financial statements.

Future Changes in accounting policies

The following standards have been issued but not yet effective:

IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform (Phase 2)

In August 2020, the IASB issued Interest Rate Benchmark Reform (Phase 2), which amends IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and measurement, IFRS 7 Financial Instruments: Disclosures and IFRS 16 Leases. The Phase 2 amendments address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. These amendments complement those issued in 2019 and focus on issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments are effective for annual periods beginning on or after January 1, 2021, with earlier application permitted. The Company has concluded that no significant impact will result from the application of the Phase 2 amendments.

Significant Management Estimation and Judgment in Applying Accounting Policies

The following are significant management judgments used in applying the accounting policies of the Company that have the most significant effect on the consolidated financial statements.

Estimation uncertainty

When preparing the consolidated financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, revenues and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, revenues and expenses are discussed below.

Impairment of non-financial assets

Non-financial assets are reviewed for an indication of impairment at each statement of financial position date upon the occurrence of events or changes in circumstances indicating that the carrying value of the assets may not be recoverable which requires significant judgement.

An impairment loss is recognized for the amount by which an asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less cost of disposal and value in use.

An intangible asset and related equipment that are not yet available for their intended use are tested for impairment at least annually, which also requires significant judgement. To determine the recoverable amount (fair value less cost to dispose of these assets), management estimates expected future cash flows from the asset and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management makes assumptions about future operating results using the estimated forecasted prices obtained from various market sources including publicly available metals information as at December 31, 2020. These key assumptions relate to future events and circumstances. The actual results will vary and may cause adjustments to the Company's intangible and tangible assets in future periods.

By their nature, assets not yet available for intended use have a higher estimation uncertainty, as they depend on future market development and the Company's ability to commercialize and manufacture new products to realize forecasted earnings. For example, new manufacturing processes may not be scalable to industrial level within expected timeframe and new products might not receive sufficient market penetration. Management believes that the following assumptions are the most susceptible to change and impact the valuation of these assets in time: a) expected significant growth of the market for different metal products (demand), b) selling prices which have an impact on revenues and metal margins (pricing), and c) the discount rate associated with new processes and products (after considering a premium over the Company's weighted average cost of capital (WACC) to reflect the additional uncertainty).

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and to asset specific risk factors. Assets not yet available for intended use have a higher estimation uncertainty, since they depend on future market information and the Company's ability to finish the project and realize the budgeted earnings. Management believes that the following assumptions are the most susceptible to change and therefore could impact the valuation of the assets in the next year: metal prices which have an impact on revenues and metal margins and the discount rate.

Inventories

Inventories are carried at the lower of cost and net realizable value, with cost determined using the average cost method. In estimating net realizable values, management takes into account the most reliable evidence available at the time the estimates are made. The Company's core business is subject to changes in foreign policies and internationally accepted metal prices which may cause future selling prices to change rapidly. The Company evaluates its inventories using a group of similar items basis and considers expected future prices as well as events that have occurred between the consolidated statement of financial position date and the date of the completion of the consolidated financial statements. Net realizable value for inventory to satisfy a specific sales contract is measured at the contract price.

Income taxes

The Company is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of

Management's Discussion and Analysis

whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

The Company has deferred income tax assets that are subject to periodic recoverability assessments. Realization of the Company's deferred income tax assets is largely dependent on its achievement of projected future taxable income and the continued applicability of ongoing tax planning strategies. The Company's judgments regarding future profitability may change due to future market conditions, changes in tax legislation and other factors that could adversely affect the ongoing value of the deferred income tax assets. These changes, if any, may require a material adjustment of these deferred income tax asset balances through an adjustment to the carrying value thereon in the future. This adjustment would reduce the deferred income tax asset to the amount that is considered to be more likely than not to be realized and would be recorded in the period such a determination was to be made. Refer to Note 15 of the 2020 consolidated financial statements of the Company.

Related Party Transactions

The Company's related parties are its directors and executive members. Transactions with these related parties are described in Note 23 in the 2020 consolidated financial statements of the Company.

Financial Instruments and Risk Management

Fair Value of financial instruments

A detailed description of the methods and assumptions used to measure the fair value of the Company financial instruments and their fair value are discussed in Note 16 – Fair Value of Financial Instruments in the 2020 consolidated financial statements of the Company.

The fair value of the derivative financial instruments was as follows:

(in thousands of U.S. dollars)	December 31, 2020	December 31, 2019
	\$	\$
Equity swap agreement	5,950	4,862
Interest rate swap	(439)	-

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 consolidated financial statements of the Company.

Interest Rate

Interest rate risk refers to the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company's policy is to limit its exposure to interest rate risk fluctuation by ensuring that a reasonable portion of its long-term debt, made of subordinated debts at fixed rate. The Company is exposed to interest rate fluctuations on its revolving credit facility, which bears a floating interest rate. A 1% increase/decrease in interest rates would have an impact of approximately \$0.3 million on the Company's net earnings on a twelve-month horizon based on the balance outstanding on December 31, 2020.

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. 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 \$25.0 million.

Foreign Currency

The Company's sales are primarily denominated in U.S. dollars whereas a portion of its operating costs are realized in local currencies, such as Euros and Canadian dollars. Even though the purchases of raw materials are denominated in U.S. dollars, which reduce to some extent exchange rate fluctuations, we are subject to currency translation risk which can negatively impact our results. Management has implemented a policy for managing foreign exchange risk against the relevant functional currency.

Management's Discussion and Analysis

In addition, the Company will occasionally enter into foreign exchange forward contracts to sell US dollars in exchange for Canadian dollars and Euros. These contracts would hedge a portion of ongoing foreign exchange risk on the Company's cash flows since much of its non-US dollar expenses are incurred in Canadian dollars and Euros. The Company may also enter into foreign exchange contracts to sell Euros for US dollars. As at December 31, 2020, the Company has no foreign exchange contracts outstanding.

The following table summarizes in US dollar equivalents the Company's major currency exposures as at December 31, 2020:

(in thousands of U.S. dollars)	CA\$	EUR	GBP	RMB	HKD	Other
	\$	\$	\$	\$	\$	\$
Cash and cash equivalents	617	2,516	548	230	48	203
Accounts receivable	616	7,459	-	2,187	-	239
Other current assets	5,950	-	-	-	-	-
Trade and accrued liabilities	(11,338)	(6,483)	(380)	(668)	(111)	(1,485)
Long-term debt	(109)	-	-	-	-	-
Lease liabilities	(342)	(707)	-	-	(173)	(9)
Net financial assets (liabilities)	(4,606)	2,785	168	1,749	(236)	(1,052)

The following table shows the impact on earnings before income tax of a five-percentage point strengthening or weakening of foreign currencies against the US dollar as at December 31, 2020 for the Company's financial instruments denominated in non-functional currencies:

(in thousands of U.S. dollars)	CA\$	EUR	GBP	RMB	HKD	Other
	\$	\$	\$	\$	\$	\$
5% Strengthening	(230)	139	8	87	(12)	(53)
5% Weakening	230	(139)	(8)	(87)	12	53

Credit

Credit risk refers to the possibility that a customer or counterparty will fail to fulfill its obligations under a contract and, as a result, create a financial loss for the Company. The Company has a credit policy that defines standard credit practice. This policy dictates that all new customer accounts be reviewed prior to approval and establishes the maximum amount of credit exposure per customer. The creditworthiness and financial well-being of the customer are monitored on an ongoing basis.

The outbreak of the COVID-19 is disrupting many sectors of the global economy and, consequently, some of the Company's customers. The Company has strengthened its strict controls on credit, including a tighter monitoring of customer that are severely affected by the pandemic.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss allowance for trade receivables. The expected loss rates are based on the Company's historical credit losses experienced over the three-year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Company's customers. Historically, the Company has not incurred any significant losses in respect of its trade receivables. Therefore, the loss allowance at the end of each period and the change recorded for each period is insignificant.

As at December 31, 2020 and 2019, the Company had a loss allowance of \$0.1 million. The loss allowance is included in selling, general and administrative expenses in the consolidated statement of earnings and is net of any recoveries that were provided for in prior periods.

Management's Discussion and Analysis

Liquidity

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages liquidity risk through the management of its capital structure. It also manages liquidity risk by continually monitoring actual and projected cash flows, taking into account the Company's sales and receipts and matching the maturity profile of financial assets and financial liabilities. The Board of Directors reviews and approves the Company's annual operating and capital budgets as well as any material transactions out of the ordinary course of business, including proposals on acquisitions and other major investments. Under the terms of its credit facility, the Company is required to satisfy certain restrictive covenants. In order to comply with these covenants, the Company will need to execute on its EBITDA and cash flow estimates. Management believes that the assumptions used by the Company in preparing its estimates are reasonable. However, risk remains. Successful achievement of these estimates results is dependent on stability in the price of metals and other raw materials, the reduction of debt due to the optimization of the Company's working capital and the continued viability and support of the Company's banks.

Risk and Uncertainties

We are subject to a number of risk factors which may limit our ability to execute our strategy and achieve our long-term growth objectives. Management analyses these risks and implements strategies in order to minimize their impact on the Company's performance.

COVID-19

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 COVID-19 pandemic may also have the effect of amplifying other risk and uncertainties described in this section.

Risks Associated with our Growth Strategy

5N Plus' strategic plan is designed to enhance profitability while reducing earnings volatility and is founded on three pillars of growth: first, optimizing balance of contribution from upstream and downstream activities; second, extracting more value from core businesses and global assets; and third, delivering quality growth from both existing growth initiatives and future M&A opportunities. There is a risk that some of the expected benefits will fail to materialize or may not occur within the time periods anticipated by management. The realization of such benefits may be affected by a number of factors, many of which are beyond our control.

International Operations

We operate in a number of countries, including China, Laos and Malaysia, and, as such, face risks associated with international business activities. We could be significantly affected by such risks, which include, but are not limited to, the integration of international operations, challenges associated with dealing with numerous legal and tax systems, the potential for volatile economic and labor conditions, political instability, foreign exchange, expropriation, changes in taxes, and other regulatory costs. Although we operate primarily in countries with relatively stable economic and political climates, there can be no assurance that our business will not be adversely affected by the risks inherent in international operations.

The following conditions or events could disrupt our supply chain, interrupt production at our facilities or those of our suppliers or customers, increase our cost of sales and other operating expenses, result in material asset losses, or require additional capital expenditures to be incurred:

- fires, pandemics, extraordinary weather conditions, or natural disasters, such as hurricanes, tornadoes, floods, tsunamis, typhoons, and earthquakes;
- political instability, social and labor unrest, war, or terrorism;
- disruptions in port activities, shipping and freight forwarding services; and
- interruptions in the availability of basic services and infrastructure, including power and water shortages.

Our insurance programs do not cover every potential loss associated with our operations, including potential damage to assets, lost profits, and liability that could result from the aforementioned conditions or events. In addition, our insurance may not fully cover the consequences resulting from a loss event, due to insurance limits, sub-limits, or policy exclusions. Any occurrence not fully covered by insurance could have a negative effect on our business.

Risks Related to China

The legal system in mainland China is a civil law system based on written statutes. Unlike common law systems, it is a system in which decided legal cases have little precedential value. The legal system in mainland China evolves rapidly, and the interpretations of many laws, regulations and rules may contain inconsistencies and their interpretation and enforcement involve uncertainties. These uncertainties could limit the legal protections available to us. In addition, the Company cannot predict the effect of future developments in the mainland Chinese legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the pre-emption of local regulations by national laws. Such unpredictability towards the Company's contractual, property (including intellectual property) and procedural rights could adversely affect the Company's business and impede its ability to continue operations. Furthermore, any litigation in mainland China may be protracted and result in substantial costs and diversion of resources and management attention.

The mainland Chinese government exercises significant control over mainland China's economic growth through strategically allocating resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Any growth in the Chinese economy may not continue and any slowdown may have a negative effect on our business. Any adverse changes in economic conditions in mainland China, in the policies of the mainland Chinese government, or in the laws and regulations in mainland China, could have a material adverse effect on the overall economic growth of mainland China. Such developments could adversely affect the Company's business, lead to reduction in demand for its products and adversely affect the Company's competitive position.

International Trade Regulations

We do business in a number of countries from various locations, and, as such, face risks associated with changes to International trade regulations and policies. Such risks include, but are not limited to, barriers to or restrictions on free trade, changes in taxes, tariffs and other regulatory costs. The current global political environment, including but not limited to the stated positions of the U.S. administration towards China, and the United Kingdom leaving the European Union on January 31, 2020, appear to favour increasing restrictions on trade. Such restrictions could have a negative effect on our business if they were to limit our ability to export our products to markets in which we currently do business or to import raw materials from our current suppliers. Conversely, it is possible that they could have a favourable effect on our business if they were to inhibit competition in markets in which we do business without having an adverse effect on our operations.

Although we operate primarily in countries with proximity to our customers and suppliers and with relatively stable economic and political climates, there can be no assurance that our business will not be adversely affected by the risks inherent to the changing international political landscape and its impact on global trade.

Environmental Regulations

Our operations involve the use, handling, generation, processing, storage, transportation, recycling and disposal of hazardous materials and are subject to extensive environmental laws and regulations at the national, provincial, local and international level. These environmental laws and regulations include those governing the discharge of pollutants into the air and water, the use, management and disposal of hazardous materials and wastes, the clean-up of contaminated sites and occupational health and safety. Failure to comply with such laws, regulations and permits can have serious consequences, including damage to our reputation; stopping us from pursuing operations at one of our facilities; being subject to substantial fines, penalties, criminal proceedings, third party property damage or personal injury claims, clean-up costs or other costs; increasing the costs of development or production and litigation or regulatory action against us, and materially adversely affecting our business, results of operations or financial condition. Future changes in applicable environmental and health and safety laws and regulations could substantially increase costs and burdens to achieve compliance or otherwise have an adverse impact on our business, results of operations or financial condition.

Management's Discussion and Analysis

We have incurred and will continue to incur capital expenditures in order to comply with environmental laws and regulations. While we believe that we are currently in compliance with applicable environmental requirements, future developments such as more aggressive enforcement policies, the implementation of new, more stringent laws and regulations, or the discovery of currently unknown environmental conditions may require expenditures that could have a material adverse effect on our business, results of operations and financial condition.

Competition

We are a leading producer of engineered materials, and specialty chemicals with a limited number of competitors, few of which are as fully integrated as we are or have a similar range of products. Accordingly, they have limitation to provide the same comprehensive set of services and products as we do. However, there can be no guarantee that this situation will continue in the future and competition could arise from new low-cost metal refiners or from certain of our customers who could decide to backward integrate. Greater competition could have an adverse effect on our revenues and operating margins if our competitors gain market share and we are unable to compensate for the volume lost to our competition.

Commodity Price

The price we pay for, and availability of, various inputs fluctuates due to numerous factors beyond our control, including political and economic conditions, currency exchange rates, inflation or deflation, global supply and demand for metal products, fluctuations in the value of the U.S. dollar and foreign currencies, speculative trading, trade sanctions, tariffs, labor costs, competition, over capacity of producers and price surcharges. Fluctuations in availability and cost of inputs may materially affect our business, financial condition, results of operations and cash flows. These fluctuations can be unpredictable and can occur over short periods of time. To the extent that we are not able to pass on any increases, our business, financial condition, results of operations and cash flows may be materially adversely affected.

Sources of Supply

We may not be able to secure the critical raw material feedstock on which we depend for our operations. We currently procure our raw materials from a number of suppliers with whom we have had long-term commercial relationships. The loss of any one of these suppliers or a reduction in the level of deliveries to us may reduce our production capacity and impact our deliveries to customers. This would in turn negatively impact our sales, net margins and may lead to liabilities with respect to some of our supply contracts.

Protection of Intellectual Property

Protection of our proprietary processes, methods and other technologies is important to our business. We rely almost exclusively on a combination of trade secrets and employee confidentiality agreements to safeguard our intellectual property. We have deliberately chosen to limit our patent position to avoid disclosing valuable information. Failure to protect and monitor the use of our existing intellectual property rights could result in the loss of valuable technologies and processes. There can be no assurance that our confidentiality agreements will provide meaningful protection for our intellectual property rights or other proprietary information in the event of any unauthorized use or disclosure or that we will be able to meaningfully protect our trade secrets.

Inventory Price

We monitor the risks associated with the value of our inventories in relation to the market price of such inventories. Because of the highly illiquid nature of many of our inventories, we rely on a combination of standard risk measurement techniques, such as value at risk as well as a more empirical assessment of the market conditions. Decisions on appropriate physical stock levels are taken by considering both the value at risk calculations and the market conditions.

Business Interruptions

We may incur losses resulting from business interruptions. In many instances, especially those related to our long-term contracts, we have contractual obligations to deliver product in a timely manner. Any disruption in our activities which leads to a business interruption could harm our customers' confidence level and lead to the cancellation of our contracts and legal recourse against us. Although we believe that we have taken the necessary precautions to avoid business interruptions and carry business interruption insurance, we could still experience interruptions which would adversely impact our financial results.

Changes to Backlog

The Company cannot guarantee that the revenues projected in its backlog will be realized. In addition, contract delays, suspensions, terminations, cancellations, reductions in scope or other adjustments may occur from time to time due to considerations beyond the Company's control and may have an impact on the value of reported backlog with a corresponding adverse impact on future revenues and profitability.

Dependence on Key Personnel

We rely on the expertise and know-how of our personnel to conduct our operations. The loss of any member of our senior management team could have a material adverse effect on us. Our future success also depends on our ability to attract and retain key employees, train, retain and successfully integrate new talent into our management and technical teams. Recruiting and retaining talented personnel, particularly those with expertise in the specialty metals industry and refining technology is vital to our success and may prove difficult. We cannot provide assurance that we will be able to attract and retain qualified personnel when needed. If the Company is unable to recruit and retain additional qualified personnel in the future, its business, financial condition and operating results could be adversely affected.

Collective Agreements

A portion of our workforce is unionized, and we are party to collective agreements that are due to expire at various times in the future. If we are unable to renew these collective agreements on similar terms as they become subject to renegotiation from time to time, this could result in work stoppages or other labour disturbances, such as strikes, walkouts or lockouts, potentially affecting our performance.

Litigation Risks

We may be subject to a variety of civil or other legal proceedings, with or without merit. Although the Company establishes provisions for such litigation, there can be no assurance that the provisions for all claims correspond to the settlement amount. A significant judgment against the Company or the imposition of a significant fine or penalty could have a material adverse effect on its business, financial condition and results of operations.

Systems, Network Infrastructure and Data Failure, Interruption and Breach

Our operations rely on information systems, communications technology, business and other technology applications, including global and regional networks, complex server infrastructure and operating systems, in order to operate properly. If we are unable to continually maintain our software and hardware, effectively upgrade our systems and network infrastructure, and take other steps to improve the efficiency and protect our systems, the Company's operation systems could be interrupted or delayed. The same applies if our network, communication and operations systems are damaged or interrupted by natural disasters, telecommunications failures, acts of war or terrorism, computer viruses, sabotage, human errors, physical or electronic security breaches, or similar events or disruptions. The Company also faces the threat of unauthorized system access, computer hackers, malicious code and organized cyber-attacks. The COVID-19 pandemic context with a significant number of employees working remotely contributes to an increase in cyber-attack attempts. Although the Company has not experienced any material losses relating to cyberattacks or other information security breaches in the past, there can be no assurance that the Company will not experience such losses in the future due to the evolving nature of these threats.

Risks Associated with Public Issuer Status

Our shares are publicly traded and, as such, we are subject to all of the obligations imposed on "reporting issuers" under applicable securities laws in Canada and all of the obligations applicable to a listed company under stock exchange rules. Another risk associated with a public issuer status is the disclosure of key Company information as compared to privately owned competitors.

Global Economic Conditions

Current global economic conditions, which have been subject to increased volatility, may impact the Company's access to public financing and its ability to obtain equity or debt financing on favourable terms.

Market Price of the Common Shares

The common shares of the Company trade on the Toronto Stock Exchange under the symbol "VNP". The market price of securities of many companies experience wide fluctuations from time to time that are not necessarily related to the operating performance, underlying asset values or future growth prospects of such companies. There can be no assurance that fluctuations in the price of the common shares of the Company will not occur.

Management's Discussion and Analysis

Non-IFRS Measures

In this Management's Report, the Company's management uses certain measures which are not in accordance with IFRS. Non-IFRS measures are useful supplemental information but may not have a standardized meaning according to IFRS.

Backlog represents the expected orders we have received but have not yet executed and that are expected to translate into sales within the next twelve months expressed in number of days. Bookings represent orders received during the period considered, expressed in days, and are calculated by adding revenues to the increase or decrease in backlog for the period considered divided by annualized year revenues. We use backlog to provide an indication of expected future revenues in days, and bookings to determine our ability to sustain and increase our revenues.

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

EBITDA margin is defined as EBITDA divided by revenues.

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

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

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

Adjusted net earnings means the net earnings before the effect of charge of impairment related to inventory, PPE and intangible assets, share-based compensation expense, litigation and restructuring costs (income), accelerated depreciation, gain on disposal of property, plant and equipment net of the related income tax. We use adjusted net earnings because we believe it is a meaningful measure of the operating performance of our ongoing business without the effects of unusual inventory write-downs and property plant and equipment, intangible asset impairment charges, share-based compensation expense, litigation and restructuring costs (income), accelerated depreciation and gain on disposal of property, plant and equipment. The definition of this non-IFRS measure used by the Company may differ from that used by other companies.

Basic adjusted net earnings per share means adjusted net earnings divided by the weighted average number of outstanding shares. We use basic adjusted net earnings per share because we believe it is a meaningful measure of the operating performance of our ongoing business without the effects of unusual impairment charges on inventories, PPE and intangible asset, share-based compensation expense, litigation and restructuring costs (income), accelerated depreciation and gain on disposal of property, plant and equipment. The definition of this non-IFRS measure used by the Company may differ from that used by other companies.

Funds from (used in) operations means the amount of cash generated from operating activities before changes in non-cash working capital balances related to operations. This amount appears directly in the consolidated statements of cash flows of the Company. We consider funds from (used in) operations to be a key measure as it demonstrates the Company's ability to generate cash necessary for future growth and debt repayment.

Management's Discussion and Analysis

Gross margin is a measure we use to monitor the sales contribution after paying cost of sales excluding depreciation and impairment inventory charge. We also expressed this measure in percentage of revenues by dividing the gross margin value by the total revenue.

Net debt is calculated as total debt less cash and cash equivalents. Any introduced IFRS 16 reporting measures in reference to lease liabilities are excluded from the calculation. We use this measure as an indicator of our overall financial position.

Return on Capital Employed ("ROCE") is a non-IFRS financial measure, calculated by dividing the annualized Adjusted EBIT by capital employed at the end of the period. Adjusted EBIT is calculated as the Adjusted EBITDA less depreciation of PPE and amortization of intangible assets (adjusted for accelerated depreciation charge, if any). Capital employed is the sum of the accounts receivable, the inventory, the PPE, the goodwill and intangibles less trade and accrued liabilities (adjusted for exceptional items). We use ROCE to measure the return on capital employed, whether the financing is through equity or debt. In our view, this measure provides useful information to determine if capital invested in the Company yields competitive returns. The usefulness of ROCE is limited by the fact that it is a ratio and not providing information as to the absolute amount of our net income, debt or equity. It also excludes certain items from the calculation and other companies may use a similar measure but calculate it differently.

Working capital is a measure of liquid assets that is calculated by taking current assets and subtracting current liabilities. Given that the Company is currently indebted, we use it as an indicator of our financial efficiency and aim to maintain it at the lowest possible level.

Working capital ratio is calculated by dividing current assets by current liabilities.

Additional Information

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

Selected Quarterly Financial Information

(in thousands of U.S. dollars, except per share amounts)	Dec. 31, 2020	Sept. 30, 2020	June 30, 2020	March 31, 2020	Dec. 31, 2019	Sept. 30, 2019	June 30, 2019	March 31, 2019
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	46,230	39,872	41,136	49,954	44,714	49,554	50,290	51,413
EBITDA ¹	2,230	7,450	6,506	6,238	3,682	5,860	5,321	4,188
Adjusted EBITDA ¹	6,543	7,744	7,647	6,857	4,502	5,974	5,862	5,612
Net (loss) earnings attributable to equity holders of 5N Plus	(2,864)	2,709	1,749	592	146	1,030	1,758	(1,149)
Basic (loss) earnings per share attributable to equity holders of 5N Plus	(\$0.03)	\$0.03	\$0.02	\$0.01	\$-	\$0.01	\$0.02	(\$0.01)
Net (loss) earnings	(2,864)	2,709	1,749	592	146	1,030	1,758	(1,149)
Basic (loss) earnings per share	(\$0.03)	\$0.03	\$0.02	\$0.01	\$-	\$0.01	\$0.02	(\$0.01)
Diluted (loss) earnings per share	(\$0.03)	\$0.03	\$0.02	\$0.01	\$-	\$0.01	\$0.02	(\$0.01)
Adjusted net earnings ¹ (loss)	184	1,955	2,124	717	480	1,460	2,055	(120)
Basic adjusted net earnings per share ¹	\$-	\$0.02	\$0.03	\$0.01	\$0.01	\$0.02	\$0.02	\$-
Funds from operations ¹	4,355	11,181	5,520	4,774	3,343	4,570	4,866	2,945
Backlog ¹	189 days	171 days	202 days	188 days	243 days	215 days	201 days	202 days

¹ See Non-IFRS Measures

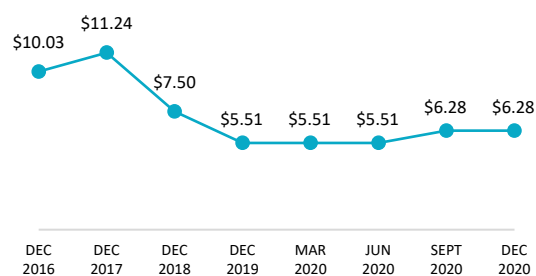
Management's Discussion and Analysis

Selected Yearly Financial Information

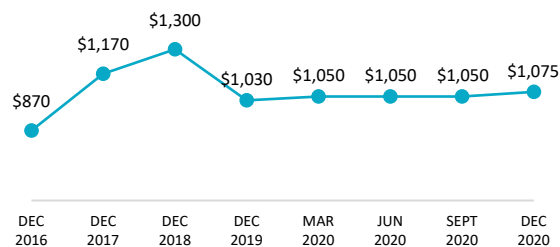
As at and for the years ended December 31			
(in thousands of U.S. dollars except per share amounts)			
	2020	2019	2018
	\$	\$	\$
Revenue	177,192	195,971	217,995
EBITDA ¹	22,424	19,051	29,021
Adjusted EBITDA ¹	28,791	21,950	32,350
Net earnings attributable to equity holders of 5N Plus	2,186	1,785	13,971
Basic earnings per share attributable to equity holders of 5N Plus	\$0.03	\$0.02	\$0.17
Net earnings	2,186	1,785	13,972
Basic earnings per share	\$0.03	\$0.02	\$0.17
Diluted earnings per share	\$0.03	\$0.02	\$0.17
Adjusted net earnings ¹	4,980	3,875	17,484
Basic adjusted net earnings per share ¹	\$0.06	\$0.05	\$0.21
Funds from operations ¹	25,830	15,724	28,643
Backlog ¹	189 days	243 days	217 days
Balance Sheet			
Total assets	226,678	229,942	237,057
Total non-current liabilities	71,752	75,629	51,430
Net debt ¹	10,159	35,042	22,219
Shareholders' equity	118,376	117,297	119,703

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

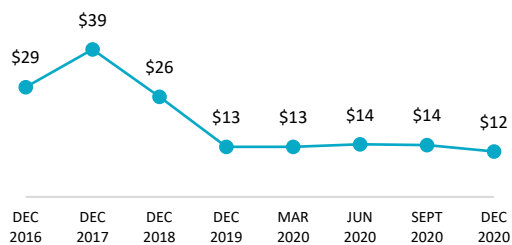
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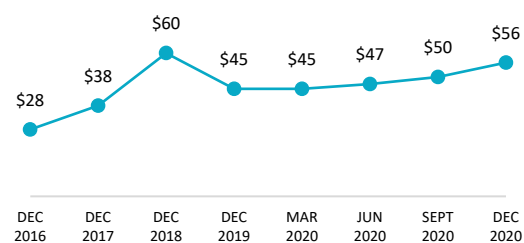
Germanium



Selenium



Tellurium



Source : Low Metal Bulletin

¹ See Non-IFRS Measures