



5N PLUS INC.

Condensed Interim Consolidated Financial Statements
(Unaudited)

For the three and six-month periods ended June 30, 2022 and 2021
(in thousands of United States dollars)

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

	Notes	June 30 2022	December 31 2021
		\$	\$
Assets			
Current			
Cash and cash equivalents		36,437	35,940
Accounts receivable		42,252	42,098
Inventories	4	95,911	95,526
Income tax receivable		5,447	5,054
Other current assets	11	14,947	16,904
Assets held for sale	9	3,032	-
Total current assets		198,026	195,522
Non-current			
Property, plant and equipment		78,735	81,526
Right-of-use assets		28,363	32,198
Intangible assets	3, 6	32,226	40,474
Goodwill	3	12,451	13,841
Deferred tax assets		6,090	7,007
Other assets	11	3,338	3,022
Total non-current assets		161,203	178,068
Total assets		359,229	373,590
Liabilities			
Current			
Trade and accrued liabilities		47,998	56,848
Income tax payable		8,063	5,615
Derivative financial liabilities	5, 11	-	109
Current portion of lease liabilities		2,143	2,487
Total current liabilities		58,204	65,059
Non-current			
Long-term debt	5	126,000	116,000
Deferred tax liabilities		6,469	7,645
Employee benefit plan obligations		10,607	17,231
Lease liabilities		26,660	30,153
Other liabilities		2,891	1,255
Total non-current liabilities		172,627	172,284
Total liabilities		230,831	237,343
Equity			
Total liabilities and equity		359,229	373,590

Commitments and contingencies (Note 12)

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

5N PLUS INC.

INTERIM CONSOLIDATED STATEMENTS OF (LOSS) EARNINGS

For the three and six-month periods ended June 30

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

	Notes	Three months		Six months	
		2022	2021	2022	2021
		\$	\$	\$	\$
Revenue		72,388	47,719	136,809	94,595
Cost of sales	4, 6	60,147	38,120	114,396	75,537
Selling, general and administrative expenses	6	7,421	5,153	14,914	10,129
Other expenses (income), net	6	2,501	371	9,893	2,600
		70,069	43,644	139,203	88,266
Operating earnings (loss)		2,319	4,075	(2,394)	6,329
Financial expense (income)					
Interest on long-term debt		1,103	648	2,048	1,282
Imputed interest and other interest expense		281	200	607	306
Foreign exchange and derivative loss (gain)		436	327	735	(532)
		1,820	1,175	3,390	1,056
Earnings (loss) before income taxes		499	2,900	(5,784)	5,273
Income tax expense (recovery)					
Current		2,819	1,474	4,664	2,230
Deferred		(190)	(733)	(2,563)	121
		2,629	741	2,101	2,351
Net (loss) earnings		(2,130)	2,159	(7,885)	2,922
(Loss) earnings per share	8	(0.02)	0.03	(0.09)	0.04
Basic (loss) earnings per share	8	(0.02)	0.03	(0.09)	0.04
Diluted (loss) earnings per share	8	(0.02)	0.03	(0.09)	0.04

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

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

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

	Three months		Six months	
	2022	2021	2022	2021
	\$	\$	\$	\$
Net (loss) earnings	(2,130)	2,159	(7,885)	2,922
Other comprehensive (loss) income				
Items that may be reclassified subsequently to net (loss) earnings				
Currency translation adjustment	(3,156)	388	(3,582)	125
	(3,156)	388	(3,582)	125
Items that will not be reclassified subsequently to net (loss) earnings				
Remeasurement of employee benefit plan obligations	2,986	75	5,084	801
Income taxes	(895)	(24)	(1,608)	(253)
	2,091	51	3,476	548
Other comprehensive (loss) income	(1,065)	439	(106)	673
Comprehensive (loss) income	(3,195)	2,598	(7,991)	3,595

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

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

5N PLUS INC.

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six-month periods ended June 30

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

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

2021	Number of shares	Share Capital	Contributed Surplus	Accumulated other comprehensive loss	Deficit	Total equity
Balances at beginning of period	81,651,130	\$ 5,835	\$ 342,802	\$ (5,716)	\$ (224,545)	\$ 118,376
Net earnings for the period	-	-	-	-	2,922	2,922
Other comprehensive income	-	-	-	673	-	673
Comprehensive income	-	-	-	673	2,922	3,595
Common shares repurchased and cancelled (Note 7)	(249,572)	(17)	-	-	(792)	(809)
Exercise of stock options	137,000	328	(90)	-	-	238
Share-based compensation	-	-	25	-	-	25
Balances at end of period	81,538,558	6,146	342,737	(5,043)	(222,415)	121,425

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

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

	Notes	2022	2021
		\$	\$
Operating activities			
Net (loss) earnings		(7,885)	2,922
Adjustments to reconcile net earnings to cash flows			
Depreciation of property, plant and equipment		6,630	3,810
Depreciation of right-of-use assets		1,338	710
Amortization of intangible assets		1,717	680
Amortization of other assets		128	102
Amortization of deferred revenue	10	(613)	-
Impairment of non-current assets	6	5,386	-
Share-based compensation (recovery) expense		(867)	931
Deferred income taxes		(2,563)	121
Imputed interest		299	107
Employee benefit plan obligations		(195)	(247)
Loss (gain) on disposal of property, plant, and equipment		3	(32)
Unrealized loss (gain) on non-hedge financial instruments		1,918	(6)
Unrealized foreign exchange loss (gain) on assets and liabilities		669	(543)
Funds from operations before the following:		5,965	8,555
Net change in non-cash working capital balances	10	(5,761)	(5,843)
Cash from operating activities		204	2,712
Investing activities			
Additions to property, plant and equipment		(6,686)	(2,942)
Additions to intangible assets		(155)	(113)
Acquisition of investment in equity instruments	11	-	(2,000)
Proceeds on disposal of property, plant and equipment		1	53
Cash used in investing activities		(6,840)	(5,002)
Financing activities			
Repayment of long-term debt	5	-	(5,109)
Proceeds from issuance of long-term debt	5	10,000	-
Deferred costs related to long-term debt	5	(513)	(116)
Common shares repurchased	7	-	(809)
Issuance of common shares		-	328
Principal elements of lease payments		(1,503)	(808)
Cash flows from (used in) financing activities		7,984	(6,514)
Effect of foreign exchange rate changes on cash and cash equivalents		(851)	(282)
Net increase (decrease) in cash and cash equivalents		497	(9,086)
Cash and cash equivalents, beginning of period		35,940	39,950
Cash and cash equivalents, end of period		36,437	30,864
Supplemental information⁽¹⁾			
Income tax paid		2,335	726
Interest paid		2,066	1,289

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

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

1. Nature of Activities

5N Plus Inc. (“5N Plus” or the “Company”) is a Canadian-based international company. 5N Plus is a leading global producer of specialty semiconductors and performance materials. The Company’s ultra-pure materials often form the core element of its customer products. These customers rely on 5N Plus’s products to enable performance and sustainability in their own products. 5N Plus deploys a range of proprietary and proven technologies to develop and manufacture its products. The Company’s products enable various applications in a number of key industries including renewable energy, security, space, pharmaceutical, medical imaging, and industrial. The Company is headquartered at 4385 Garand Street, Montreal, Quebec (Canada) H4R 2B4. The Company operates R&D, manufacturing and commercial centers in strategically located facilities around the world including Europe, North America and Asia. The Company’s mission is to be critical to its customers, valued by its employees and trusted by its shareholders. The Company’s core values focus on integrity, commitment and customer development along with emphasis on sustainable development, continuous improvement, health and safety. The Company’s shares are listed on the Toronto Stock Exchange (“TSX”). 5N Plus and its subsidiaries represent the “Company” mentioned throughout these consolidated financial statements. The Company has two reportable business segments, namely Specialty Semiconductors and Performance Materials.

These condensed interim consolidated financial statements were approved by the Board of Directors on August 2, 2022.

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. While the Company has been able to mitigate the on-going impact from the crisis, it is not possible to reliably estimate the length, severity and long-term impact the global pandemic may have on the Company’s financial results, conditions and cash flows. The outbreak of the COVID-19 should be considered a risk factor.

In February 2022, Russian military forces invaded Ukraine; the invasion is being actively resisted by Ukrainian military personnel and the people of Ukraine, and the outcome of the ongoing conflict is uncertain at this time. Although AZUR SPACE Solar Power GmbH (AZUR), a subsidiary of the Company, had sales in Russia in the past, the amount of such sales is not material to the Company as a whole. The Company has no sales in Russia in 2022. A prolonged armed conflict in Ukraine or an expansion of the armed conflict to other European countries could have a negative effect on the European and global economies. As well, Russia is a major exporter of oil and natural gas. Any disruption of supplies of oil and natural gas from Russia could have a significant adverse effect on the European and world economies. All of the foregoing factors could potentially have a negative impact on the Company’s sales and results of operations.

2. Basis of Presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by IASB (IFRS) and as applicable to the preparation of interim financial statements, including IAS 34, “Interim Financial Reporting”. These condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2021, which have been prepared in accordance with IFRS.

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

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

Income taxes

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

3. Business Combinations

On November 5, 2021, the Company acquired all of the issued and outstanding shares of AZUR for a purchase price of 50.1 million euros, subject to post-closing adjustments. The consideration transferred was comprised of 6.5 million shares of 5N Plus, which were issued from the treasury at 12.4 million euros, along with a cash payment of 37.7 million euros. Furthermore, the Company financed the working capital and equipment loans for an amount of 23.8 million euros. The cash portion and the working capital of the transaction were funded through the Company's liquidity and senior debt facility.

Located in Heilbronn, Germany, AZUR develops and manufactures multi-junction solar cells based on III-V compound semiconductor materials. The integration of AZUR will not only expand the Company's position within renewable energy, but, through Canada's membership in the European Space Agency (ESA), will also establish 5N Plus as a supplier to the European and U.S. space programs.

To estimate the fair value of the intangible assets, management used the excess earnings method to value customer relationships and the royalty relief method to value technology and trade names using discounted cash flow models. Management developed significant assumptions related to revenue and gross margin forecasts, customer retention rates, royalty rates and discount rates.

The table below presents the Company's adjusted preliminary assessment of the fair values of the assets acquired and liabilities assumed as at June 30, 2022. The Company has not restated the consolidated statement of financial position as at December 31, 2021 as the adjustments were deemed not material. The Company also determined that the net impact on the net earnings as a result of these adjustments was not material for the year ended December 31, 2021, and as such, they were accounted for in the consolidated statement of earnings for the six-month period ended June 30, 2022.

Identified assets acquired and liabilities assumed	Preliminary	Adjustments	Adjusted preliminary
	\$	\$	\$
Cash and cash equivalents	1,017	-	1,017
Accounts receivable	8,342	1,057	9,399
Inventories	21,394	(1,057)	20,337
Other current assets	256	-	256
Property, plant and equipment	31,128	3,627	34,755
Right-of-use assets	21,626	(938)	20,688
Intangible assets	32,144	(973)	31,171
Other assets	5	-	5
Goodwill	13,841	(1,390)	12,451
Total assets acquired	129,753	326	130,079
Trade and accrued liabilities	12,197	(1,591)	10,606
Long-term debt ⁽¹⁾	27,396	-	27,396
Employee benefit plan obligations	2,673	-	2,673
Lease liabilities	21,626	(938)	20,688
Other liabilities	1,059	2,227	3,286
Deferred tax liabilities	7,094	628	7,722
Total liabilities assumed	72,045	326	72,371
Total net assets	57,708	-	57,708

¹⁾ The long-term debt acquired was repaid in full on November 5, 2021.

The amount recorded for goodwill is not deductible for tax purposes. The accounts receivable are presented net of a loss allowance of \$28.

5N PLUS INC.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six-month periods ended June 30

(in thousands of United States dollars, unless otherwise indicated) (unaudited)**4. Inventories**

	June 30 2022	December 31 2021
Raw materials	\$ 27,887	\$ 30,845
Finished goods	68,024	64,681
Total inventories	95,911	95,526

For the three and six-month periods ended June 30, 2022, a total of \$34,623 and \$64,943 of inventories was included as an expense in cost of sales (\$22,448 and \$43,456 for the three and six-month periods ended June 30, 2021).

For the three and six-month periods ended June 30, 2022, a total of \$191 and \$227 previously written down was recognized as a reduction of expenses in costs of sales concurrently with the related inventories being sold (\$3 and \$21 for the Specialty Semiconductors segment and \$188 and \$206 for the Performance Materials segment). For the three and six-month period ended June 30, 2021, a total of \$54 and \$167 previously written down was recognized as a reduction of expenses in costs of sales concurrently with the related inventories being sold (\$27 and \$55 for the Specialty Semiconductors segment and \$27 and \$112 for the Performance Materials segment).

5. Long-Term Debt

	June 30 2022	December 31 2021
Senior secured revolving facility of \$124,000 with a syndicate of banks, maturing in April 2026 ⁽¹⁾	\$ 101,000	\$ 91,000
Unsecured subordinated term loan, maturing in March 2024 ⁽²⁾	25,000	25,000
	126,000	116,000
Less current portion of long-term debt	-	-
	126,000	116,000

⁽¹⁾ In June 2022, the Company signed a senior secured multi-currency revolving credit facility of \$124,000 maturing in April 2026 to replace its existing \$124,000 senior secured revolving facility maturing in April 2023. At any time, the Company has the option to request that the credit facility be expanded through the exercise of an additional \$30,000 accordion feature, subject to review and approval by the lenders. This revolving credit facility can be drawn in US dollars, Canadian dollars or Hong Kong dollars (up to \$4,000). Drawings bear interest at either the Canadian prime rate, US base rate, Hong Kong base rate or SOFR, plus a margin based on the Company's senior net debt to consolidated EBITDA ratio. Under the terms of its credit facility, the Company is required to satisfy certain restrictive covenants as to financial ratios. As at June 30, 2022 and December 31, 2021, the Company had met all covenants.

⁽²⁾ In February 2019, the Company signed a five-year unsecured subordinated term loan with Investissement Québec. The loan was disbursed in two tranches: the first tranche of \$5,000 on February 6, 2019 and the second tranche of \$20,000 on March 22, 2019. The two tranches of the term loan bear interest equivalent to the 5-year US dollar swap rate plus a margin of 4.19%, which equals to 6.82% and 6.64% respectively. Under the terms of the loan, the Company is required to satisfy certain restrictive covenants as to financial ratios. As at June 30, 2022 and December 31, 2021, the Company had met all covenants.

6. Expenses by Nature

	Three months		Six months	
	2022	2021	2022	2021
	\$	\$	\$	\$
Wages and salaries	14,046	9,477	28,691	18,959
Share-based compensation expense (recovery)	1,036	(309)	1,160	1,087
Depreciation of property, plant and equipment	3,357	1,882	6,630	3,810
Depreciation of right-of-use assets	650	358	1,338	710
Amortization of intangible assets	849	330	1,717	680
Amortization of other assets	51	58	128	102
Loss (gain) on disposal of property, plant and equipment	3	(32)	3	(32)
Impairment of non-current assets ⁽¹⁾	-	-	5,386	-
Research and development, net of tax credit ⁽²⁾	348	395	1,447	877
Litigation and restructuring costs ⁽³⁾	372	-	372	-

⁽¹⁾ During the first quarter of 2022, the Company recorded a non-cash impairment charge on non-current assets of \$5,386 (\$5,123 for customer relationships and \$263 for other intangibles), included in the Specialty Semiconductors segment, to reflect the assessment of the carrying value of intangible assets impacted by the invasion of Ukraine by Russia, more precisely in reference to Russia based customers. The impairment charge recognized under Other expenses within the consolidated statement of (loss) earnings results from the fact that the Company's initial assumptions regarding the timing of future cashflows from these customers can no longer be supported given the uncertainty associated with recent international sanctions against Russia, and the unknown duration of the conflict.

⁽²⁾ Reduced research and development, net of tax credit by an amount of \$1,043 and \$1,537 for the three and six-month periods ended June 30, 2022 resulting from research and development subsidies. There is an outstanding receivable related to this grant as at June 30, 2022 for an amount of \$1,535 included within Accounts receivable.

⁽³⁾ During the second quarter, the Company recorded litigation and restructuring costs of \$372 following the settlement of a contract by mutual agreement.

7. Share Capital

On March 5, 2020, the TSX approved the Company's normal course issuer bid (NCIB). Under this NCIB, the Company had the right to purchase for cancellation, from March 9, 2020 to March 8, 2021, a maximum of 2,000,000 common shares.

For the six-month period ended June 30, 2021, the Company repurchased and cancelled 249,572 common shares at an average price of \$3.24 for a total amount of \$809. An amount of \$17 has been applied against share capital, and an amount of \$792 has been applied against the deficit.

8. Earnings per Share

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

Numerators	Three months		Six months	
	2022	2021	2022	2021
	\$		\$	\$
Net (loss) earnings for the period	(2,130)	2,159	(7,885)	2,922

Denominators	Three months		Six months	
	2022	2021	2022	2021
Basic weighted average number of shares	88,330,236	81,471,503	88,330,236	81,498,579
Dilutive effect:				
Stock options	-	235,318	-	272,378
Diluted weighted average number of shares	88,330,236	81,706,821	88,330,236	81,770,957

For the three and six-month periods ended June 30, 2022, a total number of 1,598,938 stock options was excluded from the diluted weighted average number of shares due to their anti-dilutive effect.

5N PLUS INC.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six-month periods ended June 30

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

For the three and six-month periods ended June 30, 2021, a total number of 109,033 and 48,212 stock options was excluded from the diluted weighted average number of shares due to their anti-dilutive effect because of the Company's stock price.

9. Operating Segments

Following the acquisition of AZUR (Note 3) and the subsequent integration of its activities within the Company's operations, the Company deemed it appropriate to reposition certain products and applications between the segments which resulted in a change in reportable segments which took effect in the fourth quarter of 2021. Accordingly, the Company has now adjusted the previously reported segment information for the three and six-month periods ended June 30, 2021.

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

	Three months		Six months	
	2022	2021 adjusted	2022	2021 adjusted
	\$	\$	\$	\$
Specialty Semiconductors	30,644	12,663	57,945	24,805
Performance Materials	41,744	35,056	78,864	69,790
Total revenue	72,388	47,719	136,809	94,595
Specialty Semiconductors	6,410	3,306	12,081	6,472
Performance Materials	5,568	5,171	8,190	10,414
Corporate and unallocated	(3,395)	(2,141)	(6,062)	(4,270)
Adjusted EBITDA⁽¹⁾	8,583	6,336	14,209	12,616
Interest on long-term debt, imputed interest and other interest expense	1,384	848	2,655	1,588
Share-based compensation expense (recovery)	1,036	(309)	1,160	1,087
Foreign exchange and derivative loss (gain)	436	327	735	(532)
Impairment of non-current assets (Note 6)	-	-	5,386	-
Depreciation and amortizations	4,856	2,570	9,685	5,200
Litigation and restructuring costs	372	-	372	-
Earnings (loss) before income tax	499	2,900	(5,784)	5,273

⁽¹⁾ Earnings (loss) before income tax, depreciation and amortizations, impairment of non-current assets, share-based compensation expense (recovery), litigation and restructuring costs, and financial expense (income).

	Three months		Six months	
	2022	2021 adjusted	2022	2021 adjusted
	\$	\$	\$	\$
Capital expenditures				
Specialty Semiconductors	1,446	479	4,033	991
Performance Materials	1,284	772	2,621	1,951
Corporate and unallocated	-	-	32	-
Total	2,730	1,251	6,686	2,942

	June 30 2022	December 31 2021
Assets excluding the deferred tax assets		
	\$	\$
Specialty Semiconductors	172,243	189,022
Performance Materials	151,260	146,111
Corporate and unallocated	29,636	31,450
Total	353,139	366,583

The geographic distribution of the Company's revenue based on the location of the customers for the periods three and six-month periods ended June 30, 2022 and 2021, and the identifiable non-current assets as at June 30, 2022 and December 31, 2021 are summarized as follows:

Revenues	Three months		Six months	
	2022	2021	2022	2021
	\$	\$	\$	\$
Asia				
China	2,572	2,506	5,047	4,896
Japan	1,122	921	2,846	1,828
Other ⁽¹⁾	11,651	4,301	20,286	7,469
Americas				
United States	17,631	17,439	35,218	35,469
Other ⁽¹⁾	7,603	4,461	12,548	8,749
Europe				
Germany	12,954	5,614	24,899	11,868
Belgium	2,651	1,868	4,609	3,769
Netherlands	3,712	2,649	6,837	4,352
France	5,394	1,275	8,121	2,584
Other ⁽¹⁾	6,040	5,626	13,863	11,199
Other	1,058	1,059	2,535	2,412
Total	72,388	47,719	136,809	94,595

⁽¹⁾ None exceeding 10%

Non-current assets (other than deferred tax assets)	June 30 2022	December 31 2021
	\$	\$
Asia ^{(1) (2)}	3,347	7,850
United States	12,041	12,836
Canada	27,582	25,176
Europe		
Belgium	7,798	8,631
Germany	104,345	116,568
Total	155,113	171,061

⁽¹⁾ None exceeding 10%

⁽²⁾ Decrease compared to December pertains to the reclassification of a building to Asset held for sale. Announced in the third quarter of 2020, the reclassification relates to the planned operations relocation to Canada of one of the Company's subsidiaries situated in Asia. The sale of the asset, which is part of the Speciality Semiconductors segment, is expected to occur before the end of 2022.

For the three and six-month periods ended June 30, 2022, one customer represented approximately 16% of the revenues (13% within the Specialty Semiconductors segment and 3% within the Performance Materials segment). For the three and six-month periods ended June 30, 2021, one customer represented approximately 23% of the revenues (13% within the Specialty Semiconductors segment and 10% within the Performance Materials segment).

5N PLUS INC.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six-month periods ended June 30

(in thousands of United States dollars, unless otherwise indicated) (unaudited)**10. Supplemental Cash Flow Information**

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

	Six months	
	2022	2021
	\$	\$
(Increase) decrease in assets:		
Accounts receivable	(1,290)	(4,517)
Inventories	(2,302)	(2,837)
Income tax receivable	(381)	512
Other current assets	(188)	(381)
(Decrease) increase in liabilities:		
Trade and accrued liabilities	(4,048)	691
Income tax payable	2,448	689
Net change	(5,761)	(5,843)

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

	Six months	
	2022	2021
	\$	\$
Excluded additions unpaid at end of the period:		
Additions to property, plant and equipment	2,307	360
Included additions unpaid at beginning of the period:		
Additions to property, plant and equipment	3,095	775
Excluded a reclassification of deferred revenue from		
Trade and accrued liabilities to Other liabilities	2,166	-

11. Fair Value of Financial Instruments

Fair value hierarchy

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

As at June 30, 2022	Level 1	Level 2	Level 3
	\$	\$	\$
Financial assets (liabilities)			
At fair value through profit or loss			
Indexed deposit agreement ⁽¹⁾	-	2,746	-
Investment in equity instruments ⁽²⁾	-	-	2,000
Restricted investment ⁽³⁾	-	-	645
Total	-	2,746	2,645
As at December 31, 2021	Level 1	Level 2	Level 3
	\$	\$	\$
Financial assets (liabilities)			
At fair value through profit or loss			
Indexed deposit agreement ⁽¹⁾	-	4,819	-
Investment in equity instruments ⁽²⁾	-	-	2,000
Restricted investment ⁽³⁾	-	-	713
Interest rate swap agreement ⁽⁴⁾	-	(109)	-
Total	-	4,710	2,713

⁽¹⁾ In June 2017, the Company entered into an indexed deposit agreement with a major Canadian financial institution to reduce its income exposure to fluctuations in its share price relating to the DSU, PSU, RSU and SAR programs. Pursuant to the agreement, the Company receives the economic benefit of share price appreciation while providing payments to the financial institution for the institution's cost of funds and any share price depreciation. The net effect of the indexed deposit partly offset movements in the Company's share price impacting the cost of the DSU, PSU, RSU and SAR programs. As at June 30, 2022, the indexed deposit agreement recorded under other current assets, covered 2,571,569 common shares of the Company.

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

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

⁽⁴⁾ In February 2020, the Company entered into an interest rate swap agreement, which matured in April 2022, with a major Canadian financial institution to reduce its financial expense fluctuations on Libor rate on a portion of its credit facility (Note 5). Under this interest rate swap, the Company exchanges interest payments. The terms are such that on each interest payment date, the Company will receive or pay the net difference between the fixed rate of 1.435% and its Libor rate on a notional amount of \$25,000.

12. Commitments and Contingencies

Commitments

In the normal course of business, the Company contracted letters of credit for an amount of up to \$727 as at June 30, 2022 (\$953 as at December 31, 2021).

Contingencies

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