



**1**

# Management Report

Quarter Ended  
March 31, 2024



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+"), its business environment, strategies, performance and risk factors. This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements of Q1 2024 and the audited consolidated financial statements and the accompanying notes for the year ended December 31, 2023, based on International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards" or "IFRS"), unless otherwise stated. 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 until May 6, 2024, 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. "Q1 2024" and "Q1 2023" refer to the three-month periods ended March 31, 2024 and March 31, 2023, respectively.

#### **Non-IFRS Measures**

This MD&A contains certain non-IFRS financial measures and ratios, which do not have a standard meaning under IFRS Accounting Standards and, therefore, may not be comparable to similar measures presented by other issuers. Such non-IFRS measures and ratios include Backlog, Bookings, EBITDA, EBITDA margin percentage, Adjusted EBITDA, Adjusted EBITDA margin, Adjusted operating expenses, Adjusted net earnings (loss), Basic adjusted earnings (loss) per share, Adjusted gross margin, Adjusted gross margin percentage, Total debt, Net debt, Net debt to EBITDA ratio, Working capital and Working capital ratio.

For definitions, further information and reconciliation of these measures to the most directly comparable measures under IFRS Accounting Standards, see the "Non-IFRS Measures" section.

#### **Notice Regarding Forward-Looking Statements**

Certain statements in this MD&A may be forward-looking within the meaning of applicable securities laws. Such forward-looking statements are based on a number of estimates and assumptions that the Company believes are reasonable when made, including that 5N+ will be able to retain and hire key personnel and maintain relationships with customers, suppliers and other business partners, that 5N+ will continue to operate its business in the normal course, that 5N+ will be able to implement its growth strategy, that 5N+ will be able to successfully and timely complete the realization of its backlog, that 5N+ will not suffer any supply chain challenges or any material disruption in the supply of raw materials on competitive terms, that 5N+ will be able to generate new sales, produce, deliver, and sell its expected product volumes at the expected prices and control its costs, as well as other factors believed to be appropriate and reasonable in the circumstances. However, there can be no assurance that such estimates and assumptions will prove to be correct. These statements are not guarantees of future performance and involve assumptions, risks and uncertainties that are difficult to predict and may cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. A description of the risks affecting the Company's business and activities appears under the heading "Risk and Uncertainties" of 5N+'s 2023 MD&A dated February 27, 2024 and note 10 of the unaudited condensed interim consolidated financial statements for the three-month periods ended March 31, 2024 and March 31, 2023 available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

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 statements in this MD&A will transpire or occur, or if any of them do so, what benefits that 5N+ will derive therefrom. In particular, no assurance can be given as to the future financial performance of 5N+. The forward-looking statements 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.

## Overview

5N+ is a leading global producer of specialty semiconductors and performance materials. The Company's ultra-pure materials often form the core element of its customers' products. These customers rely on 5N+'s products to enable performance and sustainability in their own products. 5N+ deploys a range of proprietary and proven technologies to develop and manufacture its products. The Company's products enable various applications in several key industries, including renewable energy, security, space, pharmaceutical, medical imaging and industrial. Headquartered in Montréal, Québec, 5N+ operates R&D, manufacturing and commercial centers in strategically-located facilities around the world including Europe, North America and Asia.

## Vision, Mission and Values

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

The Company's mission is to be critical to its customers, valued by its employees and trusted by its shareholders. The Company's core values are integrity, commitment and customer development, with an emphasis on sustainable development, continuous improvement, and health and safety.

## Reporting Segments

The Company has the following two reportable segments: Specialty Semiconductors and Performance Materials. Corresponding operations and activities are managed accordingly by the Company's key decision makers. Segmented operating and financial information and labelled key performance indicators are available and used to manage these business segments, review performance and allocate resources. Financial performance of any given segment is evaluated primarily in terms of revenues and Adjusted EBITDA<sup>1</sup>, which are reconciled to consolidated numbers considering corporate income and expenses.

Operating in North America and Europe, the Specialty Semiconductors segment manufactures and sells products used in several applications, such as renewable energy, space satellites and imaging. Typical end markets include photovoltaics (terrestrial and spatial solar energy), medical imaging, infrared imaging, optoelectronics and advanced electronics. These products are sold either as semiconductor compounds, semiconductor wafers, ultra high purity metals, epitaxial semiconductor substrates and solar cells. Revenues and earnings associated with recycling services and activities provided to Specialty Semiconductors customers are captured in this segment.

The Performance Materials segment operates in North America, Europe and Asia and manufactures and sells products that are used in several applications in pharmaceutical and healthcare and industrial. Main products are sold as active pharmaceutical ingredients, animal feed additives, specialized chemicals, commercial grade metals, alloys and engineered powders. All commercial grade metal and engineered powder sales have been regrouped under Performance Materials. Revenues and earnings associated with recycling services and activities provided to Performance Materials customers are captured in this segment.

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

---

<sup>1</sup> These measures are not recognized measures under IFRS and do not have standardized meanings prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies. See Non-IFRS Measures for more information.



## A Strong Start to FY 2024 with More Upside to Come

On the back of a strong FY 2023 performance, Q1 results reflect an equally strong start to FY 2024. 5N+'s focus on the right priorities and end markets, clear strategy and solid execution are generating predictable, sustainable and profitable growth. Only one quarter into the year, the Company has delivered strong results across its key performance indicators putting it well on-track to meet its financial objectives for FY 2024, supported by high demand in key end markets under Specialty Semiconductors, an improved product mix under Performance Materials and an attractive pipeline of future organic growth opportunities.

### All amounts are expressed in U.S. dollars.

As the Company continued to execute on its growth strategy with a focus on high-value, high-growth end markets, 5N+ delivered an 18% increase in revenue and 33% increase in Adjusted EBITDA in Q1 2024, compared to the same quarter last year. The Company generated a strong Adjusted gross margin<sup>1</sup> of 30.9% for Q1 2024, compared to 29.8% in Q1 2023.

Q1 2024 results also reflect the various operational, maintenance and labour-related initiatives completed in 2023, enabling the Company to incrementally increase capacity and operational performance in 2024. This year, the Company expects to complete its previously announced capacity expansion plans for terrestrial renewable energy applications at its Montreal site and for space solar applications at its AZUR SPACE Solar Power GmbH ("AZUR") facility in Germany.

### Specialty Semiconductors

In Specialty Semiconductors, revenue reached \$45.2 million in Q1 2024, compared to \$32.7 million in the same quarter last year, as a result of higher demand from the terrestrial renewable energy and space solar power sectors. Adjusted EBITDA increased by 32% to \$9.6 million and Adjusted gross margin was 29.2%, compared to 31.0% in Q1 2023. Of note, during the first quarter of 2024, AZUR secured a record \$135 million in contracts during a single quarter primarily for deliveries beyond 2025, demonstrating long-term demand for space solar power applications and AZUR's unique position as a trusted supplier.

In early 2024, several announcements were also made regarding the Specialty Semiconductors segment. On March 21, 2024, 5N+ announced the recent validation of its patent portfolio key to the development of novel vertical GaN-on-Si power devices for more high-performing, efficient applications in HPE, EV and AI server applications. Management continues to pursue discussions and evaluate various opportunities and scenarios under which it can capitalize on its patent portfolio. Subsequent to quarter end, the Company also announced that it was awarded a grant from the U.S. Department of Defense for \$14.4 million, subject to certain conditions and the achievement of pre-set milestones over a four-year term. The grant will go towards supporting 5N+'s production facility in St. George, Utah, which manufactures germanium substrates used in solar cells for defense and commercial satellites. Finally, 5N+'s customer RayGen, an Australian solar-and-storage company, announced in April 2024 that it has raised additional funds to support manufacturing expansion and offshore opportunities for its long-duration energy storage solutions. As AZUR manufactures the solar cells that are critical components of these storage solutions, 5N+ is optimistic about the future growth potential for these types of projects.

### Performance Materials

Under Performance Materials, while revenue in Q1 2024 decreased to \$19.9 million, compared to \$22.5 million in Q1 2023, Adjusted EBITDA increased by 10% to \$4.9 million and Adjusted gross margin came in at 35.3%, compared to 28.8% in the same quarter last year, reflecting a more favourable product mix.

Subsequent to quarter end, Microbion Corporation ("Microbion"), a clinical-stage pharmaceutical company in which 5N+ has an equity stake, published results for its family of drug products, including Phase 1b results for its bismuth-based active pharmaceutical ingredient ("API") pravibismane, currently under development. As the future manufacturer of the API used by Microbion, 5N+ is encouraged by this progress and anticipates that this will represent a medium-term growth opportunity.

---

<sup>1</sup> These measures are not recognized measures under IFRS and do not have standardized meanings prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies. See Non-IFRS Measures for more information.

### Q1 2024 Financial Highlights

- Revenue in Q1 2024 increased by 18% to \$65.0 million, compared to \$55.3 million in Q1 2023, primarily driven by strong growth from terrestrial renewable energy and space solar power sectors under Specialty Semiconductors, more than mitigating the decrease under Performance Materials.
- Net earnings in Q1 2024 were \$2.5 million, compared to \$1.5 million in Q1 2023.
- Adjusted EBITDA in Q1 2024 increased by 33% to \$11.7 million, representing 18.1% of revenue compared to \$8.8 million or 15.9% of revenue in Q1 2023.
- Adjusted gross margin in Q1 2024 was 30.9%, compared to 29.8% in Q1 2023.
- Backlog<sup>1</sup> represented 288 days of annualized revenue as at March 31, 2024, 4 days lower than the previous quarter and 18 days lower than the same period last year, primarily due to the timing of contract signings and renewals.
- Net debt<sup>1</sup> was \$84.2 million as at March 31, 2024, compared to \$73.8 million as at December 31, 2023, reflecting an increase in working capital<sup>1</sup> and planned capital expenditures under Specialty Semiconductors, whereas net debt to EBITDA ratio<sup>1</sup> remained stable at 1.81x as at March 31, 2024 compared to 1.69x as at December 31, 2023.

### Outlook

In Specialty Semiconductors, 5N+ continues to benefit from its unique position as the leading global supplier of ultra-high purity semiconductor compounds outside China, with long-term partnerships with key customers. Growing demand remains the rule, particularly in terrestrial renewable energy and space solar power. 5N+ is well-positioned to capitalize on future opportunities in these high-growth sectors, as well as other markets, including sensing and medical imaging.

Management expects growth in the Performance Materials segment to be primarily derived from health and pharmaceutical products, which provide high profitability and predictable cashflows. Additional long-term opportunities are expected to stem from product expansion and development initiatives, including through partnerships.

---

<sup>1</sup> These measures are not recognized measures under IFRS and do not have standardized meanings prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies. See Non-IFRS Measures for more information.

## Summary of Results

(in thousands of U.S. dollars, except per share amounts)	Q1 2024	Q1 2023
	\$	\$
Revenue	65,019	55,287
Adjusted operating expenses <sup>1</sup>	(53,282)	(46,490)
<b>Adjusted EBITDA</b>	<b>11,737</b>	<b>8,797</b>
Share-based compensation expense	(360)	(12)
Foreign exchange and derivative gain (loss)	387	(15)
<b>EBITDA<sup>1</sup></b>	<b>11,764</b>	<b>8,770</b>
Interest on long-term debt, imputed interest and other interest expense	2,206	2,260
Depreciation and amortization	3,945	4,059
<b>Earnings before income taxes</b>	<b>5,613</b>	<b>2,451</b>
Income tax expense		
Current	2,514	914
Deferred	592	83
	<b>3,106</b>	<b>997</b>
<b>Net earnings</b>	<b>2,507</b>	<b>1,454</b>
Basic earnings per share	\$0.03	\$0.02
Diluted earnings per share	\$0.03	\$0.02

## Revenue by Segment and Adjusted Gross Margin

(in thousands of U.S. dollars)	Q1 2024	Q1 2023	Change
	\$	\$	
Specialty Semiconductors	45,150	32,739	38%
Performance Materials	19,869	22,548	(12%)
<b>Total revenue</b>	<b>65,019</b>	<b>55,287</b>	<b>18%</b>
Cost of sales	(48,020)	(42,002)	14%
Depreciation included in cost of sales	3,076	3,202	(4%)
<b>Adjusted gross margin</b>	<b>20,075</b>	<b>16,487</b>	<b>22%</b>
<b>Adjusted gross margin percentage<sup>1</sup></b>	<b>30.9%</b>	<b>29.8%</b>	

Revenue in Q1 2024 increased by 18%, reaching \$65.0 million, compared to \$55.3 million for the same period last year. The increase is primarily attributable to strong growth under Specialty Semiconductors, more than mitigating the decrease under Performance Materials.

Adjusted gross margin reached \$20.1 million, or 30.9% in Q1 2024 compared to \$16.5 million, or 29.8%, in Q1 2023, favourably impacted by the consolidated product mix.

### Specialty Semiconductors Segment

Revenue in Q1 2024 reached \$45.2 million, compared to \$32.7 million in Q1 2023 supported by higher demand from the terrestrial renewable energy and space solar power sectors. Adjusted gross margin in Q1 2024 was 29.2% compared to 31.0% in Q1 2023 impacted by a less favourable inventory position at the start of the year.

### Performance Materials Segment

Revenue in Q1 2024 reached \$19.9 million, compared to \$22.5 million in Q1 2023. The decrease is primarily attributable to lower bismuth sales volumes compared to the same period last year. Adjusted gross margin was 35.3%, compared to 28.8% in Q1 2023. The positive variance reflects a more favourable year-over-year product mix and inventory position.

<sup>1</sup> These measures are not recognized measures under IFRS and do not have standardized meanings prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies. See Non-IFRS Measures for more information.

### Operating Earnings, EBITDA and Adjusted EBITDA

(in thousands of U.S. dollars)	Q1 2024	Q1 2023	Change
	\$	\$	
Specialty Semiconductors	9,557	7,222	32%
Performance Materials	4,912	4,461	10%
Corporate	(2,732)	(2,886)	(5%)
<b>Adjusted EBITDA</b>	<b>11,737</b>	<b>8,797</b>	<b>33%</b>
<b>EBITDA</b>	<b>11,764</b>	<b>8,770</b>	<b>34%</b>
<b>Operating earnings</b>	<b>7,432</b>	<b>4,726</b>	<b>57%</b>

Adjusted EBITDA in Q1 2024 increased by 33% to \$11.7 million, representing 18.1% of revenue compared to \$8.8 million or 15.9% of revenue in Q1 2023.

In Q1 2024, EBITDA reached \$11.8 million, compared to \$8.8 million in Q1 2023. The increase of \$3.0 million is mainly explained by the increase in Adjusted EBITDA of \$2.9 million. The items reconciling Adjusted EBITDA to EBITDA are the increase in shared-based compensation expense compensated by a gain in foreign exchange and derivatives gain recorded this quarter.

In Q1 2024, operating earnings amounted to \$7.4 million, compared to operating earnings of \$4.7 million in Q1 2023.

#### Specialty Semiconductors Segment

Adjusted EBITDA in Q1 2024 increased by \$2.3 million, or 32% to reach \$9.6 million representing an Adjusted EBITDA margin<sup>1</sup> of 21%, compared to 22% in Q1 2023. The increase is primarily attributable to higher demand in terrestrial renewal energy and space solar power sectors.

#### Performance Materials Segment

Adjusted EBITDA in Q1 2024 increased by \$0.5 million, or 10%, and reached \$4.9 million, representing an Adjusted EBITDA margin of 25%, compared to 20% in Q1 2023. The increase is primarily attributable to a favourable product mix, offsetting lower volumes.

### Net Earnings and Adjusted Net Earnings

(in thousands of U.S. dollars, except per share amounts)	Q1 2024	Q1 2023
	\$	\$
Net earnings	2,507	1,454
Basic earnings per share	\$0.03	\$0.02
Reconciling items:		
Share-based compensation expense	360	12
Income tax recovery on taxable item above	(95)	(3)
<b>Adjusted net earnings<sup>1</sup></b>	<b>2,772</b>	<b>1,463</b>
<b>Basic adjusted earnings per share<sup>1</sup></b>	<b>\$0.03</b>	<b>\$0.02</b>

In Q1 2024, net earnings were \$2.5 million or \$0.03 per share, compared to net earnings of \$1.5 million or \$0.02 per share in Q1 2023. Adjusted net earnings were \$2.8 million or \$0.03 per share in Q1 2024, compared to \$1.5 million or \$0.02 per share in Q1 2023.

Excluding income tax recovery, the item reconciling Adjusted net earnings in Q1 2024 is share-based compensation expense. For more information, see the "Expenses" section.

<sup>1</sup> These measures are not recognized measures under IFRS and do not have standardized meanings prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies. See Non-IFRS Measures for more information.

**Backlog and Bookings**

(in thousands of U.S. dollars)	BACKLOG			BOOKINGS <sup>1</sup>		
	Q1 2024	Q4 2023	Q1 2023	Q1 2024	Q4 2023	Q1 2023
	\$	\$	\$	\$	\$	\$
Specialty Semiconductors	173,484	174,957	147,362	43,677	52,909	50,391
Performance Materials	31,594	33,346	37,865	18,117	24,543	20,802
<b>Total</b>	<b>205,078</b>	<b>208,303</b>	<b>185,227</b>	<b>61,794</b>	<b>77,452</b>	<b>71,193</b>

(number of days based on annualized revenues)*	BACKLOG			BOOKINGS		
	Q1 2024	Q4 2023	Q1 2023	Q1 2024	Q4 2023	Q1 2023
Specialty Semiconductors	351	350	365	88	106	140
Performance Materials	145	157	153	83	115	84
Weighted average	288	292	306	87	109	118

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

**Q1 2024 vs. Q4 2023**

Backlog on March 31, 2024, represented 288 days of annualized revenue, 4 days lower than the backlog on December 31, 2023.

The backlog for Specialty Semiconductors represented 351 days of annualized revenue, an increase of 1 day, over the backlog on December 31, 2023, due to the timing of signing and/or renewal of contracts.

The backlog for Performance Materials represented 145 days of annualized revenue, a decrease of 12 days, or 8%, compared to the backlog on December 31, 2023, mainly due to the signing and/or renewal of contracts, which typically occur in the fourth and first quarters of the year for this segment, and the quarterly realization of long-term contracts.

Bookings for Specialty Semiconductors decreased by 18 days, from 106 days in Q4 2023 to 88 days in Q1 2024. The decrease in bookings is largely attributable to the quarterly realization of long-term contracts under negotiation for renewal in the coming quarters. Bookings for Performance Materials decreased by 32 days, from 115 days in Q4 2023 to 83 days in Q1 2024. Bookings are calculated by adding revenues to the increase or decrease in backlog for the period divided by annualized revenue. As such, the increase or decrease in bookings is attributable to the same factors as the increase or decrease in backlog.

**Q1 2024 vs. Q1 2023**

Backlog on March 31, 2024, for Specialty Semiconductors decreased by 14 days compared to on March 31, 2023. The backlog for Performance Materials, represented 145 days, a decrease of 8 days, compared to 153 days on March 31, 2023.

Bookings for Specialty Semiconductors decreased by 52 days for the same factors mentioned above and decreased by one day for Performance Materials, compared to the same quarter of the previous year.

**Expenses**

(in thousands of U.S. dollars)	Q1 2024	Q1 2023
	\$	\$
Depreciation and amortization	3,945	4,059
SG&A	7,317	6,893
Share-based compensation expense	360	12
Financial expense	1,819	2,275
Income tax expense	3,106	997
<b>Total expenses</b>	<b>16,547</b>	<b>14,236</b>

<sup>1</sup> These measures are not recognized measures under IFRS and do not have standardized meanings prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies. See Non-IFRS Measures for more information.



### Depreciation and Amortization

Depreciation and amortization expenses in Q1 2024 amounted to \$3.9 million, compared to \$4.1 million, for the same period in 2023.

### SG&A

SG&A expenses in Q1 2024 were \$7.3 million, compared to \$6.9 million for the same period in 2023. The increase in Q1 2024 is mainly explained by a punctual need for third-party support and inflation.

### Share-based Compensation Expense

Share-based compensation expense in Q1 2024 amounted to \$0.4 million, compared to \$nil million in Q1 2023.

### Financial Expense

Financial expense amounted to \$1.8 million in Q1 2024, compared to \$2.3 million in Q1 2023. The positive impact is mostly due a foreign exchange and derivative gain of \$0.4 million compared to \$nil in 2023.

### Income Taxes

The Company reported earnings before income taxes of \$5.6 million in Q1 2024. Income tax expense in Q1 2024 was \$3.1 million compared to income tax expense of \$1.0 million in the same period in 2023. Both years were impacted by deferred tax assets applicable only in certain jurisdictions.

### Liquidity and Capital Resources

(in thousands of U.S. dollars)	Q1 2024	Q1 2023
	\$	\$
Cash from operations before the following:	7,144	5,877
Net changes in non-cash working capital items	(7,995)	(9,649)
Cash used in operating activities	(851)	(3,772)
Cash (used in) from investing activities	(9,980)	2,932
Cash from (used in) financing activities	10,208	(590)
Effect of foreign exchange rate changes on cash and cash equivalents	(154)	162
<b>Net decrease in cash and cash equivalents</b>	<b>(777)</b>	<b>(1,268)</b>

In Q1 2024, cash used in operating activities amounted to \$0.9 million, compared to \$3.8 million in Q1 2023. The decrease in cash used is mainly due to an increase in cash from operations of \$1.3 million and a more favourable change in non-cash working capital of \$1.7 million.

In Q1 2024, cash used in investing activities amounted to \$10.0 million, compared to cash generated by investing activities of \$2.9 million in Q1 2023. The variation of \$12.9 million is mainly explained by the proceeds on settlement of an indexed deposit agreement which was amended during Q1 2023, resulting in a receipt of cash of \$6.5 million, combined with increased additions to PPE of \$5.2 million in 2024, as well as an increase in the Company's minority equity stake in Microbion for an amount of \$1.0 million.

In Q1 2024, cash generated by financing activities amounted to \$10.2 million, compared to cash used in financing activities of \$0.6 million in Q1 2023. The variation of \$10.8 million is attributable to two new interest-free term loans received during Q1 2024 for a total amount of \$2.9 million as well as the net drawdown of the credit facility after repaying a portion of the subordinated term loan. For more information, see the "Net Debt section". The principal elements of lease payments were similar for both periods.

## Working Capital

(in thousands of U.S. dollars)	As at March 31, 2024	As at December 31, 2023
	\$	\$
Inventories	113,521	105,850
Other current assets	79,192	76,113
Current liabilities	(59,943)	(81,807)
<b>Working capital</b>	<b>132,770</b>	<b>100,156</b>
<b>Working capital current ratio<sup>1</sup></b>	<b>3.21</b>	<b>2.22</b>

The \$32.6 million increase in working capital, compared to December 31, 2023, is mainly attributable to lower current liabilities of \$21.9 million. As at December 31, 2023, the subordinated term-loan of \$25.0 million was presented as current portion which, after its amendment during Q1 2024, is presented as a non-current liability. For more information, see the "Net Debt section". In addition, inventories increased by \$7.7 million in Q1 2024 to support demand while other current assets are lower by \$3.1 million.

## Net Debt

(in thousands of U.S. dollars)	As at March 31, 2024	As at December 31, 2023
	\$	\$
Bank indebtedness	-	-
Long-term debt including current portion	118,169	108,500
<b>Total Debt<sup>1</sup></b>	<b>118,169</b>	<b>108,500</b>
Cash and cash equivalents	(33,929)	(34,706)
<b>Net Debt</b>	<b>84,240</b>	<b>73,794</b>

Total debt stood at \$118.2 million as at March 31, 2024, compared to \$108.5 million as at December 31, 2023.

Net debt, after considering cash and cash equivalents, increased by \$10.4 million to \$84.2 million on March 31, 2024, from \$73.8 million on December 31, 2023.

In March 2024, the Company entered into a subordinated term loan agreement with Investissement Québec of \$15.0 million, which replaces its previous subordinated term loan of \$25.0 million set to expire in March 2024. The new term loan bears interest equivalent to the four-year US Treasury Bonds plus a margin of 5.38%, which equals to 9.71%.

During Q1 2024, the Company also received cash through two new interest-free term loans, from Investissement Québec and Canada Economic Development for Quebec Regions, respectively:

1. The Company received CA\$ 2.7 million from Investissement Québec with respect to an interest-free term loan with a maximum drawdown of CA\$ 2.9 million dependent upon eligible capital expenditures related to investments in our Montreal production facility. Subject to the satisfaction of certain criteria, the Company expects CA\$ 0.5 million of the loan to be forgiven. The loan has a two-year repayment moratorium period and is subsequently reimbursable in monthly instalments over a period of four years.
2. The Company received CA\$ 1.2 million from Canada Economic Development for Quebec Regions with respect to an interest-free term loan with a maximum drawdown of CA\$ 3.0 million dependent upon eligible capital expenditures. At a date no later than December 31, 2025, an additional two-year repayment moratorium period will begin. Subsequently, the loan is reimbursable in monthly instalments over a period of five years.

## Share Information

	As at May 6, 2024	As at March 31, 2024
Issued and outstanding shares	88,789,889	88,789,889
Stock options potentially issuable	1,399,617	1,399,617

<sup>1</sup> These measures are not recognized measures under IFRS and do not have standardized meanings prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies. See Non-IFRS Measures for more information.

### Off-balance Sheet Arrangements

The Company is exposed to currency risk on sales in euros 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 19 and 27 of the audited consolidated financial statements for the year ended December 31, 2023.

### Commitments

In the normal course of business, the Company contracted letters of credit for an amount of \$0.3 million as at March 31, 2024 and \$0.6 million as at December 31, 2023.

### 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.

### Governance

As required by Multilateral Instrument 52-109 of the Canadian Securities Administrators ("MI 52-109"), 5N+ has filed certificates signed by the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") 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 CEO and the CFO have designed disclosure controls and procedures ("DC&P"), or have caused them to be designed under their supervision, in order to provide reasonable assurance that:

- Material information relating to the Company has been made known to them; and
- Information required to be disclosed in the Company's filings is recorded, processed, summarized and reported within the time periods specified in securities legislation.

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

### Internal Control over Financial Reporting

The CEO and the CFO have also designed internal controls over financial reporting (ICFR) or have caused them to be designed under their supervision, using the Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 COSO Framework), to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS Accounting Standards.

Due to their intrinsic limitations, DC&P and ICFR only provide reasonable assurance and may not prevent or detect all misstatement or errors.

### Changes in Internal Control over Financial Reporting

No changes were made to the ICFR during the three-month period ended March 31, 2024, that have materially affected, or are reasonably likely to materially affect, the ICFR.

## Financial Instruments and Risk Management

### Fair Value of Financial Instruments

A detailed description of the methods and assumptions used to measure the fair value of the Company's financial instruments and their fair value is discussed in Note 19 – Fair Value of Financial Instruments of the audited consolidated financial statements for the year ended December 31, 2023.

### 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 27 of the audited consolidated financial statements for the year ended December 31, 2023.

### Risk and Uncertainties

For a detailed description of risk factors associated with 5N+ and its business, refer to "Risk and Uncertainties" of 5N+' 2023 MD&A dated February 27, 2024. Factors of uncertainty and risk that might result in such differences include the risks associated with interest rate, foreign currency, credit, liquidity, global economic conditions, international operations including China, environmental regulations, crisis and climate change management, environmental social and governance (ESG) considerations, safety and hazards, prolonged armed conflict in Ukraine, disease outbreaks, availability and retention of qualified professional employees, collective agreements, litigation, our growth strategy, competition, commodity price, sources of supply, protection of intellectual property, inventory price, business interruptions, loss of an important customer, changes to backlog, acquisitions, systems, network infrastructure and data failure, privacy, market price of the common shares, as well as grants and other incentive programs.

### Non-IFRS Measures

In this Management's Report, certain non-IFRS measures are used. The Company's management believes that these non-IFRS measures provide useful information to investors regarding the Company's financial condition and results of operations as they provide additional key metrics of its performance. These non-IFRS measures are not recognized under IFRS Accounting Standards, do not have any standardized meaning prescribed under IFRS Accounting Standards and may differ from similarly named measures as reported by other issuers, and accordingly may not be comparable. These measures should not be viewed as a substitute for the related financial information prepared in accordance with IFRS Accounting Standards.

Backlog represents the expected orders the Company has received, but has not yet executed, and that are expected to translate into sales within the next twelve months, expressed in dollars and estimated in number of days not to exceed 365 days. Bookings represent orders received during the period considered, expressed in number of days, and calculated by adding revenues to the increase or decrease in backlog for the period considered, divided by annualized year revenues. 5N+ uses backlog to provide an indication of expected future revenues in days, and bookings to determine its ability to sustain and increase its revenues.

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

EBITDA is reconciled to the most comparable IFRS measure:

(in thousands of U.S. dollars)	Q1 2024	Q1 2023
	\$	\$
Net earnings	2,507	1,454
Interest on long-term debt, imputed interest and other interest expense	2,206	2,260
Income tax expense	3,106	997
Depreciation and amortization	3,945	4,059
<b>EBITDA</b>	<b>11,764</b>	<b>8,770</b>

EBITDA margin is defined as EBITDA divided by revenues.

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

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

Adjusted EBITDA and Adjusted EBITDA margin are reconciled to the most comparable IFRS measure:

(in thousands of U.S. dollars)	Q1 2024	Q1 2023
	\$	\$
Revenues	65,019	55,287
Operating expenses	(57,587)	(50,561)
Operating earnings	7,432	4,726
Share-based compensation expense	360	12
Depreciation and amortization	3,945	4,059
<b>Adjusted EBITDA</b>	<b>11,737</b>	<b>8,797</b>
<b>Adjusted EBITDA margin percentage</b>	<b>18.1%</b>	<b>15.9%</b>

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

Adjusted operating expenses are reconciled to the most comparable IFRS measure:

(in thousands of U.S. dollars)	Q1 2024	Q1 2023
	\$	\$
Operating expenses	57,587	50,561
Share-based compensation expense	(360)	(12)
Depreciation and amortization	(3,945)	(4,059)
<b>Adjusted operating expenses</b>	<b>53,282</b>	<b>46,490</b>

Adjusted net earnings (loss) means the net earnings (loss) before the effect of impairment of inventory, share-based compensation expense (recovery), litigation and restructuring costs (income), impairment of non-current assets and loss (gain) on disposal of property, plant and equipment, net of the related income tax expense (recovery). 5N+ uses adjusted net earnings (loss) because it believes it is a meaningful measure of the operating performance of its ongoing business without the effects of unusual expenses or income. The definition of this non-IFRS measure used by the Company may differ from that used by other companies.

Basic adjusted earnings (loss) per share means adjusted net earnings (loss) divided by the basic weighted average number of outstanding shares. 5N+ uses basic adjusted earnings (loss) per share because it believes it is a meaningful measure of the operating performance of its ongoing business without the effects of unusual expenses or income. The definition of this non-IFRS measure used by the Company may differ from that used by other companies.



Adjusted net earnings (loss) and Basic adjusted earnings (loss) per share are reconciled to the most comparable IFRS measures:

(in thousands of U.S. dollars, except per share amounts and number of shares)	Q1 2024	Q1 2023
	\$	\$
Net earnings	2,507	1,454
Basic earnings per share	\$0.03	\$0.02
Reconciling items:		
Share-based compensation expense	360	12
Income tax recovery on taxable item above	(95)	(3)
<b>Adjusted net earnings</b>	<b>2,772</b>	1,463
Basic weighted average number of shares	88,733,736	88,367,689
<b>Basic adjusted earnings per share</b>	<b>\$0.03</b>	\$0.02

Adjusted gross margin is a measure used to monitor the sales contribution after paying cost of sales, excluding depreciation and inventory impairment charges. 5N+ also expressed this measure in percentage of revenues by dividing the adjusted gross margin value by the total revenue.

Adjusted gross margin is reconciled to the most comparable IFRS measure:

(in thousands of U.S. dollars)	Q1 2024	Q1 2023
	\$	\$
<b>Total revenue</b>	<b>65,019</b>	55,287
Cost of sales	(48,020)	(42,002)
<b>Gross margin</b>	<b>16,999</b>	13,285
Depreciation included in cost of sales	3,076	3,202
<b>Adjusted gross margin</b>	<b>20,075</b>	16,487
<b>Adjusted gross margin percentage</b>	<b>30.9%</b>	29.8%

Net debt is calculated as total debt less cash and cash equivalents. Any introduced IFRS 16 reporting measures in reference to lease liabilities are excluded from the calculation. 5N+ uses this measure as an indicator of its overall financial position.

The net debt to EBITDA ratio is defined as net debt divided by the trailing 12 months EBITDA.

Total debt and Net debt are reconciled to the most comparable IFRS measure:

(in thousands of U.S. dollars)	As at March 31, 2024	As at December 31, 2023
	\$	\$
Bank indebtedness	-	-
Long-term debt including current portion	118,169	108,500
Lease liabilities including current portion	31,635	30,139
<b>Subtotal Debt</b>	<b>149,804</b>	138,639
Lease liabilities including current portion	(31,635)	(30,139)
<b>Total Debt</b>	<b>118,169</b>	108,500
Cash and cash equivalents	(33,929)	(34,706)
<b>Net Debt</b>	<b>84,240</b>	73,794

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

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

Working capital is reconciled to the most comparable IFRS measure:

(in thousands of U.S. dollars)	As at March 31, 2024	As at December 31, 2023
	\$	\$
Inventories	113,521	105,850
Other current assets excluding inventories	79,192	76,113
Current assets	192,713	181,963
Current liabilities	(59,943)	(81,807)
<b>Working capital</b>	<b>132,770</b>	<b>100,156</b>
<b>Working capital current ratio</b>	<b>3.21</b>	<b>2.22</b>

### Additional Information

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

### Selected Quarterly Financial Information

(in thousands of U.S. dollars, except per share amounts)	March 31, 2024	Dec 31, 2023	Sept 30, 2023	June 30, 2023	March 31, 2023	Dec 31, 2022	Sept 30, 2022	June 30, 2022
		\$	\$	\$	\$	\$	\$	\$
Revenue	65,019	65,063	62,946	59,075	55,287	61,042	66,372	72,388
EBITDA	11,764	7,736	9,582	17,530	8,770	(3,671)	1,751	6,739
Adjusted EBITDA	11,737	9,033	9,649	10,844	8,797	6,705	9,114	8,583
Net earnings (loss)	2,507	2,284	1,518	10,143	1,454	(8,146)	(6,968)	(2,130)
Basic earnings (loss) per share	\$0.03	\$0.03	\$0.02	\$0.11	\$0.02	(\$0.09)	(\$0.08)	(\$0.02)
Diluted earnings (loss) per share	\$0.03	\$0.03	\$0.02	\$0.11	\$0.02	(\$0.09)	(\$0.08)	(\$0.02)
Adjusted net earnings (loss)	2,772	2,994	1,742	3,187	1,463	2,132	520	(997)
Basic adjusted earnings (loss) per share	\$0.03	\$0.03	\$0.02	\$0.04	\$0.02	\$0.02	\$-	(\$0.01)
Cash from operations before net change in non-cash working capital items	7,144	5,883	5,064	15,227	5,877	4,447	2,473	3,778
Backlog	288 days	292 days	284 days	289 days	306 days	253 days	192 days	140 days

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