2 Management Report

Quarter Ended
June 30, 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 Q2 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 August 5, 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. "Q2 2024" and "Q2 2023" refer to the three-month periods ended June 30, 2024 and June 30, 2023, respectively; "YTD 2024" and "YTD 2023" refer to the six-month periods ended June 30, 2024, and June 30, 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, 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 and six-month periods ended June 30, 2024 and June 30, 2023 available on SEDAR+ at 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 Montreal, 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[1], 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".

[1] 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.

Strong Year-over-Year Growth Propelled by Strategic Sectors

Underlying the Company's strong Q2 and YTD 2024 key metric performance, including revenue, Adjusted EBITDA, Adjusted gross margin[1] and backlog[1], are the fruits of Management's focused strategy aimed at securing additional volume in Specialty Semiconductors, achieving strong pricing and maintaining a favourable product mix through value-added partnerships with customers in critical and high-growth end markets. This is supported by the execution of 5N+'s commercial excellence program and strategic capacity expansion projects to meet contracted demand and capture additional growth opportunities in the future, namely in terrestrial renewable energy and space solar power.

All amounts are expressed in U.S. dollars.

For Q2 2024, revenues grew by 26% to reach $74.6 million, primarily driven by strong growth from Specialty Semiconductors and the strategic sectors it serves. Adjusted EBITDA increased by 24% to $13.5 million, supported by higher volume from the strategic terrestrial renewable energy and space solar power sectors, in addition to pricing over inflation. Adjusted gross margin increased by 20% to reach $23.4 million in Q2 2024, favourably impacted by the same factors. Adjusted gross margin percentage[1] also remained strong at 31.3%, compared to 32.9% in Q2 2023, impacted by a less favourable product mix under Performance Materials. Backlog reached near record levels at $245.0 million, representing 300 days of annualized revenue as at June 30, 2024, and with the effective backlog under Specialty Semiconductors surpassing the next twelve months.

Midway through the year, the Company's two previously announced capacity expansion projects are progressing on plan and nearing completion. In Montreal, new semiconductor compound capacity is expected to be commissioned in the third quarter of 2024, which at ramp up will represent a 100% capacity increase over 2022 levels. At AZUR SPACE Solar Power GmbH ("AZUR") in Heilbronn, Germany, new reactors are also expected to be commissioned in the third quarter of 2024 as part of our plans to increase capacity by 30% by the end of 2024 compared to 2022 levels.

Specialty Semiconductors

Specialty Semiconductors generated impressive 44% revenue growth in Q2 2024 to reach $52.3 million, and Adjusted EBITDA growth of 61% to reach $13.1 million, propelled by its strategic sectors. Adjusted gross margin as a percentage of sales was also strong at 33.0%. The segment's backlog came in at 365 days at quarter end, with the effective backlog surpassing the next twelve months due to confirmed long-term contracts.

During Q2 2024, 5N+ announced the successful renewal and extension of its supply agreement with its longstanding customer First Solar, Inc. ("First Solar"), thereby increasing its supply of specialized semiconductor materials to First Solar for the manufacturing of thin-film photovoltaic (PV) solar modules. The renewed agreement, under favourable commercial terms, represents a 50% increase in volume over the next two calendar years compared to the previous agreement. As part of the renewed agreement, 5N+ and First Solar also continue to collaborate on the development and supply of other terrestrial renewable energy products to support the growth and improvement of thin-film technology.

Earlier in Q2 2024, 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, in support of the Company's germanium substrates production facility in St. George, Utah.

Performance Materials

Under Performance Materials, revenues were slightly lower at $22.2 million, compared to $22.8 million in Q2 2023, as a result of lower bismuth-based products and specialty alloys sales. Both Adjusted EBITDA and Adjusted gross margin were impacted by a less favourable product mix in the segment compared to last year.

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Q2 2024 Financial Highlights

- Revenue in Q2 2024 increased by 26% to $74.6 million, compared to $59.1 million in Q2 2023, primarily driven by strong growth under Specialty Semiconductors.

- Adjusted EBITDA in Q2 2024 increased by 24% to $13.5 million, compared to $10.8 million in Q2 2023, driven by higher volume from the terrestrial renewable energy and space solar power sectors, and better prices over inflation.

- Adjusted gross margin increased by 20% to reach $23.4 million in Q2 2024, favourably impacted by the same factors as above. Adjusted gross margin as a percentage of sales was 31.3%, compared to 32.9% in Q2 2023, impacted by a less favourable product mix under Performance Materials.

- Net earnings in Q2 2024 were $4.8 million, compared to $10.1 million in Q2 2023 which was positively impacted by a non-recurrent litigation and restructuring income.

- Backlog stood at $245.0 million, representing 300 days of annualized revenue as at June 30, 2024, 12 days higher than the previous quarter and 11 days higher than the same period last year, primarily due to the timing of contract signings and renewals.

- Net debt[1] was $91.1 million as at June 30, 2024, compared to $73.8 million as at December 31, 2023, reflecting an increase in working capital[1] and planned capital expenditures in the first half of 2024 under Specialty Semiconductors. The Company's net-debt-to-EBITDA ratio[1] stood at 2.15x as at June 30, 2024.

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.

Based on its performance year-to-date, Management expects to achieve the higher end of its previously disclosed Adjusted EBITDA guidance range of between $45 million and $50 million for 2024. Its Adjusted EBITDA guidance range for 2025 of between $50 million and $55 million remains unchanged.

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Summary of Results

(in thousands of U.S. dollars, except per share amounts)	**Q2 2024**	Q2 2023	**YTD 2024**	YTD 2023
	$	$	**$**	$
Revenue	**74,580**	59,075	**139,599**	114,362
Adjusted operating expenses[1]	**(61,090)**	(48,231)	**(114,372)**	(94,721)
Adjusted EBITDA	**13,490**	10,844	**25,227**	19,641
Share-based compensation recovery (expense)	**15**	(701)	**(345)**	(713)
Litigation and restructuring income	**-**	8,772	**-**	8,772
Impairment of non-current assets	**(307)**	(608)	**(307)**	(608)
Loss on disposal of property, plant and equipment	**-**	(1,051)	**-**	(1,051)
Foreign exchange and derivative (loss) gain	**(2)**	274	**385**	259
EBITDA[1]	**13,196**	17,530	**24,960**	26,300
Interest on long-term debt, imputed interest and other interest expense	**1,874**	2,056	**4,080**	4,316
Depreciation and amortization	**4,049**	4,015	**7,994**	8,074
Earnings before income taxes	**7,273**	11,459	**12,886**	13,910
Income tax expense (recovery)				
Current	**2,177**	2,855	**4,691**	3,769
Deferred	**307**	(1,539)	**899**	(1,456)
	2,484	1,316	**5,590**	2,313
Net earnings	**4,789**	10,143	**7,296**	11,597
Basic earnings per share	**$0.05**	$0.11	**$0.08**	$0.13
Diluted earnings per share	**$0.05**	$0.11	**$0.08**	$0.13

Revenue by Segment and Adjusted Gross Margin

(in thousands of U.S. dollars)	**Q2 2024**	Q2 2023	Change	**YTD 2024**	YTD 2023	Change
	$	$		**$**	$	
Specialty Semiconductors	**52,340**	36,313	44%	**97,490**	69,052	41%
Performance Materials	**22,240**	22,762	(2%)	**42,109**	45,310	(7%)
Total revenue	**74,580**	59,075	26%	**139,599**	114,362	22%
Cost of sales	**(54,385)**	(42,765)	27%	**(102,405)**	(84,767)	21%
Depreciation included in cost of sales	**3,173**	3,152	1%	**6,249**	6,354	(2%)
Adjusted gross margin	**23,368**	19,462	20%	**43,443**	35,949	21%
Adjusted gross margin percentage	**31.3%**	32.9%		**31.1%**	31.4%	

Revenue in Q2 2024 increased by 26%, reaching $74.6 million, compared to $59.1 million for the same period last year. The increase is primarily attributable to strong growth under Specialty Semiconductors.

Adjusted gross margin increased by 20% to reach $23.4 million in Q2 2024, compared to $19.5 million in Q2 2023, and $43.4 million in YTD 2024, compared to $35.9 million in the same period last year, favourably impacted by higher volume in strategic sectors and better prices over inflation. Adjusted gross margin as a percentage of sales was 31.3% in Q2 2024, compared to 32.9% in Q2 2023, with margin expansion under Specialty Semiconductors offset by a less favourable product mix under Performance Materials. Adjusted gross margin as a percentage of sales was 31.1% in YTD 2024, compared to 31.4% in YTD 2023.

Specialty Semiconductors

Revenue in Q2 2024 was $52.3 million, compared to $36.3 million in Q2 2023. In YTD 2024, revenue was $97.5 million, compared to $69.1 million in YTD 2023, supported by higher demand from the terrestrial renewable energy and space solar power sectors. Adjusted gross margin as a percentage of sales was 33.0% in Q2 2024, compared to 31.9% in Q2 2023. Adjusted gross margin as a percentage of sales was 31.2% in YTD 2024, compared to 31.5% in YTD 2023, impacted by a less favourable inventory position at the start of the year.

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Performance Materials

Revenue in Q2 2024 reached $22.2 million, compared to $22.8 million in Q2 2023. In YTD 2024, revenue was $42.1 million, compared to $45.3 million in YTD 2023. The decrease is primarily attributable to lower bismuth-based products and specialty alloys sales compared to the same periods last year. Adjusted gross margin as a percentage of sales was 28.4% in Q2 2024, compared to 36.6% in Q2 2023, impacted by a less favourable product mix in Q2 2024. In YTD 2024, Adjusted gross margin as a percentage of sales was 31.7%, compared to 32.7% in YTD 2023.

Operating Earnings, EBITDA and Adjusted EBITDA

(in thousands of U.S. dollars)	**Q2 2024**	Q2 2023	Change	**YTD 2024**	YTD 2023	Change
	$	$		**$**	$	
Specialty Semiconductors	**13,072**	8,128	61%	**22,629**	15,350	47%
Performance Materials	**3,859**	6,235	(38%)	**8,771**	10,696	(18%)
Corporate	**(3,441)**	(3,519)	(2%)	**(6,173)**	(6,405)	(4%)
Adjusted EBITDA	**13,490**	10,844	24%	**25,227**	19,641	28%
EBITDA	**13,196**	17,530	(25%)	**24,960**	26,300	(5%)
Operating earnings	**9,149**	13,241	(31%)	**16,581**	17,967	(8%)

Adjusted EBITDA in Q2 2024 increased by 24% to $13.5 million, representing an Adjusted EBITDA margin[1] of 18.1%, compared to $10.8 million, or an Adjusted EBITDA margin of 18.4%, in Q2 2023. Adjusted EBITDA was $25.2 million in YTD 2024, a 28% increase compared to $19.6 million in YTD 2023.

In Q2 2024, EBITDA reached $13.2 million, compared to $17.5 million in Q2 2023. The decrease of $4.3 million is mainly explained by a non-recurring litigation and restructuring income of $8.8 million recorded in Q2 2023. The other items reconciling Adjusted EBITDA to EBITDA are an impairment of a non-current asset, a foreign exchange and derivatives loss and a shared-based compensation recovery recorded this quarter.

In Q2 2024, operating earnings amounted to $9.1 million, compared to operating earnings of $13.2 million in Q2 2023, impacted by the same factors as mentioned above. In YTD 2024, operating earnings amounted to $16.6 million, compared to $18.0 million in YTD 2023.

Specialty Semiconductors

Adjusted EBITDA in Q2 2024 increased by $4.9 million, or 61%, to reach $13.1 million, representing an Adjusted EBITDA margin of 25%, compared to 22% in Q2 2023. Adjusted EBITDA in YTD 2024 increased by $7.3 million to $22.6 million, representing an Adjusted EBITDA margin of 23%, compared to 22% for the same period in 2023. The increase is primarily attributable to higher demand in the terrestrial renewal energy and space solar power sectors.

Performance Materials

Adjusted EBITDA in Q2 2024 decreased by $2.4 million, or 38%, and reached $3.9 million, representing an Adjusted EBITDA margin of 17%, compared to 27% in Q2 2023. Adjusted EBITDA in YTD 2024 decreased by $1.9 million to $8.8 million, representing an Adjusted EBITDA margin of 21%, compared to 24% in the same period in 2023. The decrease is primarily attributable to lower volumes and a less favourable product mix when compared to last year.

[1] 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.

Net Earnings and Adjusted Net Earnings

(in thousands of U.S. dollars, except per share amounts)	Q2 2024	Q2 2023	YTD 2024	YTD 2023
	$	$	$	$
Net earnings	**4,789**	10,143	**7,296**	11,597
Basic earnings per share	**$0.05**	$0.11	**$0.08**	$0.13
Reconciling items:				
Share-based compensation (recovery) expense	**(15)**	701	**345**	713
Litigation and restructuring income	**-**	(8,772)	**-**	(8,772)
Impairment of non-current assets	**307**	608	**307**	608
Loss on disposal on property, plant and equipment	**-**	1,051	**-**	1,051
Income tax recovery on taxable items above	**(90)**	(544)	**(185)**	(547)
Adjusted net earnings[1]	**4,991**	3,187	**7,763**	4,650
Basic adjusted earnings per share[1]	**$0.06**	$0.04	**$0.09**	$0.05

In Q2 2024, net earnings were $4.8 million or $0.05 per share, compared to net earnings of $10.1 million or $0.11 per share in Q2 2023, which was positively impacted by a litigation and restructuring income. Adjusted net earnings were $5.0 million or $0.06 per share in Q2 2024, compared to $3.2 million or $0.04 per share in Q2 2023.

In YTD 2024, net earnings were $7.3 million or $0.08 per share, compared to $11.6 million or $0.13 per share in YTD 2023. Adjusted net earnings were $7.8 million or $0.09 per share in YTD 2024, compared to $4.7 million or $0.05 per share, in YTD 2023.

Excluding income tax recovery, the items reconciling Adjusted net earnings in Q2 2024 and YTD 2024 are a share-based compensation (recovery) expense and an impairment on non-current assets. For more information, see the "Expenses" section.

Backlog and Bookings

	BACKLOG			BOOKINGS[1]		
(in thousands of U.S. dollars)	**Q2 2024**	Q1 2024	Q2 2023	**Q2 2024**	Q1 2024	Q2 2023
	$	$	$	**$**	$	$
Specialty Semiconductors	**215,425**	173,484	158,765	**94,281**	43,677	47,716
Performance Materials	**29,622**	31,594	28,146	**20,268**	18,117	13,043
Total	**245,047**	205,078	186,911	**114,549**	61,794	60,759

	BACKLOG			BOOKINGS		
(number of days based on annualized revenue)*	**Q2 2024**	Q1 2024	Q2 2023	**Q2 2024**	Q1 2024	Q2 2023
Specialty Semiconductors	**365**	351	365	**164**	88	120
Performance Materials	**122**	145	113	**83**	83	52
Weighted average	**300**	288	289	**140**	87	94

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

Q2 2024 vs. Q1 2024

Backlog on June 30, 2024, represented 300 days of annualized revenue, 12 days higher than the backlog on March 31, 2024.

The backlog for Specialty Semiconductors represented 365 days of annualized revenue, an increase of 14 days, or 4%, over the backlog on March 31, 2024, due to confirmed long-term contracts. While the estimated number of days based on annualized revenues cannot exceed 365 days per the Company's definition, it is important to note that the effective backlog under Specialty Semiconductors surpasses the next twelve months.

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The backlog for Performance Materials represented 122 days of annualized revenue, a decrease of 23 days, or 16%, compared to the backlog on March 31, 2024, 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 increased by 76 days, from 88 days in Q1 2024 to 164 days in Q2 2024. The increase in bookings is largely attributable to the signing of long-term contracts negotiated for renewal this quarter. Bookings for Performance Materials in Q2 2024 were at the same level as in Q1 2024 at 83 days. 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.

Q2 2024 vs. Q2 2023

Backlog on June 30, 2024, in number of days, for Specialty Semiconductors was at a similar level as the backlog on June 30, 2023. The backlog for Performance Materials, represented 122 days, an increase of 9 days, compared to 113 days on June 30, 2023.

Bookings for Specialty Semiconductors increased by 44 days for the same factors mentioned above and by 31 days for Performance Materials, compared to the same quarter of the previous year.

Expenses

(in thousands of U.S. dollars)	**Q2 2024**	Q2 2023	**YTD 2024**	YTD 2023
	$	$	**$**	$
Depreciation and amortization	**4,049**	4,015	**7,994**	8,074
SG&A	**8,717**	7,569	**16,034**	14,462
Share-based compensation (recovery) expense	**(15)**	701	**345**	713
Litigation and restructuring income	**-**	(8,772)	**-**	(8,772)
Impairment of non-current assets	**307**	608	**307**	608
Loss on disposal of property, plant and equipment	**-**	1,051	**-**	1,051
Financial expense	**1,876**	1,782	**3,695**	4,057
Income tax expense	**2,484**	1,316	**5,590**	2,313
Total expenses	**17,418**	8,270	**33,965**	22,506

Depreciation and Amortization

Depreciation and amortization expenses in Q2 2024 and YTD 2024 amounted to $4.0 million and $8.0 million, respectively, compared to $4.0 million and $8.1 million, respectively, for the same periods in 2023.

SG&A

SG&A expenses in Q2 2024 and YTD 2024 were $8.7 million and $16.0 million, respectively, compared to $7.6 million and $14.5 million, for the same periods in 2023. The increase in Q2 2024 and YTD 2024 is mainly explained by a punctual need for third-party support and inflation.

Share-Based Compensation Expense

Share-based compensation expense in Q2 2024 amounted to $nil, compared to $0.7 million in Q2 2023. In YTD 2024, share-based compensation expense amounted to $0.3 million, compared to $0.7 million in YTD 2023.

Litigation and Restructuring Income

Litigation and restructuring income in Q2 2024 amounted to $nil, compared to a litigation and restructuring income of $8.8 million recorded in Q2 2023, which represents the amount received from the previous shareholder of AZUR as per stipulations of the share purchase agreement, net of related expenses.

Impairment of Non-Current Assets

In Q2 2024, the Company recorded an impairment of non-current assets of $0.3 million in relation to property, plant and equipment (PPE) included under Specialty Semiconductors to reflect the assessment of the carrying value of production equipment following the Company's decision to discontinue construction of the asset.

In Q2 2023, the Company recorded an impairment of non-current assets of $0.6 million in relation to PPE included under Performance Materials to reflect the assessment of the carrying value of production equipment following the Company's decision to switch to higher capacity production equipment.

Loss on Disposal of Property, Plant and Equipment

Loss on disposal of property, plant and equipment in Q2 2024 and YTD 2024 amounted to $nil. In Q2 2023, the Company recorded a loss of $1.1 million on the disposal of production equipment following a change in technical requirements and functionalities by the Company. The Company disposed of this production equipment in a non-monetary transaction with the supplier in exchange for credit to be applied against future purchases of production equipment.

Financial Expense

Financial expense amounted to $1.9 million in Q2 2024, compared to $1.8 million in Q2 2023. In YTD 2024, financial expense amounted to $3.7 million, compared to $4.1 million in YTD 2023. Lower financial expense reflects a decrease of $0.2 million of interest on long-term debt coupled with a higher foreign exchange and derivative gain of $0.1 million in YTD 2024.

Income Taxes

The Company reported earnings before income taxes of $7.3 million in Q2 2024, and of $12.9 million in YTD 2024. Income tax expense in Q2 2024 and YTD 2024 was $2.5 million and $5.6 million, respectively, compared to $1.3 million and $2.3 million, in the same periods 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)	**Q2 2024**	Q2 2023	**YTD 2024**	YTD 2023
	$	$	**$**	$
Cash from operations before the following:	**9,503**	15,227	**16,647**	21,104
Net changes in non-cash working capital items	**(11,270)**	(3,849)	**(19,265)**	(13,498)
Cash (used in) from operating activities	**(1,767)**	11,378	**(2,618)**	7,606
Cash used in investing activities	**(4,496)**	(4,503)	**(14,476)**	(1,571)
Cash (used in) from financing activities	**(502)**	(8,195)	**9,706**	(8,785)
Effect of foreign exchange rate changes on cash and cash equivalents	**(19)**	(16)	**(173)**	146
Net decrease in cash and cash equivalents	**(6,784)**	(1,336)	**(7,561)**	(2,604)

In Q2 2024, cash used in operating activities amounted to $1.8 million, compared to cash generated from operating activities of $11.4 million in Q2 2023. In YTD 2024, cash used in operating activities amounted to $2.6 million, compared to cash generated from operating activities of $7.6 million in YTD 2023. The negative variance of $10.2 million in YTD 2024 is due to a lower contribution in cash from operations of $4.5 million and incremental requirements in terms of non-cash working capital of $5.8 million.

In Q2 2024, cash used in investing activities amounted to $4.5 million which is the same level as Q2 2023. In YTD 2024, cash used in investing activities amounted to $14.5 million, compared to $1.6 million in YTD 2023. The increase 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 $6.0 million in YTD 2024, as well as an increase in the Company's minority equity stake in Microbion Corporation for an amount of $1.0 million in YTD 2024.

In Q2 2024, cash used in financing activities amounted to $0.5 million, compared to $8.2 million in Q2 2023. In YTD 2024, cash generated from financing activities amounted to $9.7 million, compared to cash used in financing activities of $8.8 million in YTD 2023. The variation of $18.5 million is attributable to two interest-free term loans received in 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. In addition, the Company received higher cash from the issuance of common shares in 2024, while the principal elements of lease payments were similar for both periods.

Working Capital

(in thousands of U.S. dollars)	As at June 30, 2024	As at December 31, 2023
	$	$
Inventories	116,015	105,850
Other current assets	79,949	76,113
Current liabilities	(56,432)	(81,807)
Working capital	139,532	100,156
Working capital current ratio[1]	3.47	2.22

Working capital increased by $39.4 million, compared to December 31, 2023, mainly due to lower current liabilities of $25.4 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 $10.2 million in Q2 2024 to support demand, along with an increase in other current assets by $3.9 million from higher revenue.

Net Debt

(in thousands of U.S. dollars)	As at June 30, 2024	As at December 31, 2023
	$	$
Bank indebtedness	-	-
Long-term debt including current portion	118,205	108,500
Total Debt[1]	118,205	108,500
Cash and cash equivalents	(27,145)	(34,706)
Net Debt	91,060	73,794

Total debt stood at $118.2 million as at June 30, 2024, compared to $108.5 million as at December 31, 2023.

Net debt, after considering cash and cash equivalents, increased by $17.3 million to $91.1 million on June 30, 2024, from $73.8 million on December 31, 2023.

In Q1 2024, the Company entered into a subordinated term loan agreement with Investissement Québec of $15.0 million, which replaced 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 August 5, 2024	As at June 30, 2024
Issued and outstanding shares	88,917,801	88,917,801
Stock options potentially issuable	1,291,705	1,291,705

[1] 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 $0.2 million as at June 30, 2024, and of $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 six-month period ended June 30, 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 MD&A, 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)	**Q2 2024**	Q2 2023	**YTD 2024**	YTD 2023
	$	$	**$**	$
Net earnings	**4,789**	10,143	**7,296**	11,597
Interest on long-term debt, imputed interest and other interest expense	**1,874**	2,056	**4,080**	4,316
Income tax expense	**2,484**	1,316	**5,590**	2,313
Depreciation and amortization	**4,049**	4,015	**7,994**	8,074
EBITDA	**13,196**	17,530	**24,960**	26,300

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)	**Q2 2024**	Q2 2023	**YTD 2024**	YTD 2023
	$	$	**$**	$
Revenues	**74,580**	59,075	**139,599**	114,362
Operating expenses	**(65,431)**	(45,834)	**(123,018)**	(96,395)
Operating earnings	**9,149**	13,241	**16,581**	17,967
Share-based compensation (recovery) expense	**(15)**	701	**345**	713
Litigation and restructuring (income) costs	**-**	(8,772)	**-**	(8,772)
Impairment of non-current assets	**307**	608	**307**	608
Loss on disposal of property, plant and equipment	**-**	1,051	**-**	1,051
Depreciation and amortization	**4,049**	4,015	**7,994**	8,074
Adjusted EBITDA	**13,490**	10,844	**25,227**	19,641
Adjusted EBITDA margin	**18.1%**	18.4%	**18.1%**	17.2%

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)	**Q2 2024**	Q2 2023	**YTD 2024**	YTD 2023
	$	$	**$**	$
Operating expenses	**65,431**	45,834	**123,018**	96,395
Share-based compensation recovery (expense)	**15**	(701)	**(345)**	(713)
Litigation and restructuring income (costs)	**-**	8,772	**-**	8,772
Impairment of non-current assets	**(307)**	(608)	**(307)**	(608)
Loss on disposal of property, plant and equipment	**-**	(1,051)	**-**	(1,051)
Depreciation and amortization	**(4,049)**	(4,015)	**(7,994)**	(8,074)
Adjusted operating expenses	**61,090**	48,231	**114,372**	94,721

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)	Q2 2024	Q2 2023	YTD 2024	YTD 2023
	$	$	$	$
Net earnings	4,789	10,143	7,296	11,597
Basic earnings per share	$0.05	$0.11	$0.08	$0.13
Reconciling items:				
Share-based compensation (recovery) expense	(15)	701	345	713
Litigation and restructuring (income) costs	-	(8,772)	-	(8,772)
Impairment of non-current assets	307	608	307	608
Loss on disposal of property, plant and equipment	-	1,051	-	1,051
Income tax recovery on taxable item above	(90)	(544)	(185)	(547)
Adjusted net earnings	4,991	3,187	7,763	4,650
Basic weighted average number of shares	88,818,002	88,454,724	88,775,869	88,411,447
Basic adjusted earnings per share	$0.06	$0.04	$0.09	$0.05

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)	Q2 2024	Q2 2023	YTD 2024	YTD 2023
	$	$	$	$
Total revenue	74,580	59,075	139,599	114,362
Cost of sales	(54,385)	(42,765)	(102,405)	(84,767)
Gross margin	20,195	16,310	37,194	29,595
Depreciation included in cost of sales	3,173	3,152	6,249	6,354
Adjusted gross margin	23,368	19,462	43,443	35,949
Adjusted gross margin percentage	31.3%	32.9%	31.1%	31.4%

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 June 30, 2024	As at December 31, 2023
	$	$
Bank indebtedness	-	-
Long-term debt including current portion	118,205	108,500
Lease liabilities including current portion	31,003	30,139
Subtotal Debt	149,208	138,639
Lease liabilities including current portion	(31,003)	(30,139)
Total Debt	118,205	108,500
Cash and cash equivalents	(27,145)	(34,706)
Net Debt	91,060	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 June 30, 2024**	As at December 31, 2023
	$	$
Inventories	**116,015**	105,850
Other current assets excluding inventories	**79,949**	76,113
Current assets	**195,964**	181,963
Current liabilities	**(56,432)**	(81,807)
Working capital	**139,532**	100,156
Working capital current ratio	**3.47**	2.22

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.

Selected Quarterly Financial Information

(in thousands of U.S. dollars, except per share amounts)	**June 30, 2024**	March 31, 2024	Dec 31, 2023	Sept 30, 2023	June 30, 2023	March 31, 2023	Dec 31, 2022	Sept 30, 2022
			$	$	$	$	$	$
Revenue	**74,580**	65,019	65,063	62,946	59,075	55,287	61,042	66,372
EBITDA	**13,196**	11,764	7,736	9,582	17,530	8,770	(3,671)	1,751
Adjusted EBITDA	**13,490**	11,737	9,033	9,649	10,844	8,797	6,705	9,114
Net earnings (loss)	**4,789**	2,507	2,284	1,518	10,143	1,454	(8,146)	(6,968)
Basic earnings (loss) per share	**$0.05**	$0.03	$0.03	$0.02	$0.11	$0.02	($0.09)	($0.08)
Diluted earnings (loss) per share	**$0.05**	$0.03	$0.03	$0.02	$0.11	$0.02	($0.09)	($0.08)
Adjusted net earnings	**4,991**	2,772	2,994	1,742	3,187	1,463	2,132	520
Basic adjusted earnings per share	**$0.06**	$0.03	$0.03	$0.02	$0.04	$0.02	$0.02	$-
Cash from operations before net change in non-cash working capital items	**9,503**	7,144	5,883	5,064	15,227	5,877	4,447	2,473
Backlog	**300 days**	288 days	292 days	284 days	289 days	306 days	253 days	192 days

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