2017 AR

Chemtrade Logistics Income Fund

2017 | Annual Report

Corporate Profile

Chemtrade operates a diversified business providing industrial chemicals and services to customers in North America and around the world. Chemtrade is one of North America's largest suppliers of sulphuric acid, spent acid processing services, inorganic coagulants for water treatment, sodium chlorate, sodium nitrite, sodium hydrosulphite and phosphorus pentasulphide. Chemtrade is a leading regional supplier of sulphur, chlor-alkali products, liquid sulphur dioxide, potassium chloride, and zinc oxide. Additionally, Chemtrade provides industrial services such as processing by-products and waste streams.

Visit our website

Chemtrade's Website – **chemtradelogistics.com** – is our primary medium for communicating with our unitholders. The site is regularly updated with news releases concerning distributions, financial results and other important developments and presentations such as our annual meeting presentation. An electronic copy of this report is available on the website.

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CHEMTRADE LOGISTICS INCOME FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2017

The information in this Management's Discussion and Analysis, or MD&A, is intended to assist the reader in the understanding and assessment of the trends and significant changes in the results of operations and financial condition of Chemtrade Logistics Income Fund (the “Fund”). Throughout this MD&A, the term “Chemtrade” refers to the Fund and its consolidated subsidiaries. The terms “we”, “us” or “our” similarly refers to Chemtrade. This MD&A should be read in conjunction with the audited consolidated financial statements of Chemtrade for the year ended December 31, 2017.

Chemtrade's financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”). Chemtrade's reporting currency is the Canadian dollar. In this MD&A, per unit amounts are calculated using the weighted average number of units outstanding for the applicable period unless otherwise indicated.

Caution Regarding Forward-Looking Statements

Certain statements contained in this MD&A constitute forward-looking statements within the meaning of certain securities laws, including the Securities Act (Ontario). Forward-looking statements can be generally identified by the use of words such as “anticipate”, “continue”, “estimate”, “expect”, “expected”, “intend”, “may”, “will”, “project”, “plan”, “should”, “believe” and similar expressions. Specifically, forward-looking statements in this MD&A include statements respecting certain future expectations about: capital expenditures; the ability of Chemtrade to access tax losses and tax attributes; the tax characterization of planned distributions; sources, use and sufficiency of cash flows; the amount of any long-term incentive compensation; the effect of changes in the exchange rate and the Fund’s ability to offset U.S. dollar denominated debt; the effect of changes in interest rates; the effect of changes in the prices and volumes of sodium chlorate and chlor-alkali; the effect of changes in the prices of sulphuric acid, electricity, salt and sulphur; the adoption and timing of certain accounting rules and their anticipated effect; the effectiveness of internal controls; the effectiveness of our business model; the sustainability of the Fund’s distribution rate; and our ability to reduce leverage levels. Forward-looking statements in this MD&A describe the expectations of Chemtrade as of the date hereof. These statements are based on assumptions and involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements for a variety of reasons, including without limitation the risks and uncertainties detailed under the “RISK FACTORS” section of the Fund's latest Annual Information Form and the **Risks and Uncertainties** section below.

Although Chemtrade believes the expectations reflected in these forward-looking statements and the assumptions upon which they are based are reasonable, no assurance can be given that actual results will be consistent with such forward-looking statements, and they should not be unduly relied upon. With respect to the forward-looking statements contained in this MD&A, Chemtrade has made assumptions regarding: there being no significant disruptions affecting the operations of Chemtrade, whether due to labour disruptions, supply disruptions, power disruptions, transportation disruptions, damage to equipment or otherwise; the ability of Chemtrade to obtain products, raw materials, equipment, transportation, services and supplies in a timely manner to carry out its activities and at prices consistent with current levels or in line with Chemtrade's expectations; the timely receipt of required regulatory approvals; the cost of regulatory and environmental compliance being consistent with current levels or in line with Chemtrade's expectations; the ability of Chemtrade to successfully access tax losses and tax attributes; the ability of Chemtrade to obtain financing on acceptable terms; currency, exchange and interest rates being consistent with current levels or in line with Chemtrade's expectations; and global economic performance.

Except as required by law, Chemtrade does not undertake to update or revise any forward-looking statements, whether as a result of new information, future events or for any other reason. The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement.

Recent Developments

Canexus Acquisition

On March 10, 2017, Chemtrade completed the acquisition (the "Acquisition") of all the issued and outstanding common shares of Canexus Corporation ("Canexus") by way of a court-approved plan of arrangement. Following completion of the Acquisition, Canexus amalgamated with 1993754 Alberta Ltd. an indirect, wholly-owned subsidiary of the Fund and subsequently with another subsidiary of Canexus, and the resulting entity's name was changed to Chemtrade Electrochem Inc. ("CEI").

CEI is an Alberta corporation which produces sodium chlorate and chlor-alkali products largely for the pulp and paper, oil and gas and water treatment industries. Its main operations are in Canada, the United States and South America.

On January 27, 2017, the Fund completed an offering of subscription receipts at a price of $18.35 per unit. The offering was undertaken on a bought deal basis by a syndicate of underwriters. The Fund issued 21,800,000 subscription receipts, resulting in aggregate gross proceeds of approximately $400.0 million. The net proceeds of the offering were used to partially fund the Acquisition. Upon closing of the Acquisition, the subscription receipts issued in the offering were exchanged on a one-for-one basis for units of the Fund without payment of additional consideration or further action, and an aggregate of 21,800,000 units were issued.

The Acquisition was structured as a share acquisition for total consideration of $935.9 million. The Acquisition was financed by a combination of: (i) $1.41 billion (US$1.05 billion) syndicated senior secured credit facilities consisting of a $436.1 million (US$325.0 million) term loan and a $972.9 million (US$725.0 million) revolving loan with a $268.4 million (US$200.0 million) optional accordion (the "Credit Facilities"); (ii) the net proceeds of the equity offering of 21,800,000 units noted above; (iii) the assumption of $372.8 million of CEI's (formerly Canexus') long-term debt which consisted of $110.0 million of senior notes and $262.8 million of extendible revolving credit facilities; and (iv) the assumption of $254.7 million fair value of CEI's (formerly Canexus') convertible debentures comprised of the 5.75% convertible unsecured subordinated Series IV debentures due December 31, 2018 (the "CEI Series IV Debentures"); the 6.00% convertible unsecured subordinated Series V debentures due December 31, 2020 (the "CEI Series V Debentures") and the 6.50% convertible unsecured subordinated Series VI debentures due December 31, 2021 (the "CEI Series VI Debentures"; the CEI Series IV Debentures, the CEI Series V Debentures and the CEI Series VI Debentures collectively, the "CEI Debentures"). In connection with the Acquisition, a portion of Chemtrade's new Credit Facilities were used to repay its existing credit facilities and CEI's (formerly Canexus') extendible revolving credit facilities. The amount drawn on the Credit Facilities to finance the Acquisition and to repay both Chemtrade's and CEI's credit facilities was $687.1 million. As a result of the repayment, Chemtrade expensed $5.5 million of previously deferred financing costs. Costs related to the new Credit Facilities of $6.6 million have been reflected in long-term debt. These costs have been deferred and are being amortized to finance costs in comprehensive income using the effective interest method.

Directly attributable acquisition-related costs were $11.9 million, of which $8.5 million were expensed in 2016, and the remainder have been expensed during 2017 and are included in selling and administrative expenses in comprehensive income. There were also $6.5 million of severance costs related to the Acquisition and an $8.6 million onerous lease provision recognized in 2017 related to the former CEI corporate office in Calgary.

For details on the purchase price allocation, refer to note 4 of the audited consolidated financial statements of Chemtrade for the year ended December 31, 2017.

As part of the integration of the newly acquired businesses, Chemtrade reconfigured its business segments in North America and introduced a new segment called Electrochemicals ("EC"), which includes Chemtrade's sodium chlorate business and the newly acquired businesses. Segment comparatives have been re-stated to conform with the current period presentation.

Sale of International Segment

On February 24, 2017, Chemtrade entered into a definitive agreement to sell its International business segment to Mitsui & CO., Ltd. for $57.7 million (€38.2 million). The transaction closed on May 31, 2017. The business provided removal and marketing services for elemental sulphur and sulphuric acid to customers globally. The International business has been classified as a discontinued operation in Chemtrade's financial statements. Chemtrade realized a gain of $16.3 million, after taxes upon the sale of the business, including a working capital adjustment of $1.0 million. The cumulative amount of foreign exchange differences related to the International business of $49.0 million previously recognized in accumulated other comprehensive income was reclassified from equity to net earnings from discontinued operations upon sale. The comparative consolidated statement of comprehensive income and other relevant notes have been re-stated to show the discontinued operation separately from continuing operations. Refer to note 5 of Chemtrade's consolidated financial statements for the year ended December 31, 2017 for further details.

For the three months and year ended December 31, 2017, revenues from the International segment were nil and $41.9 million, respectively, compared with $26.9 million and $159.9 million respectively, for the comparative periods of 2016. Adjusted EBITDA for the three months and year ended December 31, 2017 were nil and $3.0 million, respectively, compared with a loss of $5.3 million and Adjusted EBITDA of $1.0 million for the comparative period of 2016. Earnings from operating activities were nil and $3.3 million for the three months and year ended December 31, 2017 compared with losses from operating activities of $15.3 million and $11.5 million for the same periods of 2016.

Issuance of Fund 2017 4.75% Convertible Unsecured Subordinated Debentures

On May 2, 2017, the Fund completed an agreement with a syndicate of underwriters to issue $175.0 million principal amount of convertible unsecured subordinated debentures. As allowed under provisions of the agreement to issue the debentures, the underwriters purchased an additional $26.3 million principal amount of the debentures, increasing the aggregate gross proceeds of the public offering to $201.3 million. Chemtrade incurred transaction costs of approximately $8.7 million, which included underwriters' fee and other expenses of the offering.

These convertible unsecured debentures bear interest at a rate of 4.75% per annum and are convertible, at the option of the holder, into units of the Fund at any time prior to the maturity date of May 31, 2024 at a unit price of $26.70 per unit and are not redeemable before May 31, 2020 (the "Fund 2017 4.75% Debentures"). The net proceeds of the issuance were used to fund the mandatory change of control offers on the CEI Debentures, (see Change of Control Offers below), the redemption of the Fund's 5.75% convertible unsecured subordinated debentures due December 31, 2018 (the "Fund 2011 5.75% Debentures") (see Redemption of Fund 2011 5.75% Debentures below) and the redemption of the remaining CEI Series IV Debentures (see Redemption of Remaining CEI Series IV Debentures below).

At December 31, 2017, the Fund also had $126.5 million principal amount of 5.25% of convertible unsecured subordinated debentures outstanding (the "Fund 2014 5.25% Debentures") and $143.8 million principal amount of 5.00% convertible unsecured subordinated debentures outstanding (the "Fund 2016 5.00% Debentures"; the Fund 2017 4.75% Debentures, the Fund 2014 5.25% Debentures and the Fund 2016 5.00% Debentures, collectively, the "Fund Debentures"; the Fund Debentures and the CEI Debentures, collectively, the "Debentures").

Mandatory Change of Control Offers for CEI Debentures

Following the Acquisition, CEI commenced mandatory change of control offers to purchase all of the outstanding CEI Debentures. On May 10, 2017, CEI acquired the following debentures:

- $45.9 million principal amount of the CEI Series IV Debentures (representing 76.5% of the CEI Series IV Debentures outstanding)

- $23.5 million principal amount of the CEI Series V Debentures (representing 21.9% of the CEI Series V Debentures outstanding)

- $11.0 million principal amount of the CEI Series VI Debentures (representing 12.8% of the CEI Series VI Debentures outstanding)

Redemption of Fund 2011 5.75% Debentures

On May 11, 2017, the Fund completed the redemption of $79.6 million aggregate principal amount of its Fund 2011 5.75% Debentures, representing a redemption in full of all of the Fund 2011 5.75% Debentures. The Fund 2011 5.75% Debentures were redeemed at a total redemption price of $1,000 plus accrued and unpaid interest of $20.64, both per $1,000 principal amount, for a total aggregate redemption price of $81.2 million.

Redemption of Remaining CEI Series IV Debentures

On May 15, 2017, CEI redeemed the remaining $14.1 million principal amount of the CEI Series IV Debentures, representing a redemption in full of the CEI Series IV Debentures.

Offer to Exchange

On July 14, 2017, the Fund commenced offers (the "Offers") to purchase (i) all of the outstanding CEI Series V Debentures; and (ii) all of the outstanding CEI Series VI Debentures.

Under the terms of the offer to purchase the CEI Series V Debentures, the Fund offered to purchase all of the Series V Convertible Debentures in exchange for an equal principal amount of newly issued 5.50% convertible unsecured subordinated debentures due December 31, 2020 of the Fund plus accrued and unpaid interest in cash. Under the terms of the offer to purchase the CEI Series VI Debentures, the Fund offered to purchase all of the Series VI Convertible Debentures in exchange for an equal principal amount of newly issued 5.75% convertible unsecured subordinated debentures due December 31, 2021 of the Fund plus accrued and unpaid interest in cash.

On August 23, 2017, the Fund announced the expiration of the Offers. As the conditions to the Offers had not been satisfied, the Fund did not accept any tendered CEI Debentures for payment. The Fund incurred transaction costs of approximately $505. These are included in finance costs in comprehensive income.

Redemption of CEI Senior Notes

On March 10, 2017, as part of the Acquisition Chemtrade assumed $110.0 million of senior unsecured notes issued by Canexus (now CEI). The senior notes, issued at par value, bear interest at a rate of 7.875% per annum and mature on September 20, 2023 (the “CEI Senior Notes”). The CEI Senior Notes contain certain early redemption options under which CEI has the option to redeem all or a portion of the CEI Senior Notes at various redemption prices, which include the principal amount plus accrued and unpaid interest, if any, to the redemption date. Interest is payable semi-annually on March 20 and September 20, commencing on March 20, 2017.

On June 26, 2017, CEI redeemed $38.5 million aggregate principal amount of the CEI Senior Notes, representing 35% of the $110.0 million aggregate principal amount outstanding. The CEI Senior Notes were redeemed at a total redemption price of $1,079 for each $1,000 principal amount of notes, for a total aggregate redemption price of $42.3 million being equal to 107.875% of the principal amount, plus all accrued and unpaid interest.

Financial Highlights

These financial highlights have been presented in accordance with IFRS.

	Three months ended		Year ended		
($'000 except per unit amounts)	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016	December 31, 2015
				(As recast)	
Revenue from continuing operations	$ 386,669	$ 251,748	$ 1,469,138	$ 1,067,256	$ 1,127,466
Net earnings [(1)]	$ 46,439	$ (8,902)	$ 147,359	$ 4,744	$ (47,590)
Net earnings from continuing operations [(1)]	$ 45,457	$ 6,412	$ 78,822	$ 16,209	$ (57,995)
Net earnings per unit [(1)]	$ 0.50	$ (0.13)	$ 1.67	$ 0.07	$ (0.69)
Net earnings per unit from continuing operations[(1)]	$ 0.49	$ 0.09	$ 0.89	$ 0.23	$ (0.84)
Diluted net earnings per unit [(1)]	$ 0.45	$ (0.13)	$ 1.53	$ 0.07	$ (0.69)
Diluted earnings per unit from continuing operations [(1)]	$ 0.49	$ 0.09	$ 0.89	$ 0.23	$ (0.84)
Total assets	$ 2,983,328	$ 2,162,072	$ 2,983,328	$ 2,162,072	$ 2,413,245
Current portion of long-term debt	$ 3,930	$ 3,654	$ 3,930	$ 3,654	$ 3,397
Long-term debt	$ 642,144	$ 451,526	$ 642,144	$ 451,526	$ 618,254
Convertible unsecured subordinated debentures	$ 640,689	$ 392,389	$ 640,689	$ 392,389	$ 240,726
Adjusted EBITDA from continuing operations [(1)(3)]	$ 61,454	$ 31,606	$ 283,175	$ 200,506	$ 220,946
Adjusted EBITDA per unit from continuing operations [(1)(3)(4)]	$ 0.66	$ 0.46	$ 3.21	$ 2.90	$ 3.21
Cash flows from operating activities	$ 62,168	$ 49,790	$ 151,298	$ 153,009	$ 161,974
Cash flows from operating activities per unit [(4)]	$ 0.67	$ 0.72	$ 1.72	$ 2.21	$ 2.35
Adjusted cash flows from operating activities from continuing operations[(1)(2)(3)]	$ 41,429	$ 30,960	$ 187,543	$ 144,485	$ 174,783
Adjusted cash flows from operating activities per unit from continuing operations [(1)(2)(3)(4)]	$ 0.45	$ 0.45	$ 2.13	$ 2.09	$ 2.54
Distributable cash after maintenance capital expenditures from continuing operations [(1)(2)(3)]	$ 6,691	$ 11,234	$ 120,828	$ 99,742	$ 122,672
Distributable cash after maintenance capital expenditures per unit from continuing operations [(1)(2)(3)(4)]	$ 0.07	$ 0.16	$ 1.37	$ 1.44	$ 1.78
Distributions declared	$ 27,779	$ 20,749	$ 106,434	$ 82,921	$ 82,700
Distributions declared per unit [(5)]	$ 0.30	$ 0.30	$ 1.20	$ 1.20	$ 1.20
Distributions paid	$ 27,779	$ 20,746	$ 104,091	$ 82,912	$ 82,640
Distributions paid per unit [(5)]	$ 0.30	$ 0.30	$ 1.20	$ 1.20	$ 1.20

[(1)] Results for the three months ended December 31, 2017 include an accrual for an onerous lease of $8,567, or $0.09 per unit. Results for the three months ended December 31, 2016 include $8,472 or $0.12 per unit of Acquisition related costs. Results for the year ended December 31, 2017 include severances, accrual for an onerous lease, and transaction costs related to the Acquisition of $18,557 or $0.21 per unit. Results for the year ended December 31, 2016 include $8,472 or $0.12 per unit of Acquisition related costs. See **Recent Developments**.

[(2)] Results for the year ended December 31, 2017 and 2016 include $18,292 or $0.21 per unit, and $20,067 or $0.29 per unit, respectively, of foreign exchange loss realized on the repayment of long-term debt. See **Recent Developments**.

[(3)] See **Non-IFRS Measures**.

[(4)] Based on weighted average number of units outstanding for the period of:	92,596,006	69,157,711	88,156,694	69,096,753	68,874,207

[(5)] Based on actual number of units outstanding on record date.

Non-IFRS Measures

EBITDA and Adjusted EBITDA -

Management defines EBITDA as net earnings before any deduction for net finance costs, taxes, depreciation and amortization. Adjusted EBITDA also excludes other non-cash charges such as gains and losses on the disposal and write-down of assets, and unrealized foreign exchange gains and losses. EBITDA and Adjusted EBITDA are metrics used by many investors and analysts to compare organizations on the basis of ability to generate cash from operations. Management considers Adjusted EBITDA (as defined) to be an indirect measure of operating cash flow, which is a significant indicator of the success of any business. Adjusted EBITDA is not intended to be representative of cash flow from operations or results of operations determined in accordance with IFRS or cash available for distribution.

EBITDA and Adjusted EBITDA are not recognized measures under IFRS. Chemtrade's method of calculating EBITDA and Adjusted EBITDA may differ from methods used by other income trusts or companies, and accordingly may not be comparable to similar measures presented by other organizations. A reconciliation of EBITDA and Adjusted EBITDA to net earnings follows:

	Three months ended		Year ended		
($'000)	**December 31, 2017**	**December 31, 2016**	**December 31, 2017**	**December 31, 2016**	**December 31, 2015**
				(As recast)	
Net earnings (loss) from continuing operations	$ 45,457	$ 6,412	$ 78,822	$ 16,209	$ (57,995)
Add:					
Depreciation and amortization	55,880	34,334	204,447	146,228	146,025
Net finance costs	19,721	12,937	86,073	62,751	33,698
Income tax recovery	(61,464)	(26,015)	(92,692)	(75,002)	(21,548)
EBITDA from continuing operations	59,594	27,668	276,650	150,186	100,180
Add:					
Impairment of intangible assets	—	—	—	3,143	88,738
Loss on disposal and write-down of assets	152	41	4,498	55,824	5,883
Unrealized foreign exchange loss (gain)	1,708	3,897	2,027	(8,647)	26,145
Adjusted EBITDA from continuing operations	$ 61,454	$ 31,606	$ 283,175	$ 200,506	$ 220,946

Cash Flow -

The following table is derived from, and should be read in conjunction with, the consolidated statements of cash flows. Management believes this supplementary disclosure provides useful additional information related to the cash flows of Chemtrade including the amount of cash available for distribution to Unitholders, repayment of debt and other investing activities. Certain sub-totals presented within the cash flows table below, such as “Adjusted cash flows from operating activities”, “Distributable cash after maintenance capital expenditures” and “Distributable cash after all capital expenditures”, are not defined terms under IFRS. These sub-totals are used by Management as measures of internal performance and as a supplement to the consolidated statements of cash flows. Investors are cautioned that these measures should not be construed as an alternative to using net earnings as a measure of profitability or as an alternative to the IFRS consolidated statements of cash flows. Further, Chemtrade's method of calculating each measure may not be comparable to calculations used by other income trusts or companies bearing the same description.

($'000)	Three months ended December 31, 2017	Three months ended December 31, 2016	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015
Cash flow from operating activities	$ 62,168	$ 49,790	$ 151,298	$ 153,009	$ 161,974
Less:					
Cash flow from (used in) operating activities of discontinued operations	—	4,552	(3,809)	4,756	2,421
Cash flow from operating activities of continuing operations	62,168	45,238	155,107	148,253	159,553
Add:					
Changes in non-cash working capital and other items	(20,739)	(14,278)	32,436	(3,768)	15,230
Adjusted cash flows from operating activities of continuing operations	**41,429**	**30,960**	**187,543**	**144,485**	**174,783**
Less:					
Maintenance capital expenditure	34,738	19,726	66,715	44,743	52,111
Distributable cash after maintenance capital expenditure from continuing operations	**6,691**	**11,234**	**120,828**	**99,742**	**122,672**
Less:					
Non-maintenance capital expenditure [1]	2,243	4,448	8,060	11,554	11,585
Distributable cash after all capital expenditure from continuing operations	**$ 4,448**	**$ 6,786**	**$ 112,768**	**$ 88,188**	**$ 111,087**

[1] Non-maintenance capital expenditures are: (a) pre-funded, usually as part of a significant acquisition and related financing; (b) considered to expand the capacity of Chemtrade's operations; (c) significant environmental capital expenditures that are considered to be non-recurring; or (d) capital expenditures to be reimbursed by a third party.

Consolidated Operating Results

2017 vs 2016

Consolidated revenue from continuing operations for the fourth quarter of 2017 was $386.7 million, which was $134.9 million higher than revenue for the fourth quarter of 2016. On a year-to-date basis, revenue was $1,469.1 million, which was $401.9 million higher than revenue for the same period of 2016. The increase in revenue for three months and year ended December 31, 2017 was primarily due to revenues generated by the newly acquired businesses in the EC segment of $150.3 million and $500.7 million, respectively. This was partially offset by lower revenues in the Sulphur Products and Performance Chemicals ("SPPC") segment.

Chemtrade's Adjusted EBITDA for the fourth quarter and year ended December 31, 2017 was $29.8 million higher and $82.7 million higher than the Adjusted EBITDA for the same periods of 2016. This was primarily due to the Adjusted EBITDA of the newly acquired businesses in the EC segment for the fourth quarter and for the year ended December 31, 2017 of $40.5 million and $141.1 million, respectively, (see **Recent Developments**) partially offset by lower Adjusted EBITDA for the SPPC and Water Solutions and Specialty Chemicals ("WSSC") segments, and higher corporate costs.

Net earnings from continuing operations for the fourth quarter and year ended December 31, 2017 were higher than net earnings from continuing operations of the comparative periods of 2016 by $39.0 million and $62.6 million, respectively. The increase in net earnings was primarily due to the additional net earnings of the newly acquired businesses partially offset by higher depreciation and amortization.

Net finance costs for the fourth quarter of 2017 were $6.8 million higher than the fourth quarter of 2016 primarily due to additional interest expense of $5.2 million due to increased amounts of long-term debt and debentures outstanding compared with the 2016 period, primarily due to the Acquisition. For the year ended December 31, 2017, net finance costs were $23.3 million higher than the same period of 2016 mainly due to additional interest expense of $23.6 million due to increased amounts of long-term debt and debentures outstanding as a result of the Acquisition, $6.6 million of debt extinguishment costs resulting from the repayment of credit facilities, and $2.8 million of higher transaction costs, partially offset by an $11.9 million decrease in finance costs due to the fair value adjustments on debentures. See further discussion in **Finance Income and Costs**.

Net earnings for 2016 also included a loss on write-down of assets of $55.7 million and an impairment of intangible assets of $3.1 million, partially offset by an income tax recovery related to these write downs. See **Loss on Write-Down of Assets and Intangible Asset Impairment**.

Unrealized foreign exchange losses were $2.2 million lower in the fourth quarter of 2017 relative to the fourth quarter of 2016. For the year ended December 31, 2017, there was an unrealized foreign exchange loss of $2.0 million compared with an unrealized foreign exchange gain of $8.6 million in 2016. This was driven by the fluctuations in the exchange rate between the Canadian dollar and the U.S. dollar.

Income tax recoveries for the fourth quarter and year ended December 31, 2017 were $35.4 million and $17.7 million higher, respectively, in 2017 relative to 2016 primarily due to a reduction in the U.S. federal corporate income tax rate ("Federal Tax Rate") which resulted in a lower deferred tax liability.

2016 vs 2015

Consolidated revenue from continuing operations for 2016 was $1,067.3 million, which was $60.2 million lower than the revenue from continuing operations for 2015. The decrease in revenue from continuing operations is primarily due to lower selling prices for sulphuric acid and sulphur in the SPPC segment, and lower volumes of certain products in the WSSC segment.

Chemtrade's Adjusted EBITDA for the year ended December 31, 2016 was $20.4 million lower than the Adjusted EBITDA for the same period of 2015. This was primarily due to weaker results in the SPPC and WSSC segments, and acquisition costs of $8.5 million related to Canexus (see **Recent Developments**).

Net earnings from continuing operations for the year ended December 31, 2016 were higher than net earnings for the comparative period of 2015 by $74.2 million. This is primarily due to goodwill impairment of $88.7 million recognized in the WSSC segment during the fourth quarter of 2015, partially offset by a loss on the write-down of assets of $55.7 million and an impairment of intangible assets of $3.1 million (see **Loss on Write-Down of Assets and Intangible Asset Impairment**) in 2016, which was partially offset by the resulting income tax recovery. There was also an unrealized foreign exchange gain during 2016, compared with an unrealized foreign exchange loss during 2015 due to fluctuations in the exchange rate between the Canadian dollar and the U.S. dollar. Net finance costs were higher in 2016 compared with 2015, primarily due to fair value adjustments on the debentures and $6.4 million of transaction costs related to the issuance of debentures during 2016.

Results of Continuing Operations by Business Segment

SPPC -

	Three months ended		Year ended	
($'000)	**December 31, 2017**	**December 31, 2016**	**December 31, 2017**	**December 31, 2016**
Revenue	$ 126,555	$ 141,931	$ 500,435	$ 592,507
Gross profit	8,975	15,101	46,885	20,295
Adjusted EBITDA	22,883	30,945	109,058	145,310
Impairment of intangible assets	—	—	—	(3,143)
Gain (loss) on disposal and write down of assets	380	—	(38)	(55,779)
EBITDA	23,263	30,945	109,020	86,388
Depreciation and amortization	(16,776)	(18,718)	(71,804)	(77,618)
Net finance costs	(3,164)	(1,825)	(18,676)	(17,194)
Income tax recovery	23,794	8,220	40,374	40,772
Net earnings	$ 27,117	$ 18,622	$ 58,914	$ 32,348

SPPC markets, removes and/or produces merchant, regenerated and ultra pure sulphuric acid, sodium hydrosulphite, elemental sulphur, liquid sulphur dioxide, hydrogen sulphide, and sodium bisulphite, and provides other processing services. These products are marketed primarily to North American customers.

Revenue for the fourth quarter of 2017 was $15.4 million lower than revenue for the fourth quarter of 2016. For the year ended December 31, 2017, revenue was $92.1 million lower than the level generated in 2016. The decrease in revenue for the fourth quarter and year ended December 31, 2017 compared with the same periods of 2016 was primarily due to $6.0 million and $44.7 million, respectively, of lower sales volume for sulphuric acid. Revenue also decreased by $5.5 million and $30.7 million, respectively, due to lower volumes of liquid sulphur dioxide as Chemtrade discontinued manufacturing and selling liquid sulphur dioxide in eastern Canada. Additionally, revenues were lower by $5.0 million and $11.5 million, respectively, due to lower volumes of sodium hydrosulphite products.

Gross profit for the fourth quarter of 2017 was lower than the fourth quarter of 2016 primarily due to the lower volumes of products sold. Despite lower revenues, gross profit for the year ended December 31, 2017 was higher than the comparative period of 2016, primarily due to the loss on write-down of assets and impairment of intangible assets recorded in the second quarter of 2016 related to Chemtrade's Augusta facility (see **Loss on Write-Down of Assets and Intangible Asset Impairment**).

Adjusted EBITDA for the fourth quarter and year ended December 31, 2017 was $8.1 million and $36.3 million lower, respectively, than Adjusted EBITDA for the same periods of 2016. The lower Adjusted EBITDA for the fourth quarter was mainly due to lower margins for sulphur, sodium bisulphite and sodium hydrosulphite. For the full year, results were also adversely affected by issues experienced during the third quarter of 2017, with supply disruptions due to the hurricane and due to the performance of a key by-product supplier. Additionally, relative to 2016, results were negatively affected due to the reduced level of activity at our Augusta sulphuric acid plant. Finally, 2017 financial results were lower than 2016 due to our decision to exit the liquid sulphur dioxide business towards the end of 2016.

Net earnings for the fourth quarter of 2017 were $8.5 million higher than net earnings for the fourth quarter of 2016. This was primarily a result of higher income tax recoveries, mainly due to the reduction in the U.S. Federal Tax Rate in the U.S. as well as due to lower taxable income generated during the fourth quarter of 2017 compared with the fourth quarter of 2016. Net earnings for the year ended December 31, 2017 were $26.6 million higher than the net earnings for the same period of 2016. This was primarily due to the loss on write-down of assets and impairment of intangible assets recorded in the second quarter of 2016, partially offset by an income tax recovery recorded in the same period primarily as a result of the reversal of certain deferred tax liabilities associated with the assets that were written down.

WSSC -

	Three months ended		Year ended	
($'000)	**December 31, 2017**	**December 31, 2016**	**December 31, 2017**	**December 31, 2016**
Revenue	$ 97,631	$ 96,491	$ 420,873	$ 425,783
Gross profit	6,871	6,459	53,585	57,904
Adjusted EBITDA	16,410	16,727	92,670	103,817
Loss on disposal and write-down of assets	—	(41)	(25)	(45)
EBITDA	16,410	16,686	92,645	103,772
Depreciation and amortization	(13,222)	(13,520)	(53,387)	(59,822)
Net finance costs	(4,266)	(4,967)	(19,341)	(14,085)
Income tax recovery	38,200	17,731	61,645	33,725
Net earnings	$ 37,122	$ 15,930	$ 81,562	$ 63,590

WSSC manufactures and markets a variety of inorganic coagulants used in water treatment, including aluminum sulphate, aluminum chlorohydrate, polyaluminum chloride, and ferric sulphate; and a number of specialty chemicals, including sodium nitrite, potassium chloride, phosphorus pentasulphide, vaccine adjuvants, and sulphides. These products are marketed primarily to North American customers.

Revenue for the fourth quarter December 31, 2017 was $1.1 million higher than the fourth quarter of 2016. Revenue for the year ended December 31, 2017 was $4.9 million lower than the same period of 2016 mainly due to lower sales volume of water treatment chemicals.

Gross profit for the fourth quarter of 2017 was comparable with the fourth quarter of 2016. Gross profit for the year ended December 31, 2017 was lower than the comparable period of 2016 primarily due to lower revenues during the first and third quarters of 2017. Production was constrained at two large water sites due to a few operating issues which not only resulted in lower volumes but also additional costs as we ensured that customers were not disrupted.

Adjusted EBITDA for the fourth quarter of 2017 was $0.3 million lower than the same period of 2016. Adjusted EBITDA for the year ended December 31, 2017 was $11.1 million lower than the same period of 2016 due to lower gross profit as discussed above.

Net earnings for the fourth quarter of 2017 were $21.2 million higher than the comparative period of 2016 primarily due to higher income tax recoveries of $20.5 million due to a reduction in the U.S. Federal Tax Rate. Net earnings for the year ended December 31, 2017 were $18.0 million higher than the comparative period of 2016. This is primarily due to $27.9 million of higher income tax recovery as a result of the reduction in the U.S. Federal Tax Rate, and $6.4 million of lower depreciation and amortization expense due to certain assets in this segment being fully depreciated in 2017, partially offset by $5.3 million of higher net finance costs during the period due to debt extinguishment costs from the repayment of debt due to the Acquisition.

EC -

	Three months ended		Year ended	
($'000)	**December 31, 2017**	**December 31, 2016**	**December 31, 2017**	**December 31, 2016**
North American sales volumes:				
Sodium chlorate sales volume (000's MT)	113	18	365	65
Chlor-alkali sales volume (000's MECU)	53	—	183	—
Revenue	$ 162,483	$ 13,326	$ 547,830	$ 48,966
Gross profit	23,611	1,488	88,939	3,423
Adjusted EBITDA	46,763	3,577	156,720	12,182
Loss on write-down of assets	(532)	—	(4,435)	—
EBITDA	46,231	3,577	152,285	12,182
Depreciation and amortization	(25,882)	(2,096)	(79,256)	(8,788)
Net finance costs	(7,111)	(14)	(19,518)	(57)
Income tax recovery (expense)	340	(24)	(7,931)	131
Net earnings	$ 13,578	$ 1,443	$ 45,580	$ 3,468

EC manufactures and markets sodium chlorate and chlor-alkali products largely for the pulp and paper, oil and gas and water treatment industries. These products are marketed primarily to North American and South American customers. This segment includes results from Chemtrade's sodium chlorate business for 2017 and the comparative periods of 2016, as well as those from the newly acquired businesses (see **Recent Developments**) since March 10, 2017, the date of acquisition.

Revenues for the fourth quarter and year ended December 31, 2017 were $149.2 million and $498.9 million higher, respectively, than the same periods of 2016. Gross profit for the fourth quarter and year ended December 31, 2017 were also $22.1 million and $85.5 million higher, respectively, than the same periods of 2016. Revenue and gross profit were both higher in the fourth quarter and year ended December 31, 2017 primarily due to results from the newly acquired businesses.

Adjusted EBITDA for the fourth quarter and year ended December 31, 2017 were $43.2 million and $144.5 million higher, respectively, than the same periods of 2016 primarily due to results from the newly acquired businesses. During the fourth quarter of 2017, a recurrence of an operating issue at the North Vancouver chlor-alkali plant resulted in an unplanned interruption of production for approximately two weeks. This negatively affected Adjusted EBITDA by approximately $8.0 million. Adjusted EBITDA for the year ended December 31, 2017 also included $4.9 million of severance expense.

Net earnings for the fourth quarter and year ended December 31, 2017 were $12.1 million and $42.1 million higher, respectively, than the same periods of 2016. Increases in depreciation and amortization expense, net finance costs, and income tax recoveries from the fourth quarter and year ended December 31, 2017 compared with the same periods of 2016 were also due to the newly acquired businesses. Net earnings for the year ended December 31, 2017 included a write-down of $3.9 million related to the shut-down of a small sodium chlorate plant in Nanaimo, BC. Net finance costs for the year ended December 31, 2017 included a $3.0 million premium paid on the partial redemption of the CEI Senior Notes. Net finance costs for the fourth quarter and year ended December 31, 2017 included a gain of $1.7 million and a loss of $0.7 million, respectively, related to the fair value of the CEI Debentures.

Corporate -

	Three months ended		Year ended	
($'000)	**December 31, 2017**	**December 31, 2016**	**December 31, 2017**	**December 31, 2016**
Cost of services	$ 24,602	$ 19,643	$ 75,273	$ 60,803
Adjusted EBITDA	$ (24,602)	$ (19,643)	$ (75,273)	$ (60,803)
Unrealized foreign exchange (loss) gain	(1,708)	(3,897)	(2,027)	8,647
EBITDA	(26,310)	(23,540)	(77,300)	(52,156)
Net finance costs	(5,180)	(6,131)	(28,538)	(31,415)
Income tax recovery (expense)	(870)	88	(1,396)	374
Net loss	$ (32,360)	$ (29,583)	$ (107,234)	$ (83,197)

The Corporate segment includes the administrative costs of corporate activities such as treasury, finance, information technology, human resources, legal and risk management, and environmental, health and safety support, which are not directly allocable to an operating segment.

For the fourth quarter and year ended December 31, 2017, corporate costs, excluding unrealized foreign exchange gains and losses, net finance costs and income taxes were $5.0 million and $14.5 million higher, respectively, than the comparative periods of 2016. Corporate costs were higher in the fourth quarter of 2017 primarily due to an onerous lease provision of $8.6 million recorded during the quarter related to the former corporate office of CEI in Calgary, higher Long-Term Incentive Plan ("LTIP") and incentive compensation costs of $1.4 million, higher pension costs of $1.2 million, higher realized foreign exchange losses of $0.5 million and $0.4 million of corporate expenses primarily due to the acquired businesses. This was partially offset by acquisition related costs of $8.5 million recorded during the fourth quarter of 2016.

Corporate costs for the year ended December 31, 2017 included $3.4 million of transaction costs related to the Acquisition (see **Recent Developments**), $1.6 million of severances related to the Acquisition, and $4.0 million of corporate costs related to the acquired businesses. There were also higher realized foreign exchange losses of $3.6 million in 2017 compared with 2016, as well as higher LTIP and incentive compensation costs of $8.9 million and higher pension costs of $1.5 million. These factors were partially offset by insurance proceeds of $8.5 million received related to the business interruption at the North Vancouver chlor-alkali plant in 2017.

The comments on LTIP expenses relate to the 2015-2017, 2016-2018, and 2017-2019 LTIPs which Chemtrade operates and grants cash awards based on certain criteria. The 2015-2017, 2016-2018, and 2017-2019 LTIP payouts are payable at the beginning of 2018, 2019 and 2020, respectively. The LTIP awards have a performance based component and a restricted share unit component. The performance based component for the 2015-2017 LTIP award is based on total Unitholder return achieved over the three year performance period of the plan, Adjusted EBITDA growth, and total return to Chemtrade's Unitholders relative to the total return on the S&P/TSX Capped Industrial Index. The 2016-2018 and 2017-2019 LTIP awards' performance based component is similar to the 2015-2017 LTIP awards except the total return to Chemtrade's Unitholders is measured relative to the total return on the S&P/TSX Dividend Index rather than the S&P/TSX Capped Industrial Index. The restricted share unit component of the LTIP awards is a phantom plan which is payable in cash at the end of the performance period. The nature of these calculations makes it difficult to forecast the amount of LTIP expenses that will be recorded in any period, as it is based upon a valuation model which considers several variables.

Chemtrade has hedged its investment in foreign operations that use the U.S. dollar as their functional currency with its U.S. dollar-denominated long-term debt. As a result, any gains and losses arising from the U.S. dollar-denominated debt will be offset by the foreign currency gain or loss arising from the investment in the foreign operations. The gains and losses on the translation of the designated amount of U.S. dollar-denominated debt and investment in foreign operations are recognized on a net basis in other comprehensive income. For the three months and year ended December 31, 2017, a foreign exchange loss of $1.1 million and a foreign exchange gain of $11.1 million, respectively, on the revaluation of the U.S. dollar-denominated debt and investment in foreign operations was recognized in other comprehensive income, compared with a foreign exchange loss of $1.9 million and a foreign exchange gain of $11.1 million, respectively, during the three months and year ended December 31, 2016.

Net finance costs during the fourth quarter were $1.0 million lower than the same period of 2016. For the year ended December 31, 2017, net finance costs were $2.9 million lower than the same period of 2016 primarily due to a $2.8 million gain relating to the fair value of the debentures compared to a $9.7 million loss during the year ended December 31, 2016, partially offset by $2.8 million of higher transaction costs and $6.9 million of additional interest due to the higher level of debentures outstanding.

Loss on Write-Down of Assets and Intangible Asset Impairment

In June 2016 Fibrant LLC ("Fibrant") publicly announced plans to close its Augusta, Georgia caprolactam operations and subsequently ceased production in November 2016. This resulted in Chemtrade's Augusta facility, which supplied sulphuric acid products to Fibrant, to cease operations as well.

Chemtrade recorded a loss of $55.7 million in the second quarter of 2016 on the write-down of assets associated with its sulphuric acid production facilities in Augusta, Georgia. Due to the closure of Fibrant's operations noted above, the cash flows associated with these specific assets could no longer support their carrying value.

Additionally, the closure of Fibrant's operations in Augusta was considered an indicator of impairment in the value of Chemtrade's customer contract with Fibrant. As a result, Chemtrade recorded an impairment loss of $3.1 million related to intangible assets in the SPPC segment.

These losses are reflected in cost of sales and services on the statement of comprehensive income. There was also $23.3 million of deferred income tax recovery recorded associated with these write-downs.

Foreign Exchange

Chemtrade has certain operating subsidiaries that use the U.S. dollar as their functional currency. As Chemtrade reports in Canadian dollars, its reported net earnings are exposed to fluctuations in the Canadian/U.S. dollar exchange rate. If the Canadian dollar weakens by one-cent (for example, from $1.25 to $1.26), on an unhedged basis, this would have a positive impact on annual net earnings of approximately $1.4 million, and vice-versa. The impact on annual Adjusted EBITDA and Distributable cash after maintenance capital expenditures would be approximately $2.2 million and $1.7 million, respectively, and vice-versa.

Chemtrade has entered into a series of foreign exchange contracts with its principal bankers to manage the volatility of foreign exchange rates. All foreign exchange contracts are under International Swap and Derivatives Association ("ISDA") agreements. Contracts in place at December 31, 2017 include future contracts to sell the following amounts for periods through to March 2019:

Amount	Weighted average exchange rate
US$68,500	$1.27

The purpose of these contracts is to manage foreign exchange risk on specific transactions in a foreign currency. The amount of the related derivative is recorded at fair value at the period end and is included with prepaid expenses and other assets or trade and other payables on the consolidated statements of financial position. The resultant non-cash charge or gain is included in selling and administrative expenses. The impact of this non-cash charge or gain is excluded from the computation of Adjusted EBITDA and Distributable cash after maintenance capital expenditures. See **Non-IFRS Measures** - *Cash Flow*.

Certain of Chemtrade's operating subsidiaries use the U.S. dollar as their functional currency. The investment in these U.S. dollar-denominated foreign operations has been hedged by Chemtrade's U.S. dollar-denominated credit facilities. Any gains and losses from the translation of U.S. dollar-denominated borrowings on the credit facilities will be offset by the foreign currency gain or loss arising from the investment in the U.S. foreign operations. The gains and losses on the translation of the designated amount of long-term debt and investment in foreign operations are recorded in other comprehensive income. The changes recorded in the accumulated other comprehensive income account since

December 31, 2016 were a result of changes in the Canadian/U.S. dollar exchange rate between December 31, 2016 and December 31, 2017.

The rate of exchange used to translate U.S. dollar-denominated balances has decreased from a rate of US$1.00 = $1.34 at December 31, 2016 to US$1.00 = $1.26 at December 31, 2017. See **Risks and Uncertainties** for additional comments on foreign exchange.

Net Finance Costs

During the fourth quarter and year ended December 31, 2017, net finance costs were $19.7 million and $86.1 million, respectively, compared with net finance costs of $12.9 million and $62.8 million, respectively, during the same periods of 2016. In the fourth quarter of 2017 net finance costs were higher by $6.8 million primarily due to additional interest expense related to higher long-term borrowings due to the Acquisition. Net finance costs were $23.3 million higher during the year ended December 31, 2017 compared with the same period in 2016, primarily due to:

a. additional interest expense of $23.6 million relating to higher long-term borrowings due to the Acquisition;

b. $2.8 million of higher transaction costs;

c. a premium of $3.0 million paid on the partial redemption of the CEI Senior Notes; and

d. $6.6 million of previously deferred financing costs written off due to the repayment of debt (see **Recent Developments**).

These were partially offset by the fair value adjustments on the debentures which resulted in $11.9 million lower net finance costs.

During the fourth quarter and year ended December 31, 2017, Chemtrade recorded accretion expense of $0.2 million and $1.3 million, respectively, due to the amortization of transaction costs related to Chemtrade's borrowings. In the fourth quarter and year ended December 31, 2016, Chemtrade recorded accretion expenses of $0.3 million and $1.4 million, respectively. See **Liquidity and Capital Resources -** *Financing Activities*.

The weighted average effective annual interest rate on senior debt at December 31, 2017 was 3.95% (December 31, 2016 - 3.44%). See **Liquidity and Capital Resources** - *Financing Activities* - *Financial Instruments* for information concerning swap arrangements.

Income Taxes

The Fund is a mutual fund trust and a specified investment flow-through trust (“SIFT”) for income tax purposes. The Fund is subject to current income taxes at the top marginal tax rate applicable to individuals of approximately 53.5% on all taxable income not distributed to Unitholders. The Fund is also subject to current income taxes on all taxable income, other than dividends, earned from Canadian corporate and flow-through subsidiaries (other than Canadian subsidiaries that earn certain investment income) at a tax rate similar to the corporate tax rate. The Fund is not subject to tax on income received from non-Canadian subsidiaries, provided that the income is distributed to Unitholders during the year. Based on the current organization of the Fund and its subsidiaries, Chemtrade expects that its income distributed to Unitholders will not be subject to SIFT tax.

Taxable income distributed by the Fund to its Unitholders is considered taxable income of those Unitholders.

On December 22, 2017 H.R. 1, originally known as the Tax Cuts and Jobs Act, (the “Tax Act”) was enacted. Among other significant changes to the U.S. Internal Revenue Code, the Tax Act lowers the U.S. federal corporate income tax rate (“U.S. Federal Tax Rate”) from 35.0% to 21.0%, effective January 1, 2018, implements a territorial tax system, imposes stricter limitations on interest expense deductibility, and levies a repatriation tax on the deemed repatriated earnings of certain non-U.S. controlled subsidiaries (“Deemed Repatriation Income”). As a result of the Tax Act, Chemtrade recorded a deferred tax benefit primarily due to a remeasurement of deferred tax assets and liabilities for the change in the U.S. Federal Tax Rate. We are able to make a reasonable estimate and recorded a provisional Deemed Repatriation Income inclusion amount which was offset by 2017 deductions resulting in no anticipated cash tax payout. The U.S. Federal Tax Rate benefit, the Deemed Repatriation Income inclusion and other corresponding impacts to certain non-US affiliates of Chemtrade resulted in a total deferred tax benefit of $38.0 million which represents provisional amounts and management’s current best estimates. The final impact of the Tax Act may differ from estimates, due to, among other things, changes in our interpretations and assumptions, additional guidance that may be issued by the U.S. Internal Revenue Service (“IRS”), and certain actions that we may take. We are continuing to gather additional information to determine the final impact. Further, other Tax Act changes, including potential IRS regulations restricting the ability of Chemtrade to deduct certain intercompany interest expense, and which could apply retroactively to January 1, 2018, and the Base Erosion Anti-Abuse Tax, could impact Chemtrade's taxes in future periods. We are currently assessing the potential impact of these Tax Act changes and may take certain actions to mitigate any negative impact, if any.

Current income tax expense for the fourth quarter and year ended December 31, 2017 was $4.0 million and $8.8 million, respectively, compared with an income tax recovery of $10.4 million and $6.6 million for the same periods of 2016. The increase in current income tax expense in 2017 compared with 2016 is primarily due to an increase in taxable income in certain jurisdictions as a result of the Acquisition. Deferred income tax recovery for the fourth quarter and year ended December 31, 2017 was $65.4 million and $101.5 million, respectively, compared with $15.6 million and $68.4 million for the same periods in 2016. The increase in income tax recovery for the fourth quarter and year ended December 31, 2017 compared with the same periods in 2016 is primarily due to the decrease in the U.S. Federal Tax Rate resulting in decreased deferred tax liabilities in this jurisdiction. This was partially offset on a year-to-date basis by the reversal of deferred tax liabilities related to the assets that were written down in the SPPC segment during the second quarter of 2016.

The effective tax rate for the fourth quarter of 2017 differs from the statutory tax rate primarily due to the deduction of taxable income distributed to Unitholders, losses incurred in a jurisdiction with a higher tax rate, income earned in a jurisdiction with a lower tax rate, and the taxable portion of realized foreign exchange losses recognized in other comprehensive income instead of net earnings.

The net increase in deferred tax assets of $70.3 million at December 31, 2017 relative to December 31, 2016 is primarily due to the deferred tax assets acquired as the result of the Acquisition and the recognition of the deferred tax assets related to transaction costs on the issuance of units during the year ended December 31, 2017.

The net decrease in deferred tax liabilities of $72.9 million at December 31, 2017 relative to December 31, 2016 is primarily due to the decrease in the U.S. Federal Tax Rate, lower taxable timing differences on fixed assets, intangible assets and unrealized foreign exchange gains in certain subsidiaries, partially offset by the deferred tax liabilities acquired as the result of the Acquisition in certain jurisdictions.

The Fund does not record deferred taxes related to its deductible temporary differences nor those of its flow-through subsidiaries, as these differences primarily relate to investments in corporate subsidiaries and are expected to reverse without tax consequences to the Fund.

Excess Cash Flows and Net Earnings Over Distributions Paid

The following table presents excess cash flows from operating activities and net earnings over distributions paid for the three months and year ended December 31, 2017, and for the years ended December 31, 2016 and December 31, 2015.

	Three months ended		Year ended	
($'000)	**December 31, 2017**	**December 31, 2017**	**December 31, 2016**	**December 31, 2015**
Cash flows from operating activities	$ 62,168	$ 151,298	$ 153,009	$ 161,974
Net earnings (loss)	46,439	147,359	4,744	(47,590)
Distributions paid during period	27,779	104,091	82,912	82,640
Excess of cash flows from operating activities over cash distributions paid	34,389	47,207	70,097	79,334
Excess (shortfall) of net earnings over cash distributions paid	18,660	43,268	(78,168)	(130,230)

Chemtrade considers the amount of cash generated by the business in determining the amount of distributions available for payment to its Unitholders. In general, Chemtrade does not take into account quarterly working capital fluctuations as these tend to be temporary in nature. Chemtrade does not generally consider net earnings in setting the level of distributions as this is a non-cash metric and is not reflective of the level of cash flow that Chemtrade can generate. This divergence is particularly relevant for Chemtrade as it has a relatively high level of depreciation and amortization expenses, foreign exchange gains and losses, and deferred tax expenses and recoveries.

Distributions -

Distributions to Unitholders for the three months and year ended December 31, 2017 were declared as follows:

Record Date	Payment Date	Distribution Per Unit	Total ($'000)
Three months ended December 31:			
October 31, 2017	November 30, 2017	$ 0.10	$ 9,259
November 30, 2017	December 29, 2017	0.10	9,260
December 29, 2017	January 31, 2018	0.10	9,260
Sub-Total		$ 0.30	$ 27,779
Three months ended September 30, 2017		$ 0.30	$ 27,779
Three months ended June 30, 2017		$ 0.30	$ 27,778
Three months ended March 31, 2017		$ 0.30	$ 23,098
Total for the year ended December 31, 2017		**$ 1.20**	**$ 106,434**

Distributions to Unitholders for the three months and year ended December 31, 2016 were declared as follows:

Record Date	Payment Date	Distribution Per Unit	Total ($'000)
Three months ended December 31:			
October 31, 2016	November 30, 2016	$ 0.10	$ 6,916
November 30, 2016	December 30, 2016	0.10	6,916
December 30, 2016	January 31, 2017	0.10	6,917
Sub-Total		$ 0.30	$ 20,749
Three months ended September 30, 2016		$ 0.30	$ 20,730
Three months ended June 30, 2016		$ 0.30	$ 20,721
Three months ended March 31, 2016		$ 0.30	$ 20,721
Total for the year ended December 31, 2016		**$ 1.20**	**$ 82,921**

Treatment of Chemtrade's distributions for Canadian Income Tax purposes for 2016 and 2017 is as follows:

	Other Income	Dividends (1)	Foreign Non-Business Income	Total
2016	19.3%	16.3%	64.4%	100%
2017 (2)	14.0%	37.4%	48.6%	100%

(1) These dividends are not considered to be eligible dividends for Canadian resident Unitholders and therefore not eligible for the enhanced tax credit.

(2) Represents anticipated tax characterization of planned distributions. The actual tax treatment of 2017 distributions will be determined by February 28, 2018.

Liquidity and Capital Resources

The Fund's distributions to Unitholders are sourced entirely from its investments in operating subsidiary entities. The Fund's investments are financed by trust units held by Unitholders, the Credit Facilities, and the Debentures. The cash flow of Chemtrade is required to fund cash distributions to Unitholders, capital requirements, interest, general corporate purposes and other legal obligations.

Cash Flow from Operating Activities

Cash flow from operating activities for the fourth quarter of 2017 was an inflow of $62.2 million, an increase of $12.4 million from the fourth quarter of 2016. The increase in cash flow from operating activities in the fourth quarter of 2017, compared with the fourth quarter of 2016 was primarily due to higher Adjusted EBITDA, partially offset by higher interest paid and a lower decrease in working capital. Cash flow from operating activities for the year ended December 31, 2017 was an inflow of $151.3 million compared to an inflow of $153.0 million during the same period of 2016. The decrease in the cash flow from operating activities in the year ended December 31, 2017 compared with the year ended December 31, 2016 was primarily due to higher interest and income taxes paid and a higher decrease in working capital, partially offset by higher Adjusted EBITDA.

Investing Activities

On March 10, 2017, Chemtrade completed the Acquisition. This transaction was financed through a combination of an underwritten equity offering and syndicated senior secured Credit Facilities (see **Recent Developments**).

Capital expenditures were $37.0 million in the fourth quarter of 2017, compared with $24.6 million in the fourth quarter of 2016. These amounts include $34.7 million in the fourth quarter of 2017 and $19.7 million in the fourth quarter of 2016 for maintenance capital requirements for continuing operations. Investment in capital expenditures was $74.9 million for the year ended December 31, 2017, compared with $56.8 million for the year ended December 31, 2016. These amounts include $66.7 million for the year ended December 31, 2017 and $44.7 million for the year ended December 31, 2016 for maintenance capital requirements, including expenditures for the newly acquired businesses. Chemtrade expects to incur roughly $100.0 million of maintenance capital expenditures during 2018.

Non-maintenance capital expenditures were $2.2 million during the fourth quarter of 2017, compared with $4.4 million during the fourth quarter of 2016. Investment in non-maintenance capital expenditures was $8.1 million and $11.6 million, respectively, during the years ended December 31, 2017 and 2016. Non-maintenance capital expenditures are: (i) pre-funded, usually as part of a significant acquisition and related financing; (ii) considered to expand or improve the capacity of Chemtrade's operations; (iii) significant environmental capital expenditures that are considered to be non-recurring; or (iv) capital expenditures to be reimbursed by a third party.

Financing Activities

At December 31, 2017, Chemtrade's Credit Facilities were comprised of a $408.6 million (US$325.0 million) five year term loan and a $660.0 million (US$525.0 million) revolving credit facility. Total amount drawn on March 10, 2017 from the Credit Facilities to finance the Acquisition and to repay Chemtrade's and Canexus' former credit facilities was

$687.1 million. Costs related to the new Credit Facilities amounted to $6.6 million. These costs have been deferred and are being amortized to finance costs in comprehensive income using the effective interest method. In order to reduce stand-by fees, during the third quarter of 2017, Chemtrade reduced the size of its revolving credit facility by US$200.0 million and increased the accordion feature of its credit facility by US$200.00 million.

During the first quarter of 2017, the Fund issued 21,800,000 units for gross proceeds of approximately $400.0 million. Net proceeds of the offering were used to finance the Acquisition. Issuance costs in relation to the equity offering amounted to $17.2 million.

On May 2, 2017, the Fund completed an agreement with a syndicate of underwriters to issue $175.0 million principal amount of convertible unsecured subordinated debentures. As allowed under provisions of the agreement to issue the debentures, the underwriters purchased an additional $26.3 million principal amount of the debentures, increasing the aggregate gross proceeds of the public offering to $201.3 million. Chemtrade incurred transaction costs of approximately $8.7 million, which included the underwriters' fee and other expenses of the offering. The net proceeds of the issuance were used to fund the mandatory change of control offers in respect of the CEI Debentures, the redemption of $79.6 million aggregate principal amount of the Fund 2011 5.75% Debentures and the redemption of the remaining CEI Series IV Debentures.

There was a net increase in borrowings of $2.0 million and a net decrease in borrowings of $14.4 million, respectively, on the revolving portion of the Credit Facilities during the fourth quarter of 2017 and 2016. During the year ended December 31, 2017, there was a net increase in the revolving credit facility of $159.4 million, compared to a net decrease of $144.8 million in 2016. During the year ended December 31, 2017, the additional borrowings on the Credit Facilities were used to repay Canexus' former credit facilities (see **Recent Developments**).

Distributions to Unitholders during the three months and year ended December 31, 2017 were higher than the same periods of 2016 due to additional units issued to fund the Acquisition, and additional units issued on the conversion of the Fund Debentures since the comparative period of 2016. For additional information on cash distributions, see **Non-IFRS Measures** - *Cash Flow* and **Excess Cash Flows and Net Earnings Over Distributions Paid.**

Financial Instruments -

In March 2014, Chemtrade entered into swap arrangements with its principal bankers, which fix the LIBOR components of its interest rates on US$325.0 million of its outstanding long-term debt until January 2019. These swaps have been formally designated as hedges at the date of inception. All changes in the fair value of the swap arrangements have been recorded in other comprehensive income in the consolidated statements of comprehensive income.

As of January 1, 2015, Chemtrade hedged its investment in foreign operations that use the U.S. dollar as their functional currency with its U.S. dollar-denominated long-term debt. Any gains and losses arising from the U.S. dollar-denominated debt will be offset by the foreign currency gain or loss arising from the investment in the foreign operations. The gains and losses on the translation of the designated amount of U.S. dollar-denominated debt and investment in foreign operations are being recognized in other comprehensive income.

Cash Balances -

At December 31, 2017, Chemtrade had net cash balances of $10.4 million and working capital of $100.4 million. Comparable figures for December 31, 2016 were $14.7 million and $14.2 million, respectively. Chemtrade defines working capital to exclude cash, assets held for sale, distributions payable, current portion of long-term debt and debentures, and liabilities directly associated with assets held for sale. Cash generated by Chemtrade will be used to fund cash distributions to Unitholders, capital requirements, interest, general corporate purposes and other legal obligations.

Future Liquidity -

The future liquidity of Chemtrade is primarily dependent on cash flows of its operating subsidiaries. These cash flows will be used to finance ongoing expenditures, including maintenance capital, distributions to Unitholders and normal course financial commitments. Cash flows are sensitive to changes in volume, sales prices and input costs and any changes in these may impact future liquidity. Management believes that cash flows from operating activities will be sufficient for Chemtrade to meet future obligations and commitments that arise in the normal course of business activities. In addition, Chemtrade has revolving credit facilities which can be used for general corporate purposes, including to fund capital expenditures. See *Capital Resources* below for more details.

Capital Resources -

At December 31, 2017, Chemtrade had Credit Facilities of approximately $1.07 billion (US$850.0 million), consisting of a $408.6 million (US$325.0 million) five year term loan and a $660.0 million (US$525.0 million) revolving credit facility. These credit facilities are due March 2022. At December 31, 2017, Chemtrade had the entire term loan outstanding, and had drawn $162.7 million on its revolving credit facility. Additionally, it had committed a total of $22.6 million of its revolving credit facility towards standby letters of credit.

At December 31, 2017, Chemtrade had $71.5 million of the CEI Senior Notes outstanding that it assumed as part of the Acquisition. The CEI Senior Notes, issued at par value, bear interest at a fixed rate of 7.875% per annum and mature on September 20, 2023.

At December 31, 2017, Chemtrade had a long-term loan of $7.9 million related to its facilities located at Syncrude's Mildred Lake oil sands facility in Alberta. The loan is secured by the assets at this facility. The loan bears interest at a fixed rate of 7.3% per annum, with monthly principal repayments due until December 2019.

At December 31, 2017, Chemtrade had five series of debentures outstanding (three series issued under the Fund and two series under CEI) with an aggregate par value of $630.1 million (market value of $640.7 million) and maturity dates ranging from December 31, 2020 to May 31, 2024.

Debt Covenants -

As at December 31, 2017, Chemtrade was compliant with all debt covenants contained in its credit agreements.

Summary of Quarterly Results

($ millions)	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016 (1)	Q2 2016	Q1 2016
Revenue from continuing operations	$ 386.7	$ 400.5	$ 407.4	$ 274.6	$ 251.7	$ 273.0	$ 262.1	$ 280.4
Cost of sales and services	(346.8)	(341.5)	(347.9)	(241.9)	(228.5)	(230.1)	(280.1)	(246.1)
Gross profit (loss)	39.9	59.0	59.5	32.6	23.3	42.9	(17.9)	34.2
Selling and administrative expenses:								
Unrealized foreign exchange (loss) gain	(1.7)	(0.4)	(1.8)	1.8	(3.9)	(2.5)	1.7	13.4
LTIP	(1.6)	(3.4)	(2.1)	(1.8)	(1.4)	(1.2)	(1.8)	(0.2)
Other	(32.9)	(26.4)	(23.5)	(25.1)	(24.6)	(17.4)	(19.3)	(21.3)
Total selling and administrative expenses	(36.2)	(30.2)	(27.4)	(25.1)	(29.9)	(21.1)	(19.4)	(8.1)
Operating income (loss)	3.7	28.8	32.1	7.5	(6.7)	21.8	(37.3)	26.1
Net finance costs:								
Mark-to-market on debentures	(1.7)	0.5	4.1	(0.8)	(1.1)	(7.7)	(3.3)	2.3
Debt issuance and extinguishment costs	(1.1)	(0.5)	(8.7)	(5.5)	—	(7.0)	—	—
Other	(16.9)	(19.2)	(22.6)	(13.7)	(11.8)	(12.1)	(10.9)	(11.1)
Total net finance costs	(19.7)	(19.2)	(27.2)	(20.0)	(12.9)	(26.8)	(14.2)	(8.8)
Income tax recovery	61.5	12.8	5.3	13.2	26.0	7.1	31.7	10.2
Net earnings (loss) from continuing operations	45.5	22.4	10.3	0.7	6.4	2.1	(19.8)	27.5
Net earnings (loss) from discontinued operations	1.0	—	67.0	0.6	(15.3)	0.3	2.2	1.3
Net earnings (loss)	$ 46.4	$ 22.4	$ 77.3	$ 1.3	$ (8.9)	$ 2.4	$ (17.6)	$ 28.8

(1) During the first quarter of 2017, management determined that the reclassification of realized foreign exchange loss of $20.1 million to selling and administrative expenses from other comprehensive income during the third quarter of 2016 on the repayment of Chemtrade's long-term debt should not have been recorded. Since Chemtrade's U.S. dollar denominated debt is effectively hedged against its net investment in its U.S. subsidiaries, the cumulative foreign exchange loss related to the long-term debt that was recorded in other comprehensive income should have remained in other comprehensive income until the disposal or partial disposal of its U.S. subsidiaries. As such the previously reported net loss for the three months ended September 30, 2016 of $15.0 million and other comprehensive income of $36.6 million were adjusted to net earnings of $2.4 million and other comprehensive income of $19.2 million. The adjustment had no impact on total comprehensive income or on the statement of cash flows for any period presented.

In general, seasonality has had a limited impact on financial results. Below are some of the key items that had a significant impact on financial results over the last eight quarters.

Revenue and Gross Profit

The second, third and fourth quarters of 2017 includes results from the newly acquired businesses, resulting in an increase in revenue and gross profit, partially offset by weaker results in the SPPC and WSSC segment. During the fourth quarter of 2017, a recurrence of an operating issue at the North Vancouver chlor-alkali plant resulted in an unplanned interruption of production for approximately two weeks in the EC segment. Gross profit was lower in the fourth quarter of 2016 due to weaker results in the WSSC segment. Gross profit was lower in the second quarter of 2016 due to a $55.7 million write-down of certain assets and a $3.1 million impairment of intangible assets.

Selling and Administrative Expenses

The change in fair value of Chemtrade's LTIP obligation is included in selling and administrative expenses. The amount of the expense recorded in any quarter depends on changes in the various factors used in arriving at the fair value of the obligation.

Other selling and administrative expenses were high during the fourth quarter of 2017 primarily due to an onerous lease provision of $8.6 million recorded during the quarter related to the Calgary office, which was the former corporate office of CEI. They were also high during the second, third, and fourth quarter of 2017 due to costs associated with the newly acquired business. Other selling and administrative expenses were high during the first quarter of 2017 and the fourth quarter of 2016 as they included acquisition costs of $2.9 million and $8.5 million, respectively, related to the Acquisition (see **Recent Developments**).

Net Finance Costs

Net finance costs include changes in the fair value of the Debentures. The amount recorded in any quarter related to the fair value adjustments on the Debentures fluctuates depending upon the market value of the Debentures at the end of the period. The primary component of other net finance costs is interest from Chemtrade's credit facilities and Debentures.

The second quarter of 2017 and the third quarter of 2016 included $8.7 million and $6.4 million, respectively, of transaction costs related to the issuance of debentures. The first quarter of 2017 and the third quarter of 2016 included debt extinguishment costs resulting from the repayment of the credit facilities of $5.5 million and $0.7 million, respectively. Other net finance costs for 2017 include interest expense on additional debt taken on as a result of the Acquisition. Other net finance costs for the second quarter of 2017 included a $3.0 million premium paid on the redemption of the CEI Senior Notes.

Income Taxes

Income tax recoveries were high in the fourth quarter of 2017 primarily due to the reduction in the U.S. Federal Tax Rate. They were also high in the third and first quarter of 2017 and the third quarter of 2016, primarily due to higher net losses incurred during these quarters. Income tax recovery was high during the fourth quarter of 2016 primarily due to the release of a tax provision that was inherited as part of a previous acquisition for periods that are now statute-barred, as well as the reversal of certain deferred tax liabilities. The income tax recovery in the second quarter of 2016 was high primarily due to the reversal of certain deferred tax liabilities related to the write-down and impairment of assets. The income tax recovery in the first quarter of 2016 was high primarily due to the reversal of certain deferred tax liabilities due to the change in value of the U.S. dollar relative to the Canadian dollar.

Discontinued Operations

Discontinued operations represents the International segment which was classified as a discontinued operation at March 31, 2017 and December 31, 2016 (see **Recent Developments**). The transaction closed on May 31, 2017. Net earnings during the year ended December 31, 2017 include a $18.1 million million gain on sale of the discontinued operation and the reclassification of the cumulative amount of foreign exchange differences of $49.0 million from equity to net earnings. This was previously recognized in other comprehensive income.

Outstanding Securities of the Fund

As at February 13, 2018 and December 31, 2017, the following common units and securities convertible into units of the Fund were issued and outstanding:

	February 13, 2018		December 31, 2017	
	Convertible Securities	**Units**	**Convertible Securities**	**Units**
Common units outstanding		**92,596,006**		**92,596,006**
5.25% Debentures [1]	**126,500**	**4,517,857**	**126,500**	**4,517,857**
5.00% Debentures [2]	**143,750**	**5,784,708**	**143,750**	**5,784,708**
4.75% Debentures [3]	**201,250**	**7,537,453**	**201,250**	**7,537,453**
Units outstanding and issuable upon conversion of Debentures		**110,436,024**		**110,436,024**

[1] Convertible at $28.00 per unit

[2] Convertible at $24.85 per unit

[3] Convertible at $26.70 per unit

Contractual Obligations

Information concerning contractual obligations at December 31, 2017 is shown below:

Contractual Obligations *($'000)*	**Total**	**Less Than 1 Year**	**1-3 Years**	**4-5 Years**	**After 5 Years**
Long-term debt	$ 650,892	$ 3,930	$ 4,226	$ 571,236	$ 71,500
Debentures	630,095	—	84,011	201,084	345,000
Purchase commitments	176,965	46,767	60,464	27,894	41,840
Interest on debentures	159,827	33,277	66,554	41,662	18,334
Operating leases	149,432	50,737	57,875	22,923	17,897
Interest on long-term debt	114,427	25,561	50,359	34,405	4,102
Total contractual obligations	$ 1,881,638	$ 160,272	$ 323,489	$ 899,204	$ 498,673

Related Parties

Key Management Personnel Compensation

Key management personnel is comprised of trustees and the senior leadership team of Chemtrade. Trustees receive compensation in the form of an annual retainer. In addition to their salaries, Chemtrade also provides non-cash benefits to the senior leadership team. One such benefit is the contribution to a post-employment defined contribution plan on their behalf. These plans for the senior leadership team are identical to the plans offered to all employees in the same jurisdiction.

The Annual Incentive Compensation (“Annual IC”) plan entitles the senior leadership team to annual cash awards based on (i) Chemtrade's success in achieving financial objectives (financial achievement is weighted at 65% of the total Annual IC award) and (ii) their individual success in accomplishing personal objectives (weighted at 35% of the total Annual IC award) as set out in their objectives for the fiscal year.

The LTIP as described in Chemtrade's annual consolidated financial statements is designed to align the interests of the participants with the interests of Unitholders. It is a cash plan where payment is triggered upon the successful achievement of pre-defined performance criteria. Each year the Compensation and Corporate Governance Committee determines the performance period over which performance will be measured, and the annual LTIP awards granted since 2006 have been based on a three-year performance period. All the LTIP awards granted vest at the end of the three-year period. The value of this compensation is re-measured at each reporting period based upon changes in the fair value of the awards.

Certain members of the senior leadership team are subject to a mutual term of notice upon termination of employment without cause; they are entitled to termination benefits of 9 to 24 months gross salary, depending on the number of years completed as an executive officer.

Chemtrade has in place a deferred unit compensation plan for its trustees, pursuant to which the trustees can elect to take all or a portion of their compensation in the form of deferred units of Chemtrade, with the remainder as a cash payment. Currently, the trustees must take at least 30% of their compensation in the form of deferred units of Chemtrade. As at December 31, 2017, the market value of these deferred units, which is included in trade and other payables was $3.5 million (2016 - $4.4 million).

The key management personnel compensation expense, which is recorded in comprehensive income, is as follows:

		2017		2016
Short-term compensation	**$**	**7,956**	$	8,660
LTIP		**6,573**		3,595
	$	**14,529**	$	12,255

Risks and Uncertainties

Chemtrade operates a diversified business providing industrial chemicals and services to customers in North America and around the world. Chemtrade is one of North America’s largest suppliers of sulphuric acid, spent acid processing services, inorganic coagulants for water treatment, sodium chlorate, sodium nitrite, sodium hydrosulphite and phosphorus pentasulphide. Chemtrade is a leading regional supplier of sulphur, chlor-alkali products, liquid sulphur dioxide, potassium chloride, and zinc oxide. Additionally, Chemtrade provides industrial services such as processing by-products and waste streams. Chemtrade faces various risks associated with its business. These risks include, amongst others, a general reduction in demand for its products, the loss of a portion of its customer base, the interruption of the supply of products or raw materials, price fluctuations in the products sold and/or raw materials purchased, industry capacity, acquisition integration and operational, transportation and product hazard risks associated with the nature of its business. Chemtrade imports key raw materials and products from overseas and as such has additional risks associated with the sourcing activity. Chemtrade makes extensive use of the railway system to transport material within North America. Certain locations are serviced by a sole carrier and thus a disruption in service or changes to the regulatory environment relating to transportation could have a significant negative impact on results. In addition, Chemtrade sells a significant portion of its major products to large customers. While many of these customers are under contract, there can be no assurance that these contracts will be renewed. As Chemtrade's business is international in nature, it is exposed to foreign exchange risks related to the payment of dividends and other transactions by its foreign subsidiaries. For a more detailed discussion of Chemtrade's risks, please refer to the “RISK FACTORS” section of the most recently filed Annual Information Form.

Chemtrade manages the risks associated with its customer base and sales prices by seeking to obtain contractual protection to mitigate these risks. Chemtrade also seeks to differentiate its products and services with customers to mitigate price fluctuations and uses its scale to obtain beneficial raw material contracts.

Chemtrade's Board of Trustees periodically reviews a framework identifying the principal risks of Chemtrade's business, and ensures the implementation of appropriate systems to manage these risks. The Audit Committee reviews major financial risks, the systems implemented to monitor those risks and the strategies in place to manage those risks. Chemtrade's Responsible Care Committee reviews major operational risks, the systems implemented to monitor those risks and the strategies in place to manage those risks. In addition, Chemtrade maintains an extensive insurance program which includes general liability and environmental coverage.

Reliance on Key Facilities -

A significant amount (approximately 70%) of Chemtrade’s North American sodium chlorate capacity (including the lowest cost source of production) is located at the Brandon, Manitoba production facility. All of Chemtrade’s North American chlor-alkali production is produced at its North Vancouver, British Columbia facility. The entire sodium chlorate and chlor-alkali product produced by Chemtrade in South America is produced at two plants located at one site in Brazil. Accordingly, significant unscheduled downtime at any of these facilities could have a material adverse effect on the results of operations and market share of the EC segment and Chemtrade as a whole. Unanticipated downtime can occur for a variety of reasons, including equipment breakdowns, interruptions in the supply of raw materials, power failures, sabotage, natural forces (including seismic activity) or other normal hazards associated with the production of chemicals. Chemtrade cannot provide any assurances as to whether any significant interruption in the operation of any of its key production facilities would be covered by insurance or would not otherwise have a material adverse effect on the business.

Cyclicality of the Electrochemicals Segment -

The global market for chlor-alkali products is cyclical in nature and market conditions for chlor-alkali products have fluctuated over the years. Chlor-alkali producers are particularly sensitive to general economic trends and to trends in cyclical industries such as the construction, pulp and paper and oil and gas industries, which are significant markets for chlor-alkali products. A disruption or downturn in the general economy or in any of these particular industries or additions to chlor-alkali production capacity could negatively impact production, financial condition, results of operations and cash flows and reduce dividends to unitholders.

Exchange Rates -

Chemtrade has certain operating subsidiaries that use the U.S. dollar as their functional currency. As Chemtrade reports in Canadian dollars, its reported net earnings are exposed to fluctuations in the Canadian/U.S. dollar exchange rate. If the Canadian dollar weakens by one-cent (for example, from $1.25 to $1.26), on an unhedged basis, this would have a positive impact on annual net earnings of approximately $1.4 million, and vice-versa. The impact on annual Adjusted EBITDA and Distributable cash after maintenance capital expenditures would be approximately $2.2 million and $1.7 million, respectively, and vice-versa. If the U.S. dollar strengthens by one-cent, on an unhedged basis, this would also have a negative impact of approximately $1.2 million on Chemtrade's net earnings because of its U.S. dollar-denominated term debt and vice-versa.

Commodity Price, Raw Materials & Other Input Cost Exposure -

Industrial chemicals sold by Chemtrade and those purchased by Chemtrade as raw materials are subject to market price fluctuations. Although Chemtrade generally seeks to enter into contracts with its industrial producers to share or eliminate the risk of changes in selling prices of products obtained as by-products from industrial producers, no assurance can be given as to Chemtrade's continued ability to enter into such contracts nor do such contracts apply to all of the products Chemtrade sells. In addition, whether or not Chemtrade has entered into such contracts, market price fluctuations could have a material adverse effect on Chemtrade's financial condition and results of operations. Chemtrade also utilizes a number of raw materials which are subject to price fluctuations beyond its control. Market price fluctuations of these raw materials could have a material adverse effect on Chemtrade's financial condition and results of operations. There can be no assurance that the price of Chemtrade's raw materials will not increase in the future nor that Chemtrade will be able to pass on such increases to its customers. There has generally been a lag time before such increases and decreases could be passed on to Chemtrade's customers. A significant increase in the price of raw materials that cannot be passed on to customers could have a material adverse effect on Chemtrade's results of operations and financial condition. Chemtrade has a number of key raw materials. There may be a risk associated with limited availability of such raw materials in the event one of its suppliers fails to perform or ceases production of such raw material. Either event could have a material adverse effect on Chemtrade's results of operations and financial condition.

Chemtrade is also a large consumer of electricity. Electricity constitutes approximately 75% of Chemtrade's variable production costs for sodium chlorate and approximately 50% of Chemtrade's variable production costs for chlor-alkali products. Accordingly, any increase in the cost of electricity leads to a direct increase in Chemtrade's production costs. While Chemtrade has attempted to mitigate the effect and unpredictability of power costs by locating facilities and moving production to regions that have relatively low-cost, regulated, hydroelectric power markets, Chemtrade is susceptible to changes in power prices in any of the markets in which it operates. While this risk is greater in deregulated electricity markets such as Brazil, there is always a risk of regulatory or governmental changes in currently regulated jurisdictions. The prices for electricity is generally influenced by regional or domestic factors. As a result, Chemtrade may pay higher prices for electricity than its competitors in other regions of North America or other parts of the world, which may negatively affect the competitiveness and financial performance of Chemtrade.

Below are sensitivities to sales price and where applicable sales volume for some of Chemtrade's significant finished products:

Sales price and volume for sodium chlorate and chlor-alkali

Every $50 change in the price per MT of North American produced sodium chlorate would have an impact on income before income taxes of approximately $22.1 million per annum. Every $100 change in the price per MECU of chlor-alkali products produced in North America would have an impact on income before income taxes of approximately $19.4 million per annum. These sensitivities to changes in prices are based on approximately 442,000 MT of North American sodium chlorate sales and 194,000 MECU of North American chlor-alkali sales for the year ended December 31, 2017. Sensitivities of $50 per MT for sodium chlorate and $100 per MECU for chlor-alkali products are considered reasonable given historical product price changes and market expectations for future movement.

A change in sales volumes for North American sodium chlorate of 10,000 MT would have an impact on income before income taxes of approximately $3.2 million per annum. A change in sales volumes for North American chlor-alkali products of 5,000 MECU would have an impact on income before income taxes of approximately $3.4 million per annum. These sales volume changes are considered to be reasonable due to current market conditions and expectations for future movement.

Sulphuric Acid Pricing

A change in sulphuric acid pricing, net of freight, of $1 per tonne would have an impact on annual revenues in North America of approximately $1.5 million. In any specific period, the exact impact would depend upon the volume that is subject to sales contracts where pricing has been fixed for a period of time. The magnitude of realized price changes also depends upon regional market dynamics. It is difficult to reliably estimate the impact of price changes on earnings as this depends upon the volume subject to risk-sharing supply contracts and changes in sulphur costs for manufactured sulphuric acid. These factors lessen the impact of price changes on earnings relative to revenue.

Below are sensitivities to changes in key raw material and input costs:

Electricity Price

Every four percent change in the price of electricity in North America would have an impact on income before income taxes of approximately $4.5 million per annum. This sensitivity to changes in electricity prices is based on North American electricity consumption of approximately 2,770,000 Megawatt hours for the year ended December 31, 2017. A four percent change in the price of electricity in North America is considered reasonable given historical price changes and market expectations for future movement.

Salt Costs

Chemtrade uses salt in the manufacturing of its sodium chlorate and chlor-alkali products. At current operating levels, an increase of $1 per tonne of salt prices in North America would have an impact of approximately $0.6 million per annum on cost of sales.

Sulphur Costs

Chemtrade uses sulphur in the manufacturing of several of its products, including sulphuric acid. At current operating levels, an increase of $1 per tonne would have an impact of approximately $0.3 million per annum on cost of sales. It is important to note that a change in the cost of sulphur is likely to lead to a change in the price for sulphuric acid as this is a key input cost in the manufacturing of sulphuric acid. Thus, the net impact on earnings of changes in sulphur costs would depend upon changes in sulphuric acid pricing.

Critical Judgments and Sources of Estimation Uncertainty

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Key Sources of Estimation Uncertainty -

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes to the audited consolidated financial statements of Chemtrade for the year ended December 31, 2017:

(i) Intangible assets - When determining the value in use of goodwill and intangible assets during impairment testing, Chemtrade uses the following critical estimates: the timing of forecasted earnings; future selling prices and margins; future sales volumes; maintenance and other capital expenditures; and discount rates.

(ii) Income taxes - Current income tax assets and liabilities are measured at the amount expected to be paid to tax authorities, net of recoveries, based on the tax rates and laws enacted or substantively enacted at the balance sheet date.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that the deductions, tax credits and tax losses can be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability settled, based on the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

In the normal course of operations, judgment is required in assessing tax interpretations, regulations and legislation and in determining the provision for income taxes, deferred tax assets and liabilities, and the timing of reversals. To the extent that a recognition or de-recognition of a deferred tax asset is required, current period earnings or other comprehensive income will be affected.

IFRS Standards and Interpretations Not Yet Adopted

On July 24, 2014, the IASB issued the complete IFRS 9 *Financial Instruments* ("IFRS 9 (2014)"). The mandatory effective date of IFRS 9 (2014) is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. IFRS 9 (2014) includes finalized guidance on the classification and measurement of financial assets. The standard introduces additional changes relating to financial liabilities. The final standard also amends the impairment model by introducing a new "expected credit loss" model for calculating impairment, and new general hedge accounting requirements. Chemtrade intends to adopt IFRS 9 (2014) in its financial statements for the annual period beginning on January 1, 2018. Chemtrade has completed its assessment of the potential changes from adopting IFRS 9 (2014) and does not anticipate the amendments to have a material impact on the consolidated financial statements.

On May 28, 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers ("IFRS 15"). The new standard is effective for annual periods beginning on or after January 1, 2018. The standard can be applied retrospectively, or using a cumulative catch-up approach. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced which may affect the amount and/or timing of revenue recognized. Chemtrade intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2018. Chemtrade has completed its assessment of the potential changes from adopting IFRS 15 and does not anticipate the amendments to have a material impact on the consolidated financial statements.

On January 13, 2016 the IASB issued IFRS 16 Leases ("IFRS 16"). The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17 Leases ("IAS 17"). This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. Chemtrade intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. Chemtrade has made significant progress toward completing its assessment of the extent of the impact of adoption of this standard on its consolidated financial statements and anticipates that the amendments will have a material impact on the consolidated financial statements.

For additional information regarding IFRS standards and interpretations not yet adopted, refer to note 3(p) of the audited consolidated financial statements of Chemtrade for the year ended December 31, 2017.

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

Chemtrade maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed in the reports that the Fund publicly files is recorded, processed, summarized and reported within a timely manner and that such information is accumulated and communicated to Chemtrade's Management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding disclosure. The Chief Executive Officer and the Chief Financial Officer have evaluated Chemtrade's disclosure controls procedures as of December 31, 2017 through inquiry and review. The Chief Executive Officer and the Chief Financial Officer have concluded that, as at December 31, 2017, Chemtrade's disclosure control procedures were effective.

Chemtrade also maintains a system of internal controls over financial reporting designed under the supervision of Chemtrade's Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Chemtrade's Management, including the Chief Executive Officer and the Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting and evaluating its effectiveness. Management has used The Committee of Sponsoring Organizations of the Treadway Commission ("COSO") framework (2013) to evaluate the effectiveness of Chemtrade's internal control over financial reporting as of December 31, 2017. Based on this evaluation, Management has concluded that as at December 31, 2017, Chemtrade's internal controls over financial reporting were effective. There have been no changes to the design of internal controls over financial reporting that occurred during the three months ended December 31, 2017 that have materially affected or are reasonably likely to materially affect the internal controls over financial reporting.

Outlook

We remain confident that our portfolio of businesses, business model and our strong balance sheet will allow us to comfortably sustain our distributions and increase our financial flexibility by reducing leverage levels.

Other

Additional information concerning Chemtrade, including the Annual Information Form, is filed on SEDAR and can be accessed at www.sedar.com.

February 13, 2018

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Chemtrade Logistics Income Fund (the "Fund") and all the information in this annual report are the responsibility of the management of the Fund. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and where appropriate include management's best estimates and judgements. Management has reviewed the financial information presented throughout this report and has ensured it is consistent with the consolidated financial statements.

Management has developed and maintains a system of internal control over financial reporting. These controls are designed to provide reasonable assurance that assets are safeguarded, transactions are accurately recorded and financial information is timely and reliable.

The Trustees of the Fund are responsible for ensuring that management fulfills its financial reporting responsibilities and are ultimately responsible for reviewing and approving the consolidated financial statements. The Trustees carry out this responsibility principally through the Audit Committee. The Audit Committee is comprised entirely of independent Trustees.

The Audit Committee meets periodically with management and the external auditors to discuss internal controls over financial reporting, policies and procedures, and financial reporting issues. Acting on the recommendation of the Audit Committee, the Trustees approve the consolidated financial statements. KPMG LLP, an independent firm of Chartered Accountants, has been appointed by the Unitholders to express an independent professional opinion on tthe fairness of the consolidated financial statements. KPMG LLP has full and free access to the Audit Committee.

Mark Davis
President & Chief Executive Officer

Rohit Bhardwaj
Vice-President, Finance & CFO

Toronto, Canada
February 13, 2018

KPMG

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INDEPENDENT AUDITORS' REPORT

To the Unitholders' of Chemtrade Logistics Income Fund

We have audited the accompanying consolidated financial statements of Chemtrade Logistics Income Fund, which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016, the consolidated statements of comprehensive income, changes in unitholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Chemtrade Logistics Income Fund as at December 31, 2017 and December 31, 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada
February 13, 2018

CHEMTRADE LOGISTICS INCOME FUND

Consolidated Statements of Financial Position
(In thousands of Canadian dollars)

	Notes		**December 31, 2017**		December 31, 2016
ASSETS					*As recast (note 30)*
Current assets					
Cash and cash equivalents		**$**	**10,372**	$	14,742
Trade and other receivables	**6**		**215,149**		127,660
Inventories	**7**		**121,630**		66,283
Income taxes receivable			**1,609**		3,712
Prepaid expenses and other assets			**3,402**		12,167
Assets held for sale	**5**		**—**		50,817
Total current assets			**352,162**		275,381
Non-current assets					
Property, plant and equipment	**8**		**1,261,921**		790,867
Other assets	**9**		**14,625**		10,529
Intangible assets	**10**		**1,268,606**		1,069,569
Deferred tax assets	**25**		**86,014**		15,726
Total non-current assets			**2,631,166**		1,886,691
Total assets			**2,983,328**		2,162,072
LIABILITIES AND UNITHOLDERS' EQUITY					
Current liabilities					
Trade and other payables	**11**	**$**	**230,357**	$	189,328
Distributions payable	**17**		**9,257**		6,917
Provisions	**12**		**12,742**		6,255
Current portion of long-term debt	**13**		**3,930**		3,654
Convertible unsecured subordinated debentures	**14**		**—**		32,281
Liabilities directly associated with assets held for sale	**5**		**—**		26,243
Total current liabilities			**256,286**		264,678
Non-current liabilities					
Long-term debt	**13**		**642,144**		451,526
Convertible unsecured subordinated debentures	**14**		**640,689**		360,108
Other long-term liabilities	**15**		**20,828**		18,028
Employee benefits	**16**		**62,518**		73,666
Provisions	**12**		**120,790**		60,709
Deferred tax liabilities	**25**		**91,420**		164,302
Total non-current liabilities			**1,578,389**		1,128,339
Total liabilities			**1,834,675**		1,393,017
Unitholders' equity					
Units	**17**		**1,461,995**		1,048,738
Contributed surplus	**17**		**9,720**		9,720
Deficit	**30**		**(453,425)**		(507,453)
Accumulated other comprehensive income	**30**		**130,363**		218,050
Total unitholders' equity			**1,148,653**		769,055
Total liabilities and unitholders' equity		**$**	**2,983,328**	$	2,162,072

The accompanying notes on pages 40 to 105 are an integral part of these consolidated financial statements.

On behalf of the Board of Trustees

Lorie Waisberg　　Lucio Di Clemente

CHEMTRADE LOGISTICS INCOME FUND

Consolidated Statements of Comprehensive Income
(In thousands of Canadian dollars, except per unit amounts)

	Notes		Year ended December 31, 2017		2016
					As recast (note 30)
Revenue	**20**	**$**	**1,469,138**	$	1,067,256
Cost of sales and services	**23**		**(1,278,104)**		(984,758)
Gross profit			**191,034**		82,498
Selling and administrative expenses	**21**		**(118,831)**		(78,540)
Operating income			**72,203**		3,958
Net finance costs	**24**		**(86,073)**		(62,751)
Loss before income tax			**(13,870)**		(58,793)
Income tax (expense) recovery	**25**				
Current			**(8,831)**		6,624
Deferred			**101,523**		68,378
			92,692		75,002
Net earnings from continuing operations			**78,822**		16,209
Net earnings (loss) from discontinued operations	**5**		**68,537**		(11,465)
Net earnings		**$**	**147,359**	$	4,744
Other comprehensive income (loss)					
Items that may subsequently be reclassified to earnings:					
Gain on net investment hedge of foreign operations net of tax recovery of $2,429 (2016 - $2,665)	**26**		**13,486**		13,776
Foreign currency translation differences for foreign operations, net of tax recovery of $3,249 (2016 - $1,568)			**(103,984)**		(54,506)
Effective portion of change in the fair value of cash flow hedges, net of tax expense of $924 (2016 - $531)	**26**		**2,811**		1,518
Items that will not be reclassified to earnings:					
Defined benefit plan adjustments net of tax expense of $4,289 (2016 - $2,222)	**16**		**13,103**		3,860
Other comprehensive loss			**(74,584)**		(35,352)
Total comprehensive income (loss)		**$**	**72,775**	$	(30,608)
Net earnings per unit	**17**				
Basic net earnings per unit		**$**	**1.67**	$	0.07
Diluted net earnings per unit		**$**	**1.53**	$	0.07
Net earnings per unit from continuing operations					
Basic net earnings per unit		**$**	**0.89**	$	0.23
Diluted net earnings per unit		**$**	**0.89**	$	0.23

The accompanying notes on pages 40 to 105 are an integral part of these consolidated financial statements.

CHEMTRADE LOGISTICS INCOME FUND

Consolidated Statements of Changes in Unitholders' Equity
(In thousands of Canadian dollars)

	Units	Contributed surplus	Deficit	Cumulative translation account*	Unrealized losses on cash flow and net investment hedges*	Total unitholders' equity
Balance at January 1, 2016	**$1,046,922**	**$ 9,720**	**$(433,136)**	**$ 296,601**	**$ (39,339)**	**$ 880,768**
Net earnings**	—	—	4,744	—	—	4,744
Other comprehensive income (loss)**	—	—	3,860	(54,506)	15,294	(35,352)
Distributions	—	—	(82,921)	—	—	(82,921)
Issuance of units	1,816	—	—	—	—	1,816
Balance at December 31, 2016	**$1,048,738**	**$ 9,720**	**$(507,453)**	**$ 242,095**	**$ (24,045)**	**$ 769,055**
Net earnings	—	—	147,359	—	—	147,359
Other comprehensive income (loss)	—	—	13,103	(103,984)	16,297	(74,584)
Distributions	—	—	(106,434)	—	—	(106,434)
Issuance of units	413,257	—	—	—	—	413,257
Balance at December 31, 2017	**$1,461,995**	**$ 9,720**	**$(453,425)**	**$ 138,111**	**$ (7,748)**	**$ 1,148,653**

* Accumulated other comprehensive income.

** As recast (see note 30).

The accompanying notes on pages 40 to 105 are an integral part of these consolidated financial statements.

CHEMTRADE LOGISTICS INCOME FUND

Consolidated Statements of Cash Flows
(In thousands of Canadian dollars)

	Note	Year ended December 31, 2017	2016 As recast (note 30)
Cash flows from operating activities:			
Net earnings		$ **147,359**	$ 4,744
Adjustments for:			
Depreciation and amortization	**22**	**204,863**	147,704
(Gain) loss on disposal and write-down of assets	**23**	**(13,621)**	55,824
Cumulative foreign exchange gain on sale of discontinued operations	**5**	**(48,950)**	—
Impairment of intangible assets	**23**	**—**	3,143
Income tax recovery	**25**	**(91,624)**	(64,124)
Net interest costs	**24**	**74,883**	46,105
Accretion expense	**24**	**3,929**	3,396
Net pension interest		**2,810**	2,945
Debt extinguishment costs including realized foreign	**13**	**6,626**	893
Change in fair value of convertible unsecured subordinated debentures	**14**	**(2,154)**	9,729
Unrealized foreign exchange gain		**(31,511)**	(8,647)
		252,610	201,712
Decrease in working capital		**(19,435)**	(8,297)
Interest paid		**(66,733)**	(32,027)
Interest received		**629**	44
Income taxes paid		**(15,773)**	(8,423)
Net cash flows from operating activities		**151,298**	153,009
Cash flows from investing activities:			
Decrease in restricted cash		**—**	873
Additions to property, plant and equipment	**8**	**(74,944)**	(56,794)
Increase (decrease) in other assets		**1,537**	(1,658)
Proceeds from disposal of discontinued operations (net of cash disposed)	**5**	**49,078**	—
Proceeds from disposal of assets		**—**	6,210
Acquisition (net of cash acquired)	**4**	**(281,205)**	—
Net cash flows used in investing activities		**(305,534)**	(51,369)
Cash flows from financing activities:			
Distributions to unitholders	**17**	**(104,091)**	(82,912)
Issuance of convertible debentures	**14**	**201,250**	143,750
Transaction costs related to the issuance of convertible debentures	**14**	**(9,159)**	(6,376)
Issuance of units	**4,17**	**395,831**	—
Share issuance costs		**(17,167)**	—
Repayment of term debt	**4,13**	**(439,771)**	(3,397)
Increase in term debt	**4,13**	**436,118**	—
Repayment of Canexus credit facilities	**4,13**	**(262,421)**	—
Repayment of convertible debentures	**14**	**(175,468)**	—
Net change in revolving credit facility	**13**	**159,383**	(144,831)
Financing transaction costs	**13**	**(6,601)**	—
Increase (decrease) in other long-term liabilities		**10,887**	(1,053)
Principal redemption of high-yield senior notes	**13**	**(38,500)**	—
Net cash flows from (used in) financing activities		**150,291**	(94,819)
(Decrease) increase in cash and cash equivalents		**(3,945)**	6,821
Cash and cash equivalents, beginning of the period		**14,742**	7,992
Effect of exchange rates on cash held in foreign currencies		**(425)**	(71)
Cash and cash equivalents, end of the period		$ **10,372**	$ 14,742

The accompanying notes on pages 40 to 105 are an integral part of these consolidated financial statements.

1. CORPORATE INFORMATION:

Chemtrade Logistics Income Fund (the "Fund") is a publicly listed Income Trust formed in Ontario, Canada and its units are listed on the Toronto Stock Exchange ("TSX"). The term "Chemtrade" refers to the Fund and its consolidated subsidiaries. Chemtrade commenced operations on July 18, 2001 when it completed an initial public offering. Chemtrade operates in four business segments: Sulphur Products & Performance Chemicals ("SPPC"), Water Solutions & Specialty Chemicals ("WSSC"), Electrochemicals ("EC") and Corporate ("Corp"). On May 31, 2017, the sale of the International segment was completed and it has been classified as a discontinued operation, see note 5. For additional information regarding Chemtrade's business segments, see note 28.

Chemtrade is an entity domiciled in Canada. The head office, principal address, and registered and records office of Chemtrade are located at 155 Gordon Baker Road, Suite 300, Toronto, Ontario, M2H 3N5.

Chemtrade's financial statements include all of its controlled subsidiaries and have been prepared on a going concern basis, which contemplates the realization of assets and settlements of liabilities in the normal course of business.

2. BASIS OF PREPARATION:

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These consolidated financial statements were authorized for issue by the Board of Trustees ("Board") on February 13, 2018.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following material items in the consolidated statement of financial position:

- Derivative financial instruments are measured at fair value;
- Financial instruments at fair value through profit or loss are measured at fair value;
- Liabilities for cash settled share-based payment arrangements are measured at fair value;

2. **BASIS OF PREPARATION (continued):**

- The defined benefit liability is recognized as the present value of the defined benefit obligation net of the fair value of the plan assets; and

- Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to temporary differences when they reverse.

(c) Presentation currency

These consolidated financial statements are presented in thousands of Canadian dollars, except for net earnings per unit information and per tonne information which is presented in Canadian dollars.

(d) Critical judgments and sources of estimation uncertainty

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Key sources of estimation uncertainty

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

(i) Intangible assets (note 10):

When determining the value in use of goodwill and intangible assets during impairment testing, Chemtrade uses the following critical estimates: the timing of forecasted earnings; future selling prices and margins; future sales volumes; maintenance and other capital expenditures; and discount rates.

2. BASIS OF PREPARATION (continued):

(ii) Income taxes (note 25):

Current income tax assets and liabilities are measured at the amount expected to be paid to tax authorities, net of recoveries, based on the tax rates and laws enacted or substantively enacted at the date of the statement of financial position.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that the deductions, tax credits and tax losses can be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability settled, based on the tax rates and laws that have been enacted or substantively enacted at the date of the statement of financial position.

In the normal course of operations, judgment is required in assessing tax interpretations, regulations and legislation and in determining the provision for income taxes, deferred tax assets and liabilities, and the timing of reversals. To the extent that a recognition or de-recognition of a deferred tax asset is required, current period earnings or other comprehensive income will be affected.

3. SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies set out below have been applied consistently by Chemtrade's entities to all periods presented in these consolidated financial statements.

(a) Basis of consolidation

The consolidated financial statements include the financial statements of Chemtrade and its controlled subsidiaries. Control is achieved when Chemtrade has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

(i) Business combinations:

Chemtrade measures goodwill as the fair value of the consideration transferred less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the difference is negative, a bargain purchase gain is recognized immediately in comprehensive income.

Transaction costs, other than those associated with the issue of debt or equity securities, that Chemtrade incurs in connection with a business combination are expensed as incurred.

(ii) Transactions eliminated on consolidation:

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

(i) Foreign currency transactions:

Transactions in foreign currencies are translated to the respective functional currencies of Chemtrade and its subsidiaries at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising on re-translation are recognized in earnings, except for differences arising on the re-translation of qualifying cash flow hedges and net investment hedges, which are recognized in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency gains and losses are reported on a net basis within selling and administrative expenses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

(ii) Foreign operations:

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Canadian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Canadian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognized in other comprehensive income and in accumulated other comprehensive income in unitholders' equity.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income and in the cumulative translation account in unitholders' equity.

(iii) Hedge of a net investment in foreign operations:

Chemtrade applies hedge accounting to foreign currency differences arising between the functional currency of its foreign operations that use the U.S. dollar and Chemtrade's functional currency, Canadian dollars.

To the extent that the hedge is effective, foreign currency differences arising on the translation of Chemtrade's U.S. dollar-denominated long-term debt, which is designated as the hedge of the net investment in foreign operations that use the U.S. dollar, are recognized in other comprehensive income and in accumulated other comprehensive income in unitholders' equity.

(c) Inventories

Finished goods inventory is valued at the lower of average cost and net realizable value. Average cost includes all costs of purchase, costs of conversion and other costs incurred to bring inventories to their present location and condition. Costs of conversion include a systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods. The allocation of fixed production overheads is based on normal production capacity. Raw material inventory and operating supplies are recorded at the lower of cost determined on a first-in, first-out basis, and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

(d) Property, plant and equipment

(i) Recognition and measurement:

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized within cost of sales and selling and administrative expenses in comprehensive income.

(ii) Subsequent costs:

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to Chemtrade, and its cost can be measured reliably. The carrying amount of the replaced part is de-recognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in comprehensive income as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

(iii) Depreciation:

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its expected residual value.

Depreciation is recognized in comprehensive income on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods of plant and equipment are as follows:

- Building 5 - 40 years
- Equipment 5 - 40 years
- Furniture and other 3 - 10 years

Facilities and equipment under construction do not begin to be depreciated until substantially complete and ready for productive use.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(e) Intangible assets

(i) Goodwill:

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the identifiable assets acquired, less liabilities assumed, based on their fair values. Goodwill is allocated as of the date of the business combination to Chemtrade's cash generating units ("CGUs") that are expected to benefit from the synergies of the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

(ii) Other intangible assets:

Other intangible assets include the estimated fair value, based on discounted cash flows, at the date of acquisition of long-term customer and vendor relationships.

(iii) Amortization of intangibles:

Amortization of intangible assets, excluding goodwill, is calculated over the estimated fair value upon recognition of the asset.

Amortization is recognized in comprehensive income on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the assets. The estimated useful lives for the current and comparative periods are as follows:

- Customer and vendor relationships 10 - 16 years
- Other 5 - 10 years

(f) Impairment

(i) Trade and other receivables:

In relation to trade and other receivables, a provision for impairment is made and an impairment loss is recognized in comprehensive income when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that Chemtrade will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible. Any subsequent reversal of an impairment loss is recognized in comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

(ii) Goodwill:

At the end of each reporting period, Chemtrade reviews the carrying amounts of its CGUs to determine whether there is an indication that those assets are impaired. If such an indication exists, Chemtrade will perform an impairment test.

Goodwill is not amortized, however Chemtrade performs an annual test for goodwill impairment in the fourth quarter of each fiscal year.

Valuation techniques

The recoverable value of each CGU is based on the higher of its value in use and its fair value less costs to sell. The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external sources and internal sources.

If the recoverable value of the CGU is estimated to be less than its carrying amount, the carrying amount of the CGU is reduced to its recoverable value. An impairment loss is recognized immediately in comprehensive income. Any impairment loss on goodwill that is recognized cannot be reversed.

Value in use approach

The value in use approach is predicated upon the value of the future cash flows that a business will generate going forward. The discounted cash flow method is used which involves projecting cash flows and converting them into a present value equivalent through discounting. The discounting process uses a rate of return that is commensurate with the risks associated with the business or asset and the time value of money. This approach requires assumptions about revenue, operating margins, capital expenditures, tax rates, growth rates and discount rates.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

The following is a description of significant assumptions in obtaining the value in use:

Growth

The assumptions are based on Chemtrade's internal budget which is approved by the Board. Chemtrade projects revenue, operating margins and cash flows for a period of five years, and applies a perpetual long-term growth rate thereafter. In arriving at its forecasts, Chemtrade considers past experience, economic trends such as GDP growth and inflation as well as industry and market trends. The projections also take into account the expected impact from new product initiatives, customer retention and integration programs, and the maturity of the markets in which each business operates.

Discount rate

Chemtrade assumes a pre-tax discount rate in order to calculate the present value of its projected cash flows. The discount rate represents a weighted average cost of capital ("WACC"). The WACC is an estimate of the overall required rate of return on an investment for both debt and equity owners and serves as the basis for developing an appropriate discount rate.

Determination of the WACC requires separate analysis of the cost of equity and debt, and considers a risk premium based on an assessment of risks related to the projected cash flow of each CGU.

Fair value less costs to sell approach

Fair value less costs to sell is the amount obtainable from the sale of a CGU in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. The appropriate market price is usually based on a multiplier based on earnings before interest, taxes, depreciation and amortization.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

(iii) Other non-financial assets carried at amortized cost:

If there is objective evidence that an impairment loss on a non-financial asset carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and its recoverable value. The carrying amount of the non-financial asset is then reduced by the amount of the impairment and the loss is recognized in comprehensive income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the non-financial asset does not exceed the amortized cost had the impairment not been recognized.

(g) Employee benefits

(i) Defined contribution plans:

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in comprehensive income in the periods during which services are rendered by employees.

(ii) Defined benefit plans:

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Chemtrade's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is then discounted to determine its present value and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on high quality bonds that have maturity dates approximating the terms of Chemtrade's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

Chemtrade recognizes all actuarial gains and losses and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability) arising from defined benefit plans immediately in other comprehensive income, and reports them in deficit. Depending on the plan, expenses such as plan amendments, current service costs, administration costs, and interest costs are recorded in either cost of sales or selling and administrative expenses within comprehensive income.

(iii) Multi-employer plan:

Chemtrade participates in a multi-employer pension plan, which is accounted for as a defined contribution plan. Chemtrade does not administer this plan but rather the administration and the investment of these assets are controlled by a board of trustees consisting of union and employer representatives. Chemtrade's responsibility to make contributions to this plan is established pursuant to its collective agreements.

(iv) Share-based compensation:

Chemtrade operates a Long-Term Incentive Plan ("LTIP") which grants cash awards based on certain criteria. These awards are accounted for as liabilities with the value of these liabilities being re-measured at each reporting period, based upon changes in the fair value of the awards. Any gains or losses on re-measurement are recorded in selling and administrative expenses, provided that the compensation cost accrued during the performance period is not adjusted below zero.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

(h) Revenue recognition

(i) Sale of products:

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized. The timing of the transfers of risks and rewards varies depending on the individual terms of the contract of sale.

Revenue from the sales of products are recognized when title is passed to the customer according to the terms of the contract, which could be upon shipment of goods or when the product reaches the customer site. In certain cases, customers will pick up the products at Chemtrade's plants and Chemtrade will recognize revenues when the product is picked up.

For products sold to pipeline customers, revenue is recognized when the product crosses the property line through the pipeline, which is the point where title has passed to the customer.

(ii) Processing services:

Revenue earned on processing services is recognized when the services have been rendered in accordance with contractual terms, recovery of the consideration is probable, the associated costs can be estimated reliably, and the amount of revenue can be measured reliably. Monies received in advance of services provided is recorded as deferred revenue in other long-term liabilities.

Chemtrade provides processing services to customers that are continuous and ongoing in nature. Generally, processing services are provided for a specified period of time and are not based on volumes or the completion of specific milestones. Therefore, revenue for processing services are recorded during the period in which they are provided.

(iii) Other:

Revenue on the sale of certain commodities within the International segment is recorded on a net basis. Revenue is recognized when selling prices have been fixed or are determinable,

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

significant risks and rewards of ownership have been transferred to the buyer, and collection is reasonably assured.

(i) Provisions

A provision is recognized if, as a result of a past event, Chemtrade has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(i) Onerous contracts:

A provision for onerous contracts is recognized when the expected benefits to be derived by Chemtrade from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, Chemtrade considers whether an impairment loss on the assets associated with that contract needs to be recognized, and if appropriate recognizes such loss.

(ii) Site restoration:

Chemtrade recognizes provisions for statutory, contractual, constructive or legal obligations associated with site restoration in respect of Chemtrade's plants.

The fair value of estimated asset retirement obligations is recognized when identified and a reasonable estimate of fair value can be made. The asset retirement cost, equal to the estimated fair value of the asset retirement obligation, is capitalized as part of the cost of the related long-lived asset. The asset retirement cost is depreciated over the asset's estimated useful life and included in cost of sales and services. Increases in the asset retirement obligation resulting from the passage of time are recorded as accretion of the asset retirement obligation.

(iii) Environmental liabilities:

A provision for environmental liabilities is recorded based on current interpretation of environmental laws and regulations when it is probable that a liability has been incurred and the amount of such a liability can be reliably estimated. Changes to this provision are recorded as an expense in the period they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

(j) Financial instruments

(i) Non-derivative financial assets:

Chemtrade initially recognizes loans and receivables at fair value on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized at fair value on the trade date at which Chemtrade becomes a party to the contractual provisions of the instrument.

Chemtrade de-recognizes a financial asset when the contractual rights to the cash flows from the asset expire. Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when Chemtrade has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Chemtrade's only non-derivative financial assets are loans and receivables and cash and cash equivalents. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any net impairment losses. Loans and receivables comprise trade and other receivables and a note receivable.

Cash is composed of cash at banks and on hand. Cash equivalents are highly liquid investments having original terms to maturity of 90 days or less when acquired and are valued at fair value. Other assets include restricted cash, which is restricted for reimbursement of significant non-routine maintenance costs at one of Chemtrade's facilities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

(ii) Non-derivative financial liabilities:

Chemtrade initially recognizes long-term debt and convertible unsecured subordinated debentures at fair value on the date that they are originated. All other financial liabilities are recognized initially at fair value on the trade date at which Chemtrade becomes a party to the contractual provisions of the instrument.

Chemtrade de-recognizes a financial liability when its contractual obligations are discharged, cancelled or expired. Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when Chemtrade has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Chemtrade's non-derivative financial liabilities include trade and other payables, distributions payable, long-term debt and convertible unsecured subordinated debentures. Such financial liabilities, other than convertible unsecured subordinated debentures, are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

The convertible unsecured subordinated debentures are recognized initially at fair value. Transaction costs related to the convertible unsecured subordinated debentures are expensed as incurred. Subsequent to initial recognition, the convertible unsecured subordinated debentures are measured at fair value at each period end date with the changes recorded in comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

(iii) Units:

Units are classified as equity. Incremental costs directly attributable to the issue of units are recognized as a deduction from equity, net of any tax effects. Distributions thereon are recognized as distributions within equity.

When units recognized as equity are re-purchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity.

(iv) Derivative financial instruments:

Chemtrade holds derivative financial instruments to mitigate its foreign currency, commodity, and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related.

Derivatives are recognized initially at fair value; attributable transaction costs are recognized in comprehensive income as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized immediately in comprehensive income, except for derivatives designated as cash flow hedges as noted below.

(v) Hedging:

On initial designation of the hedge, Chemtrade formally documents the relationship between the hedging instruments and hedged items, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. Chemtrade makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent. For a forecast transaction to be considered a cash flow hedge, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported earnings.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect earnings, the effective portion of changes in the fair value of the derivative is recognized in accumulated other comprehensive income. The amount recognized in other comprehensive income is removed and included in earnings in the same period as the hedged cash flows affect earnings under the same line item in the consolidated statement of comprehensive income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in earnings.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in other comprehensive income and presented in unrealized gains/losses on cash flow hedges in equity remains there until the forecast transaction affects earnings. When the hedged item is a non-financial asset, the amount recognized in other comprehensive income is transferred to the carrying amount of the asset when the asset is recognized. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognized immediately in earnings. In other cases the amount recognized in other comprehensive income is transferred to earnings in the same period that the hedged item affects earnings.

(k) Lease payments

Payments made under operating leases are recognized in comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

(l) Finance income and finance costs

Finance income is comprised of interest income on funds invested, changes in the fair value of financial assets and liabilities at fair value through profit or loss, and gains on hedging instruments that are recognized in comprehensive income. Interest income is recognized as it accrues in comprehensive income, using the effective interest method.

Finance costs are comprised of interest expense on borrowings, transaction costs and related accretion, pension interest, accretion of provisions, changes in the fair value of financial liabilities at fair value through profit or loss and losses on the ineffective portion of hedging instruments that are recognized in comprehensive income. Borrowing costs that are not directly attributable to the construction or production of a qualifying asset are recognized in comprehensive income using the effective interest method.

(m) Income tax

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in earnings except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates and laws enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future;

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits; and

- taxable temporary differences arising on the initial recognition of goodwill.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

In determining the amount of current and deferred tax, Chemtrade takes into account the impact of uncertain tax provisions and whether additional taxes and interest may be due. Chemtrade believes that its accruals for tax liabilities are adequate for all tax years subject to audit based on its assessment of many factors, including interpretations of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes Chemtrade to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(n) Earnings per unit

Chemtrade presents basic and diluted earnings per unit (“EPU”) data for its units. Basic EPU is calculated by dividing the earnings attributable to Unitholders of Chemtrade by the weighted average number of units outstanding during the period. Diluted EPU is determined by adjusting the earnings attributable to Unitholders and the weighted average number of units outstanding for the effects of all dilutive potential units, which currently consist of convertible unsecured subordinated debentures.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

(o) Segment reporting

An operating segment is a component of Chemtrade that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of Chemtrade's other components. All operating segments' operating results are reviewed regularly by Chemtrade's Chief Executive Officer ("CEO") to make decisions about resources to be allocated to each segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily Chemtrade's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditures are the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill, excluding acquisitions for the segment.

(p) Standards and interpretations not yet adopted

On July 24, 2014, the IASB issued the complete IFRS 9 *Financial Instruments* ("IFRS 9"). The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. IFRS 9 includes finalized guidance on the classification and measurement of financial assets. The standard introduces additional changes relating to financial liabilities. The final standard also amends the impairment model by introducing a new "expected credit loss" model for calculating impairment, and new general hedge accounting requirements. Chemtrade intends to adopt IFRS 9 in its financial statements for the annual period beginning on January 1, 2018. Chemtrade has completed its assessment of the potential changes from adopting IFRS 9 and does not anticipate the amendments to have a material impact on the consolidated financial statements.

On May 28, 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers ("IFRS 15"). The new standard is effective for annual periods beginning on or after January 1, 2018. The standard can be applied retrospectively, or using a cumulative catch-up approach. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five- step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced which may affect the amount and/or timing of revenue recognized. Chemtrade intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2018. Chemtrade has completed its assessment of the potential

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

changes from adopting IFRS 15 and does not anticipate the amendments to have a material impact on the consolidated financial statements.

On January 13, 2016 the IASB issued IFRS 16 *Leases* ("IFRS 16"). The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17 *Leases* ("IAS 17"). This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. Chemtrade intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. Chemtrade has made significant progress toward completing its assessment of the extent of the impact of adoption of this standard on its consolidated financial statements and anticipates that the amendments will have a material impact on the consolidated financial statements.

4. CANEXUS ACQUISITION:

On March 10, 2017, Chemtrade completed the acquisition (the "Acquisition") of all the issued and outstanding common shares of Canexus Corporation ("Canexus") by way of a court-approved plan of arrangement. Following completion of the Acquisition, Canexus amalgamated with 1993754 Alberta Ltd., an indirect, wholly-owned subsidiary of the Fund and subsequently with another subsidiary of Canexus, with the resulting entity's name being Chemtrade Electrochem Inc. ("CEI").

CEI is an Alberta corporation which produces sodium chlorate and chlor-alkali products largely for the pulp and paper, oil and gas and water treatment industries. Its main operations are in Canada, the United States of America and South America.

The Acquisition was accounted for under the acquisition method of accounting, and the results of operations since the date of acquisition are included in comprehensive income.

(In thousands of Canadian dollars, except per unit amounts)

4. CANEXUS ACQUISITION (continued):

On January 27, 2017, the Fund completed an offering of subscription receipts at a price of $18.35 per unit. The offering was undertaken on a bought deal basis by a syndicate of underwriters. The Fund issued 21,800,000 subscription receipts, resulting in aggregate gross proceeds of approximately $400,000. The net proceeds of the offering were used to partially fund the Acquisition. Upon closing of the Acquisition, the subscription receipts issued in the offering were exchanged on a one-for-one basis for units of the Fund without payment of additional consideration or further action, and an aggregate of 21,800,000 units were issued.

The Acquisition was structured as a share acquisition for total consideration of $935,860. The Acquisition was financed by a combination of: (i) $1,408,996 (US$1,050,000) syndicated senior secured credit facilities consisting of a $436,118 (US$325,000) term loan and a $972,878 (US$725,000) revolver with a $268,380 (US$200,000) optional accordion (the “Credit Facilities”); (ii) the net proceeds of the equity offering of 21,800,000 units noted above; (iii) the assumption of $372,799 of CEI's (formerly, Canexus') long-term debt which consisted of $110,000 of senior notes and $262,799 of extendible revolving credit facilities; and (iv) the assumption of $254,696 fair value of CEI's (formerly, Canexus') convertible debentures comprised of the 5.75% convertible unsecured subordinated Series IV debentures due December 31, 2018 (the “CEI Series IV Debentures”); the 6.00% convertible unsecured subordinated Series V debentures due December 31, 2020 (the “CEI Series V Debentures”) and the 6.50% convertible unsecured subordinated Series VI debentures due December 31, 2021 (the “CEI Series VI Debentures”; the CEI Series IV Debentures, the CEI Series V Debentures and the CEI Series VI Debentures collectively, the “CEI Debentures”). In connection with the Acquisition, a portion of Chemtrade’s new Credit Facilities were used to repay its existing credit facilities and CEI's (formerly, Canexus') extendible revolving credit facilities. The amount drawn on the Credit Facilities to finance the Acquisition and to repay both Chemtrade's and CEI's (formerly, Canexus') existing credit facilities was $687,070. As a result of the repayment, Chemtrade expensed $5,508 of previously deferred financing costs. Costs related to the new Credit Facilities of $6,601 have been reflected in long-term debt. These costs have been deferred and are being amortized to finance costs in comprehensive income using the effective interest method.

The aggregate consideration for this acquisition was allocated as follows:

		March 10, 2017
Cash	$	308,365
Long-term debt assumed at fair value		372,799
Convertible debentures assumed at fair value		254,696
Total consideration	**$**	**935,860**

(In thousands of Canadian dollars, except per unit amounts)

4. CANEXUS ACQUISITION (continued):

Adjustments have been made to the purchase price allocation subsequent to the acquisition date which have been reflected in the table below. These adjustments are related to a decrease in the working capital of $3,097, decrease in property, plant and equipment of $133,816, an increase in intangible assets of $65,881, an increase in goodwill of $42,822, an increase in deferred tax assets of $48,976, an increase in provisions of $614 and an increase in deferred tax liabilities of $20,152. The purchase price allocation has been finalized for this acquisition.

		As at December 31, 2017
Working capital (including cash acquired of $27,160)	$	93,339
Property, plant and equipment		582,960
Other assets		6,691
Intangible assets		281,000
Goodwill		42,822
Deferred tax assets		60,513
Other long-term liabilities		(16,284)
Employee benefits		(12,213)
Provisions		(61,522)
Deferred tax liabilities		(41,446)
Consideration	**$**	**935,860**

Directly attributable Acquisition-related costs are $11,939, of which $8,472 were expensed in 2016. These are included in selling and administrative expenses in comprehensive income.

As part of the integration of the newly acquired businesses, Chemtrade reconfigured its business segments and introduced a new segment called Electrochemicals ("EC"), which includes Chemtrade's sodium chlorate business and the newly acquired businesses. Segmented comparatives in note 28 have been re-stated to conform with the current period presentation.

The amount of revenue and earnings attributable to CEI since Acquisition have been included in the consolidated statement of comprehensive income. For the year ended December 31, 2017, revenue has increased by $500,723 and net earnings have increased by $32,426 as a result of the Acquisition. The net earnings generated by the newly acquired businesses were partially offset by the higher depreciation and amortization incurred as a result of the fair market value adjustments from the preliminary purchase price allocation.

(a) Pro forma information:

The following pro forma revenue and earnings are prepared in accordance with IFRS as if the Acquisition had occurred on January 1, 2017. The pro forma consolidated revenue and earnings are not intended to be indicative of the results that would actually have occurred, or the results expected in future periods, had the events reflected herein occurred on the date indicated.

(In thousands of Canadian dollars, except per unit amounts)

4. CANEXUS ACQUISITION (continued):

Any potential synergies that may be realized and integration costs that may be incurred have been excluded from the pro forma revenue and earnings.

Pro forma assumptions and adjustments

Certain adjustments have been reflected in the pro forma information below to illustrate the effects of purchase accounting where the impact could be reasonably estimated. The adjustments were:

- To increase depreciation expense to reflect depreciation of the fair value increment on property, plant and equipment, and amortization expense to reflect amortization of the intangibles acquired
- To include additional interest costs on the new Credit Facilities, including accretion of transaction costs
- To remove interest costs from old debt of Canexus that has been paid off as part of the Acquisition
- To remove Chemtrade and Canexus Acquisition costs
- To eliminate intercompany sales and purchases between Chemtrade and Canexus
- To consider the effect of taxes on all the above-listed adjustments

	Year ended December 31, 2017		
	Actual	Adjustment	Pro Forma
Revenue	$ 1,469,138	$ 114,608	$ 1,583,746
Net earnings	$ 147,359	$ 7,726	$ 155,085

5. DISCONTINUED OPERATIONS:

On February 24, 2017, Chemtrade entered into a definitive agreement to sell its International business segment to Mitsui & CO., Ltd. for $57,692 (€38,244), including an adjustment for working capital. The transaction, which was subject to relevant regulatory approvals, closed on May 31, 2017. The business provided removal and marketing services for elemental sulphur and sulphuric acid to customers globally. Chemtrade realized a gain of $16,294, after taxes upon the sale of the business. The cumulative amount of foreign exchange differences related to the International business of $48,950 previously recognized in accumulated other comprehensive income was reclassified from equity to net earnings from discontinued operations upon the sale.

(In thousands of Canadian dollars, except per unit amounts)

5. DISCONTINUED OPERATIONS (continued):

The comparative consolidated statement of comprehensive income and other relevant notes have been re-stated to show the discontinued operation separately from continuing operations.

(a) Results of discontinued operations:

		Year ended December 31, 2017		2016
Revenue	$	**41,942**	$	159,924
Cost of sales and services		**(36,720)**		(145,512)
Gross profit		**5,222**		14,412
Selling and administrative expenses		**(2,666)**		(14,903)
Operating income		**2,556**		(491)
Finance income		**22**		44
Finance costs		**(43)**		(140)
Income (loss) before tax		**2,535**		(587)
Income tax (expense) recovery				
Current		**(9,861)**		(1,129)
Deferred		**10,619**		(9,749)
		758		(10,878)
Results from operating activities, net of tax		**3,293**		(11,465)
Cumulative foreign exchange differences		**48,950**		—
Gain on sale of discontinued operation		**18,120**		—
Deferred income tax on gain on sale of discontinued operations		**(1,826)**		—
Net earnings (loss) from discontinued operations	$	**68,537**	$	(11,465)
Net earnings (loss) per unit from discontinued operations				
Basic earnings (loss) per unit	$	**0.78**	$	(0.17)
Diluted earnings (loss) per unit	$	**0.65**	$	(0.17)

(In thousands of Canadian dollars, except per unit amounts)

5. DISCONTINUED OPERATIONS (continued):

(b) Cash flows (used in) from discontinued operations:

		Year ended December 31, 2017		2016
Net cash flows (used in) from operating activities	**$**	**(3,809)**	$	4,756
Net cash flows from (used in) investing activities		**51,058**		(497)
Net cash inflows for the year	**$**	**47,249**	$	4,259

(c) Effect of disposal on financial position:

		At May 31, 2017
Inventories	$	1,412
Trade and other receivables		11,469
Prepaid expenses and other assets		1,040
Property, plant and equipment		5,747
Intangible assets		28,907
Deferred income tax asset		819
Trade and other payables		(9,793)
Employee benefits		(8,589)
Net assets disposed	**$**	**31,012**
Consideration received, in cash	$	57,692
Cash and cash equivalents disposed		(6,465)
Disposal costs		(2,095)
Net cash inflow	**$**	**49,132**

6. TRADE AND OTHER RECEIVABLES:

		2017		2016
Trade and other receivables	**$**	**217,905**	$	128,594
Less: allowance for doubtful accounts		**(2,756)**		(934)
Net trade and other receivables	**$**	**215,149**	$	127,660

(In thousands of Canadian dollars, except per unit amounts)

6. TRADE AND OTHER RECEIVABLES (continued):

As disclosed in note 26, Chemtrade is exposed to normal credit and currency risks with respect to its accounts receivable. At December 31, 2017, 84.4% (2016 - 88.0%) of accounts receivable are less than 30 days past due, and less than 3% (2016 - less than 3%) of accounts receivable are greater than 120 days past due that are not provided for.

While Chemtrade evaluates a customer's credit worthiness before credit is extended, provisions for potential credit losses are also maintained. The change in allowance for doubtful accounts was as follows:

		2017		2016
Balance at beginning of year	**$**	**934**	$	1,318
Adjustments made during the year		**2,590**		(6)
Write-offs		**(768)**		(378)
Balance at end of year	**$**	**2,756**	$	934

7. INVENTORIES:

Chemtrade's inventories are as follows:

		2017		2016
Raw materials	**$**	**57,752**	$	32,173
Finished goods		**33,875**		25,239
Operating supplies		**30,003**		8,871
	$	**121,630**	$	66,283

The amount of inventories recognized as an expense during the year ended December 31, 2017 was $718,892 (2016 - $539,767).

(In thousands of Canadian dollars, except per unit amounts)

8. PROPERTY, PLANT AND EQUIPMENT:

Chemtrade's property, plant and equipment are as follows:

	Land	Plant and equipment	Facilities and equipment under construction	Total
Cost				
Balance at January 1, 2016	$ 53,551	$ 1,331,577	$ 42,010	$ 1,427,138
Additions	—	—	56,794	56,794
Disposals	(695)	—	—	(695)
Transfers	—	56,702	(56,702)	—
Asset retirements and write-downs	—	(84,948)	(254)	(85,202)
Reclassification to assets held for sale	—	(20,299)	—	(20,299)
Translation	1,257	(42,572)	(2,325)	(43,640)
Balance at December 31, 2016	$ 54,113	$ 1,240,460	$ 39,523	$ 1,334,096
Additions	—	—	74,944	74,944
Site restoration provisions	—	1,894	—	1,894
Transfers	—	41,334	(41,334)	—
Asset retirements and write-downs	(155)	(43,640)	(379)	(44,174)
Acquisition (note 4)	45,108	528,380	9,472	582,960
Translation	(3,584)	(70,160)	(2,553)	(76,297)
Balance at December 31, 2017	$ 95,482	$ 1,698,268	$ 79,673	$ 1,873,423
Accumulated depreciation				
Balance at January 1, 2016	$ —	$ (501,781)	$ —	$ (501,781)
Depreciation	—	(97,561)	—	(97,561)
Asset retirements and write-downs	—	29,348	—	29,348
Reclassification to assets held for sale	—	14,365	—	14,365
Translation	—	12,755	—	12,755
Depreciation allocated to inventory	—	(355)	—	(355)
Balance at December 31, 2016	$ —	$ (543,229)	$ —	$ (543,229)
Depreciation	—	(132,445)	—	(132,445)
Asset retirements and write-downs	—	41,218	—	41,218
Translation	—	23,382	—	23,382
Depreciation allocated to inventory	—	(428)	—	(428)
Balance at December 31, 2017	$ —	$ (611,502)	$ —	$ (611,502)
Net carrying amount				
December 31, 2016	$ 54,113	$ 697,231	$ 39,523	$ 790,867
December 31, 2017	$ 95,482	$ 1,086,766	$ 79,673	$ 1,261,921

(In thousands of Canadian dollars, except per unit amounts)

9. OTHER ASSETS:

Chemtrade's other assets are as follows:

		2017		2016
Note receivable		—		1,058
Deferred rent expense		2,169		2,345
Deferred charges		6,857		6,966
Interest rate swap asset (note 26)		772		—
Long-term receivable		4,681		—
Other		146		160
	$	14,625	$	10,529

10. INTANGIBLE ASSETS:

Chemtrade's intangible assets and goodwill are as follows:

		Goodwill		Customer Relationships		Other		Total
Cost								
Balance at January 1, 2016	$	847,121	$	476,260	$	62,830	$	1,386,211
Impairment (note 23)		—		(3,143)		—		(3,143)
Assets held for sale (note 5)		(28,529)		—		—		(28,529)
Translation		(32,331)		(9,399)		(1,200)		(42,930)
Balance at December 31, 2016	$	786,261	$	463,718	$	61,630	$	1,311,609
Acquisition (note 4)	$	42,822	$	—	$	281,000	$	323,822
Translation		(39,758)		(16,808)		(3,758)		(60,324)
Balance at December 31, 2017	$	789,325	$	446,910	$	338,872	$	1,575,107
Accumulated Amortization								
Balance at January 1, 2016	$	—	$	(183,099)	$	(11,544)	$	(194,643)
Amortization		—		(44,121)		(6,022)		(50,143)
Translation		—		3,154		(408)		2,746
Balance at December 31, 2016	$	—	$	(224,066)	$	(17,974)	$	(242,040)
Amortization		—		(43,383)		(29,035)		(72,418)
Translation		—		6,609		1,348		7,957
Balance at December 31, 2017	$	—	$	(260,840)	$	(45,661)	$	(306,501)
Net carrying amount								
December 31, 2016	$	786,261	$	239,652	$	43,656	$	1,069,569
December 31, 2017	$	789,325	$	186,070	$	293,211	$	1,268,606

(In thousands of Canadian dollars, except per unit amounts)

10. INTANGIBLE ASSETS (continued):

Impairment testing for cash-generating units containing goodwill

Chemtrade performed its annual test for goodwill impairment in the fourth quarter of 2017 in accordance with its policy described in note 3. The recoverable amount of all CGUs exceeded their carrying values, however for certain CGUs within the SPPC and WSSC segments, the recoverable amount was close to the carrying value. Therefore, any adverse movement in a key assumption, including the discount rate, could lead to impairment. The recoverable amount was based on the value in use approach.

The carrying value of goodwill for the SPPC segment is $288,599 (2016 - $302,735), for WSSC segment is $457,904 (2016 - $483,526) and for the EC segment is $42,822 (2016 - nil).

The key assumptions used in performing the impairment test for all CGU's were as follows:

	2017
Discount rate	10.34%
Growth rate for forecast period	2.5% - 5.5%
Perpetual growth rate	2.50%
Time period	5 years

11. TRADE AND OTHER PAYABLES:

Chemtrade's payables are as follows:

		2017		2016
Trade payables	**$**	**161,330**	$	124,274
Non-trade payables and accrued expenses		**69,027**		65,054
	$	**230,357**	$	189,328

(In thousands of Canadian dollars, except per unit amounts)

12. PROVISIONS:

	Onerous Contracts	Site Restoration	Environmental Liability	Total
Balance at January 1, 2016	$ —	$ 2,903	$ 64,088	$ 66,991
Additions	805	—	6,771	7,576
Accretion	—	186	1,833	2,019
Payments	—	—	(6,840)	(6,840)
Reclassification to liabilities directly associated with assets held for sale	(812)	—	—	(812)
Translation	7	(63)	(1,914)	(1,970)
	—	3,026	63,938	66,964
Less: Current portion	—	—	6,255	(6,219)
Balance at December 31, 2016	$ —	$ 3,026	$ 57,683	$ 60,709
Acquisition (note 4)	—	62,672	—	62,672
Additions	8,567	1,894	49	10,510
Accretion	—	1,071	1,599	2,670
Payments	(309)	(640)	(3,895)	(4,844)
Translation	—	(905)	(3,535)	(4,440)
	8,258	67,119	58,156	133,532
Less: Current portion	1,754	1,636	9,352	12,742
Balance at December 31, 2017	$ 6,504	$ 65,482	$ 48,803	$ 120,790

(a) Onerous contracts

In 2017, Chemtrade recorded an onerous contract provision related to the lease for CEI's former corporate office in Calgary. Payments on this contract are expected to occur until 2023.

(b) Site restoration

Chemtrade has estimated a retirement obligation for its plants and has accrued for this obligation. Site restoration is expected to occur on dates ranging from 2018 to 2050.

(In thousands of Canadian dollars, except per unit amounts)

12. PROVISIONS (continued):

(c) Environmental liability

Chemtrade has estimated a provision for its environmental liability in association with its plants. Expenditures are expected to occur on dates ranging from 2018 to 2046.

13. LONG-TERM DEBT:

	Year ended December 31,	
	2017	2016
Term bank debt		
US$325,000 (December 31, 2016 - US$325,000)	$ **408,558**	$ 436,378
Revolving credit facility		
US$103,513 (December 31, 2016 - US$9,140)	**130,124**	12,271
Canadian dollar-denominated	**32,553**	—
Less: Transaction costs	**(4,597)**	(4,984)
Long-term debt (note (a))	$ **566,638**	$ 443,665
Senior unsecured notes (note (b))	**71,500**	—
Long-term loan - Fort McMurray facility (note (c))	**7,936**	11,515
	$ **646,074**	$ 455,180
Less: Current portion	**(3,930)**	(3,654)
Long-term debt	$ **642,144**	$ 451,526

(a) Long-term debt:

At December 31, 2017 Chemtrade had senior Credit Facilities of approximately $1,068,535 (US$850,000), consisting of a term loan of $408,558 (US$325,000), and a revolving credit facility of $659,978 (US$525,000). At December 31, 2017, Chemtrade had drawn $162,677 (December 31, 2016 - $12,271) on the Credit Facilities and had committed a total of $22,615 (December 31, 2016 - $21,912) of this facility towards standby letters of credit. The Credit Facilities are secured by all the property, plant and equipment of Chemtrade, excluding the Fort McMurray facility, and the property, plant and equipment of CEI (formerly, Canexus) and its material subsidiaries until such time as the senior notes (see below under (b)) are repaid permanently. At December 31, 2017, the weighted average effective interest rate of the facilities is 3.4% (December 31, 2016 - 3.3%).

In connection with the Acquisition, a portion of Chemtrade's new Credit Facilities were used to repay its existing credit facilities and CEI's (formerly, Canexus') extendible revolving credit facilities. The amount drawn on the Credit Facilities to finance the Acquisition and to repay both Chemtrade's

13. LONG-TERM DEBT (continued):

and CEI's (formerly, Canexus') existing credit facilities was $687,070. As a result of the repayment, Chemtrade expensed $5,508 of previously deferred financing costs. Costs related to the new Credit Facilities of $6,601 have been reflected in long-term debt. These costs have been deferred and are being amortized to finance costs in comprehensive income using the effective interest method.

Chemtrade is subject to certain covenants on its Credit Facilities, which include a Net Debt to EBITDA ratio, Adjusted Net Debt to Adjusted EBITDA ratio, and an Interest Coverage ratio (as all terms are defined in the credit agreement). Chemtrade monitors these ratios and reports them to its lenders on a quarterly basis. As at December 31, 2017, Chemtrade was in compliance with all covenants.

(b) Senior unsecured notes:

On March 10, 2017, Chemtrade assumed $110,000 of senior unsecured notes of Canexus as part of the Acquisition. The senior notes, issued at par value, bear interest at a rate of 7.875% per annum and mature on September 20, 2023 (the "CEI Senior Notes"). The CEI Senior Notes contain certain early redemption options under which CEI has the option to redeem all or a portion of the CEI Senior Notes at various redemption prices, which include the principal amount plus accrued and unpaid interest, if any, to the redemption date. Interest is payable semi-annually on March 20 and September 20, which commenced on March 20, 2017.

On June 26, 2017, CEI redeemed $38,500 aggregate principal amount of its CEI Senior Notes, representing 35% of the $110,000 aggregate principal amount outstanding. The notes were redeemed at a total aggregate redemption price of $42,346, being equal to 107.875% of the principal amount, plus all accrued and unpaid interest.

(c) Long-term loan - Fort McMurray facility:

The Fort McMurray facility operates processing facilities at Syncrude's Mildred Lake oil sands facility in Alberta. In order to finance a portion of the construction of such facilities, a separate loan secured by the assets was entered into and remains outstanding. This loan bears interest at a fixed rate of 7.3% per annum with monthly principal repayments due until December 2019.

14. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES:

As part of the Acquisition on March 10, 2017, Chemtrade assumed all of the outstanding CEI Debentures issued by Canexus comprised of:

- CEI Series IV Debentures with a total par value of $60,000, which bear interest at 5.75% per annum and mature on December 31, 2018;

14. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES (continued):

- CEI Series V Debentures with a total par value of $107,500, which bear interest at 6.00% per annum and mature on December 31, 2020;

- CEI Series VI Debentures with a total par value of $85,550, which bear interest at 6.50% per annum and mature on December 31, 2021.

On May 2, 2017, the Fund completed an agreement with a syndicate of underwriters to issue $175,000 principal amount of convertible unsecured subordinated debentures. As allowed under provisions of the agreement to issue the debentures, the underwriters purchased an additional $26,250 principal amount of the debentures, increasing the aggregate gross proceeds of the public offering to $201,250. Chemtrade incurred transaction costs of approximately $8,661, which included the underwriters' fee and other expenses of the offering.

These convertible unsecured debentures bear interest at a rate of 4.75% per annum and are convertible, at the option of the holder, into units of the Fund at any time prior to the maturity date of May 31, 2024, at a unit price of $26.70 per unit and are not redeemable before May 31, 2020 (the "Fund 2017 4.75% Debentures"). The net proceeds of the issuance were used to fund the mandatory change of control offers in respect of the CEI Debentures, the redemption of $79,590 aggregate principal amount of its 5.75% convertible unsecured debentures due December 31, 2018 (the "Fund 2011 5.75% Debentures") and the redemption of the remaining CEI Series IV Debentures.

At December 31, 2017, the Fund also had $126,500 principal amount of 5.25% of convertible unsecured subordinated debentures outstanding (the "Fund 2014 5.25% Debentures") and $143,750 principal amount of 5.00% convertible unsecured subordinated debentures outstanding (the "Fund 2016 5.00% Debentures"). The Fund 2017 4.75% Debentures, the Fund 2014 5.25% Debentures and the Fund 2016 5.00% Debentures are collectively referred to as the "Fund Debentures". The Fund Debentures and the CEI Debentures are collectively referred to as the "Debentures".

Following the Acquisition, CEI commenced mandatory change of control offers to purchase all of the outstanding CEI Debentures. On May 10, 2017, CEI acquired the following debentures:

- $45,888 principal amount of 5.75% debentures (representing 76.5% of the outstanding CEI Series IV Debentures);

- $23,489 principal amount of 6.00% debentures (representing 21.9% of the outstanding CEI Series V Debentures);

(In thousands of Canadian dollars, except per unit amounts)

14. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES (continued):

- $10,966 principal amount of 6.50% debentures (representing 12.8% of the outstanding CEI Series VI Debentures).

On May 11, 2017, the Fund completed the redemption of $79,590 aggregate principal amount of the Fund 2011 5.75% Debentures representing a redemption in full of all of the Fund 2011 5.75% Debentures. The Fund 2011 5.75% Debentures were redeemed at par value plus accrued and unpaid interest for a total aggregate redemption price of $81,233.

On May 15, 2017, CEI redeemed the remaining $14,112 principal amount of the CEI Series IV Debentures, representing a redemption in full of the CEI Series IV Debentures.

On July 14, 2017, the Fund commenced offers (the "Offers") to purchase (i) all of the outstanding CEI Series V Debentures; and (ii) all of the outstanding CEI Series VI Debentures. On August 23, 2017, the Fund announced the expiration of the Offers. As the conditions to the Offers had not been satisfied, the Fund did not accept any tendered CEI Debentures for payment. The Fund incurred transaction costs of approximately $505. These are included in finance costs in comprehensive income.

Chemtrade has designated its Debentures as financial liabilities at fair value through profit or loss. At December 31, 2017, the fair value of the Debentures was $640,689 (December 31, 2016 - $392,389).

For the year ended December 31, 2017, there were net finance costs of $40,055 (2016 - $31,422) related to the Debentures, which included a gain of $2,154 (2016 - loss of $9,729) due to the change in fair value of the Debentures, interest expense of $33,050 (2016 $15,317) and transaction costs of $9,159 (2016 - $6,376).

The table below summarizes the key terms of each convertible debenture series outstanding at December 31, 2017 and December 31, 2016:

Year ended December 31, 2017

	Fund 2014 5.25% Debentures	Fund 2016 5.00% Debentures	Fund 2017 4.75% Debentures	CEI Series V Debentures	CEI Series VI Debentures
Maturity date	June 30, 2021	August 31, 2023	May 31, 2024	December 31, 2020	December 31, 2021
Interest rate	5.25%	5.00%	4.75%	6.00%	6.50%
Principal outstanding	$126,500	$143,750	$201,250	$84,011	$74,584

(In thousands of Canadian dollars, except per unit amounts)

14. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES (continued):

Year ended December 31, 2016

	Fund 2010 6.00% Debentures	**Fund 2011 5.75% Debentures**	**Fund 2014 5.25% Debentures**	**Fund 2016 5.00% Debentures**
Maturity date	March 31, 2017	December 31, 2018	June 30, 2021	August 31, 2023
Interest rate	6.00%	5.75%	5.25%	5.00%
Principal outstanding	$27,357	$79,637	$126,500	$143,750

15. OTHER LONG-TERM LIABILITIES:

Chemtrade's other long-term liabilities are as follows:

	2017	2016
Deferred revenue	**$ —**	$ 137
Long-term portion of LTIP liability (note 18)	**9,765**	7,173
Interest rate swap liability (note 26)	**—**	2,963
Reserve for self-insurance	**3,771**	4,028
Lease obligations	**1,832**	2,048
Long-term payable	**2,398**	—
Other	**3,062**	1,679
	20,828	18,028

(In thousands of Canadian dollars, except per unit amounts)

16. EMPLOYEE BENEFITS:

Chemtrade provides certain health care and pension benefits for certain employees upon retirement. The benefits under the International plan were discontinued upon the sale of the International business segment on May 31, 2017. See note 5.

Generally, under the pension plans, Chemtrade provides retirement benefits based on an employee's years of service and average annual earnings over a period of time prior to retirement. Chemtrade is responsible for meeting its statutory obligations for funding of the pension plans.

Certain hourly employees participate in the Pulp and Paper Industry Pension Trust Fund, a multi-employer, defined contribution pension plan. The plan is funded by employer and employee contributions. The employer-related expense under this plan in 2017 was $224 (2016 - $228).

Chemtrade also provides other employee future benefits, including health and dental care benefits and life insurance, for retired employees.

Short-term employee benefits for current employees, such as salaries, paid absences, bonuses and other benefits, are accounted for on an accrual basis over the period in which the employees provide the related services. In 2017, $151,372 (2016 - $121,318) of short-term employee benefits were recognized in cost of sales and services, and $61,985 (2016 - $46,196) were recognized in selling and administrative expenses.

Chemtrade expects $18,067 in contributions to be paid to its defined benefits plans in 2018.

		2017		2016
Present value of unfunded obligations	**$**	**11,314**	$	7,999
Present value of funded obligations		**387,403**		271,498
Total present value of obligations		**398,717**		279,497
Fair value of plan assets		**(336,199)**		(205,831)
Recognized liability for defined benefit obligations	**$**	**62,518**	$	73,666

(In thousands of Canadian dollars, except per unit amounts)

16. EMPLOYEE BENEFITS (continued):

		2017		2016
Components of net periodic benefit cost				
Current service cost	$	**2,554**	$	1,280
Net interest cost		**2,810**		2,945
Administration costs		**2,174**		1,836
Loss (gain) on curtailment		**677**		(559)
Plan settlements		**—**		27
Net periodic benefit cost recognized	$	**8,215**	$	5,529

		2017		2016
Net periodic benefit cost allocation				
Cost of sales	$	**1,969**	$	285
Selling and administrative expenses		**3,359**		1,569
Net finance costs		**2,768**		2,812
Net earnings from discontinued operations		**119**		863
Net periodic benefit cost recognized	$	**8,215**	$	5,529

		2017		2016
Other comprehensive income				
Return on plan assets, excluding interest income	$	**(30,721)**	$	(9,785)
Actuarial losses		**13,329**		3,703
Gain recognized in OCI during the year	$	**(17,392)**	$	(6,082)

(In thousands of Canadian dollars, except per unit amounts)

16. EMPLOYEE BENEFITS (continued):

	2017	2016
Weighted average assumptions		
Discount rate	**3.59%**	3.82%
Ultimate other medical trend rate	**4.50%**	4.50%
Salary escalation	**3.00%**	1.85%

	2017	2016
Change in accrued benefit obligation		
Accrued benefit obligation at beginning of year	**$ 279,497**	$ 320,149
Acquisition (note 4)	**129,086**	—
Current service cost	**2,554**	1,280
Interest cost	**12,943**	10,168
Contributions	**340**	289
Benefits paid	**(23,208)**	(20,912)
Gain on curtailment	**677**	(559)
Plan settlements	**—**	(6,230)
Foreign exchange	**(15,944)**	(9,619)
Actuarial gain from changes in demographic assumptions	**(5,615)**	(4,012)
Actuarial loss from changes in financial assumptions	**17,671**	7,802
Actuarial loss (gain) from experience adjustments	**1,273**	(87)
Reclassified to liabilities directly associated with assets held for sale	**(557)**	(18,772)
Accrued benefit obligation at end of year	**$ 398,717**	$ 279,497

	2017	2016
Change in plan assets		
Plan assets at beginning of year	**$ 205,831**	$ 227,378
Acquisition (note 4)	**116,873**	—
Administration fee	**(2,174)**	(1,836)
Interest income	**10,133**	7,223
Contributions	**10,270**	7,772
Benefits paid	**(23,208)**	(20,912)
Foreign exchange	**(12,189)**	(6,640)
Plan settlements	**—**	(6,257)
Return on plan assets, excluding interest income	**30,721**	9,785
Reclassified to liabilities directly associated with assets held for sale	**(58)**	(10,682)
Plan assets at end of year	**$ 336,199**	$ 205,831

(In thousands of Canadian dollars, except per unit amounts)

16. EMPLOYEE BENEFITS (continued):

The asset mix in the plan is approximately 50.8% bonds (2016 - 40.0%), approximately 39.4% equity securities (2016 - 50.0%) and approximately 9.8% other investments (2016 - 10.0%).

Assumed discount rates and health care cost trend rates have an effect on the amounts recognized in comprehensive income. A one percentage point change in assumed rates, holding other assumptions constant, would affect the defined benefit obligation as follows:

	Defined benefit obligation	
	One percentage point increase	**One percentage point decrease**
Discount rate	**$ (42,268)**	**$ 51,575**

17. UNITS AND OTHER COMPONENTS OF EQUITY:

(a) Units

Chemtrade has authorized an unlimited number of units. Chemtrade's units have no par value. The following table presents the number of units outstanding:

	2017		2016	
	Number of Units	**Amount**	**Number of Units**	**Amount**
Units				
Balance – January 1	**69,172,785**	**$ 1,048,738**	69,069,226	$ 1,046,922
Issued for cash (note 4)	**21,800,000**	**395,831**	—	—
Issuance costs (net of taxes) (note 4)	**—**	**(12,598)**	—	—
Conversion of unsecured subordinated convertible debentures	**1,623,221**	**30,024**	103,559	1,816
Balance – December 31	**92,596,006**	**$ 1,461,995**	69,172,785	$ 1,048,738

(b) Contributed surplus

Chemtrade's contributed surplus relates to the re-purchase of units under a normal course issuer bid.

17. UNITS AND OTHER COMPONENTS OF EQUITY (continued):

(c) Accumulated other comprehensive income ("AOCI")

AOCI is comprised of the following separate components of equity:

Cumulative translation account

The cumulative translation account comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Unrealized gains/losses on cash flow and net investment hedges

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred. The reserve also comprises the cumulative foreign currency differences arising on the translation of Chemtrade's U.S. dollar-denominated long-term debt, which is designated as the hedge of the net investment in foreign operations that use the U.S. dollar.

(d) Distributions

Distributions paid for the year ended December 31, 2017 were $104,091 (2016 - $82,912) or $1.20 per unit (2016 - $1.20 per unit). All of Chemtrade's distributions are discretionary and subject to Board approval.

Subsequent to year end, Chemtrade declared distributions of $9,260, or $0.10 per unit.

(e) Net earnings per unit

Net earnings per unit have been calculated on the basis of the weighted average number of units outstanding. The following tables provide a breakdown of the numerator and denominator used in the calculation of net earnings per unit and diluted net earnings per unit:

(In thousands of Canadian dollars, except per unit amounts)

17. UNITS AND OTHER COMPONENTS OF EQUITY (continued):

(i) Earnings per unit:

		2017		2016
				As recast (note 30)
Numerator				
Net earnings	**$**	**147,359**	$	4,744
Net interest and fair value adjustment on convertible unsecured subordinated debentures [(1)]		**13,488**		—
Diluted net earnings	**$**	**160,847**	$	4,744

[(1)] For the year ended December 31, 2016, the potential conversion of the convertible unsecured subordinated debentures has not been included as the effect on net earnings per unit would be anti-dilutive.

	2017	2016
Denominator		
Weighted average number of units	**88,156,694**	69,096,753
Weighted average convertible unsecured subordinated debenture dilutive units [(1)]	**17,158,286**	—
Weighted average number of diluted units	**105,314,980**	69,096,753

[(1)] For the year ended December 31, 2016, the potential conversion of the convertible unsecured subordinated debentures has not been included as the effect on net earnings per unit would be anti-dilutive.

(ii) Earnings per unit from continuing operations:

		2017		2016
				As recast (note 30)
Numerator				
Net earnings from continuing operations	**$**	**78,822**	$	16,209
Net interest and fair value adjustment on convertible unsecured subordinated debentures [(1)]		**—**		—
Diluted net earnings from continuing operations	**$**	**78,822**	$	16,209

[(1)] For the years ended December 31, 2017 and 2016, the potential conversion of the convertible unsecured subordinated debentures has not been included as the effect on net earnings per unit would be anti-dilutive.

(In thousands of Canadian dollars, except per unit amounts)

17. UNITS AND OTHER COMPONENTS OF EQUITY (continued):

	2017	2016
Denominator		
Weighted average number of units	**88,156,694**	69,096,753
Weighted average convertible unsecured subordinated debenture dilutive units [(1)]	**—**	—
Weighted average number of diluted units	**88,156,694**	69,096,753

(1) For the years ended December 31, 2017 and 2016, the potential conversion of the convertible unsecured subordinated debentures has not been included as the effect on net earnings per unit would be anti-dilutive.

18. SHARE-BASED PAYMENTS:

Chemtrade operates a Long-Term Incentive Plan ("LTIP"), which grants cash awards based on certain criteria. The 2015-2017, 2016-2018 and 2017-2019 LTIP awards have a performance based component and a restricted share unit component. For the 2015-2017 LTIP awards, the performance based component is based on total Unitholder return over a performance period, EBITDA growth and total return to Chemtrade's Unitholders relative to the total return on the S&P/TSX Capped Industrial Index. The 2016-2018 and 2017-2019 LTIP awards' performance based component is similar to the 2015-2017 LTIP awards except the total return to Chemtrade's Unitholders is measured relative to the total return on the S&P/TSX Dividend Index rather than the S&P/TSX Capped Industrial Index. Total Unitholder return consists of changes in unit price and distributions paid to Unitholders. The restricted share unit component of the LTIP awards is a phantom plan which is payable in cash at the end of the performance period.

As at December 31, 2017, a liability of $16,025 (December 31, 2016 - $12,844) has been recorded, of which $6,260 (December 31, 2016 - $5,671) is included in trade and other payables and $9,765 (December 31, 2016 - $7,173) is included in other long-term liabilities. For the year ended December 31, 2017, Chemtrade recorded an expense $8,889 (2016 - $4,484) in selling and administrative expenses related to the LTIP.

Inputs for measurement of fair values

The fair value of the share-based component of LTIP is measured based on the Monte Carlo sampling method. Base price is the average unit price for the first 20 business days at the beginning of each LTIP performance period. Expected volatility is estimated by considering historic average unit price volatility. The risk-free interest rate is based on Canadian government bonds and Canadian government treasury bills.

(In thousands of Canadian dollars, except per unit amounts)

18. SHARE-BASED PAYMENTS (continued):

The inputs used in the measurement of the fair value of the share-based component of LTIP are as follows:

	December 31, 2017	December 31, 2016
Chemtrade units:		
Average base price	**$18.19**	$18.92
Period-end unit price	**$19.40**	$18.94
Average expected volatility	**16.27%**	20.55%
Index units:		
Average base price	**$168.70**	$186.92
Period-end unit price	**$217.08**	$229.29
Average expected volatility	**7.96%**	12.76%
Average risk free interest rate	**1.38%**	0.60%
Average expected remaining term	**1.50 years**	1.50 years

19. COMMITMENTS AND CONTINGENCIES:

(a) Operating leases

Chemtrade enters into operating leases in the ordinary course of business, primarily for real property and equipment. Payments for these leases are contractual obligations as scheduled per each agreement. Operating lease payments in 2017 were $60,990 (2016 - $34,067). The future aggregate minimum lease payments for base rent amounts under non-cancellable operating leases are as follows:

2018	$	50,737
2019		35,023
2020		22,852
2021		14,655
2022		8,268
2023 and thereafter		17,897
	$	149,432

Chemtrade has recorded deferred rent expense of $2,169 (2016 - $2,345) in other assets.

(In thousands of Canadian dollars, except per unit amounts)

19. COMMITMENTS AND CONTINGENCIES (continued):

(b) Purchase commitments

As part of the Acquisition, Chemtrade assumed purchase commitments, which include contractual commitments for the purchase of electricity in Brazil, of which approximately 90 to 100 percent of the cost is passed onto one major customer, and minimum purchase commitments under some multi-year salt supply contracts. Chemtrade's outstanding purchase commitments as at December 31, 2017 are as follows:

2018	$	46,767
2019		46,517
2020		13,947
2021		13,947
2022		13,947
2023 and thereafter		41,840
	$	176,965

(c) Environmental clean-up costs

Chemtrade's operations are subject to numerous laws, regulations and guidelines relating to air emissions, water discharges, solid and hazardous wastes, transportation and handling of hazardous substances and employee health and safety in Canada, the United States and other countries where they operate. These environmental regulations are continually changing and are generally becoming more restrictive.

(d) Other claims

Chemtrade is involved in certain claims arising from the ordinary course and conduct of its business which, in the opinion of management, will not have a material impact upon the financial position of Chemtrade. Chemtrade has received indemnities from certain vendors with respect to certain claims arising prior to the related acquisitions.

20. REVENUE:

The revenues for Chemtrade are as follows:

		2017		2016
Sales of products	**$**	**1,297,755**	$	877,913
Processing services		**171,383**		189,343
	$	**1,469,138**	$	1,067,256

(In thousands of Canadian dollars, except per unit amounts)

21. SELLING AND ADMINISTRATIVE EXPENSES:

The components of selling and administrative expenses are as follows:

		2017		2016
Wages, salaries and benefits, including bonuses	$	**61,985**	$	46,196
Share-based payments (note 18)		**8,889**		4,484
Other selling, general and administrative expenses		**36,588**		26,404
Realized foreign exchange loss		**4,347**		756
Unrealized foreign exchange loss (gain)		**2,027**		(8,647)
Acquisition costs		**3,467**		8,472
Depreciation		**1,528**		875
	$	**118,831**	$	78,540

22. DEPRECIATION AND AMORTIZATION:

The components of depreciation expense of property, plant and equipment and amortization expense of intangible assets are as follows:

		Year ended December 31,		
		2017		2016
Cost of sales and services:				
Depreciation expense	$	**130,917**	$	96,607
Amortization expense		**72,418**		50,143
Selling and administrative expenses:				
Depreciation expense		**1,528**		954
Total depreciation and amortization expense	$	**204,863**	$	147,704

In 2017 and 2016, Chemtrade recorded total depreciation and amortization expenses of $416 and $1,476, respectively, related to discontinued operations.

23. LOSS ON WRITE-DOWN OF ASSETS AND INTANGIBLE ASSET IMPAIRMENT:

In June 2016 Fibrant LLC ("Fibrant") publicly announced plans to close its Augusta, Georgia caprolactam operations and subsequently ceased production in November 2016. This resulted in Chemtrade's Augusta facility, which supplied sulphuric acid products to Fibrant, to cease operations as well.

Chemtrade recorded a loss of $55,691 in the second quarter of 2016 on the write-down of assets associated with its sulphuric acid production facilities in Augusta, Georgia. Due to the closure of Fibrant's operations noted above, the cash flows associated with these specific assets could no longer support their carrying value.

Additionally, the closure of Fibrant's operations in Augusta was considered an indicator of impairment in the value of Chemtrade's customer relationship with Fibrant. As a result, Chemtrade recorded an impairment loss of $3,143 related to intangible assets in the SPPC segment.

These losses are reflected in cost of sales and services on the statement of comprehensive income. There was also $23,269 of deferred income tax recovery recorded associated with these write-downs.

(In thousands of Canadian dollars, except per unit amounts)

24. NET FINANCE COSTS:

The components of net finance costs are as follows:

		2017		2016
Interest expense on long-term debt	$	**33,302**	$	24,449
Debt extinguishment costs (note 13)		**6,626**		672
Interest expense on convertible debentures (note 14)		**33,050**		15,317
Transaction costs on issuance of convertible debentures (note 14)		**9,159**		6,376
Change in the fair value of convertible debentures (note 14)		**(2,154)**		9,729
Accretion expense on financing transaction costs		**1,259**		1,377
Accretion of provisions (note 12)		**2,670**		2,019
Interest revenue		**(607)**		—
Pension interest (note 16)		**2,768**		2,812
Net finance costs	**$**	**86,073**	$	62,751

25. INCOME TAXES:

Chemtrade is a mutual fund trust and a specified investment flow-through trust (“SIFT”) for income tax purposes. Chemtrade is subject to current income taxes at the top marginal tax rate applicable to individuals of approximately 53.5% on all taxable income not distributed to Unitholders. Chemtrade is also subject to current income taxes on all taxable income, other than dividends, earned from Canadian corporate and flow-through subsidiaries (other than Canadian subsidiaries that earn certain investment income) at a tax rate similar to the corporate tax rate. Chemtrade will not be subject to tax on income received from non-Canadian subsidiaries, provided that the income is distributed to Unitholders during the year. Based on the current organization of Chemtrade and its subsidiaries, it expects that its income distributed to Unitholders will not be subject to SIFT tax.

On December 22, 2017 H.R. 1, originally known as the Tax Cuts and Jobs Act, (the “Tax Act”) was enacted. Among other significant changes to the U.S. Internal Revenue Code, the Tax Act lowers the U.S. federal corporate income tax rate (“U.S. Federal Tax Rate”) from 35.0% to 21.0%, effective January 1, 2018, implements a territorial tax system, imposes stricter limitations on interest expense deductibility, and levies a repatriation tax on the deemed repatriated earnings of certain non-U.S. controlled subsidiaries (“Deemed Repatriation Income”). As a result of the Tax Act, Chemtrade recorded a deferred tax benefit primarily due to a remeasurement of deferred tax assets and liabilities for the change in the U.S. Federal Tax Rate. We are able to make a reasonable estimate and recorded a provisional Deemed Repatriation Income inclusion amount which was offset by 2017 deductions resulting in no anticipated cash tax payout. The U.S. Federal Tax Rate benefit, the Deemed Repatriation Income inclusion and other corresponding impacts to certain non-US affiliates of Chemtrade resulted in a total deferred tax benefit of $37,977 which represents provisional amounts and management’s current best estimates. The final impact of the Tax Act

(In thousands of Canadian dollars, except per unit amounts)

25. INCOME TAXES (continued):

may differ from estimates, due to, among other things, changes in our interpretations and assumptions, additional guidance that may be issued by the U.S. Internal Revenue Service ("IRS"), and certain actions that we may take. We are continuing to gather additional information to determine the final impact. Further, other Tax Act changes, including potential IRS regulations restricting the ability of Chemtrade to deduct certain intercompany interest expense, and which could apply retroactively to January 1, 2018, and the Base Erosion Anti-Abuse Tax, could impact Chemtrade's taxes in future periods. We are currently assessing the potential impact of these Tax Act changes and may take certain actions to mitigate any negative impact, if any.

(a) Current tax expense

		2017		2016
Taxes recognized in net earnings	**$**	**(8,831)**	$	6,624
Current tax (expense) recovery	**$**	**(8,831)**	$	6,624
Deferred tax recovery:				
Origination and reversal of temporary differences		**101,523**		68,378
Deferred tax recovery	**$**	**101,523**	$	68,378
Total tax recovery from continuing operations	**$**	**92,692**	$	75,002
Tax expense from discontinued operations		**(1,068)**		(10,878)
Total tax recovery	**$**	**91,624**	$	64,124

(In thousands of Canadian dollars, except per unit amounts)

25. INCOME TAXES (continued):

(b) Reconciliation of the effective tax rate

The provision for income taxes in comprehensive income represents an effective rate different than the Canadian corporate statutory rate of 26.64% (2016 - 26.59%). The differences are as follows:

		2017		2016
Net earnings (loss) before income tax	$	**55,735**	$	(59,380)
Computed income tax (expense) recovery at Canadian statutory rate		**(14,848)**		15,789
Difference resulting from:				
Income of trust taxed directly to unitholders		**34,861**		36,947
Difference in substantially enacted tax rate		**(18,713)**		(6,796)
International income tax rate differences		**21,815**		22,831
Change in U.S. tax legislation		**37,977**		—
Recognition of previously unrecognized deferred tax asset (liability)		**7,335**		(997)
Difference between capital gain tax rate and full statutory rate		**15,266**		(2,532)
Foreign exchange		**1,227**		1,183
Tax adjustments related to prior years		**5,093**		(1,541)
Change in provision for tax exposure items		**—**		9,509
Loss adjustment due to previous acquisition		**6,418**		—
Deferred tax liabilities on the sale of discontinued operation		**—**		(9,490)
Other		**(4,807)**		(779)
Total income tax recovery	$	**91,624**	$	64,124

(In thousands of Canadian dollars, except per unit amounts)

25. INCOME TAXES (continued):

(c) Recognized deferred tax assets and liabilities

Recognized deferred tax assets and liabilities are attributed to the following:

		2017		2016
Deferred tax assets:				
Other assets	**$**	**50,337**	$	57,275
Losses available for carryforward		**120,993**		91,415
Long-term debt and deferred interest		**39,541**		44,641
Other long-term liabilities and employee benefits		**35,396**		30,720
		246,267		224,051
Reclassification to deferred tax liabilities		**(160,253)**		(208,325)
Total deferred tax assets	**$**	**86,014**	$	15,726
Deferred tax liabilities:				
Property, plant and equipment		**157,550**		193,099
Intangible assets		**58,521**		101,241
Other liabilities		**35,602**		78,287
		251,673		372,627
Reclassification from deferred tax assets		**(160,253)**		(208,325)
Total deferred tax liabilities	**$**	**91,420**	$	164,302

(In thousands of Canadian dollars, except per unit amounts)

25. INCOME TAXES (continued):

(d) Movement in deferred tax balances

Movement in deferred tax balances during the year are as follows:

	Balance, January 1, 2017	Recognized in net earnings	Foreign exchange impact	Recognized in other comprehensive income	Recognized directly in equity	Acquired in business combination	Balance December 31, 2017
Property, plant and equipment	$ (193,099)	$ 49,579	$ 16,284	$ —	$ —	$ (30,314)	$ (157,550)
Intangible assets	(101,241)	68,398	7,394	—	—	(33,072)	(58,521)
Net other assets and liabilities	(21,012)	24,909	944	3,249	4,569	2,076	14,735
Losses available for carryforward	91,415	(34,509)	(5,580)	—	—	69,667	120,993
Long-term debt and deferred interest	44,641	(18,746)	—	2,429	—	11,217	39,541
Other long-term liabilities and employee benefits	30,720	20,685	(10,290)	(5,213)	—	(506)	35,396
	$ (148,576)	**$ 110,316**	**$ 8,752**	**$ 465**	**$ 4,569**	**$ 19,068**	**$ (5,406)**

	Balance, January 1, 2016	Recognized in net earnings	Foreign exchange impact	Recognized in other comprehensive income	Reclassification to liabilities associated with assets held for sale	Acquired in business combination	Balance December 31, 2016
Property, plant and equipment	$ (239,322)	$ 38,437	$ 7,786	$ —	$ —	$ —	$ (193,099)
Intangible assets	(127,157)	22,528	3,388	—	—	—	(101,241)
Net other assets and liabilities	(12,852)	(16,748)	6,649	1,568	371	—	(21,012)
Losses available for carryforward	84,101	8,509	(1,195)	—	—	—	91,415
Long-term debt and deferred interest	32,196	9,833	(53)	2,665	—	—	44,641
Other long-term liabilities and employee benefits	38,435	(3,930)	(1,032)	(2,753)	—	—	30,720
	$ (224,599)	**$ 58,629**	**$ 15,543**	**$ 1,480**	**$ 371**	**$ —**	**$ (148,576)**

(In thousands of Canadian dollars, except per unit amounts)

25. INCOME TAXES (continued):

(e) Unrecognized deferred tax assets

During the year, Chemtrade did not recognize $1,510 (2016 - $5,208) of deferred tax assets as management did not believe that it is probable that the deductible temporary differences giving rise to the deferred tax asset will be utilized.

26. FINANCIAL INSTRUMENTS:

(a) Categories of financial assets and liabilities

The carrying values of Chemtrade's financial instruments are as follows:

		2017		2016
Assets carried at fair value				
Derivative instruments	**$**	**898**	$	28
Assets carried at amortized cost				
Cash and cash equivalents		**10,372**		14,742
Trade and other receivables		**215,149**		127,660
Long term receivable (note 9)		**4,681**		—
Note receivable (note 9)		**—**		1,058
Interest rate swap asset (note 9)		**772**		—
Liabilities carried at fair value				
Convertible unsecured subordinated debentures (note 14)		**640,689**		392,389
LTIP liability (note 18)		**16,025**		12,844
Interest rate swap liability (note 15)		**—**		2,963
Liabilities carried at amortized cost				
Trade and other payables		**224,097**		183,657
Distributions payable		**9,257**		6,917
Current portion of long-term debt		**3,930**		3,654
Long-term debt		**642,144**		451,526

(In thousands of Canadian dollars, except per unit amounts)

26. FINANCIAL INSTRUMENTS (continued):

(b) Derivatives and hedging

	December 31, 2017			December 31, 2016		
		Fair Value			Fair Value	
	Notional Amount	**Asset**	**Liability**	Notional Amount	Asset	Liability
Derivatives designated in a formal hedging relationship						
Interest rate swaps	**US$ 325,000**	**$ 772**	**$ —**	US$ 325,000	$ —	$ 2,963
Derivatives not designated in a formal hedging relationship						
Foreign exchange contracts [(1)]	**$ —**	**898**	**—**	$ —	28	—
Total		**$ 1,670**	**$ —**		$ 28	$ 2,963

[(1)] See below for notional amounts.

On December 31, 2017, Chemtrade had swap arrangements with its principal bankers which fixed the LIBOR components of its interest rates on US$325,000 of its outstanding long-term debt until January 2019. These swaps are formally designated as cash flow hedges at the date of inception and any changes in the fair value of the effective portion of the swaps are recognized in other comprehensive income.

As part of the Acquisition, Chemtrade assumed a cross currency swap associated with the payment of interest on the CEI Series IV Debentures in U.S. dollars. During the second quarter of 2017, Chemtrade purchased the entire principal CEI Series IV Debentures balance and terminated the related cross currency swap on the CEI Series IV Debentures, resulting in a loss of $2,128, which is included in selling and administrative expenses.

On January 1, 2015, Chemtrade hedged its investment in foreign operations that use the U.S. dollar as their functional currency by Chemtrade's U.S. dollar-denominated long-term debt. Any foreign currency gains and losses arising from the U.S. dollar-denominated debt will be offset by the foreign currency gain or loss arising from the investment in the foreign operations. The gains and losses on the foreign currency translation of the designated amount of U.S. dollar-denominated debt and investment in foreign operations are being recognized in other comprehensive income. For the year ended December 31, 2017, a foreign exchange gain of $11,057 (2016 - $11,111) on the revaluation of the U.S. dollar-denominated debt related to this hedging strategy was recognized in other comprehensive income.

Chemtrade has entered into foreign exchange contracts to manage some of its exposure to foreign currencies. Chemtrade buys and sells specific amounts of currencies at pre-determined dates and exchange rates, which are matched with the anticipated operational cash flows.

26. FINANCIAL INSTRUMENTS (continued):

Contracts in place at December 31, 2017 include future contracts to sell the following amounts for periods through to March 2019:

Amount	Weighted average exchange rate
US$68,500	$1.27

(c) Fair values of financial instruments

Fair value is the value that would be agreed upon in an arm's length transaction between willing and knowledgeable counter-parties. The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables and distributions payable approximate their fair values because of the short-term maturity of these financial instruments. The carrying amount of restricted cash and the note receivable approximates their fair value. The carrying amount of long-term debt, excluding transaction costs, approximates fair value as the debt accrues interest at prevailing market rates.

For fair value estimates relating to the convertible unsecured subordinated debentures and derivatives, Chemtrade classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Significant unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The following is a summary of the fair value hierarchy levels of Chemtrade's financial instruments:

(In thousands of Canadian dollars, except per unit amounts)

26. FINANCIAL INSTRUMENTS (continued):

2017	Level 1	Level 2	Level 3	Total
Instruments designated as fair value through profit and loss				
Foreign exchange contracts	$ —	$ 898	$ —	$ 898
Convertible unsecured subordinated debentures	(479,786)	(160,903)	—	(640,689)
Instruments designated as fair value through other comprehensive income				
Interest rate swaps	—	772	—	772
Total	**$ (479,786)**	**$ (159,233)**	**$ —**	**$ (639,019)**

2016	Level 1	Level 2	Level 3	Total
Instruments designated as fair value through profit and loss				
Foreign exchange contracts	$ —	$ 28	$ —	$ 28
Convertible unsecured subordinated debentures	(392,389)	—	—	(392,389)
Instruments designated as fair value through other comprehensive income				
Interest rate swaps	—	(2,963)	—	(2,963)
Total	**$ (392,389)**	**$ (2,935)**	**$ —**	**$ (395,324)**

The Fund's Debentures are classified within Level 1 because they are actively traded on the TSX and the fair value is based on the quoted prices on the TSX. The CEI debentures are classified as Level 2 as their fair value is determined using observable inputs. Any changes in the fair value of the Debentures are recognized in net earnings.

All of Chemtrade's derivative financial instruments are classified within Level 2 because they are based on rates quoted by banks and other public data sources. These derivatives are recorded in prepaid expenses and other assets, trade and other payables, and other long-term liabilities on the statements of financial position.

The fair value of the foreign exchange contracts is the difference between the forward exchange rate and the contract rate. Any changes in the fair value of these contracts are recognized in net earnings.

The fair value of the interest rate swap arrangements is the difference between the forward interest rates and the contract rates discounted. The liability is recorded in other long-term liabilities in the statements of financial position. Any changes in the fair value of these arrangements are recognized in other comprehensive income.

(In thousands of Canadian dollars, except per unit amounts)

26. FINANCIAL INSTRUMENTS (continued):

(d) Risks associated with financial instruments

(i) Credit risk

Credit risk arises from the non-performance by counter-parties of their contractual financial obligations. Chemtrade manages credit risk for trade and other receivables through established credit monitoring activities. Chemtrade does not have a significant concentration of credit risk with any single counter-party. The primary counter-parties related to the foreign exchange forward contracts, commodity price contracts and interest rate swaps carry investment grade ratings. Chemtrade's maximum exposure to credit risk at the reporting date is the carrying value of its receivables and derivative assets.

(ii) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Chemtrade manages liquidity risk by maintaining adequate cash and cash equivalent balances, and by appropriately utilizing its lines of credit. Chemtrade continuously monitors and reviews both actual and forecasted cash flows, and also matches the maturity profile of financial assets and liabilities.

Chemtrade's financial liabilities recorded in trade and other payables, including derivatives, non-trade payables and accrued expenses, and distributions payable are generally due within one year. The undiscounted cash flow requirements for long-term financial liabilities as at December 31, 2017 are as follows:

	Carrying Value	Total	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years
Long-term debt (note 13)	$ 646,074	$ 650,892	$ 3,930	$ 4,226	$ 571,236	$ 71,500
Interest on long-term debt	—	114,427	25,561	50,359	34,405	4,102
Convertible unsecured subordinated debentures (note 14)	640,689	630,095	—	84,011	201,084	345,000
Interest on convertible unsecured subordinated debentures	—	159,827	33,277	66,554	41,662	18,334
Total	**$ 1,286,763**	**$ 1,555,241**	**$ 62,768**	**$ 205,150**	**$ 848,387**	**$ 438,936**

(iii) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. Chemtrade's market risks are as follows:

26. FINANCIAL INSTRUMENTS (continued):

(a) Currency risk

Chemtrade is exposed to fluctuations in the exchange rate of the US dollar relative to the Canadian dollar as a portion of Chemtrade's earnings are in US dollars, with earnings positively affected when the US dollar strengthens relative to the Canadian dollar. At December 31, 2017, on an unhedged basis, Chemtrade estimates that a one-cent change in the exchange rate would have an impact on the translation of net earnings of approximately $1,400 per annum. At December 31, 2017, on an unhedged basis, a one-cent change in the exchange rate would also have an impact of approximately $1,200 on Chemtrade's net earnings because of the translation of its US dollar-denominated long-term debt.

(b) Interest rate risk

Chemtrade has a credit facility with long-term debt and operating lines of credit which bear variable rates of interest. As at December 31, 2017, on an unhedged basis, a change in interest rates of 1% per annum would have an impact of approximately $5,700 on Chemtrade's net earnings per annum. As at December 31, 2017, Chemtrade had fixed interest rates on 75.0% of its senior debt until January 2019.

(c) *Other price risks*

Product Price and Sales Volume Risk -

Every $50 change in the price per MT of North American produced sodium chlorate would have an impact on income before income taxes of approximately $22,100 per annum. Every $100 change in the price per MECU of chlor-alkali products produced in North America would have an impact on income before income taxes of approximately $19,400 per annum. These sensitivities to changes in prices are based on approximately 442,000 MT of North American sodium chlorate sales and 194,000 MECU of North American chlor-alkali sales for the year ended December 31, 2017, respectively. Sensitivities of $50 per MT for sodium chlorate and $100 per MECU for chlor-alkali products are considered reasonable given historical product price changes and market expectations for future movement.

A change in sales volumes for North American sodium chlorate of 10,000 MT would have an impact on income before income taxes of approximately $3,200 per annum. A change in sales volumes for North American chlor-alkali products of 5,000 MECU would have an impact on income before income taxes of approximately $3,400 per annum. These sales volume changes are considered to be reasonable due to current market conditions and expectations for future movement.

26. FINANCIAL INSTRUMENTS (continued):

Electricity Price Risk -

Every four percent change in the price of electricity in North America would have an impact on income before income taxes of approximately \$4,500 per annum. This sensitivity to changes in electricity prices is based on North American electricity consumption of approximately 2,770,000 Megawatt hours for the year ended December 31, 2017. A four percent change in the price of electricity in North America is considered reasonable given historical price changes and market expectations for future movement.

Sulphuric acid pricing -

At December 31, 2017, a change in sulphuric acid pricing, net of freight, of \$1 per tonne, would have an impact on annual revenues in North America of approximately \$1,500. In any specific period, the exact impact would depend upon the volume that is subject to sales contracts where pricing has been fixed for a period of time. The magnitude of realized price changes also depends upon regional market dynamics. It is difficult to reliably estimate the impact of price changes on earnings as this depends upon the volume subject to risk-sharing supply contracts and changes in sulphur costs for manufactured sulphuric acid. These factors lessen the impact of price changes on earnings relative to revenue.

Salt Costs -

Chemtrade uses salt in the manufacturing of its sodium chlorate and chlor-alkali products. At current operating levels, an increase of \$1 per tonne of salt prices in North America would have an impact of approximately \$600 per annum on cost of sales.

Sulphur costs -

Chemtrade uses sulphur in the manufacturing of several of its products, including sulphuric acid. At operating levels as at December 31, 2017, an increase of \$1 per tonne would have an impact of approximately \$300 per annum on cost of sales. It is important to note that a change in the cost of sulphur is likely to lead to a change in the price for sulphuric acid as this is a key input cost in the manufacturing of sulphuric acid. Thus, the net impact on earnings of changes in sulphur costs would depend upon changes in sulphuric acid pricing.

27. CAPITAL MANAGEMENT:

Chemtrade's objective when managing its capital is to safeguard Chemtrade's assets and its ability to continue as a going concern, to meet external capital requirements related to its credit facilities, and to maximize the growth of its business and the returns to its Unitholders. Chemtrade's capital structure is comprised of units, convertible unsecured subordinated debentures and long-term debt. The long-term bank debt does not require payment until March 2022. The convertible unsecured subordinated debentures mature on dates ranging from December 2020 to May 2024.

Chemtrade intends to maintain a flexible capital structure consistent with the objectives stated above and to respond to changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, Chemtrade may purchase units for cancellation, issue new units, raise debt (secured, unsecured, convertible and/or other types of available debt instruments) or refinance existing debt with different characteristics.

Chemtrade utilizes annual capital and operating expenditure budgets to facilitate the management of its capital requirement. These budgets are approved by the Board. Budgets are updated if there are significant changes in fundamental underlying assumptions during a period.

Chemtrade is subject to certain covenants on its credit facilities, which include a Net Debt to EBITDA ratio, Adjusted Net Debt to Adjusted EBITDA ratio, and Interest Coverage ratio (as both terms are defined in the credit agreement). Chemtrade monitors these ratios and reports them to its lenders on a quarterly basis. As at December 31, 2017 and December 31, 2016, Chemtrade was in compliance with the above covenants.

There were no changes in Chemtrade's approach to managing capital during the year.

28. BUSINESS SEGMENTS:

Chemtrade operates in four reportable segments: SPPC, WSSC, EC, and Corp. On May 31, 2017, the sale of the International segment was completed and it was classified as a discontinued operation, see note 5. The reportable segments of Chemtrade are strategic business groups that offer products and services to target markets, as described below. The accounting policies applied by the segments are the same as those applied by Chemtrade.

SPPC markets, removes and/or produces merchant, regenerated and ultra pure sulphuric acid, sodium hydrosulphite, elemental sulphur, liquid sulphur dioxide, hydrogen sulphide, and sodium bisulphite, and provides other processing services. These products are marketed primarily to North American customers.

WSSC manufactures and markets a variety of inorganic coagulants used in water treatment, including aluminum sulphate, aluminum chlorohydrate, polyaluminum chloride, and ferric sulphate; and a number of specialty chemicals, including sodium nitrite, potassium chloride, phosphorus pentasulphide, vaccine adjuvants, and sulphides. These products are marketed primarily to North American customers.

EC manufactures and markets sodium chlorate and chlor-alkali products largely for the pulp and paper, oil and gas and water treatment industries. These products are marketed primarily to North American and South American customers. This segment includes results from Chemtrade's sodium chlorate business, as well as those from the newly acquired businesses (note 4). Comparatives have been re-stated to conform with the current period presentation.

The International business provided removal and marketing services for elemental sulphur and sulphuric acid. These products were marketed to customers globally. As the sale of the International Segment was completed on May 31, 2017 (note 5), this segment was classified as a discontinued operation.

Corp is a non-operating segment that provides centralized services, such as treasury, finance, information technology, human resources, legal and risk management, and environmental, health and safety support.

(In thousands of Canadian dollars, except per unit amounts)

28. BUSINESS SEGMENTS (continued):

Year ended December 31, 2017

	SPPC	WSSC	EC	Intl	Corp	Total
Revenue	$ 500,435	$ 420,873	$ 547,830	$ —	$ —	**$ 1,469,138**
Inter-segment revenues	19,754	—	—	—	—	**19,754**
Operating income (loss)	37,216	39,258	73,029	—	(77,300)	**72,203**
Net finance costs	(18,676)	(19,341)	(19,518)		(28,538)	**(86,073)**
Income tax recovery (expense)	40,374	61,645	(7,931)		(1,396)	**92,692**
Earnings from discontinued operations	—	—	—	68,537	—	**68,537**
Net earnings (loss)	58,914	81,562	45,580	68,537	(107,234)	**147,359**
Capital expenditures	24,257	24,105	24,659	169	1,754	**74,944**
Depreciation and amortization	71,804	53,387	79,256	416	—	**204,863**
Loss (gain) on disposal and write-down of assets	38	25	4,435	(18,119)	—	**(13,621)**

Year ended December 31, 2016

	SPPC	WSSC	EC	Intl	Corp	Total
Revenue	$ 592,507	$ 425,783	$ 48,966	$ —	$ —	**$ 1,067,256**
Inter-segment revenues	29,633	—	—	—	—	**29,633**
Operating (loss) income	8,770	43,950	3,394	—	(52,156)	**3,958**
Net finance costs	(17,194)	(14,085)	(57)	—	(31,415)	**(62,751)**
Income tax recovery	40,772	33,725	131	—	374	**75,002**
Loss from discontinued operations	—	—	—	(11,465)	—	**(11,465)**
Net earnings (loss)	32,348	63,590	3,468	(11,465)	(83,197)	**4,744**
Capital expenditures	26,450	27,856	1,312	497	679	**56,794**
Depreciation and amortization	77,618	59,822	8,788	1,476	—	**147,704**
Loss on disposal and write-down of assets	55,779	45	—	—	—	**55,824**
Impairment of intangible assets	3,143	—	—	—	—	**3,143**

December 31, 2017

	SPPC	WSSC	EC	Intl	Corp	Total
Total assets	$ 1,014,929	$ 932,318	$ 1,023,034	$ —	$ 13,047	**$ 2,983,328**
Total liabilities	383,334	569,114	383,975	—	498,252	**1,834,675**
Intangible assets	419,341	545,957	303,308	—	—	**1,268,606**

(In thousands of Canadian dollars, except per unit amounts)

28. BUSINESS SEGMENTS (continued):

December 31, 2016

	SPPC	WSSC	EC	Intl	Corp	Total
Total assets	$ 1,056,986	$ 949,023	$ 102,090	$ 50,817	$ 3,156	**$ 2,162,072**
Total liabilities	$ 245,473	$ 703,627	$ 5,113	$ 26,243	$ 412,561	**$ 1,393,017**
Intangible assets	$ 469,816	$ 593,757	$ 5,996	$ —	$ —	**$ 1,069,569**

Geographic segments:

Chemtrade operates primarily in Canada, the United States and South America. Revenue is attributed to customers based on location of sale.

Revenue

	Year ended December 31,	
	2017	2016
Canada	**$ 439,618**	$ 251,292
United States	**950,559**	815,964
South America	**78,961**	—
	$ 1,469,138	$ 1,067,256

Property, plant and equipment, and intangible assets

	December 31, 2017	December 31, 2016
Canada	**$ 1,051,768**	$ 390,238
United States	**1,325,394**	1,470,198
South America	**153,365**	—
	$ 2,530,527	1,860,436

29. RELATED PARTIES:

Key management personnel compensation

Key management personnel is comprised of trustees and the senior leadership team of Chemtrade. Trustees receive compensation in the form of an annual retainer. In addition to their salaries, Chemtrade also provides non-cash benefits to the senior leadership team. One such benefit is the contribution to a post-employment defined contribution plan on their behalf. These plans for the senior leadership team are identical to the plans offered to all employees in the same jurisdiction.

The Annual Incentive Compensation (“Annual IC”) plan entitles the senior leadership team to annual cash awards based on (i) Chemtrade's success in achieving financial objectives (financial achievement is weighted at 65% of the total Annual IC award); and (ii) their individual success in accomplishing personal objectives (weighted at 35% of the total Annual IC award) as set out in their objectives for the fiscal year.

The LTIP as described in note 18 is designed to align the interests of the participants with the interests of Unitholders. It is a cash plan where payment is triggered upon the successful achievement of pre-defined performance criteria. Each year the Compensation and Corporate Governance Committee determines the performance period over which performance will be measured, and the annual LTIP awards granted have been based on a three-year performance period. All the LTIP awards granted vest at the end of the three-year period. The value of this compensation is re-measured at each reporting period based upon changes in the fair value of the awards.

Certain members of the senior leadership team are subject to a mutual term of notice upon termination of employment without cause; they are entitled to termination benefits of 9 to 24 months gross salary, depending on the number of years completed as an executive officer.

Chemtrade has in place a deferred unit compensation plan for its trustees, pursuant to which the trustees can elect to take all or a portion of their compensation in the form of deferred units of Chemtrade, with the remainder as a cash payment. Currently, the trustees must take at least 30% of their compensation in the form of deferred units of Chemtrade. As at December 31, 2017, the market value of these deferred units, which is included in trade and other payables was $3,488 (2016 - $4,437).

(In thousands of Canadian dollars, except per unit amounts)

29. RELATED PARTIES (continued):

The key management personnel compensation expense, which is recorded in comprehensive income, is as follows:

		2017		2016
Short-term compensation	$	**7,956**	$	8,660
LTIP		**6,573**		3,595
	$	**14,529**	$	12,255

30. RECLASSIFICATION OF REALIZED FOREIGN EXCHANGE LOSS:

During the first quarter of 2017, management determined that the reclassification of a realized foreign exchange loss of $20,067 to selling and administrative expenses from other comprehensive income during the third quarter of 2016 on the repayment of Chemtrade's long-term debt should not have been recorded. Since Chemtrade's U.S. dollar denominated debt is effectively hedged against its net investment in its U.S. subsidiaries, the cumulative foreign exchange loss related to the long-term debt that was recorded in other comprehensive income should have remained in other comprehensive income until the disposal or partial disposal of its U.S. subsidiaries. As a result, the comparative information on the statement of financial position for the year ended December 31, 2016 has been recast to reflect this immaterial reclassification, reducing the deficit and decreasing accumulated other comprehensive income by $17,402 (net of taxes of $2,665).

As such the previously reported net loss of $12,658 and other comprehensive loss of $17,950 as reported for the year ended December 31, 2016 are adjusted to net earnings of $4,744 and comprehensive loss of $35,352. The adjustment has no impact on total comprehensive income (loss) or on the statement of cash flows for any period presented.

Unitholder Information

Trustees

Management

Mark Davis
President & CEO

Rohit Bhardwaj
Vice-President, Finance & CFO

Leon Aarts
Group Vice-President, Corporate Development and Strategy

Dan Dietz
Group Vice-President, WSSC and EC

Tab McCullough
Group Vice-President, Manufacturing

Michael St. Pierre
Group Vice-President, SPPC

Tejinder Kaushik
Vice-President, Information Technology

Susan Paré
Corporate Secretary

Emily Powers
Vice-President, Human Resources

Head Office

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Investor Information

Unitholders or other interested parties seeking financial information about the Fund are invited to call:

Rohit Bhardwaj
Vice-President, Finance & CFO
(416) 496-5856

Annual Meeting

The Annual Meeting of Unitholders will be held on May 9, 2018 at 10:00 a.m. at the Gallery, TSX Broadcast Centre, The Exchange Tower, 130 King Street West, Toronto

chemtradelogistics.com

CHEMTRADE

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