Condensed Consolidated Interim Financial Statements of

CHEMTRADE LOGISTICS INCOME FUND

Three months ended
March 31, 2019 and 2018
(Unaudited)

CHEMTRADE LOGISTICS INCOME FUND

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

	Notes		March 31, 2019		December 31, 2018
ASSETS					
Current assets					
Cash and cash equivalents		$	**11,048**	$	13,413
Trade and other receivables			**199,074**		199,871
Inventories			**143,481**		143,539
Income taxes receivable			**6,337**		5,629
Prepaid expenses and other assets			**4,886**		5,373
Total current assets			**364,826**		367,825
Non-current assets					
Property, plant and equipment			**1,225,019**		1,260,670
Right-of-use assets	**3**		**167,531**		—
Other assets			**13,530**		11,643
Intangible assets			**1,134,968**		1,167,636
Deferred tax assets	**11**		**69,225**		69,314
Total non-current assets			**2,610,273**		2,509,263
Total assets		$	**2,975,099**	$	2,877,088
LIABILITIES AND UNITHOLDERS' EQUITY					
Current liabilities					
Trade and other payables	**12**	$	**195,798**	$	238,578
Distributions payable			**9,257**		9,257
Provisions	**8**		**80,512**		118,903
Lease liabilities	**3**		**48,014**		—
Convertible unsecured subordinated debentures	**5**		**—**		84,011
Total current liabilities			**333,581**		450,749
Non-current liabilities					
Long-term debt	**4**		**860,837**		689,014
Convertible unsecured subordinated debentures	**5**		**491,327**		495,208
Other long-term liabilities			**19,818**		18,288
Long-term lease liabilities	**3**		**129,448**		—
Employee benefits			**56,664**		50,113
Provisions			**113,656**		114,791
Deferred tax liabilities	**11**		**21,802**		42,212
Total non-current liabilities			**1,693,552**		1,409,626
Total liabilities			**2,027,133**		1,860,375
Unitholders' equity					
Units	**6**		**1,461,995**		1,461,995
Contributed surplus			**9,720**		9,720
Deficit			**(718,815)**		(656,548)
Accumulated other comprehensive income			**195,066**		201,546
Total unitholders' equity			**947,966**		1,016,713
Total liabilities and unitholders' equity		$	**2,975,099**	$	2,877,088

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

* Chemtrade has initially adopted IFRS 16, *Leases* at January 1, 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16, if any, is recognized in retained earnings at the date of initial application. See *Note 3.*

CHEMTRADE LOGISTICS INCOME FUND

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

	Notes		Three months ended March 31, 2019		2018
Revenue		$	**385,252**	$	381,473
Cost of sales and services	**10**		**(340,817)**		(336,017)
Gross profit			**44,435**		45,456
Selling and administrative expenses	**8**		**(64,176)**		(25,812)
Operating (loss) income			**(19,741)**		19,644
Net finance costs	**9**		**(27,111)**		(15,672)
(Loss) income before income tax			**(46,852)**		3,972
Income tax (expense) recovery	**11**				
Current			**(1,542)**		(2,442)
Deferred			**19,076**		5,386
			17,534		2,944
Net (loss) earnings		$	**(29,318)**	$	6,916
Other comprehensive (loss) income					
Items that may subsequently be reclassified to earnings:					
Gain (loss) on net investment hedge of foreign operations net of tax expense of nil (2018 - nil)	**12**		**5,388**		(3,808)
Foreign currency translation differences for foreign operations, net of tax expense of nil (2018 - $1,249)			**(16,912)**		20,909
Effective portion of change in the fair value of cash flow hedges, net of tax recovery of $1,278 (2018 - expense of $237)	**12**		**(3,479)**		646
Items that will not be reclassified to earnings:					
Defined benefit plan adjustments net of tax recovery of $1,825 (2018 - $124)			**(5,170)**		(337)
Change in fair value of convertible debentures due to credit risk, net of tax expense of $2,547 (2018 - $2,521)			**8,523**		6,190
Other comprehensive (loss) income			**(11,650)**		23,600
Total comprehensive (loss) income		$	**(40,968)**	$	30,516
Net (loss) earnings per unit	**6**				
Basic net (loss) earnings per unit		$	**(0.32)**	$	0.07
Diluted net (loss) earnings per unit		$	**(0.32)**	$	0.07

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

* Chemtrade has initially adopted IFRS 16, *Leases* at January 1, 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16, if any, is recognized in retained earnings at the date of initial application. See *Note 3.*

CHEMTRADE LOGISTICS INCOME FUND

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

	Notes	Units	Contributed surplus	Deficit	Cumulative translation account*	Unrealized (gains) losses on cash flow and net investment hedges*	Change in fair value of convertible debentures due to credit risk*	Total unitholders' equity
Balance at January 1, 2019		**$ 1,461,995**	**$ 9,720**	**$ (656,548)**	**$ 216,070**	**$ (27,664)**	**$ 13,140**	**$ 1,016,713**
Net loss		—	—	(29,318)	—	—	—	(29,318)
Other comprehensive (loss) income	**6**	—	—	(5,170)	(16,912)	1,909	8,523	(11,650)
Distributions	**6**	—	—	(27,779)	—	—	—	(27,779)
Balance at March 31, 2019		**$ 1,461,995**	**$ 9,720**	**$ (718,815)**	**$ 199,158**	**$ (25,755)**	**$ 21,663**	**$ 947,966**

	Notes	Units	Contributed surplus	Deficit	Cumulative translation account*	Unrealized (gains) losses on cash flow and net investment hedges*	Change in fair value of convertible debentures due to credit risk*	Total unitholders' equity
Balance at January 1, 2018		**$ 1,461,995**	**$ 9,720**	**$ (453,425)**	**$ 138,111**	**$ (7,748)**	**$ —**	**$ 1,148,653**
Adjustment from adoption of IFRS 9		—	—	30,663	—	—	(30,663)	—
Net earnings		—	—	6,916	—	—	—	6,916
Other comprehensive (loss) income	**6**	—	—	(337)	20,909	(3,162)	6,190	23,600
Distributions	**6**	—	—	(27,779)	—	—	—	(27,779)
Balance at March 31, 2018		**$ 1,461,995**	**$ 9,720**	**$ (443,962)**	**$ 159,020**	**$ (10,910)**	**$ (24,473)**	**$ 1,151,390**

* Accumulated other comprehensive income.
** Chemtrade has initially adopted IFRS 16, *Leases* at January 1, 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16, if any, is recognized in retained earnings at the date of initial application. See *Note 3.*

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

CHEMTRADE LOGISTICS INCOME FUND

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

		Three months ended March 31,	
	Notes	**2019**	2018
Cash flows from operating activities:			
Net (loss) earnings		**$ (29,318)**	$ 6,916
Adjustments for:			
Depreciation and amortization	**3,10**	**67,464**	52,337
Loss (gain) on disposal and write-down of assets		**303**	(115)
Income tax recovery		**(17,534)**	(2,944)
Net interest costs		**15,818**	14,959
Interest costs - lease liabilities		**2,246**	—
Accretion expense		**1,368**	999
Net pension interest		**490**	479
Change in fair value of convertible unsecured subordinated debentures	**5**	**7,189**	(766)
Unrealized foreign exchange (gain) loss		**(4,063)**	105
		43,963	71,970
Increase in working capital		**(82,893)**	(19,697)
Interest paid		**(12,452)**	(14,874)
Interest received		**161**	124
Income taxes paid		**(2,249)**	(2,486)
Net cash flows (used in) from operating activities		**(53,470)**	35,037
Cash flows from investing activities:			
Additions to property, plant and equipment		**(11,400)**	(11,434)
Increase in other assets		**(1,887)**	(646)
Net cash flows used in investing activities		**(13,287)**	(12,080)
Cash flows from financing activities:			
Distributions to unitholders	**6**	**(27,779)**	(27,779)
Repayment of term debt		**—**	(956)
Repayment of lease liability		**(14,643)**	—
Repayment of convertible debentures	**5**	**(84,011)**	—
Net change in revolving credit facility	**4**	**185,296**	17,516
Financing transaction costs	**4**	**—**	(793)
Increase (decrease) in other long-term liabilities		**5,749**	(7,837)
Net cash flows from (used in) financing activities		**64,612**	(19,849)
(Decrease) increase in cash and cash equivalents		**(2,145)**	3,108
Cash and cash equivalents, beginning of the period		**13,413**	10,372
Effect of exchange rates on cash held in foreign currencies		**(220)**	237
Cash and cash equivalents, end of the period		**$ 11,048**	$ 13,717

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

* Chemtrade has initially adopted IFRS 16, *Leases* at January 1, 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16, if any, is recognized in retained earnings at the date of initial application. See *Note 3.*

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"). For additional information regarding Chemtrade's business segments, see note 13.

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 condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, using the same accounting policies and standards as were used for Chemtrade's 2018 annual consolidated financial statements, except as discussed in note 3.

These condensed consolidated interim financial statements should be read in conjunction with Chemtrade's 2018 annual consolidated financial statements.

The condensed consolidated interim financial statements were authorized for issue by the Board of Trustees on May 8, 2019.

2. BASIS OF PREPARATION (continued):

(b) Basis of measurement:

The condensed consolidated interim financial statements have been prepared on the historical cost basis, except for the following material items in the condensed consolidated interim statements 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;
- The defined benefit liability is recognized as the fair value of the plan assets and the present value of the defined benefit obligation; 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 condensed consolidated interim financial statements are presented in thousands of Canadian dollars, except for net earnings per unit information which is presented in Canadian dollars.

3. SIGNIFICANT ACCOUNTING POLICIES:

(a) Standards and interpretations adopted during the period:

IFRS 16, *Leases*

Chemtrade has initially adopted International Financial Reporting Standards 16, *Leases* ("IFRS 16") from January 1, 2019.

IFRS 16 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

Chemtrade has applied IFRS 16 with a date of initial application of January 1, 2019 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at January 1, 2019. Under this approach, Chemtrade has not restated comparative information presented for 2018. Comparative information for 2018 are presented as previously reported under IAS 17 and related interpretations. Chemtrade has changed its accounting policy for lease contracts as detailed below.

A. Definition of a lease

Previously, Chemtrade determined at contract inception whether an arrangement is or contains a lease under International Financial Reporting Interpretations Committee 4, *Determining Whether an Arrangement contains a Lease* ("IFRIC 4"). Under IFRS 16, Chemtrade assesses whether a contract is or contains a lease based on the new definition of a lease provided in IFRS 16. IFRS 16 provides that a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, Chemtrade elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed to determine whether they met the IFRS 16 definition of a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

At inception or on reassessment of a contract that contains a lease component, in which Chemtrade is a lessee, Chemtrade allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for certain leases where it is a lessee, in accordance with IFRS 16, Chemtrade has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

B. As a lessee

Chemtrade leases various assets that include properties, rail cars, vehicles, IT equipment and other heavy-duty machinery and equipment to conduct its daily operations.

Chemtrade previously classified leases as operating or finance leases. Chemtrade assessed whether a lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset to Chemtrade, in which case it was classified as a finance lease and recognized on the balance sheet. Payments made under operating leases were recognized in comprehensive income on a straight-line basis over the term of the lease (i.e. they were off-balance sheet). Under IFRS 16, Chemtrade recognizes right-of-use assets and lease liabilities for most leases - i.e. leases are on-balance sheet.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

On transition to IFRS 16, Chemtrade elected to apply recognition exemptions for short-term leases (i.e. leases with terms less than 12 months or entered into on a month-to-month basis) and leases of IT equipment that are considered to be low-dollar value leases. For leases of other assets, which were classified as operating leases under IAS 17, Chemtrade recognized right-of-use assets and lease liabilities.

i. Significant Accounting Policy

Policy applicable from January 1, 2019

Chemtrade recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost. Subsequent to initial application, the right-of-use asset is measured at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. In comparison, the lease liability is increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonable certain to be exercised or a termination option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Chemtrade has applied judgment to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether Chemtrade is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

ii. Transition of leases classified as operating leases under IAS 17

At transition from IAS 17 to IFRS 16, lease liabilities were measured at the present value of the remaining lease payments, discounted at Chemtrade's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

Chemtrade used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemptions not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term and/or of low-dollar value.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

iii. Leases previously classified as finance leases

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at January 1, 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

C. As a lessor

Chemtrade is not required to make any adjustments on transition to IFRS 16 for its leases in which it acts as a lessor, except for a sub-lease. Chemtrade accounted for its leases in accordance with IFRS 16 from the date of initial application.

Under IFRS 16, Chemtrade is required to assess the classification of a sub-lease with reference to the right-of-use asset, not the underlying asset. On transition from IAS 17 to IFRS 16, Chemtrade reassessed the classification of a sub-lease contract previously classified as an operating lease under IAS 17. Chemtrade concluded that the sub-lease is a finance lease under IFRS 16.

D. Impacts on financial statements

i. Impact on transition

On transition to IFRS 16, Chemtrade recognized an additional $191,676 of right-of-use assets and lease liabilities. The amount attributed to right-of-use assets was then adjusted net of the present value of the sub-lease, lease incentives and the onerous provision. Lease liabilities were also adjusted to include the impact of prepayments made by Chemtrade.

When measuring lease liabilities, Chemtrade discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied ranged from 4.00% to 5.25%.

		January 1, 2019
Right-of-use assets at January 1, 2019	$	191,676
Adjustments[1][2]		(14,961)
Right-of-use assets recognized at January 1, 2019	**$**	**176,715**

[1] Includes adjustments related to the present value of the sub-lease, lease incentives and the onerous provision.
[2] There was no impact to opening deficit as a result of the transition to IFRS 16.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

		January 1, 2019
Operating lease commitments at December 31, 2018	$	195,837
Adjustments[1]		27,408
Impact of discounting using the incremental borrowing rate		(33,308)
Lease liabilities recognized at January 1, 2019	**$**	**189,937**

[1] Includes the impact of recognition exemptions including those for short-term and low-dollar value leases; includes the impact of judgment applied with regard to lease terms in which Chemtrade is a lessee that include renewal options; includes prepayments made; and, includes the onerous provision liability that was included as part of other provisions on the balance sheet at December 31, 2018.

ii. Current period impact

As a result of the initial adoption of IFRS 16 and Chemtrade recognizing right-of-use assets in the amount of $176,715, during the three months ended March 31, 2019, there was depreciation expense of $13,588 related to these assets. Due to the addition of lease liabilities at the present value of their lease payments, during the three months ended March 31, 2019, Chemtrade recognized finance costs of $2,246 related to these liabilities.

IFRIC 23, *Uncertainty over Income Tax Treatments*

In June 2017, the IFRS Interpretations Committee of the IASB issued IFRIC 23, *Uncertainty over Income Tax Treatments* ("IFRIC 23"). The interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The interpretation is effective for the annual period beginning on January 1, 2019. The adoption of IFRIC 23 did not have a material impact on Chemtrade's consolidated financial statements.

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

4. LONG-TERM DEBT:

		March 31, 2019		December 31, 2018
Term bank debt				
US$325,000 (December 31, 2018 - US$325,000)		433,875	$	443,203
Revolving credit				
US$256,781 (December 31, 2018 - US$183,554)		342,802		250,313
Canadian dollar-denominated		88,323		—
Less: Transaction costs		(4,163)		(4,502)
Long-term debt (note (a))	$	860,837	$	689,014
Less: Current portion		—		—
Long-term debt	$	860,837	$	689,014

(a) Long-term debt

At March 31, 2019, Chemtrade had senior credit facilities of $1,134,750 (US $850,000) ("Credit Facilities"), consisting of a term loan of $433,875 (US$325,000) and a revolving credit facility of $700,875 (US$525,000). At March 31, 2019, Chemtrade had drawn $431,125 (December 31, 2018 - $250,313) on the revolving credit facility and had committed a total of $11,773 (December 31, 2018 - $18,433) of this facility towards standby letters of credit.

The Credit Facilities are secured by certain property, plant and equipment of Chemtrade. At March 31, 2019, the weighted average effective interest rate of the facilities is 4.5% (December 31, 2018 - 4.0%).

During the first quarter of 2018, Chemtrade modified the terms of the Credit Facilities to extend the maturity date by one year to March 2023. Chemtrade incurred $793 of transaction costs related to the modification. These costs have been deferred and are being amortized to finance costs in comprehensive income using the effective interest method. Subsequently, during the fourth quarter of 2018 Chemtrade further modified the terms of the Credit Facilities to extend the maturity date to December 2023. Chemtrade incurred $512 of transaction costs related to the modification. These costs have also been deferred and are being amortized to finance costs in comprehensive income using the effective interest method.

Chemtrade is subject to certain covenants pursuant to its Credit Facilities, which include a Net Debt to 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 March 31, 2019, Chemtrade was in compliance with all covenants.

4. LONG-TERM DEBT (continued):

(b) Senior unsecured notes:

On March 10, 2017, Chemtrade assumed $110,000 of senior unsecured notes of Canexus Corporation ("Canexus", now Chemtrade Electrochem Inc. ("CEI")) as part of its acquisition of Canexus (the "Acquisition"). The senior notes were issued at par value, bearing interest at a rate of 7.875% per annum and mature on September 20, 2023 (the "CEI Senior Notes"), with interest payments payable semi-annually on March 20 and September 20. On June 26, 2017, CEI redeemed $38,500 aggregate principal amount of its CEI Senior Notes.

On June 25, 2018, CEI redeemed the remaining $71,500 aggregate principal amount of its CEI Senior Notes. The notes were redeemed at a total aggregate redemption price of $78,657, being equal to 110.01% of the principal amount, plus accrued interest. The redemption price paid in excess of the principal amount has been included as an expense within net finance costs in the consolidated statement of comprehensive income for the year ended December 31, 2018.

(c) Long-term loan - Fort McMurray facility

Chemtrade's 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 Chemtrade's facility, a separate loan secured by the assets was entered into, bearing interest at a fixed rate of 7.3% per annum with monthly principal repayments due until December 2019. On June 29, 2018, Chemtrade repaid the outstanding balance under the loan for a total of $6,489, including a prepayment premium of $260 plus accrued interest.

5. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES:

On January 3, 2019, the Fund redeemed the remaining portion of the outstanding CEI Series V Debentures at a total aggregate redemption price of $84,052, being equal to 100% of the principal amount of debentures outstanding, plus accrued and unpaid interest to, but excluding, the redemption date. This represented a redemption in full of the CEI Series V Debentures. Chemtrade used its Credit Facilities to fund the redemption.

At March 31, 2019, the Fund had $126,500 principal amount of 5.25% of convertible unsecured subordinated debentures outstanding (the "Fund 2014 5.25% Debentures"), $143,750 principal amount of 5.00% convertible unsecured subordinated debentures outstanding (the "Fund 2016 5.00% Debentures") and $201,250 principal amount of 4.75% convertible unsecured subordinated debentures outstanding (the "Fund 2017 4.75% Debentures"). The Fund 2014 5.25% Debentures, the Fund 2016 5.00% Debentures and the Fund 2017 4.75% Debentures are collectively referred to as the "Fund Debentures". At March 31, 2019, $74,584 principal amount of CEI Series VI Debentures were also outstanding. The Fund Debentures and the CEI Series VI Debentures are collectively referred to as the "Debentures".

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

5. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES (continued):

Chemtrade has designated its Debentures as financial liabilities at fair value through profit or loss. At March 31, 2019, the fair value of the Debentures was $491,327 (December 31, 2018 - $579,219).

For the three months ended March 31, 2019, there were net finance costs of $14,193 (2018 - $7,465) related to the Debentures, which included a loss of $7,189 (2018 - gain of $766) due to the change in fair value of the Debentures and interest expense of $7,004 (2018 - $8,231). For the three months ended March 31, 2019, the change in fair value of the Debentures due to Chemtrade's own credit risk was a gain of $11,070 (2018 - $8,711), which has been presented in other comprehensive income rather than net earnings.

The table below summarizes the key terms of each convertible debenture series outstanding at March 31, 2019:

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

The table below summarizes the key terms of each convertible debenture series outstanding at December 31, 2018:

	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)

6. 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:

	2019		2018	
	Number of Units	**Amount**	**Number of Units**	**Amount**
Units				
Balance – January 1 and March 31	**92,596,006**	**$ 1,461,995**	92,596,006	$ 1,461,995

(b) Distributions

Distributions paid for the three months ended March 31, 2019 were $27,779 (2018 - $27,779) or $0.30 per unit (2018 - $0.30 per unit). All of Chemtrade's distributions are discretionary and subject to Board approval.

(c) 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:

	Three months ended March 31,	
	2019	2018
Numerator		
Net (loss) earnings	**$ (29,318)**	$ 6,916
Net interest and fair value adjustment on convertible unsecured subordinated debentures [1]	**—**	—
Diluted net (loss) earnings	**$ (29,318)**	$ 6,916

[1] For the three months ended March 31, 2019 and 2018, 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)

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

	Three months ended March 31,	
	2019	2018
Denominator		
Weighted average number of units	**92,596,006**	92,596,006
Weighted average convertible unsecured subordinated debenture dilutive units [1]	**—**	—
Weighted average number of diluted units	**92,596,006**	92,596,006

[1] For the three months ended March 31, 2019 and 2018, 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.

7. SHARE-BASED PAYMENTS:

Chemtrade operates a Long-Term Incentive Plan ("LTIP"), which grants cash awards based on certain criteria. The 2017-2019, 2018-2020 and 2019-2021 LTIP awards have a performance based component and a restricted share unit component. 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 Dividend Index or the companies comprising such 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 March 31, 2019, a liability of $9,257 (December 31, 2018 - $11,480) has been recorded, of which $3,748 (December 31, 2018 - $5,116) is included in trade and other payables and $5,509 (December 31, 2018 - $6,364) is included in other long-term liabilities. For the three months ended March 31, 2019, Chemtrade recorded an expense $2,917 (2018 - recovery of $805) in selling and administrative expenses related to the fair value adjustments on 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)

7. SHARE-BASED PAYMENTS (continued):

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

	March 31, 2019	December 31, 2018
Chemtrade units:		
Average base price	**$15.52**	$17.20
Period-end unit price	**$9.14**	$10.48
Average expected volatility	**32.13%**	27.41%
Index units:		
Average base price	**$151.71**	$133.35
Period-end unit price	**$168.33**	$149.55
Average expected volatility	**10.31%**	13.98%
Average risk free interest rate	**1.60%**	1.79%
Average expected remaining term	**1.75 years**	1.50 years

8. SELLING AND ADMINISTRATIVE EXPENSES:

The components of selling and administrative expenses are as follows:

	Three months ended March 31,	
	2019	2018
Wages, salaries and benefits, including bonuses and other	**$ 26,248**	$ 26,970
Realized foreign exchange loss (gain)	**1,117**	(1,595)
Unrealized foreign exchange (gain) loss	**(4,063)**	105
Depreciation (note 10)	**874**	332
Reserve for Legal Proceedings	**40,000**	—
	$ 64,176	$ 25,812

Reserve for Legal Proceedings

General Chemical (which was acquired by Chemtrade) was a subject of an investigation by the U.S. Department of Justice concerning alleged anti-competitive conduct in the water treatment chemicals industry, for which Chemtrade has the benefit of conditional amnesty. General Chemical and Chemtrade are also defendants in civil lawsuits relating to the same conduct. The vendors of the General Chemical business agreed to indemnify Chemtrade for certain losses that could result from the conduct that is the subject of this investigation, as this conduct occurred prior to Chemtrade's acquisition of the business; however the parties are disputing the scope of the indemnity. Corporate costs for the year ended December 31, 2018 included an expense of $100,000, which represented a reserve for the costs of litigating and resolving all of the civil actions commenced against General Chemical and Chemtrade and various other defendants for anti-

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

8. SELLING AND ADMINISTRATIVE EXPENSES (continued):

competitive actions in the water business. In November 2018, Chemtrade reached a settlement with the plaintiffs of the main class action civil lawsuit pursuant to which Chemtrade paid US $51,000 during the three months ended March 31, 2019 and assigned the proceeds, net of defence costs, of the outcome of the indemnity dispute. During 2019, Chemtrade settled the other class action lawsuit and other related lawsuits, including those by plaintiffs who opted out of the main class action lawsuit. Only certain derivative actions remain outstanding. As a result of these settlements, an additional expense of $40,000 was recorded in corporate costs during the three months ended March 31, 2019. The outcome and timing of the remaining actions is uncertain.

9. NET FINANCE COSTS:

The components of net finance costs are as follows:

	Three months ended March 31,	
	2019	2018
Interest expense on long-term debt	**$ 8,975**	$ 6,853
Interest expense on convertible debentures	**7,004**	8,231
Change in the fair value of convertible debentures (note 5)	**7,189**	(766)
Interest expense on lease liabilities (note 3)	**2,246**	—
Accretion expense on financing transaction costs	**339**	297
Accretion of provisions	**1,029**	702
Pension interest	**490**	479
Interest income	**(161)**	(124)
Net finance costs	**$ 27,111**	$ 15,672

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

10. DEPRECIATION AND AMORTIZATION:

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

		Three month ended March 31,		
		2019		2018
Cost of sales and services:				
Depreciation expense on property, plant and equipment	**$**	**35,514**	$	33,506
Depreciation expense on right-of-use assets (note 3)		**13,124**		—
Amortization expense		**17,952**		18,499
Selling and administrative expenses (note 8):				
Depreciation expense on property, plant and equipment		**410**		332
Depreciation expense on right-of-use assets (note 3)		**464**		—
Total depreciation and amortization expense	**$**	**67,464**	$	52,337

11. 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, Chemtrade expects that its income distributed to Unitholders will not be subject to SIFT tax.

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period. Chemtrade calculates the consolidated estimated effective annual tax rate by determining the amount of current and deferred income taxes as a percentage of income before tax. Chemtrade's consolidated estimated effective tax rate in respect of continuing operations for the three months ended March 31, 2019 was 37.4% (2018 - negative 74.1%), compared to a statutory rate of 26.9% (2018 - 26.8%).

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

11. INCOME TAXES (continued):

The effective tax rate for the first three months ended March 31, 2019 differs from the statutory tax rate primarily due to the deduction of taxable income distributed to Unitholders.

12. FINANCIAL INSTRUMENTS:

(a) Derivatives and hedging:

	March 31, 2019			December 31, 2018		
	Notional Amount	**Fair Value Asset**	**Fair Value Liability**	Notional Amount	Fair Value Asset	Fair Value Liability
Derivatives designated in a formal hedging relationship						
Interest rate swaps	**US$ 175,000**	**$ —**	$ 4,425	US$ 325,000	$ 332	$ —
Derivatives not designated in a formal hedging relationship						
Foreign exchange contracts [1]	**—**	**—**	**2,434**	—	—	5,737
Total		**$ —**	**$ 6,859**		$ 332	$ 5,737

[1] See below for notional amounts.

On January 23, 2019, Chemtrade settled 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. On January 24, 2019, Chemtrade entered into new swap arrangements which fixed the LIBOR components of its interest rates on US$175,000 of its outstanding long-term debt until December 2023. 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.

Chemtrade hedges 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 three months ended March 31, 2019, a foreign exchange gain of $5,388 (2018 - loss of $3,808) on the revaluation of the U.S. dollar-denominated debt related to this hedging strategy was recognized in other comprehensive income.

12. FINANCIAL INSTRUMENTS (continued):

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.

Contracts in place at March 31, 2019 include future contracts to sell the following amounts for periods through to September 2020:

Amount	Weighted average exchange rate
US$70,263	$1.29

(b) 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 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.

12. FINANCIAL INSTRUMENTS (continued):

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.

13. BUSINESS SEGMENTS:

Chemtrade operates in four reportable segments: SPPC, WSSC, EC, and Corp. 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, sodium bisulphite, and sulphides, 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 (KCl), phosphorus pentasulphide and vaccine adjuvants. These products are marketed primarily to North American customers.

EC manufactures and markets sodium chlorate and chlor-alkali products including caustic soda, chlorine and hydro-chloric acid (HCl), 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.

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

13. BUSINESS SEGMENTS (continued):

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.

Three months ended March 31, 2019

	SPPC	WSSC	EC	Corp	Total
Revenue	$ 131,079	$ 105,390	$ 148,783	$ —	**$ 385,252**
Inter-segment revenues	5,417	—	1,072	—	**6,489**
Operating income (loss) [1]	13,547	3,471	19,204	(55,963)	**(19,741)**
Net finance costs [1]					**(27,111)**
Income tax recovery					**17,534**
Net loss					**(29,318)**
Depreciation and amortization [1]	23,980	14,598	28,886	—	**67,464**
(Gain) loss on disposal and write-down of assets	(2)	(2)	4	303	**303**
Capital expenditures	2,470	5,434	3,379	117	**11,400**

[1] Chemtrade has initially applied IFRS 16 at January 1, 2019. In applying IFRS 16, in relation to the leases that were previously classified as operating leases, Chemtrade recognizes depreciation and interest expense, instead of operating lease expense. During the three months ended March 31, 2019, Chemtrade recognized $13,588 of depreciation expense related to the new right-of-use assets and $2,246 of interest expense related to the new lease liabilities. Chemtrade has applied IFRS 16 using the modified retrospective approach, under which comparative information is not restated. (Please see *Note 3*).

Three months ended March 31, 2018

	SPPC	WSSC	EC	Corp	Total
Revenue	$ 122,634	$ 98,893	$ 159,946	$ —	$ 381,473
Inter-segment revenues	3,207	—	883	—	4,090
Operating income (loss)	5,118	4,942	27,051	(17,467)	19,644
Net finance costs					(15,672)
Income tax recovery					2,944
Net earnings					6,916
Depreciation and amortization	16,273	13,893	22,171	—	52,337
(Gain) loss on disposal and write-down of assets	(125)	10	—	—	(115)
Capital expenditures	3,495	3,629	4,283	27	11,434

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

13. BUSINESS SEGMENTS (continued):

March 31, 2019

	SPPC	WSSC	EC	Corp	Other[2]	Total
Total assets [1]	$ 940,209	$ 928,427	$ 1,028,134	$ 9,104	$ 69,225	**$ 2,975,099**
Total liabilities [1]	173,689	206,792	215,852	56,834	1,373,966	**2,027,133**
Intangible assets	337,530	531,826	265,612	—	—	**1,134,968**

[1]Chemtrade has initially applied IFRS 16 at January 1, 2019, which requires the recognition of right-of-use assets and lease liabilities for lease contracts that were previously classified as operating leases. As a result, Chemtrade recognized $176,715 of right-of-use assets and $189,937 of lease liabilities from those lease contracts. Chemtrade has applied IFRS 16 using the modified retrospective approach, under which comparative information is not restated. (Please see *Note 3*).

[2] In 2019, Chemtrade reconfigured certain items in total assets and total liabilities between its segments. The "Other" column includes deferred tax assets, deferred tax liabilities and all outstanding debt (including convertible unsecured subordinated debentures) shown as a consolidated balance.

December 31, 2018

	SPPC	WSSC	EC	Corp	Other[1]	Total
Total assets	$ 985,316	$ 851,958	$ 962,830	$ 7,670	$ 69,314	$ 2,877,088
Total liabilities	125,168	179,657	131,885	113,220	1,310,445	1,860,375
Intangible assets	429,506	465,486	272,644	—	—	1,167,636

[1] In 2019, Chemtrade reconfigured certain items in total assets and total liabilities between its segments. The "Other" column includes deferred tax assets, deferred tax liabilities and all outstanding debt (including convertible unsecured subordinated debentures) shown as a consolidated balance. Comparatives have been restated to conform with current period presentation.

Geographic segments:

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

Revenue

	Three months ended March 31, 2019	2018
Canada	**$ 117,808**	$ 123,968
United States	**248,809**	235,975
South America	**18,635**	21,530
	$ 385,252	$ 381,473

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

13. BUSINESS SEGMENTS (continued):

Property, plant and equipment, right-of-use assets and intangible assets

		March 31, 2019[1]		December 31, 2018
Canada	**$**	**1,089,514**	$	988,202
United States		**1,294,582**		1,290,467
South America		**143,422**		149,637
	$	**2,527,518**	$	2,428,306

[1]Chemtrade has initially applied IFRS 16 at January 1, 2019, which requires the recognition of right-of-use assets and lease liabilities for lease contracts that were previously classified as operating leases. As a result, Chemtrade recognized $176,715 of right-of-use assets. Chemtrade has applied IFRS 16 using the modified retrospective approach, under which comparative information is not restated. (Please see *Note 3*).