

Q3

Chemtrade Logistics Income Fund

2016

Third Quarter Report

(\$'000)	Three months ended		Nine months ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Operating cash flows	27,470	57,664	118,161	150,052
Adjusted cash flows from operating activities	27,470	57,664	118,161	150,052
Distributable cash after maintenance capital expenditures	15,956	45,103	93,088	125,577
Distributable cash after all capital expenditures	\$ 13,272	\$ 44,201	\$ 85,982	\$ 119,198

Operating cash flows are derived from the consolidated statement of cash flows. Adjusted cash flows from operating activities are derived from the consolidated statement of cash flows, excluding the impact of non-cash items and changes in working capital. Distributable cash after maintenance capital expenditures is derived from the consolidated statement of cash flows, excluding the impact of non-cash items and changes in working capital, and excluding the impact of capital expenditures for maintenance. Distributable cash after all capital expenditures is derived from the consolidated statement of cash flows, excluding the impact of non-cash items and changes in working capital, and excluding the impact of all capital expenditures.

Consolidated Operating Results

Operating results for the three months ended September 30, 2016, compared to the three months ended September 30, 2015, are as follows: (i) revenue increased by \$1.2 billion, or 12%, primarily due to an increase in the number of active users and an increase in the average revenue per user; (ii) operating expenses increased by \$0.8 billion, or 8%, primarily due to an increase in sales and marketing expenses and an increase in depreciation and amortization expenses; and (iii) operating income increased by \$0.4 billion, or 4%, primarily due to the increase in revenue and the decrease in operating expenses.

Operating results for the nine months ended September 30, 2016, compared to the nine months ended September 30, 2015, are as follows: (i) revenue increased by \$3.5 billion, or 11%, primarily due to an increase in the number of active users and an increase in the average revenue per user; (ii) operating expenses increased by \$2.2 billion, or 10%, primarily due to an increase in sales and marketing expenses and an increase in depreciation and amortization expenses; and (iii) operating income increased by \$1.3 billion, or 13%, primarily due to the increase in revenue and the decrease in operating expenses.

Operating results for the three months ended September 30, 2016, compared to the three months ended September 30, 2015, are as follows: (i) revenue increased by \$1.2 billion, or 12%, primarily due to an increase in the number of active users and an increase in the average revenue per user; (ii) operating expenses increased by \$0.8 billion, or 8%, primarily due to an increase in sales and marketing expenses and an increase in depreciation and amortization expenses; and (iii) operating income increased by \$0.4 billion, or 4%, primarily due to the increase in revenue and the decrease in operating expenses.

International -

(\$'000)	Three months ended		Nine months ended		
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015	
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(\$'000)	Three months ended		Nine months ended		
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015	
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Finance Income and Costs

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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 and nine months ended September 30, 2016 and for the years ended December 31, 2015 and December 31, 2014.

(\$'000)	<u>Three months ended</u>	<u>Nine months ended</u>	<u>Year ended</u>	<u>Year ended</u>
	September 30, 2016	September 30, 2016	December 31, 2015	December 31, 2014
Cash flows from operating activities	\$ 67,488	\$ 103,219	\$ 161,974	\$ 104,296
Net (loss) earnings	(14,975)	(3,756)	(47,590)	21,030
Distributions paid during period	20,724	62,166	82,640	71,394
Excess of cash flows from operating activities over cash distributions paid	46,764	41,053	79,334	32,902
Shortfall of net earnings over cash distributions paid	(35,699)	(65,922)	(130,230)	(50,364)

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 and nine months ended September 30, 2016 were declared as follows:

<u>Record Date</u>	<u>Payment Date</u>	<u>Distribution Per Unit</u>	<u>Total (\$'000)</u>
Three months ended September 30:			
July 29, 2016	August 31, 2016	\$ 0.10	\$ 6,907
August 31, 2016	September 30, 2016	0.10	6,909
September 30, 2016	October 31, 2016	0.10	6,914
Sub-Total		\$ 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 nine months ended September 30, 2016		\$ 0.90	\$ 62,172

Distributions to Unitholders for the three and nine months ended September 30, 2015 were declared as follows:

Record Date	Payment Date	Distribution Per Unit	Total (\$'000)
Three months ended September 30:			
July 31, 2015	August 31, 2015	\$ 0.10	\$ 6,905
August 31, 2015	September 30, 2015	0.10	6,905
September 30, 2015	October 30, 2015	0.10	6,906
Sub-Total		\$ 0.30	\$ 20,716
Three months ended June 30, 2015		\$ 0.30	\$ 20,697
Three months ended March 31, 2015		\$ 0.30	\$ 20,566
Total for the nine months ended September 30, 2015		\$ 0.90	\$ 61,979

Treatment of Chemtrade's distributions for Canadian Income Tax purposes for 2015 and 2016 is as follows:

	Other Income	Dividends ⁽¹⁾	Foreign Non-Business Income	Total
2015	18.3%	17.3%	64.4%	100%
2016 ⁽²⁾	18.5%	16.2%	65.3%	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 2016 distributions will be determined by February 28, 2017.

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 third quarter of 2016 was an inflow of \$67.5 million, an increase of \$0.2 million from the third quarter of 2015. Cash flow from operating activities for the first nine months of 2016 was an inflow of \$103.2 million, which was \$10.3 million higher than the first nine months of 2015. The increase in cash flow from operating activities in the first nine months of 2016, compared with the first nine months of 2015 is primarily due to lower income taxes paid.

Investing Activities

On January 16, 2015, Chemtrade completed the purchase of the operating assets of HTL, further details of which are contained in the consolidated financial statements of Chemtrade for the year ended December 31, 2015.

Capital expenditures were \$14.2 million in the third quarter of 2016, compared with \$13.5 million in the third quarter of 2015. These amounts include \$11.5 million in the third quarter of 2016 and \$12.6 million in the third quarter of 2015.

for maintenance capital requirements. Investment in capital expenditures was \$32.2 million for the first nine months of 2016, compared with \$30.9 million for the first nine months of 2015. These amounts include \$25.1 million in the first nine months of 2016 and \$24.5 million in the first nine months of 2015 for maintenance capital requirements. Chemtrade expects to incur less than \$50.0 million of maintenance capital expenditures in 2016.

Non-maintenance capital expenditures were \$2.7 million during the third quarter of 2016, compared with \$0.9 million during the third quarter of 2015. Investment in non-maintenance capital expenditures was \$7.1 million during the first nine months of 2016, compared with \$6.4 million during the first nine months of 2015. 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 September 30, 2016, Chemtrade's credit facilities are comprised of a \$426.3 million (US\$325.0 million) five year term loan and a \$796.2 million (US\$607.0 million) revolving credit facility.

During the third quarter of 2016, Chemtrade issued an aggregate \$143.8 million principal amount of Debentures (see **Recent Developments**). Chemtrade incurred transaction costs of \$6.4 million, which included underwriters' fees and other expenses of the offering. The net proceeds of the issuance were used to repay long-term debt. The repayment resulted in a realized foreign exchange loss of \$20.3 million which is recognized in selling and administrative expenses in the statement of comprehensive income. It also resulted in the recognition of debt extinguishment costs of \$0.7 million which have been included in finance costs in the statement of comprehensive income.

In the first quarter of 2015, Chemtrade modified the terms of its credit facilities to extend the maturity date. Chemtrade incurred \$1.0 million of costs related to this amendment. These costs have been deferred and are being amortized to finance costs in comprehensive income using the effective interest method.

On September 16, 2016, Chemtrade modified the terms of its credit facilities to decrease the term debt available by \$107.0 million and increase the revolving credit facility by the same amount.

There were net repayments of \$162.4 million and \$34.2 million on the revolving portion of the credit facilities during the third quarter of 2016 and 2015, respectively. During the first nine months of 2016 and 2015, there was a net repayment of \$130.5 million and a net borrowing of \$32.6 million, respectively, on the revolving portion of the credit facilities.

Distributions to Unitholders during the three and nine months ended September 30, 2016 were higher than the same periods of 2015 due to units issued on the conversion of Debentures since the comparative period of 2015, while the distribution per unit remained the same. 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.

During the first quarter of 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 September 30, 2016, Chemtrade had net cash balances of \$18.6 million and working capital of \$41.8 million. Comparable figures for December 31, 2015 were \$8.0 million and \$15.5 million, respectively. Chemtrade defines working capital to exclude cash, distributions payable and current portion of long-term debt and Debentures. 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 September 30, 2016, Chemtrade had credit facilities of approximately \$1.2 billion (US\$932.0 million), consisting of a term loan of \$426.3 million (US\$325.0 million) and a revolving credit facility of \$796.2 million (US\$607.0 million). These credit facilities are due in October 2020. At September 30, 2016, Chemtrade had the entire term loan outstanding, and had drawn \$26.2 million on its revolving credit facility. Additionally, it had committed a total of \$22.0 million of its revolving credit facility towards standby letters of credit.

At September 30, 2016, Chemtrade had a long-term loan of \$12.7 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 September 30, 2016, Chemtrade had four series of Debentures outstanding with an aggregate par value of \$377.8 million (market value of \$392.0 million) and maturity dates ranging from March 31, 2017 to August 31, 2023.

Debt Covenants -

As at September 30, 2016, Chemtrade was compliant with all debt covenants contained in its credit agreements.

Summary of Quarterly Results

<i>(\$ millions)</i>	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Revenue from continuing operations	\$ 308.3	\$ 304.2	\$ 336.1	\$ 335.7	\$ 364.4	\$ 338.8	\$ 326.0	\$ 313.3
Cost of sales and services	(261.1)	(316.5)	(296.0)	(393.1)	(316.4)	(293.7)	(278.3)	(300.5)
Gross profit	47.1	(12.3)	40.1	(57.4)	48.0	45.0	47.8	12.7
Selling and administrative expenses:								
Unrealized foreign exchange (loss) gain	(2.5)	1.7	13.4	(3.2)	(13.3)	1.4	(11.0)	(11.9)
LTIP expense	(1.2)	(1.8)	(0.2)	(2.4)	0.8	(2.2)	(2.6)	(3.1)
Other	(40.9)	(22.4)	(24.8)	(21.3)	(17.6)	(20.9)	(23.1)	(10.7)
Total selling and administrative expenses	(44.6)	(22.5)	(11.6)	(26.9)	(30.1)	(21.7)	(36.7)	(25.7)
Operating income (loss)	2.5	(34.9)	28.5	(84.3)	17.9	23.4	11.1	(13.0)
Net finance costs:								
Mark-to-market on Debentures	(7.7)	(3.3)	2.3	0.6	13.6	5.3	(8.4)	4.5
Debt extinguishment costs	(0.7)	—	—	—	—	—	—	(0.4)
Other	(18.4)	(11.0)	(11.1)	(11.4)	(11.4)	(10.8)	(11.3)	(13.9)
Total net finance costs	(26.8)	(14.3)	(8.8)	(10.8)	2.2	(5.5)	(19.7)	(9.8)
Income tax recovery	9.4	31.6	9.2	15.0	(1.7)	5.1	(0.4)	12.7
Net (loss) earnings	\$ (15.0)	\$ (17.6)	\$ 28.8	\$ (80.1)	\$ 18.5	\$ 23.0	\$ (9.0)	\$ (10.1)

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

Beginning in the first quarter of 2015, results include the positive impact of the strengthening U.S. dollar relative to the Canadian dollar. Gross profit was lower in the fourth quarter of 2014 due to the amortization of certain intangible assets acquired as part of the acquisition of General Chemical that had a useful life of approximately one year. Gross profit was also lower in the fourth quarter of 2015 due to an \$88.7 million impairment loss on goodwill and \$7.4 million write-down of certain assets. 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 (see **Loss on Write-Down of Assets and Intangible Asset Impairment**).

Selling and Administrative Expenses

In 2014, selling and administrative expenses include unrealized foreign exchange gains and losses resulting from the translation of the U.S. dollar-denominated borrowings on a portion of the credit facilities. The amount recognized in a quarter depends upon changes in the U.S. dollar exchange rate in that quarter. Chemtrade also has non-Canadian operating subsidiaries that use the U.S. dollar as their functional currency. Any gains or losses arising from the translation of the assets and liabilities of these foreign subsidiaries are recorded in other comprehensive income. Beginning in the first quarter of 2015, Chemtrade hedged its investment in U.S. foreign subsidiaries with its U.S. dollar-denominated borrowings. As a result, the translation of the U.S. dollar-denominated borrowings are being recognized in other comprehensive income.

The change in fair value of Chemtrade's LTIP obligation is also 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 during the fourth quarter of 2014 were low as they included settlement gains of \$10.2 million associated with changes made to certain of Chemtrade's post-employment benefit plans. Expenses during the third quarter of 2015 were low as they included a \$4.1 million gain on settlement of litigation related to the acquisition of Marsulex in 2011. Other selling and administrative expenses during the third quarter of 2016 were high as they included a realized foreign exchange loss of \$20.3 million as a result of the repayment of the term loan using the proceeds of the Debenture offering (see **Recent Developments**).

Net Finance Costs

Net finance costs include changes in the fair value of Chemtrade's 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 fourth quarter of 2014 and third quarter of 2016 include debt extinguishment costs resulting from the repayment of the credit facilities. The third quarter of 2016 includes \$6.4 million of transaction costs related to the issuance of Debentures.

Income Taxes

Income tax recoveries were high in the fourth quarters of 2014 and 2015 and the third quarter of 2016 primarily due to higher net losses incurred during these quarters. 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. 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 (see **Loss on Write-Down of Assets and Intangible Asset Impairment**).

Outstanding Securities of the Fund

As at November 9, 2016 and September 30, 2016, the following common units and securities convertible into units were issued and outstanding:

	November 9, 2016		September 30, 2016	
	Convertible Securities	Units	Convertible Securities	Units
Common units outstanding		69,164,786		69,136,411
6.0% Debentures ⁽¹⁾	27,485	1,717,813	27,939	1,746,188
5.75% Debentures ⁽²⁾	79,637	3,981,850	79,637	3,981,850
5.25% Debentures ⁽³⁾	126,500	4,517,857	126,500	4,517,857
5.00% Debentures ⁽⁴⁾	143,750	5,784,708	143,750	5,784,708
Units outstanding and issuable upon conversion of Debentures		85,167,014		85,167,014

⁽¹⁾ Convertible at \$16.00 per unit

⁽²⁾ Convertible at \$20.00 per unit

⁽³⁾ Convertible at \$28.00 per unit

⁽⁴⁾ Convertible at \$24.85 per unit

Contractual Obligations

Information concerning contractual obligations at September 30, 2016 is shown below:

Contractual Obligations (\$'000)	Total	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years
Long-term debt	\$ 465,220	\$ 3,588	\$ 8,009	\$ 453,623	—
Debentures	377,826	27,939	79,637	126,500	143,750
Operating leases	99,413	24,970	46,166	19,655	8,622
Interest on long-term debt	70,778	18,082	35,346	17,350	—
Interest on Debentures	92,401	19,246	33,382	25,997	13,776
Total contractual obligations	\$ 1,105,638	\$ 93,825	\$ 202,540	\$ 643,125	\$ 166,148

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, inorganic coagulants for water treatment, liquid sulphur dioxide, sodium nitrite, sodium hydrosulphite and phosphorus pentasulphide. Chemtrade is a leading processor of spent acid as well as a leading regional supplier of sulphur, sodium chlorate, potassium chloride and zinc oxide. Additionally, Chemtrade provides industrial services such as processing hydrogen sulphide and other 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 operational and financial 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.

There are a number of risks that warrant additional disclosure which are discussed in detail in the MD&A for the year ended December 31, 2015. There have been no material changes to the business of Chemtrade that require an update to the discussion of these risks except as noted below.

On June 30, 2016, Fibrant publicly announced plans to close its Augusta, Georgia caprolactam operations. Chemtrade operates a facility in Augusta that supplies sulphuric acid products to this Fibrant facility. Fibrant announced that it will execute a gradual wind down of its operations over a period of 16 months (see **Loss on Write-Down of Assets and Intangible Asset Impairment**).

Consistent with the *Reliance on Customers and Successful Contract Re-negotiations* risk, described in our MD&A for the year ended December 31, 2015, on July 18, 2016, Canfor Pulp L.P. ("Canfor") provided Chemtrade the required two year termination notice under the current sodium chlorate supply agreement and long-term services agreement, both of which expire on August 28, 2018. Chemtrade's sodium chlorate facility located at Prince George, BC serves three pulp mills owned by Canfor, two of which are connected by pipeline. While serving notice of termination is a typical step in the negotiation of long-term contracts, the parties are in the early stages of negotiation and Chemtrade is unable to predict the outcome.

Critical Judgements and Sources of Estimation Uncertainty

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, 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 discussed in detail in the MD&A for the year ended December 31, 2015. There have been no material changes to the business of Chemtrade that require an update to the discussion of these sources of estimation uncertainty.

IFRS Standards and Interpretations Not Yet Adopted

For 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, 2015.

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 September 30, 2016 through inquiry and review.

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 September 30, 2016. There have been no changes to the design of internal controls over financial reporting that occurred during the quarter ended September 30, 2016 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.

November 10, 2016

CHEMTRADE LOGISTICS INCOME FUND

Condensed Consolidated Interim Statements of Financial Position

(In thousands of Canadian dollars)

(Unaudited)

	Notes	September 30, 2016	December 31, 2015
ASSETS			
Current assets			
Cash and cash equivalents		\$ 18,565	\$ 7,992
Trade and other receivables		156,880	176,818
Inventories		63,488	64,288
Income taxes receivable		894	—
Prepaid expenses and other assets	13	14,266	18,692
Total current assets		254,093	267,790
Non-current assets			
Property, plant and equipment	11	784,784	925,357
Other assets		10,160	8,303
Intangible assets	11	1,099,799	1,191,568
Deferred tax assets	12	24,082	20,227
Total non-current assets		1,918,825	2,145,455
Total assets		\$ 2,172,918	\$ 2,413,245
LIABILITIES AND UNITHOLDERS' EQUITY			
Current liabilities			
Trade and other payables	4, 13	\$ 184,650	\$ 222,477
Distributions payable		6,914	6,907
Provisions		9,040	7,088
Income taxes payable		—	14,736
Current portion of long-term debt	5	3,588	3,397
Convertible unsecured subordinated debentures	6	31,954	—
Total current liabilities		236,146	254,605
Non-current liabilities			
Long-term debt	5	456,023	618,254
Convertible unsecured subordinated debentures	6	360,024	240,726
Other long-term liabilities	4, 13	21,944	21,392
Employee benefits		87,378	92,771
Provisions		58,427	59,903
Deferred tax liabilities	12	170,381	244,826
Total non-current liabilities		1,154,177	1,277,872
Total liabilities		1,390,323	1,532,477
Unitholders' equity			
Units	7	1,048,084	1,046,922
Contributed surplus		9,720	9,720
Deficit		(499,064)	(433,136)
Accumulated other comprehensive income		223,855	257,262
Total unitholders' equity		782,595	880,768
Total liabilities and unitholders' equity		\$ 2,172,918	\$ 2,413,245

The accompanying notes on pages G to I I are an integral part of these unaudited condensed consolidated interim financial statements.

CHEMTRADE LOGISTICS INCOME FUND

Condensed Consolidated Interim Statements of Comprehensive Income

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

(Unaudited)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2016	2015	2016	2015
Revenue		\$ 308,257	\$ 364,420	\$ 948,541	\$ 1,029,217
Cost of sales and services	10, 11	(261,135)	(316,377)	(873,671)	(888,394)
Gross profit		47,122	48,043	74,870	140,823
Selling and administrative expenses	8, 10	(44,640)	(30,110)	(78,787)	(88,437)
Operating income (loss)		2,482	17,933	(3,917)	52,386
Finance income	9	15	13,636	37	10,571
Finance costs	9	(26,830)	(11,405)	(49,945)	(33,461)
(Loss) income before income tax		(24,333)	20,164	(53,825)	29,496
Income tax (expense) recovery	12				
Current		(2,953)	(560)	(5,279)	(4,850)
Deferred		12,311	(1,144)	55,348	7,847
		9,358	(1,704)	50,069	2,997
Net (loss) earnings		\$ (14,975)	\$ 18,460	\$ (3,756)	\$ 32,493
Other comprehensive income (loss)					
Items that may subsequently be reclassified to earnings:					
Gain (loss) on net investment hedge of foreign operations	13	18,100	(14,057)	33,069	(28,463)
Foreign currency translation differences for foreign operations, net of tax expense of \$760 and recovery of \$2,744 (2015 - net of tax expense of \$4,561 and \$9,303)		16,602	79,956	(64,458)	160,849
Effective portion of change in the fair value of cash flow hedges, net of tax expense of \$701 and recovery of \$750 (2015 - net of tax recovery of \$1,123 and \$1,651)	13	1,935	(3,139)	(2,018)	(4,607)
Other comprehensive income (loss)		36,637	62,760	(33,407)	127,779
Total comprehensive income (loss)		\$ 21,662	\$ 81,220	\$ (37,163)	\$ 160,272
Net (loss) earnings per unit	7				
Basic net (loss) earnings per unit		\$ (0.22)	\$ 0.27	\$ (0.05)	\$ 0.47
Diluted net (loss) earnings per unit		\$ (0.22)	\$ 0.09	\$ (0.05)	\$ 0.37

The accompanying notes on pages G to I I are an integral part of these unaudited condensed consolidated interim financial statements.

CHEMTRADE LOGISTICS INCOME FUND

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

	Units	Contributed surplus	Deficit	Cumulative translation account*	Unrealized gains/ 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 loss	—	—	(3,756)	—	—	(3,756)
Other comprehensive (loss) income	—	—	—	(64,458)	31,051	(33,407)
Distributions (note 7)	—	—	(62,172)	—	—	(62,172)
Issuance of units (note 7)	1,162	—	—	—	—	1,162
Balance at September 30, 2016	\$ 1,048,084	\$ 9,720	\$ (499,064)	\$ 232,143	\$ (8,288)	782,595

	Units	Contributed surplus	Deficit	Cumulative translation account*	Unrealized losses on cash flow and net investment hedges*	Total unitholders' equity
Balance at January 1, 2015	\$ 1,034,308	\$ 9,720	\$ (302,905)	\$ 91,418	\$ (2,308)	830,233
Net earnings	—	—	32,493	—	—	32,493
Other comprehensive income (loss)	—	—	—	160,849	(33,070)	127,779
Distributions (note 7)	—	—	(61,979)	—	—	(61,979)
Issuance of units (note 7)	12,311	—	—	—	—	12,311
Balance at September 30, 2015	\$ 1,046,619	\$ 9,720	\$ (332,391)	\$ 252,267	\$ (35,378)	940,837

*Accumulated other comprehensive income.

The accompanying notes on pages G to I I are an integral part of these unaudited condensed consolidated interim financial statements.

CHEMTRADE LOGISTICS INCOME FUND

Condensed Consolidated Interim Statements of Cash Flows

(In thousands of Canadian dollars)

(Unaudited)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2016	2015	2016	2015
Cash flows from operating activities:					
Net (loss) earnings		\$ (14,975)	\$ 18,460	\$ (3,756)	\$ 32,493
Adjustments for:					
Depreciation and amortization	10	36,696	37,523	112,631	110,638
(Gain) loss on disposal and write-down of assets	11	(33)	(271)	55,783	(674)
Impairment of intangible assets	11	—	—	3,143	—
Income tax (recovery) expense		(9,358)	1,704	(50,069)	(2,997)
Net interest costs		16,860	9,476	35,773	28,017
Accretion expense		854	1,116	2,560	3,069
Net pension interest		735	808	2,238	2,361
Debt extinguishment costs including realized foreign exchange loss		20,960	—	20,960	—
Change in fair value of convertible unsecured subordinated debentures	6	7,693	(13,631)	8,664	(10,557)
Unrealized foreign exchange loss (gain)		2,518	13,323	(12,544)	22,930
		61,950	68,508	175,383	185,280
Decrease (increase) in working capital		14,251	6,855	(38,482)	(35,756)
Interest paid		(7,498)	(7,086)	(26,658)	(26,009)
Interest received		15	5	37	14
Income taxes paid		(1,230)	(1,035)	(7,061)	(30,572)
Net cash flows from operating activities		67,488	67,247	103,219	92,957
Cash flows from investing activities:					
(Increase) decrease in restricted cash		—	(54)	873	(110)
Additions to property, plant and equipment		(14,198)	(13,463)	(32,179)	(30,854)
Increase in other assets		(327)	(370)	(1,391)	(749)
Acquisition (net of cash acquired)	3	—	—	—	(27,645)
Net cash flows used in investing activities		(14,525)	(13,887)	(32,697)	(59,358)
Cash flows from financing activities:					
Distributions to unitholders	7	(20,724)	(20,714)	(62,166)	(61,921)
Issuance of convertible debentures	6	143,750	—	143,750	—
Transaction costs related to the issuance of convertible debentures	6	(6,354)	—	(6,354)	—
Repayment of term debt		(857)	(796)	(2,525)	(2,347)
Net change in revolving credit facility		(162,437)	(34,159)	(130,455)	32,587
Increase (decrease) in other long-term liabilities		1,485	1,977	(1,984)	198
Financing transaction costs	5	—	—	—	(955)
Net cash flows used in financing activities		(45,137)	(53,692)	(59,734)	(32,438)
Increase (decrease) in cash and cash equivalents		7,826	(332)	10,788	1,161
Cash and cash equivalents, beginning of the period		10,687	12,964	7,992	11,165
Effect of exchange rates on cash held in foreign currencies		52	300	(215)	606
Cash and cash equivalents, end of the period		\$ 18,565	\$ 12,932	\$ 18,565	\$ 12,932

The accompanying notes on pages G to I are an integral part of these unaudited condensed consolidated interim financial statements.

CHEMTRADE LOGISTICS INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements
(In thousands of Canadian dollars, except per unit amounts)
(Unaudited)

Three and nine months ended September 30, 2016 and 2015

1. CORPORATE INFORMATION:

Chemtrade Logistics Income Fund ("Chemtrade") is a publicly listed Income Trust formed in Ontario, Canada and its units are listed on the Toronto Stock Exchange ("TSX"). 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"), International ("Intl") and Corporate ("Corp"). For additional information regarding Chemtrade's business segments, see note 14.

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 condensed consolidated interim 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 2015 annual consolidated financial statements.

These condensed consolidated interim financial statements should be read in conjunction with Chemtrade's 2015 annual consolidated financial statements.

The condensed consolidated interim financial statements were authorized for issue by the Board of Trustees on November 10, 2016.

CHEMTRADE LOGISTICS INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements
(In thousands of Canadian dollars, except per unit amounts)
(Unaudited)

Three and nine months ended September 30, 2016 and 2015

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. ACQUISITIONS:

On January 16, 2015, Chemtrade completed the purchase of the operating assets of Hydor-Tech Ltd. ("HTL"), an Edmonton-based manufacturer of inorganic coagulants. HTL was a leading western Canadian manufacturer of polyaluminum chloride that is widely used in municipal and industrial water treatment plants. The business combination was structured as an asset acquisition for \$27,645. For details of the final purchase price allocation, refer to Chemtrade's 2015 annual consolidated financial statements.

CHEMTRADE LOGISTICS INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements
(In thousands of Canadian dollars, except per unit amounts)
(Unaudited)

Three and nine months ended September 30, 2016 and 2015

4. SHARE-BASED PAYMENTS:

Chemtrade operates a Long-Term Incentive Plan ("LTIP"), which grants cash awards based on certain criteria. The 2014-2016, 2015-2017, and 2016-2018 LTIP awards have a performance based component and a restricted share unit component. For the 2014-2016 and 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 LTIP award's performance based component is similar to the 2014-2016 and 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 September 30, 2016, a liability of \$11,602 (December 31, 2015 - \$15,156) has been recorded, of which \$5,286 (December 31, 2015 - \$8,103) is included in trade and other payables and \$6,316 (December 31, 2015 - \$7,053) is included in other long-term liabilities. For the three and nine months ended September 30, 2016, Chemtrade recorded an expense of \$1,158 and \$3,127, respectively (2015 - recovery of \$797 and expense of \$3,980, respectively) 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.

CHEMTRADE LOGISTICS INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements
(In thousands of Canadian dollars, except per unit amounts)
(Unaudited)

Three and nine months ended September 30, 2016 and 2015

4. SHARE-BASED PAYMENTS (continued):

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

	September 30, 2016	December 31, 2015
Chemtrade units:		
Average base price	\$18.92	\$19.22
Period-end unit price	\$18.23	\$17.86
Average expected volatility	21.31%	20.53%
Index units:		
Average base price	\$186.92	\$201.85
Period-end unit price	\$217.89	\$215.82
Average expected volatility	13.89%	14.78%
Average risk free interest rate	0.53%	0.46%
Average expected remaining term	1.25 years	1.50 years

5. LONG-TERM DEBT:

	September 30, 2016	December 31, 2015
Term bank debt		
US\$325,000 (December 31, 2015 - US\$432,000)	\$ 426,303	\$ 597,888
Revolving credit facility		
US\$20,000 (December 31, 2015 - US\$2,755)	26,234	3,813
Canadian dollar-denominated	—	12,000
Less: Transaction costs	(5,300)	(6,909)
Long-term debt (note (a))	\$ 447,237	\$ 606,792
Long-term loan - Fort McMurray facility (note (b))	12,374	14,859
	\$ 459,611	\$ 621,651
Less: Current portion	(3,588)	(3,397)
Long-term debt	\$ 456,023	\$ 618,254

CHEMTRADE LOGISTICS INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements
(In thousands of Canadian dollars, except per unit amounts)
(Unaudited)

Three and nine months ended September 30, 2016 and 2015

5. LONG-TERM DEBT (continued):

(a) Long-term debt:

At September 30, 2016, Chemtrade had senior credit facilities of approximately \$1,222,505 (US\$932,000), consisting of a term loan of \$426,303 (US\$325,000), and a revolving credit facility of \$796,202 (US\$607,000). At September 30, 2016, Chemtrade had drawn \$26,234 (December 31, 2015 - \$15,813) on the revolving credit facility and had committed a total of \$22,001 (December 31, 2015 - \$24,925) 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. At September 30, 2016, the weighted average effective interest rate of the facilities is 3.8% (December 31, 2015 - 3.3%).

On March 16, 2015, Chemtrade modified the terms of its credit facilities to extend the maturity by one year. Chemtrade incurred \$955 of costs related to the amendment. These costs have been deferred and are being amortized to finance costs in comprehensive income using the effective interest method.

On September 16, 2016, Chemtrade further modified the terms of its credit facilities to decrease the term debt available by \$107,000 and increase the revolving credit facility by the same amount.

During the third quarter of 2016, Chemtrade issued \$143,750 of convertible unsecured subordinated debentures and the net proceeds of the issuance were used to repay long-term debt (note 6). The repayment resulted in a realized foreign exchange loss of \$20,288, which was recognized in selling and administrative expenses in the statement of comprehensive income. Previously deferred debt issuance costs of \$672 related to the repaid debt have been recognized in finance costs in the statement of comprehensive income.

Chemtrade is subject to certain covenants on its credit facilities, which include a Net Debt to EBITDA ratio (as both terms are defined in the credit agreement) and an interest coverage ratio. Chemtrade monitors these ratios and reports them to its lenders on a quarterly basis. As at September 30, 2016, Chemtrade was in compliance with the covenants.

(b) 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.

CHEMTRADE LOGISTICS INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements
(In thousands of Canadian dollars, except per unit amounts)
(Unaudited)

Three and nine months ended September 30, 2016 and 2015

6. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES:

On September 2, 2016, Chemtrade completed an agreement with a syndicate of underwriters to issue \$125,000 principal amount of convertible unsecured subordinated debentures. As allowed under provisions of the agreement to issue the convertible unsecured subordinated debentures, the underwriters purchased an additional \$18,750 principal amount of the convertible unsecured subordinated debentures, increasing the aggregate gross proceeds of the public offering to \$143,750. Chemtrade incurred transaction costs of \$6,354 related to issuance, which include underwriters' fees and other costs related to the offering.

These convertible unsecured subordinated debentures bear interest at a rate of 5.00% per annum and are convertible, at the option of the holder, into units of Chemtrade at any time prior to the maturity date of August 31, 2023, and may be redeemed by Chemtrade in certain circumstances.

Chemtrade has designated its convertible unsecured subordinated debentures as financial liabilities at fair value through profit or loss. At September 30, 2016, the fair value of all of its convertible unsecured subordinated debentures was \$391,978 (December 31, 2015 - \$240,726). For the three and nine months ended September 30, 2016, net finance costs related to these convertible unsecured subordinated debentures were \$17,872 and \$25,289, respectively (2015 - income of \$10,358 and \$676) which included a loss of \$7,693 and \$8,664, respectively (2015 - gain of \$13,631 and \$10,557) due to the change in fair value of the convertible unsecured subordinated debentures, interest expense of \$3,825 and \$10,271, respectively (2015 - expense of \$3,273 and \$9,881, respectively), and transaction costs of \$6,354 and \$6,354, respectively (2015 - nil and nil, respectively).

The convertible unsecured subordinated debentures that bear interest at a rate of 6.0% per annum with a maturity date of March 31, 2017 have been reclassified to current liabilities in 2016.

CHEMTRADE LOGISTICS INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements
(In thousands of Canadian dollars, except per unit amounts)
(Unaudited)

Three and nine months ended September 30, 2016 and 2015

7. 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:

	2016		2015	
	Number of Units	Amount	Number of Units	Amount
Units				
Balance – January 1	69,069,226	\$ 1,046,922	68,470,630	\$ 1,034,308
Conversion of unsecured subordinated convertible debentures	67,185	1,162	582,684	12,311
Balance – September 30	69,136,411	\$ 1,048,084	69,053,314	\$ 1,046,619

(b) Distributions:

Distributions paid for the three and nine months ended September 30, 2016 were \$20,724 and \$62,166, respectively (2015 - \$20,714 and \$61,921, respectively) or \$0.30 and \$0.90 per unit, respectively (2015 - \$0.30 and \$0.90 per unit, respectively). All of Chemtrade's distributions are discretionary and subject to approval by the Board of Trustees.

CHEMTRADE LOGISTICS INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements
(In thousands of Canadian dollars, except per unit amounts)
(Unaudited)

Three and nine months ended September 30, 2016 and 2015

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

(c) Net earnings per unit:

Net earnings per unit has 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:

	<u>Three months ended</u> <u>September 30,</u>		<u>Nine months ended</u> <u>September 30,</u>	
	2016	2015	2016	2015
Numerator				
Net (loss) earnings	\$ (14,975)	\$ 18,460	\$ (3,756)	\$ 32,493
Net finance costs on convertible unsecured subordinated debentures ⁽¹⁾	—	(11,230)	—	(3,310)
Diluted net (loss) earnings	\$ (14,975)	\$ 7,230	\$ (3,756)	\$ 29,183

⁽¹⁾ For the three and nine months ended September 30, 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.

	<u>Three months ended</u> <u>September 30,</u>		<u>Nine months ended</u> <u>September 30,</u>	
	2016	2015	2016	2015
Denominator				
Weighted average number of units	69,088,131	69,046,170	69,076,285	68,810,049
Weighted average convertible unsecured subordinated debenture dilutive units ⁽¹⁾	—	10,336,139	—	10,572,260
Weighted average number of diluted units	69,088,131	79,382,309	69,076,285	79,382,309

⁽¹⁾ For the three and nine months ended September 30, 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.

CHEMTRADE LOGISTICS INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements
(In thousands of Canadian dollars, except per unit amounts)
(Unaudited)

Three and nine months ended September 30, 2016 and 2015

8. SELLING AND ADMINISTRATIVE EXPENSES:

The components of selling and administrative expenses are as follows:

	<u>Three months ended</u>		<u>Nine months ended</u>	
	<u>September 30,</u>		<u>September 30,</u>	
	2016	2015	2016	2015
Wages, salaries and benefits, including bonuses and other	\$ 20,984	\$ 17,502	\$ 67,268	\$ 59,715
Share-based payments (note 4)	1,158	(797)	3,127	3,980
Realized foreign exchange loss (note 5)	19,980	82	20,936	1,812
Unrealized foreign exchange loss (gain)	2,518	13,323	(12,544)	22,930
Selling and administrative expenses	\$ 44,640	\$ 30,110	\$ 78,787	\$ 88,437

9. FINANCE INCOME AND COSTS:

The components of finance income and costs are as follows:

	<u>Three months ended</u>		<u>Nine months ended</u>	
	<u>September 30,</u>		<u>September 30,</u>	
	2016	2015	2016	2015
Interest income	\$ 15	\$ 5	\$ 37	\$ 14
Change in the fair value of convertible debentures (note 6)	—	13,631	—	10,557
Finance income	\$ 15	\$ 13,636	\$ 37	\$ 10,571
Interest expense	\$ 11,257	\$ 10,289	\$ 31,695	\$ 30,392
Accretion expense	854	1,116	2,560	3,069
Debt extinguishment costs (note 5)	672	—	672	—
Transaction costs on issuance of convertible debentures (note 6)	6,354	—	6,354	—
Change in the fair value of convertible debentures (note 6)	7,693	—	8,664	—
Finance costs	\$ 26,830	\$ 11,405	\$ 49,945	\$ 33,461

CHEMTRADE LOGISTICS INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements
(In thousands of Canadian dollars, except per unit amounts)
(Unaudited)

Three and nine months ended September 30, 2016 and 2015

10. DEPRECIATION AND AMORTIZATION:

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

	<u>Three months ended</u> <u>September 30,</u>		<u>Nine months ended</u> <u>September 30,</u>	
	2016	2015	2016	2015
Cost of sales and services:				
Depreciation expense	\$ 24,155	\$ 22,325	\$ 74,745	\$ 65,972
Amortization expense	12,294	15,006	37,181	44,061
Selling and administrative expenses:				
Depreciation expense	247	192	705	605
Total depreciation and amortization expense	\$ 36,696	\$ 37,523	\$ 112,631	\$ 110,638

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

On June 30, 2016, Fibrant LLC ("Fibrant") publicly announced plans to close its Augusta, Georgia caprolactam operations. Chemtrade operates a facility in Augusta that supplies sulphuric acid products to Fibrant's facility. Fibrant announced that it will execute a gradual wind down of its operations over a period of 16 months.

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.

CHEMTRADE LOGISTICS INCOME FUND

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

Three and nine months ended September 30, 2016 and 2015

12. 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 and nine months ended September 30, 2016 was 38.5% and 93.0%, respectively (2015 - 8.5% and negative 10.2%, respectively), compared to a statutory rate of 26.6% (2015 - 26.4%).

The effective tax rate for the third quarter and first nine months of 2016 differs from the statutory tax rate primarily due to losses incurred in a jurisdiction with a higher tax rate, partially offset by the deduction of taxable income distributed to Unitholders.

In 2014, Chemtrade acquired an income tax payable balance as part of the acquisition of General Chemical Holding Company. This balance was partially paid in 2015 with the remainder under further examination by the appropriate tax authorities. During the second quarter of 2016, \$21,319 of the balance was no longer deemed to be an income tax liability. Pursuant to the purchase agreement, this balance was reclassified to trade and other payables as an amount to be returned to the vendor of the business and \$15,387 was paid during the second quarter of 2016. There were no amounts recognized in the statement of comprehensive income related to this transaction.

CHEMTRADE LOGISTICS INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements
(In thousands of Canadian dollars, except per unit amounts)
(Unaudited)

Three and nine months ended September 30, 2016 and 2015

13. FINANCIAL INSTRUMENTS:

(a) Derivatives and hedging:

	September 30, 2016			December 31, 2015		
	Notional Amount	Fair Value		Notional Amount	Fair Value	
Asset		Liability	Asset		Liability	
Derivatives designated in a formal hedging relationship						
Interest rate swaps	US\$ 325,000	\$ —	\$ 7,780	US\$ 325,000	\$ —	\$ 5,012
Derivatives not designated in a formal hedging relationship						
Foreign exchange contracts ⁽¹⁾	\$ —	\$ 6	\$ 40	\$ —	\$ 8	\$ 246
Commodity forward contracts ⁽²⁾	N/A	—	—	N/A	162	162
Total		\$ 6	\$ 7,820		\$ 170	\$ 5,420

⁽¹⁾ See below for notional amounts.

⁽²⁾ Includes commitments to buy and sell commodities and commodity forward contracts related to those commitments.

On September 30, 2016, 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.

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 three and nine months ended September 30, 2016, a foreign exchange gain of \$18,100 and \$33,069, respectively (2015 - loss of \$14,057 and \$28,463, respectively) on the revaluation of the U.S. dollar-denominated debt was recognized in other comprehensive income.

CHEMTRADE LOGISTICS INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements
(In thousands of Canadian dollars, except per unit amounts)
(Unaudited)

Three and nine months ended September 30, 2016 and 2015

13. FINANCIAL INSTRUMENTS (continued):

Chemtrade has entered into foreign exchange contracts to manage certain of its exposures 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 September 30, 2016 include future contracts to sell the following amounts for periods through to January 2017:

Amount	Weighted average exchange rate
US\$1,646	€0.88
US\$3,000	CAD1.31
US\$178	SEK8.07
€1,032	US\$1.11

Chemtrade's Intl business segment has commitments to buy and sell commodities and has entered into commodity forward contracts to manage its exposure to commodity price changes.

The commitments to buy and sell commodities are treated as derivatives and are measured at fair value. The commodity forward contracts are derivatives and are measured at fair value.

(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 restricted cash, long-term receivables, 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.

CHEMTRADE LOGISTICS INCOME FUND

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(Unaudited)

Three and nine months ended September 30, 2016 and 2015

13. FINANCIAL INSTRUMENTS (continued):

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 convertible unsecured subordinated debentures are classified within Level 1 because the convertible unsecured subordinated debentures actively trade on the TSX and the fair value is based on the quoted prices on the TSX. Any changes in the fair value of the convertible unsecured subordinated 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, and trade and other payables 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.

CHEMTRADE LOGISTICS INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements
(In thousands of Canadian dollars, except per unit amounts)
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Three and nine months ended September 30, 2016 and 2015

14. BUSINESS SEGMENTS:

Chemtrade operates in four reportable segments: SPPC, WSSC, Intl 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, liquid sulphur dioxide, sodium hydrosulphite, elemental sulphur, 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 chlorate, sodium nitrite, potassium chloride, phosphorus pentasulphide, vaccine adjuvants, and sulphides. These products are marketed primarily to North American customers.

Intl provides removal and marketing services for elemental sulphur and sulphuric acid. These products are marketed to customers in Europe, the Mediterranean, North Africa, Central and South America, North America, as well as in the Pacific region.

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 September 30, 2016

	SPPC	WSSC	Intl	Corp	Total
Revenue	\$ 146,412	\$ 126,611	\$ 35,234	\$ —	308,257
Inter-segment revenues	7,719	—	—	—	7,719
Operating income (loss)	20,043	16,724	714	(34,999)	2,482
Net finance costs	(5,648)	(3,268)	(27)	(17,872)	(26,815)
Income tax (expense) recovery	(805)	7,799	(362)	2,726	9,358
Net earnings (loss)	13,590	21,255	325	(50,145)	(14,975)
Capital expenditures	6,281	7,844	34	39	14,198
Depreciation and amortization	19,669	16,788	239	—	36,696
Gain on disposal and write-down of assets	(2)	(31)	—	—	(33)

CHEMTRADE LOGISTICS INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements
(In thousands of Canadian dollars, except per unit amounts)
(Unaudited)

Three and nine months ended September 30, 2016 and 2015

14. BUSINESS SEGMENTS (continued):

Three months ended September 30, 2015

	SPPC	WSSC	Intl	Corp	Total
Revenue	\$ 172,406	\$ 132,328	\$ 59,686	\$ —	364,420
Inter-segment revenues	9,727	—	—	—	9,727
Operating income (loss)	18,591	17,007	2,697	(20,362)	17,933
Net finance (costs) income	(5,513)	(2,617)	3	10,358	2,231
Income tax (expense) recovery	(8,705)	8,024	(688)	(335)	(1,704)
Net earnings (loss)	4,373	22,414	2,012	(10,339)	18,460
Capital expenditures	8,412	3,986	55	1,010	13,463
Depreciation and amortization	20,259	16,734	530	—	37,523
Gain on disposal and write-down of assets	(271)	—	—	—	(271)

Nine months ended September 30, 2016

	SPPC	WSSC	Intl	Corp	Total
Revenue	\$ 450,576	\$ 364,932	\$ 133,033	\$ —	948,541
Inter-segment revenues	22,581	—	—	—	22,581
Operating (loss) income	(3,457)	42,697	5,526	(48,683)	(3,917)
Net finance costs	(15,369)	(9,161)	(94)	(25,284)	(49,908)
Income tax recovery (expense)	32,552	16,149	(1,583)	2,951	50,069
Net earnings (loss)	13,726	49,685	3,849	(71,016)	(3,756)
Capital expenditures	14,326	17,171	56	626	32,179
Depreciation and amortization	58,900	52,994	737	—	112,631
Loss on disposal and write-down of assets	55,779	4	—	—	55,783
Impairment of intangible assets	3,143	—	—	—	3,143

CHEMTRADE LOGISTICS INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements
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Three and nine months ended September 30, 2016 and 2015

14. BUSINESS SEGMENTS (continued):

Nine months ended September 30, 2015

	SPPC	WSSC	Intl	Corp	Total
Revenue	\$ 491,625	\$ 358,381	\$ 179,211	\$ —	\$ 1,029,217
Inter-segment revenues	22,886	97	—	—	22,983
Operating income (loss)	54,556	47,717	9,914	(59,801)	52,386
Net finance (costs) income	(16,298)	(7,267)	(1)	676	(22,890)
Income tax (expense) recovery	(2,050)	7,596	(2,070)	(479)	2,997
Net earnings (loss)	36,208	48,046	7,843	(59,604)	32,493
Capital expenditures	15,215	13,757	236	1,646	30,854
Depreciation and amortization	63,083	46,021	1,534	—	110,638
Gain on disposal and write-down of assets	(674)	—	—	—	(674)

September 30, 2016

	SPPC	WSSC	Intl	Corp	Total
Total assets	\$ 1,055,456	\$ 1,055,311	\$ 58,948	\$ 3,203	\$ 2,172,918
Total liabilities	246,173	716,017	21,012	407,121	1,390,323
Intangible assets	467,701	603,529	28,569	—	1,099,799

December 31, 2015

	SPPC	WSSC	Intl	Corp	Total
Total assets	\$ 1,185,190	\$ 1,148,259	\$ 76,905	\$ 2,891	\$ 2,413,245
Total liabilities	462,395	784,343	34,076	251,663	1,532,477
Intangible assets	512,785	648,766	30,017	—	1,191,568

CHEMTRADE LOGISTICS INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements
(In thousands of Canadian dollars, except per unit amounts)
(Unaudited)

Three and nine months ended September 30, 2016 and 2015

14. BUSINESS SEGMENTS (continued):

Geographic segments:

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

Revenue

	<u>Three months ended</u>		<u>Nine months ended</u>	
	<u>September 30,</u>		<u>September 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Canada	\$ 69,093	\$ 67,403	\$ 191,930	\$ 195,393
United States	203,930	237,331	623,578	654,613
Europe	35,234	59,686	133,033	179,211
	<u>\$ 308,257</u>	<u>\$ 364,420</u>	<u>\$ 948,541</u>	<u>\$1,029,217</u>

Property, plant and equipment, and intangible assets

	<u>September 30,</u>	<u>December 31,</u>
	<u>2016</u>	<u>2015</u>
Canada	\$ 405,256	\$ 444,718
United States	1,445,097	1,635,534
Europe	34,230	36,673
	<u>\$ 1,884,583</u>	<u>\$ 2,116,925</u>



UNITHOLDER INFORMATION

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Rohit Bhardwaj
Vice-President, Finance and CFO

Leon Aarts
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