

Q1 2017

Chemtrade Logistics Income Fund

2017 | First Quarter Report























Current income tax expense for the first quarter of 2017 was \$0.5 million compared with \$0.7 million for the first quarter of 2016. Deferred income tax recovery for the first quarter of 2017 was \$13.7 million compared with \$11.0 million for the first quarter of 2016. The increase in income tax recovery for the first quarter of 2017 compared with the first quarter of 2016 is primarily due to higher taxable losses incurred during that period.

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

The net increase in deferred tax assets of \$20.1 million at March 31, 2017 relative to December 31, 2016 is primarily due to the deferred tax assets acquired as the result of the Acquisition and the recognition of the deferred tax assets related to transaction costs on the issuance of units during the first quarter of 2017.

The net increase in deferred tax liabilities of \$7.6 million at March 31, 2017 relative to December 31, 2016 is mainly due to the deferred tax liabilities acquired as the result of the Acquisition, partially offset by the recognition of deferred tax assets related to non-capital losses in certain jurisdictions.

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

### Excess Cash Flows and Net Earnings Over Distributions Paid

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

(\$'000)	<u>Three months ended</u>		<u>Year ended</u>	
	March 31, 2017	December 31, 2016	December 31, 2016	December 31, 2015
Cash flows (used in) from operating activities	\$ (15,090)	\$ 153,009	\$ 153,009	\$ 161,974
Net earnings (loss)	1,250	(12,658)	(12,658)	(47,590)
Distributions paid during period	20,755	82,912	82,912	82,640
(Shortfall) excess of cash flows from operating activities over cash distributions paid	(35,845)	70,097	70,097	79,334
Shortfall of net earnings over cash distributions paid	(19,505)	(95,570)	(95,570)	(130,230)

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

For the three months ended March 31, 2017, distributions to Unitholders exceeded cash flows from operating activities mainly due to an increase in working capital during the quarter. Chemtrade maintains a revolving credit facility to manage the effects of temporary fluctuations in working capital.

*Distributions -*

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

<b>Record Date</b>	<b>Payment Date</b>	<b>Distribution Per Unit</b>	<b>Total (\$'000)</b>
Three months ended March 31:			
January 31, 2017	February 28, 2017	\$ 0.10	\$ 6,917
February 28, 2017	March 31, 2017	0.10	6,921
March 31, 2017	April 28, 2017	0.10	9,260
Total for the three months ended March 31, 2017		\$ 0.30	\$ 23,098

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

<b>Record Date</b>	<b>Payment Date</b>	<b>Distribution Per Unit</b>	<b>Total (\$'000)</b>
Three months ended March 31:			
January 29, 2016	February 29, 2016	\$ 0.10	\$ 6,907
February 29, 2016	March 31, 2016	0.10	6,907
March 31, 2016	April 29, 2016	0.10	6,907
Total for the three months ended March 31, 2016		\$ 0.30	\$ 20,721

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

	<b>Other Income</b>	<b>Dividends <sup>(1)</sup></b>	<b>Foreign Non-Business Income</b>	<b>Total</b>
2016	19.3%	16.3%	64.4%	100%
2017 <sup>(2)</sup>	13.6%	36.3%	50.1%	100%

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

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

## Liquidity and Capital Resources

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

### Cash Flow from Operating Activities

Cash flow from operating activities for the first quarter of 2017 was an outflow of \$15.1 million, a decrease of \$27.5 million from the first quarter of 2016. The decrease in cash flow from operating activities in the first quarter of 2017, compared with the first quarter of 2016 is primarily due to lower Adjusted EBITDA, higher increase in working capital, and higher interest paid.

### Investing Activities

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

Capital expenditures were \$6.2 million in the first quarter of 2017, compared with \$7.3 million in the first quarter of 2016. These amounts include \$4.6 million in the first quarter of 2017 and \$4.8 million in the first quarter of 2016 for maintenance capital requirements for continuing operations. Chemtrade expects to incur between \$75.0 million and \$80.0 million of maintenance capital expenditures in 2017.

Non-maintenance capital expenditures were \$1.6 million during the first quarter of 2017, compared with \$2.5 million during the first quarter of 2016. Non-maintenance capital expenditures are: (i) pre-funded, usually as part of a significant acquisition and related financing; (ii) considered to expand or improve the capacity of Chemtrade's operations; (iii) significant environmental capital expenditures that are considered to be non-recurring; or (iv) capital expenditures to be reimbursed by a third party.

### Financing Activities

At March 31, 2017, Chemtrade's Credit Facilities were comprised of a \$432.2 million (US\$325.0 million) five year term loan and a \$964.2 million (US\$725.0 million) revolving credit facility. Total amount drawn on March 10, 2017 from the Credit Facilities to finance the Acquisition and to repay Chemtrade's and Canexus' former credit facilities was \$687.1 million. Costs related to the new Credit Facilities amounted to \$6.3 million. These costs have been deferred and are being amortized to finance costs in comprehensive income using the effective interest method.

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

There were net borrowings of \$234.6 million and \$16.8 million on the revolving portion of the credit facilities during the first quarter of 2017 and 2016, respectively. During the first quarter of 2017, the additional borrowings on the Credit Facilities were used to repay Chemtrade's and Canexus' former credit facilities (see **Recent Developments**).

Distributions to Unitholders during the three months ended March 31, 2017 were essentially the same as the comparative period of 2016. For additional information on cash distributions, see **Non-IFRS Measures - Cash Flow and Excess Cash Flows and Net Earnings Over Distributions Paid**.

#### *Financial Instruments -*

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

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

#### *Cash Balances -*

At March 31, 2017, Chemtrade had net cash balances of \$27.4 million and working capital of \$119.7 million. Comparable figures for December 31, 2016 were \$14.7 million and \$14.2 million, respectively. Chemtrade defines working capital to exclude cash, assets held for sale, distributions payable, current portion of long-term debt and Debentures, and liabilities directly associated with assets held for sale. Cash generated by Chemtrade will be used to fund cash distributions to Unitholders, capital requirements, interest, general corporate purposes and other legal obligations.

#### *Future Liquidity -*

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

#### *Capital Resources -*

At March 31, 2017, Chemtrade had Credit Facilities of approximately \$1.40 billion (US\$1.05 billion), consisting of a \$432.2 million (US\$325.0 million) five year term loan and a \$964.2 million (US\$725.0 million) revolving credit facility. These credit facilities are due in March 2022. At March 31, 2017, Chemtrade had the entire term loan outstanding,

and had drawn \$245.6 million on its revolving credit facility. Additionally, it had committed a total of \$25.4 million of its revolving credit facility towards standby letters of credit.

At March 31, 2017, Chemtrade had \$110.0 million of senior unsecured notes outstanding that it assumed as part of the Acquisition. The senior unsecured notes, issued at par value, bear interest at a fixed rate of 7.875% per annum and mature on September 20, 2023.

At March 31, 2017, Chemtrade had a long-term loan of \$10.9 million related to its facilities located at Syncrude's Mildred Lake oil sands facility in Alberta. The loan is secured by the assets at this facility. The loan bears interest at a fixed rate of 7.3% per annum, with monthly principal repayments due until December 2019.

At March 31, 2017, Chemtrade had six series of Debentures outstanding with an aggregate par value of \$602.9 million (market value of \$616.5 million) and maturity dates ranging from December 31, 2018 to August 31, 2023.

*Debt Covenants -*

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

## Summary of Quarterly Results

(\$ millions)	Q1 2017	Q4 2016	Q3 2016 <sup>(1)</sup>	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Revenue from continuing operations	\$ 274.6	\$ 251.7	\$ 273.0	\$ 262.1	\$ 280.4	\$ 277.5	\$ 304.7	\$ 276.2
Cost of sales and services	(241.9)	(228.5)	(230.1)	(280.1)	(246.1)	(342.1)	(262.8)	(238.0)
Gross profit (loss)	32.6	23.3	42.9	(17.9)	34.2	(64.6)	41.9	38.3
Selling and administrative expenses:								
Unrealized foreign exchange gain (loss)	1.8	(3.9)	(2.5)	1.7	13.4	(3.2)	(13.3)	1.4
LTIP expense	(1.8)	(1.4)	(1.2)	(1.8)	(0.2)	(2.4)	0.8	(2.2)
Other	(25.1)	(24.6)	(17.4)	(19.3)	(21.3)	(18.1)	(14.2)	(17.1)
Total selling and administrative expenses	(25.1)	(29.9)	(21.1)	(19.4)	(8.1)	(23.7)	(26.7)	(17.9)
Operating income (loss)	7.5	(6.7)	21.8	(37.3)	26.1	(88.3)	15.2	20.4
Net finance costs:								
Mark-to-market on Debentures	(0.8)	(1.1)	(7.7)	(3.3)	2.3	0.6	13.6	5.3
Debt extinguishment costs	(5.5)	—	(0.7)	—	—	—	—	—
Other	(13.7)	(11.8)	(18.4)	(10.9)	(11.1)	(11.4)	(11.4)	(10.8)
Total net finance (costs) income	(20.0)	(12.9)	(26.8)	(14.2)	(8.8)	(10.8)	2.2	(5.5)
Income tax recovery (expense)	13.2	26.0	7.1	31.7	10.2	16.5	(1.0)	5.7
Net earnings (loss) from continuing operations	\$ 0.7	\$ 6.4	\$ 2.1	\$ (19.8)	\$ 27.5	\$ (82.6)	\$ 16.4	\$ 20.7
Net earnings (loss) from discontinued operations	\$ 0.6	\$ (15.3)	\$ 0.3	\$ 2.2	\$ 1.3	\$ 2.6	\$ 2.0	\$ 2.3
Net earnings (loss)	\$ 1.3	\$ (8.9)	\$ 2.4	\$ (17.6)	\$ 28.8	\$ (80.1)	\$ 18.5	\$ 23.0

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

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

### Revenue and Gross Profit

The first quarter of 2017 includes results from the newly acquired businesses. Gross profit was lower in the fourth quarter of 2016 due to weaker results in the WSSC segment. Gross profit was lower in the second quarter of 2016 due to a \$55.7 million write-down of certain assets and a \$3.1 million impairment of intangible assets. Gross profit was 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.

### Selling and Administrative Expenses

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

Other selling and administrative expenses were high during the first quarter of 2017 and the fourth quarter of 2016 as they included acquisition costs of \$2.9 million and \$8.5 million, respectively, related to the Acquisition (see **Recent Developments**). Other selling and administrative 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.

### 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 first quarter of 2017 and the third quarter of 2016 include debt extinguishment costs resulting from the repayment of the former credit facilities. The first quarter of 2017 includes interest expense on additional debt taken on as a result of the Acquisition. Other net finance costs were high during the third quarter of 2016 as they included \$6.4 million of transaction costs related to the issuance of Debentures.

### Income Taxes

Income tax recoveries were high in the first quarter of 2017, the third quarter of 2016, and the fourth quarter of 2015 primarily due to higher net losses incurred during these quarters. Income tax recovery was high during the fourth quarter of 2016 primarily due to the release of a tax provision that was inherited as part of a previous acquisition for periods that are now statute-barred, as well as the reversal of certain deferred tax liabilities. The income tax recovery in the second quarter of 2016 was high primarily due to the reversal of certain deferred tax liabilities related to the write-down and impairment of assets (see **Loss on Write-Down of Assets and Intangible Asset Impairment**). The income tax recovery in the first quarter of 2016 was high primarily due to the reversal of certain deferred tax liabilities due to the change in value of the U.S. dollar relative to the Canadian dollar.

### Discontinued Operations

Discontinued operations represents the International segment which was classified as a discontinued operation at March 31, 2017 and December 31, 2016 (see **Recent Developments**). The net loss during the fourth quarter of 2016 is primarily due to deferred income tax expenses recognized related to the sale of the segment, which is expected to close during the second quarter of 2017.

## Outstanding Securities of the Fund

As at May 8, 2017 and March 31, 2017, the following common units and securities convertible into units were issued and outstanding:

	May 8, 2017		March 31, 2017	
	Convertible Securities	Units	Convertible Securities	Units
<b>Common units outstanding</b>		<b>92,593,656</b>		<b>92,593,656</b>
<b>5.75% Debentures</b> <sup>(1)</sup>	<b>79,637</b>	<b>3,981,850</b>	<b>79,637</b>	<b>3,981,850</b>
<b>5.25% Debentures</b> <sup>(2)</sup>	<b>126,500</b>	<b>4,517,857</b>	<b>126,500</b>	<b>4,517,857</b>
<b>5.00% Debentures</b> <sup>(3)</sup>	<b>143,750</b>	<b>5,784,708</b>	<b>143,750</b>	<b>5,784,708</b>
<b>Units outstanding and issuable upon conversion of Debentures</b>				

<sup>(1)</sup> Convertible at \$20.00 per unit

<sup>(2)</sup> Convertible at \$28.00 per unit

<sup>(3)</sup> Convertible at \$24.85 per unit

## Contractual Obligations

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

Contractual Obligations (\$'000)	Total	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years
Long-term debt	\$ 798,729	\$ 3,723	\$ 7,200	\$ 677,806	\$ 110,000
Debentures	602,937	—	139,637	319,550	143,750
Operating leases	186,410	44,137	76,333	37,711	28,229
Purchase commitments	278,223	33,184	93,085	92,835	59,119
Interest on long-term debt	150,969	36,043	71,228	30,862	12,836
Interest on Debentures	138,998	33,869	57,701	37,246	10,182
<b>Total contractual obligations</b>	<b>\$ 2,156,266</b>	<b>\$ 150,956</b>	<b>\$ 445,184</b>	<b>\$ 1,196,010</b>	<b>\$ 364,116</b>

## Risks and Uncertainties

Chemtrade operates a diversified business providing industrial chemicals and services to customers in North America and around the world. Chemtrade is one of North America's largest suppliers of sulphuric acid, spent acid processing services, inorganic coagulants for water treatment, sodium chlorate, sodium nitrite, sodium hydrosulphite and phosphorus pentasulphide. Chemtrade is a leading regional supplier of sulphur, chlor-alkali products, liquid sulphur dioxide, potassium chloride and zinc oxide. Additionally, Chemtrade provides industrial services such as processing by-products and waste streams. Chemtrade faces various risks associated with its business. These risks include, amongst others, a general reduction in demand for its products, the loss of a portion of its customer base, the interruption of the supply of products or raw materials, price fluctuations in the products sold and/or raw materials purchased, industry capacity, acquisition integration and operational, transportation and product hazard risks associated with the

nature of its business. Chemtrade imports key raw materials and products from overseas and as such has additional risks associated with the sourcing activity. Chemtrade makes extensive use of the railway system to transport material within North America. Certain locations are serviced by a sole carrier and thus a disruption in service or changes to the regulatory environment relating to transportation could have a significant negative impact on results. In addition, Chemtrade sells a significant portion of its major products to large customers. While many of these customers are under contract, there can be no assurance that these contracts will be renewed. As Chemtrade's business is international in nature, it is exposed to foreign exchange risks related to the payment of dividends and other transactions by its foreign subsidiaries. For a more detailed discussion of Chemtrade's risks, please refer to the "RISK FACTORS" section of the most recently filed Annual Information Form.

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

Chemtrade's Board of Trustees periodically reviews a framework identifying the principal risks of Chemtrade's business, and ensures the implementation of appropriate systems to manage these risks. The Audit Committee reviews major 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, 2016. 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.

Chemtrade faces the following additional risks as a result of the Acquisition:

*Product Price and Sales Volume Risk -*

For every \$75 change in the price per metric tonne ("MT") of North American produced sodium chlorate, loss before income taxes for the three months ended March 31, 2017 would have changed by \$7.1 million if the Acquisition had occurred on January 1, 2017. For every \$100 change in the price per metric electrochemical unit ("MECU") of chlor-alkali products produced in North America, loss before income taxes for the three months ended March 31, 2017 would have changed by \$4.8 million if the Acquisition had occurred on January 1, 2017. These sensitivities to changes in prices are based on approximately 95,000 MT of North American sodium chlorate sales and 48,000 MECU of North American chlor-alkali Canexus sales for the three months ended March 31, 2017. Sensitivities of \$75 per MT for sodium chlorate and \$100 per MECU for chlor-alkali products are considered reasonable given historical product price changes and market expectations for future movement.

A change in sales volumes for North American sodium chlorate of 2,500 MT would have changed loss before income taxes for the three months ended March 31, 2017 by \$0.8 million if the Acquisition had occurred on January 1, 2017. A change in sales volumes for North American Chloralkali products of 1,250 MECU would have changed loss before income taxes for the three months ended March 31, 2017 by \$0.7 million if the Acquisition had occurred on

January 1, 2017. These sales volume changes are considered to be reasonable due to current market conditions and expectations for future movement.

#### *South America Chlor-alkali Facility Operating Rate Risk -*

Our major customer in South America typically consumes more caustic soda than our Brazil chlor-alkali facility's operating capacity. To the extent we are unable to operate our chlor-alkali facility at capacity due to market factors, such as an inability to sell chlorine or chlorine derivatives or other circumstances, we are required to purchase caustic soda up to our chlor-alkali facility's operating capacity volume at market prices but are only able to bill our major customer for our production cost plus a fixed margin.

#### *Electricity Price Risk -*

For every four percent change in the price of electricity in North America, loss before income taxes for the three months ended March 31, 2017 would have changed by \$1.0 million if the Acquisition had occurred on January 1, 2017. This sensitivity to changes in electricity prices is based on Canexus' North American electricity consumption of approximately 617,000 Megawatt hours for the three months ended March 31, 2017. A four percent change in the price of electricity in North America is considered reasonable given historical price changes and market expectations for future movement.

### **Critical Judgements and Sources of Estimation Uncertainty**

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

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

#### *Key Sources of Estimation Uncertainty -*

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are discussed in detail in the MD&A for the year ended December 31, 2016. 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, 2016.

## **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 March 31, 2017 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 March 31, 2017. There have been no changes to the design of internal controls over financial reporting that occurred during the quarter ended March 31, 2017 that have materially affected or are reasonably likely to materially affect the internal controls over financial reporting.

### **Outlook**

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

### **Other**

Additional information concerning Chemtrade, including the Annual Information Form, is filed on SEDAR and can be accessed at [www.sedar.com](http://www.sedar.com).

May 9, 2017

# CHEMTRADE LOGISTICS INCOME FUND

Condensed Consolidated Interim Statements of Financial Position

(In thousands of Canadian dollars)

(Unaudited)

	Notes	March 31, 2017	December 31, 2016
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 27,411	\$ 14,742
Trade and other receivables		181,804	127,660
Inventories		108,816	66,283
Income taxes receivable		4,911	3,712
Prepaid expenses and other assets	13	14,741	12,167
Assets held for sale	4	50,710	50,817
<b>Total current assets</b>		<b>388,393</b>	<b>275,381</b>
<b>Non-current assets</b>			
Property, plant and equipment		1,481,575	790,867
Other assets		15,844	10,529
Intangible assets		1,263,123	1,069,569
Deferred tax assets	12	35,813	15,726
<b>Total non-current assets</b>		<b>2,796,355</b>	<b>1,886,691</b>
<b>Total assets</b>		<b>3,184,748</b>	<b>2,162,072</b>
<b>LIABILITIES AND UNITHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Trade and other payables	5,13	\$ 183,910	\$ 189,328
Distributions payable		9,259	6,917
Provisions		6,658	6,255
Current portion of long-term debt	6	3,721	3,654
Convertible unsecured subordinated debentures	7	—	32,281
Liabilities directly associated with assets held for sale	4	20,990	26,243
<b>Total current liabilities</b>		<b>224,538</b>	<b>264,678</b>
<b>Non-current liabilities</b>			
Long-term debt	6	788,486	451,526
Convertible unsecured subordinated debentures	7	616,484	360,108
Other long-term liabilities		20,377	18,028
Employee benefits		84,749	73,666
Provisions		120,414	60,709
Deferred tax liabilities	12	171,915	164,302
<b>Total non-current liabilities</b>		<b>1,802,425</b>	<b>1,128,339</b>
<b>Total liabilities</b>		<b>2,026,963</b>	<b>1,393,017</b>
<b>Unitholders' equity</b>			
Units	8	1,461,931	1,048,738
Contributed surplus		9,720	9,720
Deficit	15	(529,301)	(507,453)
Accumulated other comprehensive income	15	215,435	218,050
<b>Total unitholders' equity</b>		<b>1,157,785</b>	<b>769,055</b>
<b>Total liabilities and unitholders' equity</b>		<b>\$ 3,184,748</b>	<b>\$ 2,162,072</b>

Subsequent event

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The accompanying notes on pages G to I J are an integral part of these consolidated 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 March 31,	
		2017	2016
Revenue		\$ 274,554	\$ 280,352
Cost of sales and services	11	(241,922)	(246,141)
Gross profit		32,632	34,211
Selling and administrative expenses	9,11	(25,086)	(8,119)
Operating income		7,546	26,092
Finance income	10	48	2,329
Finance costs	10	(20,073)	(11,130)
(Loss) income before income tax		(12,479)	17,291
Income tax (expense) recovery	12		
Current		(502)	(743)
Deferred		13,653	10,959
		13,151	10,216
Net income from continuing operations		672	27,507
Net earnings from discontinued operations	4	578	1,279
Net earnings		\$ 1,250	\$ 28,786
Other comprehensive loss			
Items that may subsequently be reclassified to earnings:			
Loss on net investment hedge of foreign operations net of tax recovery of \$2,429 (2016 - nil)	13	4,672	13,895
Foreign currency translation differences for foreign operations, net of tax recovery of \$486 (2016 - recovery of \$3,238)		(8,860)	(73,690)
Effective portion of change in the fair value of cash flow hedges, net of tax expense of \$425 (2016 - recovery of \$1,185)	13	1,573	(3,312)
Other comprehensive loss		(2,615)	(63,107)
Total comprehensive loss		\$ (1,365)	\$ (34,321)
Net earnings per unit	8		
Basic net earnings per unit		\$ 0.02	\$ 0.42
Diluted net earnings per unit		\$ 0.02	\$ 0.37
Net earnings per unit from continuing operations			
Basic net earnings per unit		\$ 0.01	\$ 0.40
Diluted net earnings per unit		\$ 0.01	\$ 0.35

The accompanying notes on pages G to I J are an integral part of these consolidated 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
<b>Balance at January 1, 2017 (note 15)</b>	<b>\$ 1,048,738</b>	<b>\$ 9,720</b>	<b>\$ (507,453)</b>	<b>\$ 224,693</b>	<b>\$ (6,643)</b>	<b>769,055</b>
Net earnings	—	—	1,250	—	—	1,250
Other comprehensive (loss) income	—	—	—	(8,860)	6,245	(2,615)
Distributions	—	—	(23,098)	—	—	(23,098)
Issuance of units (note 8)	413,193	—	—	—	—	413,193
<b>Balance at March 31, 2017</b>	<b>\$ 1,461,931</b>	<b>\$ 9,720</b>	<b>\$ (529,301)</b>	<b>\$ 215,833</b>	<b>\$ (398)</b>	<b>1,157,785</b>

  

	Units	Contributed surplus	Deficit	Cumulative translation account*	Unrealized gains/ losses on cash flow and net investment hedges*	Total unitholders' equity
<b>Balance at January 1, 2016</b>	<b>\$ 1,046,922</b>	<b>\$ 9,720</b>	<b>\$ (433,136)</b>	<b>\$ 296,601</b>	<b>\$ (39,339)</b>	<b>880,768</b>
Net earnings	—	—	28,786	—	—	28,786
Other comprehensive (loss) income	—	—	—	(73,690)	10,583	(63,107)
Distributions	—	—	(20,721)	—	—	(20,721)
<b>Balance at March 31, 2016</b>	<b>\$ 1,046,922</b>	<b>\$ 9,720</b>	<b>\$ (425,071)</b>	<b>\$ 222,911</b>	<b>\$ (28,756)</b>	<b>825,726</b>

\*Accumulated other comprehensive income.

The accompanying notes on pages G to I J 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 March 31,	
		2017	2016
<b>Cash flows from operating activities:</b>			
Net (loss) earnings		\$ 1,250	\$ 28,786
Adjustments for:			
Depreciation and amortization	11	39,363	38,836
Loss on disposal and write-down of assets		—	86
Income tax recovery		(12,812)	(9,151)
Net interest costs		12,155	9,399
Accretion expense		909	838
Net pension interest		665	924
Debt extinguishment costs	6	5,508	—
Change in fair value of convertible unsecured subordinated debentures	7	799	(2,328)
Unrealized foreign exchange gain		(1,842)	(13,399)
		45,995	53,991
Increase in working capital		(46,770)	(33,534)
Interest paid		(12,166)	(7,048)
Interest received		61	15
Income taxes paid		(2,210)	(1,056)
<b>Net cash flows (used in) from operating activities</b>		<b>(15,090)</b>	<b>12,368</b>
<b>Cash flows from investing activities:</b>			
Decrease (increase) in restricted cash		—	54
Additions to property, plant and equipment		(6,239)	(7,332)
Decrease in other assets		1,366	461
Acquisition (net of cash acquired)	3	(281,205)	—
<b>Net cash flows used in investing activities</b>		<b>(286,078)</b>	<b>(6,817)</b>
<b>Cash flows from financing activities:</b>			
Distributions to unitholders	8	(20,755)	(20,721)
Issuance of units	3,8	395,831	—
Share issuance costs		(17,184)	—
Repayment of term debt	3,6	(437,007)	(826)
Increase in term debt	3,6	436,118	—
Repayment of Canexus credit facilities	3,6	(262,421)	—
Repayment of convertible debentures		(1,423)	—
Net change in revolving credit facility	3,6	234,644	16,803
Financing transaction costs		(6,320)	—
Decrease in other long-term liabilities		(7,519)	(3,750)
<b>Net cash flows from (used in) financing activities</b>		<b>313,964</b>	<b>(8,494)</b>
Increase (decrease) in cash and cash equivalents		12,796	(2,943)
Cash and cash equivalents, beginning of the period		14,742	7,992
Effect of exchange rates on cash held in foreign currencies		(127)	(35)
<b>Cash and cash equivalents, end of the year</b>		<b>\$ 27,411</b>	<b>\$ 5,014</b>

The accompanying notes on pages G̃ to I J are an integral part of these 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 months ended March 31, 2017 and 2016

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## 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 five business segments: Sulphur Products & Performance Chemicals ("SPPC"), Water Solutions & Specialty Chemicals ("WSSC"), Electrochemicals ("EC"), 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 2016 annual consolidated financial statements.

These condensed consolidated interim financial statements should be read in conjunction with Chemtrade's 2016 annual consolidated financial statements.

The condensed consolidated interim financial statements were authorized for issue by the Board of Trustees on May 9, 2017.

# CHEMTRADE LOGISTICS INCOME FUND

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

Three months ended March 31, 2017 and 2016

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## 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. CANEXUS ACQUISITION:

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

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

# CHEMTRADE LOGISTICS INCOME FUND

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

Three months ended March 31, 2017 and 2016

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### 3. CANEXUS ACQUISITION (continued):

Acquisitions are accounted for under the acquisition method of accounting, and the results of operations since the respective dates of acquisition are included in comprehensive income. From time to time, as a result of the timing of acquisitions in relation to Chemtrade's reporting schedule and the availability of information, certain information relating to the purchase allocations and valuations may not be finalized at the time of reporting. Purchase price allocations are completed within one year from acquisition, after the vendors' final financial statements and income tax returns have been prepared and accepted by Chemtrade. Such preliminary purchase price allocations are based on management's best estimates of the fair value of the acquired assets and liabilities at the reporting date. Upon finalization, adjustments to the initial estimates may be required, and such adjustments may be material.

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

The Acquisition was structured as a share acquisition for total consideration of \$935,860. The Acquisition was financed by a combination of: (i) \$1,408,996 (US\$1,050,000) syndicated senior secured credit facilities consisting of a \$436,118 (US\$325,000) term loan and a \$972,878 (US\$725,000) revolver with a \$268,380 (US\$200,000) optional accordion (the "Credit Facilities"); (ii) the net proceeds of the equity offering of 21,800,000 units noted above; (iii) the assumption of \$372,799 of Canexus' long-term debt which consisted of \$110,000 of senior notes and \$262,799 of extendible revolving credit facilities; and (iv) the assumption of \$254,696 fair value of Canexus' convertible debentures. In connection with the Acquisition, a portion of Chemtrade's new Credit Facilities were used to repay its existing credit facilities and Canexus' extendible revolving credit facilities. The amount drawn on the Credit Facilities to finance the Acquisition and to repay both Chemtrade's and Canexus' existing credit facilities was \$687,070. As a result of the repayment, Chemtrade expensed \$5,508 of previously deferred financing costs. Costs related to the new Credit Facilities of \$6,320 have been reflected in long-term debt. These costs have been deferred and are being amortized to finance costs in comprehensive income using the effective interest method.

# CHEMTRADE LOGISTICS INCOME FUND

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

Three months ended March 31, 2017 and 2016

### 3. CANEXUS ACQUISITION (continued):

The aggregate consideration for this acquisition has been preliminarily allocated as follows:

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

		<b>As at March 10, 2017</b>
Working capital (including cash acquired of \$27,160)	\$	96,436
Property, plant and equipment		716,776
Other assets		6,691
Intangible assets		215,119
Deferred tax assets		11,537
Other long-term liabilities		(16,284)
Employee benefits		(12,213)
Provisions		(60,908)
Deferred tax liability		(21,294)
<b>Consideration</b>	<b>\$</b>	<b>935,860</b>

Directly attributable acquisition-related costs are \$11,332, of which \$8,472 were expensed in 2016, and the remainder have been expensed during the first quarter of 2017 and are included in selling and administrative expenses in comprehensive income.

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

# CHEMTRADE LOGISTICS INCOME FUND

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

Three months ended March 31, 2017 and 2016

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### 3. CANEXUS ACQUISITION (continued):

The amount of revenue and earnings attributable to Canexus since acquisition have been included in the consolidated statement of comprehensive income. For the three months ended March 31, 2017, revenue has increased by \$35,557 and net earnings have decreased by \$1 as a result of the Acquisition. The net earnings generated by the newly acquired businesses were offset by the higher depreciation and amortization incurred as a result of the fair market value adjustments from the preliminary purchase price allocation.

#### (a) Pro forma information:

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

#### *Pro forma assumptions and adjustments*

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

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

# CHEMTRADE LOGISTICS INCOME FUND

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

Three months ended March 31, 2017 and 2016

## 3. CANEXUS ACQUISITION (continued):

	Three months ended March 31, 2017		
	Actual	Adjustment	Pro Forma
Revenue	\$ 274,554	\$ 114,608	\$ 389,162
Net (loss) earnings	\$ (14,613)	\$ 7,373	\$ (7,240)

## 4. DISCONTINUED OPERATIONS:

On February 24, 2017, Chemtrade entered into a definitive agreement to sell its International business segment to Mitsui & CO., Ltd. for €34,250. The transaction is expected to close during the second quarter of 2017. The business provides removal and marketing services for elemental sulphur and sulphuric acid to customers globally. The comparative consolidated statement of comprehensive income and other relevant notes have been re-stated to show the discontinued operation separately from continuing operations.

### (a) Results of discontinued operations:

	Three months ended March 31,	
	2017	2016
Revenue	\$ 26,104	\$ 55,762
Cost of sales and services	(22,574)	(49,889)
Gross profit	3,530	5,873
Selling and administrative expenses	(2,600)	(3,497)
Operating income	930	2,376
Finance income	13	14
Finance costs	(26)	(46)
Income before tax	917	2,344
Income tax expense		
Current	(333)	(604)
Deferred	(6)	(461)
	(339)	(1,065)
Net earnings from discontinued operations	\$ 578	\$ 1,279
Net earnings per unit from discontinued operations		
Basic earnings per unit	\$ 0.01	\$ 0.02
Diluted earnings per unit	\$ 0.01	\$ 0.02

# CHEMTRADE LOGISTICS INCOME FUND

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

Three months ended March 31, 2017 and 2016

## 4. DISCONTINUED OPERATIONS (continued):

### (b) Cash flows from discontinued operations:

	<b>Three months ended March 31,</b>	
	<b>2017</b>	<b>2016</b>
Net cash flows used in operating activities	\$ (2,591)	\$ (4,349)
Net cash flows used in investing activities	(104)	(10)
<b>Net cash outflows for the year</b>	<b>\$ (2,695)</b>	<b>\$ (4,359)</b>

### (c) Net assets held for sale:

	<b>At March 31, 2017</b>	<b>At December 31, 2016</b>
<b>Current assets</b>		
Trade and other receivables	\$ 12,754	\$ 13,788
Inventories	1,636	1,437
Income taxes receivable	993	816
Prepaid expenses and other assets	1,292	313
<b>Non-current assets</b>		
Property, plant and equipment	5,741	5,934
Intangible assets	28,294	28,529
<b>Total assets held for sale</b>	<b>50,710</b>	<b>50,817</b>
<b>Current liabilities</b>		
Trade and other payables	11,811	16,970
Provisions	677	812
<b>Non-current liabilities</b>		
Employee benefits	8,136	8,090
Deferred tax liabilities	366	371
<b>Total liabilities directly associated with assets held for sale</b>	<b>20,990</b>	<b>26,243</b>
<b>Net assets held for sale</b>	<b>\$ 29,720</b>	<b>\$ 24,574</b>

# CHEMTRADE LOGISTICS INCOME FUND

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

Three months ended March 31, 2017 and 2016

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## 5. SHARE-BASED PAYMENTS:

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

As at March 31, 2017, a liability of \$9,409 (December 31, 2016 - \$12,844) has been recorded, of which \$5,045 (December 31, 2016 - \$5,671) is included in trade and other payables and \$4,364 (December 31, 2016 - \$7,173) is included in other long-term liabilities. For the three months ended March 31, 2017, Chemtrade recorded an expense of \$1,767 (2016 - \$162) 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.

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

# CHEMTRADE LOGISTICS INCOME FUND

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

Three months ended March 31, 2017 and 2016

## 5. SHARE-BASED PAYMENTS (continued):

	March 31, 2017	December 31, 2016
Chemtrade units:		
Average base price	\$18.19	\$18.92
Period-end unit price	\$18.55	\$18.94
Average expected volatility	19.50%	20.55%
Index units:		
Average base price	\$168.70	\$186.92
Period-end unit price	\$196.14	\$229.29
Average expected volatility	12.25%	12.76%
Average risk free interest rate	0.72%	0.60%
Average expected remaining term	1.75 years	1.50 years

## 6. LONG-TERM DEBT:

	March 31, 2017	December 31, 2016
Term bank debt		
US\$325,000 (December 31, 2016 - US\$325,000)	\$ 432,218	\$ 436,378
Revolving credit facility		
US\$163,500 (December 31, 2016 - US\$9,140)	217,438	12,271
Canadian dollar-denominated	28,150	—
Less: Transaction costs	(6,245)	(4,984)
Long-term debt (note (a))	\$ 671,561	\$ 443,665
Senior unsecured notes (note (b))	110,000	—
Long-term loan - Fort McMurray facility (note (c))	10,646	11,515
	\$ 792,207	\$ 455,180
Less: Current portion	(3,721)	(3,654)
Long-term debt	\$ 788,486	\$ 451,526

# CHEMTRADE LOGISTICS INCOME FUND

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

Three months ended March 31, 2017 and 2016

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## 6. LONG-TERM DEBT (continued):

### (a) Long-term debt:

At March 31, 2017 Chemtrade had senior Credit Facilities of approximately \$1,396,396 (US\$1,050,000), consisting of a term loan of \$432,218 (US\$325,000), and a revolving credit facility of \$964,178 (US\$725,000). At March 31, 2017, Chemtrade had drawn \$245,588 (December 31, 2016 - \$12,271) on the revolving credit facility and had committed a total of \$25,435 (December 31, 2016 - \$21,912) of this facility towards standby letters of credit. The Credit Facilities are secured by all the property, plant and equipment of Chemtrade, excluding the Fort McMurray facility, and the property, plant and equipment of Chemtrade Electrochem Inc. (formerly, Canexus) and its material subsidiaries until such time as the senior notes (see below under (b)) are repaid permanently. At March 31, 2017, the weighted average effective interest rate of the facilities is 3.9% (December 31, 2016 - 3.3%).

In connection with the Acquisition, a portion of Chemtrade's new Credit Facilities were used to repay its existing credit facilities and Canexus' extendible revolving credit facilities. The amount drawn on the Credit Facilities to finance the Acquisition and to repay both Chemtrade's and Canexus' existing credit facilities was \$687,070. As a result of the repayment, Chemtrade expensed \$5,508 of previously deferred financing costs. Costs related to the new Credit Facilities of \$6,320 have been reflected in long-term debt. These costs have been deferred and are being amortized to finance costs in comprehensive income using the effective interest method.

Chemtrade is subject to certain covenants on its credit facilities, which include a Net Debt to EBITDA ratio (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 March 31, 2017, Chemtrade was in compliance with the covenants.

### (b) Senior unsecured notes:

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

# CHEMTRADE LOGISTICS INCOME FUND

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

Three months ended March 31, 2017 and 2016

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## 6. LONG-TERM DEBT (continued):

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

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

## 7. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES:

As part of the Acquisition on March 10, 2017, Chemtrade assumed all of the Canexus convertible debentures outstanding:

- Series IV Convertible Debentures with a total par value of \$60,000, which bear interest at 5.75% per annum and mature December 31, 2018 (the "Series IV Convertible Debentures")
- Series V Convertible Debentures with a total par value of \$107,500, which bear interest at 6.00% per annum and mature December 31, 2020
- Series VI Convertible Debentures with a total par value of \$85,550, which bear interest at 6.50% per annum and mature December 31, 2021

Chemtrade has designated its convertible unsecured subordinated debentures as financial liabilities at fair value through profit or loss, including the debentures assumed as part of the Acquisition. At March 31, 2017, the fair value of all of its convertible unsecured subordinated debentures was \$616,484 (December 31, 2016 - \$392,389).

For the three months ended March 31, 2017, there were net finance costs of \$6,634 (2016 - \$895) related to these convertible unsecured debentures, which included a loss of \$799 (2016 - gain of \$2,328) due to the change in fair value of the convertible unsecured subordinated debentures, and interest expense of \$5,835 (2016 - \$3,223).

# CHEMTRADE LOGISTICS INCOME FUND

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

Three months ended March 31, 2017 and 2016

## 8. UNITS AND OTHER COMPONENTS OF EQUITY:

### (a) Units:

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

	2017		2016	
	Number of Units	Amount	Number of Units	Amount
Units				
Balance – January 1	69,172,785	\$ 1,048,738	69,069,226	\$ 1,046,922
Issued for cash	21,800,000	395,831	—	—
Issuance costs (net of tax)	—	(12,615)	—	—
Conversion of unsecured subordinated convertible debentures	1,620,871	29,977	—	—
Balance – March 31	92,593,656	\$ 1,461,931	69,069,226	\$ 1,046,922

### (b) Distributions:

Distributions paid for the three months ended March 31, 2017 were \$20,755 (2016 - \$20,721) or \$0.30 per unit (2016 - \$0.30). 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 months ended March 31, 2017 and 2016

## 8. 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:

#### (i) Earnings per unit:

	<u>Three months ended March 31,</u>	
	<u>2017</u>	<u>2016</u>
<b>Numerator</b>		
Net earnings	\$ 1,250	\$ 28,786
Net finance costs on convertible unsecured subordinated debentures <sup>(1)</sup>	—	672
<b>Diluted net earnings</b>	<b>\$ 1,250</b>	<b>\$ 29,458</b>

<sup>(1)</sup> For the three months ended March 31, 2017, the potential conversion of the convertible unsecured subordinated debentures has not been included as the effect on net loss per unit would be anti-dilutive.

	<u>Three months ended March 31,</u>	
	<u>2017</u>	<u>2016</u>
<b>Denominator</b>		
Weighted average number of units	<b>74,593,148</b>	69,069,226
Weighted average convertible unsecured subordinated debenture dilutive units <sup>(1)</sup>	—	10,313,082
<b>Weighted average number of diluted units</b>	<b>74,593,148</b>	<b>79,382,308</b>

<sup>(1)</sup> For the three months ended March 31, 2017, the potential conversion of the convertible unsecured subordinated debentures has not been included as the effect on net loss 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 months ended March 31, 2017 and 2016

## 8. UNITS AND OTHER COMPONENTS OF EQUITY (continued):

(ii) Earnings per unit from continuing operations:

	<u>Three months ended March 31,</u>	
	2017	2016
<b>Numerator</b>		
Net earnings from continuing operations	\$ 672	\$ 27,507
Net interest and fair value adjustment on convertible unsecured subordinated debentures <sup>(1)</sup>	—	672
<b>Diluted net earnings from continuing operations</b>	<b>\$ 672</b>	<b>\$ 28,179</b>

<sup>(1)</sup> For the three months ended March 31, 2017, the potential conversion of the convertible unsecured subordinated debentures has not been included as the effect on net loss per unit would be anti-dilutive.

	<u>Three months ended March 31,</u>	
	2017	2016
<b>Denominator</b>		
Weighted average number of units	74,593,148	69,069,226
Weighted average convertible unsecured subordinated debenture dilutive units <sup>(1)</sup>	—	10,313,082
<b>Weighted average number of diluted units</b>	<b>74,593,148</b>	<b>79,382,308</b>

<sup>(1)</sup> For the three months ended March 31, 2017, the potential conversion of the convertible unsecured subordinated debentures has not been included as the effect on net loss 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 months ended March 31, 2017 and 2016

## 9. SELLING AND ADMINISTRATIVE EXPENSES:

The components of selling and administrative expenses are as follows:

	<u>Three months ended March 31,</u>	
	<u>2017</u>	<u>2016</u>
Wages, salaries and benefits, including bonuses and other	\$ 24,870	\$ 21,177
Share-based payments (note 5)	1,767	162
Unrealized foreign exchange gain	(1,842)	(13,399)
Depreciation	291	179
<b>Selling and administrative expenses</b>	<b>\$ 25,086</b>	<b>\$ 8,119</b>

## 10. FINANCE INCOME AND COSTS:

The components of finance income and costs are as follows:

	<u>Three months ended March 31,</u>	
	<u>2017</u>	<u>2016</u>
Interest income	\$ 48	\$ 1
Change in the fair value of convertible debentures (note 7)	—	2,328
<b>Finance income</b>	<b>\$ 48</b>	<b>\$ 2,329</b>
Interest expense	12,857	10,292
Accretion expense	909	838
Debt extinguishment costs (note 6)	5,508	—
Change in the fair value of convertible debentures (note 7)	799	—
<b>Finance costs</b>	<b>\$ 20,073</b>	<b>\$ 11,130</b>

# CHEMTRADE LOGISTICS INCOME FUND

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

Three months ended March 31, 2017 and 2016

## 11. DEPRECIATION AND AMORTIZATION:

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

	2017	2016
<b>Cost of sales and services:</b>		
Depreciation expense	\$ 25,513	\$ 25,873
Amortization expense	13,540	12,764
<b>Selling and administrative expenses:</b>		
Depreciation expense	310	199
<b>Total depreciation and amortization expense</b>	<b>\$ 39,363</b>	<b>\$ 38,836</b>

For the three months ended March 31, 2017, Chemtrade recorded total depreciation and amortization expenses of \$248 (March 31, 2016 - \$259) related to discontinued operations.

## 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 months ended March 31, 2017 was 105.4% (2016 - negative 59.1%), compared to a statutory rate of 26.6% (2016 - 26.4%). The effective tax rate is higher for the first three months of 2017 primarily due to the deduction of taxable income distributed to Unitholders, losses incurred in a jurisdiction with a higher tax rate, and the taxable portion of realized foreign exchange losses recognized in other comprehensive income instead of net earnings.

# CHEMTRADE LOGISTICS INCOME FUND

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

Three months ended March 31, 2017 and 2016

## 13. FINANCIAL INSTRUMENTS:

### (a) Derivatives and hedging:

	Notional Amount	March 31, 2017 Fair Value		December 31, 2016 Fair Value		
		Asset	Liability	Notional Amount	Asset	Liability
<b>Derivatives designated in a formal hedging relationship</b>						
Interest rate swaps	US\$ 325,000	\$ —	\$ 1,366	US\$ 325,000	\$ —	\$ 2,963
<b>Derivatives not designated in a formal hedging relationship</b>						
Foreign exchange contracts <sup>(1)</sup>	\$ —	\$ —	1,276	\$ —	\$ 28	\$ —
Cross-currency swap <sup>(1)</sup>	—	—	2,335	—	—	—
<b>Total</b>		\$ —	\$ 4,977	\$ —	\$ 28	\$ 2,963

<sup>(1)</sup> See below for notional amounts.

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

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 months ended March 31, 2017, a foreign exchange gain of \$2,243 (2016 - \$13,895) on the revaluation of the U.S. dollar-denominated debt related to this hedging strategy was recognized in other comprehensive income.

As part of the Acquisition, Chemtrade assumed a cross currency swap associated with the payment of interest on the Series IV Convertible Debentures in U.S. dollars. Under the terms of the cross currency swap, interest is payable at the rate of 5.69% on US\$61,800 for the period from August 8, 2011 to December 31, 2018.

# CHEMTRADE LOGISTICS INCOME FUND

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

Three months ended March 31, 2017 and 2016

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## 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 March 31, 2017 include future contracts to sell the following amounts for periods through to December 31, 2017:

Amount	Weighted average exchange rate
US\$1,200	€0.94
US\$45,000	\$1.30

### (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.

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.

# CHEMTRADE LOGISTICS INCOME FUND

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

Three months ended March 31, 2017 and 2016

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## 13. FINANCIAL INSTRUMENTS (continued):

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, 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.

The fair value of the cross-currency swap is determined using a discounted cash flow model. The key input to the valuation is the forward foreign exchange curve as determined by third parties. Any changes in the fair value of this swap is recognized in net earnings.

# CHEMTRADE LOGISTICS INCOME FUND

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

Three months ended March 31, 2017 and 2016

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## 14. BUSINESS SEGMENTS:

Chemtrade operates in five reportable segments: SPPC, WSSC, EC, 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, sodium hydrosulphite, elemental sulphur, liquid sulphur dioxide, hydrogen sulphide, and sodium bisulphite, and provides other processing services. These products are marketed primarily to North American customers.

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

EC manufactures and markets sodium chlorate and chlor-alkali products largely for the pulp and paper, petrochemical and water treatment industries. These products are marketed primarily to North American and South American customers. This segment includes results from Chemtrade's sodium chlorate business, as well as those from the newly acquired businesses (note 3).

Intl provides removal and marketing services for elemental sulphur and sulphuric acid. These products are marketed to customers globally. As at March 31, 2017, this segment was classified as a discontinued operation.

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

# CHEMTRADE LOGISTICS INCOME FUND

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

Three months ended March 31, 2017 and 2016

## 14. BUSINESS SEGMENTS (continued):

### Three months ended March 31, 2017

	SPPC	WSSC	EC	Intl	Corp	Total
Revenue	\$ 123,605	\$ 102,083	\$ 48,866	\$ —	\$ —	\$ 274,554
Inter-segment revenues	5,367	—	—	—	—	5,367
Operating income (loss)	10,110	8,573	6,017	—	(17,154)	7,546
Net finance costs	(6,059)	(6,764)	(2,810)	—	(4,392)	(20,025)
Income tax recovery (expense)	5,646	7,869	(343)	—	(21)	13,151
Earnings from discontinued operations	—	—	—	578	—	578
Net earnings (loss)	9,697	9,678	2,864	578	(21,567)	1,250
Capital expenditures	1,884	2,761	1,292	104	198	6,239
Depreciation and amortization	18,799	13,483	6,833	248	—	39,363
(Gain) loss on disposal and write-down of assets	(2)	2	—	—	—	—

### Three months ended March 31, 2016

	SPPC	WSSC	EC	Intl	Corp	Total
Revenue	\$ 159,546	\$ 108,449	\$ 12,357	\$ —	\$ —	\$ 280,352
Inter-segment revenues	7,739	—	—	—	—	7,739
Operating income (loss)	15,670	10,831	1,273	—	(1,682)	26,092
Net finance costs	(4,820)	(3,077)	(14)	—	(890)	(8,801)
Income tax recovery	6,244	3,870	102	—	—	10,216
Earnings from discontinued operations	—	—	—	1,279	—	1,279
Net earnings (loss)	17,094	11,624	1,361	1,279	(2,572)	28,786
Capital expenditures	3,246	3,411	184	10	481	7,332
Depreciation and amortization	19,952	16,229	2,396	259	—	38,836
Loss on disposal and write-down of assets	86	—	—	—	—	86

# CHEMTRADE LOGISTICS INCOME FUND

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

Three months ended March 31, 2017 and 2016

## 14. BUSINESS SEGMENTS (continued):

### March 31, 2017

	SPPC	WSSC	EC	Intl	Corp	Total
Total assets	\$ 1,042,353	\$ 974,221	\$ 1,111,193	\$ 50,710	\$ 6,271	\$ 3,184,748
Total liabilities	450,740	674,901	502,494	20,990	377,838	2,026,963
Intangible assets	459,001	584,769	219,353	—	—	1,263,123

### December 31, 2016

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

### Geographic segments:

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

### Revenue

	Three months ended March 31	
	2017	2016
Canada	\$ 68,817	\$ 61,784
United States	199,797	218,568
South America	5,940	—
	\$ 274,554	\$ 280,352

### Property, plant and equipment, and intangible assets

	March 31, 2017	December 31, 2016
Canada	\$ 1,174,407	\$ 390,238
United States	1,435,566	1,470,198
South America	134,725	—
	\$ 2,744,698	\$ 1,860,436

# CHEMTRADE LOGISTICS INCOME FUND

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

Three months ended March 31, 2017 and 2016

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## 15. RECLASSIFICATION OF REALIZED FOREIGN EXCHANGE LOSS:

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

As such the previously reported net loss for the three months ended September 30, 2016 of \$14,975 and other comprehensive income of \$36,637 are adjusted to net earnings of \$2,427 and other comprehensive income of \$19,235 and the previously reported net loss of \$12,658 and other comprehensive loss of \$17,950 as reported for the year ended December 31, 2016 are adjusted to net earnings of \$4,744 and comprehensive loss of \$35,352. The adjustment has no impact on total comprehensive income (loss) or on the statement of cash flows for any period presented.

## 16. SUBSEQUENT EVENT:

On April 10, 2017, Chemtrade completed an agreement with a syndicate of underwriters to issue \$175,000 principal amount of convertible unsecured subordinated debentures. As allowed under provisions of the agreement to issue the Debentures, the underwriters purchased an additional \$26,250 principal amount of the Debentures, increasing the aggregate gross proceeds of the public offering to \$201,250. Chemtrade incurred transaction costs of approximately \$8,550, which included the underwriters' fee and other expenses of the offering.

The net proceeds of the issuance will be used to fund the mandatory change of control offers commenced by Chemtrade on the outstanding convertible debentures and senior notes of Canexus. If the change of control offer is not accepted with respect to any or all of the Series IV Convertible Debentures, Chemtrade will redeem the remaining Series IV Convertible Debentures effective May 15, 2017. Chemtrade will also use the net proceeds of the issuance to redeem its 5.75% convertible debentures and to pay down its bank debt.



## UNITHOLDER INFORMATION

### **Senior Management**

**Mark Davis**  
President and CEO

**Rohit Bhardwaj**  
Vice-President, Finance and CFO

**Leon Aarts**  
Group Vice-President, Commercial

**Dan Dietz**  
Vice-President

**Tejinder Kaushik**  
Vice-President, Information Technology

**Tab McCullough**  
Group Vice-President, Manufacturing,  
Engineering and Responsible Care

**Emily Powers**  
Vice-President, Human Resources

**Michael St. Pierre**  
Group Vice-President, Global Services

**Susan Paré**  
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### **Stock Exchange Listing**

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Stock symbol: CHE.UN

### **Transfer Agent and Registrar**

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### **Investor Information**

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

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