Q2 2017

Chemtrade Logistics Income Fund

2017 | Second Quarter Report

CHEMTRADE LOGISTICS INCOME FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017

The information in this Management's Discussion and Analysis, or MD&A, is intended to assist the reader in the understanding and assessment of the trends and significant changes in the results of operations and financial condition of Chemtrade Logistics Income Fund (the “Fund”). Throughout this MD&A, the term “Chemtrade” refers to the Fund and its consolidated subsidiaries. The terms “we”, “us” or “our” similarly refer to Chemtrade. This MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements of Chemtrade for the three and six months period ended June 30, 2017, the audited consolidated financial statements of Chemtrade for the year ended December 31, 2016 and the annual MD&A for the year ended December 31, 2016.

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

Caution Regarding Forward-Looking Statements

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

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

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

Recent Developments

Canexus Acquisition

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

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

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

The Acquisition was structured as a share acquisition for total consideration of $935.9 million. The Acquisition was financed by a combination of: (i) $1.41 billion (US$1.05 billion) syndicated senior secured credit facilities consisting of a $436.1 million (US$325.0 million) term loan and a $972.9 million (US$725.0 million) revolving loan with a $268.4 million (US$200.0 million) optional accordion (the "Credit Facilities"); (ii) the net proceeds of the equity offering of 21,800,000 units noted above; (iii) the assumption of $372.8 million of CEI's (formerly Canexus') long-term debt which consisted of $110.0 million of senior notes and $262.8 million of extendible revolving credit facilities; and (iv) the assumption of $254.7 million fair value of CEI's (formerly Canexus') convertible debentures comprised of the 5.75% convertible unsecured subordinated Series IV debentures due December 31, 2018 (the "CEI Series IV Debentures"); the 6.00% convertible unsecured subordinated Series V debentures due December 31, 2020 (the "CEI Series V Debentures") and the 6.50% convertible unsecured subordinated Series VI debentures due December 31, 2021 (the "CEI Series VI Debentures"; the CEI Series IV Debentures, the CEI Series V Debentures and the CEI Series VI Debentures collectively, the "CEI Debentures"). In connection with the Acquisition, a portion of Chemtrade's new Credit Facilities were used to repay its existing credit facilities and CEI's (formerly Canexus') extendible revolving credit facilities. The amount drawn on the Credit Facilities to finance the Acquisition and to repay both Chemtrade's and CEI's credit facilities was $687.1 million. As a result of the repayment, Chemtrade expensed $5.5 million of previously deferred financing costs. Costs related to the new Credit Facilities of $6.3 million have been reflected in long-term debt. These costs have been deferred and are being amortized to finance costs in comprehensive income using the effective interest method.

Directly attributable acquisition-related costs are $11.8 million, of which $8.5 million were expensed in 2016, and the remainder have been expensed during the first six months of 2017 and are included in selling and administrative expenses in comprehensive income.

For details on the preliminary purchase price allocation, refer to note 3 of the condensed consolidated interim financial statements of Chemtrade for the three and six months ended June 30, 2017.

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

Sale of International Segment

On February 24, 2017, Chemtrade entered into a definitive agreement to sell its International business segment to Mitsui & CO., Ltd. for $55.5 million (€36.8 million) which is subject to a working capital adjustment. The transaction closed on May 31, 2017. The business provided removal and marketing services for elemental sulphur and sulphuric acid to customers globally. The International business has been classified as a discontinued operation in Chemtrade's financial statements. Chemtrade realized a gain of $15.3 million, after taxes upon the sale of the business. The cumulative amount of foreign exchange differences related to the International business of $49.0 million previously recognized in other comprehensive income was reclassified from equity to comprehensive net income upon sale. The comparative consolidated statement of comprehensive income and other relevant notes have been re-stated to show the discontinued operation separately from continuing operations. Refer to note 4 of Chemtrade's condensed consolidated interim financial statements for the three and six months ended June 30, 2017 for further details.

For the three and six months ended June 30, 2017, revenues from the International segment were $15.8 million and $41.9 million, respectively, compared with $42.0 million and $97.8 million respectively, for the comparative period of 2016. EBITDA for the three and six months ended June 30, 2017 was $1.8 million and $3.0 million, compared with $2.7 million and $5.3 million for the comparative period of 2016. Results from operating activities were $2.7 million and $3.3 million for the three and six months ended June 30, 2017 compared with results from operating activities of $2.2 million and $3.5 million for the same period of 2016.

Issuance of Fund 2017 4.75% Convertible Unsecured Subordinated Debentures

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

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

At June 30, 2017, the Fund also had $126.5 million principal amount of 5.25% of convertible unsecured subordinated debentures outstanding (the "Fund 2014 5.25% Debentures") and $143.8 million principal amount of 5.00% convertible unsecured subordinated debentures outstanding (the "Fund 2016 5.00% Debentures"; the Fund 2017 4.75% Debentures, the Fund 2014 5.25% Debentures and the Fund 2016 5.00% Debentures, collectively, the "Fund Debentures"; the Fund Debentures and the CEI Debentures, collectively, the "Debentures").

Mandatory Change of Control Offers for CEI Debentures

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

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

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

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

Redemption of Fund 2011 5.75% Debentures

On May 11, 2017, the Fund completed the redemption of $79.6 million aggregate principal amount of its 5.75% convertible unsecured debentures due December 31, 2018, (the “Fund 2011 5.75% Debentures”), representing a redemption in full of all of the outstanding Fund 2011 5.75% Debentures. The Fund 2011 5.75% Debentures were redeemed at a total redemption price of $1,000 plus accrued and unpaid interest of $20.64, both per $1,000 principal amount, for a total aggregate redemption price of $81.2 million.

Redemption of Remaining CEI Series IV Debentures

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

Offer to Exchange

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

Under the terms of the offer to purchase the CEI Series V Debentures, the Fund offered to purchase all of the Series V Convertible Debentures in exchange for an equal principal amount of newly issued 5.50% convertible unsecured subordinated debentures due December 31, 2020 of the Fund (the “Fund 2017 5.50% Debentures”) plus accrued and unpaid interest in cash. Under the terms of the offer to purchase the CEI Series VI Debentures, the Fund offered to purchase all of the Series VI Convertible Debentures in exchange for an equal principal amount of newly issued 5.75% convertible unsecured subordinated debentures due December 31, 2021 of the Fund (the “Fund 2017 5.75% Debentures”) plus accrued and unpaid interest in cash.

Redemption of CEI Senior Notes

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

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

Financial Highlights

These financial highlights have been presented in accordance with IFRS.

($'000 except per unit amounts)	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Revenue from continuing operations	$ 407,411	$ 262,133	$ 681,965	$ 542,485
Net earnings [1]	$ 77,257	$ (17,567)	$ 78,507	$ 11,219
Net earnings from continuing operations [1]	$ 10,280	$ (19,812)	$ 10,952	$ 7,695
Net earnings per unit [1]	$ 0.83	$ (0.25)	$ 0.94	$ 0.16
Net earnings per unit from continuing operations[1]	$ 0.11	$ (0.29)	$ 0.13	$ 0.11
Diluted net earnings per unit [1]	$ 0.73	$ (0.25)	$ 0.86	$ 0.16
Diluted earnings per unit from continuing operations [1]	$ 0.11	$ (0.29)	$ 0.13	$ 0.11
Total assets	$ 3,055,265	$ 1,911,595	$ 3,055,265	$ 1,911,595
Current portion of long-term debt	$ 3,789	$ 3,523	$ 3,789	$ 3,523
Long-term debt	$ 691,314	$ 610,800	$ 691,314	$ 610,800
Convertible unsecured subordinated debentures	$ 639,545	$ 241,611	$ 639,545	$ 241,611
Adjusted EBITDA from continuing operations [1][3]	$ 95,030	$ 56,767	$ 139,859	$ 108,123
Adjusted EBITDA per unit from continuing operations [1][3][4]	$ 1.03	$ 0.82	$ 1.67	$ 1.57
Cash flows from operating activities	$ 33,768	$ 23,363	$ 18,678	$ 35,731
Cash flows from operating activities per unit [4]	$ 0.36	$ 0.34	$ 0.22	$ 0.52
Adjusted cash flows from operating activities from continuing operations[1][2][3]	$ 71,564	$ 46,335	$ 84,781	$ 86,657
Adjusted cash flows from operating activities per unit from continuing operations [1][2][3][4]	$ 0.77	$ 0.67	$ 1.01	$ 1.25
Distributable cash after maintenance capital expenditures from continuing operations [1][2][3]	$ 58,702	$ 37,641	$ 67,354	$ 73,120
Distributable cash after maintenance capital expenditures per unit from continuing operations [1][2][3][4]	$ 0.63	$ 0.54	$ 0.81	$ 1.06
Distributions declared	$ 27,778	$ 20,721	$ 50,876	$ 41,442
Distributions declared per unit [5]	$ 0.30	$ 0.30	$ 0.60	$ 0.60
Distributions paid	$ 27,779	$ 20,721	$ 48,534	$ 41,442
Distributions paid per unit [5]	$ 0.30	$ 0.30	$ 0.60	$ 0.60

(1) For the three months and six months ended June 30, 2017 results include costs related to the Acquisition of $458 or $0.01 per unit and $3,318 or $0.04 per unit respectively. See **Recent Developments**.

(2) For the six months ended June 30, 2017 results include $18,292 or $0.25 per unit of foreign exchange loss realized on the repayment of long-term debt. See **Recent Developments**.

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

(4) Based on weighted average number of units outstanding for the period of: 92,594,999 | 69,071,369 | 83,643,802 | 69,070,298

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

Non-IFRS Measures

EBITDA and Adjusted EBITDA -

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

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

	Three months ended		Six months ended	
($'000)	**June 30, 2017**	**June 30, 2016**	**June 30, 2017**	**June 30, 2016**
Net earnings (loss) from continuing operations	$ 10,280	$ (19,812)	$ 10,952	$ 7,695
Add:				
Depreciation and amortization	57,041	36,860	96,156	75,437
Net finance costs	27,173	14,225	47,198	23,026
Income tax recovery	(5,323)	(31,716)	(18,474)	(41,932)
EBITDA from continuing operations	89,171	(443)	135,832	64,226
Add:				
Impairment of intangible assets	—	3,143	—	3,143
Loss on disposal and write-down of assets	4,064	55,730	4,064	55,816
Unrealized foreign exchange loss (gain)	1,795	(1,663)	(37)	(15,062)
Adjusted EBITDA from continuing operations	$ 95,030	$ 56,767	$ 139,859	$ 108,123

Cash Flow -

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

	Three months ended		Six months ended	
($'000)	**June 30, 2017**	**June 30, 2016**	**June 30, 2017**	**June 30, 2016**
Cash flow from operating activities	$ 33,768	$ 23,363	$ 18,678	$ 35,731
Less:				
Cash flow from (used in) operating activities of discontinued operations	(1,218)	529	(3,809)	(3,820)
Cash flow from operating activities of continuing operations	34,986	22,834	22,487	39,551
Add:				
Changes in non-cash working capital and other items	36,578	23,501	62,294	47,106
Adjusted cash flows from operating activities of continuing operations	**71,564**	**46,335**	**84,781**	**86,657**
Less:				
Maintenance capital expenditure	12,862	8,694	17,427	13,537
Distributable cash after maintenance capital expenditure from continuing operations	**58,702**	**37,641**	**67,354**	**73,120**
Less:				
Non-maintenance capital expenditure [(1)]	2,786	1,943	4,356	4,422
Distributable cash after all capital expenditure from continuing operations	**$ 55,916**	**$ 35,698**	**$ 62,998**	**$ 68,698**

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

Consolidated Operating Results

Consolidated revenue from continuing operations for the second quarter of 2017 was $407.4 million, which was $145.3 million higher than revenue for the second quarter of 2016. On a year-to-date basis, revenue was $682.0 million, which was $139.5 million higher than revenue for the same period of 2016. The increase in revenue for the second quarter and for the first six months of 2017 was primarily due to revenues generated by the newly acquired businesses in the EC segment of $153.8 million and $189.3 million, respectively. This was partially offset by lower revenues generated by the SPPC business due to lower sales volumes and lower selling prices for the second quarter and first six months of 2017 by $17.6 million and $53.5 million, respectively.

Chemtrade's Adjusted EBITDA for the second quarter and for the first six months of 2017 was $38.3 million higher and $31.7 million higher than the Adjusted EBITDA for the same periods of 2016. This was primarily due to the Adjusted EBITDA of the newly acquired businesses in the EC segment for the second quarter and for the first six months of 2017 of $39.3 million and $48.4 million, respectively (see **Recent Developments**) offset by lower Adjusted EBITDA for the SPPC segment by $6.1 million and $12.9 million, respectively.

Net earnings from continuing operations for the second quarter and first six months of 2017 were higher than net earnings from continuing operations of the comparative periods of 2016 by $30.1 million and $3.3 million, respectively. The increase in net earnings was primarily due to the additional Adjusted EBITDA of the newly acquired businesses partially offset by higher depreciation and amortization and higher net finance costs. Net finance costs were

$12.9 million and $24.2 million higher in the second quarter and first six months of 2017 compared with the same periods of 2016. The increase for the second quarter of 2017 is primarily due to additional interest expense of $8.0 million relating to an increase in the long-term borrowings due to the Acquisition, $8.7 million of transaction costs on the issuance of the Fund 2017 4.75% Debentures and a $3.0 million premium paid on the partial redemption of the CEI Senior Notes partially offset by $7.4 million due to fair value adjustments on the Debentures. For the first six months of 2017, in addition to the variances noted above, the increase in net finance costs included an additional $2.5 million of interest relating to the increase in long-term borrowings, a write-off of $5.5 million of previously deferred finance costs and $4.3 million lower fair value adjustments on the Debentures. Net earnings for 2016 also included a loss on write-down of assets of $55.7 million as well as an impairment of intangible assets of $3.1 million, partially offset by an income tax recovery primarily as a result of the reversal of certain deferred tax liabilities associated with the assets that were written down. There were also $3.5 million and $15.0 million of lower unrealized foreign exchange gains during the second quarter and first six months of 2017 compared with the same periods of 2016.

Results of Continuing Operations by Business Segment

SPPC -

	Three months ended		Six months ended	
($'000)	**June 30, 2017**	**June 30, 2016**	**June 30, 2017**	**June 30, 2016**
Revenue	$ 127,018	$ 144,618	$ 250,623	$ 304,164
Adjusted EBITDA	32,813	38,947	61,720	74,655
Impairment of intangible assets	—	(3,143)	—	(3,143)
Loss on disposal and write-down of assets	(138)	(55,695)	(136)	(55,781)
EBITDA	32,675	(19,891)	61,584	15,731
Depreciation and amortization	(18,908)	(19,279)	(37,707)	(39,231)
Net finance costs	(5,178)	(4,901)	(11,237)	(9,721)
Income tax recovery	4,079	27,113	9,725	33,357
Net earnings (loss)	$ 12,668	$ (16,958)	$ 22,365	$ 136

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

Revenue for the second quarter of 2017 was $17.6 million lower than revenue for the second quarter of 2016. For the first six months of 2017, revenue was $53.5 million lower than the first six months of 2016. The decrease in revenue for the second quarter and first half of 2017 compared with the same periods of 2016 was primarily due to $10.0 million and $25.1 million, respectively, of lower revenue for sulphuric acid due to lower sales volumes and lower selling prices. Revenue also decreased by $7.6 million and $16.5 million, respectively, due to lower volumes of liquid sulphur dioxide ("SO_2"), as Chemtrade discontinued manufacturing and selling SO_2 in eastern Canada. Adjusted EBITDA for the second quarter and first six months ended June 30, 2017 was $6.1 million and $12.9 million lower, respectively, than

Adjusted EBITDA for the same periods of 2016 as a result of lower revenue as described above and due to the impact of the Fibrant LLC ("Fibrant") closure towards the end of 2016. The second quarter of 2016 was the last quarter that Fibrant ran at full operating rates. Net earnings for the second quarter and first six months of 2017 were $29.6 million and $22.2 million higher, respectively, than net earnings for the second quarter and first six months of 2016. This was primarily due to the loss on write-down of assets and impairment of intangible assets recorded in the second quarter of 2016, partially offset by a income tax recovery recorded in the same period primarily as a result of the reversal of the reversal of certain deferred tax liabilities associated with the assets that were written down.

WSSC -

	Three months ended		Six months ended	
($'000)	**June 30, 2017**	**June 30, 2016**	**June 30, 2017**	**June 30, 2016**
Revenue	$ 115,722	$ 107,278	$ 217,805	$ 215,727
Adjusted EBITDA	32,353	29,499	54,411	56,559
Loss on disposal and write-down of assets	(23)	(35)	(25)	(35)
EBITDA	32,330	29,464	54,386	56,524
Depreciation and amortization	(13,781)	(15,422)	(27,264)	(31,651)
Net finance costs	(3,208)	(2,787)	(9,972)	(5,864)
Income tax recovery	6,578	4,341	14,447	8,211
Net earnings	$ 21,919	$ 15,596	$ 31,597	$ 27,220

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

Revenue during the second quarter and first six months of 2017 was $8.4 million and $2.1 million higher respectively, than the same periods of 2016 due to higher volumes and selling prices within the segment. Adjusted EBITDA for the second quarter of 2017 was $2.9 million higher than the same period of 2016, primarily driven by higher revenues during the second quarter of 2017. Adjusted EBITDA for the first six months of 2017 was $2.1 million lower than the same period of 2016 due to lower revenues during the first quarter of 2017. Net earnings for the second quarter of 2017 was $6.3 million higher than the comparative period of 2016 primarily due to higher Adjusted EBITDA and higher income tax recovery of $2.2 million. Net earnings for the first six months of 2017 were $4.4 million higher than the comparative period of 2016 due to $6.2 million of higher income tax recovery partially offset by $2.1 million of lower Adjusted EBITDA.

EC -

($'000)	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Sodium Chlorate Sales Volume (000's MT)	122	13	165	29
Chlor-alkali Sales Volume (000's MECU)	62	—	76	—
Revenue	$ 164,671	$ 10,237	$ 213,537	$ 22,594
Adjusted EBITDA	41,677	1,986	54,527	5,655
Loss on write-down of assets	(3,903)	—	(3,903)	—
EBITDA	37,774	1,986	50,624	5,655
Depreciation and amortization	(24,352)	(2,159)	(31,185)	(4,555)
Net finance costs	(7,452)	(15)	(10,262)	(29)
Income tax (expense) recovery	(4,376)	37	(4,719)	139
Net earnings (loss)	$ 1,594	$ (151)	$ 4,458	$ 1,210

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

Revenue for the second quarter and first six months of 2017 were $154.4 million and $190.9 million higher than the same periods of 2016. Adjusted EBITDA for the second quarter and first six months of 2017 were $39.7 million and $48.9 million higher, respectively, than the same periods of 2016, respectively. Revenue and Adjusted EBITDA were both higher in the second quarter and first six months of 2017 primarily from the newly acquired businesses. Adjusted EBITDA for the three and six months ended June 30, 2017 include $4.0 million of severance expense. Net earnings for the second quarter and first six months of 2017 were $1.7 million and $3.2 million higher, respectively, than the same periods of 2016. Increases in depreciation and amortization expense, net finance costs, and income tax recoveries from the second quarter and first six months of 2017 compared with the second quarter and first six months of 2016 were also due to the newly acquired businesses. Net earnings for the second quarter and first six months of 2017 included a write-down of $3.9 million related to the shut-down of a small sodium chlorate plan in Nanaimo, BC. Net finance costs for the second quarter and first six months of 2017 include a $3.0 million premium paid on the partial redemption of the CEI Senior Notes. Net finance costs for the second quarter and first six months of 2017 included a gain of $1.2 million and a loss of $0.1 million, respectively, related to the fair value of the CEI Debentures.

Corporate -

($'000)	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Cost of services	$ 11,813	$ 13,665	$ 30,799	$ 28,746
Adjusted EBITDA	$ (11,813)	$ (13,665)	$ (30,799)	$ (28,746)
Unrealized foreign exchange (loss) gain	(1,795)	1,663	37	15,062
EBITDA	(13,608)	(12,002)	(30,762)	(13,684)
Net finance costs	(11,335)	(6,522)	(15,727)	(7,412)
Income tax (expense) recovery	(958)	225	(979)	225
Net loss	$ (25,901)	$ (18,299)	$ (47,468)	$ (20,871)

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

For the second quarter and first six months of 2017, corporate costs, excluding unrealized foreign exchange gains and losses, net finance costs and income taxes, were $1.9 million lower and $2.1 million higher, respectively, than the comparative periods of 2016. Corporate costs were lower in the second quarter of 2017 due to a business interruption recovery related to the North Vancouver plant of $8.2 million, partially offset by corporate costs related to the acquired business of $2.5 million including severances of $1.4 million, and realized foreign exchange losses of $3.0 million. Corporate costs for the first six months of 2017 also included $3.4 million of transaction costs related to the Acquisition (see **Recent Developments**).

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

Chemtrade has hedged its investment in foreign operations that use the U.S. dollar as their functional currency with its U.S. dollar-denominated long-term debt. As a result, any gains and losses arising from the U.S. dollar-denominated debt will be offset by the foreign currency gain or loss arising from the investment in the foreign operations. The gains and losses on the translation of the designated amount of U.S. dollar-denominated debt and investment in foreign operations are recognized on a net basis in other comprehensive income. For the three and six months ended June 30, 2017, a foreign exchange gain of $3.1 million and $7.8 million, respectively, on the revaluation of the U.S. dollar-denominated debt was recognized in other comprehensive income, compared with a foreign exchange gain of $1.1 million and $15.0 million, respectively, during the three and six months ended June 30, 2016.

Net finance costs during the second quarter were $4.8 million higher than the same period of 2016 primarily due to $8.7 million in transaction costs on the issuance of the Fund 2017 4.75% Debentures, and $2.3 million of additional interest on the Fund Debentures that were issued subsequent to the second quarter of 2016, partially offset by a $6.2 million gain relating to the fair value of the Fund Debentures. During the six months ended June 30, 2017, net finance costs were $8.3 million higher than the same period of 2016 primarily due to the $8.7 million in transaction costs on the issuance of the Fund 2017 4.75% Debentures and $4.0 million of additional interest on the Fund Debentures that were issued subsequent to the second quarter of 2016, offset by a $4.3 million gain relating to the fair value of the Fund Debentures.

Foreign Exchange

Chemtrade has certain operating subsidiaries that use the U.S. dollar as their functional currency. As Chemtrade reports in Canadian dollars, its reported net earnings are exposed to fluctuations in the Canadian/U.S. dollar exchange rate. If the Canadian dollar weakens by one-cent (for example, from $1.25 to $1.26), on an unhedged basis, this would have a positive impact on annual net earnings of approximately $1.1 million, and vice-versa. The impact on annual Adjusted EBITDA and Distributable cash after maintenance capital expenditures would be approximately $2.4 million and $1.9 million, respectively, and vice-versa.

Chemtrade has entered into a series of foreign exchange contracts with its principal bankers to manage the volatility of foreign exchange rates. All foreign exchange contracts are under International Swap and Derivatives Association ("ISDA") agreements. Contracts in place at June 30, 2017 include future contracts to sell the following amounts for periods through to March 2018:

Amount	Weighted average exchange rate
US$45,000	$1.31

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

Certain of Chemtrade's operating subsidiaries use the U.S. dollar as their functional currency. The investment in these U.S. dollar-denominated foreign operations has been hedged by Chemtrade's U.S. dollar-denominated credit facilities.

Any gains and losses from the translation of U.S. dollar-denominated borrowings on the credit facilities will be offset by the foreign currency gain or loss arising from the investment in the U.S. foreign operations. The gains and losses on the translation of the designated amount of long-term debt and investment in foreign operations are recorded in other comprehensive income. The changes recorded in the accumulated other comprehensive income account since December 31, 2016 were a result of changes in the Canadian/U.S. dollar exchange rate between December 31, 2016 and June 30, 2017.

The rate of exchange used to translate U.S. dollar-denominated balances has decreased from a rate of US$1.00 = $1.34 at December 31, 2016 to US$1.00 = $1.30 at June 30, 2017. See **Risks and Uncertainties** for additional comments on foreign exchange.

Finance Income and Costs

During the second quarter and first half of 2017, net finance costs were $27.2 million and $47.2 million, respectively, compared with net finance costs of $14.2 million and $23.0 million, respectively, during the second quarter and first half of 2016. In the second quarter of 2017 net finance costs were higher by $12.9 million primarily due to additional interest expense of $8.0 million relating to an increase in the long-term borrowings due to the Acquisition, $8.7 million of transaction costs on issuance of the Fund 2017 4.75% Debentures and a $3.0 million premium paid on the partial redemption of the CEI Senior Notes, partially offset by $7.4 million due to the fair value adjustments on the Debentures. Net finance costs were higher in the first six months of 2017 compared with the same period in 2016 by $24.2 million, primarily due to additional interest expense of $10.5 million relating to an increase in the long-term borrowings, $8.7 million in transaction costs on the issuance of the Fund 2017 4.75% Debentures, a $3.0 million premium paid on the partial redemption of the CEI Senior Notes and $5.5 million of previously deferred financing costs that were written off due to the repayment of debt (see **Recent Developments**). This was partially offset by the fair value adjustments on the Debentures which resulted in $4.3 million lower net finance costs.

During the second quarter and first six months of 2017, Chemtrade recorded accretion expense of $0.3 million and $0.7 million, respectively, due to the amortization of transaction costs related to Chemtrade's borrowings. In the second quarter and first six months of 2016, Chemtrade recorded accretion expenses of $0.4 million and $0.7 million, respectively. See **Liquidity and Capital Resources -** *Financing Activities*.

The weighted average effective annual interest rate on senior debt at June 30, 2017 was 4.02% (December 31, 2016 - 3.44%). See **Liquidity and Capital Resources** - *Financing Activities* - *Financial Instruments* for information concerning swap arrangements.

Income Taxes

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

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

Current income tax expense for the second quarter and first six months of 2017 was $1.9 million and $2.4 million, respectively, compared with $0.4 million and $1.1 million for the same periods of 2016. The increase in current income tax expense in 2017 compared with 2016 is primarily due to an increase in taxable income in certain subsidiaries. Deferred income tax recovery for the second quarter and first six months of 2017 was $7.3 million and $20.9 million, respectively, compared with $32.1 million and $43.0 million for the same periods in 2016. The decrease in income tax recovery for the second quarter and first six months of 2017 compared with the second quarter and first six months of 2016 is primarily due to the reversal of deferred tax liabilities related to the assets that were written down in the SPPC segment during the second quarter of 2016.

The effective tax rate for the second 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 $43.4 million at June 30, 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 six months of 2017.

The net decrease in deferred tax liabilities of $7.5 million at June 30, 2017 relative to December 31, 2016 is primarily due to lower taxable timing differences on fixed assets, intangible assets and unrealized foreign exchange gains in certain subsidiaries, partially offset by the deferred tax liabilities acquired as the result of the Acquisition in certain jurisdictions.

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

Excess Cash Flows and Net Earnings Over Distributions Paid

The following table presents excess cash flows from operating activities and net earnings over distributions paid for the three and six months ended June 30, 2017, and for the years ended December 31, 2016 and December 31, 2015.

($'000)	Three months ended June 30, 2017	Six months ended June 30, 2017	Year ended December 31, 2016	Year ended December 31, 2015
Cash flows from operating activities	$ 33,768	$ 18,678	$ 153,009	$ 161,974
Net earnings (loss)	77,257	78,507	(12,658)	(47,590)
Distributions paid during period	27,779	48,534	82,912	82,640
Excess (shortfall) of cash flows from operating activities over cash distributions paid	5,989	(29,856)	70,097	79,334
Excess (shortfall) of net earnings over cash distributions paid	49,478	29,973	(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 six months ended June 30, 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 and six months ended June 30, 2017 were declared as follows:

Record Date	Payment Date	Distribution Per Unit	Total ($'000)
Three months ended June 30:			
April 28, 2017	May 31, 2017	$ 0.10	$ 9,259
May 31, 2017	June 30, 2017	0.10	9,259
June 30, 2017	July 31, 2017	0.10	9,260
Sub-Total		$ 0.30	$ 27,778
Three months ended March 31, 2017		0.30	$ 23,098
Total for the six months ended June 30, 2017		**0.60**	**$ 50,876**

Distributions to Unitholders for the three and six months ended June 30, 2016 were declared as follows:

Record Date	Payment Date	Distribution Per Unit	Total ($'000)
Three months ended June 30:			
April 29, 2016	May 31, 2016	$ 0.10	$ 6,907
May 31, 2016	June 30, 2016	0.10	6,907
June 30, 2016	July 29, 2016	0.10	6,907
Sub-Total		$ 0.30	$ 20,721
Three months ended March 31, 2016		0.30	$ 20,721
Total for the six months ended June 30, 2016		**0.60**	**$ 41,442**

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

	Other Income	Dividends (1)	Foreign Non-Business Income	Total
2016	19.3%	16.3%	64.4%	100%
2017 (2)	14.7%	34.5%	50.8%	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 second quarter of 2017 was an inflow of $33.8 million, an increase of $10.4 million from the second quarter of 2016. The increase in cash flow from operating activities in the second quarter of 2017, compared with the second quarter of 2016 was primarily due to higher Adjusted EBITDA, partially offset by higher interest and income taxes paid. Cash flows from operating activities in the first half of 2017 was an inflow of $18.7 million compared to an inflow of $35.7 million during the first six months of 2016. The decrease in the cash flows from operating activities in the first half of 2017 compared with the first half of 2016 was primarily due to higher interest and income taxes paid partially offset by a decrease in cash flows required for working capital.

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 $15.7 million in the second quarter of 2017, compared with $10.6 million in the second quarter of 2016. These amounts include $12.9 million in the second quarter of 2017 and $8.7 million in the second quarter of 2016 for maintenance capital requirements for continuing operations. Investment in capital expenditures was $22.0 million for the first six months of 2017, compared with $18.0 million for the first six months of 2016. These amounts include $17.4 million in the first six months of 2017 and $13.5 million in first six months of 2016 for maintenance capital requirements. Chemtrade expects to incur between $75.0 million and $80.0 million of maintenance capital expenditures in 2017.

Non-maintenance capital expenditures were $2.8 million during the second quarter of 2017, compared with $1.9 million during the second quarter of 2016. Investment in non-maintenance capital expenditures was $4.4 million during the first six months of 2017 and 2016. Non-maintenance capital expenditures are: (i) pre-funded, usually as part of a significant acquisition and related financing; (ii) considered to expand or improve the capacity of Chemtrade's operations; (iii) significant environmental capital expenditures that are considered to be non-recurring; or (iv) capital expenditures to be reimbursed by a third party.

Financing Activities

At June 30, 2017, Chemtrade's Credit Facilities were comprised of a $421.8 million (US$325.0 million) five year term loan and a $940.8 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, the Fund issued 21,800,000 units for gross proceeds of approximately $400.0 million. Net proceeds of the offering were used to finance the Acquisition. Issuance costs in relation to the equity offering amounted to $17.2 million.

There was a net decrease in borrowings of $44.8 million and a net increase of $15.2 million on the revolving portion of the Credit Facilities during the second quarter of 2017 and 2016, respectively. During the first six months of 2017 and 2016, there was a net increase in the revolving portion of $189.8 million and $32.0 million, respectively. During the first six months 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 and six months ended June 30, 2017 were higher than the same periods of 2016 due to the issuance of subscription receipts and units issued on the conversion of the Fund Debentures since the comparative period of 2016. For additional information on cash distributions, see **Non-IFRS Measures** - *Cash Flow* and **Excess Cash Flows and Net Earnings Over Distributions Paid.**

Financial Instruments -

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

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

Cash Balances -

At June 30, 2017, Chemtrade had net cash balances of $12.7 million and working capital of $135.4 million. Comparable figures for December 31, 2016 were $14.7 million and $14.2 million, respectively. Chemtrade defines working capital to exclude cash, assets held for sale, distributions payable, current portion of long-term debt and debentures, and liabilities directly associated with assets held for sale. Cash generated by Chemtrade will be used to fund cash distributions to Unitholders, capital requirements, interest, general corporate purposes and other legal obligations.

Future Liquidity -

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

Capital Resources -

At June 30, 2017, Chemtrade had Credit Facilities of approximately $1.36 billion (US$1.05 billion), consisting of a $421.8 million (US$325.0 million) five year term loan and a $940.8 million (US$725.0 million) revolving credit facility. These credit facilities are due in March 2022. At June 30, 2017, Chemtrade had the entire term loan outstanding, and had drawn $198.2 million on its revolving credit facility. Additionally, it had committed a total of $31.4 million of its revolving credit facility towards standby letters of credit.

At June 30, 2017, Chemtrade had $71.5 million of the CEI Senior Notes outstanding that it assumed as part of the Acquisition. The CEI Senior Notes, issued at par value, bear interest at a fixed rate of 7.875% per annum and mature on September 20, 2023.

At June 30, 2017, Chemtrade had a long-term loan of $9.8 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 June 30, 2017, Chemtrade had five series of debentures outstanding (three series issued under the Fund and two series under CEI) with an aggregate par value of $630.1 million (market value of $639.5 million) and maturity dates ranging from December 31, 2020 to May 31, 2024.

Debt Covenants -

As at June 30, 2017, Chemtrade was compliant with all debt covenants contained in its credit agreements.

Summary of Quarterly Results

($ millions)	Q2 2017	Q1 2017	Q4 2016	Q3 2016 [(1)]	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Revenue from continuing operations	$ 407.4	$ 274.6	$ 251.7	$ 273.0	$ 262.1	$ 280.4	$ 277.5	$ 304.7
Cost of sales and services	(347.9)	(241.9)	(228.5)	(230.1)	(280.1)	(246.1)	(342.1)	(262.8)
Gross profit (loss)	59.5	32.6	23.3	42.9	(17.9)	34.2	(64.6)	41.9
Selling and administrative expenses:								
Unrealized foreign exchange gain (loss)	(1.8)	1.8	(3.9)	(2.5)	1.7	13.4	(3.2)	(13.3)
LTIP	(2.1)	(1.8)	(1.4)	(1.2)	(1.8)	(0.2)	(2.4)	0.8
Other	(23.5)	(25.1)	(24.6)	(17.4)	(19.3)	(21.3)	(18.1)	(14.2)
Total selling and administrative expenses	(27.4)	(25.1)	(29.9)	(21.1)	(19.4)	(8.1)	(23.7)	(26.7)
Operating income (loss)	32.1	7.5	(6.7)	21.8	(37.3)	26.1	(88.3)	15.2
Net finance costs:								
Mark-to-market on debentures	4.1	(0.8)	(1.1)	(7.7)	(3.3)	2.3	0.6	13.6
Debt issuance and extinguishment costs	(8.7)	(5.5)	—	(7.0)	—	—	—	—
Other	(22.6)	(13.7)	(11.8)	(12.1)	(10.9)	(11.1)	(11.4)	(11.4)
Total net finance (costs) income	(27.2)	(20.0)	(12.9)	(26.8)	(14.2)	(8.8)	(10.8)	2.2
Income tax recovery (expense)	5.3	13.2	26.0	7.1	31.7	10.2	16.5	(1.0)
Net earnings (loss) from continuing operations	$ 10.3	$ 0.7	$ 6.4	$ 2.1	$ (19.8)	$ 27.5	$ (82.6)	$ 16.4
Net earnings (loss) from discontinued operations	$ 67.0	$ 0.6	$ (15.3)	$ 0.3	$ 2.2	$ 1.3	$ 2.6	$ 2.0
Net earnings (loss)	$ 77.3	$ 1.3	$ (8.9)	$ 2.4	$ (17.6)	$ 28.8	$ (80.1)	$ 18.5

(1) During the first quarter of 2017, management determined that the reclassification of realized foreign exchange loss of $20.1 million to selling and administrative expenses from other comprehensive income during the third quarter of 2016 on the repayment of Chemtrade's long-term debt should not have been recorded. Since Chemtrade's U.S. dollar denominated debt is effectively hedged against its net investment in its U.S. subsidiaries, the cumulative foreign exchange loss related to the long-term debt that was recorded in other comprehensive income should have remained in other comprehensive income until the disposal or partial disposal of its U.S. subsidiaries. As such the previously reported net loss for the three months ended September 30, 2016 of $15.0 million and other comprehensive income of $36.6 million 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 second 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 second quarter of 2017 as they included a realized foreign exchange loss of $3.3 million and costs associated with the newly acquired business. Other selling and administrative expenses were high during the first quarter of 2017 and the fourth quarter of 2016 as they included acquisition costs of $2.9 million and $8.5 million, respectively, related to the Acquisition (see **Recent Developments**). 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 the Debentures. The amount recorded in any quarter related to the fair value adjustments on the Debentures fluctuates depending upon the market value of the Debentures at the end of the period. The primary component of other net finance costs is interest from Chemtrade's credit facilities and Debentures.

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

Income Taxes

Income tax recoveries were high in the 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. The income tax recovery in the first quarter of 2016 was high primarily due to the reversal of certain deferred tax liabilities due to the change in value of the U.S. dollar relative to the Canadian dollar.

Discontinued Operations

Discontinued operations represents the International segment which was classified as a discontinued operation at March 31, 2017 and December 31, 2016 (see **Recent Developments**). The transaction closed on May 31, 2017. Net earnings during the second quarter of 2017 include a $17.1 million gain on sale of the discontinued operation and the reclassification of the cumulative amount of foreign exchange differences of $49.0 million from equity to net earnings. This was previously recognized in other comprehensive income.

Outstanding Securities of the Fund

As at August 9, 2017 and June 30, 2017, the following common units and securities convertible into units of the Fund were issued and outstanding:

	August 9, 2017		June 30, 2017	
	Convertible Securities	Units	Convertible Securities	Units
Common units outstanding		**92,596,006**		**92,596,006**
5.25% Debentures [1]	**126,500**	**4,517,857**	**126,500**	**4,517,857**
5.00% Debentures [2]	**143,750**	**5,784,708**	**143,750**	**5,784,708**
4.75% Debentures [3]	**201,250**	**7,537,453**	**201,250**	**7,537,453**
Units outstanding and issuable upon conversion of Debentures		**110,436,024**		**110,436,024**

[1] Convertible at $28.00 per unit

[2] Convertible at $24.85 per unit

[3] Convertible at $26.70 per unit

Contractual Obligations

Information concerning contractual obligations at June 30, 2017 is shown below:

Contractual Obligations *($'000)*	**Total**	**Less Than 1 Year**	**1-3 Years**	**4-5 Years**	**After 5 Years**
Long-term debt	701,462	3,789	6,227	619,946	71,500
Debentures	630,095	—	—	285,095	345,000
Purchase commitments	261,093	42,259	92,194	97,846	28,794
Interest on debentures	176,466	33,277	66,554	49,927	26,708
Operating Leases	159,886	38,502	68,987	37,415	14,982
Interest on long-term debt	117,556	30,822	60,796	17,593	8,345
Total contractual obligations	2,046,558	148,649	294,758	1,107,822	495,329

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.

Risk of Legal Proceedings

As previously disclosed, Chemtrade is a subject of an ongoing investigation by the U.S. Department of Justice concerning alleged anticompetitive conduct in the water treatment chemicals industry, for which it has the benefit of conditional amnesty, as well as a defendant in two class action lawsuits and five civil proceedings relating to the same conduct. The vendors of the General Chemical business agreed to indemnify Chemtrade for certain losses that could result from the conduct that is the subject of this investigation. The parties are disputing the scope of the indemnity and it is possible that Chemtrade could be unsuccessful in collecting on its indemnity. The amount, if any, that would not be indemnified is not determined at this time. It is also possible that the damages and costs could exceed the indemnification amount. In either case, this could have a material adverse effect on Chemtrade's financial condition.

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

Product Price and Sales Volume Risk -

For every $50 change in the price per metric tonne ("MT") of North American produced sodium chlorate, loss before income taxes for the three and six months ended June 30, 2017 would have changed by $4.7 million and $11.8 million, respectively. 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 and six months ended June 30, 2017 would have changed by $5.1 million and $9.8 million, respectively, if the Acquisition had occurred on January 1, 2017. These sensitivities to changes in prices are based on approximately 94,000 and 189,000 MT of North American sodium chlorate sales and 50,000 and 98,000 MECU of North American chlor-alkali sales for the three and six months ended June 30, 2017. Sensitivities of $50 per MT for sodium chlorate and $100 per MECU for chlor-alkali products are considered reasonable given historical product price changes and market expectations for future movement.

A change in sales volumes for North American sodium chlorate of 2,500 and 5,000 MT would have changed loss before income taxes for the three and six months ended June 30, 2017 by $0.8 million and $1.6 million, respectively. A change in sales volumes for North American chlor-alkali products of 1,250 and 2,500 MECU would have changed loss before income taxes for the three and six months ended June 30, 2017 by $0.8 million and $1.5 million, respectively, 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 the co-product 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. During the six months ended June 30, 2017, we acquired 834 MT of caustic soda (three percent of sales volume) at market prices to satisfy this contractual requirement.

Electricity Price Risk -

For every four percent change in the price of electricity in North America, loss before income taxes for the three and six months ended June 30, 2017 would have changed by $1.1 million and $2.1 million, respectively, if the Acquisition had occurred on January 1, 2017. This sensitivity to changes in electricity prices is based on North American electricity consumption of approximately 592,000 and 1,209,000 Megawatt hours for the three and six months ended June 30, 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.

Foreign Currency Rate Risk -

A substantial portion of the revenues of the Acquired businesses are denominated in or referenced to the US dollar, including the sale of certain chemical products into the United States market, as well as the majority of sales margins in South America. As a result, Chemtrade's exposure to fluctuations in the exchange rate of the U.S. dollar relative to the Canadian dollar has significantly increased (see **Foreign Exchange**).

Critical Judgments and Sources of Estimation Uncertainty

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

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

Key Sources of Estimation Uncertainty -

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are 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 June 30, 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 June 30, 2017. There have been no changes to the design of internal controls over financial reporting that occurred during the quarter ended June 30, 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.

August 10, 2017

CHEMTRADE LOGISTICS INCOME FUND

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

	Notes	June 30, 2017	December 31, 2016
ASSETS			*As recast (note 15)*
Current assets			
Cash and cash equivalents		$ **12,665**	$ 14,742
Trade and other receivables		**193,218**	127,660
Inventories		**104,948**	66,283
Income taxes receivable		**4,747**	3,712
Prepaid expenses and other assets	**13**	**17,568**	12,167
Assets held for sale	**4**	**—**	50,817
Total current assets		**333,146**	275,381
Non-current assets			
Property, plant and equipment		**1,275,136**	790,867
Other assets		**14,133**	10,529
Intangible assets		**1,373,705**	1,069,569
Deferred tax assets	**12**	**59,145**	15,726
Total non-current assets		**2,722,119**	1,886,691
Total assets		**3,055,265**	2,162,072
LIABILITIES AND UNITHOLDERS' EQUITY			
Current liabilities			
Trade and other payables	**5,13**	$ **179,396**	$ 189,328
Distributions payable		**9,257**	6,917
Provisions		**5,680**	6,255
Current portion of long-term debt	**6**	**3,789**	3,654
Convertible unsecured subordinated debentures	**7**	**—**	32,281
Liabilities directly associated with assets held for sale	**4**	**—**	26,243
Total current liabilities		**198,122**	264,678
Non-current liabilities			
Long-term debt	**6**	**691,314**	451,526
Convertible unsecured subordinated debentures	**7**	**639,545**	360,108
Other long-term liabilities		**19,006**	18,028
Employee benefits		**84,408**	73,666
Provisions		**122,798**	60,709
Deferred tax liabilities	**12**	**156,816**	164,302
Total non-current liabilities		**1,713,887**	1,128,339
Total liabilities		**1,912,009**	1,393,017
Unitholders' equity			
Units	**8**	**1,461,995**	1,048,738
Contributed surplus		**9,720**	9,720
Deficit	**15**	**(479,822)**	(507,453)
Accumulated other comprehensive income	**15**	**151,363**	218,050
Total unitholders' equity		**1,143,256**	769,055
Total liabilities and unitholders' equity		$ **3,055,265**	$ 2,162,072
Subsequent event	**16**		

The accompanying notes on pages 31 to 56 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 June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Revenue		**$ 407,411**	$ 262,133	**$ 681,965**	$ 542,485
Cost of sales and services	**11**	**(347,900)**	(280,067)	**(589,822)**	(526,208)
Gross profit		**59,511**	(17,934)	**92,143**	16,277
Selling and administrative expenses	**9,11**	**(27,381)**	(19,369)	**(52,467)**	(27,488)
Operating income (loss)		**32,130**	(37,303)	**39,676**	(11,211)
Finance income	**10**	**238**	—	**286**	—
Finance costs	**10**	**(27,411)**	(14,225)	**(47,484)**	(23,026)
Income (loss) before income tax		**4,957**	(51,528)	**(7,522)**	(34,237)
Income tax (expense) recovery	**12**				
Current		**(1,927)**	(374)	**(2,429)**	(1,117)
Deferred		**7,250**	32,090	**20,903**	43,049
		5,323	31,716	**18,474**	41,932
Net income (loss) from continuing operations		**10,280**	(19,812)	**10,952**	7,695
Net earnings from discontinued operations	**4**	**66,977**	2,245	**67,555**	3,524
Net Earnings (Loss)		**$ 77,257**	$ (17,567)	**$ 78,507**	$ 11,219
Other comprehensive income (loss)					
Items that may subsequently be reclassified to earnings:					
Gain on net investment hedge of foreign operations net of tax recovery of $0 and $2,429 (2016 - nil)	**13**	**3,148**	1,074	**7,820**	14,969
Foreign currency translation differences for foreign operations, net of tax recovery of $1,222 and $1,708 (2016 - net of tax recovery of $266 and $3,504)		**(64,094)**	(7,370)	**(72,954)**	(81,060)
Effective portion of change in the fair value of cash flow hedges, net of tax expense of $97 and $521 (2016 - recovery of $266 and $1,451)	**13**	**(3,126)**	(641)	**(1,553)**	(3,953)
Other comprehensive loss		**(64,072)**	(6,937)	**(66,687)**	(70,044)
Total comprehensive income (loss)		**$ 13,185**	$ (24,504)	**$ 11,820**	$ (58,825)
Net earnings (loss) per unit	**8**				
Basic net earnings (loss) per unit		**$ 0.83**	$ (0.25)	**$ 0.94**	$ 0.16
Diluted net earnings (loss) per unit		**$ 0.73**	$ (0.25)	**$ 0.86**	$ 0.16
Net earnings (loss) per unit from continuing operations					
Basic net earnings (loss) per unit		**$ 0.11**	$ (0.29)	**$ 0.13**	$ 0.11
Diluted net earnings (loss) per unit		**$ 0.11**	$ (0.29)	**$ 0.13**	$ 0.11

The accompanying notes on pages 31 to 56 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
Balance at January 1, 2017 (note 15)	**$ 1,048,738**	**$ 9,720**	**$ (507,453)**	**$ 224,693**	**$ (6,643)**	**$ 769,055**
Net earnings	—	—	78,507	—	—	78,507
Other comprehensive (loss) income	—	—	—	(72,954)	6,267	(66,687)
Distributions	—	—	(50,876)	—	—	(50,876)
Issuance of units (note 8)	413,257	—	—	—	—	413,257
Balance at June 30, 2017	**$ 1,461,995**	**$ 9,720**	**$ (479,822)**	**$ 151,739**	**$ (376)**	**$ 1,143,256**

	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	—	—	11,219	—	—	11,219
Other comprehensive (loss) income	—	—	—	(81,060)	11,016	(70,044)
Distributions	—	—	(41,442)	—	—	(41,442)
Issuance of units (note 8)	86	—	—	—	—	86
Balance at June 30, 2016	**$ 1,047,008**	**$ 9,720**	**$ (463,359)**	**$ 215,541**	**$ (28,323)**	**$ 780,587**

*Accumulated other comprehensive income.

The accompanying notes on pages 31 to 56 are an integral part of these consolidated financial statements.

CHEMTRADE LOGISTICS INCOME FUND

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

	Notes	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Cash flows from operating activities:					
Net earnings (loss)		**77,257**	(17,567)	**78,507**	11,219
Adjustments for:			—		
Depreciation and amortization	11	**57,209**	37,099	**96,572**	75,935
(Gain) loss on disposal and write-down of assets		**(13,074)**	55,730	**(13,074)**	55,816
Cumulative foreign exchange gain on sale of International business		**(48,950)**	—	**(48,950)**	—
Impairment of intangible assets		**—**	3,143	**—**	3,143
Income tax recovery		**(4,594)**	(31,560)	**(17,406)**	(40,711)
Net interest costs		**29,425**	9,514	**41,580**	18,913
Accretion expense		**1,062**	868	**1,971**	1,706
Net pension interest		**792**	579	**1,457**	1,503
Debt extinguishment costs	6	**—**	—	**5,508**	—
Change in fair value of convertible unsecured subordinated debentures	7	**(4,096)**	3,299	**(3,297)**	971
Unrealized foreign exchange gain		**(31,735)**	(1,663)	**(33,577)**	(15,062)
		63,296	59,442	**109,291**	113,433
Decrease (increase) in working capital		**5,260**	(19,199)	**(41,510)**	(52,733)
Interest paid		**(24,791)**	(12,112)	**(36,957)**	(19,160)
Interest received		**247**	7	**308**	22
Income taxes paid		**(10,244)**	(4,775)	**(12,454)**	(5,831)
Net cash flows from operating activities		**33,768**	23,363	**18,678**	35,731
Cash flows from investing activities:					
Decrease in restricted cash		**—**	819	**—**	873
Additions to property, plant and equipment		**(15,712)**	(10,649)	**(21,951)**	(17,981)
Decrease (increase) in other assets		**663**	(1,525)	**2,029**	(1,064)
Proceeds from disposal of subsidiary	4	**55,543**	—	**55,543**	—
Acquisition (net of cash acquired)	3	**—**	—	**(281,205)**	—
Net cash flows from (used in) investing activities		**40,494**	(11,355)	**(245,584)**	(18,172)
Cash flows from financing activities:					
Distributions to unitholders	8	**(27,779)**	(20,721)	**(48,534)**	(41,442)
Issuance of convertible debentures	7	**201,250**	—	**201,250**	—
Transaction costs related to the issuance of convertible debentures	7	**(8,661)**	—	**(8,661)**	—
Issuance of units	3,8	**—**	—	**395,831**	—
Share issuance costs		**17**	—	**(17,167)**	—
Repayment of term debt	3,6	**(904)**	(842)	**(437,911)**	(1,668)
Increase in term debt	3,6	**—**	—	**436,118**	—
Repayment of Canexus credit facilities	3,6	**—**	—	**(262,421)**	—
Repayment of convertible debentures	7	**(174,045)**	—	**(175,468)**	—
Net change in revolving credit facility	3,6	**(44,822)**	15,179	**189,822**	31,982
Financing transaction costs		**(180)**	—	**(6,500)**	—
Increase (decrease) in other long-term liabilities		**4,450**	281	**(3,069)**	(3,469)
Principal redemption of high-yield senior notes	3,6	**(38,500)**	—	**(38,500)**	—
Net cash flows (used in) from financing activities		**(89,174)**	(6,103)	**224,790**	(14,597)
(Decrease) increase in cash and cash equivalents		**(14,912)**	5,905	**(2,116)**	2,962
Cash and cash equivalents, beginning of the period		**27,411**	5,014	**14,742**	7,992
Effect of exchange rates on cash held in foreign currencies		**166**	(232)	**39**	(267)
Cash and cash equivalents, end of the period		**12,665**	10,687	**12,665**	10,687

The accompanying notes on pages 31 to 56 are an integral part of these consolidated financial statements.

1. CORPORATE INFORMATION:

Chemtrade Logistics Income Fund (the "Fund") is a publicly listed Income Trust formed in Ontario, Canada and its units are listed on the Toronto Stock Exchange ("TSX"). The term "Chemtrade" refers to the Fund and its consolidated subsidiaries. Chemtrade commenced operations on July 18, 2001 when it completed an initial public offering. Chemtrade operates in four business segments: Sulphur Products & Performance Chemicals ("SPPC"), Water Solutions & Specialty Chemicals ("WSSC"), Electrochemicals ("EC") and Corporate ("Corp"). On May 31, 2017, the sale of the International segment was completed and it has been classified as a discontinued operation, see note 4. 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 August 10, 2017.

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

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

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

The Acquisition was structured as a share acquisition for total consideration of $935,860. The Acquisition was financed by a combination of: (i) $1,408,996 (US$1,050,000) syndicated senior secured credit facilities consisting of a $436,118 (US$325,000) term loan and a $972,878 (US$725,000) revolver with a $268,380 (US$200,000) optional accordion (the “Credit Facilities”); (ii) the net proceeds of the equity offering of 21,800,000 units noted above; (iii) the assumption of $372,799 of CEI's (formerly, Canexus') long-term debt which consisted of $110,000 of senior notes and $262,799 of extendible revolving credit facilities; and (iv) the assumption of $254,696 fair value of CEI's (formerly, Canexus') convertible debentures comprised of the 5.75% convertible unsecured subordinated Series IV debentures due December 31, 2018 (the “CEI Series IV Debentures”); the 6.00% convertible unsecured subordinated Series V debentures due December 31, 2020 (the “CEI Series V Debentures”) and the 6.50% convertible unsecured subordinated Series VI debentures due December 31, 2021 (the “CEI Series VI Debentures”; the CEI Series IV Debentures, the CEI Series V Debentures and the CEI Series VI Debentures collectively, the “CEI Debentures”). In connection with the Acquisition, a portion of Chemtrade’s new Credit Facilities were used to repay its existing credit facilities and CEI's (formerly, Canexus') extendible revolving credit facilities. The amount drawn on the Credit Facilities to finance the Acquisition and to repay both Chemtrade's and CEI's (formerly, Canexus') existing credit facilities was $687,070. As a result of the repayment, Chemtrade expensed $5,508 of previously deferred financing costs. Costs related to the new Credit Facilities of $6,320 have been reflected in long-term debt. These

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

3. CANEXUS ACQUISITION (continued):

costs have been deferred and are being amortized to finance costs in comprehensive income using the effective interest method.

The aggregate consideration for this acquisition was preliminarily allocated as follows:

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

Adjustments have been made to the purchase price allocation subsequent to the acquisition date which have been reflected in the table below. These adjustments are related to a decrease in property, plant and equipment, of $166,706, an increase in intangible assets of $101,881, an increase in goodwill of $44,841, an increase in deferred tax assets of $17,280 and a decrease in deferred tax liabilities of $2,704.

		As at June 30, 2017
Working capital (including cash acquired of $27,160)	$	96,436
Property, plant and equipment		550,070
Other assets		6,691
Intangible assets		317,000
Goodwill		44,841
Deferred tax assets		28,817
Other long-term liabilities		(16,284)
Employee benefits		(12,213)
Provisions		(60,908)
Deferred tax liability		(18,590)
Consideration	**$**	**935,860**

Directly attributable Acquisition-related costs are $11,790, of which $8,472 were expensed in 2016, and the remainder have been expensed during the first six months of 2017. These are included in selling and administrative expenses in comprehensive income.

3. CANEXUS ACQUISITION (continued):

As part of the integration of the newly acquired businesses, Chemtrade reconfigured its business segments and introduced a new segment called Electrochemicals ("EC"), which includes Chemtrade's sodium chlorate business and the newly acquired businesses. Segmented comparatives in note 14 have been re-stated to conform with the current period presentation.

The amount of revenue and earnings attributable to CEI since Acquisition have been included in the consolidated statement of comprehensive income. For the three and six months ended June 30, 2017, revenue has increased by $153,784 and $189,341, respectively, and net earnings have increased by $6,754 and $6,753, respectively as a result of the Acquisition. The net earnings generated by the newly acquired businesses were partially offset by the higher depreciation and amortization incurred as a result of the fair market value adjustments from the preliminary purchase price allocation.

(a) Pro forma information:

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

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

3. CANEXUS ACQUISITION (continued):

- To eliminate intercompany sales and purchases between Chemtrade and Canexus

- To consider the effect of taxes on all the above-listed adjustments

	Six months ended June 30, 2017		
	Actual	Adjustment	Pro Forma
Revenue	$ 681,965	$ 114,608	$ 796,573
Net earnings	$ 78,507	$ 7,726	$ 86,233

4. DISCONTINUED OPERATIONS:

On February 24, 2017, Chemtrade entered into a definitive agreement to sell its International business segment to Mitsui & CO., Ltd. for $55,543 (€36,822) which is subject to a working capital adjustment. The transaction, which was subject to relevant regulatory approvals, closed on May 31, 2017. The business provided removal and marketing services for elemental sulphur and sulphuric acid to customers globally. Chemtrade realized a gain of $15,312, after taxes upon the sale of the business. The cumulative amount of foreign exchange differences related to the International business of $48,950 previously recognized in other comprehensive income was reclassified from equity to comprehensive net income upon the sale.

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

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

4. DISCONTINUED OPERATIONS (continued):

(a) Results of discontinued operations:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	**2017**	2016
Revenue	**$ 15,838**	$ 42,037	**$ 41,942**	$ 97,799
Cost of sales and services	**(14,146)**	(36,439)	**(36,720)**	(86,328)
Gross profit	**1,692**	5,598	**5,222**	11,471
Selling and administrative expenses	**(66)**	(3,162)	**(2,666)**	(6,659)
Operating income	**1,626**	2,436	**2,556**	4,812
Finance income	**9**	8	**22**	22
Finance costs	**(17)**	(43)	**(43)**	(89)
Income before tax	**1,618**	2,401	**2,535**	4,745
Income tax (expense) recovery				
Current	**(9,528)**	(605)	**(9,861)**	(1,209)
Deferred	**10,625**	449	**10,619**	(12)
Results from operating activities, net of tax	**2,715**	2,245	**3,293**	3,524
Cumulative foreign exchange differences	**48,950**	—	**48,950**	—
Gain on sale of discontinued operation	**17,138**	—	**17,138**	—
Deferred income tax on gain on sale of discontinued operations	**(1,826)**	—	**(1,826)**	—
Net earnings from discontinued operations	**$ 66,977**	$ 2,245	**$ 67,555**	$ 3,524
Net earnings per unit from discontinued operations				
Basic earnings per unit	**$0.72**	$0.03	**$0.81**	$0.05
Diluted earnings per unit	**$0.61**	$0.03	**$0.67**	$0.04

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

4. DISCONTINUED OPERATIONS (continued):

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

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	**2017**	2016
Net cash flows (used in) from operating activities	**$ (1,218)**	$ 529	**$ (3,809)**	$ (3,820)
Net cash flows used in investing activities	**(65)**	(12)	**(169)**	(22)
Net cash (outflows) inflows for the year	**$ (1,283)**	$ 517	**$ (3,978)**	$ (3,842)

(c) Effect of disposal on financial position:

		At May 31, 2017
Inventories	$	1,412
Trade and other receivables		11,469
Prepaid expenses and other assets		1,040
Property, plant and equipment		5,747
Intangible assets		28,907
Deferred income tax asset		819
Trade and other payables		(9,793)
Employee benefits		(8,589)
Net assets	**$**	**31,012**
Consideration received, in cash	$	55,543
Cash and cash equivalents disposed of		(6,465)
Disposal costs		(928)
Net cash inflow	**$**	**48,150**

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 June 30, 2017, a liability of $10,960 (December 31, 2016 - $12,844) has been recorded, of which $5,041 (December 31, 2016 - $5,671) is included in trade and other payables and $5,919 (December 31, 2016 - $7,173) is included in other long-term liabilities. For the three and six months ended June 30, 2017, Chemtrade recorded an expense of $2,058 and $3,825, respectively (2016 - expense of $1,807 and $1,969, 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.

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

5. SHARE-BASED PAYMENTS (continued):

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

	June 30, 2017	December 31, 2016
Chemtrade units:		
Average base price	$18.19	$18.92
Period-end unit price	$18.19	$18.94
Average expected volatility	18.59%	20.55%
Index units:		
Average base price	$168.70	$186.92
Period-end unit price	$199.70	$229.29
Average expected volatility	11.40%	12.76%
Average risk free interest rate	1.00%	0.60%
Average expected remaining term	1.50 years	1.50 years

6. LONG-TERM DEBT:

	June 30, 2017	December 31, 2016
Term bank debt		
US$325,000 (December 31, 2016 - US$325,000)	**$ 421,753**	$ 436,378
Revolving credit facility		
US$111,500 (December 31, 2016 - US$9,140)	**144,691**	12,271
Canadian dollar-denominated	**53,500**	—
Less: Transaction costs	**(6,100)**	(4,984)
Long-term debt (note (a))	**$ 613,844**	$ 443,665
Senior unsecured notes (note (b))	**71,500**	—
Long-term loan - Fort McMurray facility (note (c))	**9,759**	11,515
	$ 695,103	$ 455,180
Less: Current portion	**(3,789)**	(3,654)
Long-term debt	**$ 691,314**	$ 451,526

6. LONG-TERM DEBT (continued):

(a) Long-term debt:

At June 30, 2017 Chemtrade had senior Credit Facilities of approximately $1,362,586 (US$1,050,000), consisting of a term loan of $421,753 (US$325,000), and a revolving credit facility of $940,833 (US$725,000). At June 30, 2017, Chemtrade had drawn $198,191 (December 31, 2016 - $12,271) on the revolving credit facility and had committed a total of $31,444 (December 31, 2016 - $21,912) of this facility towards standby letters of credit. The Credit Facilities are secured by all the property, plant and equipment of Chemtrade, excluding the Fort McMurray facility, and the property, plant and equipment of CEI (formerly, Canexus) and its material subsidiaries until such time as the senior notes (see below under (b)) are repaid permanently. At June 30, 2017, the weighted average effective interest rate of the facilities is 4.0% (December 31, 2016 - 3.3%).

In connection with the Acquisition, a portion of Chemtrade's new Credit Facilities were used to repay its existing credit facilities and CEI's (formerly, Canexus') extendible revolving credit facilities. The amount drawn on the Credit Facilities to finance the Acquisition and to repay both Chemtrade's and CEI's (formerly, Canexus') existing credit facilities was $687,070. As a result of the repayment, Chemtrade expensed $5,508 of previously deferred financing costs. Costs related to the new Credit Facilities of $6,320 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, Adjusted Net Debt to Adjusted EBITDA ratio, and an Interest Coverage ratio (as all terms are defined in the credit agreement). Chemtrade monitors these ratios and reports them to its lenders on a quarterly basis. As at June 30, 2017, Chemtrade was in compliance with all covenants.

(b) Senior unsecured notes:

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

6. LONG-TERM DEBT (continued):

On June 26, 2017, CEI redeemed $38,500 aggregate principal amount of its CEI Senior Notes, representing 35% of the $110,000 aggregate principal amount outstanding. The notes were redeemed at a total redemption price of $1,079 plus accrued interest for each $1,000 principal amount of notes, for a total aggregate redemption price of $42,346, being equal to 107.875% of the principal amount, plus all accrued and unpaid interest.

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

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

7. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES:

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

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

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

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

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

7. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES (continued):

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

At June 30, 2017, the Fund also had $126,500 principal amount of 5.25% of convertible unsecured subordinated debentures outstanding (the "Fund 2014 5.25% Debentures") and $143,750 principal amount of 5.00% convertible unsecured subordinated debentures outstanding (the "Fund 2016 5.00% Debentures"). The Fund 2017 4.75% Debentures, the Fund 2014 5.25% Debentures and the Fund 2016 5.00% Debentures collectively, the "Fund Debentures". The Fund Debentures and the CEI Debentures are collectively, the "Debentures".

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

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

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

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

On May 11, 2017, the Fund completed the redemption of $79,590 aggregate principal amount of the Fund 2011 5.75% Debentures representing a redemption in full of all of the outstanding Fund 2011 5.75% Debentures. The Fund 2011 5.75% Debentures were redeemed at a total redemption price of $1,000 plus accrued and unpaid interest of $20.64, both per $1,000 principal amount, for a total aggregate redemption price of $81,233.

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

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

7. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES (continued):

Chemtrade has designated its Debentures as financial liabilities at fair value through profit or loss. At June 30, 2017, the fair value of the Debentures was $639,545 (December 31, 2016 - $392,389).

For the three and six months ended June 30, 2017, there were net finance costs of $13,652 and $20,286, respectively, (2016 - $6,522 and $7,417, respectively) related to the Debentures, which included a gain of $4,096 and $3,297, respectively (2016 - loss of $3,299 and $971, respectively) due to the change in fair value of the Debentures, interest expense of $9,087 and $14,922, respectively (2016 - $3,223 and $6,446, respectively) and transaction costs on the issuance of the Fund 2017 4.75% Debentures of $8,661 (2016 - nil).

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)	**—**	**(12,598)**	—	—
Conversion of unsecured subordinated convertible debentures	**1,623,221**	**30,024**	4,749	86
Balance – June 30	**92,596,006**	**$ 1,461,995**	69,073,975	$ 1,047,008

(b) Distributions:

Distributions paid for the three and six months ended June 30, 2017 were $27,779 and $48,534, respectively, (2016 - $20,721 and $41,442) or $0.30 and $0.60 per unit (2016 - $0.30 and $0.60 per unit). All of Chemtrade's distributions are discretionary and subject to approval by the Board of Trustees.

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

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:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	**2017**	2016
Numerator				
Net earnings (loss)	**$ 77,257**	$ (17,567)	**$ 78,507**	$ 11,219
Net finance costs on convertible unsecured subordinated debentures [(1)]	**2,574**	—	**7,657**	—
Diluted net earnings (loss)	**$ 79,831**	$ (17,567)	**$ 86,164**	$ 11,219

[(1)] For the three and six months ended June 30, 2016, the potential conversion of the convertible unsecured subordinated debentures has not been included as the effect on net (loss) earnings per unit would be anti-dilutive.

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	**2017**	2016
Denominator				
Weighted average number of units	**92,594,999**	69,071,369	**83,643,802**	69,070,298
Weighted average convertible unsecured subordinated debenture dilutive units [(1)]	**17,022,553**	—	**16,465,255**	—
Weighted average number of diluted units	**109,617,552**	69,071,369	**100,109,057**	69,070,298

[(1)] For the three and six months ended June 30, 2016, the potential conversion of the convertible unsecured subordinated debentures has not been included as the effect on net (loss) earnings per unit would be anti-dilutive.

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

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

(ii) Earnings per unit from continuing operations:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	**2017**	2016
Numerator				
Net earnings (loss) from continuing operations	**$ 10,280**	$ (19,812)	**$ 10,952**	$ 7,695
Net interest and fair value adjustment on convertible unsecured subordinated debentures [1]	**—**	—	**—**	—
Diluted net earnings (loss) from continuing operations	**$ 10,280**	$ (19,812)	**$ 10,952**	$ 7,695

[1] For the three and six months ended June 30, 2017, and three and six months ended June 30, 2016, the potential conversion of the convertible unsecured subordinated debentures has not been included as the effect on net earnings (loss) per unit would be anti-dilutive.

	Three months ended June 30,		Three months ended June 30,	
	2017	2016	**2017**	2016
Denominator				
Weighted average number of units	**92,594,999**	69,071,369	**83,643,802**	69,070,298
Weighted average convertible unsecured subordinated debenture dilutive units [1]	**—**	—	**—**	—
Weighted average number of diluted units	**92,594,999**	69,071,369	**83,643,802**	69,070,298

[1] For the three and six months ended June 30, 2017, and three and six months ended June 30, 2016, the potential conversion of the convertible unsecured subordinated debentures has not been included as the effect on net earnings (loss) per unit would be anti-dilutive.

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

9. SELLING AND ADMINISTRATIVE EXPENSES:

The components of selling and administrative expenses are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	**2017**	2016
Wages, salaries and benefits, including bonuses and other	**$ 20,079**	$ 19,022	**$ 45,017**	$ 39,455
Share-based payments (note 5)	**2,058**	1,807	**3,825**	1,969
Realized foreign exchange loss (gain)	**3,029**	(37)	**2,951**	707
Unrealized foreign exchange loss (gain)	**1,795**	(1,663)	**(37)**	(15,062)
Depreciation	**420**	240	**711**	419
Selling and administrative expenses	**$ 27,381**	**$ 19,369**	**$ 52,467**	**$ 27,488**

10. FINANCE INCOME AND COSTS:

The components of finance income and costs are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	**2017**	2016
Interest income	**$ 238**	—	**$ 286**	—
Finance income	**$ 238**	—	**$ 286**	—
Interest expense	**$ 21,784**	$ 10,058	**$ 34,641**	$ 20,349
Accretion expense	**1,062**	868	**1,971**	1,706
Debt extinguishment costs (note 6)	**—**	—	**5,508**	—
Transaction costs on issuance of convertible debentures (note 7)	**8,661**	—	**8,661**	—
Change in the fair value of convertible debentures (note 7)	**(4,096)**	3,299	**(3,297)**	971
Finance costs	**$ 27,411**	$ 14,225	**$ 47,484**	$ 23,026

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

11. DEPRECIATION AND AMORTIZATION:

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

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	**2017**	2016
Cost of sales and services:				
Depreciation expense	**$ 38,253**	$ 24,717	**$ 63,766**	$ 50,590
Amortization expense	**18,524**	12,123	**32,064**	24,887
Selling and administrative expenses:				
Depreciation expense	**432**	259	**742**	458
Total depreciation and amortization expense	**$ 57,209**	$ 37,099	**$ 96,572**	$ 75,935

For the three and six months ended June 30, 2017, Chemtrade recorded total depreciation and amortization expenses of $168 and $416, respectively, (June 30, 2016 - $239 and $498, respectively) 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 and six months ended June 30, 2017 were negative 107.4% and 245.6%, respectively, (2016 - 61.5% and 122.5%, respectively), compared to a statutory rate of 26.6% (2016 - 26.4%).

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

12. INCOME TAXES (continued):

The effective tax rate for the second quarter and first six months 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.

13. FINANCIAL INSTRUMENTS:

(a) Derivatives and hedging:

	June 30, 2017			December 31, 2016		
	Notional Amount	Fair Value Asset	Fair Value Liability	Notional Amount	Fair Value Asset	Fair Value Liability
Derivatives designated in a formal hedging relationship						
Interest rate swaps	**US$ 325,000**	**$ —**	**$ 971**	US$ 325,000	$ —	$ 2,963
Derivatives not designated in a formal hedging relationship						
Foreign exchange contracts [1]	**—**	**857**	**—**	—	$ 28	$ —
Total		**$ 857**	**$ 971**		$ 28	$ 2,963

[1] See below for notional amounts.

On June 30 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 and six months ended June 30, 2017, a foreign exchange gain of $3,148 and $5,391, respectively (2016 - gain of $1,074 and $14,969, respectively) on the revaluation of the U.S. dollar-denominated debt related to this hedging strategy was recognized in other comprehensive income.

13. FINANCIAL INSTRUMENTS (continued):

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

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 June 30, 2017 include future contracts to sell the following amounts for periods through to March 31, 2018:

Amount	Weighted average exchange rate
US$45,000	$1.31

(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.

13. FINANCIAL INSTRUMENTS (continued):

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

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

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

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

14. BUSINESS SEGMENTS:

Chemtrade operates in four reportable segments: SPPC, WSSC, EC, and Corp. On May 31, 2017, the sale of the International segment was completed and it was classified as a discontinued operation, see note 4. The reportable segments of Chemtrade are strategic business groups that offer products and services to target markets, as described below. The accounting policies applied by the segments are the same as those applied by Chemtrade.

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

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

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

The International business provided removal and marketing services for elemental sulphur and sulphuric acid. These products were marketed to customers globally. As the sale of the International Segment was completed on May 31, 2017 (note 4), this segment was classified as a discontinued operation.

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

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

14. BUSINESS SEGMENTS (continued):

Three months ended June 30, 2017

	SPPC	WSSC	EC	Intl	Corp	Total
Revenue	$ 127,018	$ 115,722	$ 164,671	—	$ —	**$ 407,411**
Inter-segment revenues	5,035	—	—	—	—	**5,035**
Operating income (loss)	13,767	18,549	13,422	—	(13,608)	**32,130**
Net finance costs	(5,178)	(3,208)	(7,452)	—	(11,335)	**(27,173)**
Income tax recovery (expense)	4,079	6,578	(4,376)	—	(958)	**5,323**
Earnings from discontinued operations	—	—	—	66,977	—	**66,977**
Net earnings (loss)	12,668	21,919	1,594	66,977	(25,901)	**77,257**
Capital expenditures	3,786	5,476	5,645	65	740	**15,712**
Depreciation and amortization	18,908	13,781	24,352	168	—	**57,209**
Loss (gain) on disposal and write-down of asset	138	23	3,903	(17,138)	—	**(13,074)**

Three months ended June 30, 2016

	SPPC	WSSC	EC	Intl	Corp	Total
Revenue	$ 144,618	$ 107,278	$ 10,237	$ —	$ —	**$ 262,133**
Inter-segment revenues	7,123	—	—	—	—	**7,123**
Operating (loss) income	(39,170)	14,042	(173)	—	(12,002)	**(37,303)**
Net finance costs	(4,901)	(2,787)	(15)	—	(6,522)	**(14,225)**
Income tax recovery (expense)	27,113	4,341	37	—	225	**31,716**
Earnings from discontinued operations	—	—	—	2,245	—	**2,245**
Net (loss) earnings	(16,958)	15,596	(151)	2,245	(18,299)	**(17,567)**
Capital expenditures	4,799	5,001	731	12	106	**10,649**
Depreciation and amortization	19,279	15,422	2,159	239	—	**37,099**
Loss on disposal and write-down of asset	55,695	35	—	—	—	**55,730**
Impairment of Intangible Assets	3,143	—	—	—	—	**3,143**

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

14. BUSINESS SEGMENTS (continued):

Six months ended June 30, 2017

	SPPC	WSSC	EC	Intl	Corp	Total
Revenue	$ 250,623	$ 217,805	$ 213,537	$ —	$ —	**$ 681,965**
Inter-segment revenues	10,402	—	—	—	—	**10,402**
Operating income (loss)	23,877	27,122	19,439	—	(30,762)	**39,676**
Net finance costs	(11,237)	(9,972)	(10,262)	—	(15,727)	**(47,198)**
Income tax recovery (expense)	9,725	14,447	(4,719)	—	(979)	**18,474**
Earnings from discontinued operations	—	—	—	67,555	—	**67,555**
Net earnings (loss)	22,365	31,597	4,458	67,555	(47,468)	**78,507**
Capital expenditures	5,671	8,237	6,937	169	938	**21,952**
Depreciation and amortization	37,707	27,264	31,185	416	—	**96,572**
Loss (gain) on disposal and write-down of assets	136	25	3,903	(17,138)	—	**(13,074)**

Six months ended June 30, 2016

	SPPC	WSSC	EC	Intl	Corp	Total
Revenue	$ 304,164	$ 215,727	$ 22,594	$ —	$ —	**$ 542,485**
Inter-segment revenues	14,862	—	—	—	—	**14,862**
Operating (loss) in come	(23,500)	24,873	1,100	—	(13,684)	**(11,211)**
Net finance costs	(9,721)	(5,864)	(29)	—	(7,412)	**(23,026)**
Income tax recovery (expense)	33,357	8,211	139	—	225	**41,932**
Earnings from discontinued operations	—	—	—	3,524	—	**3,524**
Net earnings (loss)	136	27,220	1,210	3,524	(20,871)	**11,219**
Capital expenditures	8,045	8,412	915	22	587	**17,981**
Depreciation and amortization	39,231	31,651	4,555	498	—	**75,935**
Loss on disposal and write-down of assets	55,781	35	—	—	—	**55,816**
Impairment of intangible assets	3,143	—	—	—	—	**3,143**

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

14. BUSINESS SEGMENTS (continued):

June 30, 2017

	SPPC	WSSC	EC	Intl	Corp	Total
Total assets	$ 1,028,132	$ 953,439	$ 1,065,413	$ —	$ 8,281	**$ 3,055,265**
Total liabilities	392,514	655,712	368,632	—	495,151	**1,912,009**
Intangible assets	443,660	568,780	361,265	—	—	**1,373,705**

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 June 30,		Six months ended June 30	
	2017	2016	**2017**	2016
Canada	**$ 121,918**	$ 61,053	**$ 190,735**	$ 122,837
United States	**258,831**	201,080	**458,628**	419,648
South America	**26,662**	—	**32,602**	—
	$ 407,411	$ 262,133	**$ 681,965**	$ 542,485

Property, plant and equipment, and intangible assets

	June 30, 2017	December 31, 2016
Canada	**$ 1,143,599**	$ 390,238
United States	**1,429,046**	1,470,198
South America	**76,196**	—
	$ 2,648,841	$ 1,860,436

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

Under the terms of the offer to purchase the CEI Series V Debentures, the Fund offered to purchase all of the Series V Convertible Debentures in exchange for an equal principal amount of newly issued 5.50% convertible unsecured subordinated debentures due December 31, 2020 of the Fund (the "Fund 2017 5.50% Debentures") plus accrued and unpaid interest in cash. Under the terms of the offer to purchase the CEI Series VI Debentures, the Fund offered to purchase all of the Series VI Convertible Debentures in exchange for an equal principal amount of newly issued 5.75% convertible unsecured subordinated debentures due December 31, 2021 of the Fund (the "Fund 2017 5.75% Debentures") plus accrued and unpaid interest in cash.

The Offers form part of Chemtrade's strategy to have a simplified capital structure and to reduce administrative inefficiencies, including, among other things, by implementing simplified accounting and financial reporting procedures, and concentrating the public debt securities of Chemtrade and its subsidiary into a single issuer.

CHEMTRADE LOGISTICS INCOME FUND

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