CHEMTRADE LOGISTICS INCOME FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021

The information in this Management's Discussion and Analysis, or MD&A, is intended to assist the reader in the understanding and assessment of the trends and significant changes in the results of operations and financial condition of Chemtrade Logistics Income Fund (the “Fund”). Throughout this MD&A, the term “Chemtrade” refers to the Fund and its consolidated subsidiaries. The terms “we”, “us” or “our” similarly refers to Chemtrade. This MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements of Chemtrade for the three and six months ended June 30, 2021, the audited consolidated financial statements of Chemtrade for the year ended December 31, 2020 and the annual MD&A for the year ended December 31, 2020.

Chemtrade's financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”). Chemtrade's reporting currency is the Canadian dollar. In this MD&A, per unit amounts are calculated using the weighted average number of units outstanding for the applicable period unless otherwise indicated. This MD&A is current as at August 11, 2021 and was approved by the Board of Trustees (the "Board") on that date.

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: statements relating to the impact of the COVID-19 pandemic and its variants on Chemtrade including the timing and extent of economic recovery and its effects on Chemtrade (employees, product demand, operations, ability to raise capital); the impact on third quarter results of the Vale work stoppage; the amount of any long-term incentive compensation; the ability to finalize the terms of settlement and obtain the approval of the relevant governmental entities and courts of the derivative actions settlement; the effect of changes in the interest rate, the exchange rate and the Fund’s ability to offset US dollar denominated debt; the ability of Chemtrade to access tax losses and tax attributes; the tax characterization of planned distributions; capital expenditures; sources, use, sufficiency and availability of cash flows; the adoption and timing of certain accounting rules and their anticipated effect; the intention to adopt IBOR reform, its timing and its impacts; the Fund’s expected Adjusted EBITDA range for 2021; and the expected 2021 range of capital expenditures, cash interest, cash taxes and lease payments. 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: certain key elements as set out in the Financial Outlook section, including there being no North American COVID-related lockdowns or stay-at-home orders issued for the remainder of 2021; no significant downtime at any of the principal manufacturing facilities; the timing of the resumption of the Vale smelting operation; the assumed 2021 North American MECU production volume and sodium chlorate volume; the assumed 2021 average North East Asia spot price for caustic soda and the assumed foreign exchange rate for the U.S. dollar; 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

Amendment of Credit Facilities terms

In May 2021, Chemtrade modified certain terms of its Credit Facilities including negotiating an amended covenant package on its Credit Facilities to provide Chemtrade with additional covenant room until 2023. Chemtrade incurred $0.6 million of transaction costs related to the modification. These costs have been deferred and are being amortized to finance costs in comprehensive income using the effective interest method.

COVID-19 Pandemic

Soon after the onset of the COVID-19 pandemic, Chemtrade established a Pandemic Steering Team (the "Team") to assess, monitor and manage the impact of the COVID-19 virus on its business and share information across the organization. Operations were adjusted and actions taken as needed to protect the health of employees, suppliers and visitors.

The Team developed policies, procedures, protocols, assessment tools and guidance to assist all manufacturing facilities and offices, as well as employees working from home. The Team has disseminated health screening tools and isolation guides for employees and instituted contact tracing of our employees for any known cases of the virus within Chemtrade's employee population. The Team also instituted decontamination procedures when required, acquired and installed or disseminated personal protective equipment for employees, and implemented a business travel policy. Chemtrade's health and safety personnel have worked in cooperation with public health authorities and Chemtrade's suppliers and customers to share information and best practices, and promote employee safety and confidence to work. Working protocols and communication tools are now well established. These address office opening protocols, social distancing and personal protective equipment requirements, facility assessments, cleaning and disinfection protocols, and employee training and communications.

From the onset of the COVID-19 pandemic and related restrictions, Chemtrade's business was deemed an essential service pursuant to the various provincial and state orders and its facilities have continued to operate. For the most part, Chemtrade's customers, suppliers and service providers, including transportation, have also continued to operate.

Demand for certain of Chemtrade's products such as water treatment chemicals has not been affected by the pandemic, whereas demand for most other products has been modestly lower. During 2020 and into the first quarter of 2021, the biggest impact of the pandemic on Chemtrade's business was caused by government orders restricting non-essential travel and by people working from home. Both of these drastically reduced demand for gasoline which has resulted in lower demand for Chemtrade's regenerated ("Regen") acid services, as oil refineries are operating at significantly reduced rates. Also, with large numbers of people working from home and not attending school, demand for printing paper has declined. Printing paper is a significant end-market for pulp in North America. Chemtrade's sodium chlorate is used to bleach pulp and the reduced demand for pulp has resulted in reduced demand for sodium chlorate. Finally, the generally lower levels of economic activity have resulted in reduced demand for merchant sulphuric acid, which is one of the most widely used chemicals in the world.

Given the high degree of economic uncertainty caused by the COVID-19 pandemic, in April 2020, Chemtrade suspended its earnings guidance, however has re-introduced it this quarter (see **Financial Outlook**). Chemtrade also reduced its monthly distribution rate by fifty percent effective with the March 2020 distribution which was paid at the end of April 2020. Chemtrade negotiated two amendments to its credit agreement; the first in May 2020 and the second in May 2021, which provide additional covenant room. Chemtrade continues to closely monitor its accounts receivable and they are consistent with historic levels.

During the first quarter of 2021, refinery operating rates were negatively affected by the California stay-at-home orders. These were subsequently lifted, however, it remains difficult to predict whether similar restrictions will be imposed as new variants of COVID-19 are discovered.

As increasing amounts of vaccines are administered, particularly in the U.S., demand for gasoline is improving. As the U.S. economy starts to recover, demand for paper is also improving.

Financial Highlights

These financial highlights have been presented in accordance with IFRS, except where noted.

($'000 except per unit amounts)	**Three months ended** **June 30, 2021**	Three months ended June 30, 2020	**Six months ended** **June 30, 2021**	Six months ended June 30, 2020
Revenue	$ 337,270	$ 347,534	$ 649,710	$ 714,435
Net (loss) earnings [1]	$ (14,078)	$ 4,499	$ (34,526)	$ (93,376)
Net (loss) earnings per unit [1][3]	$ (0.14)	$ 0.05	$ (0.35)	$ (1.01)
Diluted net loss per unit [1][3]	$ (0.14)	$ (0.02)	$ (0.35)	$ (1.01)
Total assets	$ 2,430,211	$ 2,707,046	$ 2,430,211	$ 2,707,046
Long-term debt	$ 725,848	$ 850,953	$ 725,848	$ 850,953
Convertible unsecured subordinated debentures	$ 531,516	$ 450,011	$ 531,516	$ 450,011
Adjusted EBITDA [4]	$ 65,164	$ 75,528	$ 120,592	$ 156,408
Adjusted EBITDA per unit [3][4]	$ 0.63	$ 0.82	$ 1.21	$ 1.69
Cash flows from operating activities [2]	$ 50,846	$ 66,913	$ 44,450	$ 97,234
Cash flows from operating activities per unit [2][3][4]	$ 0.49	$ 0.72	$ 0.45	$ 1.05
Adjusted cash flows from operating activities [4]	$ 36,814	$ 43,719	$ 62,885	$ 92,993
Adjusted cash flows from operating activities per unit [3][4]	$ 0.36	$ 0.47	$ 0.63	$ 1.00
Distributable cash after maintenance capital expenditures [4]	$ 21,231	$ 31,664	$ 39,115	$ 69,895
Distributable cash after maintenance capital expenditures per unit [3][4]	$ 0.21	$ 0.34	$ 0.39	$ 0.75
Distributions declared	$ 15,591	$ 13,890	$ 30,145	$ 37,040
Distributions declared per unit [5]	$ 0.15	$ 0.15	$ 0.30	$ 0.40
Distributions paid, net of distributions reinvested	$ 13,086	$ 13,890	$ 25,243	$ 41,670
Distributions paid, net of distributions reinvested per unit [6]	$ 0.15	$ 0.15	$ 0.30	$ 0.45

[1] Results for the six months ended June 30, 2020 include a goodwill impairment charge of $56,000, or $0.60 per unit. See **Goodwill Impairment.**

[2] In 2021, Chemtrade reclassified certain items into net cash flows from operating activities. Comparatives have been restated to conform to current period presentation.

[3] Based on weighted average number of units outstanding for the period of:	103,374,452	92,601,062	99,545,069	92,601,062

[4] See **Non-IFRS Measures**.

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

[6] Based on actual number of units eligible for cash distributions on record date.

Non-IFRS Measures

EBITDA and Adjusted EBITDA -

Management defines EBITDA as net earnings before any deduction for net finance costs, income taxes, depreciation and amortization. Adjusted EBITDA also excludes other non-cash charges such as impairment, change in environmental liability, net gains and losses on the disposal and write-down of property, plant and equipment ("PPE"), 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 loss follows:

	Three months ended		Six months ended	
($'000)	**June 30, 2021**	**June 30, 2020**	**June 30, 2021**	**June 30, 2020**
Net (loss) earnings	**$ (14,078)**	$ 4,499	**$ (34,526)**	$ (93,376)
Add:				
Depreciation and amortization	**60,571**	69,009	**122,964**	132,926
Net finance costs	**19,122**	2,706	**40,620**	70,158
Income tax (recovery) expense	**(6,615)**	6,122	**(15,211)**	(14,999)
EBITDA	**59,000**	82,336	**113,847**	94,709
Add:				
Impairment of goodwill	**—**	—	**—**	56,000
Change in environmental liability	**—**	362	**—**	3,743
Net loss (gain) on disposal and write-down of PPE	**404**	13	**555**	(469)
Unrealized foreign exchange loss (gain)	**5,760**	(7,183)	**6,190**	2,425
Adjusted EBITDA	**$ 65,164**	$ 75,528	**$ 120,592**	$ 156,408

Cash Flow -

The following table is derived from, and should be read in conjunction with the condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim statements of cash flows. Further, Chemtrade's method of calculating each measure may not be comparable to calculations used by other income trusts or companies bearing the same description.

($'000)	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Cash flows from operating activities [(1)]	50,846	66,913	44,450	97,234
(Less) Add:				
Lease payments net of sub-lease receipts	(12,671)	(14,367)	(25,699)	(28,162)
Changes in non-cash working capital and other items [(1)]	(1,361)	(8,827)	44,134	23,921
Adjusted cash flows from operating activities	**36,814**	**43,719**	**62,885**	**92,993**
Less:				
Maintenance capital expenditures	15,583	12,055	23,770	23,098
Distributable cash after maintenance capital expenditures	**21,231**	**31,664**	**39,115**	**69,895**
Less:				
Non-maintenance capital expenditures[(2)]	974	794	1,556	1,540
Distributable cash after all capital expenditures	**$ 20,257**	**$ 30,870**	**37,559**	**68,355**

(1) In 2021, Chemtrade reclassified certain items into net cash flows from operating activities. Comparatives have been restated to conform to current period presentation.

(2) Non-maintenance capital expenditures are: (a) pre-identified or 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

The Canadian dollar relative to the U.S. dollar was significantly stronger during the three and six months ended June 30, 2021 (US$1.00 = $1.23 and $1.25, respectively) compared with the same periods of 2020 (US$1.00 = $1.39 and $1.36, respectively). This had a negative impact on the financial results of the second quarter and first six months of 2021.

Revenue for the second quarter of 2021 was $337.3 million, which was $10.3 million lower than revenue for the second quarter of 2020. The decrease in revenue for the second quarter is primarily due to the stronger Canadian dollar ($29.4 million) and lower selling prices for sodium chlorate and caustic soda in the Electrochemicals ("EC") segment, partially offset by higher sales volume of all chlor-alkali products in the EC segment and higher sales volume and higher selling prices of Regen acid in the Sulphur Products and Performance Products ("SPPC") segment and higher sales volume of water solutions products in the Water Solutions and Specialty Chemicals ("WSSC") segment.

Revenue on a year-to-date basis was $649.7 million, which was $64.7 million lower than the revenue for the same period of 2020. The decrease in revenue for the six months ended June 30, 2021 is primarily due to the stronger Canadian dollar ($42.0 million), lower sales volume of sodium chlorate, lower selling prices of chlor-alkali and sodium chlorate in the EC segment, lower sales volume of acid products in the SPPC segment and lower sales volume of water solutions products and of phosphorus pentasulphide in the WSSC segment.

Chemtrade's Adjusted EBITDA for the three and six months ended June 30, 2021 of $65.2 million and $120.6 million, respectively, was $10.4 million and $35.8 million lower, respectively, than Adjusted EBITDA for the same periods of 2020. The decrease in Adjusted EBITDA for the three months ended June 30, 2021 is primarily due to the stronger Canadian dollar ($7.5 million). In addition to the negative impact of the stronger Canadian dollar of $10.3 million, Adjusted EBITDA for the first six months of 2021 was lower than 2020 due to lower Adjusted EBITDA for all operating segments and higher corporate costs.

Net loss for the three and six months ended June 30, 2021 was $18.6 million higher and $58.9 million lower than the same periods of 2020.

The increase in the net loss for the three months ended June 30, 2021 is primarily due to higher net finance costs in 2021 as 2020 includes a gain from the change in the fair value of convertible unsecured subordinated debentures ("Debentures") (see **Net Finance Costs**) and higher selling and administration expenses due to net foreign exchange losses in 2021 compared to net foreign exchange gains during the same period of 2020. This was partially offset by an income tax recovery in 2021 compared with income tax expense during the same period of 2020. (see **Income Taxes**). The decrease in the net loss for the six months ended June 30, 2021 is primarily due to goodwill impairment of $56.0 million recorded during the first quarter of 2020 (see **Goodwill Impairment**), lower net finance costs in 2021 as 2020 includes a significant loss from the change in the fair value of Debentures (see **Net Finance Costs**) and government grants recognized in relation to the Canada Emergency Wage Subsidy ("CEWS") and the Canada Emergency Rent Subsidy ("CERS") programs during the first six months of 2021. This was partially offset by higher Long Term Incentive Plan ("LTIP") costs.

Results of Operations by Reportable Segment

SPPC -

	Three months ended		Six months ended	
($'000)	**June 30, 2021**	**June 30, 2020**	**June 30, 2021**	**June 30, 2020**
Revenue	$ 105,193	$ 103,960	$ 197,160	$ 216,982
Gross profit	11,355	9,494	18,578	23,955
Adjusted EBITDA [(1)]	30,492	31,614	58,463	66,246
Net (loss) gain on disposal and write down of PPE	(232)	(32)	(244)	17
EBITDA [(1)]	30,260	31,582	58,219	66,263

[(1)] 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. See **Non-IFRS Measures** for further details and a reconciliation of EBITDA and Adjusted EBITDA.

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

Revenue for the three and six months ended June 30, 2021 was $1.2 million higher and $19.8 million lower than the same periods of 2020. The increase in the second quarter of 2021 is primarily due to higher sales volume of Regen acid due to refineries operating at higher rates and higher selling prices of Regen and merchant acid, partially offset by lower sales volume of ultra pure and merchant acid and the impact of the stronger Canadian dollar ($10.2 million). Revenue for the first six months of 2021 was lower due to the impact of the stronger Canadian dollar ($14.4 million) and due to lower sales volume of acid products. The stay-at-home orders and various other measures announced to curb travel, resulted in fewer miles being driven in North America and this led to reduced demand for gasoline which in turn reduced demand for Regen acid as that is used in gasoline production. The COVID-19 pandemic resulted in lower levels of economic activity, which resulted in reduced demand for merchant sulphuric acid, which is one of the most widely used chemicals in the world and used in a variety of applications. Although during the first six months of 2021, demand for these products has improved from the beginning of the pandemic, demand remained below pre-pandemic levels.

Chemtrade's largest by-product sulphuric acid supplier, Vale experienced a work stoppage from June 1, 2021 until the first week of August 2021. This did not have a significant impact on results for the second quarter, but will have a more significant impact on third quarter results (see **Financial Outlook**).

Gross profit during the three and six months ended June 30, 2021 was $1.9 million higher and $5.4 million lower than the same periods of 2020. The higher gross profit during the second quarter of 2021 was due to higher sales volume of Regen acid and higher selling prices of Regen and merchant acid, partially offset by lower sales volume of ultra pure sulphuric acid and the impact of the stronger Canadian dollar ($1.7 million). The lower gross profit for the first six months of 2021 relative to the same period of 2020 was primarily due to the impact of the stronger Canadian dollar ($2.2 million) and due to reduced demand and lower sales volume for Regen acid during the first quarter of 2021 and merchant acid resulting from the COVID-19 pandemic and lower sales volume for ultra pure sulphuric acid. As previously disclosed, one of our large end-use customers of ultra pure sulphuric acid decided to obtain acid from an alternate source, resulting in lower sales volume during the first six months of 2021 relative to 2020.

Adjusted EBITDA for the three and six months ended June 30, 2021 was $1.1 million and $7.8 million lower, respectively, than the Adjusted EBITDA for the same periods of 2020. The stronger Canadian dollar negatively affected Adjusted EBITDA for the three and six months ended June 30, 2021 by $3.3 million and $4.6 million, respectively. In addition to the stronger Canadian dollar, Adjusted EBITDA for the first six months was also negatively affected by the severe winter storm experienced in large parts of the U.S. during the first quarter ($1.7 million) and by reduced demand as described above.

WSSC -

($'000)	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Revenue	$ 108,592	$ 113,456	$ 207,378	$ 226,794
Gross profit (loss)	15,112	16,955	28,923	(25,415)
Adjusted EBITDA [1]	23,514	27,240	45,317	52,946
Impairment of goodwill	—	—	—	(56,000)
Change in environmental liability	—	(362)	—	(3,743)
Net (loss) gain on disposal and write-down of PPE	(194)	—	(276)	457
EBITDA [1]	23,320	26,878	45,041	(6,340)

[1] 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. See **Non-IFRS Measures** for further details and a reconciliation of EBITDA and Adjusted EBITDA.

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, and vaccine adjuvants. These products are marketed primarily to North American customers.

Revenue for the three and six months ended June 30, 2021 was $4.9 million and $19.4 million lower, respectively, than the same periods of 2020. The decrease in the second quarter of 2021 is primarily due to the stronger Canadian dollar which had a negative impact of $10.7 million on revenues, partially offset by higher sales volume and selling prices for water solutions products. Revenue for the first six months of 2021 was lower due to the stronger Canadian dollar which had a negative impact of $15.5 million and due to lower sales volume for water solutions products and specialty chemicals during the first quarter.

Gross profit for the second quarter of 2021 was $1.8 million lower than the same period of 2020 primarily due to significant increases in the cost of raw materials and the impact of the stronger Canadian dollar ($0.4 million), partially offset by higher selling prices for water solutions products. Gross profit for the first six months of 2021 was $28.9 million compared with a gross loss of $25.4 million for the same period of 2020. This is primarily due to a $56.0 million impairment of goodwill for water solutions products recorded during the first quarter of 2020 (see **Goodwill Impairment**). Gross profit for the first six months of 2021 was also negatively affected by the stronger Canadian dollar ($0.8 million).

The stronger Canadian dollar negatively affected Adjusted EBITDA for the three and six months ended June 30, 2021 by $1.3 million and $2.1 million, respectively. In addition to the stronger Canadian dollar, the other factors that affected revenue and gross profit also resulted in Adjusted EBITDA for the three and six months ended June 30, 2021 being $3.7 million and $7.6 million lower, respectively, than the same periods of 2020.

EC -

($'000)	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
North American sales volumes:				
Sodium chlorate sales volume (000's MT)	91	94	183	196
Chlor-alkali sales volume (000's MECU)	45	33	86	69
Revenue	$ 123,485	$ 130,118	$ 245,172	$ 270,659
Gross (loss) profit	(2,200)	6,173	(2,305)	13,026
Adjusted EBITDA [(1)] [(2)]	23,761	34,689	50,938	66,668
Net gain (loss) on disposal and write-down of PPE	22	19	(35)	(5)
EBITDA [(1)] [(2)]	23,783	34,708	50,903	66,663

[(1)] 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. See **Non-IFRS Measures** for further details and a reconciliation of EBITDA and Adjusted EBITDA.
[(2)] Amounts for the three and six months ended June 30, 2020 have been restated to include realized foreign exchange losses of $1.3 million and $2.3 million, respectively, relating to Chemtrade's Brazil subsidiary.

EC manufactures and markets sodium chlorate and chlor-alkali products including caustic soda, chlorine and HCl, largely for the pulp and paper, oil and gas and water treatment industries. These products are marketed primarily to North American and South American customers.

Revenue for the three and six months ended June 30, 2021 was $6.6 million and $25.5 million lower, respectively, than the same periods of 2020. The lower revenue in the second quarter of 2021 was primarily due to the impact of the stronger Canadian dollar ($8.5 million) and due to lower sales volume and selling prices for sodium chlorate and a decrease of 12% in selling prices for caustic soda, partially offset by a 38% increase in sales volume of HCl and a 26% increase in chlorine sales volume. The lower revenue in the first six months of 2021 was due to lower sales volume of sodium chlorate, lower chlor-alkali and sodium chlorate selling prices and the impact of a stronger Canadian dollar ($12.1 million), partially offset by a 20% increase in sales volume of HCl and a 19% increase in chlorine sales volume.

Gross profit for the three and six months ended June 30, 2021 was $8.4 million and $15.3 million lower, respectively, than the same periods of 2020. Gross profit during 2021 was negatively affected by the impact of the stronger Canadian dollar ($3.8 million and $5.0 million for the second quarter and first six months of 2021, respectively), lower chlor-alkali and sodium chlorate selling prices relative to 2020 and lower sales volume of sodium chlorate.

The stronger Canadian dollar negatively affected Adjusted EBITDA for the three and six months ended June 30, 2021 by $4.2 million and $5.6 million, respectively. In addition to the stronger Canadian dollar, the other factors that affected gross profit also resulted in Adjusted EBITDA for the three and six months ended June 30, 2021 being $10.9 million and $15.7 million lower, respectively, than the same periods of 2020.

Corporate -

	Three months ended		Six months ended	
($'000)	**June 30, 2021**	**June 30, 2020**	**June 30, 2021**	**June 30, 2020**
Cost of services [1]	$ 12,603	$ 18,015	$ 34,126	$ 29,452
Adjusted EBITDA [1] [2]	(12,603)	(18,015)	(34,126)	(29,452)
Unrealized foreign exchange (loss) gain	(5,760)	7,183	(6,190)	(2,425)
EBITDA [1] [2]	(18,363)	(10,832)	(40,316)	(31,877)

(1) Amounts for the three and six months ended June 30, 2020 have been restated to exclude realized foreign exchange losses of $1.3 million and $2.3 million, respectively, relating to Chemtrade's Brazil subsidiary.
(2) 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. See **Non-IFRS Measures** for further details and a reconciliation of EBITDA and Adjusted EBITDA.

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 three and six months ended June 30, 2021, corporate costs, excluding unrealized foreign exchange gains and losses were $5.4 million lower and $4.7 million higher, respectively, than the same periods of 2020.

The decrease in corporate costs during the second quarter of 2021 was primarily due to a realized foreign exchange gain of $4.1 million during the second quarter of 2021 compared with a loss of $2.1 million during the same period of 2020, $1.0 million government grant recognized in relation to the CEWS and the CERS programs during the second quarter of 2021 and reduced discretionary spending in the second quarter of 2021 relative to 2020. This was partially offset by $2.9 million higher LTIP costs during the second quarter of 2021 compared with same period of 2020. During the first six months of 2021, Chemtrade's unit price appreciated, whereas, it declined during the same period of 2020. This resulted in LTIP costs being $14.2 million higher during the first six months of 2021 relative to 2020. Also, corporate costs in the first six months of 2021 included $3.0 million related to the retirement of the former Chief Executive Officer ("CEO"). This was partially offset by a realized foreign exchange gain of $3.3 million during the first six months of 2021 compared with a loss of $2.8 million during the same period of 2020 and $5.6 million of government grants recognized in relation to the CEWS and the CERS programs during the first six months of 2021.

Corporate costs include LTIP expenses, which relate to the 2019 - 2021, 2020 - 2022 and 2021 - 2023 LTIPs which Chemtrade operates and pursuant to which it grants cash awards based on certain criteria. The 2019-2021 LTIP payout is payable at the beginning of 2022. The 2020 - 2022 LTIP payout is payable in the first quarter of 2022 and 2023. The 2021 - 2023 LTIP payout is payable in the first quarter of 2024. The LTIP awards have a performance based component and a restricted share unit component. The performance based component of the 2019 - 2021 LTIP awards is based on total Unitholder return over a performance period, EBITDA growth and total return to Chemtrade's Unitholders relative to the total return of companies comprising the S&P/TSX Dividend Composite Index. The performance based component of the 2020 - 2022 and 2021 - 2023 LTIP awards is based on return on investment capital improvement and total return to Chemtrade's Unitholders relative to the total return of companies comprising the S&P/TSX Dividend Composite 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. 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.

Unrealized foreign exchange loss for the three and six months ended June 30, 2021 was $12.9 million and $3.8 million higher, respectively, than the same periods of 2020. These losses resulted from fluctuations in the exchange rates between the Canadian dollar, U.S. dollar and the Brazilian Real.

Chemtrade has hedged its investments 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, 2021, a foreign exchange gain of $8.6 million and $17.2 million, respectively, on the revaluation of the U.S. dollar-denominated debt and investment in foreign operations was recognized in other comprehensive income, compared with a foreign exchange gain of $26.4 million and a loss of $28.0 million, respectively, during the three and six months ended June 30, 2020.

Reserve for legal proceedings

General Chemical (which was acquired by Chemtrade) was a subject of an investigation by the U.S. Department of Justice concerning alleged anti-competitive conduct in the water treatment chemicals industry, for which General Chemical obtained the benefit of conditional amnesty from criminal charges. General Chemical and Chemtrade were also defendants in class action lawsuits and a few civil proceedings relating to the same conduct. Corporate costs for the year ended December 31, 2019 included an expense of $40.0 million which increased the reserve for the costs of litigating and resolving all of the civil actions commenced against General Chemical and Chemtrade and various other defendants for anti-competitive actions in the water business.

The main class action civil lawsuit was settled for US$56.0 million and was paid out during 2019. By the third quarter of 2019, additional settlements were negotiated and paid. The remaining ex-employee initiated derivative actions were settled in March 2021, at close to the amount previously reserved for this matter. The terms of the settlement are subject to finalization and approval by the relevant governmental entities and courts. The reserve for legal proceedings is included as part of provisions and presented as current liabilities in the Condensed Consolidated Interim Statements of Financial Position.

Assets Held For Sale

During the second quarter of 2019, management decided to pursue the sale of two specialty chemicals related assets (potassium chloride and vaccine adjuvants) within the WSSC segment. Accordingly, $197.1 million (December 31, 2020 - $199.7 million) of assets, along with $17.3 million (December 31, 2020 - $17.0 million) of liabilities directly associated with these assets have been presented as held for sale as at June 30, 2021.

Goodwill Impairment

During the first quarter of 2020, as a result of changes in macro-economic conditions which resulted in a significant increase in discount rates, combined with consideration of historic and forecast performance of each cash-generating unit ("CGU"), Chemtrade performed a test for goodwill impairment for the water solutions groups of CGUs ("CGU group") in WSSC. Although the water solutions CGU group's operating performance had been improving, as a result of applying the higher discount rate, this CGU group's carrying value exceeded its recoverable amount by $56.0 million and therefore an impairment loss of $56.0 million was fully allocated to goodwill and recognized in cost of sales and services. Following the impairment recognized in the water solutions CGU group, its recoverable amount equalled its carrying value.

During the three and six months ended June 30, 2021, there were no indicators of impairment identified; therefore, Chemtrade did not perform a test for goodwill impairment.

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 weakened by one-cent (for example, from $1.24 to $1.25), on an unhedged basis, this would have a positive impact on annual net earnings of approximately $0.9 million, and vice-versa. The impact on annual Adjusted EBITDA and Distributable cash after maintenance capital expenditures would be approximately $1.8 million and $0.7 million, respectively, and vice-versa.

Chemtrade manages its financial exposure to fluctuations in the value of the U.S. dollar relative to the Canadian dollar as follows:

a) By maintaining a U.S. dollar denominated credit facility, under which most of the borrowings are denominated in U.S. dollars; and

b) by entering into foreign exchange contracts to hedge a portion of its U.S. dollar net cash flows for up to eighteen months in the future.

All foreign exchange contracts are under International Swap and Derivatives Association (“ISDA”) agreements. Contracts in place at June 30, 2021 include future contracts to sell the following amounts for periods through to December 2021:

Amount ($'000)	Weighted average exchange rate
US$30,494	$1.22

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 condensed consolidated interim 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*.

The investment in the 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, 2020 were a result of changes in the Canadian/U.S. dollar exchange rate between December 31, 2020 and June 30, 2021.

The rate of exchange used to translate U.S. dollar-denominated balances has decreased from a rate of US$1.00 = $1.27 at December 31, 2020 to US$1.00 = $1.24 at June 30, 2021. See **Risks and Uncertainties** for additional comments on foreign exchange.

Net Finance Costs

During the three and six months ended June 30, 2021, net finance costs were $19.1 million and $40.6 million, respectively, compared with net finance costs of $2.7 million and $70.2 million, respectively, during the same periods of 2020.

Net finance costs were $16.4 million higher during the second quarter of 2021 relative to 2020. The increase is primarily due to a $16.7 million decrease in gains related to a change in the fair value of Debentures.

Net finance costs were $29.5 million lower during the six months ended June 30, 2021 relative to 2020, primarily due to a $28.5 million decrease in losses related to a change in the fair value of Debentures.

The Debentures are recognized at fair value with changes in fair value due to changes in the risk free interest rate presented in net finance costs and changes in Chemtrade's own credit risk presented in other comprehensive income rather than net earnings. During the three and six months ended June 30, 2021, the fair value of the Fund's Debentures increased by $21.1 million and $85.6 million, respectively. As a result, Chemtrade recorded a pre-tax gain of $0.3 million in net finance costs due to a change in the conversion option fair value and an increase in the risk free interest rate, offset by passage of time, and a loss of $16.1 million, net of tax recovery of $5.4 million, in other comprehensive income due to a decrease in Chemtrade's own credit risk. During the comparable period of 2020, Chemtrade recorded a pre-tax gain of $17.0 million in net finance costs due to a decrease in the fair value of the conversion option, and a loss of $58.9 million, net of tax recovery of $21.5 million, in other comprehensive income due to a decrease in Chemtrade's own credit risk.

For the six months ended June 30, 2021, Chemtrade recorded a pre-tax loss of $1.9 million in net finance costs due to a change in the conversion option fair value and passage of time, offset by an increase in the risk free interest rate, and a loss of $64.0 million, net of tax recovery of $19.7 million, in other comprehensive income due to a decrease in Chemtrade's own credit risk. During the comparable period of 2020, Chemtrade recorded a pre-tax loss of $30.4 million in net finance costs due to a decrease in the risk free interest rate, and a gain of $83.5 million, net of tax expense of $31.2 million, in other comprehensive income due to an increase in Chemtrade's own credit risk.

The weighted average effective annual interest rate of the Credit Facilities at June 30, 2021 was 4.1% (December 31, 2020 - 4.3%). 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 for the second quarter and first six months of 2021 was a recovery of $0.8 million and $1.3 million, respectively, compared with a current income tax expense of $0.9 million and $1.8 million, respectively, during the same periods of 2020. The increase in current income tax recovery is primarily due to the tax recoveries resulting from the deduction of unrealized foreign exchange losses in Brazil, offset by the increased Base Erosion and Anti-Abuse Tax ("BEAT tax").

Deferred income tax for the second quarter of 2021 was a recovery of $5.8 million compared with an expense of $5.3 million during the same period of 2020. The change is primarily due to the decrease in the unrealized gain associated with the fair value changes of the Debentures and the decrease in the unrealized foreign exchange gain in the U.S. in 2021. Deferred income tax recovery for the first six months of 2021 decreased by $2.9 million compared with the same period of 2020. The decrease is primarily due to the decrease in the unrealized losses associated with the fair value changes of the Debentures and utilization of unrealized foreign exchange losses in Brazil, partially offset by the decrease in unrealized foreign exchange gains in the U.S.

The effective tax rate for the first six months of 2021 differs from the statutory tax rate primarily due to the deduction of taxable income distributed to Unitholders, differences in domestic corporate and trust tax rates, international income tax differences, including the BEAT tax, and certain permanent differences.

The net increase in deferred tax assets of $30.4 million at June 30, 2021 relative to December 31, 2020 is primarily due to the decrease in the unrealized gain from the changes in fair value of the Debentures. The net increase in deferred tax liabilities of $4.2 million at June 30, 2021 relative to December 31, 2020 is primarily due to the utilization of unrealized foreign exchange losses in Brazil.

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, 2021, and for the years ended December 31, 2020 and December 31, 2019:

($'000)	Three months ended June 30, 2021	Six months ended June 30, 2021	Year ended December 31, 2020	Year ended December 31, 2019
Cash flows from operating activities [1]	$ 50,846	$ 44,450	$ 270,183	$ 163,911
Net loss	$ (14,078)	$ (34,526)	$ (167,478)	$ (99,654)
Cash distributions paid during period	$ 13,086	$ 25,243	$ 66,670	$ 111,116
Excess of cash flows from operating activities over cash distributions paid	$ 37,760	$ 19,207	$ 203,513	$ 52,795
Shortfall of net loss over cash distributions paid	$ (27,164)	$ (59,769)	$ (234,148)	$ (210,770)

(1) In 2021, Chemtrade reclassified certain items into net cash flows from operating activities. Comparatives have been restated to conform to current period presentation.

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

Distributions -

On March 11, 2020, Chemtrade announced a reduction of its monthly distributions to $0.05 per unit.

On July 13, 2020, Chemtrade announced the commencement of a Distribution Reinvestment Plan ("DRIP"). Under the terms of the DRIP, eligible Unitholders may elect to reinvest all or a portion of their regular monthly distributions in additional units of Chemtrade, without paying any commissions, service charges or brokerage fees under the DRIP. Units purchased for participants under the DRIP may be newly issued by Chemtrade from treasury or may be existing units purchased on the open market through the facilities of a stock exchange. Under the DRIP, the Board determines which of these two sources may be used and currently the units are issued from treasury. Currently, the participants receive bonus distributions of Units equal to 3% of the amount of the cash distribution reinvested, as determined by the Board.

Distributions to Unitholders for the three and six months ended June 30, 2021 were declared as follows:

Record Date	Payment Date		Distribution Per Unit [1]		Total [2] ($'000)
Three months ended June 30:					
April 30, 2021	May 26, 2021	$	0.05	$	5,192
May 31, 2021	June 25, 2021		0.05		5,196
June 30, 2021	July 27, 2021		0.05		5,203
Sub-total			0.15		15,591
Three months ended March 31, 2021		$	0.15	$	14,554
Total for the six months ended June 30, 2021		**$**	**0.30**	**$**	**30,145**

[1] Based on actual number of units outstanding on record date.
[2] Pursuant to the commencement of the DRIP, distributions declared for the three and six months ended June 30, 2021 includes bonus distributions.

Distributions to Unitholders for the three and six months ended June 30, 2020 were declared as follows:

Record Date	Payment Date		Distribution Per Unit [1]		Total ($'000)
Three months ended June 30:					
April 30, 2020	May 29, 2020	$	0.05	$	4,630
May 29, 2020	June 30, 2020		0.05		4,630
June 30, 2020	July 31, 2020		0.05		4,630
Sub-total			0.15		13,890
Three months ended March 31, 2020		$	0.25	$	23,150
Total for the six months ended June 30, 2020		**$**	**0.40**	**$**	**37,040**

[1] Based on actual number of units outstanding on record date.

Treatment of Chemtrade's distributions for Canadian income tax purposes for 2020 and 2021 is as follows:

	Other Income	Dividends [1]	Foreign Non-Business Income	Total
2020	1.0%	12.0%	87.0%	100%
2021 [2]	0.0%	29.0%	71.0%	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 2021 distributions will be determined by February 28, 2022.

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 (see *Financing Activities* below), 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 Flows from Operating Activities

Cash flows from operating activities for the second quarter of 2021 were an inflow of $50.8 million, compared with $66.9 million for the same period of 2020. The decrease in cash flow from operating activities of $16.1 million was primarily due to lower Adjusted EBITDA and changes in working capital, partially offset by lower interest and income taxes paid.

Cash flow from operating activities in the first six months of 2021 was an inflow of $44.5 million compared with $97.2 million during the first six months of 2020. The decrease in cash flow from operating activities of $52.7 million was primarily due to lower Adjusted EBITDA and changes in working capital, partially offset by income tax refunds in the first six months of 2021, compared with income taxes paid during the same period of 2020.

Investing Activities

Capital expenditures were $16.6 million in the second quarter of 2021, compared with $12.8 million in the second quarter of 2020. These amounts include $15.6 million in the second quarter of 2021 and $12.1 million in the second quarter of 2020 for maintenance capital expenditures. Investment in capital expenditures was $25.3 million for the first six months of 2021, compared with $24.6 million for the first six months of 2020. These amounts include $23.8 million in the first six months of 2021 and $23.1 million in the first six months of 2020 for maintenance capital expenditures. Chemtrade expects to incur approximately $72.0 to $77.0 million of maintenance capital expenditures during 2021.

Non-maintenance capital expenditures were $1.0 million during the second quarter of 2021, compared with $0.8 million during the second quarter of 2020. Investment in non-maintenance capital expenditures was $1.6 million during the first six months of 2021, compared with $1.5 million during the first six months of 2020. Non-maintenance capital expenditures are: (i) pre-identified or 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, 2021, Chemtrade's Credit Facilities were comprised of a $402.9 million (US$325.0 million) five year term bank debt and a $650.9 million (US$525.0 million) revolving credit facility.

During the second quarter of 2020, Chemtrade modified certain terms of its Credit Facilities including negotiating an amended covenant package on its Credit Facilities to provide Chemtrade with additional covenant room until 2022 in light of the uncertain economic climate arising from the COVID-19 pandemic. Chemtrade incurred $1.3 million of transaction costs related to the modification. These costs have been deferred and are being amortized to finance costs in comprehensive income using the effective interest method.

In May 2021, Chemtrade modified certain terms of its Credit Facilities including negotiating an amended covenant package on its Credit Facilities to provide Chemtrade with additional covenant room until 2023. Chemtrade incurred $0.6 million of transaction costs related to the modification. These costs have been deferred and are being amortized to finance costs in comprehensive income using the effective interest method. (see **Recent Developments**).

There was a net decrease in borrowings on the revolving portion of the Credit Facilities of $5.5 million and $31.9 million, respectively, during the three and six months ended June 30, 2021 compared with a net decrease of $62.9 million and a net increase of $71.6 million during the same periods of 2020. During the six months ended June 30, 2021, Chemtrade used a portion of the proceeds from an equity offering to repay outstanding indebtedness under its Credit Facilities. During the first six months of 2020, the additional borrowings on the Credit Facilities were primarily used to redeem the remaining portion of the outstanding CEI Series VI Debentures at a total aggregate redemption price of $74.6 million.

During the first quarter of 2021, Chemtrade completed an equity offering of 9,800,000 units at a price of $7.15 per unit, resulting in total gross proceeds of $70.1 million. Chemtrade incurred issuance costs of $2.5 million, net of tax recovery of $1.2 million, which included underwriters' fees and other expenses relating to the offering. Proceeds from the offering were used to repay outstanding indebtedness under Chemtrade's Credit Facilities and for general trust purposes.

Distributions paid to Unitholders, net of distributions reinvested during the three and six months ended June 30, 2021 were $13.1 million and $25.2 million, respectively, compared to $13.9 million and $41.7 million for the same periods of 2020. The decrease is primarily due to the reduction in monthly distributions from $0.10 per unit to $0.05 per unit as announced on March 11, 2020 and commencement of the DRIP as announced on July 13, 2020. For additional information on cash distributions, see **Non-IFRS Measures** - *Cash Flow* and **Excess Cash Flows and Net Earnings Over Distributions Paid.**

Financial Instruments -

On April 24, 2020, Chemtrade entered into a swap arrangement which fixed the LIBOR components of its interest rates on up to US$250.0 million of its outstanding revolving credit under its long term debt until it expired on April 24, 2021. Chemtrade's swaps were 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 in the condensed consolidated interim statements of comprehensive income.

During the first quarter of 2021, Chemtrade blended and extended its existing US$175.0 million and US$150.0 million interest rate swaps on its outstanding term bank debt. Effective March 24, 2021, the terms of these swaps were extended until October 2024 to align with the maturity date of the term bank debt. Chemtrade recognizes the blend and extend as a termination of the original swaps and execution of new swaps. As a result, hedge accounting on the original swaps were discontinued prospectively. To continue the benefits of hedge accounting, Chemtrade designated the new blend and extend swaps in new hedge relationships. Since the interest payments that are being hedged are still expected to occur, the fair values of the original swaps as of the termination date will remain in accumulated other comprehensive income and reclassified into net earnings over the term of original swaps.

Chemtrade hedges 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 recognized in other comprehensive income.

Cash Balances -

At June 30, 2021, Chemtrade had net cash balances of $14.3 million and a working capital deficit of $24.4 million. Comparable figures for December 31, 2020 were $12.5 million and a working capital deficit of $62.6 million. The working capital deficit is due to the commencement of the receivables purchase facility ("A/R Facility") during the fourth quarter of 2020. 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. However, there is inherently more uncertainty associated with the Fund's future operating assumptions given the changing circumstances surrounding the COVID-19 pandemic. See **Risks and Uncertainties** - *Risk of Pandemic* for more details. 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, 2021, Chemtrade had Credit Facilities of approximately $1.1 billion (US$850.0 million), consisting of a $402.9 million (US$325.0 million) five year term loan and a $650.9 million (US$525.0 million) revolving credit facility. At June 30, 2021, Chemtrade had the entire term loan outstanding, and had drawn $327.3 million on its revolving credit facility. Additionally, it had committed a total of $18.6 million of its revolving credit facility towards standby letters of credit.

During the second quarter of 2020, Chemtrade modified certain terms of its Credit Facilities including negotiating an amended covenant package on its Credit Facilities to provide Chemtrade with additional covenant room until 2022 in light of the uncertain economic climate arising from the COVID-19 pandemic. Additionally, in May 2021, Chemtrade negotiated an amended covenant package on its Credit Facilities to provide Chemtrade with additional covenant room until 2023 (see **Recent Developments**).

At June 30, 2021, Chemtrade had four series of Debentures outstanding with an aggregate par value of $531.1 million (market value of $531.5 million) and maturity dates ranging from August 31, 2023 to October 31, 2026.

During the first quarter of 2020, Chemtrade redeemed all of the outstanding CEI Series VI Debentures at a total aggregate redemption price of $74.6 million being equal to 100% of the principal amount of Debentures outstanding, plus accrued and unpaid interest to, but excluding, the redemption date. This represented a redemption in full of the CEI Series VI Debentures. Chemtrade used its Credit Facilities to fund the redemption.

During the third quarter of 2020, Chemtrade completed a public offering of $86.3 million principal amount of convertible unsecured subordinated debentures, at a price of $1,000 per debenture, with an interest rate of 8.50% per annum. Chemtrade incurred transaction costs of $4.0 million which included underwriters' fees and other expenses relating to the offering.

During the third quarter of 2020, Chemtrade redeemed $100.0 million principal amount of the outstanding Fund 2014 5.25% Debentures at a total aggregate redemption price of $101.3 million, being equal to the principal amount of debentures redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. Chemtrade used a portion of the net proceeds from the Fund 2020 8.5% Debentures offering and its Credit Facilities to fund the redemption.

During the fourth quarter of 2020, Chemtrade redeemed the remaining $26.5 million principal amount of the Fund 2014 5.25% Debentures at a total aggregate redemption price of $26.9 million, being equal to 100% of the principal amount of debentures outstanding, plus accrued and unpaid interest to, but excluding, the redemption date. This represented a redemption in full of the Fund 2014 5.25% Debentures. Chemtrade used a portion of the net proceeds from the Fund 2020 8.5% Debentures offering, its Credit Facilities and a portion of the proceeds received from its A/R Facility to fund the redemption.

During the first quarter of 2021, Chemtrade completed an equity offering of 9,800,000 units at a price of $7.15 per unit, resulting in total gross proceeds of $70.1 million. Chemtrade incurred issuance costs of $2.5 million, net of tax recovery of $1.2 million, which included underwriters' fees and other expenses relating to the offering. Proceeds from the offering were used to repay outstanding indebtedness under Chemtrade’s Credit Facilities and for general trust purposes.

Debt Covenants -

As at June 30, 2021, Chemtrade was compliant with all debt covenants contained in its credit agreement.

Summary of Quarterly Results

($ millions)	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Revenue	$ 337.3	$ 312.4	$ 319.4	$ 345.9	$ 347.5	$ 366.9	$ 355.2	$ 395.6
Cost of sales and services	(313.0)	(291.5)	(304.6)	(338.5)	(314.9)	(388.0)	(331.5)	(354.2)
Gross profit (loss)	24.3	20.9	14.8	7.4	32.6	(21.1)	23.7	41.4
Selling and administrative expenses:								
Unrealized foreign exchange (loss) gain	(5.8)	(0.4)	1.6	—	7.2	(9.6)	2.7	(1.0)
LTIP	(3.3)	(5.6)	(9.2)	(2.8)	(0.5)	5.6	(0.4)	(6.0)
Other	(16.7)	(22.5)	(23.8)	(24.4)	(26.0)	(26.5)	(21.7)	(20.7)
Total selling and administrative expenses	(25.8)	(28.5)	(31.4)	(27.2)	(19.3)	(30.5)	(19.4)	(27.7)
Operating (loss) income	(1.6)	(7.5)	(16.6)	(19.8)	13.3	(51.5)	4.3	13.7
Net finance costs:								
Mark-to-market on Debentures	0.3	(2.3)	(3.6)	(21.8)	17.0	(47.4)	13.0	(1.5)
Debt issuance and extinguishment costs	—	—	—	(4.0)	—	—	(4.5)	—
Other	(19.4)	(19.2)	(20.4)	(20.3)	(19.7)	(20.1)	(21.0)	(21.2)
Total net finance costs	(19.1)	(21.5)	(24.0)	(46.1)	(2.7)	(67.5)	(12.5)	(22.7)
Income tax recovery (expense)	6.6	8.6	14.8	17.6	(6.1)	21.1	(4.4)	8.8
Net (loss) earnings	$ (14.1)	$ (20.4)	$ (25.8)	$ (48.3)	$ 4.5	$ (97.9)	$ (12.6)	$ (0.2)

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

Gross profit for the second quarter of 2021 was lower due to lower chlor-alkali and sodium chlorate selling prices and lower sales volume of sodium chlorate in the EC segment and increase in the cost of raw materials of products in the WSSC segment. Gross profit for the first quarter of 2021 was lower due to lower sales volume of sodium chlorate in the EC segment, reduced demand and lower sales volume of acid products in the SPPC segment and lower sales volume of water solutions products in the WSSC segment due to disruptions caused by the severe winter storm experienced in large parts of the U.S. Gross profit for the fourth quarter of 2020 was lower due to lower chlor-alkali sales volume as a result of the North Vancouver chlor-alkali plant operating at lower rates, as it underwent a biennial maintenance turnaround. Also, there was reduced demand and lower sales volume for products in the SPPC segment resulting from the COVID-19 pandemic. Gross profit for the third quarter of 2020 was lower due to a $19.8 million write-down of assets primarily as a result of the decision to rationalize sulphuric acid capacity. During the first quarter of 2020, goodwill impairment of $56.0 million related to certain water solutions products was recorded. Gross profit for the fourth quarter of 2019 was lower due to significantly lower selling prices for caustic soda.

Selling and Administrative Expenses

Selling and administrative expenses for the second quarter of 2021 include $3.4 million of realized foreign exchange gains. 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.

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.

Net finance costs for the third quarter of 2020 included $4.0 million of transaction costs on the issuance of Debentures. The fourth quarter of 2019 included $4.5 million of transaction costs on the issuance of Debentures.

Outstanding Securities of the Fund

As at August 10, 2021 and June 30, 2021, the following units and securities convertible into units of the Fund were issued and outstanding:

	August 10, 2021		June 30, 2021	
	Convertible Securities	**Units**	**Convertible Securities**	**Units**
Units outstanding		**103,709,533**		**103,585,344**
5.00% Debentures [1]	**143,750**	**5,784,708**	**143,750**	**5,784,708**
4.75% Debentures [2]	**201,115**	**7,532,397**	**201,115**	**7,532,397**
6.50% Debentures [3]	**100,000**	**6,329,114**	**100,000**	**6,329,114**
8.50% Debentures [4]	**86,250**	**11,734,694**	**86,250**	**11,734,694**
Units outstanding and issuable upon conversion of Debentures		**135,090,446**		**134,966,257**
Deferred units plan [5][6]	**$ 3,732**	**556,203**	**$ 3,701**	**552,380**
Units outstanding and issuable upon conversion of Debentures and Deferred units		**135,646,649**		**135,518,637**

(1) Convertible at $24.85 per unit

(2) Convertible at $26.70 per unit

(3) Convertible at $15.80 per unit

(4) Convertible at $7.35 per unit

(5) Based on $6.71 and $6.70, the closing price of a unit on the TSX on August 10, 2021 and June 30, 2021 respectively

(6) 443,797 and 447,620 deferred units were available for future grants as at August 10, 2021 and June 30, 2021 respectively

Contractual Obligations

Information concerning contractual obligations at June 30, 2021 is shown below:

Contractual Obligations ($'000)	Total	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years
Long-term debt	$ 730,194	$ —	$ —	$ 730,194	$ —
Debentures	531,115	—	344,865	86,250	100,000
Purchase commitments	71,172	21,461	28,406	21,305	—
Interest on Debentures	109,397	30,572	54,418	22,199	2,208
Interest on long-term debt	100,453	30,252	60,504	9,697	—
Lease payments	178,113	52,050	72,698	31,107	22,258
Total contractual obligations	$ 1,720,444	$ 134,335	$ 560,891	$ 900,752	$ 124,466

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

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, 2020. 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.

Interest rate risk

Chemtrade has a credit facility with long-term debt and operating lines of credit which bear variable rates of interest. As at June 30, 2021, on an unhedged basis, a change in interest rates of 1% per annum would have an impact of approximately $7.3 million on Chemtrade's net earnings per annum. As at June 30, 2021, Chemtrade had fixed interest rates on 55.2% of its senior debt until until October 2024.

Managing interest rate benchmark reform and associated risks

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBOR") with alternative nearly risk-free interest rates ("RFR"). Chemtrade has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. There is uncertainty over the timing and the methods of transition in some jurisdictions that Chemtrade operates in.

The IBOR reform has an impact on Chemtrade's operational and risk management processes and hedge accounting. The main risks to which Chemtrade is exposed as a result of IBOR reform are operational. For example, renegotiating borrowing contracts through bilateral negotiation with counterparties, implementing new fallback clauses with its derivative counterparties, updating contractual terms and revising operational controls related to the reform. Financial risk is predominantly limited to interest rate risk. Hedging relationships may experience ineffectiveness due to uncertainty about when and how replacement may occur with respect to the relevant hedged item and hedging instrument or the difference in the timing of a replacement.

Chemtrade monitors the progress of transition from IBORs to new benchmark rates by reviewing the total amounts of contracts that have yet to transition to an alternative benchmark rate and the amounts of such contracts that include an appropriate fallback clause. Chemtrade considers that a contract is not yet transitioned to an alternative benchmark rate when interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform, even if it includes a fallback clause that deals with the cessation of the existing IBOR (referred to as an ‘unreformed contract’).

Derivatives

Chemtrade holds interest rate swaps for risk management purposes which are designated in cash flow hedging relationships. The interest rate swaps have floating legs that are indexed to 1-month LIBOR. Chemtrade’s derivative instruments are governed by contracts based on the International Swaps and Derivatives Association (ISDA)’s master agreements.

ISDA is currently reviewing its standardized contracts in the IBOR reform and plans to amend certain floating-rate options in the 2006 ISDA definitions to include fallback clauses that would apply on the permanent discontinuation of certain key IBORs. ISDA is expected to publish an IBOR fallback supplement to amend the 2006 ISDA definitions and an IBOR fallback protocol to facilitate multilateral amendments to include the amended floating-rate options in derivative transactions that were entered into before the date of the supplement. Chemtrade will adhere to the protocol if and when it is finalized and monitor whether its counterparties will adhere. If this plan changes or there are counterparties who will not adhere to the protocol, Chemtrade will negotiate with them bilaterally about including new fallback clauses.

Hedge accounting

Chemtrade's hedged items and hedging instruments continue to be indexed to 1-month LIBOR. These benchmark rates are quoted each day and the IBOR cash flows are exchanged with counterparties as usual.

Chemtrade's exposure to 1-month LIBOR designated in hedging relationships is US$325.0 million nominal amount at June 30, 2021, representing both the nominal amount of the hedging interest rate swap and the principal amount of the hedged USD denominated secured bank loan liability maturing in October 2024.

The IBOR reform had no impact on the interim condensed consolidated financial statements of Chemtrade. Chemtrade intends to use the RFR for its risk management and hedge accounting in future periods if it becomes applicable. Chemtrade will actively monitor the IBOR reform and consider circumstances as it becomes party to new or revised interest rate swaps.

Significant Judgments and Sources of Estimation Uncertainty

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments and estimates 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.

Significant judgments

Information about judgements 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, 2020. There have been no material changes to the business of Chemtrade that require an update to the discussion of these significant judgements.

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,

2020. There have been no material changes to the business of Chemtrade that require an update to the discussion of these sources of estimation uncertainty.

Standards and interpretations adopted during the period

IBOR reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

Chemtrade adopted IBOR reform - Phase 2 - Amendments to IFRS 9, *Financial Instruments* ("IFRS 9"), IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"), IFRS 7, *Financial Instruments: Disclosures* ("IFRS 7"), IFRS 4, *Insurance Contracts* ("IFRS 4") and IFRS 16, *Leases* ("IFRS 16") (the "Phase 2 amendments") from January 1, 2021.

Chemtrade applied the Phase 2 amendments retrospectively. However, in accordance with the exceptions permitted in the Phase 2 amendments, Chemtrade has elected not to restate the prior period to reflect the application of these amendments, including not providing additional disclosures for 2020. There is no impact on opening unitholders' equity balances as a result of retrospective application.

The amendments provide temporary reliefs which address the financial reporting effects when an IBOR is replaced with an alternative nearly RFR. The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest

- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued

- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

While uncertainty persists in the timing or amount of the IBOR-based cash flows of the hedged item or hedging instrument, Chemtrade continues to apply the existing accounting policies.

These amendments had no impact on the condensed consolidated interim financial statements of Chemtrade. Chemtrade intends to use the practical expedients in future periods if they become applicable. Chemtrade will actively monitor the IBOR reform and consider circumstances as it becomes party to new or revised financial instruments.

Standards and interpretations not yet adopted:

The International Accounting Standards Board ("IASB") has issued the following new standards and amendments to existing standards that will become effective in future years.

- Amendments to IAS 1, *Presentation of Financial Statements - Disclosure of Accounting Policies*, requiring entities to disclose material, instead of significant, accounting policy information.

- Amendments to IAS 8, *Accounting Policies - Changes in Accounting Estimates and Errors*, clarifying the definition of "accounting policies" and "accounting estimates".

- Amendments to IAS 1, *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current*, clarifying requirements for the classification of liabilities as non-current.

- Amendments to IAS 16, *Property, Plant and Equipment: Proceeds before intended use*, prohibiting reducing the cost of property, plant, and equipment by proceeds while bringing an asset to capable operations.

- Amendments to IFRS 3, *Business Combinations - Updating a Reference to the Conceptual Framework*, updating a reference to the Conceptual Framework.

- Amendments to IAS 12, *Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction,* narrowing the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences.

- IAS 37, *Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts*, specifying costs an entity should include in determining the "cost of fulfilling" a potential onerous contract.

Chemtrade is assessing the impacts, if any, the amendments to existing standards will have on its consolidated financial statements.

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 CEO and Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding disclosure. The CEO and the CFO have evaluated Chemtrade's disclosure controls procedures as of June 30, 2021 through inquiry and review. The CEO and the CFO have concluded that, as at June 30, 2021, Chemtrade's design and implementation of the controls were effective.

Chemtrade also maintains a system of internal controls over financial reporting designed under the supervision of Chemtrade's CEO and CFO 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 CEO and the CFO, 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, 2021. There have been no changes to the design of internal controls over financial reporting that occurred during the three and six months ended June 30, 2021 that have materially affected or are reasonably likely to materially affect the internal controls over financial reporting.

Financial Outlook

At the onset of the COVID-19 pandemic in March, 2020, Chemtrade decided to suspend its guidance for 2020 and to not provide guidance until economic conditions stabilized and there was increased certainty. Although, conditions have improved over the past few months, there is still considerable uncertainty, particularly with variants of COVID-19 that are highly contagious and seem to be spreading in various parts of the world. However, Chemtrade has decided to issue guidance for 2021. Chemtrade expects its 2021 Adjusted EBITDA to range between $245.0 million and $260.0 million, which compares with 2020 Adjusted EBITDA of $265.3 million.

Chemtrade's guidance is based on numerous assumptions. Certain key assumptions that underpin the guidance are as follows:

- There will be no North American lockdowns or stay-at-home orders issued due to a resurgence of COVID-19 pandemic for the remainder of 2021.

- None of the principal manufacturing facilities (as set out in Chemtrade's Annual Information Form) incurs significant unplanned downtime.

- Vale's operations in Sudbury experienced a work stoppage from June 1, 2021 until the first week of August 2021. It has been assumed that the smelting process, which generates sulphuric acid will commence normal operations by the beginning of September 2021. Due to the inherent uncertainty in such situations, Chemtrade had to make arrangements for alternate supply. This alternate supply, including incremental logistics costs and the foregone margin on sales where alternate supply was unavailable, is assumed to have a negative impact on EBITDA of between $5.0 million and $10.0 million.

- Key assumptions in the EC segment are as follows:
    - North American Metric Electrochemical unit ("MECU") production volume of approximately 185,000;
    - 2021 average caustic soda price based on the 2021 average IHS NE Asia Caustic price Index being US$10 per tonne higher than the average for 2020 (note the average index value used to price H1, 2021 was approximately US$50 lower than the same period of H1, 2020); and
    - North American production volume of sodium chlorate of approximately 365,000 tonnes.

- A foreign exchange rate of US$1.00 = $1.23 (H1 2021 average was US$1.00 = $1.25 and H2 2021 is assumed to average US$1.00 = $1.22).

- Chemtrade also expects:
  - Maintenance capital expenditures to range between $72.0 million and $77.0 million.
  - Cash interest to range between $65.0 million and $70.0 million.
  - Cash taxes to range between $4.0 million and $8.0 million.
  - Lease payments to range between $50.0 million and $55.0 million.

There are a few significant factors to be considered when comparing 2021's Adjusted EBITDA range and actual Adjusted EBITDA achieved in 2020:

a) Stronger Canadian dollar relative to the U.S. dollar. During 2020, the average exchange rate was US$1.00 = $1.34, whereas, we are assuming an average exchange rate of US$1.00= $1.23 during 2021. This has a negative impact on 2021's Adjusted EBITDA of approximately $20.0 million.
b) The first quarter of 2020 was unaffected by the COVID-19 pandemic and Adjusted EBITDA for the first quarter of 2021 was $25.5 million below the first quarter of 2020.
c) As partial offsets to the above two points, 2020 had the biennial turnaround at the North Vancouver facility and a major customer turnaround which affected one of Chemtrade's large Regen plants.

Other

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

August 11, 2021