

CHEMTRADE LOGISTICS INCOME FUND

# Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended September 30, 2022 and 2021  
(Unaudited)

# Q3 2022



**CHEMTRADE**

# CHEMTRADE LOGISTICS INCOME FUND

Condensed Consolidated Interim Statements of Financial Position

(In thousands of Canadian dollars)

(Unaudited)

	Notes	September 30, 2022	December 31, 2021
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 36,891	\$ 13,908
Trade and other receivables		150,550	96,371
Inventories		142,939	111,742
Income taxes receivable		3,949	1,433
Prepaid expenses and other assets		7,570	7,520
<b>Total current assets</b>		<b>341,899</b>	<b>230,974</b>
<b>Non-current assets</b>			
Property, plant and equipment		952,734	940,574
Right-of-use assets		120,895	140,435
Investment in a joint venture	5	5,931	—
Other assets	6	33,562	7,316
Intangible assets		603,668	604,573
Deferred tax assets	16	101,841	125,098
<b>Total non-current assets</b>		<b>1,818,631</b>	<b>1,817,996</b>
<b>Total assets</b>		<b>\$ 2,160,530</b>	<b>\$ 2,048,970</b>
<b>LIABILITIES AND UNITHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Trade and other payables		\$ 328,110	\$ 229,985
Distributions payable	10	5,786	5,232
Provisions	7	23,637	11,535
Lease liabilities		45,435	47,211
Convertible unsecured subordinated debentures	9	—	143,894
<b>Total current liabilities</b>		<b>402,968</b>	<b>437,857</b>
<b>Non-current liabilities</b>			
Long-term debt	8	377,532	373,531
Convertible unsecured subordinated debentures	9	498,676	526,279
Other long-term liabilities		16,388	40,527
Long-term lease liabilities		90,787	100,863
Employee benefits		23,047	25,260
Provisions	7	127,426	146,048
Deferred tax liabilities	16	14,671	18,757
<b>Total non-current liabilities</b>		<b>1,148,527</b>	<b>1,231,265</b>
<b>Total liabilities</b>		<b>1,551,495</b>	<b>1,669,122</b>
<b>Unitholders' equity</b>			
Units	10	1,632,765	1,541,583
Contributed surplus		9,720	9,720
Deficit		(1,302,552)	(1,379,076)
Accumulated other comprehensive income		269,102	207,621
<b>Total unitholders' equity</b>		<b>609,035</b>	<b>379,848</b>
<b>Total liabilities and unitholders' equity</b>		<b>\$ 2,160,530</b>	<b>\$ 2,048,970</b>

# CHEMTRADE LOGISTICS INCOME FUND

Condensed Consolidated Interim Statements of Comprehensive Income

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

(Unaudited)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2022	2021	2022	2021
Revenue	12	\$ 519,920	\$ 365,003	\$1,356,637	\$1,014,713
Cost of sales and services	4,15	(410,736)	(319,995)	(1,088,738)	(924,509)
Gross profit		109,184	45,008	267,899	90,204
Selling and administrative expenses	13	(46,837)	(38,262)	(106,856)	(92,575)
Operating income (loss)		62,347	6,746	161,043	(2,371)
Net finance income (costs)	14	25,864	(18,657)	(12,782)	(59,277)
Income (loss) before income tax		88,211	(11,911)	148,261	(61,648)
Income tax (expense) recovery	16				
Current		(1,494)	(2,659)	(9,538)	(1,368)
Deferred		(11,376)	(5,589)	(17,861)	8,331
		(12,870)	(8,248)	(27,399)	6,963
Net earnings (loss)		\$ 75,341	\$ (20,159)	\$ 120,862	\$ (54,685)
Other comprehensive (loss) income					
<b>Items that may subsequently be reclassified to earnings:</b>					
(Loss) gain on net investment hedge of foreign operations, net of tax recovery of \$3,656 and \$4,881 (2021 - recovery of \$1,957 and \$1,310)	8,17	(25,240)	(11,845)	(33,694)	4,706
Foreign currency translation differences for foreign operations, net of tax expense of nil (2021 - nil)		63,291	22,392	78,660	3,917
Effective portion of change in the fair value of cash flow hedges, net of tax expense of \$181 and \$4,561 (2021 - recovery of \$23 and expense of \$1,098)		538	28	13,467	3,128
Cash flow hedges reclassified to earnings, net of tax recovery of \$1,062 and \$1,062 (2021 - net of tax expense of \$437 and \$874)	14	(3,137)	1,270	(3,137)	2,540
<b>Items that will not be reclassified to earnings:</b>					
Defined benefit plan adjustments, net of tax recovery of \$766 and expense of \$1,865 (2021 - expense of \$473 and \$6,821)		664	1,479	4,022	20,562
Change in fair value of convertible debentures due to own credit risk, net of tax recovery of \$1,576 and expense of \$3,936 (2021 - recovery of \$5,297 and \$24,987)	9	(9,937)	58	6,185	(63,928)
Other comprehensive income (loss)		26,179	13,382	65,503	(29,075)
Total comprehensive income (loss)		\$ 101,520	\$ (6,777)	\$ 186,365	\$ (83,760)
Net earnings (loss) per unit	10				
Basic net earnings (loss) per unit		\$ 0.69	\$ (0.19)	\$ 1.14	\$ (0.54)
Diluted net earnings (loss) per unit		\$ 0.38	\$ (0.19)	\$ 0.84	\$ (0.54)

# CHEMTRADE LOGISTICS INCOME FUND

Condensed Consolidated Interim Statements of Changes in Unitholders' Equity

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

(Unaudited)

	Notes	Units	Contributed surplus	Deficit	Cumulative translation account*	Unrealized (gains) losses on cash flow and net investment hedges*	Change in fair value of convertible debentures due to credit risk*	Total unitholders' equity
<b>Balance at January 1, 2022</b>		\$ 1,541,583	\$ 9,720	\$ (1,379,076)	\$ 157,393	\$ 13,329	\$ 36,899	\$ 379,848
Issuance of units for cash, net of transaction costs	10	83,666	—	—	—	—	—	83,666
Issuance of units under the Distribution Reinvestment Plan ("DRIP")	10	7,516	—	—	—	—	—	7,516
Net earnings		—	—	120,862	—	—	—	120,862
Other comprehensive income (loss)		—	—	4,022	78,660	(23,364)	6,185	65,503
Distributions	10	—	—	(48,360)	—	—	—	(48,360)
<b>Balance at September 30, 2022</b>		\$ 1,632,765	\$ 9,720	\$ (1,302,552)	\$ 236,053	\$ (10,035)	\$ 43,084	\$ 609,035

	Notes	Units	Contributed surplus	Deficit	Cumulative translation account*	Unrealized (gains) losses on cash flow and net investment hedges*	Change in fair value of convertible debentures due to credit risk*	Total unitholders' equity
<b>Balance at January 1, 2021</b>		\$ 1,465,029	\$ 9,720	\$ (1,101,455)	\$ 160,953	\$ (12,700)	\$ 84,268	\$ 605,815
Issuance of units for cash, net of transaction costs	10	67,586	—	—	—	—	—	67,586
Issuance of units under the DRIP	10	6,611	—	—	—	—	—	6,611
Net loss		—	—	(54,685)	—	—	—	(54,685)
Other comprehensive income (loss)		—	—	20,562	3,917	10,374	(63,928)	(29,075)
Distributions	10	—	—	(45,782)	—	—	—	(45,782)
<b>Balance at September 30, 2021</b>		\$ 1,539,226	\$ 9,720	\$ (1,181,360)	\$ 164,870	\$ (2,326)	\$ 20,340	\$ 550,470

\* Accumulated other comprehensive income.

# CHEMTRADE LOGISTICS INCOME FUND

Condensed Consolidated Interim Statements of Cash Flows

(In thousands of Canadian dollars)

(Unaudited)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2022	2021	2022	2021
<b>Cash flows from operating activities:</b>					
Net earnings (loss)		\$ 75,341	\$ (20,159)	\$ 120,862	\$ (54,685)
Adjustments for:					
Depreciation and amortization	15	56,598	56,590	162,028	179,554
Net loss (gain) on disposal and write-down of property, plant and equipment ("PPE")	4	895	(132)	(17,456)	423
Adjustment to net proceeds from assets sold		—	—	478	—
Income tax expense (recovery)	16	12,870	8,248	27,399	(6,963)
Net finance (income) costs	14	(25,864)	18,657	12,782	59,277
Unrealized foreign exchange loss		17,217	4,049	20,525	10,239
		137,057	67,253	326,618	187,845
Decrease (Increase) in working capital		22,572	29,294	(11,195)	(13,573)
Interest paid		(11,389)	(12,341)	(37,029)	(46,402)
Interest received		630	165	1,620	496
Net income tax paid		(5,398)	(3,011)	(15,433)	(2,556)
<b>Net cash flows from operating activities</b>		<b>143,472</b>	<b>81,360</b>	<b>264,581</b>	<b>125,810</b>
<b>Cash flows from investing activities:</b>					
Additions to PPE		(31,682)	(21,303)	(75,559)	(46,629)
Net proceeds from disposal of assets	4	—	—	12,494	—
Investment in a joint venture	5	(5,931)	—	(5,931)	—
<b>Net cash flows used in investing activities</b>		<b>(37,613)</b>	<b>(21,303)</b>	<b>(68,996)</b>	<b>(46,629)</b>
<b>Cash flows from financing activities:</b>					
Distributions to unitholders, net of distributions reinvested	10	(13,630)	(13,387)	(40,289)	(38,630)
Repayment of convertible debentures	9	—	—	(143,750)	—
Issuance of units	10	86,543	—	86,543	70,070
Transaction costs related to the issuance of units	10	(4,091)	—	(4,091)	(3,672)
Repayment of lease liability, net of sub-lease receipts		(13,358)	(13,100)	(38,800)	(38,799)
Net change in revolving credit facility	8	(149,653)	(31,431)	(34,464)	(63,369)
Financing transaction costs	8	—	—	—	(584)
<b>Net cash flows used in financing activities</b>		<b>(94,189)</b>	<b>(57,918)</b>	<b>(174,851)</b>	<b>(74,984)</b>
<b>Increase in cash and cash equivalents</b>		<b>11,670</b>	<b>2,139</b>	<b>20,734</b>	<b>4,197</b>
Cash and cash equivalents, beginning of the period		23,341	14,295	13,908	12,511
Effect of exchange rates on cash held in foreign currencies		1,880	334	2,249	60
<b>Cash and cash equivalents, end of the period</b>		<b>\$ 36,891</b>	<b>\$ 16,768</b>	<b>\$ 36,891</b>	<b>\$ 16,768</b>

# CHEMTRADE LOGISTICS INCOME FUND

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

Three and nine months ended September 30, 2022 and 2021

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## 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 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 and zinc oxide. Additionally, Chemtrade provides industrial services such as processing by-products and waste streams. Chemtrade operates in two reportable segments: Sulphur and Water Chemicals ("SWC") and Electrochemicals ("EC"). In addition to the above two reportable segments, Chemtrade discloses results of corporate activities separately. For additional information regarding Chemtrade's reportable segments, see note 18.

Chemtrade is an entity domiciled in Canada. The head office, principal address, and registered and records office of the Fund 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 equity accounted investments 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 as issued by International Accounting Standards Board ("IASB"), using the same accounting policies and standards as were used for Chemtrade's 2021 annual consolidated financial statements. Certain amendments and interpretations apply for the first time in 2022, but do not have an impact on these condensed consolidated interim financial statements.

These condensed consolidated interim financial statements should be read in conjunction with Chemtrade's 2021 annual consolidated financial statements.

# CHEMTRADE LOGISTICS INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements  
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(Unaudited)

Three and nine months ended September 30, 2022 and 2021

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## 2. BASIS OF PREPARATION (continued):

The condensed consolidated interim financial statements were authorized for issue by the Board of Trustees (the "Board") on November 7, 2022.

### (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;
- Convertible unsecured subordinated debentures 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 present value of the defined benefit obligation net of the fair value of the plan assets; 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 (loss) per unit information which is presented in Canadian dollars.

# CHEMTRADE LOGISTICS INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements  
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## 3. SIGNIFICANT ACCOUNTING POLICIES:

### (a) Investment in joint ventures

Chemtrade uses the equity method to account for its investments in joint ventures. Under the equity method, Chemtrade initially recognizes its investments in joint ventures at cost and subsequently increases or decreases the carrying amounts based on its share of each entity's income or loss. Distributions received from these entities reduce the carrying amounts of the investments. Chemtrade eliminates unrealized gains and losses from its investments in joint ventures against its investments, up to the amount of its interest in the entities.

### (b) Standards and interpretations not yet adopted:

The 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 (effective for annual periods beginning on or after January 1, 2023).
- 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 (effective for annual periods beginning on or after January 1, 2023, however, the IASB has proposed to defer the effective date to no earlier than January 1, 2024).
- Amendments to IAS 8, *Accounting Policies - Changes in Accounting Estimates and Errors*, clarifying the definition of "accounting policies" and "accounting estimates" (effective for annual periods beginning on or after January 1, 2023).
- 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 (effective for annual periods beginning on or after January 1, 2023).



# CHEMTRADE LOGISTICS INCOME FUND

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

Three and nine months ended September 30, 2022 and 2021

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## 3. SIGNIFICANT ACCOUNTING POLICIES (continued):

- Amendments to IFRS 16, *Leases*, specifying the requirements that a seller-lessee should use in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains (effective for annual periods beginning on or after January 1, 2024).
- Amendments to IFRS 17, *Insurance Contracts* - a replacement of IFRS 4, *Insurance Contracts*, that aims to provide consistency in the application of accounting for insurance contracts (effective for annual periods beginning on or after January 1, 2023).

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

# CHEMTRADE LOGISTICS INCOME FUND

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

Three and nine months ended September 30, 2022 and 2021

## 4. PROPERTY, PLANT AND EQUIPMENT:

On April 4, 2022, Chemtrade completed the sale of an idled acid plant in Augusta, GA. The details of the sale are as follows:

	<b>Total</b>
Net cash proceeds (US\$9,985)	<b>\$ 12,494</b>
Non-cash proceeds <sup>(1)</sup> - Acid supply contract (US\$1,362)	<b>1,762</b>
- Fair value of buildings to be completed in the future (US\$2,502)	<b>3,236</b>
<b>Total Proceeds (US\$13,849)</b>	<b>17,492</b>
<b>Net carrying amount of PPE sold (US\$58)</b>	<b>(74)</b>
<b>Gain on sale recorded in cost of sales and services (US\$13,791)</b>	<b>\$ 17,418</b>

<sup>(1)</sup> Non-cash proceeds are included in Other assets in the Condensed Consolidated Interim Statement of Financial Position as at September 30, 2022.

# CHEMTRADE LOGISTICS INCOME FUND

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

Three and nine months ended September 30, 2022 and 2021

## 5. INVESTMENT IN JOINT VENTURE:

Chemtrade owns a 49% interest in KPCT Holdings LLC (“KPCT Holdings”), a joint venture for the greenfield construction of a high purity sulphuric acid plant in Casa Grande, AZ with an expected start-up in 2025. Privately held Kanto Group owns the remaining 51% interest in the joint venture. Chemtrade’s interest in KPCT Holdings is accounted for using the equity method in the condensed consolidated interim financial statements. The carrying amount of the investment as of September 30, 2022 is \$5,931 (US\$4,550) (2021 – nil) which is the same as the amount of the capital contribution made during third quarter of 2022.

## 6. OTHER ASSETS:

Chemtrade's other assets are as follows:

	September 30, 2022	December 31, 2021
Interest rate swaps (note 17)	\$ 20,151	—
Non-cash proceeds from sale of PPE (note 4)	5,344	—
Deferred charges	3,263	3,155
Long-term receivables	3,020	2,463
Other	1,784	1,698
	<b>\$ 33,562</b>	<b>\$ 7,316</b>

## 7. PROVISIONS:

### Onerous contracts

During the second quarter of 2022, Chemtrade decided to close its sodium chlorate facility in Beauharnois, QC, which it expects will be completed by the end of 2022. The volumes from the facility will be absorbed by its Brandon, MB and Prince George, BC facilities and by supply from another chlorate producer. During the second quarter of 2022, Chemtrade recorded an expense of \$3,941 (2021 - nil) related to the provisions for an onerous contract in cost of sales and services, of which \$2,627 (December 31, 2021 - nil) is included in the current portion of provisions and \$1,314 (December 31, 2021 - nil) is included in the non-current portion of provisions as at September 30, 2022.

# CHEMTRADE LOGISTICS INCOME FUND

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

Three and nine months ended September 30, 2022 and 2021

## 8. LONG-TERM DEBT:

Changes in long-term debt are as follows:

	Revolving credit (US\$ denominated) <sup>(1)</sup>	Revolving credit (Cdn\$ denominated) <sup>(1)</sup>	Total
Maturity	December 24, 2026	December 24, 2026	
Credit limit US\$ <sup>(2)</sup>	650,000		<b>650,000</b>
Drawn US\$	273,000		<b>273,000</b>
Balance at January 1, 2022	\$ 370,026	\$ 3,505	<b>\$ 373,531</b>
Net change	(30,959)	(3,505)	<b>(34,464)</b>
Loss on net investment hedge of foreign operations	38,575	—	<b>38,575</b>
Foreign exchange rate changes	(110)	—	<b>(110)</b>
Balance at September 30, 2022	<b>\$ 377,532</b>	<b>\$ —</b>	<b>\$ 377,532</b>

<sup>(1)</sup> At September 30, 2022, Chemtrade had committed a total of \$19,999 of the revolving credit facility towards standby letters of credit.

<sup>(2)</sup> At September 30, 2022, Cdn\$ limit of the senior credit facilities ("Credit Facilities") was \$898,885.

In December 2021, Chemtrade amended certain terms of its Credit Facilities by converting the entire facility into a revolving credit facility, reducing the facility size by US\$200,000 and extending the maturity of the facility to December 24, 2026. Chemtrade also amended its covenant package and pricing to pre-pandemic levels.

In June 2022, Chemtrade amended certain terms of its Credit Facilities to allow for the investment in a joint venture with privately held Kanto Group (see note 5) and to recognize any cash distributions received from this joint venture in the calculation of EBITDA for debt covenant purposes.

Chemtrade's Credit Facilities bear variable rates of interest based on the US LIBOR and Canadian Bankers' Acceptance rates. In September 2022, Chemtrade amended certain terms of its Credit Facilities and interest rate swap arrangements to replace US LIBOR with Secured Overnight Financing Rate ("SOFR").

# CHEMTRADE LOGISTICS INCOME FUND

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

Three and nine months ended September 30, 2022 and 2021

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

	Term bank debt (US\$ denominated)	Revolving credit (US\$ denominated) <sup>(1)</sup>	Revolving credit (Cdn\$ denominated) <sup>(1)</sup>	Transaction costs	Total
Maturity	October 24, 2024	October 24, 2024	October 24, 2024		
Credit limit US\$ <sup>(2)</sup>	325,000	525,000			850,000
Drawn US\$	325,000	199,000			524,000
Balance at January 1, 2021	\$ 413,563	\$ 328,692	\$ 39,000	\$ (4,341)	\$776,914
Net change	—	(74,132)	10,763	—	(63,369)
Gain on net investment hedge of foreign operations	(1,463)	(1,933)	—	—	(3,396)
Foreign exchange rate changes	—	(295)	—	—	(295)
Financing transaction costs <sup>(3)</sup>	—	—	—	(584)	(584)
Accretion expense on financing transaction costs	—	—	—	904	904
Balance at September 30, 2021	\$ 412,100	\$ 252,332	\$ 49,763	\$ (4,021)	\$710,174

<sup>(1)</sup> At September 30, 2021, Chemtrade had committed a total of \$19,667 of the revolving credit facility towards standby letters of credit.

<sup>(2)</sup> At September 30, 2021, Cdn\$ limit of the Credit Facilities was \$1,077,800, consisting of a term bank debt of \$412,100 and a revolving credit facility of \$665,700.

<sup>(3)</sup> 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. The transaction costs related to the modification were deferred and were being amortized to finance costs in comprehensive income using the effective interest method.

The Credit Facilities are secured by substantially all of Chemtrade's assets. At September 30, 2022, the weighted average effective interest rate of the facilities was 3.5% (December 31, 2021 - 4.4%). Interest rates on the Credit Facilities are based on SOFR and Canadian Bankers' Acceptance rates, adjusted by Chemtrade's credit spread.

Chemtrade is subject to certain covenants pursuant to its Credit Facilities, which include a Net Debt to EBITDA ratio and an Interest Coverage ratio (as such terms are defined in the credit agreement). Chemtrade monitors these ratios and reports them to its lenders on a quarterly basis. As at September 30, 2022 and December 31, 2021, Chemtrade was in compliance with all covenants.

# CHEMTRADE LOGISTICS INCOME FUND

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Three and nine months ended September 30, 2022 and 2021

## 9. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES:

Changes in convertible unsecured subordinated debentures are as follows:

	Convertible unsecured subordinated debentures <sup>(1)</sup>					Total
	Fund 2016 5.00% Debentures	Fund 2017 4.75% Debentures	Fund 2019 6.50% Debentures	Fund 2020 8.50% Debentures	Fund 2021 6.25% Debentures	
Maturity	August 31, 2023	May 31, 2024	October 31, 2026	September 30, 2025	August 31, 2027	
Interest rate	5.00 %	4.75 %	6.50 %	8.50 %	6.25 %	
Principal outstanding at January 1, 2022	143,750	201,115	100,000	86,250	130,000	<b>661,115</b>
Principal outstanding at September 30, 2022	—	201,115	100,000	86,250	130,000	<b>517,365</b>
Balance at January 1, 2022	143,894	197,796	101,150	97,463	129,870	<b>670,173</b>
Redemption <sup>(2)</sup>	(143,750)	—	—	—	—	<b>(143,750)</b>
Change in fair value recognized in profit or loss	(144)	(13,795)	(10,689)	(11,067)	18,069	<b>(17,626)</b>
Change in fair value due to own credit risk <sup>(3)</sup>	—	10,075	3,539	3,304	(27,039)	<b>(10,121)</b>
Balance at September 30, 2022	—	194,076	94,000	89,700	120,900	<b>498,676</b>

<sup>(1)</sup> The Fund 2016 5.00% Debentures, the Fund 2017 4.75% Debentures, the Fund 2019 6.50% Debentures, the Fund 2020 8.50% Debentures and the Fund 2021 6.25% Debentures are collectively referred to as the "Debentures". Chemtrade has designated the Debentures as financial liabilities at fair value through profit or loss.

<sup>(2)</sup> During the first quarter of 2022, Chemtrade redeemed all of the outstanding Fund 2016 5.00% Debentures for their par value, including accrued interest for a total of \$146,645. Chemtrade used the net proceeds from the Fund 2021 6.25% Debentures offering and a portion of its Credit Facilities to fund the redemption.

<sup>(3)</sup> The change in fair value of the Debentures due to Chemtrade's own credit risk has been presented in other comprehensive income, net of taxes, rather than net earnings (loss).

# CHEMTRADE LOGISTICS INCOME FUND

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## 9. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES (continued):

	Convertible unsecured subordinated debentures <sup>(1)</sup>				Total
	Fund 2016 5.00% Debentures	Fund 2017 4.75% Debentures	Fund 2019 6.50% Debentures	Fund 2020 8.50% Debentures	
Maturity	August 31, 2023	May 31, 2024	October 31, 2026	September 30, 2025	
Interest rate	5.00 %	4.75 %	6.50 %	8.50 %	
Principal outstanding at January 1, 2021	143,750	201,115	100,000	86,250	<b>531,115</b>
Principal outstanding at September 30, 2021	143,750	201,115	100,000	86,250	<b>531,115</b>
Balance at January 1, 2021	126,500	156,870	78,000	84,525	<b>445,895</b>
Change in fair value recognized in profit or loss	3,031	4,229	(2,558)	(3,612)	<b>1,090</b>
Change in fair value due to own credit risk <sup>(1)</sup>	14,362	33,983	23,158	17,412	<b>88,915</b>
Balance at September 30, 2021	143,893	195,082	98,600	98,325	<b>535,900</b>

<sup>(1)</sup> The change in fair value of the Debentures due to Chemtrade's own credit risk has been presented in other comprehensive income, net of taxes, rather than net earnings (loss).

For the three and nine months ended September 30, 2022, interest expense of \$7,949 and \$24,062, respectively, (2021 - \$7,705 and \$22,875, respectively) relating to the Debentures was recognized in net finance costs.

# CHEMTRADE LOGISTICS INCOME FUND

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## 10. 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:

	2022		2021	
	Number of Units	Amount	Number of Units	Amount
Balance – January 1	104,222,562	\$ 1,541,583	93,169,158	\$ 1,465,029
Issuance of units for cash	10,005,000	86,543	9,800,000	70,070
Issuance costs, net of tax recovery of \$1,214 (2021-\$1,188)	—	(2,877)	—	(2,484)
Issuance of units under the DRIP	962,938	7,516	948,292	6,611
<b>Balance – September 30</b>	<b>115,190,500</b>	<b>\$1,632,765</b>	<b>103,917,450</b>	<b>\$ 1,539,226</b>

On March 10, 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 \$70,070. Chemtrade incurred issuance costs of \$2,484, net of tax recovery of \$1,188, which included underwriters' fees and other expenses relating to the offering. Proceeds from the offering were used to repay outstanding indebtedness under the Credit Facilities and for general trust purposes.

On August 22, 2022, Chemtrade completed an equity offering of 10,005,000 units at a price of \$8.65 per unit, resulting in total gross proceeds of \$86,543. Chemtrade incurred issuance costs of \$2,877, net of tax recovery of \$1,214, which included underwriters' fees and other expenses relating to the offering. Proceeds from the offering were used to repay outstanding indebtedness under the Credit Facilities.

### (b) Distributions:

Distributions paid for the three and nine months ended September 30, 2022 were \$16,321 and \$47,805, respectively, (2021 - \$15,622 and \$45,241, respectively) or \$0.15 and \$0.45 per unit, respectively (2021 - \$0.15 and \$0.45 per unit, respectively). Of the distributions paid for the three and nine months ended September 30, 2022, \$13,630 and \$40,289, respectively, (2021 - \$13,387 and \$38,630, respectively) were in cash and \$2,691 and \$7,516, respectively, (2021 - \$2,235 and \$6,611, respectively) were reinvested in additional units pursuant to the DRIP. All of Chemtrade's distributions are discretionary and subject to Board approval.

Distributions declared, including the DRIP bonus distributions for the three and nine months ended September 30, 2022 were \$16,841 and \$48,360, respectively, (2021 - \$15,637 and \$45,782,



# CHEMTRADE LOGISTICS INCOME FUND

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

respectively) or \$0.15 and \$0.45 per unit, respectively, (2021 - \$0.15 and \$0.45 per unit, respectively).

As at September 30, 2022, Chemtrade had \$5,786 distributions payable. On October 26, 2022, distributions of \$4,867 were paid in cash and \$919 were reinvested in additional units pursuant to the DRIP. On October 20, 2022, Chemtrade declared a cash distribution of \$0.05 per unit for the month of October 2022 payable on November 25, 2022 to Unitholders of record at the close of business on October 31, 2022.

### (c) Net earnings (loss) per unit:

Net earnings (loss) 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 (loss) per unit and diluted net earnings (loss) per unit:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
<b>Numerator</b>				
Net earnings (loss)	\$ 75,341	\$ (20,159)	\$ 120,862	\$ (54,685)
Net interest and fair value adjustment on the Debentures <sup>(1)</sup>	(18,445)	—	1,343	—
Net fair value adjustment on deferred unit plan <sup>(1)</sup>	(343)	—	85	—
<b>Diluted net earnings (loss)</b>	<b>\$ 56,553</b>	<b>\$ (20,159)</b>	<b>122,290</b>	<b>\$ (54,685)</b>

<sup>(1)</sup> For the three and nine months ended September 30, 2021, the potential conversion of the Debentures and deferred units have not been included as the effect on net earnings (loss) per unit would be anti-dilutive.

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
<b>Denominator</b>				
Weighted average number of units	109,315,091	103,723,574	106,122,712	100,953,210
Weighted average Debentures dilutive units <sup>(1)</sup>	38,596,205	—	39,083,561	—
Weighted average deferred unit plan dilutive units <sup>(1)</sup>	616,506	—	597,656	—
<b>Weighted average number of diluted units</b>	<b>148,527,802</b>	<b>103,723,574</b>	<b>145,803,929</b>	<b>100,953,210</b>

<sup>(1)</sup> For the three and nine months ended September 30, 2021, the potential conversion of the Debentures and deferred units have not been included as the effect on net earnings (loss) per unit would be anti-dilutive.

# CHEMTRADE LOGISTICS INCOME FUND

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## 11. SHARE-BASED PAYMENTS:

Chemtrade operates a Long-term Incentive Plan ("LTIP"), which grants cash awards based on certain criteria. The 2020 - 2022 and 2021 - 2023 LTIP awards have a performance based component and a RSU component. The 2022 - 2024 LTIP awards have a performance based PSU component and a RSU component. The performance based component of the 2020 - 2022 and 2021 - 2023 LTIP awards and performance based PSU component of the 2022-2024 LTIP are 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 over the course of the performance periods. The performance based PSU component under 2022 - 2024 LTIP awards is also based on Environmental, Social and Governance goals to be achieved by the end of the performance period. The RSU component of the LTIP awards is a phantom plan which is payable in cash at the end of the performance period.

As at September 30, 2022, a liability of \$41,289 (December 31, 2021 - \$39,492) has been recorded, of which \$29,968 (December 31, 2021 - \$13,047) is included in trade and other payables and \$11,321 (December 31, 2021 - \$26,445) is included in other long-term liabilities. For the three and nine months ended September 30, 2022, Chemtrade recorded an expense of \$3,751 and \$14,017, respectively, (2021 - \$9,483 and \$18,464, respectively) in selling and administrative expenses related to the fair value adjustments on the LTIP.

The following RSUs under these plans are outstanding:

	Number of rights	
	2022	2021
Balance – January 1	3,596,918	3,700,080
Grants – new grants	808,820	679,070
– distribution equivalents	197,259	188,223
Forfeitures	(25,846)	(28,764)
Settlements	(1,295,212)	(990,636)
<b>Balance – September 30</b>	<b>3,281,939</b>	<b>3,547,973</b>

# CHEMTRADE LOGISTICS INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements  
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## 11. SHARE-BASED PAYMENTS (continued):

The following PSUs under these plans are outstanding:

	Number of rights
	2022
Balance – January 1	—
Grants – new grants	720,300
– estimated performance adjustment	444,281
– distribution equivalents	68,458
<b>Balance – September 30</b>	<b>1,233,039</b>

Chemtrade has in place a deferred unit plan (“DUP”) for non-employee trustees and directors (“Participants”), pursuant to which the Participants can elect to take all or a portion of their compensation in the form of deferred units of Chemtrade, with the remainder as a cash payment. On May 14, 2020, the DUP was amended. Prior to the amendment, deferred units could be redeemed for cash or units of the Fund purchased on the secondary market. Following the amendment, deferred units are settled in units of the Fund issued from treasury or in cash at the Participant’s request. Currently, the Participants are required to take a minimum of 50% of their compensation in the form of deferred units of Chemtrade. As at September 30, 2022, 611,575 deferred units at a value of \$4,312 were outstanding (December 31, 2021 - 569,017 deferred units at a value of \$4,239).

The following rights under the DUP are outstanding:

	Number of rights	
	2022	2021
Balance – January 1	569,017	556,948
Grants – new grants	73,183	63,765
– distribution equivalents	34,375	33,448
Settlements	(65,000)	(70,000)
<b>Balance – September 30</b>	<b>611,575</b>	<b>584,161</b>

# CHEMTRADE LOGISTICS INCOME FUND

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

### *Inputs for measurement of fair values*

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

	September 30, 2022	December 31, 2021
Chemtrade units:		
Average base price	<b>\$6.35</b>	\$7.37
Period-end unit price	<b>\$7.05</b>	\$7.40
Average expected volatility	<b>33.55%</b>	48.61%
Average risk free interest rate	<b>3.80%</b>	0.89%
Average expected remaining term	<b>1.25 years</b>	1.50 years

## 12. REVENUE:

The components of revenue are as follows:

	<u>Three months ended</u>		<u>Nine months ended</u>	
	<u>September 30,</u>		<u>September 30,</u>	
	2022	2021	2022	2021
Sales of products	\$ 462,844	\$ 320,743	\$1,207,215	\$ 895,715
Processing services	57,076	44,260	149,422	118,998
<b>Revenue</b>	<b>\$ 519,920</b>	<b>\$ 365,003</b>	<b>\$1,356,637</b>	<b>\$1,014,713</b>

# CHEMTRADE LOGISTICS INCOME FUND

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## 13. SELLING AND ADMINISTRATIVE EXPENSES:

The components of selling and administrative expenses are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Wages, salaries and benefits, including bonuses and other	\$ 26,275	\$ 31,845	\$ 84,455	\$ 85,292
Realized foreign exchange loss (gain)	2,750	1,719	(809)	(902)
Unrealized foreign exchange loss	17,217	4,049	20,525	10,239
Reserve for legal proceedings	—	—	781	1,091
Depreciation (note 15)	595	780	1,904	2,608
Government grants	—	(131)	—	(5,753)
	<b>\$ 46,837</b>	<b>\$ 38,262</b>	<b>\$ 106,856</b>	<b>\$ 92,575</b>

### Government grants

The Canada Emergency Wage Subsidy ("CEWS") was announced on March 27, 2020. Under this program, qualifying businesses could receive up to 75% of their employees' wages, with employers being encouraged to provide the remaining 25%.

The Canada Emergency Rent Subsidy ("CERS") provided rent and mortgage support to businesses affected by COVID-19. Under this program, businesses could claim a subsidy on eligible expenses (with a maximum amount of 65%) if they could demonstrate a revenue loss during the eligible claim periods.

During the three and nine months ended September 30, 2022, Chemtrade did not claim CEWS and CERS and there were no outstanding receivables as of September 30, 2022 (December 31, 2021 - nil). During the three and nine months ended September 30, 2021, Chemtrade received CEWS of \$1,848 and \$7,604, respectively, and CERS of \$60 and \$381, respectively.

# CHEMTRADE LOGISTICS INCOME FUND

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## 14. NET FINANCE COSTS:

The components of net finance costs are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Interest expense on long-term debt	\$ 5,511	\$ 8,811	\$ 16,542	\$ 26,800
Interest expense on convertible debentures (note 9)	7,949	7,705	24,062	22,875
Change in the fair value of convertible debentures (note 9)	(28,825)	(855)	(17,626)	1,090
Interest expense on lease liabilities	1,402	1,706	4,377	5,127
(Income) loss reclassified from other comprehensive income relating to the fair value of the interest rate swaps (note 17)	(4,199)	1,707	(4,199)	3,414
Change in the fair value of interest rate swaps	(7,874)	—	(9,775)	—
Ineffective portion of change in the fair value of interest rate swaps	(232)	(1,284)	(1,466)	(2,495)
Accretion expense on financing transaction costs (note 8)	—	325	—	904
Accretion of provisions	859	469	1,966	1,347
Pension interest	175	238	521	711
Interest income	(630)	(165)	(1,620)	(496)
<b>Net finance (income) costs</b>	<b>\$ (25,864)</b>	<b>\$ 18,657</b>	<b>\$ 12,782</b>	<b>\$ 59,277</b>

## 15. DEPRECIATION AND AMORTIZATION:

The components of depreciation expense of PPE and Right-of-use ("ROU") assets and amortization expense of intangible assets are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
<b>Cost of sales and services:</b>				
Depreciation expense on PPE	\$ 34,323	\$ 31,851	\$ 95,537	\$ 98,082
Depreciation expense on ROU assets	11,274	11,880	33,682	35,566
Amortization expense	10,406	12,079	30,905	43,298
<b>Selling and administrative expenses (note 13):</b>				
Depreciation expense on PPE	308	340	926	1,277
Depreciation expense on ROU assets	287	440	978	1,331
<b>Total depreciation and amortization expense</b>	<b>\$ 56,598</b>	<b>\$ 56,590</b>	<b>\$ 162,028</b>	<b>\$ 179,554</b>

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## 16. 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 for the three and nine months ended September 30, 2022 was 14.6% and 18.5%, respectively, (2021 - (69.2)% and 11.3%, respectively), compared to a statutory rate of 25.3% (2021 - 25.6%).

The effective tax rate for the third quarter and first nine months of 2022 differs from the statutory tax rate primarily due to the deduction of taxable income distributed to Unitholders, difference in domestic corporate and trust tax rates, international income tax rate differences, including the U.S. Base Erosion and Anti-Abuse Tax, valuation allowance for deferred tax assets associated with the unrealized fair value losses on the Debentures and certain permanent differences.

Chemtrade is subject to tax audits from various tax authorities on an ongoing basis. As a result, from time to time, tax authorities may disagree with the positions and conclusions taken by Chemtrade in its tax filings or legislation could be amended or interpretations of current legislation could change, any of which events could lead to reassessments.

# CHEMTRADE LOGISTICS INCOME FUND

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## 17. FINANCIAL INSTRUMENTS:

### (a) Derivatives and hedging:

	September 30, 2022			December 31, 2021		
	Notional Amount	Fair Value Asset	Liability	Notional Amount	Fair Value Asset	Liability
<b>Derivatives designated in a formal hedging relationship</b>						
Cash-settled unit swaps <sup>(1)</sup>	—	\$ 1,662	—	—	\$ 1,508	—
<b>Derivatives not designated in a formal hedging relationship</b>						
Interest rate swaps <sup>(1)</sup>	US\$ 325,000	20,151	—	US\$ 325,000	—	\$ 9,616
Foreign exchange contracts <sup>(1)(2)</sup>	—	—	\$ 10,695	—	\$ 1,070	—
<b>Total</b>		<b>\$ 21,813</b>	<b>\$ 10,695</b>		<b>\$ 2,578</b>	<b>\$ 9,616</b>

<sup>(1)</sup> Current portion of assets is included in Prepaid expenses and other assets, non-current portion of assets is included in Other assets, current portion of liabilities is included in Trade and other payables and non-current portion of liabilities is included in Other long-term liabilities in the Condensed Consolidated Interim Statements of Financial Position as of September 30, 2022 and December 31, 2021.

<sup>(2)</sup> See below for notional amounts.

On January 24, 2019, Chemtrade entered into swap arrangements which fixed the LIBOR components of its interest rates on US\$175,000 of its outstanding term bank debt until December 2023. Chemtrade entered into additional swap arrangements which were effective August 24, 2019 and which fixed the LIBOR components of its interest rates on US\$150,000 of its outstanding term bank debt until December 2023. On April 24, 2020, Chemtrade entered into a swap arrangement which fixed the LIBOR components of its interest rates on up to US\$250,000 of its outstanding revolving credit under its long term debt until it expired on April 24, 2021. These 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 were recognized in other comprehensive income.

During the first quarter of 2021, Chemtrade blended and extended its existing US\$175,000 and US\$150,000 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 recognized 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 was 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 were being hedged were still expected to occur, the changes in fair values of the original swaps as of the termination date remained in accumulated other comprehensive income and reclassified into net earnings over the term of original swaps until December 24, 2021, when Chemtrade reclassified these changes in fair values to net earnings.



# CHEMTRADE LOGISTICS INCOME FUND

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## 17. FINANCIAL INSTRUMENTS (continued):

On December 24, 2021, Chemtrade amended its credit agreement by converting the entire facility into a revolving credit facility. This resulted in the de-recognition of the term bank debt which had been designated as the hedged item for the purpose of hedge accounting. As a result of the amendment and de-designation of the hedged item, Chemtrade reclassified \$8,105 relating to the fair value of the effective portion of the swaps which were previously recorded in other comprehensive income to net earnings.

During the first quarter of 2022, Chemtrade re-designated its US\$175,000 and US\$150,000 interest rate swaps on its outstanding revolving credit facility to continue the benefits of hedge accounting. Effective January 1, 2022 and January 25, 2022, respectively, these swaps were formally designated as cash flow hedges and any changes in the fair value of the effective portion of the swaps were recognized in other comprehensive income.

During the third quarter of 2022, Chemtrade de-designated its US\$175,000 and US\$150,000 interest rate swaps on its outstanding revolving credit facility and hedge accounting on these swaps was discontinued prospectively. As a result of the de-designation, Chemtrade reclassified \$4,199 relating to the changes in fair value of the effective portion of the swaps which were previously recorded in other comprehensive income to net earnings.

The above interest rate swaps were indexed to 1-month LIBOR, however, these were de-designated prior to September 2022. In September 2022, Chemtrade amended certain terms of its Credit Facilities and interest rate swap arrangements to replace US LIBOR with SOFR.

Chemtrade hedges its investment in foreign operations that use the U.S. dollar as their functional currency by Chemtrade's U.S. dollar-denominated bank 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 recognized in other comprehensive income.

For the three and nine months ended September 30, 2022, a foreign exchange loss of \$28,896 and \$38,575, respectively, (2021 - loss of \$13,802 and gain of \$3,396, respectively) on the revaluation of the U.S. dollar-denominated debt related to this hedging strategy was recognized in other comprehensive income, net of tax.

During the third quarter of 2021, Chemtrade entered into cash-settled unit swap arrangements which fixed the unit price on a portion of the RSU component of its LTIP awards. During the first quarter of 2022, Chemtrade rolled over the hedged units maturing on March 31, 2022, into 2023, 2024 and 2025. In addition to a portion of the RSU component of its LTIP awards, these arrangements fixed the unit price of the PSU component of its 2022 - 2024 LTIP awards. The RSU component of the LTIP awards is a phantom plan which is payable in cash at the end of the performance period. The PSU component of the LTIP awards gives a right to the

# CHEMTRADE LOGISTICS INCOME FUND

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## 17. FINANCIAL INSTRUMENTS (continued):

participants to receive cash payments upon the achievement of performance goals during the performance periods. The arrangements are based on a portion of RSUs and PSUs outstanding for all its existing LTIP awards. As at September 30, 2022, the notional number of units hedged was 2,737,222 with maturity dates ranging between March 2023 and March 2025. Distributions on the hedged units are reinvested in these swap arrangements. These swaps are formally designated as cash flow hedges at the date of inception and any changes in the fair value of the unvested portion of the RSUs and PSUs are recognized in other comprehensive income.

Chemtrade has entered into foreign exchange contracts to manage some of its exposure to foreign currencies. Chemtrade buys and sells specific amounts of currencies at pre-determined dates and exchange rates, which are matched with the anticipated operational cash flows. Contracts in place at September 30, 2022 include future contracts to sell the following amounts for periods through to December 2023:

<b>Amount</b>	<b>Maturity</b>	<b>Exchange rate range</b>
US\$65,842	Q4 2022	\$1.28 - \$1.37
US\$32,046	Q1 2023	\$1.28 - \$1.29
US\$25,147	Q2 2023	\$1.29 - \$1.30
US\$16,116	Q3 2023	\$1.29 - \$1.31
US\$8,000	Q4 2023	\$1.29 - \$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 long-term debt, excluding transaction costs, approximates fair value as the debt accrues interest at variable interest rates.

For fair value estimates relating to the 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:

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## 17. FINANCIAL INSTRUMENTS (continued):

*Level 1* - Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

*Level 2* - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

*Level 3* - Significant unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The 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. Any changes in the fair value of the Debentures are recognized in net earnings except for changes due to the Fund's own credit risk which are recorded in other comprehensive income.

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. Any changes in the effective and ineffective portions of fair value of these arrangements were recognized in other comprehensive income and net earnings, respectively. Any changes in the fair value of derivatives not designated in a formal hedging relationship are recognized in net earnings.

The fair value of the cash-settled unit swap arrangements is the difference between the forward unit price and the contract unit price. These swaps are recorded in prepaid expenses and other assets on the statements of financial position. Any changes in the fair value of the unvested portion of the RSUs and PSUs are recognized in other comprehensive income.

# CHEMTRADE LOGISTICS INCOME FUND

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

Three and nine months ended September 30, 2022 and 2021

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## 18. REPORTABLE SEGMENTS:

During 2021, Chemtrade had operated in three reportable segments: Sulphur Products & Performance Chemicals ("SPPC"), Water Solutions & Specialty Chemicals ("WSSC") and Electrochemicals ("EC"). However, as a result of changes in the organization, Chemtrade reconfigured its operating segments during the first quarter of 2022 by aggregating the operating segments in the SPPC reportable segment with the remaining operating segments in the WSSC reportable segment to form a new reportable segment called Sulphur and Water Chemicals ("SWC") and the EC segment remained unchanged.

The reportable segments of Chemtrade are strategic business groups that offer products and services to target markets, as described below.

SWC markets, removes and/or produces merchant, regenerated and ultra pure sulphuric acid, sodium hydrosulphite, elemental sulphur, liquid sulphur dioxide, hydrogen sulphide, sodium bisulphite, and sulphides, and provides other processing services. SWC also 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 and phosphorus pentasulphide. SWC products are marketed primarily to North American customers. SWC is comprised of several operating segments which are aggregated into a single reportable segment as they have similar economic characteristics, the products and services are similar in nature, employ similar production processes and use similar distribution methods to deliver products to customers.

EC manufactures and markets sodium chlorate and chlor-alkali products including caustic soda, chlorine and hydrochloric acid (HCl), largely for the pulp and paper, oil and gas and water treatment industries. These products are marketed primarily to North American and South American customers. EC is comprised of several operating segments which are aggregated into a single reportable segment as they have similar economic characteristics, the products and services are similar in nature, employ similar production processes and use similar distribution methods to deliver products to customers.

Corporate items and eliminations include centralized services, such as treasury, finance, information technology, human resources, legal and risk management, and environmental, health and safety support, and eliminations of inter-segment revenues and costs.

Chemtrade's chief operating decision maker ("CODM") is the Chief Executive Officer ("CEO"). The CODM regularly reviews the operations and performance by segment and considers Adjusted EBITDA as an indirect measure of net earnings (loss) for the purpose of assessing performance of each segment and to make decisions about the allocation of

# CHEMTRADE LOGISTICS INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements  
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## 18. REPORTABLE SEGMENTS (continued):

resources. Adjusted EBITDA is defined as net earnings before any deduction for net finance costs, income taxes, depreciation, amortization and other non-cash charges such as impairment, change in environmental liability, net gains and losses on the disposal and write-down of PPE, and unrealized foreign exchange gains and losses. Adjusted EBITDA is not intended to be representative of cash flow from operations or financial performance determined in accordance with IFRS or cash available for distribution. The remaining net earnings (loss) items and the balance sheet are reviewed on a consolidated basis by the CODM and therefore are not included in the segmented information below.

### Three months ended September 30, 2022

	SWC	EC	Corporate items and eliminations	Total
Revenue - third party	\$ 311,527	\$ 208,393	\$ —	\$ 519,920
- inter-segment	175	1,654	(1,829)	—
Revenue - total	311,702	210,047	(1,829)	519,920
Cost of sales and services	(266,275)	(146,290)	1,829	(410,736)
Gross profit	45,427	63,757	—	109,184
Selling and administrative expenses	(5,116)	(3,869)	(37,852)	(46,837)
Operating income (loss)	40,311	59,888	(37,852)	62,347
Depreciation and amortization	28,307	28,291	—	56,598
Net loss on disposal and write-down of PPE	853	42	—	895
Unrealized foreign exchange loss	—	—	17,217	17,217
Adjusted EBITDA	69,471	88,221	(20,635)	137,057
Capital expenditures	18,842	12,260	580	31,682

# CHEMTRADE LOGISTICS INCOME FUND

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Three and nine months ended September 30, 2022 and 2021

## 18. REPORTABLE SEGMENTS (continued):

### Three months ended September 30, 2021

	SWC	EC	Corporate items and eliminations	Total
Revenue - third party	\$ 228,614	\$ 136,389	\$ —	\$ 365,003
- inter-segment	61	969	(1,030)	—
Revenue - total	228,675	137,358	(1,030)	365,003
Cost of sales and services	(191,898)	(129,127)	1,030	(319,995)
Gross profit (loss)	36,777	8,231	—	45,008
Selling and administrative expenses	(5,050)	(3,482)	(29,730)	(38,262)
Operating income (loss)	31,727	4,749	(29,730)	6,746
Depreciation and amortization	27,716	28,874	—	56,590
Net (gain) loss on disposal and write-down of PPE	(215)	83	—	(132)
Unrealized foreign exchange loss	—	—	4,049	4,049
Adjusted EBITDA	59,228	33,706	(25,681)	67,253
Capital expenditures	12,542	8,281	480	21,303

# CHEMTRADE LOGISTICS INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements  
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Three and nine months ended September 30, 2022 and 2021

## 18. REPORTABLE SEGMENTS (continued):

### Nine months ended September 30, 2022

	SWC	EC	Corporate items and eliminations	Total
Revenue - third party	\$ 810,008	\$ 546,629	\$ —	\$ 1,356,637
- inter-segment	421	4,392	(4,813)	—
Revenue - total	810,429	551,021	(4,813)	1,356,637
Cost of sales and services	(674,590)	(418,961)	4,813	(1,088,738)
Gross profit	135,839	132,060	—	267,899
Selling and administrative expenses	(14,867)	(6,828)	(85,161)	(106,856)
Operating income (loss)	120,972	125,232	(85,161)	161,043
Depreciation and amortization	82,911	79,117	—	162,028
Net (gain) loss on disposal and write-down of PPE	(17,638)	182	—	(17,456)
Adjustment to net proceeds from assets sold	478	—	—	478
Unrealized foreign exchange loss	—	—	20,525	20,525
Adjusted EBITDA	186,723	204,531	(64,636)	326,618
Capital expenditures	43,941	30,350	1,268	75,559

# CHEMTRADE LOGISTICS INCOME FUND

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## 18. REPORTABLE SEGMENTS (continued):

### Nine months ended September 30, 2021

	SWC	EC	Corporate items and eliminations	Total
Revenue - third party	\$ 633,152	\$ 381,561	\$ —	\$ 1,014,713
- inter-segment	140	2,955	(3,095)	—
Revenue - total	633,292	384,516	(3,095)	1,014,713
Cost of sales and services	(549,014)	(378,590)	3,095	(924,509)
Gross profit	84,278	5,926	—	90,204
Selling and administrative expenses	(14,063)	(8,466)	(70,046)	(92,575)
Operating income (loss)	70,215	(2,540)	(70,046)	(2,371)
Depreciation and amortization	92,488	87,066	—	179,554
Net loss on disposal and write-down of PPE	305	118	—	423
Unrealized foreign exchange loss	—	—	10,239	10,239
Adjusted EBITDA	163,008	84,644	(59,807)	187,845
Capital expenditures	25,630	20,139	860	46,629



# CHEMTRADE LOGISTICS INCOME FUND

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## 18. REPORTABLE SEGMENTS (continued):

### 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 September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Canada	\$ 161,967	\$ 113,210	\$ 436,000	\$ 326,040
United States	330,939	234,715	842,684	639,322
South America	27,014	17,078	77,953	49,351
	<b>\$ 519,920</b>	<b>\$ 365,003</b>	<b>\$ 1,356,637</b>	<b>\$ 1,014,713</b>

### PPE, ROU assets and intangible assets

	September 30, 2022	December 31, 2021
Canada	\$ 737,376	\$ 795,084
United States	834,341	786,304
South America	105,580	104,194
	<b>\$ 1,677,297</b>	<b>\$ 1,685,582</b>