CHEMTRADE LOGISTICS INCOME FUND

Management's Discussion and Analysis

For the Three and Nine Months Ended September 30, 2022

November 7, 2022

Q3 2022

CHEMTRADE

MANAGEMENT'S DISCUSSION AND ANALYSIS

This MD&A is intended to assist you to understand and assess the trends and significant changes in the results of operations and financial condition of Chemtrade Logistics Income Fund.

This MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements of Chemtrade for the three and nine months ended September 30, 2022, the audited consolidated financial statements of Chemtrade for the year ended December 31, 2021 and the annual MD&A for the year ended December 31, 2021.

Chemtrade's financial statements are prepared in accordance with IFRS. Chemtrade's reporting currency is the CAD. In this MD&A, amounts are presented in thousands of CAD unless otherwise indicated. This MD&A is current as at November 7, 2022 and was approved by the Board on that date.

This MD&A contains certain non-IFRS financial measures and ratios which do not have standard meanings under IFRS. Therefore they may not be comparable to similar measures presented by other issuers. Further information and reconciliations of these measures to the most directly comparable measures under IFRS may be found at **Non-IFRS and Other Financial Measures** on page 37.

This MD&A also contains statements and information about our expectations about the future. Please refer to the cautionary statement in **Caution Regarding Forward Looking Statements** on page 35.

Definitions

MD&A means Management's Discussion & Analysis

Fund means Chemtrade Logistics Income Fund

Chemtrade, we, us and *our* mean the Fund and its consolidated subsidiaries

IFRS means International Financial Reporting Standards

SWC means our Sulphur and Water Chemicals reportable segment

EC means our Electrochemicals reportable segment

More terms and definitions are explained on page 41.

Where to find it

About Chemtrade

We provide industrial chemicals and services to customers in North America and around the world. We report our results in two reportable segments:

Sulphur and Water Chemicals (SWC) and

Electrochemicals (EC).

SWC 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. 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.

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.

RECENT DEVELOPMENTS

KPCT Joint Venture Agreement

On July 18, 2022, we announced a joint venture with privately held Kanto Group for the greenfield construction of a high purity sulphuric acid plant in Casa Grande, AZ. The plant has an expected start-up in 2025 having a total annual capacity of approximately 100,000MT of electronic grade acid. Kanto Group and Chemtrade own 51% and 49%, respectively, of KPCT Advanced Chemicals LLC, the joint venture. While detailed cost estimates are not yet available, we currently estimate that aggregate capital to construct the plant will range from US$175.0 million to US$250.0 million. The joint venture is targeting a return on investment of approximately 20%. During the third quarter of 2022, we contributed $5.9 million (US$4.5 million) towards the capital in this joint venture.

We currently intend to fund our share of required capital by using the proceeds of the August 2022 equity offering, excess operating cash flows and our Credit Facilities.

Issuance of Fund units

During the third quarter of 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 $86.5 million. Chemtrade incurred issuance costs of $2.9 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 temporarily repay outstanding indebtedness under the Credit Facilities. In the future, we intend to use the net proceeds to partially finance our ultrapure sulphuirc acid growth projects.

FINANCIAL HIGHLIGHTS

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

	Three months ended		Nine months ended	
($'000 except per unit amounts)	**September 30, 2022**	September 30, 2021	**September 30, 2022**	September 30, 2021
Revenue	$ 519,920	$ 365,003	$ 1,356,637	$ 1,014,713
Net earnings (loss) [1]	$ 75,341	$ (20,159)	$ 120,862	$ (54,685)
Net earnings (loss) per unit [1][2]	$ 0.69	$ (0.19)	$ 1.14	$ (0.54)
Diluted net earnings (loss) per unit [1][2]	$ 0.38	$ (0.19)	$ 0.84	$ (0.54)
Total assets	$ 2,160,530	$ 2,431,574	$ 2,160,530	$ 2,431,574
Long-term debt	$ 377,532	$ 710,174	$ 377,532	$ 710,174
Convertible unsecured subordinated debentures	$ 498,676	$ 535,900	$ 498,676	$ 535,900
Adjusted EBITDA [3]	$ 137,057	$ 67,253	$ 326,618	$ 187,845
Cash flows from operating activities	$ 143,472	$ 81,360	$ 264,581	$ 125,810
Distributable cash after maintenance capital expenditures[3]	$ 82,529	$ 19,313	$ 171,716	$ 58,428
Distributable cash after maintenance capital expenditures per unit [2][3]	$ 0.75	$ 0.19	$ 1.62	$ 0.58
Distributions declared	$ 16,841	$ 15,637	$ 48,360	$ 45,782
Distributions declared per unit [4]	$ 0.15	$ 0.15	$ 0.45	$ 0.45
Distributions paid, net of distributions reinvested	$ 13,630	$ 13,387	$ 40,289	$ 38,630

[1] Results for the nine months ended September 30, 2022 include a gain of $17.4 million or $0.16 per unit relating to the sale of an idled acid plant in Augusta, GA.

[2] Based on weighted average number of units outstanding for the period.

[3] See Non-IFRS and Other Financial Measures on page 37.

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

CONSOLIDATED OPERATING RESULTS

	Three months ended September 30, 2022 vs 2021	Nine months ended September 30, 2022 vs 2021
F/X Rate	US$1.00 = $1.31 in 2022 compared with US$1.00 = $1.26 in 2021. The weaker Canadian dollar during 2022 compared with 2021 had a positive impact on consolidated revenue, gross profit and EBITDA of $15.2 million, $3.8 million and $4.3 million, respectively.	US$1.00 = $1.28 in 2022 compared with US$1.00 = $1.25 in 2021. The weaker Canadian dollar during 2022 compared with 2021 had a positive impact on consolidated revenue, gross profit and EBITDA of $26.2 million, $7.1 million and $8.0 million, respectively.
Revenue	Consolidated revenue for 2022 was $519.9 million, which was $154.9 million higher than revenue for 2021. The increase was primarily due to: • higher selling prices of chlor-alkali products in the EC segment, and • higher selling prices of merchant acid, water solutions products and Regen acid in the SWC segment, partially offset by: • revenue relating to the KCl and vaccine adjuvant businesses which was included in Q3 2021 but not in Q3 2022, as these businesses were sold during the fourth quarter of 2021.	Consolidated revenue for 2022 was $1,356.6 million, which was $341.9 million higher than revenue for 2021. The increase was primarily due to: • higher selling prices of chlor-alkali products in the EC segment, and • higher selling prices of merchant acid, water solutions products and Regen acid in the SWC segment, partially offset by: • revenue relating to the KCl and vaccine adjuvant businesses which was included in 2021 but not in 2022, as these businesses were sold during the fourth quarter of 2021, and • lower sales volumes of sodium chlorate in the EC segment.
Adjusted EBITDA	Adjusted EBITDA for 2022 was $69.8 million higher than the Adjusted EBITDA for the same period of 2021, which included Adjusted EBITDA of $3.6 million relating to the businesses sold in the fourth quarter of 2021. The increase in Adjusted EBITDA was primarily due to: • stronger results in both the EC and SWC segments, and • lower corporate costs.	Adjusted EBITDA for 2022 was $138.8 million higher than the Adjusted EBITDA for the same period of 2021, which included Adjusted EBITDA of $13.1 million relating to the businesses sold in the fourth quarter of 2021. The increase in Adjusted EBITDA was primarily due to: • stronger results in both the EC and SWC segments, partially offset by: • higher corporate costs.

	Three months ended September 30, 2022 vs 2021	Nine months ended September 30, 2022 vs 2021
Net Earnings (loss)	Net earnings for 2022 were $95.5 million higher than 2021 primarily due to: • higher Adjusted EBITDA, and • lower net finance costs in 2022 (see **Net Finance Costs** on page 14), partially offset by: • higher unrealized foreign exchange losses (see **Foreign Exchange** on page 12), and • higher income tax expenses (see **Income Taxes** on page 15).	Net earnings for 2022 were $175.5 million higher than 2021 primarily due to: • higher Adjusted EBITDA, • lower net finance costs in 2022 (see **Net Finance Costs** on page 14), • lower depreciation and amortization expense, partially offset by: • income tax expenses recorded during 2022, whereas there were income tax recoveries in 2021 (see **Income Taxes** on page 15), and • higher unrealized foreign exchange losses (see **Foreign Exchange** on page 12).

RESULTS OF OPERATIONS BY REPORTABLE SEGMENT

SULPHUR AND WATER CHEMICALS (SWC)

	Three months ended		Nine months ended	
($'000)	September 30, 2022	September 30, 2021 [1]	September 30, 2022	September 30, 2021 [1]
Revenue	$ 311,527	$ 228,614	$ 810,008	$ 633,152
Gross profit	45,427	36,777	135,839	84,278
Adjusted EBITDA	69,471	59,228	186,723	163,008

[1] During the three and nine months ended September 30, 2021, SWC included $12.3 million and $37.9 million, respectively, of revenue, $3.6 million and $13.1 million, respectively, of gross profit and $3.6 million and $13.1 million, respectively, of Adjusted EBITDA, relating to the KCl and vaccine adjuvants businesses which were sold in the fourth quarter of 2021.

	SWC OPERATING RESULTS	
	Three months ended September 30, 2022 vs 2021	**Nine months ended September 30, 2022 vs 2021**
Revenue	The increase shown above was primarily due to: • higher selling prices of merchant acid, water solutions products and Regen acid, and • higher sales volumes of merchant acid, which more than offset: • revenue relating to the KCl and vaccine adjuvant businesses which was included in Q3 2021 but not in Q3 2022, as these businesses were sold during the fourth quarter of 2021.	The increase shown above was primarily due to: • higher selling prices of merchant acid, water solutions products and Regen acid, and • higher sales volumes of merchant acid and Regen acid, which more than offset: • revenue relating to the KCl and vaccine adjuvant businesses which was included in 2021 but not in 2022, as these businesses were sold during the fourth quarter of 2021.

	SWC OPERATING RESULTS	
	Three months ended September 30, 2022 vs 2021	**Nine months ended September 30, 2022 vs 2021**
Gross Profit	Gross profit shown above was higher due to: • higher sales volumes of merchant acid and water solutions products and higher selling prices of Regen acid, partially offset by: • gross profit earned in Q3 2021 by the KCl and vaccine adjuvant businesses which were sold during the fourth quarter of 2021. Higher selling prices of merchant acid and water solutions products offset higher costs for sulphur and freight.	Gross profit shown above was higher due to: • higher selling prices of merchant acid and Regen acid, and • a gain relating to the sale of an idled acid plant in Augusta, GA during the second quarter of 2022, partially offset by: • higher sulphur costs, and • gross profit earned in 2021 by the KCl and vaccine adjuvant businesses which were sold during the fourth quarter of 2021. Higher selling prices of water solutions products offset higher sulphur costs.
Adjusted EBITDA	The factors that affected revenue and gross profit also resulted in higher Adjusted EBITDA in 2022.	The factors that affected revenue and gross profit also resulted in higher Adjusted EBITDA in 2022. During Q1 2021, Regen results were negatively affected by the severe winter storms experienced by large parts of the U.S. and by the stay-at-home orders in California which reduced demand for gasoline, resulting in lower demand for Regen acid. Regen demand during 2022 was generally back to pre-pandemic levels.

ELECTROCHEMICALS (EC)

($'000)		Three months ended September 30, 2022		Three months ended September 30, 2021		Nine months ended September 30, 2022		Nine months ended September 30, 2021
North American sales volumes:								
Sodium chlorate sales volumes (000's MT)		91		91		263		274
Chlor-alkali sales volumes (000's MECU)		52		52		138		138
Revenue	$	208,393	$	136,389	$	546,629	$	381,561
Gross profit		63,757		8,231		132,060		5,926
Adjusted EBITDA		88,221		33,706		204,531		84,644

<table>
<tr><th></th><th colspan="2">EC OPERATING RESULTS</th></tr>
<tr><th></th><th>Three months ended September 30, 2022 vs 2021</th><th>Nine months ended September 30, 2022 vs 2021</th></tr>
<tr><td>Revenue</td><td>The higher revenue shown above was primarily due to:
• an increase in selling prices for all three chlor-alkali products (caustic soda, chlorine and HCl) resulting in an increase of approximately $980 in realized MECU netbacks (i.e. selling price less freight).</td><td>The higher revenue shown above was primarily due to:
• an increase in selling prices for all three chlor-alkali products (caustic soda, chlorine and HCl) resulting in an increase of approximately $905 in realized MECU netbacks (i.e. selling price less freight), and
• higher revenue in Brazil.</td></tr>
<tr><td>Gross Profit</td><td>Gross profit shown above was higher due to:
• higher selling prices for all three chlor-alkali products.</td><td>Gross profit shown above was higher due to:
• higher selling prices for chlor-alkali products,
partially offset by:
• lower sales volumes of sodium chlorate,
• approximately $17.1 million negative impact related to the biennial maintenance turnaround at the North Vancouver chlor-alkali plant during Q2 2022, and
• $3.9 million expense recorded during Q2 2022 related to the provisions for an onerous contract resulting from closure of our Beauharnois, QC sodium chlorate facility, which is expected to be completed by the end of 2022</td></tr>
</table>

	EC OPERATING RESULTS	
	Three months ended September 30, 2022 vs 2021	**Nine months ended September 30, 2022 vs 2021**
Adjusted EBITDA	Adjusted EBITDA shown above was higher due to: • higher selling prices for chlor-alkali products. Realized MECU netbacks during Q3 2022 were approximately $980 higher than Q3 2021. Approximately 50% of this was due to higher realized prices for caustic soda and the balance due to higher realized prices for chlorine and to a lesser extent for HCl. Asian caustic soda fundamentals (which drive our selling price) were supported by reduced supply in Europe due to very high costs for electricity, the main input cost for chlor-alkali. Demand for HCl was strong due to increased fracking activity in North America. Chlorine benefited from reduced supply.	Adjusted EBITDA shown above was higher due to: • higher selling prices for chlor-alkali products, partially offset by: • lower sales volumes of sodium chlorate, and • the negative impact related to the biennial maintenance turnaround at the North Vancouver chlor-alkali plant during Q2 2022 and expense related to the closure of our Beauharnois, QC sodium chlorate facility, which is expected to be completed by the end of 2022. Realized MECU netbacks during 2022 were approximately $905 higher than 2021. Approximately 50% of this was due to higher realized prices for caustic soda and the balance due to higher realized prices for chlorine and to a lesser extent for HCl. Asian caustic soda fundamentals (which drive our selling price) were supported by reduced supply in Europe due to very high costs for electricity, the main input cost for chlor-alkali. Demand for HCl was strong due to increased fracking activity in North America. Chlorine benefited from reduced supply.

Corporate Costs

Corporate costs include 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 a reportable segment.

	Three months ended		Nine months ended	
($'000)	**September 30, 2022**	**September 30, 2021**	**September 30, 2022**	**September 30, 2021**
Cost of services (Adjusted EBITDA)	(20,635)	(25,681)	(64,636)	(59,807)

	CORPORATE COSTS	
	Three months ended September 30, 2022 vs 2021	**Nine months ended September 30, 2022 vs 2021**
Cost of Services	Corporate costs shown above were lower primarily due to: • $5.7 million lower LTIP costs as LTIP costs were unusually high in Q3 2021, and • $0.4 million lower short-term incentive compensation costs, partially offset by: • $0.7 million higher realized foreign exchange loss.	Corporate costs shown above were higher primarily due to: • a $5.8 million government grant recognized in relation to the CEWS and the CERS in 2021, whereas, there were no grants claimed in 2022, • $2.4 million lower realized foreign exchange gain as compared to 2021, and • $1.0 million higher incentive compensation costs, partially offset by: • $4.4 million lower LTIP costs.

Reserve for legal proceedings

General Chemical (which was acquired by us) 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. 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. These lawsuits were settled and were paid out during the fourth quarter of 2021.

Foreign Exchange

We have certain operating subsidiaries that use the USD as their functional currency. As we report in CAD, our reported net earnings are exposed to fluctuations in the CAD/USD exchange rate. If the CAD weakened by one-cent (for example, from $1.38 to $1.39 for US$1.00), on an unhedged basis, this would have the impact as below:

Measure	Impact
Annual net earnings	+ $2.8 million
Adjusted EBITDA	+ $3.9 million
Annual distributable cash after maintenance capital expenditures	+ $2.9 million

If the CAD strengthened by one-cent, on an unhedged basis, this would have the opposite impact.

We manage our financial exposure to fluctuations in the value of the USD relative to the CAD as follows:

a) We maintain USD denominated Credit Facilities, under which most of the borrowings are denominated in USD; and

b) We enter into foreign exchange contracts to hedge a portion of our USD net cash flows for up to eighteen months in the future.

All foreign exchange contracts are under ISDA agreements. Contracts in place at September 30, 2022 include future contracts to sell the following amounts for periods through to December 2023:

Amount ($'000)	Maturity	Exchange rate range
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

The purpose of these contracts is to manage foreign exchange risk on specific transactions in a foreign currency. The amount of the related derivative is recorded at fair value at the period end and is included with prepaid expenses and other assets or trade and other payables on the consolidated statements of financial position. The resultant non-cash charge or gain is included in selling and administrative expenses. The impact of this non-cash charge or gain is excluded from Adjusted EBITDA and Distributable cash after maintenance capital expenditures. See **Non-IFRS and Other Financial Measures** on page 37.

We have hedged our investments in foreign operations that use the USD as their functional currency with our USD-denominated bank debt. As a result, any gains and losses arising from the USD-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 USD-denominated debt and investment in foreign operations are recognized on a net basis in other comprehensive income. The changes recorded in the accumulated other comprehensive income account since December 31, 2021 were a result of changes in the CAD/USD exchange rate between December 31, 2021 and September 30, 2022. For the three and nine months ended September 30, 2022, foreign exchange losses of $28.9 and $38.6 million, respectively, on the revaluation of the USD-denominated debt and investment in foreign operations was recognized in other comprehensive income, compared with foreign exchange loss of $13.8 million and gain of $3.4 million, respectively, during the three and nine months ended September 30, 2021.

The rate of exchange used to translate USD-denominated balances has increased from a rate of US$1.00 = $1.26 at December 31, 2021 to US$1.00 = $1.38 at September 30, 2022. See **Risks and Uncertainties** in our 2021 MD&A for additional comments on foreign exchange.

NET FINANCE COSTS AND INCOME TAXES

Net Finance Costs

During the three months ended September 30, 2022, net finance income was $25.9 million compared with net finance costs of $18.7 million during the same period of 2021. During the nine months ended September 30, 2022, net finance costs were $12.8 million compared with $59.3 million during the same period of 2021.

<table>
<tr><th>Three months ended September 30, 2022 vs 2021</th><th>Nine months ended September 30, 2022 vs 2021</th></tr>
<tr><td>Net finance costs were $44.5 million lower during the third quarter of 2022 relative to 2021. The decrease was primarily due to:
$28.0 million higher gains related to the change in fair value of Debentures during the third quarter of 2022 compared with the same period of 2021 (additional details are shown below),
$7.9 million gains related to the change in the fair value of interest rate swaps,
$4.2 million income reclassified from other comprehensive income due to the de-designation of swaps during the third quarter of 2022 compared with a $1.7 million loss due to the termination of original swaps during the third quarter of 2021, and
lower debt levels in 2022 relative to 2021, which resulted in a lower interest expense of $3.3 million.</td><td>Net finance costs were $46.5 million lower during the nine months ended September 30, 2022 relative to 2021. The decrease is primarily due to:
$18.7 million higher gains related to a change in the fair value of Debentures in 2022 compared with 2021.
lower debt levels in 2022 relative to 2021, which resulted in lower interest expense of $10.3 million,
$9.8 million gains related to change in the fair value of interest rate swaps, and
$4.2 million income reclassified from other comprehensive income due to the de-designation of swaps during the third quarter of 2022 compared with a $3.4 million loss reclassified from other comprehensive income due to the termination of original swaps during 2021.</td></tr>
</table>

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 our own credit risk presented in other comprehensive income rather than net earnings. During the three and nine months ended September 30, 2022, the fair value of the Fund’s Debentures decreased by $17.3 million and $27.8 million, respectively, and increased by $4.4 million and $90.0 million, respectively, during the same periods of 2021.

Below is an explanation of the change in the fair value of Debentures:

		Three months ended September 30,			Nine months ended September 30,		
($ million)	**Recorded in**	**2022**	**2021**	**Variance**	**2022**	**2021**	**Variance**
(Decrease) increase due to a change in risk free rate and a change in the conversion option fair value	Net finance costs	$ (28.8)	$ (0.9)	$ (27.9)	$ (17.6)	$ 1.1	$ (18.7)
Increase (decrease) due to a change in our credit risk, net of taxes	Other comprehensive income	9.9	0.1	9.8	(6.2)	63.9	(70.1)
Tax recovery (expense) due to credit risk	Other comprehensive income	1.6	5.2	(3.6)	(3.9)	25.0	(28.9)
(Decrease) increase in fair value of Debentures		$ (17.3)	$ 4.4	$ (21.7)	$ (27.8)	$ 90.0	$ (117.8)

Since changes in fair value due to credit risk changes are presented in other comprehensive income, they are shown net of related taxes.

The weighted average effective annual interest rate of the Credit Facilities at September 30, 2022 was 3.5% (December 31, 2021 - 4.4%). See **Liquidity and Capital Resources - Financial Instruments** for information concerning swap arrangements on page 19.

Income Taxes

The Fund is a mutual fund trust and a 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, we expect that our 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.

<table>
<tr><th></th><th>Three months ended September 30, 2022 vs 2021</th><th>Nine months ended September 30, 2022 vs 2021</th></tr>
<tr><td>Current Income taxes</td><td>Current income tax for the third quarter of 2022 was an expense of $1.5 million compared with $2.7 million during the same period of 2021. The change was primarily due to:
• decreased income tax due to a tax incentive in Brazil,
partially offset by:
• increased income tax due to higher operating income and increased BEAT tax due to higher interest expense deductions in the U.S.</td><td>Current income tax for first nine months of 2022 was an expense of $9.5 million compared with $1.4 million during the same period of 2021. The change was primarily due to:
• increased income tax due to higher operating income and increased BEAT tax due to higher interest expense deductions in the U.S. and
• increased income tax due to higher operating income in Brazil.</td></tr>
<tr><td>Deferred Income taxes</td><td>Deferred income tax for the third quarter of 2022 was an expense of $11.4 million compared with $5.6 million during the same period of 2021. The change was primarily due to:
• the utilization of tax loss carryforwards to offset higher taxable income in the U.S. and Canada,
partially offset by:
• the reversal of valuation allowance for the deferred tax assets associated with the losses resulting from the change in the fair value of the Debentures during the third quarter of 2022.</td><td>Deferred income tax for the first nine months was an expense of $17.9 million compared with a recovery of $8.3 million for the same period of 2021. The change is primarily due to:
• higher operating income in 2022 resulting in the utilization of tax loss carryforwards to offset taxable income in U.S., Canada and Brazil,
partially offset by:
• the reversal of valuation allowance for the deferred tax assets associated with the losses resulting from the change in the fair value of the Debentures.</td></tr>
</table>

<table>
<tr><th></th><th>As at September 30, 2022 vs December 31, 2021</th></tr>
<tr><td>Deferred tax assets and liabilities</td><td>Deferred tax assets decreased by $23.3 million which was primarily due to:
• utilization of tax loss carryforwards to offset taxable income in the U.S. and Canada, and
• reversal of the valuation allowance for the deferred tax assets associated with the losses resulting from the change in the fair value of the Debentures.

Deferred tax liabilities decreased by $4.1 million, which was primarily due to:
• the depreciation of non-deductible fixed assets and
• revaluation of deductible fixed assets in Brazil.</td></tr>
</table>

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 BEAT tax, reversal of valuation allowance for deferred tax assets associated with the losses resulting from the change in the fair value of the Debentures and certain permanent differences.

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.

DISTRIBUTIONS

Distributions to Unitholders, including bonus distributions, for the three and nine months ended September 30, 2022 were declared as follows:

Record Date	Payment Date		Distribution Per Unit [1]		Total ($'000)
Three months ended September 30:					
July 29, 2022	August 26, 2022	$	0.05	$	5,271
August 31, 2022	September 27, 2022		0.05		5,784
September 29, 2022	October 26, 2022		0.05		5,786
Sub-total			0.15		16,841
Three months ended June 30, 2022		$	0.15	$	15,784
Three months ended March 31, 2022		$	0.15	$	15,735
Total for the nine months ended September 30, 2022		**$**	**0.45**	**$**	**48,360**

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

Distributions to Unitholders, including bonus distributions, for the three and nine months ended September 30, 2021 were declared as follows:

Record Date	Payment Date		Distribution Per Unit [1]		Total ($'000)
Three months ended September 30:					
July 30, 2021	August 26, 2021	$	0.05	$	5,207
August 31, 2021	September 27, 2021		0.05		5,212
September 30, 2021	October 26, 2021		0.05		5,218
Sub-total			0.15		15,637
Three months ended June 30, 2021		$	0.15	$	15,591
Three months ended March 31, 2021		$	0.15	$	14,554
Total for the nine months ended September 30, 2021		**$**	**0.45**	**$**	**45,782**

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

Treatment of our distributions for Canadian income tax purposes for 2021 and 2022 is as follows:

	Other Income	**Dividends [1]**	**Foreign Non-Business Income**	**Total**
2021	0.0%	32.0%	68.0%	100%
2022 [2]	0.0%	34.0%	66.0%	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 2022 distributions will be determined by March 1, 2023.

LIQUIDITY AND CAPITAL RESOURCES

Our distributions to Unitholders are sourced entirely from the Fund's 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. Our cash flow 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 third quarter of 2022 were an inflow of $143.5 million, compared with an inflow $81.4 million for the same period of 2021. The increase in cash flows from operating activities of $62.1 million was primarily due to higher Adjusted EBITDA, partially offset by changes in working capital.

Cash flows from operating activities for the first nine months of 2022 were an inflow of $264.6 million, compared with an inflow of $125.8 million for the same period of 2021. The increase in cash flows from operating activities of $138.8 million was primarily due to higher Adjusted EBITDA and lower interest paid, partially offset by higher income taxes paid.

Investing Activities

Capital expenditures were $31.7 million in the third quarter of 2022, compared with $21.3 million in the third quarter of 2021. These amounts included $26.7 million in the third quarter of 2022 and $15.6 million in the third quarter of 2021 for maintenance capital expenditures[1]. Non-maintenance capital expenditures[2] were $5.0 million during the third quarter of 2022, compared with $5.7 million during the third quarter of 2021.

Capital expenditures were $75.6 million for the first nine months of 2022, compared with $46.6 million for the first nine months of 2021. These amounts included $67.1 million in the first nine months of 2022 and $39.4 million for the first nine months of 2021 for maintenance capital expenditures[1]. Non-maintenance capital expenditures[2] were $8.5 million during the first nine months of 2022, compared with $7.3 million during the first nine months of 2021.

During the second quarter of 2022, we completed the sale of an idled acid plant in Augusta, GA for cash proceeds of $12.5 million (US$10.0 million).

During the third quarter of 2022, we contributed $5.9 million (US$4.5 million) towards the capital in the KPCT joint venture (see **Recent Developments** on page 3).

[1] Maintenance capital expenditures is a supplementary financial measure. See **Non-IFRS and Other Financial Measures**
[2] Non-maintenance capital expenditures is a supplementary financial measure. See **Non-IFRS and Other Financial Measures**

Financing Activities

At September 30, 2022, our Credit Facilities were comprised of a $898.9 million (US$650.0 million) revolving credit facility.

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

In June 2022, we amended certain terms of our Credit Facilities to allow for the investment in the KPCT joint venture and to recognize any cash distributions received from this joint venture in the calculation of EBITDA for debt covenant purposes (see **Recent Developments** on page 3).

Our Credit Facilities bear variable rates of interest based on the U.S. LIBOR and Canadian Bankers' Acceptance rates. In September 2022, we amended certain terms of our Credit Facilities and interest rate swap arrangements to replace US LIBOR with SOFR.

There was a net decrease in borrowings from our Credit Facilities of $149.7 million during the three months ended September 30, 2022 and a net decrease of $34.5 million during the nine months ended September 30, 2022 compared with net decreases of $31.4 million and $63.4 million, respectively, during the same periods of 2021. The decrease in borrowings for the third quarter of 2022 was a result of an equity offering plus cash flows from operations. During the fourth quarter of 2021, we issued a new series of Debentures and used the net proceeds of $130.0 million to temporarily repay our Credit Facilities. These funds were then drawn from our Credit Facilities during the first quarter of 2022 to finance the redemption of the Fund 2016 5.00% Debentures. Excluding this, the net decrease in borrowings from our Credit Facilities for the nine months ended September 30, 2022 was $164.5 million as opposed to the $34.5 million noted above. The decrease was as a result of an equity offering plus cash flows from operations.

During the first quarter of 2021, we 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. We 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 our Credit Facilities and for general trust purposes.

During the fourth quarter of 2021, we completed the Fund 2021 6.25% Debentures offering. We incurred transaction costs of $5.9 million which included underwriters' fees and other expenses relating to the offering. Proceeds from the offering were used to repay outstanding indebtedness under our Credit Facilities during the fourth quarter of 2021. During the first quarter of 2022, we borrowed on our Credit Facilities to redeem all of the Fund 2016 5.00% Debentures.

During the third quarter of 2022, we completed an equity offering of 10,005,000 units at a price of $8.65 per unit, resulting in total gross proceeds of $86.5 million. We incurred issuance costs of $2.9 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 temporarily repay outstanding indebtedness under the Credit Facilities. In the future, we intend to use the net proceeds to partially finance our ultrapure sulphuirc acid growth projects.

Distributions paid to Unitholders, net of distributions reinvested during the three and nine months ended September 30, 2022 were $13.6 million and $40.3 million, respectively, compared to $13.4 million and $38.6 million, respectively, for the same period of 2021. The increase in distributions paid for the first nine months of 2022 relative to the same period of 2021 was primarily due to an increase in the number of units following the equity offering in the first quarter of 2021.

Financial Instruments

On April 24, 2020, we entered into a swap arrangement which fixed the LIBOR components of our interest rates on up to US$250.0 million of our outstanding revolving credit under our 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 in the condensed consolidated statements of comprehensive income.

During the first quarter of 2021, we blended and extended our existing US$175.0 million and US$150.0 million interest rate swaps on our 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. We 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, we 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 were reclassified into net earnings over the term of the original swaps until December 24, 2021, when we reclassified these changes in fair values to net earnings.

On December 24, 2021, we amended our 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, we reclassified $8.1 million during the fourth quarter of 2021 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, we re-designated our US$175.0 million and US$150.0 million interest rate swaps on our 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, we de-designated our US$175.0 million and US$150.0 million interest rate swaps on our outstanding revolving credit facility and hedge accounting on these swaps was discontinued prospectively. As a result of the de-designation, we reclassified $4.2 million 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.

We hedge our investment in foreign operations that use the USD as their functional currency with our USD-denominated bank debt. Any gains and losses arising from the USD-denominated bank 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 USD-denominated debt and investment in foreign operations are recognized in other comprehensive income.

During the third quarter of 2021, we entered into cash-settled unit swap arrangements which fixed the unit price on a portion of the RSU component of our LTIP awards. During the first quarter of 2022, we 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 our LTIP awards, these arrangements fixed the unit price of the PSU component of our 2022 - 2024 LTIP awards. The RSU component of our LTIP awards is a phantom plan which is payable in cash at the end of the performance period. The PSU component of our LTIP awards gives a right to the participants to receive cash payments upon the achievement of performance goals during the performance periods. The swap arrangements are based on a portion of RSUs and PSUs outstanding for all of our existing LTIP awards. As at September 30, 2022, the notional number of units hedged was 2.7 million 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.

Cash Balances

At September 30, 2022, we had net cash balances of $36.9 million (December 31, 2021 - $13.9 million). Cash generated by us will be used to fund cash distributions to Unitholders, capital requirements, interest, general corporate purposes and other legal obligations.

Future Liquidity

Our future liquidity is primarily dependent on cash flows of our 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 volumes, 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 us to meet future obligations and commitments that arise in the normal course of business activities. In addition, we have revolving Credit Facilities which can be used for general trust purposes, including to fund capital expenditures. See Capital Resources below for more details.

Capital Resources

At September 30, 2022, we had Credit Facilities of approximately $898.9 million (US$650.0 million). At September 30, 2022, we had drawn $377.5 million on our Credit Facilities. Additionally, we had committed a total of $20.0 million of our Credit Facilities towards standby letters of credit.

At September 30, 2022, we had four series of Debentures outstanding with an aggregate par value of $517.4 million (market value of $498.7 million) and maturity dates ranging from May 31, 2024 to August 31, 2027.

During the first quarter of 2021, we 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. We 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 our Credit Facilities and for general trust purposes.

During the first quarter of 2022, we redeemed all of the outstanding Fund 2016 5.00% Debentures for their par value, including accrued interest for a total of $146.6 million.

During the third quarter of 2022, we completed an equity offering of 10,005,000 units at a price of $8.65 per unit, resulting in total gross proceeds of $86.5 million. We incurred issuance costs of $2.9 million, net of tax recovery of $1.2 million, which included underwriters' fees and other expenses relating to the offering.

Debt Covenants

As at September 30, 2022, we were compliant with all debt covenants contained in our credit agreement.

FINANCIAL CONDITION REVIEW

The condensed consolidated interim statements of financial position contain certain categories as set out below. Since the end of the year, there have been material variances in these categories, which are explained below.

($'000)	**September 30, 2022**	December 31, 2021	$ Change	% Change
ASSETS				
Cash and cash equivalents	$ 36,891	$ 13,908	22,983	165
Trade and other receivables	150,550	96,371	54,179	56
Inventories	142,939	111,742	31,197	28
Right-of-use assets	120,895	140,435	(19,540)	(14)
Investment in joint venture	5,931	—	5,931	100
Other assets	33,562	7,316	26,246	359
Deferred tax assets	101,841	125,098	(23,257)	(19)
LIABILITIES and UNITHOLDERS' EQUITY				
Trade and other payables	328,110	229,985	98,125	43
Provisions (1)	23,637	11,535	12,102	105
Convertible unsecured subordinated debentures (1)	—	143,894	(143,894)	(100)
Other long-term liabilities	16,388	40,527	(24,139)	(60)
Long-term lease liabilities	90,787	100,863	(10,076)	(10)
Provisions (2)	127,426	146,048	(18,622)	(13)
Accumulated other comprehensive income	269,102	207,621	61,481	30

(1) Included in Current liabilities

(2) Non-current portion

Cash and cash equivalent	Increase is due to the cash flows from operations, partially offset by the cash flows used in investing and financing activities.
Trade and other receivables	Increase is primarily due to higher revenue in SWC and EC segments during the third quarter of 2022 relative to the fourth quarter of 2021.
Inventories	Increase is primarily due to increased inventory volumes and higher raw material costs contained within certain inventories.
Right-of use assets	Decrease is primarily due to: • depreciation expense recorded during the first nine months of 2022, • partially offset by ROU asset additions.
Investment in joint venture	Increase relates to capital contributions made during the third quarter of 2022 in KPCT Holdings LLC, which is the parent of the KPCT joint venture (see **Recent Developments** on page 3).
Other assets	Increase is primarily due to changes in the fair value of the interest rate swaps during the first nine months of 2022.

Deferred tax assets	Decrease is primarily due to: • utilization of tax loss carryforwards to offset taxable income in the U.S. and Canada, and • reversal of the valuation allowance for the deferred tax assets associated with the losses resulting from the change in the fair value of the Debentures.
Trade and other payable	Increase is primarily due to higher inventory costs in SWC and EC segments during the third quarter of 2022 relative to the fourth quarter of 2021.
Provisions (1)	Increase is primarily due to reclassification of decommissioning and environmental liabilities from non-current to current liabilities.
Convertible unsecured subordinated debentures	Decrease is due to the redemption of the Fund 2016 5.00% Debentures.
Other long-term liabilities	Decrease is primarily due to: • the reclassification of the accrual for the 2020 - 2022 LTIP awards from long-term liabilities to current liabilities, and • changes in the fair value of the interest rate swaps during the first nine months of 2022.
Long-term lease liabilities	Decrease is due to: • the reclassification of long-term lease liabilities to current lease liabilities, • partially offset by new leases.
Provisions (2)	Decrease is due to lower decommissioning liabilities primarily due to: • increased discount rates at September 30, 2022 relative to December 31, 2021, and • reclassification of decommissioning and environmental liabilities from non-current to current liabilities.
Accumulated other comprehensive income	Increase is primarily due to: • the change in fair value of the Debentures due to own credit risk, • foreign currency translation differences for foreign operations, and • the effective portion of change in the fair value of cash flow hedges, • partially offset by a loss on the net investment hedge of foreign operations.

(1) Included in Current liabilities

(2) Non-current portion

SUMMARY OF QUARTERLY RESULTS

($ millions)	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020
Revenue	$ 519.9	$ 446.4	$ 390.3	$ 353.8	$ 365.0	$ 337.3	$ 312.4	$ 319.4
Cost of sales and services	(410.7)	(366.5)	(311.5)	(447.8)	(320.0)	(313.0)	(291.5)	(304.6)
Gross profit (loss)	109.2	79.9	78.8	(94.1)	45.0	24.3	20.9	14.8
Selling and administrative expenses:								
Unrealized foreign exchange (loss) gain	(17.2)	(5.7)	2.4	2.7	(4.0)	(5.8)	(0.4)	1.6
LTIP	(3.8)	(6.0)	(4.2)	(7.2)	(9.5)	(3.3)	(5.6)	(9.2)
Legal settlement	—	—	—	17.7	—	—	—	—
Other	(25.9)	(26.8)	(19.7)	(20.8)	(24.8)	(16.7)	(22.5)	(23.8)
Total selling and administrative expenses	(46.8)	(38.5)	(21.5)	(7.6)	(38.3)	(25.8)	(28.5)	(31.4)
Operating income (loss)	62.3	41.3	57.3	(101.7)	6.7	(1.6)	(7.5)	(16.6)
Net finance costs:								
Mark-to-market on Debentures	28.8	4.4	(15.6)	(18.9)	0.9	0.3	(2.3)	(3.6)
Debt issuance and extinguishment costs	—	—	—	(11.0)	—	—	—	—
Income (loss) reclassified from other comprehensive income	4.2	—	—	(9.8)	—	—	—	—
Change in the fair value of interest rate swaps	7.9	—	1.9	—	—	—	—	—
Other	(15.0)	(14.2)	(15.1)	(17.2)	(19.6)	(19.4)	(19.2)	(20.4)
Total net finance costs	25.9	(9.8)	(28.8)	(56.9)	(18.7)	(19.1)	(21.5)	(24.0)
Income tax (expense) recovery	(12.9)	3.3	(17.8)	(21.9)	(8.2)	6.6	8.6	14.8
Net earnings (loss)	$ 75.3	$ 34.8	$ 10.7	$ (180.5)	$ (20.2)	$ (14.1)	$ (20.4)	$ (25.8)
Adjusted EBITDA	$ 137.1	$ 81.7	$ 107.8	$ 92.5	$ 67.3	$ 65.2	$ 55.4	$ 44.2
Net earnings (loss) per unit	$ 0.69	$ 0.33	$ 0.10	$ (1.74)	$ (0.19)	$ (0.14)	$ (0.21)	$ (0.28)
Diluted net earnings (loss) per unit	$ 0.38	$ 0.18	$ 0.10	$ (1.74)	$ (0.19)	$ (0.14)	$ (0.21)	$ (0.28)

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 third quarter of 2022 was higher due to higher selling prices for all three chlor-alkali products in the EC segment and higher sales volumes of merchant acid and water solutions products and higher selling prices of Regen acid in the SWC segment. Gross profit for the second quarter of 2022 was higher due to higher selling prices for chlor-alkali products in the EC segment and a gain relating to the sale of an idled acid plant in Augusta, GA, higher selling prices of water solutions products, merchant acid and Regen acid in the SWC segment, partially offset by lower sales volumes of sodium chlorate in the EC segment. Gross profit for the first quarter of 2022 was higher due to higher selling prices of merchant acid, higher sales volumes of Regen acid and higher selling prices of water solutions products in the SWC segment and higher selling prices for chlor-alkali products in the EC segment, partially offset by lower sales volumes of sodium chlorate in the EC segment. Gross profit for the fourth quarter of 2021 was lower due to a $130.0 million impairment of intangible assets and PPE related to the sodium chlorate business due to a decline in sodium chlorate demand combined with increased competitive pressure resulting in lower levels of gross profit and lowered expectations of business recovery to pre-pandemic levels. In addition, a loss of $7.1 million was recorded in SWC's cost of sales and services related to the sale of the KCl and vaccine adjuvants businesses during the fourth quarter of 2021. Gross profit for the second quarter of 2021 was lower due to lower chlor-alkali and sodium chlorate selling prices and lower sales volumes of sodium chlorate in the EC segment and an increase in the cost of raw materials in the SWC segment. Gross profit for the first quarter of 2021 was lower due to lower sales volumes of sodium chlorate in the EC segment, reduced demand and lower sales volumes of acid products in the SWC segment and lower sales volumes of water solutions products in the SWC 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 volumes 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 volumes for products in the SWC segment resulting from the COVID-19 pandemic.

Selling and Administrative Expenses

Selling and administrative expenses for the second quarter of 2022 included $2.0 million of realized foreign exchange losses. Selling and administrative expenses for the fourth quarter of 2021 include a net recovery of $17.7 million relating to the settlement of the NATO Lawsuit. Selling and administrative expenses for the second quarter of 2021 included $3.4 million of realized foreign exchange gains. The change in fair value of our LTIP obligation 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 our Credit Facilities and Debentures.

Net finance costs for the third quarter of 2022 included a $7.9 million gain relating to the change in the fair value of interest rate swaps and a $4.2 million gain relating to the reclassification of accumulated fair value on the effective portion of cash-flow hedges from other comprehensive income to net earnings as a result of de-designation of swaps. Net finance costs for the fourth quarter of 2021 included $9.8 million loss relating to the reclassification of accumulated fair value on the effective portion of cash-flow hedges from other comprehensive income to net earnings mainly as a result of repayment of the term bank debt, $5.9 million of transaction costs on the issuance of Debentures and $5.1 million of debt extinguishment costs relating to the substantial modification of the credit agreement.

OUTSTANDING SECURITIES OF THE FUND

As at November 6, 2022 and September 30, 2022, the following units and securities convertible into our units were issued and outstanding:

		November 6, 2022			September 30, 2022	
		Convertible Securities	Units		Convertible Securities	Units
Units outstanding			**115,318,090**			**115,190,500**
4.75% Debentures [1]		**201,115**	**7,532,397**		**201,115**	**7,532,397**
6.50% Debentures [2]		**100,000**	**6,329,114**		**100,000**	**6,329,114**
8.50% Debentures [3]		**86,250**	**11,734,694**		**86,250**	**11,734,694**
6.25% Debentures [4]		**130,000**	**13,000,000**		**130,000**	**13,000,000**
Units outstanding and issuable upon conversion of Debentures			**153,914,295**			**153,786,705**
Deferred units plan [5][6]	**$**	**4,631**	**615,823**	**$**	**4,312**	**611,575**
Units outstanding and issuable upon conversion of Debentures and Deferred units			**154,530,118**			**154,398,280**

(1) Convertible at $26.70 per unit

(2) Convertible at $15.80 per unit

(3) Convertible at $7.35 per unit

(4) Convertible at $10.00 per unit

(5) Based on $7.52 and $7.05, the closing price of a unit on the TSX on November 4, 2022 and September 30, 2022 respectively

(6) 384,177 and 388,425 deferred units were available for future grants as at November 4, 2022 and September 30, 2022 respectively

CONTRACTUAL OBLIGATIONS

Information concerning contractual obligations at September 30, 2022 is shown below:

Contractual Obligations *($'000)*		**Total**		**Less Than 1 Year**		**1-3 Years**		**4-5 Years**		**After 5 Years**
Long-term debt	$	377,532	$	—	$	—	$	377,532	$	—
Debentures		517,365		—		287,365		230,000		—
Purchase commitments		58,774		22,430		32,306		4,038		—
Interest on Debentures		104,459		31,509		50,298		22,652		—
Interest on long-term debt		65,128		13,094		30,512		21,522		—
Lease payments		149,062		50,755		59,605		23,692		15,010
Total contractual obligations	$	1,272,320	$	117,788	$	460,086	$	679,436	$	15,010

FINANCIAL OUTLOOK

Our outlook for 2022 has improved materially from the guidance we issued in our second quarter MD&A. Therefore, we are updating our guidance for the 2022 year as outlined below.

($ million)	Updated 2022 Guidance	Prior 2022 Guidance	2021 Actual	Nine months ended Actual September 30, 2022	Nine months ended Actual September 30, 2021
Adjusted EBITDA	$420.0 - $430.0	$360.0 - $380.0	$280.4	$326.6	$187.8
Maintenance Capex	$95.0 - $105.0	$80.0 - $90.0	$75.3	$67.1	$39.4
Lease Payments	$50.0 - $55.0	$50.0 - $55.0	$51.6	$38.8	$38.8
Cash Interest (1)	$50.0 - $55.0	$50.0 - $55.0	$65.9	$39.5	$49.9
Cash Tax (1)	$10.0 - $15.0	$10.0 - $15.0	$3.5	$9.5	$1.4

(1) Cash Interest and Cash Tax are supplementary financial measures. See **Non-IFRS and Other Financial Measures** on page 37.

When comparing 2022's Adjusted EBITDA guidance range with the actual Adjusted EBITDA for 2021, it should be noted that 2021 included approximately $14.2 million of EBITDA relating to the KCl and vaccine adjuvants businesses prior to their sale in November 2021 and a net recovery of $17.7 million relating to the NATO Lawsuit settled during the fourth quarter of 2021. Our 2022 maintenance capital expenditure guidance has increased as a result of increasing expenditures to improve reliability, increased costs due to inflation and to reflect the weaker Canadian dollar, as a significant portion of our capital expenditures are denominated in U.S. dollars.

Our 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 during 2022.
- None of the principal manufacturing facilities (as set out in our Annual Information Form) incurs significant unplanned downtime.

Key Assumptions	Updated 2022 Assumption	Prior 2022 Assumption	2021 Actual
Approximate North American MECU sales volumes	178,000	180,000	181,000
2022 average CMA NE Asia Caustic spot price index being higher per tonne than the 2021 average	US$360	US$350	N/A
Approximate North American production volumes of sodium chlorate	345,000	350,000	361,000
USD to CAD average foreign exchange rate	1.280	1.250	1.254
LTIP costs (in millions)	$18.0 - $23.0	$18.0 - $23.0	$25.7

RISKS AND UNCERTAINTIES

There are a number of risks and uncertainties that warrant additional disclosure which are discussed in detail in our annual MD&A for the year ended December 31, 2021. Except as set out below, there have been no material changes to our business that require an update to the discussion of these risks and uncertainties.

Global, economic and political conditions

Adverse regional, U.S., Canadian and global market, economic and political conditions could have an adverse impact on our business, financial condition and/or results of operations, the extent of which is difficult to predict. The occurrence of war, conflicts or hostilities between countries, or threat of terrorist activities, and the responses to and results of these activities, including economic sanctions imposed or to be imposed as a result thereof, could give rise to new risks and exacerbate pre-existing risk factors, given that they could adversely impact the global economy and weaken business and consumer confidence. Such conflicts can cause or lead to increased financial and capital market volatility, broader geopolitical instability and armed conflicts, higher energy prices, increased inflationary pressures limiting consumer and business spending and increase our operating costs, increased disruptions in our supply chain and increased information security threats. Given the scope of our operations (including our operations, relationships and activities outside of North America), any of the above factors, including sanctions and other governmental actions, could affect the business, our financial condition and/or results of operations or cause the market value of our Units to decline. The extent to which international conflicts could impact us will depend on events that are difficult to predict, including the duration and extent of escalation of hostilities as well as the international response to the crisis.

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 judgments that have a significant risk of resulting in a material adjustment within the next financial year are discussed in detail in our MD&A for the year ended December 31, 2021. There have been no material changes to our business that require an update to the discussion of these significant judgments.

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 our MD&A for the year ended December 31, 2021. There have been no material changes to our business that require an update to the discussion of these sources of estimation uncertainty.

STANDARDS AND INTERPRETATIONS

Standards and interpretations not yet adopted:

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* and IFRS Practice Statement 2, *Making Materiality Judgments - 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 taxable and deductible temporary differences (effective for annual periods beginning on or after January 1, 2023).

- 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).

We are assessing the impacts, if any, the amendments to existing standards will have on our condensed consolidated interim financial statements.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

We maintain 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 our Management, including our CEO and CFO, as appropriate, to allow timely decisions regarding disclosure. Our CEO and CFO have evaluated our disclosure controls procedures as of September 30, 2022 through inquiry and review. Our CEO and CFO have concluded that, as at September 30, 2022, our design and implementation of the controls were effective.

We also maintain a system of internal controls over financial reporting designed under the supervision of our 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.

Our Management, including our CEO and CFO, is responsible for establishing and maintaining adequate internal control over financial reporting and evaluating its effectiveness. Management has used the COSO framework (2013) to evaluate the effectiveness of our internal control over financial reporting as of September 30, 2022. There have been no changes to the design of internal controls over financial reporting that occurred during the three and nine months ended September 30, 2022 that have materially affected or are reasonably likely to materially affect the internal controls over financial reporting.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This MD&A includes statements and information about our expectations for the future. When we talk about strategy, risks, plan and future financial and operating performance, or other things that have not taken place, we are making statements that are considered forward-looking information or forward-looking statements under Canadian securities laws, including the Securities Act (Ontario).

Key things to understand about the forward-looking information in this MD&A:

- It typically includes words about the future, such as anticipate, continue, estimate, expect, expected, intend, may, will, intend, project, plan, should, believe and others (see examples below).
- It represents our current views, and can change significantly.
- It is based on a number of material assumptions, including those we have listed below, which may prove to be incorrect.
- Actual results and events may be significantly different from what we expect, due to the risks associated with our business. We recommend you review other parts of this document, including **Risks and Uncertainties** on page 31, and our 2021 MD&A, which includes a discussion of material risks that could cause actual results to differ significantly from our current expectations. You can download a copy of the MD&A from our website (www.chemtradelogistics.com).

Forward-looking information is designed to help you understand management's current views of our near and longer-term prospects, and it may not be appropriate for other purposes. We will not necessarily update this information unless we are required to by securities laws.

Examples of forward-looking information in this MD&A

This MD&A contains statements about our future expectations for:

- our ability to construct a 100,000 MT electronic grade sulphuric acid plant, its expected start-up date, the estimated aggregate cost of capital to construct and return on investment;
- the intended future use of proceeds of our equity offering, excess operating cash flows and Credit Facilities to fund our share of the joint venture;
- the expected closure date for our Beauharnois, QC facility;
- the effect of changes in exchange rates and our ability to offset USD denominated debt;
- our ability to access tax losses and tax attributes;
- the tax characterization of planned distributions;
- sources, use, availability and sufficiency of cash flows;
- statements in the Financial Outlook section, including:
  - our expected adjusted EBITDA range for 2022;
  - the stated range of maintenance capital expenditures, lease payments, cash interest and cash taxes; and
- long-term incentive compensation amounts and accruals.

Material assumptions

The forward-looking information contained in this MD&A includes the following material assumptions, among others:

- certain key elements as set out in the Financial Outlook section, including:
    - there being no significant North American lockdowns or stay-at-home orders issued due to a COVID-19 resurgence;
    - there being no significant disruptions affecting Chemtrade's principal manufacturing facilities;
    - the stated North American MECU sales volumes and sodium chlorate production volumes;
    - the stated average CMA NE Asia caustic spot price index for the year ended September 30, 2022;
    - the stated U.S. dollar foreign exchange rate;
    - the stated LTIP accrual range
- no significant disruptions affect our operations, whether they arise from labour disruptions, supply disruptions, power disruptions, transportation disruptions, damage to equipment, or otherwise
- that we are able to sell products at prices consistent with current levels or in line with our expectations
- we are able to obtain products, raw materials, equipment, transportation, services and supplies in a timely manner to carry out our activities, and at prices consistent with current levels or in line with our expectations
- required regulatory approvals are received in a timely fashion
- the cost of regulatory and environmental compliance is consistent with current levels or in line with our expectations
- we are able to access tax losses and tax attributes
- we are able to obtain financing on acceptable terms
- currency, exchange and interest rates are consistent with current levels or in line with our expectations and
- the global economy performs as expected.

NON-IFRS AND OTHER FINANCIAL MEASURES

Non-IFRS financial measures and non-IFRS ratios

Non-IFRS financial measures are financial measures disclosed by an entity that (a) depict historical or expected future financial performance, financial position or cash flow of an entity, (b) with respect to their composition, exclude amounts that are included in, or include amounts that are excluded from, the composition of the most directly comparable financial measure disclosed in the primary financial statements of the entity, (c) are not disclosed in the financial statements of the entity and (d) are not a ratio, fraction, percentage or similar representation. Non-IFRS ratios are financial measures disclosed by an entity that are in the form of a ratio, fraction, percentage or similar representation that has a non-IFRS financial measure as one or more of its components, and that are not disclosed in the financial statements of the entity.

These non-IFRS financial measures and non-IFRS ratios are not standardized financial measures under IFRS and, therefore, are unlikely to be comparable to similar financial measures presented by other entities. Management believes these non-IFRS financial measures and non-IFRS ratios provide transparent and useful supplemental information to help investors evaluate our financial performance, financial condition and liquidity using the same measures as management. These non-IFRS financial measures and non-IFRS ratios should not be considered as a substitute for, or superior to, measures of financial performance prepared in accordance with IFRS.

The following section outlines our non-IFRS financial measures and non-IFRS ratios, their compositions, and why management uses each measure. It includes reconciliations to the most directly comparable IFRS measures. Except as otherwise described herein, our non-IFRS financial measures and non-IFRS ratios are calculated on a consistent basis from period to period and are adjusted for specific items in each period, as applicable.

Distributable cash after maintenance capital expenditures

Most directly comparable IFRS financial measure: Cash flows from operating activities

Definition: Distributable cash after maintenance capital expenditures is calculated as cash flow from operating activities less lease payments net of sub-lease receipts, maintenance capital expenditures and adjusting for cash interest and current taxes, and before decreases or increases in working capital.

Why we use the measure and why is it useful to investors: It provides useful information related to our cash flows including the amount of cash available for distribution to Unitholders, repayment of debt and other investing activities.

($'000)	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Cash flows from operating activities	$ 143,472	$ 81,360	$ 264,581	$ 125,810
(Less) Add:				
Lease payments net of sub-lease receipts	(13,358)	(13,100)	(38,800)	(38,799)
(Decrease) increase in working capital	(22,572)	(29,294)	11,195	13,573
Changes in other items [1]	1,657	(4,064)	1,798	(2,797)
Maintenance capital expenditures	(26,670)	(15,589)	(67,058)	(39,359)
Distributable cash after maintenance capital expenditures	**$ 82,529**	**$ 19,313**	**$ 171,716**	**$ 58,428**

[1] Changes in other items relate to cash interest and current taxes.

Distributable cash after maintenance capital expenditures per unit

Definition: Distributable cash after maintenance capital expenditures per unit is calculated as distributable cash after maintenance capital expenditures divided by the weighted average number of units outstanding.

Why we use the measure and why is it useful to investors: It provides useful information related to our cash flows including the amount of cash available for distribution to Unitholders, repayment of debt and other investing activities.

($'000)	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Distributable cash after maintenance capital expenditures	$ 82,529	$ 19,313	$ 171,716	$ 58,428
Divided by:				
Weighted average number of units outstanding	109,315,091	103,723,574	106,122,712	100,953,210
Distributable cash after maintenance capital expenditures per unit	$ 0.75	$ 0.19	$ 1.62	$ 0.58

Excess cash flows and net earnings over distributions paid

Most directly comparable IFRS financial measures: Cash flows from operating activities and net loss

Definition: Excess cash flows over distributions paid is calculated as cash flows from operating activities less cash distributions paid. Excess earnings over distributions paid is calculated as net loss less cash distributions paid.

Why we use the measure and why is it useful to investors: We consider the amount of cash generated by the business in determining the amount of distributions available for payment to its Unitholders. In general, we do not take into account quarterly working capital fluctuations as these tend to be temporary in nature. We do 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 we can generate. This divergence is particularly relevant for us as we have a relatively high level of depreciation and amortization expenses, foreign exchange gains and losses, and deferred tax expenses and recoveries.

($'000)	**Three months ended September 30, 2022**	**Three months ended September 30, 2021**	**Nine months ended September 30, 2022**	**Nine months ended September 30, 2021**
Cash flows from operating activities	$ 143,472	$ 81,360	$ 264,581	$ 125,810
Net earnings (loss)	$ 75,341	$ (20,159)	$ 120,862	$ (54,685)
Cash distributions paid during period	$ 13,630	$ 13,387	$ 40,289	$ 38,630
Excess of cash flows from operating activities over cash distributions paid	$ 129,842	$ 67,973	$ 224,292	$ 87,180
Excess (shortfall) of net earnings (loss) over cash distributions paid	$ 61,711	$ (33,546)	$ 80,573	$ (93,315)

Total of segments measures

Total of segments measures are financial measures disclosed by an entity that (a) are a subtotal of two or more reportable segments, (b) are not a component of a line item disclosed in the primary financial statements of the entity, (c) are disclosed in the notes of the financial statements of the entity, and (d) are not disclosed in the primary financial statements of the entity.

The following section provides an explanation of the composition of the total of segments measures.

Adjusted EBITDA

Most directly comparable IFRS financial measure: Net earnings (loss)

($'000)	**Three months ended September 30, 2022**	**Three months ended September 30, 2021**	**Nine months ended September 30, 2022**	**Nine months ended September 30, 2021**
Net earnings (loss)	**$ 75,341**	$ (20,159)	**$ 120,862**	$ (54,685)
Add:				
Depreciation and amortization	**56,598**	56,590	**162,028**	179,554
Net finance (income) costs	**(25,864)**	18,657	**12,782**	59,277
Income tax expense (recovery)	**12,870**	8,248	**27,399**	(6,963)
Net loss (gain) on disposal and write-down of PPE	**895**	(132)	**(17,456)**	423
Loss on disposal of assets held for sale	**—**	—	**478**	—
Unrealized foreign exchange loss	**17,217**	4,049	**20,525**	10,239
Adjusted EBITDA	**$ 137,057**	$ 67,253	**$ 326,618**	$ 187,845

Supplementary financial measures

Supplementary financial measures are financial measures disclosed by an entity that (a) are, or are intended to be, disclosed on a periodic basis to depict the historical or expected future financial performance, financial position or cash flow of an entity, (b) are not disclosed in the financial statements of the entity, (c) are not non-IFRS financial measures, and (d) are not non-IFRS ratios.

The following section provides an explanation of the composition of those supplementary financial measures.

Maintenance capital expenditures

Represents capital expenditures that are required to sustain operations at existing levels and include major repairs and maintenance and plant turnarounds.

Non-maintenance capital expenditures

Represents capital expenditures that are: (a) pre-identified or pre-funded, usually as part of a significant acquisition and related financing; (b) considered to expand the capacity of our operations; (c) significant environmental capital expenditures that are considered to be non-recurring; or (d) capital expenditures to be reimbursed by a third party.

Cash interest

Represents the interest expense on long-term debt, interest on Debentures, pension interest expense and interest income.

Cash tax

Represents current income tax expense adjusted to exclude current income tax expense related to the disposal of assets held for sale.

TERMS AND DEFINITIONS

Terms

AZ	Arizona
BC	British Columbia
BEAT	Base Erosion and Anti-Abuse Tax
Board	Board of Trustees
CAD	Canadian Dollar
CEO	Chief Executive Officer
CERS	Canada Emergency Rent Subsidy
CEWS	Canada Emergency Wage Subsidy
CMA	Chemical Market Analytics by OPIS, a Dow Jones Company (formerly IHS Markit Base Chemical)
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CFO	Chief Financial Officer
GA	Georgia
HCl	Hydrochloric acid
IASB	International Accounting Standards Board
ISDA	International Swap and Derivatives Association
KCl	Potassium Chloride
LIBOR	London Interbank Offered Rate
LTIP	Long Term Incentive Plan
MB	Manitoba
MECU	MECU is a Metric Electrochemical Unit, consisting of 1.0 tonne of chlorine and 1.1 tonnes of caustic soda
MT	Metric Tonne
NATO	North American Terminal Operations
PPE	Property, Plant and Equipment
PSU	Performance Share Unit
Q1	First Quarter
Q2	Second Quarter
Q3	Third Quarter
QC	Quebec
Regen	Regenerated Acid Services
RSU	Restricted Share Unit
SOFR	Secured Overnight Financing Rate
SIFT	Specified investment flow-through trust
SPPC	Sulphur Products and Performance Products
TSX	Toronto Stock Exchange
WSSC	Water Solutions and Specialty Chemicals
USD	U.S. Dollar

Definitions

Credit Facilities	Senior credit facilities
Debentures	We have $201,115 principal amount of 4.75% of convertible unsecured subordinated debentures outstanding (the "Fund 2017 4.75% Debentures"), $100,000 principal amount of 6.50% of convertible unsecured subordinated debentures outstanding (the "Fund 2019 6.50% Debentures"), $86,250 principal amount of 8.50% of convertible unsecured subordinated debentures outstanding (the "Fund 2020 8.50% Debentures") and $130,000 principal amount of 6.25% of convertible unsecured subordinated debentures outstanding (the "Fund 2021 6.25% Debentures"). We also had $143,750 principal amount of 5.00% of convertible unsecured subordinated debentures outstanding (the "Fund 2016 5.00% Debentures"), which were redeemed during the first quarter of 2022.
LTIP costs	Corporate costs include LTIP expenses, which relate to the 2020 - 2022, 2021 – 2023 and 2022 - 2024 LTIPs which we operate and pursuant to which we grant cash awards based on certain criteria. The 2020-2022 LTIP payout is payable in the first quarter of 2023. The 2021 - 2022 LTIP payout is payable in the first quarter of 2024. The 2022 - 2024 LTIP payout is payable in the first quarter of 2025. The 2020 - 2022 and 2021 – 2023 LTIP awards have a performance based component and 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 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 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. 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.

OTHER

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