



2022

Chemtrade Logistics Income Fund
2022 Third Quarter Report

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.....	2	Contractual Obligations.....	29
Recent Developments.....	3	Financial Outlook.....	30
Financial Highlights.....	4	Risks and Uncertainties.....	31
Consolidated Operating Results.....	5	Significant Judgments and Sources of Estimation Uncertainty.....	32
Results of Operations by Reportable Segment.....	7	Standards and Interpretations.....	33
Net Finance Costs and Income Taxes.....	14	Disclosure Controls and Procedures and Internal Controls over Financial Reporting.....	34
Distributions.....	17	Caution Regarding Forward - Looking Statements.....	35
Liquidity and Capital Resources.....	19	Non-IFRS and other Financial Measures.....	37
Financial Condition Review.....	24	Terms and Definitions.....	41
Summary of Quarterly Results.....	26		
Outstanding Securities of the Fund.....	29		

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 sulphuric acid growth projects.

FINANCIAL HIGHLIGHTS

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

(\$'000 except per unit amounts)	<u>Three months ended</u>		<u>Nine months ended</u>	
	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	<p>US\$1.00 = \$1.31 in 2022 compared with US\$1.00 = \$1.26 in 2021.</p> <p>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.</p>	<p>US\$1.00 = \$1.28 in 2022 compared with US\$1.00 = \$1.25 in 2021.</p> <p>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.</p>
Revenue	<p>Consolidated revenue for 2022 was \$519.9 million, which was \$154.9 million higher than revenue for 2021. The increase was primarily due to:</p> <ul style="list-style-type: none"> • 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, <p>partially offset by:</p> <ul style="list-style-type: none"> • 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. 	<p>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:</p> <ul style="list-style-type: none"> • 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, <p>partially offset by:</p> <ul style="list-style-type: none"> • 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	<p>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:</p> <ul style="list-style-type: none"> • stronger results in both the EC and SWC segments, and • lower corporate costs. 	<p>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:</p> <ul style="list-style-type: none"> • stronger results in both the EC and SWC segments, <p>partially offset by:</p> <ul style="list-style-type: none"> • higher corporate costs.

	Three months ended September 30, 2022 vs 2021	Nine months ended September 30, 2022 vs 2021
Net Earnings (loss)	<p>Net earnings for 2022 were \$95.5 million higher than 2021 primarily due to:</p> <ul style="list-style-type: none"> • higher Adjusted EBITDA, and • lower net finance costs in 2022 (see Net Finance Costs on page 14), <p>partially offset by:</p> <ul style="list-style-type: none"> • higher unrealized foreign exchange losses (see Foreign Exchange on page 12), and • higher income tax expenses (see Income Taxes on page 15). 	<p>Net earnings for 2022 were \$175.5 million higher than 2021 primarily due to:</p> <ul style="list-style-type: none"> • higher Adjusted EBITDA, • lower net finance costs in 2022 (see Net Finance Costs on page 14), • lower depreciation and amortization expense, <p>partially offset by:</p> <ul style="list-style-type: none"> • 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)

(\$'000)	Three months ended		Nine months ended	
	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	<p>The increase shown above was primarily due to:</p> <ul style="list-style-type: none"> • higher selling prices of merchant acid, water solutions products and Regen acid, and • higher sales volumes of merchant acid, <p>which more than offset:</p> <ul style="list-style-type: none"> • 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. 	<p>The increase shown above was primarily due to:</p> <ul style="list-style-type: none"> • higher selling prices of merchant acid, water solutions products and Regen acid, and • higher sales volumes of merchant acid and Regen acid, <p>which more than offset:</p> <ul style="list-style-type: none"> • 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	<p>Gross profit shown above was higher due to:</p> <ul style="list-style-type: none"> higher sales volumes of merchant acid and water solutions products and higher selling prices of Regen acid, <p>partially offset by:</p> <ul style="list-style-type: none"> gross profit earned in Q3 2021 by the KCI and vaccine adjuvant businesses which were sold during the fourth quarter of 2021. <p>Higher selling prices of merchant acid and water solutions products offset higher costs for sulphur and freight.</p>	<p>Gross profit shown above was higher due to:</p> <ul style="list-style-type: none"> 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, <p>partially offset by:</p> <ul style="list-style-type: none"> higher sulphur costs, and gross profit earned in 2021 by the KCI and vaccine adjuvant businesses which were sold during the fourth quarter of 2021. <p>Higher selling prices of water solutions products offset higher sulphur costs.</p>
Adjusted EBITDA	<p>The factors that affected revenue and gross profit also resulted in higher Adjusted EBITDA in 2022.</p>	<p>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.</p>

ELECTROCHEMICALS (EC)

(\$'000)	<u>Three months ended</u>		<u>Nine months ended</u>	
	September 30, 2022	September 30, 2021	September 30, 2022	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

EC OPERATING RESULTS		
	Three months ended September 30, 2022 vs 2021	Nine months ended September 30, 2022 vs 2021
Revenue	<p>The higher revenue shown above was primarily due to:</p> <ul style="list-style-type: none"> 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). 	<p>The higher revenue shown above was primarily due to:</p> <ul style="list-style-type: none"> 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.
Gross Profit	<p>Gross profit shown above was higher due to:</p> <ul style="list-style-type: none"> higher selling prices for all three chlor-alkali products. 	<p>Gross profit shown above was higher due to:</p> <ul style="list-style-type: none"> higher selling prices for chlor-alkali products, <p>partially offset by:</p> <ul style="list-style-type: none"> 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

	EC OPERATING RESULTS	
	Three months ended September 30, 2022 vs 2021	Nine months ended September 30, 2022 vs 2021
Adjusted EBITDA	<p>Adjusted EBITDA shown above was higher due to:</p> <ul style="list-style-type: none"> • higher selling prices for chlor-alkali products. <p>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.</p>	<p>Adjusted EBITDA shown above was higher due to:</p> <ul style="list-style-type: none"> • higher selling prices for chlor-alkali products, <p>partially offset by:</p> <ul style="list-style-type: none"> • 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. <p>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.</p>

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.

(\$'000)	<u>Three months ended</u>		<u>Nine months ended</u>	
	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	<p>Corporate costs shown above were lower primarily due to:</p> <ul style="list-style-type: none"> • \$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, <p>partially offset by:</p> <ul style="list-style-type: none"> • \$0.7 million higher realized foreign exchange loss. 	<p>Corporate costs shown above were higher primarily due to:</p> <ul style="list-style-type: none"> • 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, <p>partially offset by:</p> <ul style="list-style-type: none"> • \$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:

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

Three months ended September 30, 2022 vs 2021	Nine months ended September 30, 2022 vs 2021
<p>Net finance costs were \$44.5 million lower during the third quarter of 2022 relative to 2021. The decrease was primarily due to:</p> <ul style="list-style-type: none"> • \$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. 	<p>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:</p> <ul style="list-style-type: none"> • \$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.

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.

	Three months ended September 30, 2022 vs 2021	Nine months ended September 30, 2022 vs 2021
Current Income taxes	<p>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:</p> <ul style="list-style-type: none"> decreased income tax due to a tax incentive in Brazil, <p>partially offset by:</p> <ul style="list-style-type: none"> increased income tax due to higher operating income and increased BEAT tax due to higher interest expense deductions in the U.S. 	<p>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:</p> <ul style="list-style-type: none"> 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.
Deferred Income taxes	<p>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:</p> <ul style="list-style-type: none"> the utilization of tax loss carryforwards to offset higher taxable income in the U.S. and Canada, <p>partially offset by:</p> <ul style="list-style-type: none"> 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. 	<p>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:</p> <ul style="list-style-type: none"> higher operating income in 2022 resulting in the utilization of tax loss carryforwards to offset taxable income in U.S., Canada and Brazil, <p>partially offset by:</p> <ul style="list-style-type: none"> 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.

	As at September 30, 2022 vs December 31, 2021
Deferred tax assets and liabilities	<p>Deferred tax assets decreased by \$23.3 million which was primarily due to:</p> <ul style="list-style-type: none"> 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. <p>Deferred tax liabilities decreased by \$4.1 million, which was primarily due to:</p> <ul style="list-style-type: none"> the depreciation of non-deductible fixed assets and revaluation of deductible fixed assets in Brazil.

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 expenditures¹. Non-maintenance capital expenditures² 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 expenditures¹. Non-maintenance capital expenditures² 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 sulphuric 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: <ul style="list-style-type: none"> • 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	<p>Decrease is primarily due to:</p> <ul style="list-style-type: none"> • 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	<p>Decrease is primarily due to:</p> <ul style="list-style-type: none"> • 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	<p>Decrease is due to:</p> <ul style="list-style-type: none"> • the reclassification of long-term lease liabilities to current lease liabilities, • partially offset by new leases.
Provisions ⁽²⁾	<p>Decrease is due to lower decommissioning liabilities primarily due to:</p> <ul style="list-style-type: none"> • 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	<p>Increase is primarily due to:</p> <ul style="list-style-type: none"> • 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	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 KCI 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)	<u>Three months ended</u>		<u>Nine months ended</u>	
	September 30, 2022	September 30, 2021	September 30, 2022	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)	<u>Three months ended</u>		<u>Nine months ended</u>	
	September 30, 2022	September 30, 2021	September 30, 2022	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)	<u>Three months ended</u>		<u>Nine months ended</u>	
	September 30, 2022	September 30, 2021	September 30, 2022	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)	<u>Three months ended</u>		<u>Nine months ended</u>	
	September 30, 2022	September 30, 2021	September 30, 2022	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.

CHEMTRADE LOGISTICS INCOME FUND

Condensed Consolidated Interim Statements of Financial Position

(In thousands of Canadian dollars)

(Unaudited)

	Notes	September 30, 2022	December 31, 2021
ASSETS			
Current assets			
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
Total current assets		341,899	230,974
Non-current assets			
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
Total non-current assets		1,818,631	1,817,996
Total assets		\$ 2,160,530	\$ 2,048,970
LIABILITIES AND UNITHOLDERS' EQUITY			
Current liabilities			
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
Total current liabilities		402,968	437,857
Non-current liabilities			
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
Total non-current liabilities		1,148,527	1,231,265
Total liabilities		1,551,495	1,669,122
Unitholders' equity			
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
Total unitholders' equity		609,035	379,848
Total liabilities and unitholders' equity		\$ 2,160,530	\$ 2,048,970

CHEMTRADE LOGISTICS INCOME FUND

Condensed Consolidated Interim Statements of Comprehensive Income

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

(Unaudited)

		Three months ended September 30,		Nine months ended September 30,	
	Notes	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					
Items that may subsequently be reclassified to earnings:					
(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
Items that will not be reclassified to earnings:					
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
Balance at January 1, 2022		\$ 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)
Balance at September 30, 2022		\$ 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
Balance at January 1, 2021		\$ 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)
Balance at September 30, 2021		\$ 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)

		<u>Three months ended</u> <u>September 30,</u>		<u>Nine months ended</u> <u>September 30,</u>	
	Notes	2022	2021	2022	2021
Cash flows from operating activities:					
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)
Net cash flows from operating activities		143,472	81,360	264,581	125,810
Cash flows from investing activities:					
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)	—
Net cash flows used in investing activities		(37,613)	(21,303)	(68,996)	(46,629)
Cash flows from financing activities:					
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)
Net cash flows used in financing activities		(94,189)	(57,918)	(174,851)	(74,984)
Increase in cash and cash equivalents		11,670	2,139	20,734	4,197
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
Cash and cash equivalents, end of the period		\$ 36,891	\$ 16,768	\$ 36,891	\$ 16,768

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

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

Three and nine months ended September 30, 2022 and 2021

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

Three and nine months ended September 30, 2022 and 2021

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

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:

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

⁽¹⁾ 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
	\$ 33,562	\$ 7,316

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

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

⁽²⁾ 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) ⁽¹⁾	Revolving credit (Cdn\$ denominated) ⁽¹⁾	Transaction costs	Total
Maturity	October 24, 2024	October 24, 2024	October 24, 2024		
Credit limit US\$ ⁽²⁾	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 ⁽³⁾	—	—	—	(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

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

⁽²⁾ 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.

⁽³⁾ 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

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

9. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES:

Changes in convertible unsecured subordinated debentures are as follows:

	Convertible unsecured subordinated debentures ⁽¹⁾					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	661,115
Principal outstanding at September 30, 2022	—	201,115	100,000	86,250	130,000	517,365
Balance at January 1, 2022	143,894	197,796	101,150	97,463	129,870	670,173
Redemption ⁽²⁾	(143,750)	—	—	—	—	(143,750)
Change in fair value recognized in profit or loss	(144)	(13,795)	(10,689)	(11,067)	18,069	(17,626)
Change in fair value due to own credit risk ⁽³⁾	—	10,075	3,539	3,304	(27,039)	(10,121)
Balance at September 30, 2022	—	194,076	94,000	89,700	120,900	498,676

⁽¹⁾ 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.

⁽²⁾ 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.

⁽³⁾ 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

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

9. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES (continued):

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

⁽¹⁾ 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

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

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
Balance – September 30	115,190,500	\$1,632,765	103,917,450	\$ 1,539,226

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

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

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:

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

⁽¹⁾ 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.

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

⁽¹⁾ 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

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

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)
Balance – September 30	3,281,939	3,547,973

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

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
Balance – September 30	1,233,039

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)
Balance – September 30	611,575	584,161

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

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	\$6.35	\$7.37
Period-end unit price	\$7.05	\$7.40
Average expected volatility	33.55%	48.61%
Average risk free interest rate	3.80%	0.89%
Average expected remaining term	1.25 years	1.50 years

12. REVENUE:

The components of revenue are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	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
Revenue	\$ 519,920	\$ 365,003	\$1,356,637	\$1,014,713

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

13. SELLING AND ADMINISTRATIVE EXPENSES:

The components of selling and administrative expenses are as follows:

	<u>Three months ended</u> <u>September 30,</u>		<u>Nine months ended</u> <u>September 30,</u>	
	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)
	\$ 46,837	\$ 38,262	\$ 106,856	\$ 92,575

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

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

14. NET FINANCE COSTS:

The components of net finance costs are as follows:

	<u>Three months ended</u> <u>September 30,</u>		<u>Nine months ended</u> <u>September 30,</u>	
	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)
Net finance (income) costs	\$ (25,864)	\$ 18,657	\$ 12,782	\$ 59,277

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:

	<u>Three months ended</u> <u>September 30,</u>		<u>Nine months ended</u> <u>September 30,</u>	
	2022	2021	2022	2021
Cost of sales and services:				
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
Selling and administrative expenses (note 13):				
Depreciation expense on PPE	308	340	926	1,277
Depreciation expense on ROU assets	287	440	978	1,331
Total depreciation and amortization expense	\$ 56,598	\$ 56,590	\$ 162,028	\$ 179,554

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

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

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

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
Derivatives designated in a formal hedging relationship						
Cash-settled unit swaps ⁽¹⁾	—	\$ 1,662	—	—	\$ 1,508	—
Derivatives not designated in a formal hedging relationship						
Interest rate swaps ⁽¹⁾	US\$ 325,000	20,151	—	US\$ 325,000	—	\$ 9,616
Foreign exchange contracts ^{(1) (2)}	—	—	\$ 10,695	—	\$ 1,070	—
Total		\$ 21,813	\$ 10,695		\$ 2,578	\$ 9,616

⁽¹⁾ 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.

⁽²⁾ 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

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

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

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

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:

Amount	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

(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:

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

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

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

Three and nine months ended September 30, 2022 and 2021

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

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

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

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

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

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

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

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
	\$ 519,920	\$ 365,003	\$ 1,356,637	\$ 1,014,713

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
	\$ 1,677,297	\$ 1,685,582

Information for Unitholders

Trustees

Douglas Muzyka (Chair)
Philadelphia, Pennsylvania

Scott Rook
Toronto, Ontario

Lucio Di Clemente
Toronto, Ontario

Daniella Dimitrov
Toronto, Ontario

Luc Doyon
Montreal, Quebec

Emily Moore
Toronto, Ontario

David T. Mutombo
Toronto, Ontario

Katherine Rethy
Huntsville, Ontario

Management

Scott Rook
President & CEO

Rohit Bhardwaj
Chief Financial Officer

Tejinder Kaushik
Vice-President, Information Technology

Timothy Montgomery
Group Vice-President,
Manufacturing & Engineering

Susan Paré
Corporate Secretary
General Counsel

Emily Powers
Group Vice-President,
Human Resources and Responsible Care

Alan Robinson
Group Vice-President,
Commercial

Head Office

155 Gordon Baker Road, Suite 300
Toronto, Ontario, Canada
M2H 3N5

Stock Exchange Listing

Toronto Stock Exchange
Stock symbol: CHE.UN

Transfer Agent and Registrar

Computershare Trust Company of Canada
100 University Avenue, 8th Floor
Toronto, Ontario M5J 2Y1

Telephone

Toll free 1-800-564-6253

Email

service@computershare.com

Website

computershare.com

Investor information

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

Rohit Bhardwaj
Chief Financial Officer
(416) 496-5856

Ryan Paull
Business Development Manager
(973) 515-1831

chemtradelogistics.com



Chemtrade Logistics Income Fund
155 Gordon Baker Road
Suite 300
Toronto, Ontario M2H 3N5

www.chemtradelogistics.com

