

CHEMTRADE LOGISTICS INCOME FUND

Condensed Consolidated Interim Financial Statements

Three Months Ended March 31, 2023 and 2022
(Unaudited)

Q1 2023



CHEMTRADE

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CHEMTRADE LOGISTICS INCOME FUND

Condensed Consolidated Interim Statements of Comprehensive Income

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

(Unaudited)

	Notes	Three months ended March 31,	
		2023	2022
Revenue	4	\$ 471,245	\$ 390,345
Cost of sales and services	6	(361,390)	(311,526)
Gross profit		109,855	78,819
Selling and administrative expenses	5	(28,497)	(21,472)
Share of loss from joint venture		(686)	—
Operating income		80,672	57,347
Net finance income (costs)	7	12,736	(28,845)
Income before income tax		93,408	28,502
Income tax (expense) recovery	8		
Current		(1,630)	(3,729)
Deferred		(12,245)	(14,087)
		(13,875)	(17,816)
Net earnings		\$ 79,533	\$ 10,686
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 \$49 (2022 - expense of \$537)	8,12	(343)	3,660
Foreign currency translation differences for foreign operations, net of tax expense of nil (2022 - nil)		(2,057)	(8,970)
Effective portion of change in the fair value of cash flow hedges, net of tax recovery of \$124 (2022 - expense of \$3,309)		(367)	9,617
Cash flow hedges reclassified to earnings, net of tax recovery of \$444 (2022 - nil)		(1,310)	—
Items that will not be reclassified to earnings:			
Defined benefit plan adjustments, net of tax expense of \$331 (2022 - \$2,656)		1,946	7,738
Change in fair value of convertible debentures due to own credit risk, net of tax expense of \$1,554 (2022 - recovery of \$8,686)	13	(14,541)	13,358
Other comprehensive (loss) income		(16,672)	25,403
Total comprehensive income		\$ 62,861	\$ 36,089
Net earnings per unit	9		
Basic net earnings per unit		\$ 0.69	\$ 0.10
Diluted net earnings per unit		\$ 0.32	\$ 0.10

CHEMTRADE LOGISTICS INCOME FUND

Condensed Consolidated Interim Statements of Financial Position

(In thousands of Canadian dollars)

(Unaudited)

	Notes	March 31, 2023	December 31, 2022
ASSETS			
Current assets			
Cash and cash equivalents	10	\$ 132,715	\$ 72,569
Trade and other receivables		143,317	123,214
Inventories		143,474	147,380
Income taxes receivable	8	1,809	5,434
Prepaid expenses and other assets		8,753	12,272
Total current assets		430,068	360,869
Non-current assets			
Property, plant and equipment		957,602	957,606
Right-of-use assets		133,014	127,603
Investment in a joint venture		4,810	5,495
Other assets	8	57,231	36,334
Intangible assets		575,245	586,455
Deferred tax assets	8	67,935	82,711
Total non-current assets		1,795,837	1,796,204
Total assets		\$ 2,225,905	\$ 2,157,073
LIABILITIES AND UNITHOLDERS' EQUITY			
Current liabilities			
Trade and other payables		\$ 254,317	\$ 316,437
Distributions payable	14	5,819	5,805
Provisions	11	50,382	22,822
Lease liabilities		47,866	45,571
Convertible unsecured subordinated debentures	13,18	98,500	—
Total current liabilities		456,884	390,635
Non-current liabilities			
Long-term debt	12	327,784	370,024
Convertible unsecured subordinated debentures	13	524,426	533,218
Other long-term liabilities		12,889	21,571
Long-term lease liabilities		107,757	94,071
Employee benefits		26,002	27,555
Provisions		138,787	135,626
Deferred tax liabilities	8	16,963	18,166
Total non-current liabilities		1,154,608	1,200,231
Total liabilities		1,611,492	1,590,866
Unitholders' equity			
Units	14	1,638,468	1,635,683
Contributed surplus		9,720	9,720
Deficit		(1,270,485)	(1,334,524)
Accumulated other comprehensive income		236,710	255,328
Total unitholders' equity		614,413	566,207
Total liabilities and unitholders' equity		\$ 2,225,905	\$ 2,157,073

For subsequent events, see Note 18.

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, 2023		\$ 1,635,683	\$ 9,720	\$ (1,334,524)	\$ 217,970	\$ (4,262)	\$ 41,620	\$ 566,207
Issuance of units upon conversion of unsecured subordinated convertible debentures	13,14	68	—	—	—	—	—	68
Issuance of units under the Distribution Reinvestment Plan ("DRIP")	14	2,717	—	—	—	—	—	2,717
Net earnings		—	—	79,533	—	—	—	79,533
Other comprehensive income (loss)		—	—	1,946	(2,057)	(2,020)	(14,541)	(16,672)
Distributions	14	—	—	(17,440)	—	—	—	(17,440)
Balance at March 31, 2023		\$ 1,638,468	\$ 9,720	\$ (1,270,485)	\$ 215,913	\$ (6,282)	\$ 27,079	\$ 614,413

	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 under the DRIP	14	2,365	—	—	—	—	—	2,365
Net earnings		—	—	10,686	—	—	—	10,686
Other comprehensive income (loss)		—	—	7,738	(8,970)	13,277	13,358	25,403
Distributions	14	—	—	(15,735)	—	—	—	(15,735)
Balance at March 31, 2022		\$ 1,543,948	\$ 9,720	\$ (1,376,387)	\$ 148,423	\$ 26,606	\$ 50,257	\$ 402,567

* Accumulated other comprehensive income.

CHEMTRADE LOGISTICS INCOME FUND

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

	Notes	Three months ended March 31,	
		2023	2022
Cash flows from operating activities:			
Net earnings		\$ 79,533	\$ 10,686
Adjustments for:			
Depreciation and amortization	6	52,140	52,201
Net loss (gain) on disposal and write-down of property, plant and equipment ("PPE")		1,787	(69)
Loss on disposal of assets held for sale		—	716
Change in environmental liability		894	66
Income tax expense	8	13,875	17,816
Net finance (income) costs	7	(12,736)	28,845
Unrealized foreign exchange gain	5	(3,824)	(2,429)
		131,669	107,832
Increase in working capital		(45,174)	(57,751)
Interest paid		(12,166)	(12,343)
Interest received		2,308	396
Net income tax paid		(22,265)	(1,001)
Net cash flows from operating activities		54,372	37,133
Cash flows from investing activities:			
Capital expenditures		(27,903)	(16,168)
Net cash flows used in investing activities		(27,903)	(16,168)
Cash flows from financing activities:			
Distributions to unitholders, net of distributions reinvested	14	(14,708)	(13,353)
Issuance of convertible debentures	13	110,000	—
Transaction costs related to the issuance of convertible debentures	13	(4,980)	—
Repayment of convertible debentures	13	—	(143,750)
Repayment of lease liability, net of sub-lease receipts		(14,083)	(12,856)
Net change in revolving credit facility	12	(42,482)	154,831
Net cash flows from (used in) financing activities		33,747	(15,128)
Increase in cash and cash equivalents		60,216	5,837
Cash and cash equivalents, beginning of the period		72,569	13,908
Effect of exchange rates on cash held in foreign currencies		(70)	(214)
Cash and cash equivalents, end of the period		\$ 132,715	\$ 19,531

CHEMTRADE LOGISTICS INCOME FUND

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

Three months ended March 31, 2023 and 2022

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, its consolidated subsidiaries and equity accounted investments, including joint ventures. 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 3.

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 2022 annual consolidated financial statements. Certain amendments and interpretations apply for the first time in 2023, but do not have an impact on these condensed consolidated interim financial statements, see note 19.

These condensed consolidated interim financial statements should be read in conjunction with Chemtrade's 2022 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 months ended March 31, 2023 and 2022

2. BASIS OF PREPARATION (continued):

The condensed consolidated interim financial statements were authorized for issue by the Board of Trustees (the "Board") on May 10, 2023.

(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, convertible unsecured subordinated debentures (the "Debentures") and 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 per unit information which is presented in Canadian dollars.

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

Three months ended March 31, 2023 and 2022

3. REPORTABLE SEGMENTS:

Chemtrade operates in two reportable segments: Sulphur and Water Chemicals ("SWC") and Electrochemicals ("EC"). The reportable segments of Chemtrade are strategic business groups that offer products and services to target markets.

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 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 March 31, 2023

	SWC	EC	Corporate items and eliminations	Total
Revenue - third party	\$ 262,536	\$ 208,709	\$ —	\$ 471,245
- inter-segment	56	1,745	(1,801)	—
Revenue - total	262,592	210,454	(1,801)	471,245
Cost of sales and services	(231,898)	(131,293)	1,801	(361,390)
Gross profit	30,694	79,161	—	109,855
Selling and administrative expenses	(6,354)	(2,304)	(19,839)	(28,497)
Share of loss from joint venture	(686)	—	—	(686)
Operating income (loss)	23,654	76,857	(19,839)	80,672
Depreciation and amortization	29,069	23,071	—	52,140
Net loss (gain) on disposal and write-down of PPE	1,821	(34)	—	1,787
Change in environmental liability	894	—	—	894
Unrealized foreign exchange gain	—	—	(3,824)	(3,824)
Adjusted EBITDA	55,438	99,894	(23,663)	131,669
Capital expenditures	20,262	7,277	364	27,903

CHEMTRADE LOGISTICS INCOME FUND

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

Three months ended March 31, 2023 and 2022

3. REPORTABLE SEGMENTS (continued):

Three months ended March 31, 2022

	SWC	EC	Corporate items and eliminations	Total
Revenue - third party	\$ 228,988	\$ 161,357	\$ —	\$ 390,345
- inter-segment	93	1,145	(1,238)	—
Revenue - total	229,081	162,502	(1,238)	390,345
Cost of sales and services	(189,779)	(122,985)	1,238	(311,526)
Gross profit	39,302	39,517	—	78,819
Selling and administrative expenses	(4,806)	1,133	(17,799)	(21,472)
Operating income (loss)	34,496	40,650	(17,799)	57,347
Depreciation and amortization	27,355	24,846	—	52,201
Net (gain) loss on disposal and write-down of PPE	(169)	100	—	(69)
Loss on disposal of assets held for sale ⁽¹⁾	716	—	—	716
Change in environmental liability	66	—	—	66
Unrealized foreign exchange loss	—	—	(2,429)	(2,429)
Adjusted EBITDA	62,464	65,596	(20,228)	107,832
Capital expenditures	9,586	6,350	232	16,168

⁽¹⁾ Net earnings for the three months ended March 31, 2022 includes a loss of \$716 (US\$574) relating to an adjustment to the proceeds from the sale of KCI and vaccine adjuvants businesses which was completed during the fourth quarter of 2021.

CHEMTRADE LOGISTICS INCOME FUND

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

Three months ended March 31, 2023 and 2022

3. 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 March 31,	
	2023	2022
Canada	\$ 155,902	\$ 127,967
United States	289,123	238,757
South America	26,220	23,621
	\$ 471,245	\$ 390,345

PPE, ROU assets and intangible assets

	March 31, 2023	December 31, 2022
Canada	\$ 745,624	\$ 748,519
United States	822,977	823,078
South America	97,260	100,067
	\$ 1,665,861	\$ 1,671,664

CHEMTRADE LOGISTICS INCOME FUND

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

Three months ended March 31, 2023 and 2022

4. REVENUE:

The components of revenue are as follows:

	Three months ended March 31,	
	2023	2022
Sale of products	\$ 423,887	\$ 347,038
Processing services	47,358	43,307
Revenue	\$ 471,245	\$ 390,345

5. SELLING AND ADMINISTRATIVE EXPENSES:

The components of selling and administrative expenses are as follows:

	Three months ended March 31,	
	2023	2022
Wages, salaries and benefits, including bonuses and other	\$ 31,443	\$ 27,974
Realized foreign exchange loss (gain)	389	(5,542)
Unrealized foreign exchange gain	(3,824)	(2,429)
Reserve for legal proceedings	—	781
Depreciation (note 6)	489	688
	\$ 28,497	\$ 21,472

6. DEPRECIATION AND AMORTIZATION:

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

	Three months ended March 31,	
	2023	2022
Cost of sales and services:		
Depreciation expense on PPE	\$ 29,288	\$ 29,975
Depreciation expense on ROU assets	12,056	11,311
Amortization expense	10,307	10,227
Selling and administrative expenses (note 5):		
Depreciation expense on PPE	236	300
Depreciation expense on ROU assets	253	388
Total depreciation and amortization expense	\$ 52,140	\$ 52,201

CHEMTRADE LOGISTICS INCOME FUND

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

Three months ended March 31, 2023 and 2022

7. NET FINANCE COSTS:

The components of net finance costs are as follows:

	Three months ended March 31,	
	2023	2022
Interest expense on long-term debt	\$ 4,532	\$ 5,754
Interest expense on convertible debentures (note 13)	8,248	8,257
Transaction costs on issuance of convertible debentures (note 13)	4,980	—
Change in the fair value of convertible debentures (note 13)	(33,211)	15,624
Interest expense on lease liabilities	1,832	1,536
Income reclassified from other comprehensive income relating to the fair value of the interest rate swaps (note 16)	(1,754)	—
Change in the fair value of interest rate swaps (note 16)	3,898	(1,901)
Ineffective portion of change in the fair value of interest rate swaps	—	(529)
Accretion of provisions	668	327
Pension interest	379	173
Interest income	(2,308)	(396)
Net finance (income) costs	\$ (12,736)	\$ 28,845

CHEMTRADE LOGISTICS INCOME FUND

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

Three months ended March 31, 2023 and 2022

8. 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 months ended March 31, 2023 was 14.9% (2022 - 62.5%), compared to a statutory rate of 25.3% (2022 - 25.6%). Chemtrade made payments of \$24,700 of Canadian income taxes relating to the 2022 taxation year, of which \$21,500 was paid during the three months ended March 31, 2023 and \$3,200 was paid during 2022. These payments have been included in Other assets in the Condensed Consolidated Interim Statements of Financial Position. Chemtrade is disputing the deductibility of certain Canadian tax losses with the Canada Revenue Agency which would offset the taxes owed for 2022 and result in the tax payment being refunded.

The effective tax rate for the first quarter of 2023 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, reversal of unrecognized deferred tax assets associated with the unrealized fair value losses on the Debentures, unrecognized deferred tax assets associated with the limitation of business interest expense deduction 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 months ended March 31, 2023 and 2022

9. NET EARNINGS PER UNIT:

Net earnings per unit has been calculated on the basis of the weighted average number of units outstanding. The following tables provide a breakdown of the numerator and denominator used in the calculation of net earnings per unit and diluted net earnings per unit:

	<u>Three months ended March 31,</u>	
	2023	2022
Numerator		
Net earnings	79,533 \$	10,686
Net interest and fair value adjustment on the Debentures ⁽¹⁾	(28,278)	—
Net fair value adjustment on deferred unit plan ⁽¹⁾	(342)	—
Diluted net earnings	\$ 50,913 \$	10,686

⁽¹⁾ For the three months ended March 31, 2022, the potential conversion of the Debentures and deferred units have not been included as the effect on net earnings per unit would be anti-dilutive.

	<u>Three months ended March 31,</u>	
	2023	2022
Denominator		
Weighted average number of units	115,657,409	104,347,274
Weighted average Debentures dilutive units ⁽¹⁾	40,770,773	—
Weighted average deferred unit plan dilutive units ⁽¹⁾	561,915	—
Weighted average number of diluted units	156,990,097	104,347,274

⁽¹⁾ For the three months ended March 31, 2022, the potential conversion of the Debentures have not been included as the effect on net earnings 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 months ended March 31, 2023 and 2022

10. CASH AND CASH EQUIVALENTS:

The components of cash and cash equivalents are as follows:

	March 31, 2023	December 31, 2022
Cash	\$ 11,387	\$ 16,555
Cash equivalents		
Guaranteed investment certificates	100,000	40,000
Certificate of deposits	21,328	16,014
Total cash and cash equivalents	\$ 132,715	\$ 72,569

11. PROVISIONS:

Superior Lawsuit Judgment

In December 2022, Chemtrade received a judgment in its favour related to a \$25,000 lawsuit against Superior Plus Corporation ("Superior"). The lawsuit involved the failed attempt by Superior to acquire Canexus Corporation ("Canexus"), prior to Chemtrade's 2017 acquisition of Canexus. During the first quarter of 2023, Chemtrade received a payment of \$27,670 including interest. However, Superior has filed an appeal against the judgment. Chemtrade has established a provision of \$27,670 due to uncertainty associated with the outcome of the appeal.

CHEMTRADE LOGISTICS INCOME FUND

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

Three months ended March 31, 2023 and 2022

12. LONG-TERM DEBT:

Changes in long-term debt are as follows:

Maturity	Revolving credit (US\$ denominated) ⁽¹⁾⁽²⁾		Total
	December 24, 2026		
Balance at January 1, 2023	\$	370,024	\$ 370,024
Net change		(42,482)	(42,482)
Loss on net investment hedge of foreign operations		392	392
Foreign exchange rate changes		(150)	(150)
Balance at March 31, 2023	\$	327,784	\$ 327,784

⁽¹⁾ At March 31, 2023, Chemtrade had committed a total of \$19,486 of the revolving credit facilities ("Credit Facilities") towards standby letters of credit.

⁽²⁾ At March 31, 2023, Cdn\$ limit of the Credit Facilities was \$878,540 (US\$650,000) and Chemtrade had drawn US\$242,516 and Cdn\$ nil on the Credit Facilities.

Maturity	Revolving credit (US\$ denominated) ⁽¹⁾⁽²⁾		Revolving credit (Cdn\$ denominated) ⁽¹⁾⁽²⁾		Total
	December 24, 2026		December 24, 2026		
Balance at January 1, 2022	\$	370,026	\$	3,505	\$ 373,531
Net change		104,458		50,373	154,831
Gain on net investment hedge of foreign operations		(4,197)		—	(4,197)
Foreign exchange rate changes		(100)		—	(100)
Balance at March 31, 2022	\$	470,187	\$	53,878	\$ 524,065

⁽¹⁾ At March 31, 2022, Chemtrade had committed a total of \$19,095 of the Credit Facilities towards standby letters of credit.

⁽²⁾ At March 31, 2022, Cdn\$ limit of the Credit Facilities was \$812,825 (US\$650,000) and Chemtrade had drawn US\$376,000 and Cdn\$53,878 on the Credit Facilities.

In June 2022, Chemtrade amended certain terms of its Credit Facilities to allow for the investment in KPCT Holdings LLC ("KPCT Holdings"), a joint venture with a joint venture partner, KPPC Advanced Chemicals Inc. ("KPPC") and to recognize any cash distributions received from this joint venture in the calculation of EBITDA for debt covenant purposes.

Prior to September 2022, Chemtrade's Credit Facilities bore 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").

The Credit Facilities are secured by substantially all of Chemtrade's assets. At March 31, 2023, the weighted average effective interest rate of the facilities was 3.4% (December 31, 2022 - 3.1%). 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

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these ratios and reports them to its lenders on a quarterly basis. As at March 31, 2023 and December 31, 2022, Chemtrade was in compliance with all covenants.

13. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES:

Changes in convertible unsecured subordinated debentures are as follows:

	Convertible unsecured subordinated debentures ⁽¹⁾					Total
	Fund 2017 4.75% Debentures ⁽²⁾	Fund 2019 6.50% Debentures	Fund 2020 8.50% Debentures	Fund 2021 6.25% Debentures	Fund 2023 7.00% Debentures	
Maturity	May 31, 2024	October 31, 2026	September 30, 2025	August 31, 2027	June 30, 2028	
Interest rate	4.75 %	6.50 %	8.50 %	6.25 %	7.00 %	
Principal outstanding at January 1, 2023	201,115	100,000	86,250	130,000	—	517,365
Principal outstanding at March 31, 2023	201,115	100,000	86,182	130,000	110,000	627,297
Balance at January 1, 2023	195,283	97,510	107,812	132,613	—	533,218
Issuance ⁽³⁾	—	—	—	—	110,000	110,000
Conversion	—	—	(68)	—	—	(68)
Change in fair value recognized in profit or loss	1,975	540	(23,312)	(8,648)	(3,766)	(33,211)
Change in fair value due to own credit risk ⁽⁴⁾	840	(1,800)	6,921	4,085	2,941	12,987
Balance at March 31, 2023	198,098	96,250	91,353	128,050	109,175	622,926

⁽¹⁾ The Fund 2017 4.75% Debentures, the Fund 2019 6.50% Debentures, the Fund 2020 8.50% Debentures, the Fund 2021 6.25% Debentures, the Fund 2023 7.00% Debentures and the Fund 2016 5.00% Debentures which were redeemed during the first quarter of 2022 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 2023, Chemtrade announced the partial redemption of \$100,000 aggregate principal amount of the outstanding Fund 2017 4.75% Debentures. On May 4, 2023, the debentures were redeemed at their par value, including accrued interest for a total of \$102,017. On May 10, 2023, Chemtrade announced the redemption of remaining principal amount of \$101,115 of the Fund 2017 4.75% Debentures, see note 18.

⁽³⁾ During the first quarter of 2023, Chemtrade completed a public offering of the Fund 2023 7.00% Debentures, at a price of \$1,000 per debenture. The Fund 2023 7.00% Debentures are convertible, at the option of the holder, into trust units of the Fund at a conversion price of \$12.85 per unit. Chemtrade incurred transaction costs of \$4,980 which included underwriters' fees and other expenses relating to the offering.

⁽⁴⁾ 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.

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13. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES (continued):

	Convertible unsecured subordinated debentures					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 ⁽¹⁾	
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 March 31, 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 ⁽¹⁾	(143,750)	—	—	—	—	(143,750)
Change in fair value recognized in profit or loss	(144)	(6,547)	(5,760)	3,222	24,853	15,624
Change in fair value due to own credit risk ⁽²⁾	—	9,926	6,110	1,090	(21,798)	(4,672)
Balance at March 31, 2022	—	201,175	101,500	101,775	132,925	537,375

⁽¹⁾ 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 its Credit Facilities to fund the redemption.

⁽²⁾ 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 months ended March 31, 2023, interest expense of \$8,248 (2022 - \$8,257) and transaction costs of \$4,980 (2022- nil) relating to the Debentures were recognized in net finance costs.

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14. 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:

	2023		2022	
	Number of Units	Amount	Number of Units	Amount
Balance - January 1	115,536,668	\$ 1,635,683	104,222,562	\$ 1,541,583
Conversion of unsecured subordinated convertible debentures	9,251	68	—	—
Issuance of units under the DRIP	299,926	2,717	313,261	2,365
Balance – March 31	115,845,845	\$ 1,638,468	104,535,823	\$ 1,543,948

(b) Distributions:

Distributions paid for the three months ended March 31, 2023 were \$17,425 (2022 - \$15,718) or \$0.15 per unit (2022 - \$0.15 per unit). Of the distributions paid for the three months ended March 31, 2023, \$14,708 (2022 - \$13,353) were in cash and \$2,717 (2022 - \$2,365) 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 months ended March 31, 2023 were \$17,440 (2022 - \$15,735) or \$0.15 per unit (2022 - \$0.15 per unit).

As at March 31, 2023, Chemtrade had distributions payable of \$5,819 (December 31, 2022 - \$5,805). On April 25, 2023, distributions of \$4,892 were paid in cash and \$927 were reinvested in additional units pursuant to the DRIP. On April 19, 2023, Chemtrade declared a cash distribution of \$0.05 per unit for the month of April 2023 payable on May 26, 2023 to Unitholders of record at the close of business on April 28, 2023.

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15. SHARE-BASED PAYMENTS:

Chemtrade operates a Long-term Incentive Plan ("LTIP"), which grants cash awards based on certain criteria. The 2021 - 2023 LTIP awards have a performance based component and a Restricted Share Unit ("RSU") component. The 2022 - 2024 and 2023 - 2025 LTIP awards have a performance based Performance Share Unit ("PSU") component and a RSU component. The performance based component of the 2021 - 2023 LTIP awards and performance based PSU component of the 2022 - 2024 and 2023 - 2025 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 and 2023 - 2025 LTIP awards is also adjusted by 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 March 31, 2023, a liability of \$18,631 (December 31, 2022 - \$52,327) has been recorded, of which \$10,659 (December 31, 2022 - \$35,681) is included in trade and other payables and \$7,972 (December 31, 2022 - \$16,646) is included in other long-term liabilities. During the three months ended March 31, 2023, Chemtrade paid \$36,311 to settle the 2020 - 2022 LTIP awards. For the three months ended March 31, 2023, Chemtrade recorded an expense of \$4,136 (2022 - \$4,236) 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	
	2023	2022
Balance – January 1	3,293,965	3,596,918
Grants – new grants	627,935	715,280
– distribution equivalents	85,174	66,225
Forfeitures	(29,722)	—
Settlements	(1,803,167)	(1,153,047)
Balance – March 31	2,174,185	3,225,375

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15. SHARE-BASED PAYMENTS (continued):

The following PSUs under these plans are outstanding:

	Number of rights	
	2023	2022
Balance – January 1	1,398,638	—
Grants – new grants	612,326	675,900
– estimated performance adjustment	(15,273)	322,202
– distribution equivalents	28,448	6,214
Forfeitures	(36,224)	—
Balance – March 31	1,987,915	1,004,316

Chemtrade has in place a deferred unit plan ("DUP") for non-employee trustees ("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. The 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 March 31, 2023, 554,788 deferred units at a value of \$4,355 were outstanding (December 31, 2022 - 583,501 deferred units at a value of \$5,234).

The following rights under the DUP are outstanding:

	Number of rights	
	2023	2022
Balance – January 1	583,501	569,017
Grants – new grants	31,349	20,505
– distribution equivalents	9,359	11,384
Settlements	(69,421)	—
Balance – March 31	554,788	600,906

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15. 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:

	March 31, 2023	December 31, 2022
Chemtrade units:		
Average base price	\$7.84	\$6.35
Period-end unit price	\$7.85	\$8.97
Average expected volatility	32.87%	32.47%
Average risk free interest rate	3.79%	4.20%
Average expected remaining term	1.75 years	1.50 years

16. FINANCIAL INSTRUMENTS:

(a) Derivatives and hedging:

	March 31, 2023			December 31, 2022		
	Notional Amount	Fair Value Asset	Fair Value Liability	Notional Amount	Fair Value Asset	Fair Value Liability
Derivatives designated in a formal hedging relationship						
Cash-settled unit swaps ⁽¹⁾	—	\$ 3,734	—	—	\$ 6,982	—
Derivatives not designated in a formal hedging relationship						
Interest rate swaps ⁽¹⁾	US\$ 325,000	\$ 17,169	—	US\$ 325,000	\$ 21,067	—
Foreign exchange contracts ⁽¹⁾⁽²⁾	—	—	\$ 1,649	—	—	\$ 3,752
Cash-settled unit swaps ⁽¹⁾	—	\$ 750	—	—	—	—
Total		\$ 21,653	\$ 1,649		\$ 28,049	\$ 3,752

⁽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 March 31, 2023 and December 31, 2022.

⁽²⁾ See below for notional amounts.

As of January 1, 2022, Chemtrade had swap arrangements in place to fix the LIBOR components of its interest rates on US\$325,000 of its Credit Facilities until October 2024. During the first quarter of 2022, Chemtrade formally designated the interest rate swaps as cash flow hedges. Subsequent to the designation, changes in the fair value of the effective portion of the swaps were recognized in other comprehensive income.

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16. FINANCIAL INSTRUMENTS (continued):

During the third quarter of 2022, Chemtrade de-designated its interest rate swaps and hedge accounting on these swaps was discontinued prospectively. For the three months ended March 31, 2023, Chemtrade reclassified \$1,754 (2022 - nil) relating to the changes in fair value of the effective portion of the swaps from other comprehensive income to net earnings, as a result of the de-designation. For the three months ended March 31, 2023, Chemtrade recognized a loss of \$3,898 (2022 - gain of \$1,901) relating to the changes in the fair value of the de-designated swaps, in net earnings.

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 months ended March 31, 2023, a foreign exchange loss of \$392 (2022 - gain of \$4,197) 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 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 a portion of the PSU component of its 2022 - 2024 LTIP awards. During the first quarter of 2023, Chemtrade rolled over the hedged units maturing on March 31, 2023, into 2024, 2025 and 2026. 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 2023 - 2025 LTIP awards and deferred units awarded under the DUP. 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 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 March 31, 2023, the notional number of units hedged was 2,312,075 with maturity dates ranging between March 2024 and March 2026. Distributions on the hedged units are reinvested in these swap arrangements. The RSU and PSU 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. However, the swaps which fix the unit price on deferred units are not formally designated as cash flow hedges and any

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16. FINANCIAL INSTRUMENTS (continued):

changes in the fair value of these deferred units swaps are recognized in net earnings. As at March 31, 2023, the notional number of units not hedged was 520,000 maturing in March 2024.

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 March 31, 2023 include future contracts to sell the following amounts for periods through to August 2024:

Amount	Maturity	Exchange rate range
US\$83,966	Q2 2023	\$1.30 - \$1.35
US\$24,116	Q3 2023	\$1.31 - \$1.33
US\$15,000	Q4 2023	\$1.32 - \$1.35
US\$8,000	Q1 2024	\$1.37
US\$6,000	Q2 2024	\$1.36
US\$4,000	Q3 2024	\$1.36

(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, 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:

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.

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16. FINANCIAL INSTRUMENTS (continued):

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 condensed consolidated interim statements of financial position.

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

The fair value of the interest rate swap arrangements is the difference between the forward interest rates and the contract rates discounted. The assets or liabilities are recorded in other assets or other long-term liabilities in the condensed consolidated interim statements of financial position. Any changes in the effective portion of fair value of these arrangements were recognized in other comprehensive income. Any changes in the fair value of these arrangements de-designated for hedge accounting 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, and other long-term liabilities 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. Any changes in the fair value of the deferred units under the DUP are recognized in net earnings.

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17. CAPITAL MANAGEMENT:

Chemtrade monitors capital using a Net debt to Adjusted EBITDA ratio. Net debt to Adjusted EBITDA ratio is 'Net debt' divided by last twelve months (LTM) Adjusted EBITDA. Chemtrade includes within Net debt, long-term debt, Debentures, lease liabilities, less cash and cash equivalents. Chemtrade monitors Net debt to Adjusted EBITDA as a part of liquidity management to sustain future investment in the growth of the business and make decisions about capital.

	March 31, 2023	December 31, 2022
Long-term debt ⁽¹⁾	\$ 327,784	\$ 370,024
Add (Less):		
Debentures ⁽¹⁾	627,297	517,365
Long-term lease liabilities	107,757	94,071
Lease liabilities ⁽²⁾	47,866	45,571
Cash and cash equivalents	(132,715)	(72,569)
Net debt	977,989	954,462
LTM Adjusted EBITDA ⁽³⁾	\$ 454,705	\$ 430,868
Net debt to Adjusted EBITDA	2.15	2.22

⁽¹⁾ Principal outstanding amount

⁽²⁾ Presented as current liabilities in the condensed consolidated interim statements of financial position

⁽³⁾ LTM Adjusted EBITDA represents the last twelve months Adjusted EBITDA.

There were no changes in Chemtrade's approach to managing capital during the first quarter ended March 31, 2023.

18. SUBSEQUENT EVENTS:

Partial Redemption of the Fund 2017 4.75% Debentures

During the first quarter of 2023, Chemtrade announced the partial redemption of \$100,000 aggregate principal amount of the outstanding Fund 2017 4.75% Debentures. On May 4, 2023, the debentures were redeemed at their par value, including accrued interest for a total of \$102,017. At March 31, 2023, the fair value of these debentures of \$98,500 has been presented as current liabilities in the Condensed Consolidated Interim Statements of Financial Position.

On May 10, 2023, Chemtrade announced the redemption of remaining principal amount of the Fund 2017 4.75% Debentures, with an effective redemption date of June 30, 2023. The debentures will be redeemed at their par value of \$101,115.

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19. SIGNIFICANT ACCOUNTING POLICIES:

(a) Standards and interpretations adopted during the period:

Chemtrade adopted the following accounting amendments that were effective for its interim and annual consolidated financial statements beginning January 1, 2023. The adoption of these standards have not had a material impact on its financial results.

- IFRS 17, *Insurance Contracts*, a replacement of IFRS 4, *Insurance Contracts*, that aims to provide consistency in the application of accounting for insurance contracts.
- Amendments to IAS 1, *Presentation of Financial Statements - Disclosure of Accounting Policies*, requiring entities to disclose material, instead of significant, accounting policy information.
- Amendments to IAS 8, *Accounting Policies - Changes in Accounting Estimates and Errors*, clarifying the definition of "accounting policies" and "accounting estimates".
- Amendments to IAS 12, *Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction*, narrowing the scope for exemption when recognizing deferred taxes.

(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 - 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, 2024).
- Amendments to IFRS 10, and IAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*, addressing the conflict in dealing with the sale or contribution of assets between an investor and its associate or joint venture (deferred indefinitely with an option of early adoption).
- Amendments to IFRS 16, *Lease liability in a Sale and Leaseback*, specifying how a seller-lessee accounts for variable lease payments that arise in a sale-and-leaseback transaction (effective for annual periods beginning on or after January 1, 2024).

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19. SIGNIFICANT ACCOUNTING POLICIES (continued):

While Chemtrade is assessing the impacts, if any, the amendments to existing standards will have on its condensed consolidated interim financial statements, it believes the amendments to IAS 1, noted above, will impact the presentation of its Debentures. The amendments remove an exception related to the requirement for the unconditional right to defer settlement for more than twelve months for equity settled liabilities that permitted classification as non-current liabilities. Chemtrade does not have an unconditional right to defer the settlement of its Debentures upon conversion into units by the debenture holder nor does it classify the conversion option as equity. As a result, the Debentures will be presented as current liabilities in the Condensed Consolidated Interim Statements of Financial Position effective January 1, 2024.