CHEMTRADE

2020

Chemtrade Logistics Income Fund

2020 First Quarter Report

CHEMTRADE LOGISTICS INCOME FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2020

The information in this Management's Discussion and Analysis, or MD&A, is intended to assist the reader in the understanding and assessment of the trends and significant changes in the results of operations and financial condition of Chemtrade Logistics Income Fund (the “Fund”). Throughout this MD&A, the term “Chemtrade” refers to the Fund and its consolidated subsidiaries. The terms “we”, “us” or “our” similarly refers to Chemtrade. This MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements of Chemtrade for the three months ended March 31, 2020, the audited consolidated financial statements of Chemtrade for the year ended December 31, 2019 and the annual MD&A for the year ended December 31, 2019.

Chemtrade's financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”). Chemtrade's reporting currency is the Canadian dollar. In this MD&A, per unit amounts are calculated using the weighted average number of units outstanding for the applicable period unless otherwise indicated. This MD&A is current as at May 12, 2020 and was approved by the Board of Trustees on that date.

Caution Regarding Forward-Looking Statements

Certain statements contained in this MD&A constitute forward-looking statements within the meaning of certain securities laws, including the *Securities Act* (Ontario). Forward-looking statements can be generally identified by the use of words such as “anticipate”, “continue”, “estimate”, “expect”, “expected”, “intend”, “may”, “will”, “project”, “plan”, “should”, “believe” and similar expressions. Specifically, forward-looking statements in this MD&A include statements respecting certain future expectations about: the amount of any long-term incentive compensation; the effect of changes in the interest rate, the exchange rate and the Fund’s ability to offset US dollar denominated debt; the outcome and timing of the remaining antitrust civil lawsuits; the ability of Chemtrade to access tax losses and tax attributes; the tax characterization of planned distributions; capital expenditures; sources, use, sufficiency and availability of cash flows; the effectiveness of internal controls and of their design and implementation; the effects of the COVID-19 pandemic; and the Fund's expected 2020 range of capital expenditures, lease payments, cash interest and cash taxes. Forward-looking statements in this MD&A describe the expectations of Chemtrade as of the date hereof. These statements are based on assumptions and involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements for a variety of reasons, including without limitation the risks and uncertainties detailed under the “RISK FACTORS” section of the Fund’s latest Annual Information Form and the “RISKS AND UNCERTAINTIES” section below.

Although Chemtrade believes the expectations reflected in these forward-looking statements and the assumptions upon which they are based are reasonable, no assurance can be given that actual results will be consistent with such forward-looking statements, and they should not be unduly relied upon. With respect to the forward-looking statements contained in this MD&A, Chemtrade has made assumptions regarding: certain key elements set out in the Financial Outlook section; there being no significant disruptions affecting the operations of Chemtrade, whether due to labour disruptions, supply disruptions, power disruptions, transportation disruptions, damage to equipment or otherwise; the ability of Chemtrade to obtain products, raw materials, equipment, transportation, services and supplies in a timely manner to carry out its activities and at prices consistent with current levels or in line with Chemtrade's expectations; the timely receipt of required regulatory approvals; the cost of regulatory and environmental compliance being consistent with current levels or in line with Chemtrade's expectations; the ability of Chemtrade to successfully access tax losses and tax attributes; the ability of Chemtrade to obtain financing on acceptable terms; currency, exchange and interest rates being consistent with current levels or in line with Chemtrade's expectations; and global economic performance.

Except as required by law, Chemtrade does not undertake to update or revise any forward-looking statements, whether as a result of new information, future events or for any other reason. The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement.

Recent Development

COVID-19 Pandemic

During the first quarter of 2020, the COVID-19 pandemic has not significantly affected the ability of Chemtrade to operate any of its facilities. However, the pandemic has materially affected the demand for certain of Chemtrade's products and services, particularly those related to the oil and gas industry, namely regen sulphuric acid and hydrochloric acid. Further, these demand disruptions and the resulting decrease in future earnings will increase Chemtrade's leverage ratios. Management continues to closely monitor and assess the effects of the pandemic on Chemtrade, including on its workforce, operations, supply chain, markets and liquidity position. See **Risks and Uncertainties** - *Risk of Pandemic* for more details.

Financial Highlights

These financial highlights have been presented in accordance with IFRS.

($'000 except per unit amounts)		Three months ended March 31, 2020		Three months ended March 31, 2019
Revenue	$	366,901	$	385,252
Net loss (1)(2)	$	(97,875)	$	(29,318)
Net loss per unit (1)(2)(3)	$	(1.06)	$	(0.32)
Diluted net loss per unit (1)(2)(3)	$	(1.06)	$	(0.32)
Total assets	$	2,837,909	$	2,975,099
Long-term debt	$	945,341	$	860,837
Convertible unsecured subordinated debentures	$	386,658	$	491,327
Adjusted EBITDA (2)(4)	$	80,880	$	43,963
Adjusted EBITDA per unit (2)(3)(4)	$	0.87	$	0.47
Cash flows from (used in) operating activities	$	31,220	$	(53,470)
Cash flows from (used in) operating activities per unit(3)	$	0.34	$	(0.58)
Adjusted cash flows from operating activities (2)(4)	$	49,274	$	11,469
Adjusted cash flows from operating activities per unit (2)(3)(4)	$	0.53	$	0.12
Distributable cash after maintenance capital expenditures (2)(4)	$	38,231	$	2,511
Distributable cash after maintenance capital expenditures per unit (2)(3)(4)	$	0.41	$	0.03
Distributions declared	$	23,150	$	27,779
Distributions declared per unit (5)	$	0.25	$	0.30
Distributions paid	$	27,780	$	27,779
Distributions paid per unit (5)	$	0.30	$	0.30

(1) Results for the three months ended March 31, 2020 include a goodwill impairment charge of $56,000, or $0.60 per unit. See **Goodwill Impairment.**

(2) Results for the three months ended March 31, 2019 include a $40,000, or $0.43 per unit, expense related to a legal provision. See **Reserve for legal proceedings.**

(3) Based on weighted average number of units outstanding for the period of: 92,601,062 (2020); 92,596,006 (2019)

(4) See **Non-IFRS Measures**.

(5) Based on actual number of units outstanding on record date.

Non-IFRS Measures

EBITDA and Adjusted EBITDA -

Management defines EBITDA as net earnings before any deduction for net finance costs, income taxes, depreciation and amortization. Adjusted EBITDA also excludes other non-cash charges such as impairment, change in environmental liability, gains and losses on the disposal and write-down of property, plant and equipment, and unrealized foreign exchange gains and losses. EBITDA and Adjusted EBITDA are metrics used by many investors and analysts to compare organizations on the basis of ability to generate cash from operations. Management considers Adjusted EBITDA (as defined) to be an indirect measure of operating cash flow, which is a significant indicator of the success of any business. Adjusted EBITDA is not intended to be representative of cash flow from operations or results of operations determined in accordance with IFRS or cash available for distribution.

EBITDA and Adjusted EBITDA are not recognized measures under IFRS. Chemtrade's method of calculating EBITDA and Adjusted EBITDA may differ from methods used by other income trusts or companies, and accordingly may not be comparable to similar measures presented by other organizations. A reconciliation of EBITDA and Adjusted EBITDA to net loss follows:

		Three months ended		
($'000)		**March 31, 2020**		**March 31, 2019**
Net loss	**$**	**(97,875)**	$	(29,318)
Add:				
Depreciation and amortization		**63,917**		67,464
Net finance costs		**67,452**		27,111
Income tax recovery		**(21,121)**		(17,534)
EBITDA		**12,373**		47,723
Add:				
Impairment of goodwill		**56,000**		—
Change in environmental liability		**3,381**		—
(Gain) loss on disposal and write-down of property, plant and equipment		**(482)**		303
Unrealized foreign exchange loss (gain)		**9,608**		(4,063)
Adjusted EBITDA	**$**	**80,880**	$	43,963

Cash Flow -

The following table is derived from, and should be read in conjunction with the condensed consolidated interim statements of cash flows. Management believes this supplementary disclosure provides useful additional information related to the cash flows of Chemtrade including the amount of cash available for distribution to Unitholders, repayment of debt and other investing activities. Certain sub-totals presented within the cash flows table below, such as “Adjusted cash flows from operating activities”, “Distributable cash after maintenance capital expenditures” and “Distributable cash after all capital expenditures”, are not defined terms under IFRS. These sub-totals are used by Management as measures of internal performance and as a supplement to the condensed consolidated interim statements of cash flows. Investors are cautioned that these measures should not be construed as an alternative to using net earnings as a measure of profitability or as an alternative to the IFRS condensed consolidated interim statements of cash flows. Further, Chemtrade's method of calculating each measure may not be comparable to calculations used by other income trusts or companies bearing the same description.

($'000)	Three months ended March 31, 2020	Three months ended March 31, 2019
Cash flows from (used in) operating activities	31,220	(53,470)
Add (Less):		
Lease payments net of sub-lease receipts	(13,795)	(14,643)
Changes in non-cash working capital and other items	31,849	79,582
Adjusted cash flows from operating activities	**49,274**	**11,469**
Less:		
Maintenance capital expenditures	11,043	8,958
Distributable cash after maintenance capital expenditures	**38,231**	**2,511**
Less:		
Non-maintenance capital expenditures[1]	746	2,442
Distributable cash after all capital expenditures	**$ 37,485**	**$ 69**

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

Consolidated Operating Results

Revenue for the first quarter of 2020 was $366.9 million, which was $18.4 million lower than revenue for the first quarter of 2019. The decrease in revenue is primarily due to lower selling prices for caustic soda and hydrochloric acid ("HCl") in the Electrochemicals ("EC") segment and lower sales volume of sulphuric acid and other Sulphur Products and Performance Chemicals ("SPPC") segment products, partially offset by higher selling prices and higher sales volumes for water products in the Water Solutions and Specialty Chemicals ("WSSC") segment.

Chemtrade's Adjusted EBITDA for the first quarter of 2020 was $36.9 million higher than the Adjusted EBITDA for the same period of 2019. Adjusted EBITDA for the first quarter of 2019 included an expense of $40.0 million with respect to an addition to the legal proceedings reserve related to anti-competitive conduct (see **Reserve for legal proceedings**).

Net earnings for the first quarter of 2020 were lower than the same period of 2019 by $68.6 million. The decrease is primarily due to a $56.0 million impairment of goodwill for water solutions products recorded in the first quarter of 2020 (see **Goodwill Impairment**), higher net finance costs due to a loss from the change in the fair value of convertible debentures (see **Net Finance Costs**) and an unrealized foreign exchange loss in the first quarter of 2020 compared to an unrealized foreign exchange gain for the same period of 2019 (see **Foreign Exchange**). The factors above were partially offset by higher Adjusted EBITDA and higher income tax recovery in the first quarter of 2020 compared to the same period of 2019 (see **Income Taxes**).

Results of Operations by Business Segment

SPPC -

($'000)	Three months ended March 31, 2020	Three months ended March 31, 2019
Revenue	$ 113,022	$ 131,079
Gross profit	14,461	16,483
Adjusted EBITDA [(1)]	34,632	37,525
Gain on disposal and write down of property, plant and equipment	49	2
EBITDA [(1)]	34,681	37,527

[(1)] EBITDA and Adjusted EBITDA are not recognized measures under IFRS. Chemtrade's method of calculating EBITDA and Adjusted EBITDA may differ from methods used by other income trusts or companies, and accordingly may not be comparable to similar measures presented by other organizations. See **Non-IFRS Measures** for further details and a reconciliation of EBITDA and Adjusted EBITDA.

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

Revenue for the three months ended March 31, 2020 was $18.1 million lower than the same period of 2019 primarily due to lower sales volumes of merchant sulphuric acid, sulphur and SHS. Gross profit for the first quarter of 2020 was $2.0 million lower than the same period of 2019. The lower gross profit was primarily due to reduced demand and therefore lower sales volume for SHS and due to lower sales volume and selling price for sulphur. Even though merchant acid sales volume during the first quarter of 2020 was below 2019, gross profit was similar to 2019 due to a combination of higher selling prices and reduced costs.

The factors that resulted in lower gross profit also resulted in Adjusted EBITDA for the three months ended March 31, 2020 being $2.9 million lower than the Adjusted EBITDA for the same period of 2019.

WSSC -

($'000)	Three months ended March 31, 2020	Three months ended March 31, 2019
Revenue	$ 113,338	$ 105,390
Gross (loss) profit	(42,370)	6,188
Adjusted EBITDA [(1)]	25,706	18,067
Impairment of goodwill	(56,000)	—
Change in environmental liability	(3,381)	—
Gain on disposal and write-down of property, plant and equipment	457	2
EBITDA [(1)]	(33,218)	18,069

[(1)] EBITDA and Adjusted EBITDA are not recognized measures under IFRS. Chemtrade's method of calculating EBITDA and Adjusted EBITDA may differ from methods used by other income trusts or companies, and accordingly may not be comparable to similar measures presented by other organizations. See **Non-IFRS Measures** for further details and a reconciliation of EBITDA and Adjusted EBITDA.

WSSC manufactures and markets a variety of inorganic coagulants used in water treatment, including aluminum sulphate, aluminum chlorohydrate, polyaluminum chloride, and ferric sulphate; and a number of specialty chemicals, including sodium nitrite, potassium chloride ("KCl"), phosphorus pentasulphide ("P_2S_5"), and vaccine adjuvants. These products are marketed primarily to North American customers.

Revenue for the three months ended March 31, 2020, was $7.9 million higher than the same period of 2019 primarily due to higher selling prices and sales volume for water solutions products and higher selling price for P_2S_5.

Gross profit for the three months ended March 31, 2020 was $48.6 million lower than the first quarter of 2019. This decrease is primarily due to a $56.0 million impairment of goodwill for water solutions products recorded during the first quarter of 2020 (see **Goodwill Impairment**), partially offset by higher revenue described above.

The factors that affected revenue also resulted in Adjusted EBITDA for the three months ended March 31, 2020 being $7.6 million higher than the same period of 2019.

EC -

	Three months ended	
($'000)	**March 31, 2020**	**March 31, 2019**
North American sales volumes:		
Sodium chlorate sales volume (000's MT)	102	101
Chlor-alkali sales volume (000's MECU)	36	39
Revenue	$ 140,541	$ 148,783
Gross profit	6,853	21,764
Adjusted EBITDA [1]	32,933	48,094
Loss on disposal and write-down of property, plant and equipment	(24)	(4)
EBITDA [1]	32,909	48,090

[1] EBITDA and Adjusted EBITDA are not recognized measures under IFRS. Chemtrade's method of calculating EBITDA and Adjusted EBITDA may differ from methods used by other income trusts or companies, and accordingly may not be comparable to similar measures presented by other organizations. See **Non-IFRS Measures** for further details and a reconciliation of EBITDA and Adjusted EBITDA.

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.

Revenue for the three months ended March 31, 2020 was $8.2 million lower than the same period of 2019. The lower revenue was primarily due to a decrease of 13% in selling prices for caustic soda and a decrease of 37% in selling prices for HCl. This was partially offset by a 11% increase in selling prices for chlorine.

Gross profit for the three months ended March 31, 2020 was $14.9 million lower than the same period of 2019. Gross profit during the first quarter of 2020 has been negatively affected by significantly lower selling prices for HCL and caustic soda relative to 2019.

Additionally, there was a 43% decrease in netbacks (selling price less freight) for HCl in first quarter of 2020 compared with the same period of 2019. Due to the volatility of sales demand for HCl from the oil and gas industry, during 2019, Chemtrade decided to diversify its customer base to include industrial end markets with more stable demand, albeit at lower selling prices. These end markets are generally further away from Chemtrade's facility and therefore also result in higher freight costs; however, their demand tends to be more stable, which typically allows Chemtrade to maintain high operating rates at the North Vancouver chlor-alkali facility.

The factors that affected gross profit also resulted in Adjusted EBITDA for the three months ended March 31, 2020 being $15.2 million lower than the same period of 2019.

Corporate -

	Three months ended	
($'000)	**March 31, 2020**	**March 31, 2019**
Cost of services	$ 12,391	$ 59,723
Adjusted EBITDA [1]	(12,391)	(59,723)
Unrealized foreign exchange (loss) gain	(9,608)	4,063
Loss on disposal and write down of property, plant and equipment	—	(303)
EBITDA [1]	(21,999)	(55,963)

[1] EBITDA and Adjusted EBITDA are not recognized measures under IFRS. Chemtrade's method of calculating EBITDA and Adjusted EBITDA may differ from methods used by other income trusts or companies, and accordingly may not be comparable to similar measures presented by other organizations. See **Non-IFRS Measures** for further details and a reconciliation of EBITDA and Adjusted EBITDA.

The Corporate segment includes the administrative costs of corporate activities such as treasury, finance, information technology, human resources, legal and risk management, and environmental, health and safety support, which are not directly allocable to an operating segment.

For the three months ended March 31, 2020, corporate costs, excluding unrealized foreign exchange gains and losses were $47.3 million lower than the same period of 2019 primarily due to the legal proceedings reserve of $40.0 million recorded in the first quarter of 2019 and incentive compensation costs in the first quarter of 2020 that were $7.8 million lower than the same period of 2019.

Corporate costs include Long Term Incentive Plan ("LTIP") expenses, which relate to the 2018-2020, 2019-2021, and 2020-2022 LTIPs which Chemtrade operates and pursuant to which it grants cash awards based on certain criteria. The 2018-2020, 2019-2021, and 2020-2022 LTIP payouts are payable at the beginning of 2021, 2022 and 2023, respectively. The LTIP awards have a performance based component and a restricted share unit component. The performance based component of the 2018 - 2020 and 2019 - 2021 LTIP awards is based on total Unitholder return over a performance period, EBITDA growth and total return to Chemtrade's Unitholders relative to the total return on the S&P/TSX Dividend Composite Index or the companies comprising such index. The performance based component of the 2020 - 2022 LTIP awards is based on Return on Investment Capital ("ROIC") Improvement and total return to Chemtrade's Unitholders relative to the total return of companies comprising the S&P/TSX Dividend Composite Index. Total Unitholder return consists of changes in unit price and distributions paid to Unitholders. The restricted share unit component of the LTIP awards is a phantom plan which is payable in cash at the end of the performance period. The nature of these calculations makes it difficult to forecast the amount of LTIP expenses that will be recorded in any period, as it is based upon a valuation model which considers several variables.

Unrealized foreign exchange loss for the three months ended March 31, 2020 was $9.6 million compared to an unrealized foreign exchange gain of $4.1 million for the same period of 2019. The loss in the first quarter of 2020 is primarily due to significant fluctuations in the exchange rates between the Canadian dollar, U.S. dollar and the Brazilian Real.

Chemtrade has hedged its investment in foreign operations that use the U.S. dollar as their functional currency with its U.S. dollar-denominated long-term debt. As a result, any gains and losses arising from the U.S. dollar-denominated debt will be offset by the foreign currency gain or loss arising from the investment in the foreign operations. The gains and losses on the translation of the designated amount of U.S. dollar-denominated debt and investment in foreign operations are recognized on a net basis in other comprehensive income. For the three months ended March 31, 2020, foreign exchange loss of $54.4 million on the revaluation of the U.S. dollar-denominated debt and investment in foreign operations was recognized in other comprehensive income, compared with a foreign exchange gain of $5.4 million during the three months ended March 31, 2019.

Reserve for legal proceedings

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

The main class action civil lawsuit was settled for US$56.0 million and was paid out during 2019. Some additional settlements were negotiated following the end of the first quarter of 2019, such that all of the lawsuits, including all class action lawsuits arising directly out of the anti-competitive actions in the water business have now been settled, with only a few ex-employee initiated derivative actions outstanding. While Chemtrade believes that the reserve is sufficient, the outcome and timing of the remaining actions are uncertain.

Assets Held For Sale

During the second quarter of 2019, management decided to pursue the sale of two specialty chemicals related assets (potassium chloride and vaccine adjuvants) within the WSSC segment. Accordingly, $221.9 million (December 31, 2019 - $202.8 million) of assets, along with $18.6 million (December 31, 2019 - $18.7 million) of liabilities directly associated with these assets have been presented as held for sale as at March 31, 2020.

Goodwill Impairment

During the first quarter of 2020, as a result of changes in macro-economic conditions which resulted in a significant increase in discount rates, combined with consideration for historic and forecast performance of each cash-generating unit ("CGU"), Chemtrade performed a test for goodwill impairment for the water solutions CGU in WSSC. The other CGUs were not tested for impairment at March 31, 2020 as the recoverable amount exceeded the carrying values by a significant amount at December 31, 2019. Although this CGU's operating performance has been improving, as a result of applying the higher discount rate this CGU's carrying value exceeded its recoverable amount by $56.0 million and therefore an impairment loss of $56.0 million was fully allocated to goodwill and recognized in cost of sales and services. Following the impairment recognized in the water solutions CGU, its recoverable amount equals its carrying value.

Foreign Exchange

Chemtrade has certain operating subsidiaries that use the U.S. dollar as their functional currency. As Chemtrade reports in Canadian dollars, its reported net earnings are exposed to fluctuations in the Canadian/U.S. dollar exchange rate. If the Canadian dollar weakened by one-cent (for example, from $1.40 to $1.41), on an unhedged basis, this would have a positive impact on annual net earnings of approximately $0.1 million, and vice-versa. The impact on annual Adjusted EBITDA and Distributable cash after maintenance capital expenditures would be approximately $1.5 million and $0.7 million, respectively, and vice-versa.

Chemtrade has entered into a series of foreign exchange contracts with its principal bankers to manage the volatility of foreign exchange rates. All foreign exchange contracts are under International Swap and Derivatives Association ("ISDA") agreements. Contracts in place at March 31, 2020 include future contracts to sell the following amounts for periods through to September 2020:

Amount ($'000)	Weighted average exchange rate
US$20,000	$1.33

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

Certain of Chemtrade's operating subsidiaries use the U.S. dollar as their functional currency. The investment in these U.S. dollar-denominated foreign operations has been hedged by Chemtrade's U.S. dollar-denominated credit facilities. Any gains and losses from the translation of U.S. dollar-denominated borrowings on the credit facilities will be offset by the foreign currency gain or loss arising from the investment in the U.S. foreign operations. The gains and losses on the translation of the designated amount of long-term debt and investment in foreign operations are recorded in other comprehensive income. The changes recorded in the accumulated other comprehensive income account since December 31, 2019 were a result of changes in the Canadian/U.S. dollar exchange rate between December 31, 2019 and March 31, 2020.

The rate of exchange used to translate U.S. dollar-denominated balances has increased from a rate of US$1.00 = $1.30 at December 31, 2019 to US$1.00 = $1.41 at March 31, 2020. See **Risks and Uncertainties** for additional comments on foreign exchange.

Net Finance Costs

During the three months ended March 31, 2020, net finance costs were $67.5 million compared with net finance costs of $27.1 million during the same period of 2019. The increase is primarily due to a $40.2 million increase in losses related to a change in the fair value of convertible debentures.

The convertible debentures are recognized at fair value with changes in fair value due to changes in the risk free interest rate presented in net finance costs and changes in Chemtrade's own credit risk presented in other comprehensive income rather than net earnings. During the three months ended March 31, 2020, the fair value of the Fund's convertible debentures decreased by $147.7 million. As a result, Chemtrade recorded a pre-tax loss of $47.4 million in net finance costs due to a decrease in the risk free interest rate, and a gain of $142.4 million, net of tax of $52.7 million, in other comprehensive income due to an increase in Chemtrade's own credit risk. During the comparable period of 2019, Chemtrade recorded a pre-tax loss of $7.2 million in net finance costs due to a decrease in the risk free interest rate, and a gain of $8.5 million, net of tax of $2.5 million, in other comprehensive income due to an increase in Chemtrade's own credit risk.

The weighted average effective annual interest rate of the Credit Facilities at March 31, 2020 was 3.7% (December 31, 2019 - 4.2%). See **Liquidity and Capital Resources** - *Financing Activities* - *Financial Instruments* for information concerning swap arrangements.

Income Taxes

The Fund is a mutual fund trust and a specified investment flow-through trust ("SIFT") for income tax purposes. The Fund is subject to current income taxes at the top marginal tax rate applicable to individuals of approximately 53.5% on all taxable income not distributed to Unitholders. The Fund is also subject to current income taxes on all taxable income, other than dividends, earned from Canadian corporate and flow-through subsidiaries (other than Canadian subsidiaries that earn certain investment income) at a tax rate similar to the corporate tax rate. The Fund is not subject to tax on income received from non-Canadian subsidiaries, provided that the income is distributed to Unitholders during the year. Based on the current organization of the Fund and its subsidiaries, Chemtrade expects that its income distributed to Unitholders will not be subject to SIFT tax.

Taxable income distributed by the Fund to its Unitholders is considered taxable income of those Unitholders.

Current income tax expense for the first quarter of 2020 was $0.9 million compared with $1.5 million for the same period of 2019. The decrease in current income tax expense is primarily due to reduced taxable income in Brazil. Deferred income tax recovery for the first quarter of 2020 was $22.0 million compared with $19.1 million for the same period of 2019. The higher income tax recovery for the first quarter of 2020 is primarily due to an increase in non-capital losses recognized in Canada in 2020. This was partially offset by a lower level of legal proceedings reserve in the US that occurred in the first quarter of 2019 (see **Reserve for legal proceedings**).

The effective tax rate for the first quarter of 2020 differs from the statutory tax rate primarily due to the deduction of taxable income distributed to Unitholders, the difference in domestic corporate and trust tax rates and the impairment of goodwill.

During the first quarter of 2020, deferred tax assets decreased by $21.5 million primarily due to the recognition of capital gains associated with the change in fair value of the convertible debentures, partially offset by tax losses associated with the change in the fair value of the interest rate swap contracts in Canada. Deferred tax liabilities were similar as at March 31, 2020 relative to December 31, 2019.

The Fund does not record deferred taxes related to its deductible temporary differences nor those of its flow-through subsidiaries, as these differences primarily relate to investments in corporate subsidiaries and are expected to reverse without tax consequences to the Fund.

Excess Cash Flows and Net Earnings Over Distributions Paid

The following table presents excess cash flows from operating activities and net earnings over distributions paid for the three months ended March 31, 2020, and for the years ended December 31, 2019 and December 31, 2018.

		Three months ended		Year ended		
($'000)		**March 31, 2020**		**December 31, 2019**		**December 31, 2018**
Cash flows from operating activities	$	31,220	$	139,477	$	244,464
Net loss	$	(97,875)	$	(99,654)		(131,517)
Distributions paid during period	$	27,780	$	111,116		111,116
Excess of cash flows from operating activities over cash distributions paid	$	3,440	$	28,361		133,348
Shortfall of net loss over cash distributions paid	$	(125,655)	$	(210,770)		(242,633)

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

Distributions -

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

Distributions to Unitholders for the three months ended March 31, 2020 were declared as follows:

Record Date	**Payment Date**		**Distribution Per Unit**		**Total ($'000)**
Three months ended March 31:					
January 31, 2020	February 28, 2020	$	0.10	$	9,260
February 28, 2020	March 31, 2020		0.10		9,260
March 31, 2020	April 30, 2020		0.05		4,630
Total for the three months ended March 31, 2020		$	0.25	$	23,150

Distributions to Unitholders for the three months ended March 31, 2019 were declared as follows:

Record Date	Payment Date	Distribution Per Unit	Total ($'000)
Three months ended March 31:			
January 31, 2019	February 28, 2019	$ 0.10	$ 9,260
February 28, 2019	March 29, 2019	0.10	9,260
March 29, 2019	April 30, 2019	0.10	9,259
Total for the three months ended March 31, 2019		$ 0.30	$ 27,779

Treatment of Chemtrade's distributions for Canadian Income Tax purposes for 2019 and 2020 is as follows:

	Other Income	Dividends [1]	Foreign Non-Business Income	Total
2019	13.2%	41.5%	45.3%	100%
2020 [2]	4.0%	7.0%	89.0%	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 2020 distributions will be determined by March 1, 2021.

Liquidity and Capital Resources

The Fund's distributions to Unitholders are sourced entirely from its investments in operating subsidiary entities. The Fund's investments are financed by trust units held by Unitholders, the Credit Facilities (see *Financing Activities* below), and the convertible unsecured subordinated debentures ("Debentures"). The cash flow of Chemtrade is required to fund cash distributions to Unitholders, capital requirements, interest, general corporate purposes and other legal obligations.

Cash Flows from (used in) Operating Activities

Cash flows from operating activities for the first quarter of 2020 was an inflow of $31.2 million, compared with an outflow of $53.5 million for the same period of 2019. The increase in cash flow from operating activities of $84.7 million in the first quarter of 2020 compared with the first quarter of 2019 was primarily due to changes in working capital. There was a large increase in working capital during the first quarter of 2019 when an amount accrued with respect to the settlement of the main class action lawsuit was paid (see **Reserve for legal proceedings**).

Investing Activities

Capital expenditures were $11.8 million in the first quarter of 2020, compared with $11.4 million in the first quarter of 2019. These amounts include $11.0 million in the first quarter of 2020 and $9.0 million in the first quarter of 2019 for maintenance capital expenditures. Chemtrade expects to incur approximately $80.0 million of maintenance capital expenditures during 2020.

Non-maintenance capital expenditures were $0.8 million during the first quarter of 2020, compared with $2.4 million during the first quarter of 2019. Non-maintenance capital expenditures are: (i) pre-identified or pre-funded, usually as part of a significant acquisition and related financing; (ii) considered to expand or improve the capacity of Chemtrade's operations; (iii) significant environmental capital expenditures that are considered to be non-recurring; or (iv) capital expenditures to be reimbursed by a third party.

Financing Activities

At March 31, 2020, Chemtrade's credit facilities were comprised of a $457.0 million (US$325.0 million) five year term loan and a $738.3 million (US$525.0 million) revolving credit facility (the "Credit Facilities").

On October 24, 2019, Chemtrade modified certain terms of its Credit Facilities including extending the maturity date to October 24, 2024 and incurred $0.6 million of transaction costs related to the modification.

There was a net increase of $134.5 million in borrowings on the revolving portion of the Credit Facilities during the three months ended March 31, 2020 compared with a net increase of $185.3 million during the three months ended March 31, 2019. During the three months ended March 31, 2020, the additional borrowings on the Credit Facilities were primarily used to redeem the remaining portion of the outstanding CEI Series VI Debentures at a total aggregate redemption price of $74.6 million. During the three months ended March 31, 2019, the additional borrowings on the Credit Facilities were primarily used to redeem the remaining portion of the outstanding CEI Series V Debentures at a total aggregate redemption price of $84.0 million and to make payments related to the legal proceedings reserve (see **Reserve for legal proceedings**).

Distributions paid to Unitholders during the three months ended March 31, 2020 were similar to the same period of 2019. For additional information on cash distributions, see **Non-IFRS Measures** - *Cash Flow* and **Excess Cash Flows and Net Earnings Over Distributions Paid.**

Financial Instruments -

During the first quarter of 2019, Chemtrade's previous swap arrangements with its principal bankers which fixed the LIBOR components of its interest rates on US$325.0 million of its outstanding term bank debt expired. Subsequently, during the first and third quarters of 2019, Chemtrade entered into swap arrangements of US$175.0 million and US $150.0 million respectively with its principal bankers, which fixed the LIBOR components of its interest rates on its outstanding term bank debt until December 2023. 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 are recognized in other comprehensive income in the condensed consolidated interim statements of comprehensive income.

On April 24, 2020, Chemtrade entered into a new swap arrangement which fixed the LIBOR components of its interest rates on the first US$250.0 million of its outstanding revolving credit under its long term debt until April 24, 2021. This swap is formally designated as a cash flow hedge at the date of inception and any change in the fair value of the effective portion of the swap will be recognized in other comprehensive income.

Chemtrade hedges its investment in foreign operations that use the U.S. dollar as their functional currency with its U.S. dollar-denominated long-term debt. Any gains and losses arising from the U.S. dollar-denominated debt will be offset by the foreign currency gain or loss arising from the investment in the foreign operations. The gains and losses on the translation of the designated amount of U.S. dollar-denominated debt and investment in foreign operations are recognized in other comprehensive income.

Cash Balances -

At March 31, 2020, Chemtrade had net cash balances of $52.2 million and working capital of $36.1 million. Given the recent uncertainty in financial markets, Chemtrade decided to carry a higher than normal amount of cash at the end of the first quarter of 2020. Comparable figures for December 31, 2019 were $13.5 million and working capital of $16.3 million, respectively. Chemtrade defines working capital to exclude cash, assets held for sale, distributions payable, current portion of long-term debt and debentures, and liabilities directly associated with assets held for sale. Cash generated by Chemtrade will be used to fund cash distributions to Unitholders, capital requirements, interest, general corporate purposes and other legal obligations.

Future Liquidity -

The future liquidity of Chemtrade is primarily dependent on cash flows of its operating subsidiaries. These cash flows will be used to finance ongoing expenditures, including maintenance capital, distributions to Unitholders and normal course financial commitments. Cash flows are sensitive to changes in volume, sales prices and input costs and any changes in these may impact future liquidity. Management believes that cash flows from operating activities will be sufficient for Chemtrade to meet future obligations and commitments that arise in the normal course of business activities. However, there is inherently more uncertainty associated with the Fund's future operating assumptions given the changing circumstances surrounding the COVID-19 pandemic. See **Risks and Uncertainties** - *Risk of Pandemic* for more details. In addition, Chemtrade has revolving credit facilities which can be used for general corporate purposes, including to fund capital expenditures. See *Capital Resources* below for more details.

Capital Resources -

At March 31, 2020, Chemtrade had Credit Facilities of approximately $1.2 billion (US$850.0 million), consisting of a $457.0 million (US$325.0 million) five year term loan and a $738.3 million (US$525.0 million) revolving credit facility. At March 31, 2020, Chemtrade had the entire term loan outstanding, and had drawn $492.1 million on its revolving credit facility. Additionally, it had committed a total of $11.3 million of its revolving credit facility towards standby letters of credit. On October 24, 2019, Chemtrade modified certain terms of its Credit Facilities including extending the maturity date to October 24, 2024.

At March 31, 2020, Chemtrade had four series of Debentures outstanding with an aggregate par value of $571.4 million (market value of $386.7 million) and maturity dates ranging from June 30, 2021 to October 31, 2026.

In October 2019, Chemtrade completed a public offering of $100.0 million principal amount of convertible unsecured subordinated debentures, at a price of $1,000 per debenture, with an interest rate of 6.50% per annum. Chemtrade incurred transaction costs of $4.5 million which included underwriters' fees and other expenses relating to the offering.

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

Debt Covenants -

As at March 31, 2020, Chemtrade was compliant with all debt covenants contained in its credit agreement.

Summary of Quarterly Results

($ millions)	**Q1 2020**	**Q4 2019**	**Q3 2019**	**Q2 2019**	**Q1 2019**	**Q4 2018**	**Q3 2018**	**Q2 2018**
Revenue	$ 366.9	$ 355.2	$ 395.6	$ 396.7	$ 385.3	$ 390.8	$ 418.2	$ 405.3
Cost of sales and services	(388.0)	(331.5)	(354.2)	(409.0)	(340.8)	(452.2)	(354.4)	(366.4)
Gross (loss) profit	(21.1)	23.7	41.4	(12.3)	44.5	(61.4)	63.8	38.9
Selling and administrative expenses:								
Unrealized foreign exchange (loss) gain	(9.6)	2.7	(1.0)	5.1	4.1	(2.7)	3.1	(2.1)
LTIP	5.6	(0.4)	(6.0)	(2.3)	(2.9)	2.5	(2.7)	(2.0)
Other	(26.5)	(21.7)	(20.7)	(24.2)	(65.4)	(21.0)	(52.5)	(89.6)
Total selling and administrative expenses	(30.5)	(19.4)	(27.7)	(21.4)	(64.2)	(21.2)	(52.1)	(93.7)
Operating (loss) income	(51.5)	4.3	13.7	(33.7)	(19.7)	(82.6)	11.7	(54.8)
Net finance costs:								
Mark-to-market on debentures	(47.4)	13.0	(1.5)	(5.0)	(7.2)	(8.1)	4.0	5.0
Debt issuance and extinguishment costs	—	(4.5)	—	—	—	—	—	(7.4)
Other	(20.1)	(21.0)	(21.2)	(21.2)	(19.9)	(17.2)	(17.1)	(17.7)
Total net finance costs	(67.5)	(12.5)	(22.7)	(26.2)	(27.1)	(25.3)	(13.1)	(20.1)
Income tax recovery (expense)	21.1	(4.4)	8.8	2.3	17.5	10.7	10.6	24.5
Net (loss) earnings	$ (97.9)	$ (12.6)	$ (0.2)	$ (57.6)	$ (29.3)	$ (97.2)	$ 9.2	$ (50.4)

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

During the first quarter of 2020, gross profit was lower due to goodwill impairment of $56.0 million related to certain water solutions products. Gross profit for the fourth quarter of 2019 was lower due to significantly lower selling prices for caustic soda. During the second quarter of 2019, gross profit was lower due to goodwill impairment of $65.6 million related to certain specialty chemical products. During the fourth quarter of 2018, goodwill impairment of $90.0 million for water treatment products was recorded. Gross profit was also negatively affected during the second quarter of 2018 when the North Vancouver facility took an extended maintenance turnaround to permanently repair certain equipment.

Selling and Administrative Expenses

The change in fair value of Chemtrade's LTIP obligation is included in selling and administrative expenses. The amount of the expense recorded in any quarter depends on changes in the various factors used in arriving at the fair value of the obligation.

During the first quarter of 2019, other selling and administrative expenses were high due to a $40.0 million legal proceedings reserve expensed in the period (see **Reserve for legal proceedings**). During the second and third quarters of 2018, an expense of $65.0 million and $35.0 million, respectively, related to this legal proceedings reserve was also recorded in the respective periods.

Net Finance Costs

Net finance costs include changes in the fair value of the Debentures. The amount recorded in any quarter related to the fair value adjustments on the Debentures fluctuates depending upon the market value of the Debentures at the end of the period. The primary component of other net finance costs is interest from Chemtrade's Credit Facilities and Debentures.

Starting in 2019, net finance costs include approximately $2.2 million per quarter of interest expense related to lease liabilities recorded in each quarter resulting from the adoption of IFRS 16. The fourth quarter of 2019 includes $4.5 million of transaction costs on the issuance of convertible debentures. The second quarter of 2018 includes debt extinguishment costs on the redemption of the CEI Senior Notes of $7.2 million.

Outstanding Securities of the Fund

As at May 11, 2020 and March 31, 2020, the following common units and securities convertible into units of the Fund were issued and outstanding:

	May 11, 2020			March 31, 2020		
		Convertible Securities	Units		Convertible Securities	Units
Common units outstanding			**92,601,062**			**92,601,062**
5.25% Debentures [1]	**$**	**126,500**	**4,517,857**	**$**	**126,500**	**4,517,857**
5.00% Debentures [2]		**143,750**	**5,784,708**		**143,750**	**5,784,708**
4.75% Debentures [3]		**201,115**	**7,532,397**		**201,115**	**7,532,397**
6.50% Debentures [4]		**100,000**	**6,329,114**		**100,000**	**6,329,114**
Units outstanding and issuable upon conversion of Debentures			**116,765,138**			**116,765,138**
Deferred units compensation plan [5][6]	**$**	**1,863**	**379,489**	**$**	**1,848**	**375,702**
Units outstanding and issuable upon conversion of Debentures and Deferred units			**117,144,627**			**117,140,840**

[1] Convertible at $28.00 per unit

[2] Convertible at $24.85 per unit

[3] Convertible at $26.70 per unit

[4] Convertible at $15.80 per unit

[5] Based on $4.91 and $4.92, the closing price of a unit on the TSX on May 11, 2020 and March 31, 2020 respectively

[6] 620,511 and 624,298 deferred units were available for future grants as at May 11, 2020 and March 31, 2020 respectively

Contractual Obligations

Information concerning contractual obligations at March 31, 2020 is shown below:

Contractual Obligations ***($'000)***	**Total**	**Less Than 1 Year**	**1-3 Years**	**4-5 Years**	**After 5 Years**
Long-term debt	$ 949,155	$ —	$ —	$ 949,155	$ —
Debentures	571,365	—	126,500	344,865	100,000
Purchase commitments	125,096	48,972	32,052	32,052	12,020
Interest on debentures	115,554	29,882	48,154	27,189	10,329
Interest on long-term debt	158,215	34,621	69,243	54,351	—
Lease payments	209,833	58,286	86,388	35,695	29,464
Total contractual obligations	$ 2,129,218	$ 171,761	$ 362,337	$ 1,443,307	$ 151,813

Risks and Uncertainties

Chemtrade operates a diversified business providing industrial chemicals and services to customers in North America and around the world. Chemtrade is one of North America’s largest suppliers of sulphuric acid, spent acid processing services, inorganic coagulants for water treatment, sodium chlorate, sodium nitrite, sodium hydrosulphite and phosphorus pentasulphide. Chemtrade is a leading regional supplier of sulphur, chlor-alkali products, liquid sulphur dioxide, potassium chloride, and zinc oxide. Additionally, Chemtrade provides industrial services such as processing by-products and waste streams. Chemtrade faces various risks associated with its business. These risks include, amongst others, a general reduction in demand for its products, the loss of a portion of its customer base, the interruption of the supply of products or raw materials, price fluctuations in the products sold and/or raw materials purchased, industry capacity, acquisition integration and operational, transportation and product hazard risks associated with the nature of its business. Chemtrade imports key raw materials and products from overseas and as such has additional risks associated with the sourcing activity. Chemtrade makes extensive use of the railway system to transport material within North America. Certain locations are serviced by a sole carrier and thus a disruption in service or changes to the regulatory environment relating to transportation could have a significant negative impact on results. In addition, Chemtrade sells a significant portion of its major products to large customers. While many of these customers are under contract, there can be no assurance that these contracts will be renewed. As Chemtrade's business is international in nature, it is exposed to foreign exchange risks related to the payment of dividends and other transactions by its foreign subsidiaries. For a more detailed discussion of Chemtrade's risks, please refer to the “RISK FACTORS” section of the most recently filed Annual Information Form.

Chemtrade manages the risks associated with its customer base and sales prices by seeking to obtain contractual protection to mitigate these risks. Chemtrade also seeks to differentiate its products and services with customers to mitigate price fluctuations and uses its scale to obtain beneficial raw material contracts.

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

There are a number of risks that warrant additional disclosure which are discussed in detail in the MD&A for the year ended December 31, 2019. There have been no material changes to the business of Chemtrade that require an update to the discussion of these risks except as noted below.

Risk of Pandemic

A pandemic or other global or North American-wide illness, such as COVID-19, could cause interruptions to Chemtrade's operations. Further, Chemtrade's operations would be affected if its supply partners, customers and/or transportation carriers were impacted by a pandemic. As of the date of this MD&A, the COVID-19 pandemic has not significantly affected the ability of Chemtrade to operate any of its facilities. However, the pandemic has materially affected the demand for certain of Chemtrade's products and services, particularly those related to the oil and gas industry, namely regen sulphuric acid and hydrochloric acid. Further, these demand disruptions and the resulting decrease in future earnings will increase Chemtrade's leverage ratios. In light of the current uncertain economic climate, Chemtrade has negotiated an amended covenant package on its senior credit facility which provides Chemtrade with additional covenant room over the next two years.

Management continues to closely monitor and assess the effects of the pandemic on Chemtrade, including on its workforce, operations, supply chain, markets and liquidity position. Short, medium and long-term effects of the pandemic itself, the actions taken to mitigate its effects, and changes in behaviour or other circumstances resulting from the COVID-19 pandemic, are all being considered; however, given the rapidly evolving nature of the pandemic and of its ripple effects on the economy and society at large, it is extremely challenging to forecast with any degree of certainty.

Illness, quarantine, self-isolation, and other emergency measures imposed by various governments, border closures, travel restrictions and other actions have so far been the response to COVID-19. Any of these can affect Chemtrade's workforce or the workforce of a raw material or product supplier or transportation carrier, resulting in the curtailment or shutdown of one or more of Chemtrade's facilities or offices or can delay or prevent the delivery of product or raw materials. The larger social and economic impacts of the COVID-19 pandemic are likely to be widespread and potentially long-lasting. They may affect the behaviour of individuals and markets in ways that cannot easily be predicted. As a result, a pandemic such as the COVID-19 pandemic and its effects could have a material adverse effect on Chemtrade's business, financial condition and/or results of operation.

Risks associated with financial instruments

Credit risk

Credit risk arises from the non-performance by counter-parties of their contractual financial obligations. Chemtrade manages credit risk for trade and other receivables through established credit monitoring activities. Chemtrade does not have a significant concentration of credit risk with any single counter-party. The primary counter-parties related to the foreign exchange forward contracts and interest rate swaps carry investment grade ratings. Chemtrade believes its credit risk of counter-party non-performance continues to be relatively low, notwithstanding the impact of COVID-19. Chemtrade is in regular contact with its customers, suppliers and logistics providers, and to date has not experienced significant counter-party non-performance. However, if a key supplier or customer experiences financial difficulties or fails to comply with their contractual obligations, which may occur as the pandemic continues, this could result in a significant financial loss to Chemtrade. Chemtrade's maximum exposure to credit risk at the reporting date is the carrying value of its receivables and derivative assets.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Chemtrade manages liquidity risk by maintaining adequate cash and cash equivalent balances, and by appropriately utilizing its lines of credit. Chemtrade believes that cash flows from operating activities, together with cash on hand, cash from receivables and borrowings available under the revolving credit facility are sufficient to fund its currently anticipated financial obligations, and will remain available in the current environment.

Currency risk

Chemtrade is exposed to fluctuations in the exchange rate of the US dollar relative to the Canadian dollar as a portion of Chemtrade's earnings are in US dollars, with earnings positively affected when the US dollar strengthens relative to the Canadian dollar. Chemtrade cannot predict changes in currency exchange rates, the impact of exchange rate changes on Chemtrade's operating results, nor the degree to which Chemtrade will be able to manage the impact of currency exchange rate changes. Such changes, including negative impacts on currency exchange rates related to the COVID-19 pandemic, could have an impact on Chemtrade's business, results of operations and financial condition.

Interest rate risk

Chemtrade has a credit facility with long-term debt and operating lines of credit which bear variable rates of interest. As at March 31, 2020, on an unhedged basis, a change in interest rates of 1% per annum would have an impact of approximately $9.5 million on Chemtrade's net earnings per annum. As at March 31, 2020, Chemtrade had fixed interest rates on 48.1% of its senior debt until December 2023.

Critical Judgments and Sources of Estimation Uncertainty

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

Key Sources of Estimation Uncertainty -

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are discussed in detail in the MD&A for the year ended December 31, 2019.

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

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

Chemtrade maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed in the reports that the Fund publicly files is recorded, processed, summarized and reported within a timely manner and that such information is accumulated and communicated to Chemtrade's Management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding disclosure. The Chief Executive Officer and the Chief Financial Officer have evaluated Chemtrade's disclosure controls procedures as of March 31, 2020 through inquiry and review. The Chief Executive Officer and the Chief Financial Officer have concluded that, as at March 31, 2020, Chemtrade's design and implementation of the controls were effective.

Chemtrade also maintains a system of internal controls over financial reporting designed under the supervision of Chemtrade's Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Chemtrade's Management, including the Chief Executive Officer and the Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting and evaluating its effectiveness. Management has used The Committee of Sponsoring Organizations of the Treadway Commission ("COSO") framework (2013) to evaluate the effectiveness of Chemtrade's internal control over financial reporting as of March 31, 2020. There have been no changes to the design of internal controls over financial reporting that occurred during the three months ended March 31, 2020 that have materially affected or are reasonably likely to materially affect the internal controls over financial reporting.

Financial Outlook

In April 2020, Chemtrade suspended the Guidance issued earlier in the year. The economic uncertainty caused by COVID-19 prevents us from knowledgeably predicting the key elements necessary to make Guidance meaningful. While we can no longer provide a definitive Guidance range we can update certain of our Guidance assumptions while cautioning that this is a very fluid situation and our comments below are based largely on input from our customer base which can, and likely will, change over time. Accordingly, the following comments should be read with extreme care and we will not update these comments until our next MD&A.

Comments on certain key elements contributing to Chemtrade's earnings are as follows:

- COVID-19 related restrictions substantially reduced demand for gasoline and thus demand for our regen services. We expect this to have a significant negative effect in the second quarter of 2020 and slowly improve over the balance of the year, but still ending the year well below normal demand.
- We still expect that none of the principal manufacturing facilities (as set out in Chemtrade's Annual Information Form) incurs significant unplanned downtime. However, due to the deferral of certain maintenance turnarounds

and the future availability of contractors to perform required maintenance there could be an effect on the reliability of our operations.

- Key assumptions in the EC Segment are as follows:
    - We now expect that North American MECU production volume for 2020 will be approximately 170,000 tonnes, limited primarily by demand for our chlorine and HCL products. If demand for these products decreases further our production will decrease and conversely if demand increases.
    - We now expect that 2020 average caustic soda price will be stable for the year.
    - North American production volume of sodium chlorate for 2020 will be approximately 400,000 MT.
- A foreign exchange rate of US$ 0.72 per C$ 1.00. See **Foreign Exchange.**
- Chemtrade also expects:
    - Maintenance Capital Expenditures to range about $80.0 million; our ability to spend this amount will largely be dependent on the availability of needed contractors.
    - Lease Payments to range between $55.0 million and $60.0 million.
    - Cash Interest (excluding the impact of IFRS 16) to range between $70.0 million and $75.0 million.
    - Cash Taxes to range between $5.0 million and $10.0 million.

Other

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

May 12, 2020

Condensed Consolidated Interim Financial Statements of

CHEMTRADE LOGISTICS INCOME FUND

Three months ended
March 31, 2020 and 2019
(Unaudited)

CHEMTRADE LOGISTICS INCOME FUND

Condensed Consolidated Interim Statements of Financial Position
(In thousands of Canadian dollars)
(Unaudited)

	Notes		March 31, 2020		December 31, 2019
ASSETS					
Current assets					
Cash and cash equivalents		$	**52,178**	$	13,466
Trade and other receivables			**176,477**		155,348
Inventories			**128,325**		122,273
Income taxes receivable			**1,655**		1,795
Prepaid expenses and other assets			**3,953**		4,720
Assets held for sale	3		**221,891**		202,772
Total current assets			**584,479**		500,374
Non-current assets					
Property, plant and equipment			**1,162,668**		1,126,962
Right-of-use assets			**171,140**		174,224
Other assets			**8,918**		9,316
Intangible assets	7		**835,208**		871,205
Deferred tax assets	12		**75,496**		96,992
Total non-current assets			**2,253,430**		2,278,699
Total assets		$	**2,837,909**	$	2,779,073
LIABILITIES AND UNITHOLDERS' EQUITY					
Current liabilities					
Trade and other payables	13	$	**203,771**	$	199,694
Distributions payable	6		**4,630**		9,260
Provisions	9		**20,520**		19,783
Lease liabilities			**50,062**		48,392
Convertible unsecured subordinated debentures	5		**—**		74,584
Liabilities directly associated with assets held for sale	3		**18,635**		18,710
Total current liabilities			**297,618**		370,423
Non-current liabilities					
Long-term debt	4		**945,341**		744,274
Convertible unsecured subordinated debentures	5		**386,658**		534,345
Other long-term liabilities			**38,807**		26,849
Long-term lease liabilities			**138,438**		133,633
Employee benefits			**61,587**		53,294
Provisions			**153,991**		134,827
Deferred tax liabilities	12		**21,685**		21,852
Total non-current liabilities			**1,746,507**		1,649,074
Total liabilities			**2,044,125**		2,019,497
Unitholders' equity					
Units	6		**1,462,116**		1,462,116
Contributed surplus			**9,720**		9,720
Deficit			**(994,923)**		(870,874)
Accumulated other comprehensive income			**316,871**		158,614
Total unitholders' equity			**793,784**		759,576
Total liabilities and unitholders' equity		$	**2,837,909**	$	2,779,073

For subsequent events, see *Note 15.*

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

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, 2020		2019
Revenue		$	**366,901**	$	385,252
Cost of sales and services	11		**(387,957)**		(340,817)
Gross (loss) profit			**(21,056)**		44,435
Selling and administrative expenses	9		**(30,488)**		(64,176)
Operating loss			**(51,544)**		(19,741)
Net finance costs	10		**(67,452)**		(27,111)
Loss before income tax			**(118,996)**		(46,852)
Income tax (expense) recovery	12				
Current			**(901)**		(1,542)
Deferred			**22,022**		19,076
			21,121		17,534
Net loss		$	**(97,875)**	$	(29,318)
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 $636 (2019 - nil)	13		**(53,756)**		5,388
Foreign currency translation differences for foreign operations, net of tax expense of nil (2019 - nil)			**83,925**		(16,912)
Effective portion of change in the fair value of cash flow hedges, net of tax recovery of $5,833 (2019 - $1,278)			**(14,312)**		(3,479)
Items that will not be reclassified to earnings:					
Defined benefit plan adjustments, net of tax recovery of $717 (2019 - $1,825)			**(3,024)**		(5,170)
Change in fair value of convertible debentures due to credit risk, net of tax expense of $52,718 (2019 - $2,547)			**142,400**		8,523
Other comprehensive income (loss)			**155,233**		(11,650)
Total comprehensive income (loss)		$	**57,358**	$	(40,968)
Net loss per unit	6				
Basic net loss per unit		$	**(1.06)**	$	(0.32)
Diluted net loss per unit		$	**(1.06)**	$	(0.32)

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

CHEMTRADE LOGISTICS INCOME FUND

Condensed Consolidated Interim Statements of Changes in Unitholders' Equity
(In thousands of Canadian dollars)
(Unaudited)

	Notes	Units	Contributed surplus	Deficit	Cumulative translation account*	Unrealized gains 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, 2020		**$1,462,116**	**$ 9,720**	**$ (870,874)**	**$ 171,893**	**$ (17,381)**	**$ 4,102**	**$ 759,576**
Net loss		—	—	(97,875)	—	—	—	(97,875)
Other comprehensive (loss) income	**6**	—	—	(3,024)	83,925	(68,068)	142,400	155,233
Distributions	**6**	—	—	(23,150)	—	—	—	(23,150)
Balance at March 31, 2020		**$1,462,116**	**$ 9,720**	**$ (994,923)**	**$ 255,818**	**$ (85,449)**	**$ 146,502**	**$ 793,784**

	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, 2019		**$1,461,995**	**$ 9,720**	**$ (656,548)**	**$ 216,070**	**$ (27,664)**	**$ 13,140**	**$ 1,016,713**
Net loss		—	—	(29,318)	—	—	—	**(29,318)**
Other comprehensive (loss) income	**6**	—	—	(5,170)	(16,912)	1,909	8,523	**(11,650)**
Distributions	**6**	—	—	(27,779)	—	—	—	**(27,779)**
Balance at March 31, 2019		**$1,461,995**	**$ 9,720**	**$ (718,815)**	**$ 199,158**	**$ (25,755)**	**$ 21,663**	**$ 947,966**

* Accumulated other comprehensive income.

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

CHEMTRADE LOGISTICS INCOME FUND

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

	Notes	Three months ended March 31, 2020	2019
Cash flows from operating activities:			
Net loss		**$ (97,875)**	$ (29,318)
Adjustments for:			
Depreciation and amortization	**11**	**63,917**	67,464
(Gain) loss on disposal and write-down of property, plant and equipment		**(482)**	303
Impairment of goodwill	**7**	**56,000**	—
Change in environmental liability		**3,381**	—
Income tax recovery		**(21,121)**	(17,534)
Net interest costs	**10**	**16,525**	15,818
Interest costs - lease liabilities	**10**	**2,163**	2,246
Accretion expense	**10**	**947**	1,368
Net pension interest	**10**	**386**	490
Change in fair value of convertible unsecured subordinated debentures	**5,10**	**47,431**	7,189
Unrealized foreign exchange loss (gain)	**9**	**9,608**	(4,063)
		80,880	43,963
Increase in working capital		**(36,862)**	(82,893)
Interest paid		**(12,787)**	(12,452)
Interest received		**92**	161
Income taxes paid		**(103)**	(2,249)
Net cash flows from (used in) operating activities		**31,220**	(53,470)
Cash flows from investing activities:			
Additions to property, plant and equipment		**(11,789)**	(11,400)
Decrease (increase) in other assets		**398**	(1,887)
Net cash flows used in investing activities		**(11,391)**	(13,287)
Cash flows from financing activities:			
Distributions to unitholders	**6**	**(27,780)**	(27,779)
Repayment of lease liability net of sub-lease receipts		**(13,795)**	(14,643)
Repayment of convertible debentures	**5**	**(74,584)**	(84,011)
Net change in revolving credit facility	**4**	**134,502**	185,296
(Decrease) increase in other long-term liabilities		**(1,297)**	5,749
Net cash flows from financing activities		**17,046**	64,612
Increase (decrease) in cash and cash equivalents		**36,875**	(2,145)
Cash and cash equivalents, beginning of the period		**13,466**	13,413
Effect of exchange rates on cash held in foreign currencies		**1,837**	(220)
Cash and cash equivalents, end of the period		**$ 52,178**	$ 11,048

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

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 in four business segments: Sulphur Products & Performance Chemicals ("SPPC"), Water Solutions & Specialty Chemicals ("WSSC"), Electrochemicals ("EC") and Corporate ("Corp"). For additional information regarding Chemtrade's business segments, see note 14.

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 financial statements include all of its controlled subsidiaries 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, using the same accounting policies and standards as were used for Chemtrade's 2019 annual consolidated financial statements. Certain amendments and interpretations apply for the first time in 2020, 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 2019 annual consolidated financial statements.

The condensed consolidated interim financial statements were authorized for issue by the Board of Trustees on May 12, 2020.

(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;

2. BASIS OF PREPARATION (continued):

- Financial instruments designated at fair value through profit or loss 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 per unit information which is presented in Canadian dollars.

3. ASSETS HELD FOR SALE:

During the second quarter of 2019, management decided to pursue the sale of two specialty chemicals related assets (potassium chloride and vaccine adjuvants) within the WSSC segment. Accordingly, these assets have been presented as assets held for sale.

Following are details regarding the assets held for sale and the associated liabilities as at March 31, 2020 and December 31, 2019:

Assets held for sale	**March 31, 2020**	December 31, 2019
Trade and other receivables	$ 10,129	$ 6,844
Inventories	7,707	7,751
Prepaid expenses and other assets	87	94
Property, plant and equipment	62,532	57,398
Right of-use ("ROU") assets	207	292
Intangible assets	141,229	130,393
Total	**$ 221,891**	**$ 202,772**
Liabilities directly associated with assets held for sale		
Trade and other payables	$ 3,194	$ 4,667
Lease liabilities	212	226
Deferred tax liabilities	15,229	13,817
Total	**$ 18,635**	**$ 18,710**

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

4. LONG-TERM DEBT:

		March 31, 2020		December 31, 2019
Term bank debt				
US$325,000 (December 31, 2019 - US$325,000)	**$**	**457,015**	$	421,948
Revolving credit				
US$313,000 (December 31, 2019 - US$245,399)		**440,140**		318,601
Canadian dollar-denominated		**52,000**		7,724
Less: Transaction costs		**(3,814)**		(3,999)
Long-term debt	**$**	**945,341**	$	744,274

At March 31, 2020, Chemtrade had senior credit facilities of $1,195,270 (US $850,000) ("Credit Facilities"), consisting of a term loan of $457,015 (US$325,000) and a revolving credit facility of $738,255 (US$525,000). At March 31, 2020, Chemtrade had drawn $492,140 (December 31, 2019 - $326,325) on the revolving credit facility and had committed a total of $11,309 (December 31, 2019 - $10,660) of this facility towards standby letters of credit.

The Credit Facilities are secured by certain property, plant and equipment ("PPE") of Chemtrade. At March 31, 2020, the weighted average effective interest rate of the facilities was 3.7% (December 31, 2019 - 4.2%). Interest rates on credit facilities are based on US LIBOR and Canadian Bankers' Acceptance rates, adjusted by Chemtrade's credit spread.

During the fourth quarter of 2019, Chemtrade modified certain terms of its Credit Facilities including extending the maturity date to October 24, 2024. Chemtrade incurred $558 of transaction costs related to the modification. These costs have been deferred and are being amortized to finance costs in comprehensive income using the effective interest method.

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 March 31, 2020, Chemtrade was in compliance with all covenants.

5. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES:

During 2019, the Fund redeemed the remaining portion of the outstanding Chemtrade Electrochem Inc. ("CEI") Series V Debentures at a total aggregate redemption price of $84,052, being equal to 100% of the principal amount of debentures outstanding, plus accrued and unpaid interest to, but excluding, the redemption date. This represented a redemption in full of the CEI Series V Debentures. Chemtrade used its Credit Facilities to fund the redemption.

During the fourth quarter of 2019, Chemtrade completed a public offering of $100,000 principal amount of convertible unsecured subordinated debentures, at a price of $1,000 per debenture,

5. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES (continued):

with an interest rate of 6.50% per annum (the "Fund 2019 6.50% Debentures"). The Fund 2019 6.50% Debentures will mature on October 31, 2026. The Fund 2019 6.50% Debentures are convertible, at the option of the holder, into trust units of the Fund at a conversion price of $15.80 per unit. Chemtrade used the net proceeds of the offering to pay down senior debt under the Fund's existing credit agreement. Chemtrade incurred transaction costs of $4,539 which included underwriters' fees and other expenses relating to the offering.

During the first quarter of 2020, Chemtrade redeemed all of the outstanding CEI Series VI Debentures at a total aggregate redemption price of $74,624, being equal to 100% of the principal amount of debentures outstanding, plus accrued and unpaid interest to, but excluding, the redemption date. This represented a redemption in full of the CEI Series VI Debentures. Chemtrade used its Credit Facilities to fund the redemption.

At March 31, 2020, the Fund had $126,500 principal amount of 5.25% of convertible unsecured subordinated debentures outstanding (the "Fund 2014 5.25% Debentures"), $143,750 principal amount of 5.00% convertible unsecured subordinated debentures outstanding (the "Fund 2016 5.00% Debentures"), $201,115 principal amount of 4.75% convertible unsecured subordinated debentures outstanding (the "Fund 2017 4.75% Debentures") and $100,000 principal amount of the Fund 2019 6.50% Debentures. The Fund 2014 5.25% Debentures, the Fund 2016 5.00% Debentures, the Fund 2017 4.75% Debentures and the Fund 2019 6.50% Debentures are collectively referred to as the "Debentures".

Chemtrade has designated its Debentures as financial liabilities at fair value through profit or loss. At March 31, 2020, the fair value of the Debentures was $386,658 (December 31, 2019 - $608,929).

For the three months ended March 31, 2020, there were net finance costs of $54,921 (2019 - $14,193) related to the Debentures, which included a loss of $47,431 (2019 - $7,189) due to the change in fair value of the Debentures related to changes in the risk free interest rate and an interest expense of $7,490 (2019 - $7,004). For the three months ended March 31, 2020, the change in fair value of the Debentures due to Chemtrade's own credit risk was a gain of $195,118 (2019 - $11,070), which has been presented in other comprehensive income rather than net earnings.

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

5. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES (continued):

The table below summarizes the key terms of each convertible debenture series outstanding at March 31, 2020 and December 31, 2019:

March 31, 2020

	Fund 2014 5.25% Debentures	**Fund 2016 5.00% Debentures**	**Fund 2017 4.75% Debentures**	**Fund 2019 6.50% Debentures**
Maturity date	June 30, 2021	August 31, 2023	May 31, 2024	October 31, 2026
Interest rate	5.25%	5.00%	4.75%	6.50%
Principal outstanding	$126,500	$143,750	$201,115	$100,000

December 31, 2019

	Fund 2014 5.25% Debentures	**Fund 2016 5.00% Debentures**	**Fund 2017 4.75% Debentures**	**Fund 2019 6.50% Debentures**	**CEI Series VI Debentures**
Maturity date	June 30, 2021	August 31, 2023	May 31, 2024	October 31, 2026	December 31, 2021
Interest rate	5.25%	5.00%	4.75%	6.50%	6.50%
Principal outstanding	$126,500	$143,750	$201,115	$100,000	$74,584

6. 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:

	2020		2019	
	Number of Units	**Amount**	Number of Units	Amount
Units				
Balance – January 1 and March 31	**92,601,062**	**$ 1,462,116**	92,596,006	$ 1,461,995

(b) Distributions:

Distributions paid for the three months ended March 31, 2020 were $27,780 (2019 - $27,779) or $0.30 (2019 - $0.30). All of Chemtrade's distributions are discretionary and subject to Board approval.

Distributions declared for the three months ended March 31, 2020 were $23,150 (2019 - $27,779) or $0.25 (2019 - $0.30).

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

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

6. UNITS AND OTHER COMPONENTS OF EQUITY (continued):

(c) Net loss per unit:

Net 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 loss per unit, and diluted net loss per unit:

		Three months ended March 31,	
		2020	2019
Numerator			
Net loss	**$**	**(97,875)** $	(29,318)
Net interest and fair value adjustment on convertible unsecured subordinated debentures [1]		**—**	—
Net fair value adjustment on deferred unit compensation plan [1]		**—**	—
Diluted net loss	**$**	**(97,875)** $	(29,318)

[1] For the three months ended March 31, 2020 and 2019, the potential conversion of the convertible unsecured subordinated debentures and deferred units have not been included as the effect on net loss per unit would be anti-dilutive.

	Three months ended March 31,	
	2020	2019
Denominator		
Weighted average number of units	**92,601,062**	92,596,006
Weighted average convertible unsecured subordinated debenture dilutive units [1]	**—**	—
Weighted average deferred unit compensation plan dilutive units [1]	**—**	—
Weighted average number of diluted units	**92,601,062**	92,596,006

[1] For the three months ended March 31, 2020 and 2019, the potential conversion of the convertible unsecured subordinated debentures and deferred units have not been included as the effect on net loss per unit would be anti-dilutive.

7. GOODWILL IMPAIRMENT:

During the first quarter of 2020, as a result of changes in macro-economic conditions which resulted in a significant increase in discount rates, combined with consideration for historic and forecast performance of each cash-generating unit ("CGU"), Chemtrade performed a test for goodwill impairment for the water solutions CGU in WSSC. The other CGUs were not tested for impairment at March 31, 2020 as the recoverable amount exceeded the carrying values by a significant amount at December 31, 2019. Although this CGU's operating performance has been improving, as a result of applying the higher discount rate this CGU's carrying value exceeded its recoverable amount by $56,000 and therefore an impairment loss of $56,000 was fully allocated to goodwill and recognized in cost of sales and services. Following the impairment recognized in the water solutions CGU, its recoverable amount equals its carrying value.

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

7. GOODWILL IMPAIRMENT (continued):

The key assumptions used in performing the impairment test for the water solutions CGU were as follows:

	2020
Discount rate (pre-tax)	12.8%
Growth rate for forecast period	2.5%
Perpetual growth rate	2.50%
Time period	5 years

8. SHARE-BASED PAYMENTS:

Chemtrade operates a Long Term Incentive Plan ("LTIP"), which grants cash awards based on certain criteria. The 2018-2020, 2019-2021 and 2020-2022 LTIP awards have a performance based component and a restricted share unit component. The performance based component of the 2018 - 2020 and 2019 - 2021 LTIP awards is based on total Unitholder return over a performance period, EBITDA growth and total return to Chemtrade's Unitholders relative to the total return on the S&P/TSX Dividend Composite Index or the companies comprising such index. The performance based component of the 2020 - 2022 LTIP awards is based on Return on Investment Capital ("ROIC") Improvement and total return to Chemtrade's Unitholders relative to the total return of companies comprising the S&P/TSX Dividend Composite Index. Total Unitholder return consists of changes in unit price and distributions paid to Unitholders. The restricted share unit component of the LTIP awards is a phantom plan which is payable in cash at the end of the performance period.

As at March 31, 2020, a liability of $6,995 (December 31, 2019 - $17,881) has been recorded, of which $3,063 (December 31, 2019 - $5,594) is included in trade and other payables and $3,932 (December 31, 2019 - $12,287) is included in other long-term liabilities. For the three months ended March 31, 2020, Chemtrade recorded a recovery of $5,634 (2019 - expense of $2,917) in selling and administrative expenses related to the fair value adjustments on the LTIP.

Inputs for measurement of fair values

The fair value of the share-based component of LTIP is measured based on the Monte Carlo simulation method. Base price is the average unit price for the first 20 business days at the beginning of each LTIP performance period. Expected volatility is estimated by considering historic average unit price volatility. The risk-free interest rate is based on Canadian government bonds and Canadian government treasury bills.

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

8. SHARE-BASED PAYMENTS (continued):

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

	March 31, 2020	December 31, 2019
Chemtrade units:		
Average base price	**$14.01**	$15.41
Period-end unit price	**$4.92**	$11.03
Average expected volatility	**61.57%**	27.60%
Index units [1]:		
Average base price	**—**	$151.71
Period-end unit price	**—**	$182.02
Average expected volatility	**—**	5.42%
Average risk free interest rate	**0.36%**	1.69%
Average expected remaining term	**1.75 years**	1.50 years

[1] Relate to 2017 - 2019 LTIP which vested on December 31, 2019. A different measure has been determined for the performance based component of the subsequent LTIP awards.

9. SELLING AND ADMINISTRATIVE EXPENSES:

The components of selling and administrative expenses are as follows:

	Three months ended March 31,	
	2020	2019
Wages, salaries and benefits, including bonuses and other	**$ 18,311**	$ 26,248
Realized foreign exchange loss	**1,665**	1,117
Unrealized foreign exchange loss (gain)	**9,608**	(4,063)
Depreciation (note 11)	**904**	874
Reserve for legal proceedings	**—**	40,000
Selling and administrative expenses	**$ 30,488**	**$ 64,176**

Reserve for legal proceedings

General Chemical (which was acquired by Chemtrade) was a subject of an investigation by the U.S. Department of Justice concerning alleged anti-competitive conduct in the water treatment chemicals industry, for which General Chemical obtained the benefit of conditional amnesty from criminal charges. General Chemical and Chemtrade are also defendants in class action lawsuits and a few civil proceedings relating to the same conduct. Corporate costs for the three months ended March 31, 2019 included an expense of $40,000 which increased the reserve for the costs of litigating and resolving all of the civil actions commenced against General Chemical and Chemtrade and various other defendants for anti-competitive actions in the water business. The

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

9. SELLING AND ADMINISTRATIVE EXPENSES (continued):

main class action civil lawsuit was settled for US$56,000 and was paid out during 2019. Some additional settlements were negotiated following the end of the first quarter of 2019, such that all of the lawsuits, including all class action lawsuits arising directly out of the anti-competitive actions in the water business have now been settled, with only a few ex-employee initiated derivative actions outstanding. While Chemtrade believes that the reserve is sufficient, the outcome and timing of the remaining actions are uncertain.

10. NET FINANCE COSTS:

The components of net finance costs are as follows:

	Three months ended March 31, 2020	2019
Interest expense on long-term debt	**$ 9,127**	$ 8,975
Interest expense on convertible debentures (note 5)	**7,490**	7,004
Change in the fair value of convertible debentures (note 5)	**47,431**	7,189
Interest expense on lease liabilities	**2,163**	2,246
Accretion expense on financing transaction costs (note 4)	**185**	339
Accretion of provisions	**762**	1,029
Pension interest	**386**	490
Interest income	**(92)**	(161)
Net finance costs	**$ 67,452**	$ 27,111

11. DEPRECIATION AND AMORTIZATION:

The components of depreciation expense of PPE and ROU assets and amortization expense of intangible assets are as follows:

	Three months ended March 31, 2020	2019
Cost of sales and services:		
Depreciation expense on PPE	**$ 34,442**	$ 35,514
Depreciation expense on ROU assets	**12,350**	13,124
Amortization expense	**16,221**	17,952
Selling and administrative expenses (note 9):		
Depreciation expense on PPE	**430**	410
Depreciation expense on ROU assets	**474**	464
Total depreciation and amortization expense	**$ 63,917**	$ 67,464

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

12. 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 in respect of continuing operations for the three months ended March 31, 2020 was 17.7%, (2019 - 37.4%), compared to a statutory rate of 26.4% (2019 - 26.9%).

The effective tax rate for the first three months of 2020 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 and the impairment of goodwill.

13. FINANCIAL INSTRUMENTS:

(a) Derivatives and hedging:

	March 31, 2020			December 31, 2019		
		Fair Value			Fair Value	
	Notional Amount	**Asset**	**Liability**	Notional Amount	Asset	Liability
Derivatives designated in a formal hedging relationship						
Interest rate swaps	**US$ 325,000**	**$ —**	**$ 27,288**	US$ 325,000	$ —	$ 7,143
Derivatives not designated in a formal hedging relationship						
Foreign exchange contracts [1]	**—**	**—**	**1,640**	—	1,019	—
Total		**$ —**	**$ 28,928**		$ 1,019	$ 7,143

[1] See below for notional amounts.

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

13. FINANCIAL INSTRUMENTS (continued):

Chemtrade had in place swap arrangements with its principal bankers which fixed the LIBOR components of its interest rates on US$325,000 of its outstanding term bank debt which expired on January 23, 2019. On January 24, 2019, Chemtrade entered into new 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. These swaps are formally designated as cash flow hedges at the date of inception and any changes in the fair value of the effective portion of the swaps are recognized in other comprehensive income.

On April 24, 2020, Chemtrade entered into an additional swap arrangement. For additional information, see note 15.

Chemtrade hedges its investment in foreign operations that use the U.S. dollar as their functional currency by Chemtrade's U.S. dollar-denominated long-term 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, 2020, a foreign exchange loss of $54,392 (2019 - gain of $5,388) on the revaluation of the U.S. dollar-denominated debt related to this hedging strategy was 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 March 31, 2020 include future contracts to sell the following amounts for periods through to September 2020:

Amount	Weighted average exchange rate
US$20,000	$1.33

(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

13. FINANCIAL INSTRUMENTS (continued):

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 convertible unsecured subordinated 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.

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 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. The liability is recorded in other long-term liabilities in the statements of financial position. Any changes in the fair value of these arrangements are recognized in other comprehensive income.

13. FINANCIAL INSTRUMENTS (continued):

(c) Risks associated with financial instruments

(i) Credit risk

Credit risk arises from the non-performance by counter-parties of their contractual financial obligations. Chemtrade manages credit risk for trade and other receivables through established credit monitoring activities. Chemtrade does not have a significant concentration of credit risk with any single counter-party. The primary counter-parties related to the foreign exchange forward contracts and interest rate swaps carry investment grade ratings. Chemtrade believes its credit risk of counterparty non-performance continues to be relatively low, notwithstanding the impact of COVID-19. For additional information on the risk of COVID-19 pandemic, see note 15. Chemtrade is in regular contact with its customers, suppliers and logistics providers, and to date has not experienced significant counter-party non-performance. However, if a key supplier or customer experiences financial difficulties or fails to comply with their contractual obligations, which may occur as the pandemic continues, this could result in a significant financial loss to Chemtrade. Chemtrade's maximum exposure to credit risk at the reporting date is the carrying value of its receivables and derivative assets.

(ii) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Chemtrade manages liquidity risk by maintaining adequate cash and cash equivalent balances, and by appropriately utilizing its lines of credit. Chemtrade believes that cash flows from operating activities, together with cash on hand, cash from receivables and borrowings available under the revolving credit facility are sufficient to fund its currently anticipated financial obligations, and will remain available in the current environment.

(iii) Currency risk

Chemtrade is exposed to fluctuations in the exchange rate of the US dollar relative to the Canadian dollar as a portion of Chemtrade's earnings are in US dollars, with earnings positively affected when the US dollar strengthens relative to the Canadian dollar. Chemtrade cannot predict changes in currency exchange rates, the impact of exchange rate changes on Chemtrade's operating results, nor the degree to which Chemtrade will be able to manage the impact of currency exchange rate changes. Such changes, including negative impacts on currency exchange rates related to the COVID-19 pandemic, could have an impact on Chemtrade's business, results of operations and financial condition.

13. FINANCIAL INSTRUMENTS (continued):

(iv) Interest rate risk

Chemtrade has a credit facility with long-term debt and operating lines of credit which bear variable rates of interest. As at March 31, 2020, on an unhedged basis, a change in interest rates of 1% per annum would have an impact of approximately $9,500 on Chemtrade's net earnings per annum. As at March 31, 2020, Chemtrade had fixed interest rates on 48.1% of its senior debt until December 2023.

14. BUSINESS SEGMENTS:

Chemtrade operates in four reportable segments: SPPC, WSSC, EC, and Corp. The reportable segments of Chemtrade are strategic business groups that offer products and services to target markets, as described below. The accounting policies applied by the segments are the same as those applied by Chemtrade.

SPPC 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. These products are marketed primarily to North American customers.

WSSC manufactures and markets a variety of inorganic coagulants used in water treatment, including aluminum sulphate, aluminum chlorohydrate, polyaluminum chloride, and ferric sulphate; and a number of specialty chemicals, including sodium nitrite, potassium chloride (KCl), phosphorus pentasulphide and vaccine adjuvants. These products are marketed primarily to North American customers.

EC manufactures and markets sodium chlorate and chlor-alkali products including caustic soda, chlorine and hydro-chloric 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.

Corp is a non-operating segment that provides centralized services, such as treasury, finance, information technology, human resources, legal and risk management, and environmental, health and safety support.

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

14. BUSINESS SEGMENTS (continued):

Three months ended March 31, 2020

	SPPC	WSSC	EC	Corp	Total
Revenue	$ 113,022	$ 113,338	$ 140,541	$ —	**$ 366,901**
Inter-segment revenues	3,536	—	1,204	—	**4,740**
Operating income (loss)	11,513	(45,294)	4,236	(21,999)	**(51,544)**
Net finance costs					**(67,452)**
Income tax recovery					**21,121**
Net loss					**(97,875)**
Depreciation and amortization	23,168	12,076	28,673	—	**63,917**
(Gain) loss on disposal and write-down of property, plant and equipment	(49)	(457)	24	—	**(482)**
Capital expenditures	2,151	1,323	8,016	299	**11,789**
Change in environmental liability	—	3,381	—	—	**3,381**
Impairment of goodwill	—	56,000	—	—	**56,000**

Three months ended March 31, 2019

	SPPC	WSSC	EC	Corp	Total
Revenue	$ 131,079	$ 105,390	$ 148,783	$ —	$ 385,252
Inter-segment revenues	5,417	—	1,072	—	6,489
Operating income (loss)	13,547	3,471	19,204	(55,963)	(19,741)
Net finance costs					(27,111)
Income tax recovery					17,534
Net loss					(29,318)
Depreciation and amortization	23,980	14,598	28,886	—	67,464
(Gain) loss on disposal and write-down of property, plant and equipment	(2)	(2)	4	303	303
Capital expenditures	2,470	5,434	3,379	117	11,400

March 31, 2020

	SPPC	WSSC	EC	Corp	Other	Total
Total assets	$ 1,042,695	$ 709,007	$ 1,004,773	$ 5,938	$ 75,496	**$ 2,837,909**
Total liabilities	213,237	197,302	229,231	50,671	1,353,684	**2,044,125**
Intangible assets	407,042	190,494	237,672	—	—	**835,208**

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

14. BUSINESS SEGMENTS (continued):

December 31, 2019

	SPPC	WSSC	EC	Corp	Other	Total
Total assets	$ 971,783	$ 718,884	$ 987,872	$ 3,542	$ 96,992	$ 2,779,073
Total liabilities	197,614	172,988	222,323	51,517	1,375,055	2,019,497
Intangible assets	389,841	236,608	244,756	—	—	871,205

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,	
	2020	2019
Canada	**$ 117,309**	$ 117,808
United States	**232,201**	248,809
South America	**17,391**	18,635
	$ 366,901	$ 385,252

PPE, ROU assets and intangible assets

	March 31, 2020	December 31, 2019
Canada	**$ 1,059,796**	$ 1,072,296
United States	**971,329**	968,837
South America	**137,891**	131,258
	$ 2,169,016	$ 2,172,391

15. SUBSEQUENT EVENTS:

COVID-19 Pandemic

On March 11 2020, the World Health Organization ("WHO") declared COVID-19 a pandemic. A pandemic or other global or North American-wide illness, such as COVID-19, could cause interruptions to Chemtrade's operations. Further, Chemtrade's operations would be affected if its supply partners, customers and/or transportation carriers were impacted by a pandemic. As of the date of these condensed consolidated interim financial statements, the COVID-19 pandemic has not significantly affected the ability of Chemtrade to operate any of its facilities. However, the pandemic has materially affected the demand for certain of Chemtrade's products and services, particularly those related to the oil and gas industry, namely regen sulphuric

15. SUBSEQUENT EVENTS (continued):

acid and hydrochloric acid. Further, these demand disruptions and the resulting decrease in future earnings will increase Chemtrade's leverage ratios. In light of the current uncertain economic climate, Chemtrade has negotiated an amended covenant package on its senior credit facility which provides Chemtrade with additional covenant room over the next two years.

Management continues to closely monitor and assess the effects of the pandemic on Chemtrade, including on its workforce, operations, supply chain, markets and liquidity position. Short, medium and long-term effects of the pandemic itself, the actions taken to mitigate its effects, and changes in behaviour or other circumstances resulting from the COVID-19 pandemic, are all being considered; however, given the rapidly evolving nature of the pandemic and of its ripple effects on the economy and society at large, it is extremely challenging to forecast with any degree of certainty.

Interest rate swap arrangement

On April 24, 2020, Chemtrade entered into a new swap arrangement which fixed the LIBOR components of its interest rates on the first US$250,000 of its outstanding revolving credit under its long-term debt until April 24, 2021. This swap is formally designated as a cash flow hedge at the date of inception and any change in the fair value of the effective portion of the swap will be recognized in other comprehensive income

Information for unitholders

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Leon Aarts
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