CHEMTRADE LOGISTICS INCOME FUND

Annual Report

March 14, 2022

2021

CHEMTRADE

Corporate profile

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, regen acid processing services, inorganic coagulants for water treatment, sodium chlorate, sodium nitrite, sodium hydrosulphite and phosphorus pentasulphide. Chemtrade is a leading regional supplier of sulphur, chlor-alkali products, liquid sulphur dioxide, and zinc oxide. Additionally, Chemtrade provides industrial services such as processing by-products and waste streams.

Visit our website

Chemtrade's website – **chemtradelogistics.com** – is our primary medium for communicating with our unitholders. The site is regularly updated with news releases concerning distributions, financial results and other important developments and presentations.

An electronic copy of this report is available on our website.

Where to find it

CHEMTRADE LOGISTICS INCOME FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021

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 refer to Chemtrade. This MD&A should be read in conjunction with the audited consolidated financial statements of Chemtrade for the year ended December 31, 2021.

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 February 22, 2022 and was approved by the Board of Trustees (the "Board") 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: statements relating to the impact of the COVID-19 pandemic on Chemtrade (employees, product demand, operations, transportation, ability to raise capital) and on its other risk factors; the amount of any long-term incentive compensation and accruals therefor; the effect of changes in the interest rate, the exchange rate and the Fund’s ability to offset US dollar denominated debt; the ability of Chemtrade to access tax losses and tax attributes; the tax characterization of planned distributions; capital expenditures; sources, use, availability and sufficiency of cash flows; the effect of changes in the price and volume of certain products (sodium chlorate, chlor-alkali and sulphuric acid) and in the price of certain key inputs (electricity, salt and sulphur)*;* the ability to resolve the North Vancouver lease issues; the adoption and timing of certain accounting rules and their anticipated effect; the intention to adopt IBOR reform and its impacts; the effectiveness of disclosure controls procedures and internal controls and of their design and implementation*;* statements in the Financial Outlook section, including: the Fund’s expected adjusted EBITDA range for 2022; and the stated range of cash interest, cash taxes and lease payments. 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 as set out in the Financial Outlook section, including there being no significant North American lockdowns or stay-at-home orders issued; there being no significant disruptions affecting Chemtrade's principal manufacturing facilities; the stated North American MECU sales volumes; the length and timing of the North Vancouver facility's turnaround and the quantum of its EBITDA impact; the 2022 average NE Asia caustic spot price index; the stated sodium chlorate production volumes; and the stated U.S. dollar foreign exchange rate; 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 Developments

Assets Held For Sale

On November 2, 2021, Chemtrade completed the sale of its potassium chloride (KCl) and vaccine adjuvants businesses. These businesses were sold to Vertellus Holdings LLC, a manufacturer of specialty products for various consumer goods, food and agriculture, healthcare and industrial markets, for gross proceeds of $190.3 million (US$153.7 million). After deducting the cost to sell of $7.6 million (US$6.0 million), the net proceeds were $182.7 million (US$147.7 million). On disposition of the businesses, Chemtrade recorded a loss of $7.1 million (US$5.6 million) in Water Solutions and Specialty Chemicals' ("WSSC") cost of sales and services, a deferred income tax recovery of $14.7 million (US$11.9 million), for a net gain of $7.6 million (US$6.3 million).

Operating segments reconfiguration

As a result of the sale of KCl and vaccine adjuvants businesses in November 2021, Chemtrade is in the process of reconfiguring its operating segments which will be effective in the first quarter of 2022. Sulphur Products and Performance Products ("SPPC") will be combined with the remaining products of the WSSC segment to form a new segment called Sulphur and Water Chemicals (SWC). The Electrochemicals ("EC") and Corporate segments will remain unchanged.

Lawsuit Settlement

During the fourth quarter of 2021, Chemtrade settled a lawsuit (the "NATO Lawsuit") in which it was the plaintiff for $21.0 million. The lawsuit related to the North American Terminal Operations (NATO) assets belonging to Chemtrade's acquired entity, Canexus Corporation ("Canexus"). As a result, selling and administrative expenses for the year ended December 31, 2021 include a net recovery of $17.7 million relating to the settlement proceeds less legal and other costs of $3.3 million.

Issuance of the Fund 2021 6.25% Debentures

During the fourth quarter of 2021, Chemtrade completed a public offering of $130.0 million principal amount of convertible unsecured subordinated debentures, at a price of $1,000 per debenture, with an interest rate of 6.25% per annum (the "Fund 2021 6.25% Debentures"). The Fund 2021 6.25% Debentures will mature on August 31, 2027. The Fund 2021 6.25% Debentures are convertible, at the option of the holder, into trust units of the Fund at a conversion price of $10.00 per unit. Chemtrade incurred transaction costs of $5.9 million which included underwriters' fees and other expenses relating to the offering. Chemtrade used the net proceeds of the issuance to redeem all of its outstanding 5.00% convertible unsecured subordinated debentures ("the Fund 2016 5.00% Debentures").

Amendment of Credit Facilities' terms

In December 2021, Chemtrade amended certain terms of its senior credit facilities ("Credit Facilities") by converting the entire facility into a revolving credit facility, reducing the facility size by US$200.0 million and extending the maturity of the facility to December 24, 2026. Chemtrade also amended its covenant package and pricing to pre-pandemic levels. As a result of this substantial modification of the credit agreement, Chemtrade recorded debt extinguishment costs of $5.1 million consisting of $3.8 million of previously deferred financing transaction costs and $1.3 million of financing transaction costs relating to the amendment.

Redemption of the Fund 2016 5.00% Debentures

During the fourth quarter of 2021, Chemtrade announced the redemption of all of the outstanding Fund 2016 5.00% Debentures, with an effective redemption date of January 25, 2022. On January 25, 2022, the debentures were redeemed for $146.6 million. The debentures were redeemed at their par value. Chemtrade used the net proceeds from the Fund 2021 6.25% Debentures offering and its Credit Facilities to fund the redemption. These debentures have been presented as current liabilities in the Consolidated Statements of Financial Position at December 31, 2021.

COVID-19 Pandemic

Soon after the onset of the COVID-19 pandemic, Chemtrade established a Pandemic Steering Team (the "Team") to assess, monitor and manage the impact of the COVID-19 virus on its business and share information across the organization. Operations were adjusted and actions taken as needed to protect the health of employees, suppliers and visitors.

The Team developed policies, procedures, protocols, assessment tools and guidance to assist all manufacturing facilities and offices, as well as employees working from home. The Team has disseminated health screening tools and isolation guides for employees and instituted contact tracing of our employees for any known cases of the virus within Chemtrade's employee population. The Team also instituted decontamination procedures when required, acquired and installed or disseminated personal protective equipment for employees, and implemented a business travel policy. Chemtrade's health and safety personnel have worked in cooperation with public health authorities and Chemtrade's suppliers and customers to share information and best practices, and promote employee safety and confidence to work. Working protocols and communication tools are now well established. These address office opening protocols, social distancing and personal protective equipment requirements, facility assessments, cleaning and disinfection protocols, and employee training and communications.

From the onset of the COVID-19 pandemic and related restrictions, Chemtrade's business was deemed an essential service pursuant to the various provincial and state orders and its facilities have continued to operate. For the most part, Chemtrade's customers, suppliers and service providers, including transportation, have also continued to operate.

Demand for certain of Chemtrade's products such as water treatment chemicals has not been affected by the pandemic, whereas demand for most other products has been modestly lower. During 2020 and into the first quarter of 2021, the biggest impact of the pandemic on Chemtrade's business was caused by government orders restricting non-essential travel and by people working from home. Both of these drastically reduced demand for gasoline which had resulted in lower demand for Chemtrade's regenerated ("Regen") acid services, as oil refineries were operating at significantly reduced rates. In addition, refinery operating rates were negatively affected by the California stay-at-home orders. These were subsequently lifted and demand for gasoline in the U.S. is now back to pre-pandemic levels. Also, with large numbers of people working from home and not attending school, demand for printing paper has declined. Printing paper is a significant end-market for pulp in North America. Chemtrade's sodium chlorate is used to bleach pulp and the reduced demand for pulp has resulted in reduced demand for sodium chlorate. Finally, the generally lower levels of economic activity have resulted in reduced demand for merchant sulphuric acid, which is one of the most widely used chemicals in the world.

Given the high degree of economic uncertainty caused by the COVID-19 pandemic, in April 2020, Chemtrade suspended its earnings guidance, however re-introduced it during the second quarter of 2021. Chemtrade also reduced its monthly distribution rate by fifty percent effective with the March 2020 distribution which was paid at the end of April 2020. Chemtrade negotiated three amendments to its credit agreement; the first in May 2020 and the second in May 2021, to provide additional covenant room. As described in **Recent Developments**, a third amendment to return the covenants to their pre-pandemic levels. Chemtrade continues to closely monitor its accounts receivable and they are consistent with historic levels.

The health and safety of employees remains a priority for Chemtrade. Chemtrade is strongly encouraging its employees to get COVID-19 vaccines. Chemtrade is also planning to re-open its head office using a hybrid approach which will combine remote and office work.

Financial Highlights

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

($'000 except per unit amounts)	Three months ended December 31, 2021	Three months ended December 31, 2020	Year ended December 31, 2021	Year ended December 31, 2020	December 31, 2019
Revenue	$ 353,766	$ 319,354	$ 1,368,479	$ 1,379,639	$ 1,532,855
Net loss [1][2]	$ (180,524)	$ (25,784)	$ (235,209)	$ (167,478)	$ (99,654)
Net loss per unit [1][2][4]	$ (1.74)	$ (0.28)	$ (2.31)	$ (1.81)	$ (1.08)
Diluted net loss per unit [1][2][4]	$ (1.74)	$ (0.28)	$ (2.31)	$ (1.81)	$ (1.08)
Total assets	$ 2,048,970	$ 2,500,326	$ 2,048,970	$ 2,500,326	$ 2,779,073
Long-term debt	$ 373,531	$ 776,914	$ 373,531	$ 776,914	$ 744,274
Convertible unsecured subordinated debentures	$ 670,173	$ 445,895	$ 670,173	$ 445,895	$ 608,929
Adjusted EBITDA [2][5]	$ 92,535	$ 44,210	$ 280,380	$ 265,268	$ 295,603
Adjusted EBITDA per unit [2][4][5][6]	$ 0.89	$ 0.48	$ 2.76	$ 2.86	$ 3.19
Cash flows from operating activities [3]	$ 93,229	$ 81,221	$ 219,039	$ 270,183	$ 163,911
Cash flows from operating activities per unit [3][4][5][9]	$ 0.90	$ 0.87	$ 2.15	$ 2.92	$ 1.77
Adjusted cash flows from operating activities[2][5]	$ 61,583	$ 10,944	$ 159,370	$ 133,379	$ 164,811
Adjusted cash flows from operating activities per unit [2][4][5][6]	$ 0.59	$ 0.12	$ 1.57	$ 1.44	$ 1.78
Distributable cash after maintenance capital expenditures [2][5]	$ 25,677	$ (23,023)	$ 84,105	$ 58,968	$ 82,068
Distributable cash after maintenance capital expenditures per unit [2][4][5][6]	$ 0.25	$ (0.25)	$ 0.83	$ 0.64	$ 0.89
Distributions declared	$ 15,685	$ 14,017	$ 61,467	$ 64,998	$ 111,116
Distributions declared per unit [7]	$ 0.15	$ 0.15	$ 0.60	$ 0.70	$ 1.20
Distributions paid, net of distributions reinvested	$ 13,314	$ 11,936	$ 51,944	$ 66,670	$ 111,116
Distributions paid, net of distributions reinvested per unit [8][9]	$ 0.15	$ 0.15	$ 0.60	$ 0.75	$ 1.20

[1] Results for the three months and year ended December 31, 2021 include an impairment charge of $130,000 before tax, or $1.25 and $1.28 per unit, respectively. Results for the year ended December 31, 2020 include a goodwill impairment charge of $56,000 before tax, or $0.60 per unit. Results for the year ended December 31, 2019 include a goodwill impairment charge of $65,600 before tax, or $0.71 per unit. See **Goodwill Impairment.** Results for the three months and year ended December 31, 2021 include a gain on sale of KCl and vaccine adjuvants businesses of $7,601, or $0.07 per unit. See **Results of Operations by Business Segment - *WSSC***. Results for the three months and year ended December 31, 2020 include a write-down of assets of $1,597 and $19,193 before tax, or $0.02 and $0.21 per unit, respectively. See **Results of Operations by Business Segment - *SPPC***.

[2] Results for the three months and year ended December 31, 2021 include a $17,709 before tax, or $0.17 per unit, net recovery related to settlement of the NATO Lawsuit. See **Recent Developments**. Results for the year ended December 31, 2019 include a $40,000 before tax, or $0.43 per unit, expense related to a legal provision. See **Reserve for legal proceedings**.

[3] In 2021, Chemtrade reclassified certain items into net cash flows from operating activities. Comparatives have been restated to conform to current period presentation.

[4] Based on weighted average number of units outstanding for the period of:

	104,036,397	92,913,950	101,730,342	92,686,735	92,596,685

[5] See **Non-IFRS and Other Financial Measures**.

[6] Adjusted EBITDA per unit, Adjusted cash flows from operating activities per unit and Distributable cash after maintenance capital expenditures per unit are non-IFRS ratios. Adjusted EBITDA, Adjusted cash flows from operating activities and Distributable cash after maintenance capital expenditures are non-IFRS measures and are components of Adjusted EBITDA per unit, Adjusted cash flows from operating activities per unit and Distributable cash after maintenance capital expenditures per unit, respectively. These non-IFRS ratios are calculated by dividing the respective non-IFRS measures by the weighted average number of units outstanding for the period. See **Non-IFRS and Other Financial Measures** for more information about these measures.

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

[8] Based on actual number of units eligible for cash distributions on record date.

[9] Cash flows from operating activities per unit and Distributions paid, net of distributions reinvested per unit are supplementary financial measures. Cash flows from operating activities per unit is calculated by dividing Cash flows from operating activities by the weighted average number of units outstanding for the period. Distributions paid, net of distributions reinvested per unit is calculated by dividing Distributions paid, net of distributions reinvested by the actual number of units eligible for cash distributions on record date.

Non-IFRS and Other Financial Measures

Net loss, 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, net gains and losses on the disposal and write-down of Property, plant and equipment ("PPE"), 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		Year ended		
($'000)	**December 31, 2021**	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**	**December 31, 2019**
Net loss	**$ (180,524)**	$ (25,784)	**$ (235,209)**	$ (167,478)	$ (99,654)
Add:					
Depreciation and amortization	**60,068**	56,346	**239,622**	253,912	262,458
Net finance costs	**56,905**	24,017	**116,182**	140,296	88,487
Income tax expense (recovery)	**21,932**	(14,838)	**14,969**	(47,464)	(24,291)
EBITDA	**(41,619)**	39,741	**135,564**	179,266	227,000
Add:					
Impairment of intangible assets	**81,657**	—	**81,657**	56,000	65,600
Impairment of PPE	**48,343**	—	**48,343**	—	—
Change in environmental liability	**561**	4,427	**561**	8,170	—
Net (gain) loss on disposal and write-down of PPE	**(796)**	1,639	**(373)**	20,999	13,790
Loss on disposal of assets held for sale	**7,135**	—	**7,135**	—	—
Unrealized foreign exchange (gain) loss	**(2,746)**	(1,597)	**7,493**	833	(10,787)
Adjusted EBITDA	**$ 92,535**	$ 44,210	**$ 280,380**	$ 265,268	$ 295,603

EBITDA by segment is as follows:

($'000)	Three months ended December 31, 2021	Three months ended December 31, 2020	Year ended December 31, 2021	Year ended December 31, 2020	December 31, 2019
SPPC	**$ 37,318**	$ 26,034	**$ 128,955**	$ 104,389	$ 149,805
WSSC	**9,378**	15,890	**80,444**	37,855	8,333
EC	**(88,255)**	22,642	**(3,729)**	113,828	172,105
Corporate	**(60)**	(24,825)	**(70,106)**	(76,806)	(103,243)
EBITDA [1]	**$ (41,619)**	$ 39,741	**$ 135,564**	$ 179,266	$ 227,000

[1] See Net Loss to EBITDA reconciliation above.

Adjusted EBITDA by segment is as follows:

($'000)	Three months ended December 31, 2021	Three months ended December 31, 2020	Year ended December 31, 2021	Year ended December 31, 2020	December 31, 2019
SPPC	**$ 37,591**	$ 27,626	**$ 129,548**	$ 124,913	$ 160,744
WSSC	**15,993**	20,313	**87,044**	102,458	77,903
EC	**41,757**	22,693	**126,401**	113,870	171,399
Corporate	**(2,806)**	(26,422)	**(62,613)**	(75,973)	(114,443)
Adjusted EBITDA [1]	**$ 92,535**	$ 44,210	**$ 280,380**	$ 265,268	$ 295,603

[1] See Net Loss to Adjusted EBITDA reconciliation above.

Cash Flow -

The following table is derived from, and should be read in conjunction with the consolidated 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 consolidated 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 consolidated 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 December 31, 2021	Three months ended December 31, 2020	Year ended December 31, 2021	Year ended December 31, 2020	Year ended December 31, 2019
Cash flows from operating activities [1]	$ 93,229	$ 81,221	$ 219,039	$ 270,183	$ 163,911
(Less) Add:					
Lease payments net of sub-lease receipts	(12,764)	(13,592)	(51,563)	(56,010)	(56,815)
(Decrease) increase in working capital [1]	(23,651)	(60,910)	(10,078)	(80,041)	64,489
Changes in other items [2]	4,769	4,225	1,972	(753)	(6,774)
Adjusted cash flows from operating activities	**61,583**	**10,944**	**159,370**	**133,379**	**164,811**
Less:					
Maintenance capital expenditures	35,906	33,967	75,265	74,411	82,743
Distributable cash after maintenance capital expenditures	**25,677**	**(23,023)**	**84,105**	**58,968**	**82,068**
Less:					
Non-maintenance capital expenditures[3]	3,606	394	10,876	2,677	13,556
Distributable cash after all capital expenditures	**$ 22,071**	**$ (23,417)**	**$ 73,229**	**$ 56,291**	**$ 68,512**

(1) In 2021, Chemtrade reclassified certain items into net cash flows from operating activities. Comparatives have been restated to conform to current period presentation.

(2) Changes in other items relate to cash interest and current taxes.

(3) 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.

Gross profit (loss) by segment is as follows:

($'000)	Three months ended December 31, 2021	Three months ended December 31, 2020	Year ended December 31, 2021	Year ended December 31, 2020	Year ended December 31, 2019
SPPC	**$ 19,469**	$ 6,649	**$ 55,648**	$ 22,306	$ 60,207
WSSC	**464**	7,162	**48,563**	942	(30,856)
EC	**(113,984)**	964	**(108,058)**	10,482	67,972
Gross (loss) profit	**$ (94,051)**	$ 14,775	**$ (3,847)**	$ 33,730	$ 97,323

Consolidated Operating Results

2021 vs 2020

The Canadian dollar relative to the U.S. dollar was stronger during the three months and year ended December 31, 2021 (US$1.00 = $1.26 and $1.25, respectively) compared with the same periods of 2020 (US$1.00 = $1.30 and $1.34, respectively). This had a negative impact on the financial results of the fourth quarter and year ended December 31, 2021.

Revenue for the fourth quarter of 2021 was $353.8 million, which was $34.4 million higher than revenue for the fourth quarter of 2020. The increase in revenue for the fourth quarter is primarily due to higher sales volumes and selling prices for chlor-alkali products in the EC segment, higher selling prices and sales volumes of merchant acid and Regen acid in the SPPC segment, partially offset by lower sales volumes and selling price of sodium chlorate in the EC segment and by the stronger Canadian dollar ($8.4 million).

Revenue for the year ended December 31, 2021 was $1,368.5 million, which was $11.2 million lower than the revenue for the same period of 2020. The decrease in revenue for the year ended December 31, 2021 is primarily due to the stronger Canadian dollar ($65.6 million), lower sales volumes for water solutions products and specialty chemicals in the WSSC segment, lower sales volumes and selling prices for ultra pure sulphuric acid in the SPPC segment and lower selling prices and sales volumes for sodium chlorate in the EC segment. This was partially offset by higher volumes and selling prices for chlor-alkali products in the EC segment and higher selling prices for sulphur products in the SPPC segment.

Chemtrade's Adjusted EBITDA for the three months and year ended December 31, 2021 of $92.5 million and $280.4 million, respectively, was $48.3 million and $15.1 million higher, respectively, than Adjusted EBITDA for the same periods of 2020. Adjusted EBITDA for the three months ended December 31, 2021 was higher than the same period of 2020 mainly due to the recovery of $17.7 million on settlement of a lawsuit (see **Recent Developments**) and stronger results in the EC and SPPC segments, partially offset by the stronger Canadian dollar ($2.9 million). Adjusted EBITDA for the year ended December 31, 2021 was higher than 2020 due to higher Adjusted EBITDA for the EC and SPPC segments and the recovery of the NATO Lawsuit settlement described above, partially offset by lower Adjusted EBITDA for the WSSC segment and the impact of the stronger Canadian dollar ($17.5 million).

Net loss for the three months and year ended December 31, 2021 was $154.7 million and $67.7 million higher, respectively, than the same periods of 2020. The increase in the net loss for the three months ended December 31, 2021 is primarily due to a $130.0 million impairment of intangible assets and PPE in the EC segment recorded during the fourth quarter of 2021 (see **Goodwill Impairment**), an income tax expense in 2021 compared with a recovery during 2020 (see **Income Taxes**), higher net finance costs (see **Net Finance Costs**). This was partially offset by higher Adjusted EBITDA as described above and a gain of $7.6 million from the sale of the KCl and vaccine adjuvants businesses during the fourth quarter of 2021 (see **Recent Developments**).

The increase in the net loss for the year ended December 31, 2021 is primarily due to a $130.0 million impairment of intangible assets and PPE in the EC segment recorded during 2021 compared with a goodwill impairment of $56.0 million in the WSSC segment and a write-down of assets of $17.6 million related to SPPC in 2020 (see **Goodwill Impairment**), an income tax expense in 2021 compared with a recovery during 2020 (see **Income Taxes**). This was partially offset by higher Adjusted EBITDA, a gain of $7.6 million from the sale of the KCl and vaccine adjuvants businesses during the fourth quarter of 2021 (see **Recent Developments**) and lower net finance costs in 2021 as 2020 included a significant loss from the change in the fair value of Debentures (see **Net Finance Costs**).

Net finance costs for the fourth quarter of 2021 were $32.9 million higher than the same period of 2020. The increase is primarily due to $15.3 million higher losses related to a change in the fair value of Debentures and a $9.8 million loss relating to the reclassification of accumulated fair value on the effective portion of cash-flow hedges from other comprehensive income to net earnings as a result of repayment of the term bank debt resulting from the sale of KCl and vaccine adjuvants businesses (see **Assets Held For Sale**). In addition, there were $5.1 million of debt extinguishment costs due to amendment of Chemtrade's credit agreement. For the year ended December 31, 2021, net finance costs were $24.1 million lower relative to 2020, primarily due to $35.8 million lower losses related to a change in the fair value of Debentures. This was partially offset by the loss relating to the reclassification and debt extinguishment costs noted above.

Unrealized foreign exchange gains for the fourth quarter of 2021 were $1.1 million higher than the same period of 2020. For the year ended December 31, 2021, unrealized foreign exchange losses were $6.7 million higher than the same period of 2020. These were a result of fluctuations in the exchange rate between the Canadian dollar, U.S. dollar and the Brazilian Real.

Income tax expense for the three months and year ended December 31, 2021 were $21.9 million and $15.0 million respectively, compared with income tax recoveries of $14.8 million and $47.5 million, respectively, during the same periods of 2020 mainly due to the utilization of operating loses to offset the gain from disposal of assets held for sale and valuation allowance for deferred tax assets associated with non-capital losses in Canada in 2021 (see **Income Taxes**).

2020 vs 2019

Revenue for the fourth quarter of 2020 was $319.4 million, which was $35.9 million lower than revenue for the fourth quarter of 2019. The decrease in revenue for the fourth quarter is primarily due to lower sales volumes and lower selling prices for caustic soda and hydrochloric acid ("HCl") and lower sales volumes of sodium chlorate in the EC segment and lower sales volumes of Regen acid and merchant sulphuric acid in the SPPC segment.

Revenue on a year-to-date basis was $1,379.6 million, which was $153.2 million lower than revenue for the same period of 2019. The decrease in revenue for the year ended December 31, 2020 is primarily due to lower sales volumes of merchant sulphuric acid, Regen acid and other SPPC segment products, lower selling prices and sales volumes of caustic soda and HCl and lower sales volumes of sodium chlorate in the EC segment. This was partially offset by higher selling prices for water solutions products in the WSSC segment.

Chemtrade's Adjusted EBITDA for the three months and year ended ended December 31, 2020 of $44.2 million and $265.3 million, respectively, was $26.1 million and $30.3 million lower, respectively, than Adjusted EBITDA for the same periods of 2019. The decrease in Adjusted EBITDA for the fourth quarter and year ended December 31, 2020 is due to lower Adjusted EBITDA for the EC and SPPC segments, partially offset by higher Adjusted EBITDA for the WSSC segment. Adjusted EBITDA for 2019 included a $40.0 million expense with respect to a legal proceedings reserve related to anti-competitive conduct (see **Reserve for legal proceedings**).

Net loss for the three months and year ended December 31, 2020 was $13.2 million and $67.8 million higher, respectively, than the same periods of 2019. The increase is primarily due to lower Adjusted EBITDA (as described above) and higher net finance costs due to a higher loss from the change in the fair value of Debentures (see **Net Finance Costs**). This was partially offset by higher income tax recovery compared with the same periods of 2019. (see **Income Taxes**).

Net finance costs for the fourth quarter of 2020 were $11.5 million higher than the same period of 2019. The increase is primarily due to a loss of $3.6 million during the fourth quarter of 2020 compared with a gain of $13.0 million during the same period of 2019 related to a change in the fair value of Debentures. This was partially offset by $4.5 million relating to transaction costs on the issuance of Debentures in 2019. For the year ended December 31, 2020, net finance costs were $51.8 million higher relative to 2019, primarily due to a $55.2 million increase in losses related to a change in the fair value of Debentures.

Unrealized foreign exchange gains for the fourth quarter of 2020 were $1.1 million higher than the same period of 2019. For the year ended December 31, 2020, unrealized foreign exchange losses were $0.8 million compared with unrealized foreign exchange gains of $10.8 million in 2019. These were a result of fluctuations in the exchange rate between the Canadian dollar, U.S. dollar and the Brazilian Real.

Income tax recoveries for the three months and year ended December 31, 2020 were $19.2 million and $23.2 million higher, respectively, than in the comparable periods of 2019 due to the higher net losses in 2020. (see **Income Taxes**).

Results of Operations by Reportable Segment

SPPC -

	Three months ended		Year ended	
($'000)	**December 31, 2021**	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**
Revenue	$ 112,679	$ 100,694	$ 419,070	$ 423,027
Gross profit	19,469	6,649	55,648	22,306
Adjusted EBITDA [1]	37,591	27,626	129,548	124,913
Net loss on disposal and write down of PPE	(273)	(1,592)	(593)	(20,524)
EBITDA [1]	37,318	26,034	128,955	104,389

[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 and Other Financial Measures** for further details and a reconciliation of EBITDA and Adjusted EBITDA.

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

Revenue for the three months and year ended December 31, 2021 was $12.0 million higher and $4.0 million lower, respectively, than the same periods of 2020. The increase in the fourth quarter of 2021 is primarily due to higher selling prices and sales volumes of merchant acid, Regen acid and sulphur products, partially offset by the impact of the stronger Canadian dollar ($3.0 million). Revenue for the year ended December 31, 2021 was lower due to the impact of the stronger Canadian dollar ($22.5 million) and due to lower sales volumes and selling prices for ultra pure sulphuric acid, partially offset by higher selling prices and sales volumes for sulphur products and higher selling prices for performance products.

Chemtrade's largest by-product sulphuric acid supplier, Vale, experienced a work stoppage starting June 1, 2021 and resumed production towards the end of the third quarter. This had a negative impact of approximately $3.0 million on results for 2021.

Gross profit during the three months and year ended December 31, 2021 was $12.8 million and $33.3 million higher, respectively, than the same periods of 2020. Gross profit was higher in the fourth quarter of 2021 due to higher selling prices for merchant acid, Regen acid and sulphur products, partially offset by the impact of the stronger Canadian dollar ($0.5 million). The higher gross profit for the year ended December 31, 2021 relative to the same period of 2020 was primarily due to a $17.6 million write-down of assets recorded in third quarter of 2020. This was partially offset by the impact of the stronger Canadian dollar ($3.5 million). As previously disclosed, a large end-use customer of ultra pure sulphuric acid decided to obtain acid from an alternate source, resulting in lower sales volumes during 2021 relative to 2020.

Adjusted EBITDA for the three months and year ended December 31, 2021 was $10.0 million and $4.6 million higher, respectively, than the Adjusted EBITDA for the same periods of 2020. The factors that affected revenue and gross profit also resulted in higher Adjusted EBITDA for the three months and year ended December 31, 2021. This was partially offset by the stronger Canadian dollar which negatively affected Adjusted EBITDA by $1.0 million. The stronger Canadian dollar negatively affected Adjusted EBITDA for the year ended December 31, 2021 by $7.1 million. In addition to the stronger Canadian dollar, Adjusted EBITDA for the year ended December 31, 2021 was also negatively affected by the severe winter storm experienced in large parts of the U.S. during the first quarter ($1.7 million) and by reduced demand as described above.

WSSC -

	Three months ended		Year ended	
($'000)	**December 31, 2021**	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**
Revenue	$ 99,402	$ 99,314	$ 426,163	$ 445,897
Gross profit	464	7,162	48,563	942
Adjusted EBITDA [(1)]	15,993	20,313	87,044	102,458
Impairment of goodwill	—	—	—	(56,000)
Change in environmental liability	(561)	(4,427)	(561)	(8,170)
Net gain (loss) on disposal and write-down of PPE	1,081	4	1,096	(433)
Loss on disposal of assets held for sale	(7,135)	—	(7,135)	—
EBITDA [(1)]	9,378	15,890	80,444	37,855

[(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 and Other Financial 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 and phosphorus pentasulphide. WSSC also manufactured and marketed potassium chloride (KCl) and vaccine adjuvants until the sale of those businesses on November 2, 2021. These products are marketed primarily to North American customers.

Although revenue for the three months ended December 31, 2021 was similar to the same period of 2020, there was a decrease in revenue for specialty chemicals products due to the sale of the KCl and vaccine adjuvant businesses, offset by higher revenue for water products as higher selling prices more than offset lower sales volumes. Revenue for the year ended December 31, 2021 was $19.7 million lower than the same period of 2020. The decrease is primarily due to the stronger Canadian dollar which had a negative impact of $23.9 million on revenues, due to the sale of the KCl and vaccine adjuvant businesses and due to lower sales volumes for water products, partially offset by higher selling prices for water products.

Gross profit for the fourth quarter of 2021 was $6.7 million lower than the same period of 2020. This is primarily due to a loss of $7.1 million recorded in WSSC's cost of sales and services related to the sale of the KCl and vaccine adjuvants businesses during the fourth quarter of 2021 (see **Recent Developments**).

Gross profit for the year ended December 31, 2021 was $48.6 million compared with a gross profit of $0.9 million for the same period of 2020. This 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 a $7.1 million loss on sale of the KCl and vaccine adjuvant businesses in 2021 as described above (see **Recent Developments**).

Adjusted EBITDA for the three months and year ended December 31, 2021 was $4.3 million and $15.4 million lower, respectively, than the Adjusted EBITDA for the same periods of 2020. The decrease in Adjusted EBITDA for the quarter is primarily due to $3.6 million of lower Adjusted EBITDA related to the KCl and vaccine adjuvant businesses which were sold on November 2, 2021. The decrease in Adjusted EBITDA for the year is due to lower Adjusted EBITDA from the KCl and vaccine adjuvant businesses, the negative impact of the stronger Canadian dollar ($3.0 million) and due to lower sales volumes and escalating raw material costs for water products.

EC -

	Three months ended		Year ended	
($'000)	**December 31, 2021**	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**
North American sales volumes:				
Sodium chlorate sales volumes (000's MT)	87	92	361	375
Chlor-alkali sales volumes (000's MECU)	43	30	181	141
Revenue	$ 141,685	$ 119,346	$ 523,246	$ 510,715
Gross (loss) profit	(113,984)	964	(108,058)	10,482
Adjusted EBITDA [(1)] [(2)]	41,757	22,693	126,401	113,870
Impairment of intangible assets	(81,657)	—	(81,657)	—
Impairment of PPE	(48,343)	—	(48,343)	—
Net loss on disposal and write-down of PPE	(12)	(51)	(130)	(42)
EBITDA [(1)] [(2)]	(88,255)	22,642	(3,729)	113,828

[(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 and Other Financial Measures** for further details and a reconciliation of EBITDA and Adjusted EBITDA.
[(2)] Amounts for the three months and year ended December 31, 2020 have been restated to include realized foreign exchange gains of $0.4 million and losses of $2.0 million, respectively, relating to Chemtrade's Brazil subsidiary.

EC manufactures and markets sodium chlorate and chlor-alkali products including caustic soda, chlorine and HCl, largely for the pulp and paper, oil and gas and water treatment industries. These products are marketed primarily to North American and South American customers.

Revenue for the three months and year ended December 31, 2021 was $22.3 million and $12.5 million higher, respectively, than the same periods of 2020. The higher revenue in the fourth quarter of 2021 was primarily due to higher sales volumes and selling prices for chlor-alkali products, partially offset by lower sales volumes of sodium chlorate and the impact of the stronger Canadian dollar ($2.7 million). Selling prices for caustic soda, HCl and chlorine increased by 27%, 28% and 50%, respectively. Strong demand for chlorine and HCl allowed the North Vancouver plant to maintain high operating rates during the fourth quarter of 2021. During the fourth quarter of 2020, the North Vancouver chlor-alkali plant operated at lower rates, as it underwent a biennial maintenance turnaround. Operating rates in the fourth quarter of 2020 were also constrained by lower demand for HCl. Consequently, sales volumes for caustic soda, HCl and chlorine increased by 17%, 57% and 35%, respectively compared to the same period of 2020. The higher revenue for the year ended December 31, 2021 was due to higher sales volumes and selling prices for chlor-alkali products, partially offset by the impact of a stronger Canadian dollar ($19.2 million), lower selling prices and lower sales volumes of sodium chlorate.

Gross loss for the fourth quarter of 2021 was $114.0 million compared with gross profit of $1.0 million during the same period of 2020. This is primarily due to a $130.0 million impairment of intangible assets and PPE related to the chlorate business recorded during the fourth quarter of 2021 (see **Goodwill Impairment**) and the impact of the stronger Canadian dollar ($1.9 million), partially offset by higher sales volumes and selling prices for chlor-alkali products. Gross loss for the year ended December 31, 2021 was $108.1 million compared with gross profit of $10.5 million during the the same period of 2020. This is primarily due to a $130.0 million impairment of intangible assets and PPE related to the chlorate business recorded during the fourth quarter of 2021 (see **Goodwill Impairment**) and the impact of the stronger Canadian dollar ($9.0 million), partially offset by higher sales volumes and selling prices for chlor-alkali products.

Adjusted EBITDA for the three months and year ended December 31, 2021 was $19.1 million and $12.5 million higher, respectively, than the Adjusted EBITDA for the same periods of 2020 due to higher sales volumes and selling prices for chlor-alkali products, partially offset by lower sales volumes of sodium chlorate. The stronger Canadian dollar negatively affected Adjusted EBITDA for the three months and year ended December 31, 2021 by $2.0 million and $9.9 million, respectively.

Corporate -

	Three months ended		Year ended	
($'000)	**December 31, 2021**	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**
Cost of services (Adjusted EBITDA) [(1) (2)]	(2,806)	(26,422)	(62,613)	(75,973)
Unrealized foreign exchange (loss) gain	2,746	1,597	(7,493)	(833)
EBITDA [(1) (2)]	(60)	(24,825)	(70,106)	(76,806)

[(1)] Amounts for the three months and year ended ended December 30, 2020 have been restated to exclude realized foreign exchange gains of $0.4 million and losses of $2.0 million, respectively, relating to Chemtrade's Brazil subsidiary.

[2] 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 and Other Financial 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 and year ended December 31, 2021, cost of services were $23.6 million and $13.4 million lower, respectively, than the same periods of 2020.

Corporate costs during the fourth quarter of 2021 were lower than the fourth quarter of 2020 primarily due to the settlement of the NATO Lawsuit, resulting in a recovery of $17.7 million. Additionally, legal costs during the fourth quarter of 2021 were $4.5 million lower than the fourth quarter of 2020 and realized foreign exchange gains during the fourth quarter of 2021 were $1.9 million higher than the fourth quarter of 2020.

Corporate costs for the year ended December 31, 2021 were lower than the prior year primarily due to the settlement of the NATO Lawsuit, resulting in a recovery of $17.7 million. In addition, realized foreign exchange gains were higher by $8.3 million, legal costs were $6.9 million lower and government grants received were $3.4 million higher in 2021 than 2020. These were partially offset by higher Long-Term Incentive Plan ("LTIP") expenses of $18.7 million in 2021 due to a higher unit price and improvement in the performance based component and higher deferred unit costs of $2.3 million due to a higher unit price in 2021.

Corporate costs include LTIP expenses, which relate to the 2019 - 2021, 2020 - 2022 and 2021 - 2023 LTIPs which Chemtrade operates and pursuant to which it grants cash awards based on certain criteria. The 2019-2021 LTIP payout is payable at the beginning of 2022. The 2020 - 2022 LTIP payout is payable in the first quarter of 2022 and 2023. The 2021 - 2023 LTIP payout is payable in the first quarter of 2024. The LTIP awards have a performance based component and a restricted share unit ("RSU") component. The performance based component of the 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 of companies comprising the S&P/TSX Dividend Composite Index. The performance based component of the 2020 - 2022 and 2021 - 2023 LTIP awards is based on return on investment capital improvement and total return to Chemtrade’s Unitholders relative to the total return of companies comprising the S&P/TSX Dividend Composite Index. Total Unitholder return consists of changes in unit price and distributions paid to Unitholders. The RSU component of the LTIP awards is a phantom plan which is payable in cash at the end of the performance period. The nature of these calculations makes it difficult to forecast the amount of LTIP expenses that will be recorded in any period, as it is based upon a valuation model which considers several variables.

Unrealized foreign exchange gains for the three months ended December 31, 2021 were $1.1 million higher than the same period of 2020. Unrealized foreign exchange losses for the year ended December 31, 2021 were $6.7 million higher than the same period of 2020. These were a result of fluctuations in the exchange rates between the Canadian dollar, U.S. dollar and the Brazilian Real.

Chemtrade has hedged its investments in foreign operations that use the U.S. dollar as their functional currency with its U.S. dollar-denominated bank 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 and year ended December 31, 2021, foreign exchange gains of $3.2 million and $6.6 million, respectively, 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 gains of $31.1 million and $18.2 million, respectively, during the three months and year ended ended December 31, 2020.

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 were also defendants in class action lawsuits and a few civil proceedings relating to the same conduct. The main class action civil lawsuit was settled for US$56.0 million and was paid out during 2019. By the third quarter of 2019, additional settlements were negotiated and paid. The remaining ex-employee initiated derivative actions were settled in March 2021, at close to the amount previously reserved for this matter. These lawsuits were settled and were paid out during the fourth quarter of 2021.

Assets Held For Sale

On November 2, 2021, Chemtrade completed the sale of its KCl and vaccine adjuvants businesses. At the time of sale, Chemtrade had $193.4 million (December 31, 2020 - $199.7 million) of assets and $18.3 million (December 31, 2020 - $17.0 million) of liabilities directly associated with these assets. See **Recent Developments**.

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 of historic and forecast performance of each cash-generating unit ("CGU"), Chemtrade performed a test for goodwill impairment for the water solutions group of CGUs ("CGU group") in WSSC. Although the water solutions CGU group's operating performance had been improving, as a result of applying the higher discount rate, this CGU group'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 group, its recoverable amount equalled its carrying value.

Chemtrade performed its annual test for goodwill impairment in the fourth quarter of 2021. The recoverable amount of all CGUs and CGU groups exceeded their carrying values except for the sodium chlorate CGU (the "Chlorate CGU"). Due to the recent decline in sodium chlorate demand combined with increased competitive pressure resulting in lower levels of gross profit and lowered expectations of business recovery to pre-pandemic levels, the Chlorate CGU's carrying value exceeded its recoverable amount by $130.0 million and therefore, impairment losses of $42.8 million, $38.9 million and $48.3 million were allocated to goodwill, customer relationships and PPE, respectively in cost of sales and services. Following the impairment recognized in the Chlorate CGU, its recoverable amount equalled 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 $1.26 to $1.27), on an unhedged basis, this would have a positive impact on annual net earnings of approximately $2.0 million, and vice-versa. The impact on annual Adjusted EBITDA and Distributable cash after maintenance capital expenditures would be approximately $3.1 million and $2.2 million, respectively, and vice-versa.

Chemtrade manages its financial exposure to fluctuations in the value of the U.S. dollar relative to the Canadian dollar as follows:

a) by maintaining U.S. dollar denominated Credit Facilities, under which most of the borrowings are denominated in U.S. dollars; and

b) by entering into foreign exchange contracts to hedge a portion of its U.S. dollar net cash flows for up to eighteen months in the future.

All foreign exchange contracts are under International Swap and Derivatives Association (“ISDA”) agreements. Contracts in place at December 31, 2021 include future contracts to sell the following amounts for periods through to January 2023:

Amount ($'000)	Maturity	Exchange rate range
US$103,546	Q1 2022	$1.25 - $1.28
US$18,015	Q2 2022	$1.26 - $1.28
US$17,247	Q3 2022	$1.25 - $1.28
US$10,000	Q4 2022	$1.27 - $1.28
US$4,116	Q1 2023	$1.28 - $1.29

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

The investment in the 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 bank 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, 2020 were a result of changes in the Canadian/U.S. dollar exchange rate between December 31, 2020 and December 31, 2021.

The rate of exchange used to translate U.S. dollar-denominated balances has decreased from a rate of US$1.00 = $1.27 at December 31, 2020 to US$1.00 = $1.26 at December 31, 2021. See **Risks and Uncertainties** for additional comments on foreign exchange.

Net Finance Costs

During the three months and year ended December 31, 2021, net finance costs were $56.9 million and $116.2 million, respectively, compared with net finance costs of $24.0 million and $140.3 million, respectively, during the same periods of 2020.

Net finance costs were $32.9 million higher during the fourth quarter of 2021 relative to 2020. The increase is primarily due to $15.3 million higher losses related to a change in the fair value of Debentures during the fourth quarter of 2021 compared with the same period of 2020, a $9.8 million loss relating to the reclassification of accumulated fair value on the effective portion of cash-flow hedges from other comprehensive income to net earnings mainly as a result of repayment of the term bank debt, $5.9 million relating to transaction costs on the issuance of Debentures during the fourth quarter of 2021 and $5.1 million of debt extinguishment costs due to amendment of Chemtrade's credit agreement. This was partially offset by $1.1 million gains on the ineffectiveness of cash flow hedges and and lower interest expense.

Net finance costs were $24.1 million lower during the year ended December 31, 2021 relative to 2020. The decrease is primarily due to $35.8 million lower losses related to a change in the fair value of Debentures in 2021 compared with 2020, $3.6 million gains on the ineffectiveness of cash flow hedges and lower interest expense. This was partially offset by a $13.2 million loss relating to the reclassification of accumulated fair value on the effective portion of cash-flow hedges from other comprehensive income to net earnings as a result of repayment of the term bank debt and $5.1 million of debt extinguishment costs due to amendment of Chemtrade's credit agreement.

The Debentures are recognized at fair value with changes in fair value due to changes in the risk free interest rate presented in net finance costs and changes in Chemtrade's own credit risk presented in other comprehensive income rather than net earnings. During the three months and year ended December 31, 2021, the fair value of the Fund’s Debentures increased by $4.3 million and $94.3 million, respectively. As a result, for the three months ended December 31, 2021, Chemtrade recorded a pre-tax loss of $18.9 million in net finance costs due to a change in the conversion option fair value, offset by an increase in the risk free interest rate, and a gain of $16.6 million, including a tax recovery of $2.0 million, in other comprehensive income due to a decrease in Chemtrade’s own credit risk. During the comparable period of 2020, Chemtrade recorded a pre-tax loss of $3.6 million in net finance costs due to a decrease in the risk free interest rate, and a loss of $22.0 million, net of tax recovery of $14.2 million, in other comprehensive income due to a decrease in Chemtrade’s own credit risk.

For the year ended December 31, 2021, Chemtrade recorded a pre-tax loss of $19.9 million in net finance costs due to a change in the conversion option fair value and passage of time, offset by an increase in the risk free interest rate, and a loss of $47.4 million, net of tax recovery of $27.0 million, in other comprehensive income due to a decrease in Chemtrade's own credit risk. During the comparable period of 2020, Chemtrade recorded a pre-tax loss of $55.8 million in net finance costs due to a decrease in the risk free interest rate, and a gain of $80.2 million, net of tax expense of $23.8 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 December 31, 2021 was 4.4% (December 31, 2020 - 4.3%). 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 for the fourth quarter and year ended December 31, 2021 was an expense of $7.3 million and $8.6 million, respectively, compared with $2.0 million and $7.3 million, respectively, during the same periods of 2020. The increase in current income tax expense is primarily due to increase in Base Erosion and Anti-Abuse Tax ("BEAT tax") and the taxes of the gain resulting from disposal of PPE in U.S., partially offset by the tax recoveries resulting from the deduction of unrealized foreign exchange losses in Brazil.

Deferred income tax for the fourth quarter of 2021 was an expense of $14.7 million compared with a recovery of $16.9 million for the same period of 2020. The change is primarily due to utilization of operating losses and deduction of interest carry forwards in the U.S. to offset the gain on sale of the KCl and adjuvants businesses and due to the operating cost recovery from the NATO Lawsuit settlement in Canada. Deferred income tax for the year ended December 31, 2021 was an expense of $6.3 million compared with a recovery of $54.8 million for the same period of 2020. The change is primarily due to the factors noted for the fourth quarter of 2021 as well as due to the decrease in the unrealized losses associated with the fair value changes of the Debentures and utilization of unrealized foreign exchange losses in Brazil.

The effective tax rate for the year ended December 31, 2021 differs from the statutory tax rate primarily due to the deduction of taxable income distributed to Unitholders, differences in domestic corporate and trust tax rates, impairment of non-deductible goodwill, disposal of assets held for sale, international income tax differences, including the BEAT tax, valuation allowance for deferred tax assets associated with certain non-capital losses in

Canada and certain permanent differences. The difference in the effective tax rate for the fourth quarter of 2021 is due to the factors noted above, however, the impact of the valuation allowance for deferred tax assets associated with certain non-capital losses in Canada is more pronounced.

The net increase in deferred tax assets of $5.1 million at December 31, 2021 relative to December 31, 2020 is primarily due to the decrease in the unrealized gain from the changes in fair value of the Debentures, and taxable temporary difference resulting from impairment of intangible assets and PPE in Canada, partially offset by a valuation allowance for deferred tax assets associated with non-capital losses in Canada. The net increase in deferred tax liabilities of $5.3 million at December 31, 2021 relative to December 31, 2020 is primarily due to the utilization of unrealized foreign exchange losses in Brazil.

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.

Net loss, Cash flows from operating activities, 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 and year ended December 31, 2021, and for the years ended December 31, 2020 and December 31, 2019:

	Three months ended	Year ended		
($'000)	**December 31, 2021**	**December 31, 2021**	**December 31, 2020**	**December 31, 2019**
Cash flows from operating activities [(1)]	$ 93,229	$ 219,039	$ 270,183	$ 163,911
Net loss	$ (180,524)	$ (235,209)	$ (167,478)	$ (99,654)
Cash distributions paid during period	$ 13,314	$ 51,944	$ 66,670	$ 111,116
Excess of cash flows from operating activities over cash distributions paid [(2)]	$ 79,915	$ 167,095	$ 203,513	$ 52,795
Shortfall of net loss over cash distributions paid [(2)]	$ (193,838)	$ (287,153)	$ (234,148)	$ (210,770)

(1) In 2021, Chemtrade reclassified certain items into net cash flows from operating activities. Comparatives have been restated to conform to current period presentation.

(2) These are supplementary financial measures and are calculated by deducting cash distributions paid from cash flows from operating activities and net loss. These measures are not recognized measures under IFRS. Chemtrade's method of calculating these measures may differ from methods used by other income trusts or companies, and accordingly may not be comparable to similar measures presented by other organizations.

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 distributions to $0.05 per unit.

On July 13, 2020, Chemtrade announced the commencement of a Distribution Reinvestment Plan ("DRIP"). Under the terms of the DRIP, eligible Unitholders may elect to reinvest all or a portion of their regular monthly distributions in additional units of Chemtrade, without paying any commissions, service charges or brokerage fees under the DRIP. Units purchased for participants under the DRIP may be newly issued by Chemtrade from treasury or may be existing units purchased on the open market through the facilities of a stock exchange. Under the DRIP, the Board determines which of these two sources may be used and currently the units are issued from treasury. Currently, the participants receive bonus distributions of Units equal to 3% of the amount of the cash distribution reinvested, as determined by the Board.

Distributions to Unitholders, including bonus distributions, for the three months and year ended December 31, 2021 were declared as follows:

Record Date	**Payment Date**		**Distribution Per Unit**		**Total ($'000)** [1]
Three months ended December 31:					
October 29, 2021	November 25, 2021	$	0.05	$	5,223
November 30, 2021	December 23, 2021		0.05		5,230
December 31, 2021	January 26, 2022		0.05		5,232
Sub-total			0.15		15,685
Three months ended September 30, 2021		$	0.15	$	15,637
Three months ended June 30, 2021		$	0.15	$	15,591
Three months ended March 31, 2021		$	0.15	$	14,554
Total for the year ended December 31, 2021		**$**	**0.60**	**$**	**61,467**

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

Distributions to Unitholders, including bonus distributions, for the three months and year ended December 31, 2020 were declared as follows:

Record Date	**Payment Date**		**Distribution Per Unit**		**Total ($'000)** [1]
Three months ended December 31:					
October 30, 2020	November 25, 2020	$	0.05	$	4,666
November 30, 2020	December 23, 2020		0.05		4,674
December 31, 2020	January 26, 2021		0.05		4,677
Sub-total			0.15		14,017
Three months ended September 30, 2020		$	0.15	$	13,941
Three months ended June 30, 2020		$	0.15	$	13,890
Three months ended March 31, 2020		$	0.25	$	23,150
Total for the year ended December 31, 2020		**$**	**0.70**	**$**	**64,998**

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

Treatment of Chemtrade's distributions for Canadian income tax purposes for 2020 and 2021 is as follows:

	Other Income	Dividends [1]	Foreign Non-Business Income	Total
2020	1.0%	12.0%	87.0%	100%
2021 [2]	0.0%	32.0%	68.0%	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 2021 distributions will be determined by March 1, 2022.

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 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 Operating Activities

Cash flows from operating activities for the fourth quarter of 2021 were $93.2 million, compared with $81.2 million for the same period of 2020. The increase in cash flows from operating activities of $12.0 million was primarily due to higher Adjusted EBITDA, partially offset by changes in working capital.

Cash flows from operating activities for the year ended December 31, 2021 were $219.0 million compared with $270.2 million during the same period of 2020. The decrease in cash flows from operating activities of $51.1 million was primarily due to changes in working capital, partially offset by higher Adjusted EBITDA.

Investing Activities

Capital expenditures were $39.5 million in the fourth quarter of 2021, compared with $34.4 million in the fourth quarter of 2020. These amounts include $35.9 million in the fourth quarter of 2021 and $34.0 million in the fourth quarter of 2020 for maintenance capital expenditures. Investment in capital expenditures was $86.1 million for the year ended December 31, 2021, compared with $77.1 million for the year ended December 31, 2020. These amounts include $75.3 million for the year ended December 31, 2021 and $74.4 million for the year ended December 31, 2020 for maintenance capital expenditures. Chemtrade expects to incur approximately $72.0 to $77.0 million of maintenance capital expenditures during 2022.

Non-maintenance capital expenditures were $3.6 million during the fourth quarter of 2021, compared with $0.4 million during the fourth quarter of 2020. Investment in non-maintenance capital expenditures was $10.9 million for the year ended December 31, 2021, compared with $2.7 million for the year ended December 31, 2020. 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.

During the fourth quarter of 2021, Chemtrade completed the sale of its KCl and vaccine adjuvants businesses for gross proceeds of $190.3 million. After deducting the cost to sell of $7.6 million, the net proceeds were $182.7 million (see **Recent Developments**).

Financing Activities

At December 31, 2021, Chemtrade's Credit Facilities were comprised of a $821.4 million (US$650.0 million) revolving credit facility.

During the second quarter of 2020, Chemtrade modified certain terms of its Credit Facilities including negotiating an amended covenant package on its Credit Facilities to provide Chemtrade with additional covenant room until 2022 in light of the uncertain economic climate arising from the COVID-19 pandemic. Chemtrade incurred $1.3 million of transaction costs related to the modification. These costs were deferred and were being amortized to finance costs in comprehensive income using the effective interest method.

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

In December 2021, Chemtrade amended certain terms of its Credit Facilities by converting the entire facility into a revolving credit facility, reducing the facility size by US$200.0 million and extending the maturity of the facility to December 24, 2026. Chemtrade also amended its covenant package and pricing to pre-pandemic levels. As a result of this substantial modification of the credit agreement, Chemtrade recorded debt extinguishment costs of $5.1 million consisting of $3.8 million of previously deferred financing transaction costs and $1.3 million of financing transaction costs relating to the amendment (see **Recent Developments**).

There was a net increase in borrowings on the revolving portion of the Credit Facilities of $81.7 million and $18.3 million, respectively, during the three months and year ended December 31, 2021 compared with a net decrease of $0.5 million and a net increase of $49.1 million during the same periods of 2020. Chemtrade used the additional borrowings together with proceeds from the issuance of the Fund 2021 6.25% Debentures and proceeds from the sale of the KCl and vaccine adjuvants businesses to repay its term bank debt during the fourth quarter of 2021. During the year ended December 31, 2020, the additional borrowings on the Credit Facilities were primarily used to redeem the remaining portion of the 6.50% convertible unsecured subordinated Chemtrade Electrochem Inc. ("CEI") Series VI debentures due December 31, 2021 (the "CEI Series VI Debentures") at a total aggregate redemption price of $74.6 million and to partially finance the redemption of the Fund 5.25% Debentures at a total aggregate redemption price of $128.3 million.

During the third quarter of 2020, Chemtrade completed a public offering of $86.3 million principal amount of convertible unsecured subordinated debentures, at a price of $1,000 per debenture, with an interest rate of 8.50% per annum. Chemtrade incurred transaction costs of $4.0 million which included underwriters' fees and other expenses relating to the offering.

During the first quarter of 2021, Chemtrade completed an equity offering of 9,800,000 units at a price of $7.15 per unit, resulting in total gross proceeds of $70.1 million. Chemtrade incurred issuance costs of $2.5 million, net of tax recovery of $1.2 million, which included underwriters' fees and other expenses relating to the offering. Proceeds from the offering were used to repay outstanding indebtedness under Chemtrade's Credit Facilities and for general trust purposes.

During the fourth quarter of 2021, Chemtrade completed the Fund 2021 6.25% Debentures offering. Chemtrade incurred transaction costs of $5.9 million which included underwriters' fees and other expenses relating to the offering (see **Recent Developments**).

Distributions paid to Unitholders, net of distributions reinvested during the three months and year ended December 31, 2021 were $13.3 million and $51.9 million, respectively, compared to $11.9 million and $66.7 million, respectively, for the same periods of 2020. The increase in distributions paid for the fourth quarter of 2021 relative to the same period of 2020 is primarily due to an increase in the number of units following the equity offering in the first quarter of 2021. The decrease in distributions paid for the year ended December 31, 2021 relative to 2020 is primarily due to the reduction in monthly distributions from $0.10 per unit to $0.05 per unit as announced on March 11, 2020 and commencement of the DRIP as announced on July 13, 2020. These were partially offset by an increase in the number of units following the equity offering in 2021. For additional information on cash distributions, see **Non-IFRS and Other Financial Measures** - *Cash Flow* and **Net loss, Cash flows from operating activities, Excess Cash Flows and Net Earnings Over Distributions Paid.**

Financial Instruments -

On April 24, 2020, Chemtrade entered into a swap arrangement which fixed the LIBOR components of its interest rates on up to US$250.0 million of its outstanding revolving credit under its long term debt until it expired on April 24, 2021. Chemtrade's swaps were formally designated as cash flow hedges at the date of inception and any changes in the fair value of the effective portion of the swaps were recognized in other comprehensive income in the consolidated statements of comprehensive income.

During the first quarter of 2021, Chemtrade blended and extended its existing US$175.0 million and US$150.0 million interest rate swaps on its outstanding term bank debt. Effective March 24, 2021, the terms of these swaps were extended until October 2024 to align with the maturity date of the term bank debt. Chemtrade recognized the blend and extend as a termination of the original swaps and execution of new swaps. As a result, hedge accounting on the original swaps were discontinued prospectively. To continue the benefits of hedge accounting, Chemtrade designated the new blend and extend swaps in new hedge relationships. Since the interest payments that were being hedged were still expected to occur, the fair values of the original swaps as of the termination date remained in accumulated other comprehensive income and were reclassified into net earnings over the term of the original swaps.

On December 24, 2021, Chemtrade amended its credit agreement by converting the entire facility into a revolving credit facility. This resulted in the de-recognition of the term bank debt which had been designated as the hedged item for the purpose of hedge accounting. As a result of the amendment and de-designation of the hedged item, Chemtrade reclassified $8.1 million relating to the fair value of the effective portion of the swaps which were previously recorded in other comprehensive income to net earnings.

During the third quarter of 2021, Chemtrade entered into cash-settled unit swap arrangements which fixed the unit price on a portion of the RSU component of its LTIP awards. The RSU component of the LTIP awards is a phantom plan which is payable in cash at the end of the performance period. The arrangements are based on a portion of RSUs outstanding for all its existing LTIP awards. As at December 31, 2021, the notional number of units hedged was 2.6 million with maturity dates ranging between March 2022 and March 2024. Distributions on the hedged units are reinvested in these swap arrangements. These swaps are formally designated as cash flow hedges at the date of inception and any changes in the fair value of the unvested portion of the RSUs are 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 bank debt. Any gains and losses arising from the U.S. dollar-denominated bank debt will be offset by the foreign currency gain or loss arising from the investment in the foreign operations. The gains and losses on the translation of the designated amount of U.S. dollar-denominated debt and investment in foreign operations are recognized in other comprehensive income.

Cash Balances -

At December 31, 2021, Chemtrade had net cash balances of $13.9 million and a working capital deficit of $71.7 million. Comparable figures for December 31, 2020 were $12.5 million and a working capital deficit of $62.6 million. 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 volumes, sales prices and input costs and any changes in these may impact future liquidity. Management believes that cash flows from operating activities will be sufficient for 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 December 31, 2021, Chemtrade had Credit Facilities of approximately $821.4 million (US$650.0 million). At December 31, 2021, Chemtrade had drawn $373.5 million on its Credit Facilities. Additionally, it had committed a total of $19.3 million of its Credit Facilities towards standby letters of credit.

During the second quarter of 2020, Chemtrade modified certain terms of its Credit Facilities including negotiating an amended covenant package on its Credit Facilities to provide Chemtrade with additional covenant room until 2022 in light of the uncertain economic climate arising from the COVID-19 pandemic. In May 2021, Chemtrade negotiated an amended covenant package on its Credit Facilities to provide Chemtrade with additional covenant room until 2023. In December 2021, Chemtrade amended certain terms of its Credit Facilities by converting the entire facility into a revolving credit facility, reducing the facility size by US$200.0 million and extending the maturity of the facility to December 24, 2026. Chemtrade also amended its covenant package and pricing to pre-pandemic levels (see **Recent Developments**).

At December 31, 2021, Chemtrade had five series of Debentures outstanding with an aggregate par value of $661.1 million (market value of $670.2 million) and maturity dates ranging from August 31, 2023 to August 31, 2027, with the Fund 2016 5.00% Debentures having been redeemed during January 2022 (see **Recent Developments**).

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.

During the third quarter of 2020, Chemtrade completed a public offering of $86.3 million principal amount of convertible unsecured subordinated debentures, at a price of $1,000 per debenture, with an interest rate of 8.50% per annum. Chemtrade incurred transaction costs of $4.0 million which included underwriters' fees and other expenses relating to the offering.

During the third quarter of 2020, Chemtrade redeemed $100.0 million principal amount of the outstanding Fund 2014 5.25% Debentures at a total aggregate redemption price of $101.3 million, being equal to the principal amount of debentures redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. Chemtrade used a portion of the net proceeds from the Fund 2020 8.5% Debentures offering and its Credit Facilities to fund the redemption.

During the fourth quarter of 2020, Chemtrade redeemed the remaining $26.5 million principal amount of the Fund 2014 5.25% Debentures at a total aggregate redemption price of $26.9 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 Fund 2014 5.25% Debentures. Chemtrade used a portion of the net proceeds from the Fund 2020 8.5% Debentures offering, its Credit Facilities and a portion of the proceeds received from its A/R Facility to fund the redemption.

During the first quarter of 2021, Chemtrade completed an equity offering of 9,800,000 units at a price of $7.15 per unit, resulting in total gross proceeds of $70.1 million. Chemtrade incurred issuance costs of $2.5 million, net of tax recovery of $1.2 million, which included underwriters' fees and other expenses relating to the offering. Proceeds from the offering were used to repay outstanding indebtedness under Chemtrade’s Credit Facilities and for general trust purposes.

During the fourth quarter of 2021, Chemtrade completed a public offering of $130.0 million principal amount of convertible unsecured subordinated debentures, at a price of $1,000 per debenture, with an interest rate of 6.25% per annum. Chemtrade incurred transaction costs of $5.9 million which included underwriters' fees and other expenses relating to the offering (see **Recent Developments**).

During the fourth quarter of 2021, Chemtrade announced the redemption of all of the outstanding Fund 2016 5.00% Debentures, with an effective redemption date of January 25, 2022. (see **Recent Developments**).

Debt Covenants -

As at December 31, 2021, Chemtrade was compliant with all debt covenants contained in its credit agreement.

Summary of Quarterly Results

($ millions)	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Revenue	$ 353.8	$ 365.0	$ 337.3	$ 312.4	$ 319.4	$ 345.9	$ 347.5	$ 366.9
Cost of sales and services	(447.8)	(320.0)	(313.0)	(291.5)	(304.6)	(338.5)	(314.9)	(388.0)
Gross (loss) profit	(94.1)	45.0	24.3	20.9	14.8	7.4	32.6	(21.1)
Selling and administrative expenses:								
Unrealized foreign exchange gain (loss)	2.7	(4.0)	(5.8)	(0.4)	1.6	—	7.2	(9.6)
LTIP	(7.2)	(9.5)	(3.3)	(5.6)	(9.2)	(2.8)	(0.5)	5.6
Legal settlement	17.7	—	—	—	—	—	—	—
Other	(20.8)	(24.8)	(16.7)	(22.5)	(23.8)	(24.4)	(26.0)	(26.5)
Total selling and administrative expenses	(7.6)	(38.3)	(25.8)	(28.5)	(31.4)	(27.2)	(19.3)	(30.5)
Operating (loss) income	(101.7)	6.7	(1.6)	(7.5)	(16.6)	(19.8)	13.3	(51.5)
Net finance costs:								
Mark-to-market on Debentures	(18.9)	0.9	0.3	(2.3)	(3.6)	(21.8)	17.0	(47.4)
Debt issuance and extinguishment costs	(11.0)	—	—	—	—	(4.0)	—	—
Loss reclassified from other comprehensive income due to termination of original swaps	(9.8)	—	—	—	—	—	—	—
Other	(17.2)	(19.6)	(19.4)	(19.2)	(20.4)	(20.3)	(19.7)	(20.1)
Total net finance costs	(56.9)	(18.7)	(19.1)	(21.5)	(24.0)	(46.1)	(2.7)	(67.5)
Income tax (expense) recovery	(21.9)	(8.2)	6.6	8.6	14.8	17.6	(6.1)	21.1
Net (loss) earnings	$ (180.5)	$ (20.2)	$ (14.1)	$ (20.4)	$ (25.8)	$ (48.3)	$ 4.5	$ (97.9)

In general, seasonality has had a limited impact on financial results. Below are some of the key items that had a significant impact on financial results over the last eight quarters.

Revenue and Gross Profit

Gross profit for the fourth quarter of 2021 was lower due to a $130.0 million impairment of intangible assets and PPE related to the sodium chlorate business due to recent decline in chlorate demand combined with increased competitive pressure resulting in lower levels of gross profit and lowered expectations of business recovery to pre-pandemic levels. In addition, a loss of $7.1 million was recorded in WSSC's cost of sales and services related to the sale of the KCl and vaccine adjuvants businesses during the fourth quarter of 2021. Gross profit for the second quarter of 2021 was lower due to lower chlor-alkali and sodium chlorate selling prices and lower sales volumes of sodium chlorate in the EC segment and increase in the cost of raw materials of products in the WSSC segment. Gross profit for the first quarter of 2021 was lower due to lower sales volumes of sodium chlorate in the EC segment, reduced demand and lower sales volumes of acid products in the SPPC segment and lower sales volumes of water solutions products in the WSSC segment due to disruptions caused by the severe winter storm experienced in large parts of the U.S. Gross profit for the fourth quarter of 2020 was lower due to lower chlor-alkali sales volumes as a result of the North Vancouver chlor-alkali plant operating at lower rates, as it underwent a biennial maintenance turnaround. Also, there was reduced demand and lower sales volumes for products in the SPPC segment resulting from the COVID-19 pandemic. Gross profit for the third quarter of 2020 was lower due to a $19.8 million write-down of assets primarily as a result of the decision to rationalize sulphuric acid capacity. Although operating results during the first quarter of 2020 were largely unaffected by the COVID-19 pandemic, an increase in discount rates towards the end of the quarter resulted in a $56.0 million goodwill impairment of certain water solutions products.

Selling and Administrative Expenses

Selling and administrative expenses for the fourth quarter of 2021 include a net recovery of $17.7 million relating to the settlement of the NATO Lawsuit. Selling and administrative expenses for the second quarter of 2021 included $3.4 million of realized foreign exchange gains. The change in fair value of 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.

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.

Net finance costs for the fourth quarter of 2021 included $9.8 million loss relating to the reclassification of accumulated fair value on the effective portion of cash-flow hedges from other comprehensive income to net earnings mainly as a result of repayment of the term bank debt, $5.9 million of transaction costs on the issuance of Debentures and $5.1 million of debt extinguishment costs relating to the substantial modification of the credit agreement. Net finance costs for the third quarter of 2020 included $4.0 million of transaction costs on the issuance of Debentures.

Outstanding Securities of the Fund

As at February 21, 2022 and December 31, 2021, the following units and securities convertible into units of the Fund were issued and outstanding:

	February 21, 2022		December 31, 2021	
	Convertible Securities	**Units**	**Convertible Securities**	**Units**
Units outstanding		**104,323,767**		**104,222,562**
5.00% Debentures [(1)(8)]	**—**	**—**	**143,750**	**5,784,708**
4.75% Debentures [(2)]	**201,115**	**7,532,397**	**201,115**	**7,532,397**
6.50% Debentures [(3)]	**100,000**	**6,329,114**	**100,000**	**6,329,114**
8.50% Debentures [(4)]	**86,250**	**11,734,694**	**86,250**	**11,734,694**
6.25% Debentures [(5)]	**130,000**	**13,000,000**	**130,000**	**13,000,000**
Units outstanding and issuable upon conversion of Debentures		**142,919,972**		**148,603,475**
Deferred units plan [(6)(7)]	**$ 4,171**	**572,961**	**$ 4,211**	**569,017**
Units outstanding and issuable upon conversion of Debentures and Deferred units		**143,492,933**		**149,172,492**

(1) Convertible at $24.85 per unit

(2) Convertible at $26.70 per unit

(3) Convertible at $15.80 per unit

(4) Convertible at $7.35 per unit

(5) Convertible at $10.00 per unit

(6) Based on $7.28 and $7.40, the closing price of a unit on the TSX on February 21, 2022 and December 31, 2021 respectively

(7) 427,039 and 430,983 deferred units were available for future grants as at February 21, 2022 and December 31, 2021 respectively

(8) During the fourth quarter of 2021, Chemtrade announced the redemption of all of the outstanding $143.8 million principal amount of the Fund 2016 5.00% Debentures, with an effective redemption date of January 25, 2022. See **Recent Developments.**

Contractual Obligations

Information concerning contractual obligations at December 31, 2021 is shown below:

Contractual Obligations *($'000)*	**Total**	**Less Than 1 Year**	**1-3 Years**	**4-5 Years**	**After 5 Years**
Long-term debt	$ 373,531	$ —	$ —	$ 373,531	$ —
Debentures	661,115	143,750	201,115	186,250	130,000
Purchase commitments	91,964	47,684	29,520	14,760	—
Interest on Debentures	130,921	34,404	57,443	33,665	5,409
Interest on long-term debt	81,910	16,436	32,872	32,602	—
Lease payments	161,619	51,611	66,210	24,896	18,902
Total contractual obligations	$ 1,501,060	$ 293,885	$ 387,160	$ 665,704	$ 154,311

Related Parties

Key Management Personnel Compensation

Key management personnel is comprised of trustees and the senior leadership team of Chemtrade. Trustees receive compensation in the form of an annual retainer. In addition to their salaries, Chemtrade also provides other benefits to the senior leadership team. One such benefit is the contribution to a post-employment defined contribution plan on their behalf. Chemtrade provides a basic contribution of 4% of base salary for plan participants. They can make additional voluntary contributions up to 2% of their base salary, and Chemtrade matches each dollar contributed up to 2% for a total of 6% of base salary. Contributions to the defined contribution plan vest immediately.

These plans for the senior leadership team are identical to the plans offered to all employees in the same jurisdiction.

The Annual Incentive Compensation ("Annual IC") plan entitles the senior leadership team to annual cash awards based on (i) Chemtrade's success in achieving financial objectives (financial achievement is weighted at 65% of the total Annual IC award) and (ii) their individual success in accomplishing personal objectives (weighted at 35% of the total Annual IC award) as set out in their objectives for the fiscal year.

The LTIP as described in Chemtrade's annual consolidated financial statements is designed to align the interests of the participants with the interests of Unitholders. It is a cash plan where payment is triggered upon the successful achievement of pre-defined performance criteria. Each year the Compensation and Corporate Governance Committee determines the performance period over which performance will be measured. The annual LTIP awards granted have been based on a three-year performance period and the awards vest at the end of the three-year period, other than the 2020-2022 LTIP which has various performance and vesting periods ranging between 15 and 27 months. The value of this compensation is re-measured at each reporting period based upon changes in the fair value of the awards.

Certain members of the senior leadership team are subject to a mutual term of notice upon termination of employment without cause; they are entitled to termination benefits of 12 to 18 months gross salary. In addition they are entitled to either their target Annual IC or a value based on the most recently completed financial year.

Chemtrade has in place a deferred unit compensation plan for its trustees, pursuant to which the trustees can elect to take all or a portion of their compensation in the form of deferred units of Chemtrade, with the remainder as a cash payment. Currently, the trustees must take at least 50% of their compensation in the form of deferred units of Chemtrade. As at December 31, 2021, the market value of these deferred units, which is included in trade and other payables was $4.2 million (2020 - $3.3 million).

The key management personnel compensation expense including retirements costs, which is recorded in comprehensive income, is as follows:

		2021		2020
Short-term compensation	$	14,212	$	9,535
LTIP		15,495		4,785
	$	29,707	$	14,320

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, 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.

Commodity Price, Raw Materials & Other Input Cost Exposure -

Industrial chemicals sold by Chemtrade and those purchased by Chemtrade as raw materials are subject to market price fluctuations. Although Chemtrade generally seeks to enter into contracts with its industrial producers to share or eliminate the risk of changes in selling prices of products obtained as by-products from industrial producers, no assurance can be given as to Chemtrade's continued ability to enter into such contracts nor do such contracts apply to all of the products Chemtrade sells. In addition, whether or not Chemtrade has entered into such contracts, market price fluctuations could have a negative impact on Chemtrade's financial condition and results of operations. Chemtrade also utilizes a number of raw materials which are subject to price fluctuations beyond its control. Market price fluctuations of these raw materials could have a material adverse effect on Chemtrade's business, financial condition and/or results of operations. There can be no assurance that the price of Chemtrade's raw materials will not increase in the future nor that Chemtrade will be able to pass on such increases to its customers. There has generally been a lag time before such increases and decreases could be passed on to Chemtrade's customers. A significant increase in the price of raw materials that cannot be passed on to customers could have a material adverse effect on Chemtrade's business, financial condition and/or results of operations. Chemtrade has a number of key raw materials. There may be a risk associated with limited availability of such raw materials in the event one of its suppliers fails to perform or ceases production of such raw material. Either event could have a material adverse effect on Chemtrade's business, financial condition and/or results of operations.

Chemtrade is also a large consumer of electricity. Electricity constitutes approximately 75% of Chemtrade's variable production costs for sodium chlorate and approximately 55% of Chemtrade's variable production costs for chlor-alkali products. Accordingly, any increase in the cost of electricity leads to a direct increase in Chemtrade's production costs. While Chemtrade has attempted to mitigate the effect and unpredictability of power costs by locating facilities in regions that have relatively low-cost, regulated, hydroelectric power markets, Chemtrade is susceptible to changes in power prices in any of the markets in which it operates. While this risk is greater in deregulated electricity markets such as Brazil, there is always a risk of regulatory or governmental changes in currently regulated jurisdictions. The prices for electricity are generally influenced by regional or domestic factors. As a result, Chemtrade may pay higher prices for electricity than its competitors in other regions of North America or other parts of the world, which may negatively affect the competitiveness and financial performance of Chemtrade.

Below are sensitivities to sales prices, and where applicable, sales volumes for some of Chemtrade's significant finished products:

Sales price and volumes for sodium chlorate and chlor-alkali

Every $50 change in the price per MT of North American produced sodium chlorate would have an impact on earnings before income taxes of approximately $18.1 million per annum. Every $100 change in the price per MECU of chlor-alkali products produced in North America would have an impact on earnings before income taxes of approximately $18.1 million per annum. These sensitivities to changes in prices are based on approximately 361,000 MT of North American sodium chlorate sales and 181,000 MECU of North American chlor-alkali sales for the year ended December 31, 2021.

A change in sales volumes for North American sodium chlorate of 10,000 MT would have an impact on earnings before income taxes of approximately $3.0 million per annum. A change in sales volumes for North American chlor-alkali products of 5,000 MECU would have an impact on earnings before income taxes of approximately $2.6 million per annum.

Sulphuric Acid Pricing

A change in sulphuric acid pricing, net of freight, of $10 per tonne would have an impact on annual revenues in North America of approximately $9.5 million. In any specific period, the exact impact would depend upon the volumes that is subject to sales contracts where pricing has been fixed for a period of time. The magnitude of realized price changes also depends upon regional market dynamics. It is difficult to reliably estimate the impact of price changes on earnings as this depends upon the volumes subject to risk-sharing supply contracts and changes in sulphur costs for manufactured sulphuric acid. These factors lessen the impact of price changes on earnings relative to revenue.

Below are sensitivities to changes in key raw material and input costs:

Electricity Price

Every four percent change in the price of electricity in North America would have an impact on earnings before income taxes of approximately $4.6 million per annum. This sensitivity to changes in electricity prices is based on North American electricity consumption of approximately 2,386,000 megawatt hours for the year ended December 31, 2021. A four percent change in the price of electricity in North America is considered reasonable given historical price changes and market expectations for future movement.

Salt Costs

Chemtrade uses salt in the manufacturing of its sodium chlorate and chlor-alkali products. At current operating levels, an increase of $2 per tonne of salt prices in North America would have an impact of approximately $1.0 million per annum on earnings before income taxes.

Sulphur Costs

Chemtrade uses sulphur in the manufacturing of several of its products, including sulphuric acid. At current operating levels, an increase of $10 per tonne would have an impact of approximately $1.5 million per annum on cost of sales and services. It is important to note that a change in the cost of sulphur is likely to lead to a change in the price for sulphuric acid as this is a key input cost in the manufacturing of sulphuric acid. Thus, the net impact on earnings of changes in sulphur costs would depend upon changes in sulphuric acid pricing.

Reliance on Key Facilities -

A significant amount (approximately 70%) of Chemtrade's North American sodium chlorate capacity (including the lowest cost source of production) is located at the Brandon, Manitoba production facility. All of Chemtrade's North American chlor-alkali production is produced at its North Vancouver, British Columbia facility. The entire sodium chlorate and chlor-alkali product produced by Chemtrade in South America is produced at two plants located at one site in Brazil. Accordingly, significant unscheduled downtime at any of these facilities could have a material adverse effect on Chemtrade's business, financial condition and/or results of operations. Unanticipated downtime can occur for a variety of reasons, including equipment breakdowns, interruptions in the supply of raw materials or energy, power failures, sabotage, natural forces (including seismic activity) or other normal hazards associated with the production of chemicals. Chemtrade cannot provide any assurances as to whether any significant interruption in the operation of any of its key production facilities would be covered by insurance or would not otherwise have a material adverse effect on Chemtrade's business, financial condition and/or results of operations.

A portion of the land on which the North Vancouver, BC facility is situated is leased from the Vancouver Fraser Port Authority (the "Port") pursuant to a lease which terminates on June 30, 2032. The lease provides that Chemtrade will be restricted from using the leased premises for purposes of receipt, manufacture, storage and distribution of liquid chlorine after June 30, 2030. Chemtrade is currently assessing alternative options to address the liquid chlorine restriction post-June 30, 2030, but Chemtrade's inability to implement a viable alternative solution could have a material adverse effect on Chemtrade's business, financial condition and/or results of operation. In addition, the lease provides the Port with the right to exercise an option to purchase at the end of the term, and the Port has communicated its intention to exercise the option to purchase at that time. Chemtrade has entered into discussions with the Port as to alternative options which are beneficial to both parties. However, the inability of Chemtrade to come to a solution with the Port for the continued use of the North Vancouver, BC site beyond June 30, 2032 could have a material adverse effect on Chemtrade's business, financial condition and/or results of operation.

Cyclicality of the Electrochemicals Segment -

The global market for chlor-alkali products is cyclical in nature and market conditions for chlor-alkali products have fluctuated over the years. Chlor-alkali producers are particularly sensitive to general economic trends and to trends in cyclical industries such as the construction, pulp and paper and oil and gas industries, which are significant markets for chlor-alkali products. A disruption or downturn in the general economy or in any of these particular industries or additions to chlor-alkali production capacity could have a material adverse effect on Chemtrade's business, financial condition and/or results of operations. Historically the price at which Chemtrade's chlor-alkali products are sold has been cyclical, depending on the price for imported caustic soda and the level of activity in the fracking industry. A downturn in chlor-alkali pricing could have a material adverse effect on Chemtrade's business, financial condition and/or results of operations.

Exchange Rates -

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 weakens by one-cent (for example, from $1.26 to $1.27), on an unhedged basis, this would have a positive impact on annual net earnings of approximately $2.0 million, and vice-versa. The impact on annual Adjusted EBITDA and Distributable cash after maintenance capital expenditures would be approximately $3.1 million and $2.2 million, respectively, and vice-versa. If the U.S. dollar strengthens by one-cent, on an unhedged basis, this would also have a negative impact of approximately $2.8 million on Chemtrade's net earnings because of its U.S. dollar-denominated term debt and vice-versa. Chemtrade hedges its investment in foreign operations that use the U.S. dollar as their functional currency with its U.S. dollar-denominated bank debt. See **Liquidity and Capital Resources** - *Financing Activities* - *Financial Instruments* for information concerning hedges.

Uncertainty regarding tax treatment

Chemtrade is subject to tax audits from various tax authorities on an ongoing basis. As a result, from time to time, tax authorities may disagree with the positions and conclusions taken by Chemtrade in its tax filings or legislation could be amended or interpretations of current legislation could change, any of which events could lead to reassessments. This could have a material adverse effect on Chemtrade's business, financial condition and/or results of operations.

Interest Deductibility

On February 5, 2022, the Department of Finance Canada released draft legislation to implement, among other things, some of the tax measures included in the 2021 Federal Budget (the "Proposals"). Included in the Proposals are rules that may limit the amount of interest that certain taxpayers may be able to deduct for tax purposes (the "Interest Rules"). The Department of Finance Canada will accept comments on the Interest Rules until May 5, 2022 and they are expected to be effective for the 2023 fiscal year. Management is reviewing the Interest Rules to assess the impact, if any, on the Fund.

Risk of Pandemic

The COVID-19 pandemic continues to evolve rapidly and, as a result, it is difficult to accurately assess its continued magnitude, outcome and duration. A local, regional, national or international outbreak of a contagious disease, including COVID-19 or any other similar illness, could:

- impact the health and safety of our employees, causing potential shortages of employees to staff our facilities, or the facilities of our customers or suppliers;
- worsen economic conditions, resulting in generally lower levels of industrial activity which could result in reduced demand for some or all of Chemtrade’s products such as sulphuric acid, which is a very widely used chemical;
- lead to prolonged restrictions on non-essential travel and people working from home, which would negatively effect demand for Chemtrade’s Regen services and for sodium chlorate;
- impact Chemtrade’s customers’ production volume levels, including as a result of prolonged unscheduled facility shutdowns;

- impact Chemtrade’s ability to perform maintenance turnarounds at its manufacturing sites resulting in unscheduled downtime;
- impact its production levels, including as a result of full or partial shutdowns of its manufacturing facilities; result in governmental regulation adversely impacting Chemtrade’s business or the businesses of its customers or suppliers;
- impact Chemtrade’s ability to raise capital; or
- impact its ability to deliver its products and receive raw materials as a result of a supply chain disruption or orders restricting movement across borders (between or within countries),

all of which could have a material adverse effect on Chemtrade’s business, financial condition and results of operations, which could be rapid and unexpected. To the extent the COVID-19 pandemic or any similar pandemic or contagious disease adversely affects Chemtrade’s business and financial results, it may also have the effect of heightening many of the other risks described in this MD&A. The extent to which COVID-19 may impact Chemtrade’s business will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the ultimate geographic spread and concentration of the pandemic, the duration of the pandemic, travel restrictions and social or physical distancing requirements in Canada, the United States and other countries, business closures or business disruptions and the effectiveness of actions taken in Canada, the United States and other countries to contain the pandemic and treat the virus.

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 nonperformance continues to be relatively low, notwithstanding the impact of the COVID-19 pandemic. 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, notwithstanding the impact of the COVID-19 pandemic.

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.

Unit price risk

Unit price risk is the risk that changes in Chemtrade's own unit price affect earnings and cash flows. Earnings and cash flows from operating activities are affected when outstanding cash-settled RSUs, issued under Chemtrade's LTIP awards, are revalued each period based on Chemtrade's unit price. Net cash flows from operating activities are affected when these cash-settled RSUs are ultimately settled. Chemtrade enters into cash-settled unit swap arrangements to fix the unit price on a portion of the RSU component of its LTIP awards to mitigate a portion of the unit price risk.

Interest rate risk

Chemtrade has a credit facility with long-term debt which bears variable rates of interest. As at December 31, 2021, on an unhedged basis, a change in interest rates of 1% per annum would have an impact of approximately $3.7 million on Chemtrade's net earnings per annum. As at December 31, 2021, Chemtrade had fixed interest rates on 100% of its senior debt until October 2024 and 0% thereafter until December 2026.

Managing interest rate benchmark reform and associated risks

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some Interest Rate Benchmarks ("IBOR") with alternative nearly risk-free interest rates ("RFR"). Chemtrade has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. There is uncertainty over the timing and the methods of transition in some jurisdictions that Chemtrade operates in.

The IBOR reform impacts Chemtrade's operational and risk management processes and hedge accounting. The main risks to which Chemtrade is exposed as a result of the IBOR reform are operational. This includes renegotiating borrowing contracts through bilateral negotiation with counterparties, implementing new fallback clauses with its derivative counterparties, updating contractual terms and revising operational controls related to the reform. Financial risk is predominantly limited to interest rate risk. Hedging relationships may experience ineffectiveness due to uncertainty about when and how replacement may occur with respect to the relevant hedged item and hedging instrument or the difference in the timing of a replacement.

Chemtrade monitors the progress of transition from IBORs to new benchmark rates by reviewing the total amounts of contracts that have yet to transition to an alternative benchmark rate and the amounts of such contracts that include an appropriate fallback clause. Chemtrade considers that a contract is not yet transitioned to an alternative benchmark rate when interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform, even if it includes a fallback clause that deals with the cessation of the existing IBOR (referred to as an 'unreformed contract'). Chemtrade's Credit Facilities bear variable rates of interest based on the US LIBOR and Canadian Bankers' Acceptance rates. US LIBOR comes under the purview of the IBOR reform. However, the reference rate reform is not expected to have a significant impact (with respect to the Credit Facilities) on the consolidated financial statements of Chemtrade. Chemtrade will continue to monitor developments relating to the reform.

Derivatives

Chemtrade held interest rate swaps for risk management purposes which were de-designated prior to December 31, 2021. The interest rate swaps had floating legs that were indexed to 1-month LIBOR. Chemtrade's derivative instruments are governed by contracts based on the International Swaps and Derivatives Association (ISDA)'s master agreements.

ISDA is currently reviewing its standardized contracts in the IBOR reform and plans to amend certain floating-rate options in the 2006 ISDA definitions to include fallback clauses that would apply on the permanent discontinuation of certain key IBORs. ISDA is expected to publish an IBOR fallback supplement to amend the 2006 ISDA definitions and an IBOR fallback protocol to facilitate multilateral amendments to include the amended floating-rate options in derivative transactions that were entered into before the date of the supplement. Chemtrade will adhere to the protocol if and when it is finalized and monitor whether its counterparties will adhere. If this plan changes or there are counterparties who will not adhere to the protocol, Chemtrade will negotiate with them bilaterally about including new fallback clauses.

Hedge accounting

Chemtrade held hedging instruments that were indexed to 1-month LIBOR, however, these were de-designated prior to December 31, 2021. These benchmark rates were quoted each day and the IBOR cash flows were exchanged with counterparties as usual.

The IBOR reform had no impact on the consolidated financial statements of Chemtrade. Chemtrade intends to use the RFR for its risk management and hedge accounting in future periods if it becomes applicable. Chemtrade will actively monitor the IBOR reform and consider circumstances as it becomes party to new or revised interest rate swaps.

Significant Judgments and Sources of Estimation Uncertainty

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements are:

(i) Intangible assets - Judgment is applied in determining CGUs and the allocation of goodwill to CGUs or CGU groups for the purpose of impairment testing.

(ii) Provisions - Chemtrade recognizes provisions for the present value of anticipated costs. Chemtrade applies judgment in determining whether it has a present obligation (legal or constructive) as a result of a past event, whether it is probable ("more likely than not") that an outflow of economic benefit would be required to settle the obligation and whether the amount can be estimated reliably.

Chemtrade is subject to litigation in the normal course of business. Chemtrade has made judgments as to the likelihood of any claim succeeding in recording provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depends on the due process in respective legal jurisdictions. Provisions recognized by Chemtrade are periodically reviewed based on facts and circumstances available at the time.

(iii) Income taxes - In the normal course of operations, judgment is required in assessing tax interpretations, regulations and legislation and in determining the provision for income taxes, deferred tax assets and liabilities, and the timing of reversals. Chemtrade makes judgments to evaluate whether it can recover a deferred tax asset based on its assessment of many factors, including interpretations of tax laws, expectation about the future taxable profit level, and the timing and reversal of temporary differences. To the extent that a recognition or de-recognition of a deferred tax asset is required, current period earnings or other comprehensive income will be affected.

Key sources of estimation uncertainty

Information about assumptions and estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year are:

(i) Property, plant and equipment - Parts of an item of PPE may have different useful lives. Chemtrade makes significant estimates when determining depreciation rates and asset useful lives, which require taking into account company-specific factors, such as its past experience and expected use, and industry trends, such as technological advancements. Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(ii) Leases - Right-of-use ("ROU") assets are measured at the initial amount of the lease liabilities plus any initial direct costs, lease payments made at or before the commencement date net of lease incentives received, and decommissioning costs. Chemtrade estimates the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Chemtrade's incremental borrowing rate, to measure the lease liability. Chemtrade estimates the lease term by considering the facts and circumstances that can create an economic incentive to exercise an extension option, or not exercise a termination option. Chemtrade makes certain qualitative and quantitative assumptions when deriving the value of the economic incentive.

(iii) Intangible assets - When determining the value in use of goodwill and intangible assets during impairment testing, Chemtrade uses the following significant estimates: forecast operating margins, maintenance and other capital expenditures, terminal growth rates and discount rates. If actual results differ or a change in expectation arises, an impairment charge may be required.

Chemtrade makes significant estimates when determining the estimated useful lives of intangible assets, which require taking into account company-specific factors, such as its past experience and expected use, and industry trends, such as technological advancements. Amortization methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(iv) Provisions - Provisions have been recorded based on the present value of anticipated costs for future decommissioning and environmental liabilities. Decommissioning liabilities include future cost estimates of statutory, contractual, constructive or legal obligations associated with the decommissioning of Chemtrade's plants.

Environmental liabilities are recorded based on the current interpretation of environmental laws and regulations when it is probable that a liability has been incurred and the amount of such a liability can be reliably estimated.

Cash outflows associated with these provisions are generally expected to occur at future dates and are long-term in nature. The calculation of these provisions require assumptions such as the discount rate and cost estimates. The provisions recognized are periodically reviewed and updated based on the facts and circumstances available at the time.

Provisions for legal claims are recognized when a past event creates a legal or constructive obligation that can be reasonably estimated and is likely to result in an outflow of economic resources. Significant estimates are involved in estimating the present value of the expenditure expected to settle obligations.

(v) Employee Benefits - Significant estimates are involved in determining defined benefit obligations. The calculation of the liabilities related to pension plans is based upon statistical and actuarial assumptions. Certain pension plans are frozen for future benefit accruals and the pension benefits are not indexed to inflation. These pension plans are comprised primarily of inactive and retired participants and the actuarial estimates of pension benefits are affected by the amount of time retirees are expected to receive their pensions (mortality assumptions) and the interest rate used to discount the expected future benefit payments (discount rate assumption). The actuarial estimates of other pension plans are also based on projections of employees' compensation levels at their expected time of retirement. These retirement benefits are primarily based on final average earnings, subject to certain adjustments.

The actuarial assumptions used might differ materially from actual results due to changes in market and economic conditions, higher or lower employee turnover, longer or shorter life spans of participants, and other changes in the factors being assessed. These differences could impact the assets or liabilities recognized in the consolidated statements of financial position in future periods.

Chemtrade obtains actuarial valuations for its post employment benefits.

(vi) Share-based payments - Chemtrade makes significant estimates to determine the fair value of cash settled share-based payments, LTIP and deferred unit plan. Determining the fair value of the cash settled share-based payments, including performance based options, requires significant estimates related to the estimation of unit price, volatility, and the expected market conditions and future financial performance of the Fund.

(vii) Financial instruments - Fair value estimates related to Chemtrade's derivatives and convertible unsecured subordinated debentures are made at each reporting period based on relevant market information and information about the underlying financial instruments. These estimates require assessment of the credit risk of the parties to the instruments and the instruments' discount rates. These fair values and underlying estimates are also used in the tests of effectiveness of the Fund's hedging relationships.

Standards and interpretations adopted during the period

IBOR reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

Chemtrade adopted IBOR reform - Phase 2 - Amendments to IFRS 9, *Financial Instruments* ("IFRS 9"), IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"), IFRS 7, *Financial Instruments: Disclosures* ("IFRS 7"), IFRS 4, *Insurance Contracts* ("IFRS 4") and IFRS 16, *Leases* ("IFRS 16") (collectively the "Phase 2 amendments") from January 1, 2021.

Chemtrade applied the Phase 2 amendments retrospectively. However, in accordance with the exceptions permitted in the Phase 2 amendments, Chemtrade has elected not to restate the prior period to reflect the application of these amendments, including not providing additional disclosures for 2020. There is no impact on opening unitholders' equity balances as a result of retrospective application.

The amendments provide temporary reliefs which address the financial reporting effects when an IBOR is replaced with an alternative nearly RFR. The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest

- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued

- Provide temporary relief to entities from having to meet the separately identifiable requirement when certain criteria are met when an RFR instrument is designated as a hedge of a risk component

While uncertainty persists in the timing or amount of the IBOR-based cash flows of the hedged item or hedging instrument, Chemtrade continues to apply the existing accounting policies.

These amendments had no impact on the consolidated financial statements of Chemtrade. Chemtrade intends to use the practical expedients in future periods if they become applicable. Chemtrade will actively monitor the IBOR reform and consider circumstances as it becomes party to new or revised financial instruments.

Standards and interpretations not yet adopted:

The International Accounting Standards Board ("IASB") has issued the following new standards and amendments to existing standards that will become effective in future years.

- Amendments to IAS 16, *Property, Plant and Equipment: Proceeds before intended use*, prohibiting reducing the cost of property, plant, and equipment by proceeds while bringing an asset to capable operations (effective for annual periods beginning on or after January 1, 2022).

- Amendments to IFRS 3, *Business Combinations - Reference to the Conceptual Framework* (effective for annual periods beginning on or after January 1, 2022).

- IAS 37, *Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts*, specifying costs an entity should include in determining the "cost of fulfilling" a potential onerous contract (effective for annual periods beginning on or after January 1, 2022).

- Amendments to IAS 1, *Presentation of Financial Statements* and IFRS Practice Statement 2, *Making Materiality Judgements - Disclosure of Accounting Policies*, requiring entities to disclose material, instead of significant, accounting policy information (effective for annual periods beginning on or after January 1, 2023).

- Amendments to IAS 1, *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current*, clarifying requirements for the classification of liabilities as non-current (effective for annual periods beginning on or after January 1, 2023).

- Amendments to IAS 8, *Accounting Policies - Changes in Accounting Estimates and Errors - Definition of Accounting Estimates*, introducing a new definition for accounting estimates (effective for annual periods beginning on or after January 1, 2023).

- Amendments to IAS 12, *Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction,* narrowing the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal taxable and deductible temporary differences (effective for annual periods beginning on or after January 1, 2023).

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

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 CEO and Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding disclosure. The CEO and the CFO have evaluated Chemtrade's disclosure controls procedures as of December 31, 2021 through inquiry and review. The CEO and the CFO have concluded that, as at December 31, 2021, 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 CEO and CFO to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Chemtrade's Management, including the CEO and the CFO, 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 December 31, 2021. Based on this evaluation, Management has concluded that as at December 31, 2021, Chemtrade's internal controls over financial reporting were effective. There have been no changes to the design of internal controls over financial reporting that occurred during the year ended December 31, 2021 that have materially affected or are reasonably likely to materially affect the internal controls over financial reporting.

Financial Outlook

Chemtrade expects its 2022 Adjusted EBITDA guidance to range between $265.0 million and $295.0 million compared to 2021 Adjusted EBITDA of $280.4 million. When comparing 2022’s Adjusted EBITDA guidance range with the actual Adjusted EBITDA for 2021, it should be noted that 2021 included approximately $14.2 million of EBITDA relating to the KCl and vaccine adjuvants businesses prior to their sale in November 2021 and a net recovery of $17.7 million relating to the NATO Lawsuit settled during the fourth quarter of 2021.

Chemtrade’s guidance is based on numerous assumptions. Certain key assumptions that underpin the guidance are as follows:

- There will be no North American lockdowns or stay-at-home orders issued due to a resurgence of COVID-19 pandemic during 2022.

- None of the principal manufacturing facilities (as set out in Chemtrade's Annual Information Form) incurs significant unplanned downtime.

- Key assumptions in the EC segment are as follows:
  - North American Metric Electrochemical unit ("MECU") sales volumes of approximately 175,000;
  - Biennial maintenance turnaround at the North Vancouver chlor-alkali facility, which is scheduled for the second quarter of 2022, will last for approximately three weeks and is expected to have a negative impact of approximately $11.0 million on Adjusted EBITDA;
  - The average NE Asia Caustic spot price Index for the year ended September 30, 2022, which is a key determinant for prices realized during 2022 will be US$440 per tonne which is US$150 per tonne higher than the prior year; and
  - North American production volumes of sodium chlorate of approximately 365,000 tonnes.

- A foreign exchange rate of US$1.00 = $1.234.

- LTIP accruals of between $10.0 million and $15.0 million.

- Chemtrade also expects:
  - Maintenance capital expenditures to range between $72.0 million and $77.0 million compared with $75.3 million for 2021.
  - Cash interest to range between $55.0 million and $60.0 million compared with $65.9 million for 2021.
  - Cash taxes to range between $6.0 million and $10.0 million compared with $3.5 million for 2021.
  - Lease payments to range between $50.0 million and $55.0 million compared with $51.6 million for 2021.

Other

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

February 22, 2022

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Chemtrade Logistics Income Fund (the "Fund") and all the information in this annual report are the responsibility of the management of the Fund. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and where appropriate include management's best estimates and judgements. Management has reviewed the financial information presented throughout this report and has ensured it is consistent with the consolidated financial statements.

Management has developed and maintains a system of internal control over financial reporting. These controls are designed to provide reasonable assurance that assets are safeguarded, transactions are accurately recorded and financial information is timely and reliable.

The Trustees of the Fund are responsible for ensuring that management fulfills its financial reporting responsibilities and are ultimately responsible for reviewing and approving the consolidated financial statements. The Trustees carry out this responsibility principally through the Audit Committee. The Audit Committee is comprised entirely of independent Trustees.

The Audit Committee meets periodically with management and the external auditors to discuss internal controls over financial reporting, policies and procedures, and financial reporting issues. Acting on the recommendation of the Audit Committee, the Trustees approve the consolidated financial statements. KPMG LLP, an independent firm of Chartered Professional Accountants, has been appointed by the Unitholders to express an independent professional opinion on the fairness of the consolidated financial statements. KPMG LLP has full and free access to the Audit Committee.

Scott Rook
President & Chief Executive Officer

Rohit Bhardwaj
Chief Financial Officer

Toronto, Canada
March 14, 2022

KPMG

INDEPENDENT AUDITORS' REPORT

To the Unitholders' of Chemtrade Logistics Income Fund

Opinion

We have audited the consolidated financial statements of Chemtrade Logistics Income Fund (the "Entity"), which comprise:

- the consolidated statements of financial position as at December 31, 2021 and December 31, 2020;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of changes in unitholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- and notes to the consolidated financial statements, including a summary of significant accounting policies.

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2021 and December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditors' report.

Evaluation of impairment of goodwill

Description of the matter

We draw attention to Notes 2(d)(i), 3(h)(ii) and 10 to the financial statements. The Entity has recorded a goodwill balance of $455,905 thousand. The Entity performs a goodwill impairment test on an annual basis or more frequently when events or changes in circumstances indicate that the carrying amount of a cash generating unit (CGU) or CGU group likely exceeds its recoverable amount. The recoverable amount of each CGU or CGU group is based on the higher of its value in use and its fair value less costs to sell. The Entity has recorded an impairment loss of $130,000 thousand during the year based on value in use with respect to one CGU. The Entity's significant estimates in determining its value in use include forecast operating margins, maintenance and other capital expenditures, terminal growth rates and discount rates.

Why the matter is a key audit matter

We identified the evaluation of impairment of goodwill as a key audit matter. This matter represented an area of significant risk of material misstatement due to the magnitude of the balance and the high degree of estimation uncertainty in determining the value in use. Significant auditor judgment and the involvement of those with specialized skills and knowledge were required in performing and evaluating the results of our procedures due to the sensitivity of the value in use to minor changes in certain significant estimates.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following on each CGU or CGU group with goodwill:

- We assessed the Entity's ability to accurately forecast by comparing the Entity's forecast operating margins and maintenance and other capital expenditures used in the prior year impairment test to actual results

- We compared the Entity's forecast operating margins and maintenance and other capital expenditures to the actual operating margins and maintenance and other capital expenditures. We took into account changes in conditions and events affecting each cash generating unit group with goodwill to assess the adjustments, or lack of adjustments, made in arriving at those forecast operating margins and maintenance and other capital expenditures.

We involved valuation professionals with specialized skills and knowledge, who assisted in:

- Comparing the Entity's terminal growth rates against long-term estimates of inflation in North America

- Comparing the Entity's discount rates against a discount rate that was independently developed using publicly available market data for comparable entities.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "2021 Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "2021 Annual Report" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors’ Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditor's report is Laura Price.

Vaughan, Canada

February 22, 2022

(In thousands of Canadian dollars)

	Notes	December 31, 2021	December 31, 2020
ASSETS			
Current assets			
Cash and cash equivalents		**$ 13,908**	$ 12,511
Trade and other receivables	**4**	**96,371**	86,259
Inventories	**5**	**111,742**	111,536
Income taxes receivable		**1,433**	5,372
Prepaid expenses and other assets		**7,520**	7,605
Assets held for sale	**6**	**—**	199,739
Total current assets		**230,974**	423,022
Non-current assets			
Property, plant and equipment	**7**	**940,574**	1,050,307
Right-of-use assets	**8**	**140,435**	151,923
Other assets	**9**	**7,316**	7,022
Intangible assets	**10**	**604,573**	748,070
Deferred tax assets	**24**	**125,098**	119,982
Total non-current assets		**1,817,996**	2,077,304
Total assets		**$ 2,048,970**	$ 2,500,326
LIABILITIES AND UNITHOLDERS' EQUITY			
Current liabilities			
Trade and other payables	**11**	**$ 229,985**	$ 207,948
Distributions payable	**17**	**5,232**	4,677
Provisions	**12**	**11,535**	17,880
Lease liabilities	**8**	**47,211**	47,501
Convertible unsecured subordinated debentures	**14**	**143,894**	—
Liabilities directly associated with assets held for sale	**6**	**—**	17,049
Total current liabilities		**437,857**	295,055
Non-current liabilities			
Long-term debt	**13**	**373,531**	776,914
Convertible unsecured subordinated debentures	**14**	**526,279**	445,895
Other long-term liabilities	**15**	**40,527**	40,915
Long-term lease liabilities	**8**	**100,863**	113,982
Employee benefits	**16**	**25,260**	51,363
Provisions	**12**	**146,048**	156,958
Deferred tax liabilities	**24**	**18,757**	13,429
Total non-current liabilities		**1,231,265**	1,599,456
Total liabilities		**1,669,122**	1,894,511
Unitholders' equity			
Units	**17**	**1,541,583**	1,465,029
Contributed surplus	**17**	**9,720**	9,720
Deficit		**(1,379,076)**	(1,101,455)
Accumulated other comprehensive income		**207,621**	232,521
Total unitholders' equity		**379,848**	605,815
Total liabilities and unitholders' equity		**$ 2,048,970**	$ 2,500,326

For commitment and contingencies, see *Note 19*.
For subsequent events, see *Note 30*.

Consolidated Statements of Comprehensive Income
(In thousands of Canadian dollars, except per unit amounts)

	Notes		Year ended December 31, 2021		2020
Revenue	**20**		**$1,368,479**	$	1,379,639
Cost of sales and services	**5,6,10,22**		**(1,372,326)**		(1,345,909)
Gross (loss) profit			**(3,847)**		33,730
Selling and administrative expenses	**21**		**(100,211)**		(108,376)
Operating loss			**(104,058)**		(74,646)
Net finance costs	**23**		**(116,182)**		(140,296)
Loss before income tax			**(220,240)**		(214,942)
Income tax (expense) recovery	**24**				
Current			**(8,637)**		(7,313)
Deferred			**(6,332)**		54,777
			(14,969)		47,464
Net loss		**$**	**(235,209)**	$	(167,478)
Other comprehensive income (loss)					
Items that may subsequently be reclassified to earnings:					
Gain on net investment hedge of foreign operations, net of tax recovery of $2,746 (2020 - expense of $2,347)	**13,25**		**9,349**		15,828
Foreign currency translation differences for foreign operations, net of tax expense of nil (2020 - nil)			**(3,560)**		(10,940)
Effective portion of change in the fair value of cash flow hedges, net of tax expense of $2,389 (2020 - recovery of $3,875)			**6,840**		(11,147)
Cash flow hedges reclassified to earnings, net of tax expense of $3,386 (2020 - nil)			**9,840**		—
Items that will not be reclassified to earnings:					
Defined benefit plan adjustments, net of tax expense of $6,223 (2020 - $630)	**16**		**19,055**		1,895
Change in fair value of convertible debentures due to own credit risk, net of tax recovery of $26,965 (2020 - expense of $23,824)	**14**		**(47,369)**		80,166
Other comprehensive (loss) income			**(5,845)**		75,802
Total comprehensive loss		**$**	**(241,054)**	$	(91,676)
Net loss per unit	**17**				
Basic net loss per unit		**$**	**(2.31)**	$	(1.81)
Diluted net loss per unit		**$**	**(2.31)**	$	(1.81)

Consolidated Statements of Changes in Unitholders' Equity
(In thousands of Canadian dollars, except per unit amounts)

	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, 2020		**$ 1,462,116**	**$ 9,720**	**$ (870,874)**	**$ 171,893**	**$ (17,381)**	**$ 4,102**	**$ 759,576**
Issuance of units upon conversion of unsecured subordinated convertible debentures	**14,17**	1	—	—	—	—	—	1
Issuance of units under the Distribution Reinvestment Plan ("DRIP")	**17**	2,912	—	—	—	—	—	2,912
Net loss			—	(167,478)	—	—	—	(167,478)
Other comprehensive income (loss)			—	1,895	(10,940)	4,681	80,166	75,802
Distributions	**17**		—	(64,998)	—	—	—	(64,998)
Balance at December 31, 2020		**$ 1,465,029**	**$ 9,720**	**$ (1,101,455)**	**$ 160,953**	**$ (12,700)**	**$ 84,268**	**$ 605,815**
Issuance of units for cash, net of transaction costs	**17**	67,586	—	—	—	—	—	67,586
Issuance of units under the DRIP	**17**	8,968	—	—	—	—	—	8,968
Net loss		—	—	(235,209)	—	—	—	(235,209)
Other comprehensive income (loss)		—	—	19,055	(3,560)	26,029	(47,369)	(5,845)
Distributions	**17**	—	—	(61,467)	—	—	—	(61,467)
Balance at December 31, 2021		**$ 1,541,583**	**$ 9,720**	**$ (1,379,076)**	**$ 157,393**	**$ 13,329**	**$ 36,899**	**$ 379,848**

* Accumulated other comprehensive income.

Consolidated Statements of Cash Flows
(In thousands of Canadian dollars)

	Notes		Year ended December 31, 2021		2020
Cash flows from operating activities:					
Net loss		**$**	**(235,209)**	$	(167,478)
Adjustments for:					
Depreciation and amortization	**22**		**239,622**		253,912
Net (gain) loss on disposal and write-down of property, plant and equipment ("PPE")	**7**		**(373)**		20,999
Loss on disposal of assets held for sale	**6**		**7,135**		—
Impairment of PPE	**7,10**		**48,343**		—
Impairment of intangible assets	**10**		**81,657**		56,000
Change in environmental liability	**12**		**561**		8,170
Income tax expense (recovery)	**24**		**14,969**		(47,464)
Net finance costs	**23**		**116,182**		140,296
Unrealized foreign exchange loss	**21**		**7,493**		833
			280,380		265,268
Decrease in working capital	**29**		**10,078**		80,041
Interest paid			**(66,312)**		(65,472)
Interest received			**716**		322
Net income tax paid			**(5,823)**		(9,976)
Net cash flows from operating activities			**219,039**		270,183
Cash flows from investing activities:					
Additions to PPE	**7**		**(86,141)**		(77,088)
Net proceeds from disposal of assets	**6**		**182,674**		—
Net cash flows from (used in) investing activities			**96,533**		(77,088)
Cash flows from financing activities:					
Distributions to unitholders, net of distributions reinvested	**17**		**(51,944)**		(66,670)
Issuance of convertible debentures	**14**		**130,000**		86,250
Transaction costs related to the issuance of convertible debentures	**14,23**		**(5,927)**		(4,013)
Issuance of units	**17**		**70,070**		—
Transaction costs related to the issuance of units	**17**		**(3,672)**		—
Repayment of term bank debt	**13**		**(417,495)**		—
Repayment of lease liability net of sub-lease receipts	**8**		**(51,563)**		(56,010)
Repayment of convertible debentures	**14**		**—**		(201,083)
Net change in revolving credit facility	**13**		**18,291**		49,057
Financing transaction costs	**13**		**(1,884)**		(1,324)
Net cash flows used in financing activities			**(314,124)**		(193,793)
Increase (decrease) in cash and cash equivalents			**1,448**		(698)
Cash and cash equivalents, beginning of the period			**12,511**		13,466
Effect of exchange rates on cash held in foreign currencies			**(51)**		(257)
Cash and cash equivalents, end of the period		**$**	**13,908**	$	12,511

1. CORPORATE INFORMATION:

Chemtrade Logistics Income Fund (the "Fund") is a publicly listed Income Trust formed in Ontario, Canada and its units are listed on the Toronto Stock Exchange ("TSX"). The term "Chemtrade" refers to the Fund and its consolidated subsidiaries. Chemtrade commenced operations on July 18, 2001 when it completed an initial public offering. Chemtrade operates a diversified business providing industrial chemicals and services to customers in North America and around the world. Chemtrade is one of North America's largest suppliers of sulphuric acid, spent acid processing services, inorganic coagulants for water treatment, sodium chlorate, sodium nitrite, sodium hydrosulphite, and phosphorus pentasulphide. Chemtrade is a leading regional supplier of sulphur, chlor-alkali products, liquid sulphur dioxide and zinc oxide. Additionally, Chemtrade provides industrial services such as processing by-products and waste streams. Chemtrade operated during 2021 in four reportable segments: Sulphur Products & Performance Chemicals ("SPPC"), Water Solutions & Specialty Chemicals ("WSSC"), Electrochemicals ("EC") and Corporate ("Corp"). For additional information regarding Chemtrade's reportable segments, see note 27 and note 30.

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 consolidated 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements were authorized for issue by the Board of Trustees ("Board") on February 22, 2022.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following material items in the consolidated statements of financial position:

- Derivative financial instruments are measured at fair value;

- Convertible unsecured subordinated debentures are measured at fair value;

2. BASIS OF PREPARATION (continued):

- 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 consolidated financial statements are presented in thousands of Canadian dollars, except for net loss per unit information, per metric electrochemical unit ("MECU") information and per tonne information which is presented in Canadian dollars.

(d) Significant judgments and sources of estimation uncertainty

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(i) Significant judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is included in the following notes:

Intangible assets (note 10):

Judgment is applied in determining cash-generating units (“CGUs”) and the allocation of goodwill to CGUs or groups of CGUs ("CGU group") for the purpose of impairment testing.

2. BASIS OF PREPARATION (continued):

Provisions (note 12):

Chemtrade recognizes provisions for the present value of anticipated costs. Chemtrade applies judgment in determining whether it has a present obligation (legal or constructive) as a result of a past event, whether it is probable ("more likely than not") that an outflow of economic benefit would be required to settle the obligation and whether the amount can be estimated reliably.

Chemtrade is subject to litigation in the normal course of business. Chemtrade has made judgments as to the likelihood of any claim succeeding in recording provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depends on the due process in respective legal jurisdictions. Provisions recognized by Chemtrade are periodically reviewed based on facts and circumstances available at the time.

Income taxes (note 24):

In the normal course of operations, judgment is required in assessing tax interpretations, regulations and legislation and in determining the provision for income taxes, deferred tax assets and liabilities, and the timing of reversals. Chemtrade makes judgments to evaluate whether it can recover a deferred tax asset based on its assessment of many factors, including interpretations of tax laws, expectation about the future taxable profit level, and the timing and reversal of temporary differences. To the extent that a recognition or de-recognition of a deferred tax asset is required, current period earnings or other comprehensive income will be affected.

(ii) Key sources of estimation uncertainty

Information about assumptions and estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

Property, plant and equipment (note 7):

Parts of an item of PPE may have different useful lives. Chemtrade makes significant estimates when determining depreciation rates and asset useful lives, which require taking into account company-specific factors, such as its past experience and expected use, and industry trends, such as technological advancements. Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

2. BASIS OF PREPARATION (continued):

Leases (note 8):

Right-of-use ("ROU") assets are measured at the initial amount of the lease liabilities plus any initial direct costs, lease payments made at or before the commencement date net of lease incentives received, and decommissioning costs. Chemtrade estimates the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Chemtrade's incremental borrowing rate, to measure the lease liability. Chemtrade estimates the lease term by considering the facts and circumstances that can create an economic incentive to exercise an extension option, or not exercise a termination option. Chemtrade makes certain qualitative and quantitative assumptions when deriving the value of the economic incentive.

Intangible assets (note 10):

When determining the value in use of goodwill and intangible assets during impairment testing, Chemtrade uses the following significant estimates: forecast operating margins, maintenance and other capital expenditures, terminal growth rates and discount rates. If actual results differ or a change in expectation arises, an impairment charge may be required.

Chemtrade makes significant estimates when determining the estimated useful lives of intangible assets, which require taking into account company-specific factors, such as its past experience and expected use, and industry trends, such as technological advancements. Amortization methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

Provisions (note 12):

Provisions have been recorded based on the present value of anticipated costs for future decommissioning and environmental liabilities. Decommissioning liabilities include future cost estimates of statutory, contractual, constructive or legal obligations associated with the decommissioning of Chemtrade's plants.

Environmental liabilities are recorded based on the current interpretation of environmental laws and regulations when it is probable that a liability has been incurred and the amount of such a liability can be reliably estimated.

Cash outflows associated with these provisions are generally expected to occur at future dates and are long-term in nature. The calculation of these provisions require assumptions such as the discount rate and cost estimates. The provisions

2. BASIS OF PREPARATION (continued):

recognized are periodically reviewed and updated based on the facts and circumstances available at the time.

Provisions for legal claims are recognized when a past event creates a legal or constructive obligation that can be reasonably estimated and is likely to result in an outflow of economic resources. Significant estimates are involved in estimating the present value of the expenditure expected to settle obligations.

Employee Benefits (note 16):

Significant estimates are involved in determining defined benefit obligations. The calculation of the liabilities related to pension plans is based upon statistical and actuarial assumptions. Certain pension plans are frozen for future benefit accruals and the pension benefits are not indexed to inflation. These pension plans are comprised primarily of inactive and retired participants and the actuarial estimates of pension benefits are affected by the amount of time retirees are expected to receive their pensions (mortality assumptions) and the interest rate used to discount the expected future benefit payments (discount rate assumption). The actuarial estimates of other pension plans are also based on projections of employees' compensation levels at their expected time of retirement. These retirement benefits are primarily based on final average earnings, subject to certain adjustments.

The actuarial assumptions used might differ materially from actual results due to changes in market and economic conditions, higher or lower employee turnover, longer or shorter life spans of participants, and other changes in the factors being assessed. These differences could impact the assets or liabilities recognized in the consolidated statements of financial position in future periods.

Chemtrade obtains actuarial valuations for its post employment benefits.

Share-based payments (note 18):

Chemtrade makes significant estimates to determine the fair value of cash settled share-based payments, Long-Term Incentive Plan ("LTIP") and deferred unit plan (“DUP”). Determining the fair value of the cash settled share-based payments, including performance based options, requires significant estimates related to the estimation of unit price, volatility, expected market conditions and future financial performance of the Fund.

2. BASIS OF PREPARATION (continued):

Financial instruments (note 25):

Fair value estimates related to Chemtrade's derivatives and convertible unsecured subordinated debentures are made at each reporting period based on relevant market information and information about the underlying financial instruments. These estimates require assessment of the credit risk of the parties to the instruments and the instruments' discount rates. These fair values and underlying estimates are also used in the tests of effectiveness of the Fund's hedging relationships.

3. SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies set out below have been applied consistently by Chemtrade's entities to all periods presented in these consolidated financial statements.

(a) Basis of consolidation

The consolidated financial statements include the financial statements of Chemtrade and its controlled subsidiaries. Control is achieved when Chemtrade has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

(i) Business combinations:

Chemtrade measures goodwill as the fair value of the consideration transferred less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the difference is negative, a bargain purchase gain is recognized immediately in comprehensive income.

Transaction costs, other than those associated with the issuance of debt or equity securities, that Chemtrade incurs in connection with a business combination are expensed as incurred.

(ii) Transactions eliminated on consolidation:

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

(b) Foreign currency

(i) Foreign currency transactions:

Transactions in foreign currencies are translated to the respective functional currencies of Chemtrade and its subsidiaries at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising on re-translation are recognized in earnings, except for differences arising on the re-translation of qualifying cash flow hedges and net investment hedges, which are recognized in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency gains and losses are reported on a net basis within selling and administrative expenses.

(ii) Foreign operations:

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Canadian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Canadian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognized in other comprehensive income and in accumulated other comprehensive income in unitholders' equity. When a foreign operation is sold, the cumulative amount of such exchange difference is recognized in the income statement as part of the gain or loss on sale.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income and in the cumulative translation account in unitholders' equity.

(iii) Hedge of a net investment in foreign operations:

Chemtrade applies hedge accounting to foreign currency differences arising between the functional currency of its foreign operations that use the U.S. dollar and Chemtrade's functional currency, Canadian dollars. To the extent that the hedge is effective, foreign

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

currency differences arising on the translation of Chemtrade's U.S. dollar-denominated long-term debt, which is designated as the hedge of the net investment in foreign operations that use the U.S. dollar, are recognized in other comprehensive income and in accumulated other comprehensive income in unitholders' equity.

(c) Inventories

Finished goods inventory is valued at the lower of average cost and net realizable value. Average cost includes all costs of purchase, costs of conversion and other costs incurred to bring inventories to their present location and condition. Costs of conversion include a systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods. The allocation of fixed production overheads is based on normal production capacity. Raw material inventory and operating supplies are recorded at the lower of cost determined on a first-in, first-out basis, and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(d) Assets held for sale:

A disposal group comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

To assess whether the disposal group meets the definition of an asset held for sale, Chemtrade assesses whether the following conditions have been met:

- management is committed to a plan to sell;
- the asset is available for immediate sale;
- an active program to locate a buyer is initiated;
- the sale is highly probable, within 12 months of classification as held for sale (subject to limited exceptions);
- the asset is being actively marketed for sale at a sales price reasonable in relation to its fair value; and
- actions required to complete the plan indicate that it is unlikely that the plan will be significantly changed or withdrawn.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

Such a disposal group is generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on the asset held for sale group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, or employee benefit assets which continue to be measured in accordance with Chemtrade's accounting policies. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognized in profit or loss. Once classified as held-for-sale, intangible assets, property plant and equipment and ROU assets are no longer amortized or depreciated.

(e) Property, plant and equipment

(i) Recognition and measurement:

Items of PPE are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

When parts of an item of PPE have different useful lives, they are accounted for as separate items (major components) of PPE.

Gains and losses on disposal of an item of PPE are determined by comparing the proceeds from disposal with the carrying amount of PPE, and are recognized within cost of sales and services or selling and administrative expenses in comprehensive income, depending on the asset.

(ii) Subsequent costs:

The cost of replacing a part of an item of PPE is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to Chemtrade, and its cost can be measured reliably. The carrying amount of the replaced part is de-recognized. The costs of the day-to-day servicing of PPE are recognized in comprehensive income as incurred.

(iii) Depreciation:

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its expected residual value.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

Depreciation is recognized in comprehensive income on a straight-line basis over the estimated useful life of each part of an item of PPE, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated.

The estimated useful lives for the current and comparative periods of plant and equipment are as follows:

- Building 5 - 40 years
- Equipment 5 - 40 years
- Furniture and other 3 - 10 years

Facilities and equipment under construction do not begin to be depreciated until substantially complete and ready for productive use.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(f) Leases

Chemtrade leases various assets that include rail cars, private fleet, real estate, vehicles and other heavy-duty machinery and equipment to conduct its daily operations.

(i) Definition of a lease

Chemtrade assesses whether a contract is or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, Chemtrade assesses whether:

- the contract involves the use of an identified asset. This may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- it has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

- it has the right to direct the use of the asset. Chemtrade has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, Chemtrade has the right to direct the use of the asset if either:

  - it has the right to operate the asset; or

  - it designed the asset in a way that predetermines how and for what purpose it will be used.

(ii) As a lessee

At inception or on reassessment of a contract that contains a lease component in which Chemtrade is a lessee, Chemtrade allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for certain leases where it is a lessee, in accordance with IFRS 16, Chemtrade has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

Chemtrade recognizes ROU assets and lease liabilities for most leases. Chemtrade applies recognition exemptions for short-term leases (i.e. leases with terms less than 12 months or entered into on a month-to-month basis) and leases that are considered to be low-dollar value leases. Short-term and low-dollar value leases are directly recorded in profit or loss.

Chemtrade recognizes an ROU asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost. Subsequent to initial recognition, the ROU asset is measured at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. In comparison, the lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Chemtrade's incremental borrowing rate is used. Generally, Chemtrade uses its incremental borrowing rate as the discount rate. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

Chemtrade depreciates the ROU asset on a straight-line basis over the lease term, unless Chemtrade expects to obtain ownership of the leased asset at the end of the lease. The lease term consists of:

- the non-cancellable period of the lease;
- periods covered by options to extend the lease, where Chemtrade is reasonably certain to exercise the option; and
- periods covered by options to terminate the lease, where Chemtrade is reasonably certain not to exercise the option.

If Chemtrade expects to obtain ownership of the leased asset at the end of the lease, Chemtrade depreciates the ROU asset over the underlying asset's estimated useful life.

(iii) As a lessor

Chemtrade assesses the classification of a sub-lease with reference to the ROU asset, not the underlying asset.

(g) Intangible assets

(i) Goodwill:

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the identifiable assets acquired, less liabilities assumed, based on their fair values. Goodwill is allocated as of the date of the business combination to Chemtrade's CGUs and CGU groups that are expected to benefit from the synergies of the business combination.

(ii) Other intangible assets:

Other intangible assets include the estimated fair value, based on discounted cash flows, at the date of acquisition of long-term customer relationships.

(iii) Amortization of intangibles:

Amortization of intangible assets, excluding goodwill, is calculated over the estimated useful life upon recognition of the asset. Amortization is recognized in comprehensive income on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use, since this most closely reflects the expected

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

pattern of consumption of the future economic benefits embodied in the assets. The estimated useful lives for the current and comparative period are as follows:

- Customer relationships 10 - 16 years
- Other 5 - 10 years

(h) Impairment

(i) Trade and other receivables:

In relation to trade and other receivables, a provision for impairment is made and an impairment loss is recognized in comprehensive income when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that Chemtrade will not be able to collect all of the amounts due under the original payment terms of the invoice. This analysis is performed using a forward-looking “expected credit loss” model under IFRS 9. The carrying amount of the receivable is reduced through use of an allowance account for expected credit losses. Impaired debts are written off against the allowance account when they are assessed as uncollectible. Any subsequent reversal of an impairment loss is recognized in comprehensive income.

(ii) Goodwill:

Chemtrade performs a goodwill impairment test on an annual basis or more frequently when events or changes in circumstances indicate that the carrying amount of a CGU or CGU group likely exceeds its recoverable amount.

Goodwill is not amortized, however Chemtrade performs its annual test for goodwill impairment in the fourth quarter of each fiscal year.

Valuation techniques

The recoverable amount of each CGU or CGU group is based on the higher of its value in use and its fair value less costs to sell. The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external sources and internal sources. If the recoverable amount of the CGU or CGU group is estimated to be less than its carrying amount, the carrying amount of the CGU or CGU group is reduced to its recoverable amount. An impairment loss is recognized immediately in comprehensive income. Any impairment loss on goodwill that is recognized cannot be reversed.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

Value in use approach

The value in use approach is predicated upon the value of the future cash flows that a business will generate in future periods. The discounted cash flow method is used which involves projecting cash flows and converting them into a present value equivalent through discounting. The discounting process uses a rate of return that is commensurate with the risks associated with the business or asset and the time value of money. This approach requires assumptions about forecast operating margins, maintenance and other capital expenditures, terminal growth rates and discount rates.

The following is a description of significant assumptions in obtaining the value in use:

Forecast Operating Margins and Maintenance and Other Capital Expenditures

Chemtrade forecasts operating margins and maintenance and other capital expenditures based on financial budgets, past experience, future growth trends such as gross domestic product ("GDP") growth and inflation, associated economic risk assumptions, assumptions regarding the speed of COVID-19 economic recovery and estimates of achieving key operating initiatives, covering a five year period.

Terminal Growth Rate

Subsequent to the five year forecast period, Chemtrade applies a terminal growth rate. The terminal growth rate is based on estimated long-term GDP growth and inflation in the markets in which Chemtrade operates.

Discount rates

Chemtrade assumes a pre-tax discount rate in order to calculate the present value of its projected cash flows. The discount rate represents a weighted average cost of capital (“WACC”). The WACC is an estimate of the overall required rate of return on an investment for both debt and equity owners and serves as the basis for developing an appropriate discount rate.

Determination of the WACC requires separate analysis of the cost of equity and debt, and considers a risk premium based on an assessment of risks related to the projected cash flow of each CGU or CGU group.

Fair value less costs to sell approach

Fair value less costs to sell is the amount obtainable from the sale of a CGU or CGU group in an arm's length transaction between knowledgeable, willing parties, less the

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

costs of disposal. The estimated market price is based on a historical multiplier based on earnings before interest, taxes, depreciation and amortization and market capitalization.

(iii) Other non-financial assets carried at amortized cost:

If there is objective evidence that an impairment loss on a non-financial asset carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and its recoverable amount. The carrying amount of the non-financial asset is then reduced by the amount of the impairment and the loss is recognized in comprehensive income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the non-financial asset does not exceed the amortized cost had the impairment not been recognized.

(i) Employee benefits

(i) Defined contribution plans:

A defined contribution pension ("DC") plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to DC plans are recognized as an employee benefit expense in comprehensive income in the periods during which services are rendered by employees.

(ii) Defined benefit plans:

A defined benefit pension plan is a post-employment benefit plan other than a DC plan. Chemtrade's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is then discounted to determine its present value and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on high quality bonds that have maturity dates approximating the terms of Chemtrade's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method.

Chemtrade recognizes all actuarial gains and losses and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability) arising from defined benefit plans immediately in other comprehensive income, and reports them in deficit. Depending on the plan, expenses such as plan amendments, current service costs and administration costs are recorded in either cost of sales or selling and

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

administrative expenses within comprehensive income. The interest costs are recorded in net finance costs within comprehensive income.

(iii) Multi-employer plan:

Chemtrade participates in a multi-employer pension plan, which is accounted for as a DC plan. Chemtrade does not administer this plan but rather the administration and the investment of these assets are controlled by a board of trustees consisting of union and employer representatives. Chemtrade's responsibility to make contributions to this plan is established pursuant to its collective agreements.

(iv) Share-based compensation:

Chemtrade operates a LTIP which grants cash awards based on certain criteria. These awards are accounted for as liabilities with the value of these liabilities being re-measured at each reporting period, based upon changes in the fair value of the awards. Any gains or losses on re-measurement are recorded in selling and administrative expenses.

(j) Revenue recognition

(i) Sale of products:

Revenue from the sale of products in the course of ordinary activities is measured and recorded at the most likely amount of consideration expected to be received, net of returns, trade discounts and volume rebates. Revenue is recognized at the point in time when control of the product transfers to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized. The timing of the transfers of control varies depending on the individual terms of the contract of sale.

Revenue from the sale of products are recognized when control is passed to the customer according to the terms of the contract, which could be upon shipment of goods or when the product reaches the customer site. In certain cases, customers will pick up the products at Chemtrade's plants and Chemtrade will recognize revenues when the product is picked up.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

For products sold to pipeline customers, revenue is recognized when the product crosses the property line through the pipeline. This is the point where the product is considered delivered and control of the product transfers to the customer.

(ii) Processing services:

Revenue earned on processing services is recognized when the services have been rendered in accordance with contractual terms, recovery of the consideration is probable, the associated costs can be estimated reliably, and the amount of revenue can be measured reliably.

Chemtrade provides processing services to customers that are continuous and ongoing in nature. Generally, processing services are provided for a specified period of time and are not based on volumes or the completion of specific milestones. Therefore, revenue for processing services are recorded over time.

(k) Provisions

A provision is recognized if, as a result of a past event, Chemtrade has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(i) Decommissioning liabilities:

Chemtrade recognizes provisions for statutory, contractual, constructive or legal obligations associated with decommissioning of Chemtrade's plants. The fair value of estimated decommissioning liabilities is recognized when identified and a reasonable estimate of fair value can be made. A decommissioning asset equal to the estimated fair value of the decommissioning liability is capitalized as part of the cost of the related long-lived asset. The decommissioning asset is depreciated over the asset's estimated useful life and included in cost of sales and services. Increases in the decommissioning liabilities resulting from the passage of time are recorded as accretion of the decommissioning liabilities.

(ii) Environmental liabilities:

A provision for environmental liabilities is recorded based on current interpretation of environmental laws and regulations when it is probable that a liability has been incurred and the amount of such a liability can be reliably estimated. Changes to this provision are recorded as an expense in the period they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

(iii) Reserve for legal proceedings:

Provisions for legal claims are recognized when Chemtrade has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions for legal claims are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized in the statement of comprehensive income as selling and administrative expenses. Changes in the estimated timing or amount of the expenditure or discount rate are recognized in profit or loss when the changes arise.

(l) Financial instruments

(i) Non-derivative financial assets:

Chemtrade initially recognizes financial assets measured at amortized cost at fair value on the date that they are originated. All other financial assets (including assets measured at fair value through profit or loss) are recognized at fair value on the trade date at which Chemtrade becomes a party to the contractual provisions of the instrument.

Chemtrade de-recognizes a financial asset when the contractual rights to the cash flows from the asset expire. Financial assets and liabilities are offset and the net amount presented in the consolidated statements of financial position when Chemtrade has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Chemtrade's non-derivative financial assets are comprised of trade and other receivables and cash and cash equivalents.

Trade and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial assets are measured at amortized cost using the effective interest method, less any net impairment for estimated expected credit losses.

Chemtrade de-recognizes the trade receivables sold under its receivables purchase facility when all the risks and rewards of ownership of the receivable are transferred substantially. The balances presented within trade and other receivables in the consolidated statements of financial position exclude the receivables transferred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

Chemtrade classifies its cash inflows from the receivables transferred within operating activities in the consolidated statement of cash flows because it views the principal nature of these inflows as related to the sale of products and services.

Cash is composed of cash at banks and on hand. Cash equivalents are highly liquid investments having original terms to maturity of 90 days or less when acquired and are measured at amortized cost.

(ii) Non-derivative financial liabilities:

Chemtrade initially recognizes long-term debt and convertible unsecured subordinated debentures at fair value on the date that they are originated. All other financial liabilities are recognized initially at fair value on the trade date at which Chemtrade becomes a party to the contractual provisions of the instrument.

Chemtrade de-recognizes a financial liability when its contractual obligations are discharged, cancelled or expired. Financial assets and liabilities are offset and the net amount presented in the consolidated statements of financial position when Chemtrade has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Chemtrade's non-derivative financial liabilities include trade and other payables, distributions payable, long-term debt and convertible unsecured subordinated debentures. Such financial liabilities, other than convertible unsecured subordinated debentures, are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

The convertible unsecured subordinated debentures are recognized initially at fair value. Transaction costs related to the convertible unsecured subordinated debentures are expensed as incurred. Subsequent to initial recognition, the convertible unsecured subordinated debentures are measured at fair value at each period end date with the changes recorded in comprehensive income. Any changes in the fair value due to Chemtrade's own credit risk are presented in other comprehensive income rather than net earnings.

(iii) Units:

The Fund units meet the definition of a financial liability under IFRS as the redemption feature of the Fund units creates an unavoidable contractual obligation to pay cash.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

The Fund units are considered to be "puttable instruments" because of the redemption feature. IFRS provides a very limited exemption to allow puttable instruments to be presented as equity provided certain criteria are met.

The Fund classifies units as equity because they meet all of the following puttable instrument exemption criteria.

- Units entitle the holder to a pro rata share of the Fund's net assets in the event of its liquidation. Net assets are those assets that remain after deducting all other claims on the assets.

- Units are the class of instruments that are subordinate to all other classes of instruments because they have no priority over other claims to the assets of the Fund on liquidation and do not need to be converted into another instrument before they are in the class of instruments that is subordinate to all other classes of instruments.

- All instruments in the class of instruments that is subordinate to all other classes of instruments have identical features.

- Apart from the contractual obligation for the Fund to redeem the units for cash or another financial asset, the units do not include any contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Fund, and it is not a contract that will or may be settled in the Fund's own instruments.

- The total expected cash flows attributable to the units over their lives are based substantially on the net income and the changes in the recognized net assets and unrecognized net assets of the Fund over the life of the units.

Incremental costs directly attributable to the issuance of units are recognized as a deduction from equity, net of any tax effects. Distributions thereon are recognized as distributions within equity.

When units recognized as equity are re-purchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity.

Chemtrade recognizes the liabilities for unpaid cash distributions, distributions opted to be reinvested and bonuses thereon at the time such distributions are declared. Liabilities

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

for distributions opted to be reinvested and bonuses thereon are de-recognized when such units are issued to the participants.

(iv) Derivative financial instruments:

Chemtrade holds derivative financial instruments to mitigate its foreign currency, unit price and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related.

Derivatives are recognized initially at fair value with attributable transaction costs recognized in comprehensive income as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized immediately in comprehensive income, except for derivatives designated as cash flow hedges as noted below.

(v) Hedging:

On initial designation of the hedge, Chemtrade formally documents the relationship between the hedging instruments and hedged items, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. Chemtrade makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent. For a forecast transaction to be considered a cash flow hedge, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported earnings.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect earnings, the effective portion of changes in the fair value of the derivative that is designated and qualify as cash flow hedge is recognized in accumulated other comprehensive income. The amount recognized in other comprehensive income is removed and included in earnings in the same period as the hedged cash flows affect earnings under the same line item in the consolidated statement of comprehensive income as the hedged item. Any ineffective

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

portion of changes in the fair value of the derivative is recognized immediately in earnings.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in other comprehensive income and presented in unrealized gains/losses on cash flow hedges in equity remains there until the forecast transaction affects earnings.

When the hedged item is a non-financial asset, the amount recognized in other comprehensive income is transferred to the carrying amount of the asset when the asset is recognized. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognized immediately in earnings. In other cases the amount recognized in other comprehensive income is transferred to earnings in the same period that the hedged item affects earnings.

IFRS 9 accounting policy choice for hedge accounting

IFRS 9 includes an accounting policy choice between deferring the adoption of the new hedge accounting standards under IFRS 9 and continuing with the IAS 39 hedge accounting standards. Chemtrade has decided to continue to apply IAS 39 hedge accounting standards.

(m) Government grants

Grants that compensate Chemtrade for expenses incurred are recognized in profit or loss as an offset to expense recognized in selling and administrative expenses in the periods in which the expenses are recognized, unless the conditions for receiving the grant are met after the related expenses have been recognized. In this case, the grant is recognized when it becomes receivable.

Chemtrade recognizes government grants when there is reasonable assurance that it will comply with the conditions attached to the grants and when there is a reasonable assurance that the grants will be received.

(n) Finance income and finance costs

Finance income is comprised of interest income on funds invested, changes in the fair value of financial assets and liabilities at fair value through profit or loss, and gains on hedging instruments that are recognized in comprehensive income. Interest income is recognized as it accrues in comprehensive income, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

Finance costs are comprised of interest expense on borrowings, transaction costs and related accretion, interest expense on lease liabilities, extinguishment costs, pension interest, accretion of provisions, changes in the fair value of financial liabilities at fair value through profit or loss and losses on the ineffective portion of hedging instruments that are recognized in comprehensive income. Borrowing costs that are not directly attributable to the construction or production of a qualifying asset are recognized in comprehensive income using the effective interest method.

(o) Income tax

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in earnings except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates and laws enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future;

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits; and

- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

In determining the amount of current and deferred tax, Chemtrade takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. Chemtrade believes that its accruals for tax liabilities are adequate for all tax years subject to audit based on its assessment of many factors, including interpretations of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes Chemtrade to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(p) Earnings per unit

Chemtrade presents basic and diluted earnings per unit (“EPU”) data for its units. Basic EPU is calculated by dividing the earnings attributable to unitholders of Chemtrade ("Unitholders") by the weighted average number of units outstanding during the period.

Diluted EPU is determined by adjusting the earnings attributable to Unitholders and the weighted average number of units outstanding for the effects of all dilutive potential units, which currently consist of convertible unsecured subordinated debentures and deferred units.

(q) Segment reporting

An operating segment is a component of Chemtrade that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of Chemtrade's other components. All operating segments' operating results are reviewed regularly by Chemtrade's Chief Executive Officer (“CEO”) to make decisions about resources to be allocated to each segment and assess its performance, and for which discrete financial information is available. The CEO is the chief operating decision maker. Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily Chemtrade's headquarters), head office expenses, finance costs and income tax assets and liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

Segment capital expenditures are the total cost incurred during the period to acquire PPE, and intangible assets other than goodwill, excluding business acquisitions for the segment.

(r) Standards and interpretations adopted during the period:

Interest Rate Benchmark ("IBOR") Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

Chemtrade adopted IBOR reform - Phase 2 - Amendments to IFRS 9, *Financial Instruments* ("IFRS 9"), IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"), IFRS 7, *Financial Instruments: Disclosures* ("IFRS 7"), IFRS 4, *Insurance Contracts* ("IFRS 4") and IFRS 16, *Leases* ("IFRS 16") (collectively the "Phase 2 amendments") from January 1, 2021.

Chemtrade applied the Phase 2 amendments retrospectively. However, in accordance with the exceptions permitted in the Phase 2 amendments, Chemtrade has elected not to restate the prior period to reflect the application of these amendments, including not providing additional disclosures for 2020. There is no impact on opening unitholders' equity balances as a result of retrospective application.

The amendments provide temporary reliefs which address the financial reporting effects when an IBOR is replaced with an alternative nearly risk-free interest rate ("RFR"). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest

- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued

- Provide temporary relief to entities from having to meet the separately identifiable requirement when certain criteria are met when an RFR instrument is designated as a hedge of a risk component

While uncertainty persists in the timing or amount of the IBOR-based cash flows of the hedged item or hedging instrument, Chemtrade continues to apply the existing accounting policies.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

These amendments had no impact on the consolidated financial statements of Chemtrade. Chemtrade intends to use the practical expedients in future periods if they become applicable. Chemtrade will actively monitor the IBOR reform and consider circumstances as it becomes party to new or revised financial instruments.

(s) Standards and interpretations not yet adopted:

The IASB has issued the following new standards and amendments to existing standards that will become effective in future years.

- Amendments to IAS 16, *Property, Plant and Equipment: Proceeds before intended use*, prohibiting reducing the cost of property, plant, and equipment by proceeds while bringing an asset to capable operations (effective for annual periods beginning on or after January 1, 2022).

- Amendments to IFRS 3, *Business Combinations - Reference to the Conceptual Framework* (effective for annual periods beginning on or after January 1, 2022).

- IAS 37, *Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts*, specifying costs an entity should include in determining the "cost of fulfilling" a potential onerous contract (effective for annual periods beginning on or after January 1, 2022).

- Amendments to IAS 1, *Presentation of Financial Statements* and IFRS Practice Statement 2, *Making Materiality Judgements - Disclosure of Accounting Policies*, requiring entities to disclose material, instead of significant, accounting policy information (effective for annual periods beginning on or after January 1, 2023).

- Amendments to IAS 1, *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current*, clarifying requirements for the classification of liabilities as non-current (effective for annual periods beginning on or after January 1, 2023).

- Amendments to IAS 8, *Accounting Policies - Changes in Accounting Estimates and Errors - Definition of Accounting Estimates*, introducing a new definition for accounting estimates (effective for annual periods beginning on or after January 1, 2023).

- Amendments to IAS 12, *Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction,* narrowing the scope of the initial recognition exemption so that it does not apply to transactions that give rise to

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

equal taxable and deductible temporary differences (effective for annual periods beginning on or after January 1, 2023).

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

4. TRADE AND OTHER RECEIVABLES:

		2021		2020
Trade and other receivables before expected credit losses [1]	$	97,112	$	87,019
Less: expected credit losses		(741)		(760)
Trade and other receivables	$	96,371	$	86,259

[1] See Receivables Purchase Facility below.

As disclosed in note 25, Chemtrade is exposed to normal credit and currency risks with respect to its accounts receivable. At December 31, 2021, 94.4% (2020 - 93.1%) of accounts receivable are less than 30 days past due, and less than 1% (2020 - less than 3%) of accounts receivable are greater than 120 days past due that are not provided for.

While Chemtrade evaluates a customer's credit worthiness before credit is extended, provisions for expected credit losses are also maintained. The change in allowance for expected credit losses are as follows:

		2021		2020
Balance at beginning of year	$	760	$	927
Adjustments made during the year		(30)		26
Recovery (write-offs)		11		(193)
Balance at end of year	$	741	$	760

Receivables Purchase Facility

During 2020, Chemtrade entered into a factoring facility of up to $100,000 (the "A/R Facility") with HSBC Bank Canada. The A/R Facility is an uncommitted receivables purchase facility for the purchase of eligible receivables owed to Chemtrade from trade debtors on an undisclosed basis with no recourse. As at December 31, 2021, trade receivables sold under the A/R Facility were $32,339 (2020 - $36,973).

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

5. INVENTORIES:

Chemtrade's inventories are as follows:

		2021		2020
Raw materials	**$**	**44,844**	$	53,714
Finished goods		**35,267**		27,057
Operating supplies		**31,631**		30,765
Total inventories	**$**	**111,742**	$	111,536

The amount of inventories recognized as an expense during the year ended December 31, 2021 was $946,185 (2020 - $967,136).

6. ASSETS HELD FOR SALE:

On November 2, 2021, Chemtrade completed the sale of its potassium chloride (KCl) and vaccine adjuvants businesses. These businesses were sold to Vertellus Holdings LLC, a manufacturer of specialty products for various consumer goods, food and agriculture, healthcare and industrial markets. The following are details regarding the assets held for sale and the associated liabilities as at the time of sale and December 31, 2020:

Assets held for sale		**November 2, 2021**		December 31, 2020
Trade and other receivables	$	7,788	$	7,762
Inventories		5,342		7,045
Prepaid expenses and other assets		94		105
PPE		55,504		56,902
ROU assets		266		124
Intangible assets		124,377		127,801
Total	**$**	**193,371**	**$**	**199,739**
Liabilities directly associated with assets held for sale				
Trade and other payables	$	3,474	$	3,124
Lease liabilities		88		130
Deferred tax liabilities		14,737		13,795
Total	**$**	**18,299**	**$**	**17,049**
Net Assets	**$**	**175,072**	**$**	**182,690**

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

6. ASSETS HELD FOR SALE (continued):

The details of the sale are as follows:

		Total
Gross proceeds (US$153,663)	$	**190,252**
Cost to sell (US$5,959)		**(7,578)**
Net proceeds (US$147,704)		**182,674**
Net assets sold (US$153,268)		**(189,809)**
Loss on sale recorded in cost of sales and services (US$5,564)		**(7,135)**
Deferred income tax recovery (US$11,900)		**14,737**
Gain on sale in comprehensive income (US$6,336)	$	**7,602**

In 2021, there was a current tax expense of $5,093 relating to the disposal of the assets held for sale.

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

7. PROPERTY, PLANT AND EQUIPMENT:

Chemtrade's property, plant and equipment are as follows:

	Land	Plant and equipment	Facilities and equipment under construction	Total
Cost				
Balance at January 1, 2020	$ 88,251	$ 1,810,143	$ 80,185	$ 1,978,579
Additions	—	—	77,088	77,088
Decommissioning provisions	—	15,567	—	15,567
Transfers	—	76,773	(76,773)	—
Assets held for sale	—	89	(733)	(644)
Asset retirements and write-downs	(2)	(60,130)	(547)	(60,679)
Foreign exchange rate changes	(908)	(20,901)	(3,207)	(25,016)
Balance at December 31, 2020	$ 87,341	$ 1,821,541	$ 76,013	$ 1,984,895
Additions	—	—	86,141	86,141
Decommissioning provisions	—	(10,359)	—	(10,359)
Transfers	—	65,530	(65,530)	—
Adjustments	1,424	531	78	2,033
Asset retirements and write-downs	75	(27,771)	(455)	(28,151)
Foreign exchange rate changes	(280)	(9,306)	21	(9,565)
Balance at December 31, 2021	$ 88,560	$ 1,840,166	$ 96,268	$ 2,024,994
Accumulated depreciation				
Balance at January 1, 2020	$ —	$ (851,617)	$ —	$ (851,617)
Depreciation	—	(137,883)	—	(137,883)
Asset retirements and write-downs	—	41,732	—	41,732
Foreign exchange rate changes	—	13,826	—	13,826
Depreciation allocated to inventory	—	(646)	—	(646)
Balance at December 31, 2020	$ —	$ (934,588)	$ —	$ (934,588)
Depreciation	—	(132,133)	—	(132,133)
Adjustments	—	(224)	—	(224)
Asset retirements and write-downs	—	27,115	—	27,115
Impairment (note 10)	—	(48,343)	—	(48,343)
Foreign exchange rate changes	—	3,237	—	3,237
Depreciation allocated to inventory	—	516	—	516
Balance at December 31, 2021	$ —	$ (1,084,420)	$ —	$ (1,084,420)
Net carrying amount				
December 31, 2020	$ 87,341	$ 886,953	$ 76,013	$ 1,050,307
December 31, 2021	$ 88,560	$ 755,746	$ 96,268	$ 940,574

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

8. LEASES:

(i) ROU assets

Chemtrade leases various assets that include rail cars, private fleet, real estate, vehicles and other heavy-duty machinery and equipment. Chemtrade's ROU assets are presented below:

	Rail cars	Private Fleet	Real Estate	Vehicles	Other[1]	Total
Balance at January 1, 2020	$ 137,720	$ 2,674	$ 26,575	$ 892	$ 6,363	$ 174,224
Depreciation	(42,822)	(1,748)	(2,888)	(600)	(3,104)	(51,162)
Additions	35,248	2,381	—	408	2,223	40,260
Early terminations and others [2]	(10,495)	—	(18)	(107)	170	(10,450)
Foreign exchange rate changes	(732)	(75)	(105)	—	(37)	(949)
Balance at December 31, 2020	118,919	3,232	23,564	593	5,615	151,923
Depreciation	(39,784)	(1,759)	(2,877)	(492)	(3,339)	(48,251)
Additions	29,990	1,959	7,293	288	4,387	43,917
Early terminations and others [2]	(4,031)	—	(2,039)	(22)	(704)	(6,796)
Foreign exchange rate changes	(267)	(19)	(25)	(7)	(40)	(358)
Balance at December 31, 2021	104,827	3,413	25,916	360	5,919	140,435

[1] Other includes leased assets such as forklifts, trucks and storage tanks.
[2] Includes early terminations, reclassifications and other adjustments.

(ii) Lease liabilities

Chemtrade's lease liabilities are composed of the following:

	2021	2020
Balance at beginning of year	$ 161,483	$ 182,025
Additions	43,917	40,260
Interest expense	6,741	8,211
Principal repayment [1]	(56,966)	(61,614)
Early terminations and others [2]	(6,165)	(5,314)
Foreign exchange rate changes	(936)	(2,085)
Total	148,074	161,483
Less: Current portion	47,211	47,501
Balance at end of year	$ 100,863	$ 113,982

[1] Excludes sub-lease receipts of $4,085 (2020 - $4,097).
[2] Includes early terminations, reclassifications and other adjustments.

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

8. LEASES (continued):

The maturity analysis of Chemtrade's contractual undiscounted lease liabilities is presented below:

	December 31, 2021	December 31, 2020
Less than one year	$ 51,611	$ 52,217
One to five years	91,106	104,783
More than five years	18,902	23,785
Total undiscounted lease liabilities	$ 161,619	$ 180,785

(iii) Amounts recognized in profit or loss

	December 31, 2021	December 31, 2020
Depreciation	$ 48,251	$ 51,162
Interest expense (included in net finance costs)	6,741	8,211
Income from sub-leasing ROU assets	(111)	(137)
Expenses relating to short-term leases	4,375	7,242
Expenses relating to leases of low value assets, excluding short-term leases of low value assets	376	556

9. OTHER ASSETS:

Chemtrade's other assets are as follows:

	2021	2020
Deferred charges	**3,155**	3,765
Long-term receivables	**2,463**	2,232
Other	**1,698**	1,025
	$ 7,316	$ 7,022

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

10. INTANGIBLE ASSETS:

Chemtrade's intangible assets and goodwill are as follows:

		Goodwill		Customer Relationships		Other		Total
Cost								
Balance at January 1, 2020	$	558,497	$	726,003	$	2,443	$	1,286,943
Impairment		(56,000)		—		—		(56,000)
Foreign exchange rate changes		(1,714)		(4,869)		(18)		(6,601)
Balance at December 31, 2020	$	500,783	$	721,134	$	2,425	$	1,224,342
Additions		—		—		108		108
Impairment		(42,822)		—		—		(42,822)
Foreign exchange rate changes		(2,056)		(1,660)		(9)		(3,725)
Balance at December 31, 2021	$	455,905	$	719,474	$	2,524	$	1,177,903
Accumulated Amortization								
Balance at January 1, 2020	$	—	$	(413,846)	$	(1,892)	$	(415,738)
Amortization		—		(64,733)		(134)		(64,867)
Foreign exchange rate changes		—		4,311		22		4,333
Balance at December 31, 2020	$	—	$	(474,268)	$	(2,004)	$	(476,272)
Impairment		—		(38,835)		—		(38,835)
Amortization		—		(59,099)		(139)		(59,238)
Foreign exchange rate changes		—		1,010		5		1,015
Balance at December 31, 2021	$	—	$	(571,192)	$	(2,138)	$	(573,330)
Net carrying amount								
December 31, 2020	$	500,783	$	246,866	$	421	$	748,070
December 31, 2021	$	455,905	$	148,282	$	386	$	604,573

Impairment testing for cash-generating units containing goodwill

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 of historic and forecast performance of each CGU and CGU group, Chemtrade performed a test for goodwill impairment for the water solutions CGU group in WSSC. Although the water solutions CGU group's operating performance had been improving, as a result of applying the higher discount rate, this CGU group'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 group, its recoverable amount equalled its carrying value.

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

10. INTANGIBLE ASSETS (continued):

Chemtrade performed its annual test for goodwill impairment in the fourth quarter of 2021 in accordance with its policy described in note 3. The recoverable amount of all CGUs and CGU groups exceeded their carrying values except for the sodium chlorate CGU (the "Chlorate CGU"). Due to the recent decline in sodium chlorate demand combined with increased competitive pressure resulting in lower levels of gross profit and lowered expectations of business recovery to pre-pandemic levels, the Chlorate CGU's carrying value exceeded its recoverable amount by $130,000 and therefore, impairment losses of $42,822, $38,835 and $48,343 were allocated to goodwill, customer relationships and PPE, respectively, in cost of sales and services. Following the impairment recognized in the Chlorate CGU, its recoverable amount equalled its carrying value. The test was performed using a pre-tax discount rate of 12.1% to 13.6% (2020 – 11.7% to 13.1%) and a terminal growth rate of 2.5% (2020 – 2.5%). Assumptions used in the operating cash flows and maintenance and other expenditures consider financial budgets, past experience, future growth trends such as GDP growth and inflation, associated economic risk assumptions, assumptions regarding the speed of COVID-19 economic recovery and estimates of achieving key operating initiatives, covering a five year period.

The carrying value of goodwill for the SPPC segment is $297,393 (2020 - $298,831), for the WSSC segment is $158,512 (2020 - $159,130) and for the EC segment is nil (2020 - $42,822).

11. TRADE AND OTHER PAYABLES:

Chemtrade's payables are as follows:

		2021		2020
Trade payables	**$**	**136,349**	$	121,043
Non-trade payables and accrued expenses		**93,636**		86,905
	$	**229,985**	$	207,948

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

12. PROVISIONS:

	Decommissioning liability	Environmental Liability	Legal Provision	Total
Balance at January 1, 2020	$ 83,410	$ 61,322	$ 9,878	$ 154,610
Adjustments[1]	15,567	8,170	—	23,737
Additions	754	—	772	1,526
Accretion	1,120	1,614	—	2,734
Payments	(505)	(3,788)	(1,626)	(5,919)
Foreign exchange rate changes	(292)	(1,440)	(118)	(1,850)
	100,054	65,878	8,906	174,838
Less: Current portion	1,311	7,633	8,906	17,880
Balance at December 31, 2020	$ 98,743	$ 58,215	$ —	$ 156,958
Adjustments[1]	(10,359)	561	—	(9,798)
Additions	477	—	996	1,473
Accretion	1,279	546	—	1,825
(Payments) recovery	(1,238)	350	(9,059)	(9,947)
Foreign exchange rate changes	(241)	(412)	(155)	(808)
	89,972	66,923	688	157,583
Less: Current portion	1,373	9,474	688	11,535
Balance at December 31, 2021	$ 88,599	$ 57,449	$ —	$ 146,048

[1] Includes adjustments due to change in discount rate in 2021 and 2020.

(a) Decommissioning liability

Chemtrade has estimated a decommissioning liability for its plants and has accrued for this obligation. Decommissioning is expected to occur on dates ranging from 2022 to 2050.

(b) Environmental liability

Chemtrade has estimated a provision for its environmental liability in association with its sites. Expenditures are expected to occur on dates ranging from 2022 to 2051.

(c) Legal provision

Chemtrade has estimated an overall provision for litigation. Provisions are calculated based on a current estimate of the amount that will be incurred in settling outstanding legal matters. The legal provision as at December 31, 2020 includes a reserve for legal proceedings described below.

12. PROVISIONS (continued):

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 were also defendants in class action lawsuits and a few civil proceedings relating to the same conduct. The main class action civil lawsuit was settled for US$56,000 and was paid out during 2019. By the third quarter of 2019, additional settlements were negotiated and paid. The remaining ex-employee initiated derivative actions were settled in March 2021, at close to the amount previously reserved for this matter. These lawsuits were settled and were paid out during the fourth quarter of 2021.

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

13. LONG-TERM DEBT:

Changes in long-term debt are as follows:

	Term bank debt (US$ denominated)	Revolving credit (US$ denominated)[1]	Revolving credit (Cdn$ denominated)[1]	Transaction costs	Total
Maturity [4]	—	December 24, 2026	December 24, 2026		
Credit limit US$ [2]	—	650,000			**650,000**
Drawn US$	—	292,812			**292,812**
Balance at January 1, 2021	$ 413,563	$ 328,692	$ 39,000	$ (4,341)	**$ 776,914**
Net change	(417,495)	53,786	(35,495)	—	**(399,204)**
Loss (gain) on net investment hedge of foreign operations	3,932	(10,535)	—	—	**(6,603)**
Foreign exchange rate changes	—	(1,917)	—	—	**(1,917)**
Financing transaction costs [3][4]	—	—	—	(1,884)	**(1,884)**
Accretion expense on financing transaction costs	—	—	—	1,121	**1,121**
Debt extinguishment costs [4]	—	—	—	5,104	**5,104**
Balance at December 31, 2021	**$ —**	**$ 370,026**	**$ 3,505**	**$ —**	**$ 373,531**

[1] At December 31, 2021, Chemtrade had committed a total of $19,310 of the revolving credit facility towards standby letters of credit.

[2] At December 31, 2021, Cdn$ limit of the senior credit facilities ("Credit Facilities") was $821,405.

[3] In May 2021, Chemtrade modified certain terms of its Credit Facilities including negotiating an amended covenant package on its Credit Facilities to provide Chemtrade with additional covenant room until 2023. Chemtrade incurred $584 of transaction costs relating to the modification. The transaction costs related to the modification were deferred and were being amortized to finance costs in comprehensive income using the effective interest method.

[4] In December 2021, Chemtrade amended certain terms of its Credit Facilities by converting the entire facility into a revolving credit facility, reducing the facility size by US$200,000 and extending the maturity of the facility to December 24, 2026. Chemtrade also amended its covenant package and pricing to pre-pandemic levels. As a result of this substantial modification of the credit agreement, Chemtrade recorded debt extinguishment costs of $5,104 consisting of $3,804 of previously deferred financing transaction costs and $1,300 of financing transaction costs relating to the amendment.

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

13. LONG-TERM DEBT (continued):

	Term bank debt (US$ denominated)	Revolving credit (US$ denominated)[1]	Revolving credit (Cdn$ denominated)[1]	Transaction costs	Total
Maturity	October 24, 2024	October 24, 2024	October 24, 2024		
Credit limit US$ [2]	325,000	525,000			850,000
Drawn US$	325,000	258,305			583,305
Balance at January 1, 2020	$ 421,948	$ 318,601	$ 7,724	$ (3,999)	$744,274
Net change	—	17,781	31,276	—	49,057
Gain on net investment hedge of foreign operations	(8,385)	(9,790)	—	—	(18,175)
Foreign exchange rate changes	—	2,100	—	—	2,100
Financing transaction costs [3]	—	—	—	(1,324)	(1,324)
Accretion expense on financing transaction costs	—	—	—	982	982
Balance at December 31, 2020	**$ 413,563**	**$ 328,692**	**$ 39,000**	**$ (4,341)**	**$776,914**

[1] At December 31, 2020, Chemtrade had committed a total of $18,880 of the revolving credit facility towards standby letters of credit.
[2] At December 31, 2020, Cdn$ limit of the Credit Facilities was $1,081,626, consisting of a term bank debt of $413,563 and a revolving credit facility of $668,063.
[3] During the second quarter of 2020, Chemtrade modified certain terms of its Credit Facilities including negotiating an amended covenant package on its Credit Facilities to provide Chemtrade with additional covenant room until 2022. The transaction costs related to the modification were deferred and were being amortized to finance costs in comprehensive income using the effective interest method.

The Credit Facilities are secured by substantially all of Chemtrade's assets. At December 31, 2021, the weighted average effective interest rate of the facilities was 4.4% (December 31, 2020 - 4.3%). Interest rates on the Credit Facilities are based on US LIBOR and Canadian Bankers' Acceptance rates, adjusted by Chemtrade's credit spread.

Chemtrade is subject to certain covenants pursuant to its Credit Facilities, which include a Net Debt to EBITDA ratio and an Interest Coverage ratio (as such terms are defined in the credit agreement). Chemtrade monitors these ratios and reports them to its lenders on a quarterly basis. As at December 31, 2021 and 2020, Chemtrade was in compliance with all covenants.

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

14. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES:

Changes in convertible unsecured subordinated debentures are as follows:

	Convertible unsecured subordinated debentures [1]					
	Fund 2016 5.00% Debentures	**Fund 2017 4.75% Debentures**	**Fund 2019 6.50% Debentures**	**Fund 2020 8.50% Debentures**	**Fund 2021 6.25% Debentures [2]**	**Total**
Maturity	August 31, 2023	May 31, 2024	October 31, 2026	September 30, 2025	August 31, 2027	
Interest rate	5.00 %	4.75 %	6.50 %	8.50 %	6.25 %	
Principal outstanding at January 1, 2021	143,750	201,115	100,000	86,250	—	**531,115**
Principal outstanding at December 31, 2021 [3]	143,750	201,115	100,000	86,250	130,000	**661,115**
Balance at January 1, 2021	126,500	156,870	78,000	84,525	—	**445,895**
Issuance	—	—	—	—	130,000	**130,000**
Change in fair value recognized in profit or loss	2,749	2,834	(2,632)	16,503	490	**19,944**
Change in fair value due to own credit risk [4]	14,645	38,092	25,782	(3,565)	(620)	**74,334**
Balance at December 31, 2021	143,894	197,796	101,150	97,463	129,870	**670,173**

[1] The Fund 2016 5.00% Debentures, the Fund 2017 4.75% Debentures, the Fund 2019 6.50% Debentures, the Fund 2020 8.50% Debentures, the Fund 2021 6.25% Debentures and the Fund 2014 5.25% Debentures, which were redeemed during 2020 are collectively referred to as the "Fund Debentures". The Fund Debentures and the Chemtrade Electrochem Inc. ("CEI") Series VI Debentures (which were redeemed during the first quarter of 2020) are collectively referred to as the "Debentures". Chemtrade has designated the Debentures as financial liabilities at fair value through profit or loss.

[2] During the fourth quarter of 2021, Chemtrade completed a public offering of the Fund 2021 6.25% Debentures, at a price of $1,000 per debenture. The Fund 2021 6.25% Debentures are convertible, at the option of the holder, into trust units of the Fund at a conversion price of $10.00 per unit. Chemtrade incurred transaction costs of $5,927 which included underwriters' fees and other expenses relating to the offering.

[3] During the fourth quarter of 2021, Chemtrade announced the redemption of all of the outstanding Fund 2016 5.00% Debentures, with an effective redemption date of January 25, 2022. These debentures have been presented as current liabilities in the Consolidated Statements of Financial Position at December 31, 2021. For additional information, see note 30.

[4] The change in fair value of the Debentures due to Chemtrade's own credit risk has been presented in other comprehensive income, net of taxes, rather than net earnings.

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

14. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES (continued):

	Convertible unsecured subordinated debentures						
	Fund 2014 5.25% Debentures	**Fund 2016 5.00% Debentures**	**Fund 2017 4.75% Debentures**	**Fund 2019 6.50% Debentures**	**Fund 2020 8.50% Debentures**	**CEI Series VI Debentures**	**Total**
Maturity	June 30, 2021	August 31, 2023	May 31, 2024	October 31, 2026	September 30, 2025	December 31, 2021	
Interest rate	5.25 %	5.00 %	4.75 %	6.50 %	8.50 %	6.50 %	
Principal outstanding at January 1, 2020	126,500	143,750	201,115	100,000	—	74,584	**645,949**
Principal outstanding at December 31, 2020	—	143,750	201,115	100,000	86,250	—	**531,115**
Balance at January 1, 2020	127,525	132,250	178,992	95,578	—	74,584	**608,929**
Issuance (1)	—	—	—	—	86,250	—	**86,250**
Redemption (2)(3)	(126,499)	—	—	—	—	(74,584)	**(201,083)**
Conversion	(1)	—	—	—		—	**(1)**
Change in fair value recognized in profit or loss	13,690	12,928	19,933	9,916	(677)	—	**55,790**
Change in fair value due to own credit risk (4)	(14,715)	(18,678)	(42,055)	(27,494)	(1,048)	—	**(103,990)**
Balance at December 31, 2020	—	126,500	156,870	78,000	84,525	—	**445,895**

(1) During the third quarter of 2020, Chemtrade completed a public offering of the Fund 2020 8.50% Debentures, at a price of $1,000 per debenture. The Fund 2020 8.50% Debentures are convertible, at the option of the holder, into trust units of the Fund at a conversion price of $7.35 per unit. Chemtrade incurred transaction costs of $4,013 which included underwriters' fees and other expenses relating to the offering.

(2) 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. Chemtrade used its Credit Facilities to fund the redemption.

(3) During the third and fourth quarters of 2020, the Fund redeemed all of the outstanding Fund 2014 5.25% Debentures at a total aggregate redemption price of $128,252, being equal to the principal amount of debentures redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. Chemtrade used a portion of the net proceeds from the Fund 2020 8.50% Debentures offering, proceeds received from its A/R Facility and its Credit Facilities to fund the redemption.

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

For the year ended December 31, 2021, interest expense of $30,934 (2020 - $30,905) and transaction costs of $5,927 (2020 - $4,013) relating to the Debentures was recognized in net finance costs.

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

15. OTHER LONG-TERM LIABILITIES:

Chemtrade's other long-term liabilities are as follows:

		2021		2020
Long-term portion of LTIP liability (note 18)	**$**	**26,445**	$	14,258
Interest rate swap liability (note 25)		**9,616**		22,164
Reserve for self-insurance		**3,791**		3,818
Other		**675**		675
	$	**40,527**	$	40,915

16. EMPLOYEE BENEFITS:

Chemtrade provides certain health care and pension benefits for certain employees upon retirement.

Generally, under the pension plans, Chemtrade provides retirement benefits based on an employee's years of service and average annual earnings over a period of time prior to retirement. Chemtrade is responsible for meeting its statutory obligations for funding of the pension plans.

Certain hourly employees participate in the Pulp and Paper Industry Pension Trust Fund, a multi-employer, negotiated costs defined benefit plan. The plan is funded by employer and employee contributions. The employer-related expense under this plan in 2021 was $288 (2020 - $266).

All eligible Canadian employees participate in a DC plan. The DC plan is self-directed. Participants choose from a range of investment options offered by the plan administrator. Chemtrade provides a basic contribution of 4% of base salary for participants. Participants can make additional voluntary contributions up to 2% of their base salary, and Chemtrade matches each dollar contributed up to 2% for a total of 6% of base salary. Chemtrade's contributions to the DC plan vest immediately. The employer-related expense under this plan in 2021 was $2,741 (2020 - $2,684).

Chemtrade also provides other employee future benefits, including health and dental care benefits and life insurance, for retired employees.

Short-term employee benefits for current employees, such as salaries, paid absences, bonuses and other benefits, are accounted for on an accrual basis over the period in which the

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

16. EMPLOYEE BENEFITS (continued):

employees provide the related services. In 2021, $167,380 (2020 - $174,251) of short-term employee benefits were recognized in cost of sales and services, and $65,503 (2020 - $61,609) were recognized in selling and administrative expenses.

Chemtrade expects $2,357 in contributions to be paid to its defined benefit plans in 2022.

	2021	2020
Present value of unfunded obligations	**$ 8,534**	$ 9,084
Present value of funded obligations	**372,574**	405,000
Total present value of obligations	**381,108**	414,084
Fair value of plan assets	**(355,848)**	(362,721)
Recognized liability for defined benefit obligations	**$ 25,260**	$ 51,363

	2021	2020
Components of net periodic benefit cost		
Current service cost	**$ 2,782**	$ 2,537
Net interest cost	**949**	1,551
Administration costs	**1,896**	2,405
Loss on curtailment	**—**	241
Net periodic benefit cost recognized	**$ 5,627**	$ 6,734

	2021	2020
Net periodic benefit cost allocation		
Cost of sales and services	**$ 2,661**	$ 2,371
Selling and administrative expenses	**2,017**	2,812
Net finance costs	**949**	1,551
Net periodic benefit cost recognized	**$ 5,627**	$ 6,734

	2021	2020
Other comprehensive income		
Return on plan assets, excluding interest income	**$ (8,585)**	$ (33,428)
Actuarial (gains) losses	**(16,693)**	30,903
Gain recognized in OCI during the year	**$ (25,278)**	$ (2,525)

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

16. EMPLOYEE BENEFITS (continued):

	2021	2020
Weighted average assumptions		
Discount rate	**2.81 %**	2.41 %
Ultimate other medical trend rate	**4.50 %**	4.50 %
Salary escalation	**3.00 %**	3.00 %

	2021	2020
Change in accrued benefit obligation		
Accrued benefit obligation at beginning of year	**$ 414,084**	$ 397,113
Current service cost	**2,782**	2,537
Interest cost	**8,065**	11,184
Employee contributions	**370**	387
Benefits paid	**(25,331)**	(23,321)
Loss on curtailment	**—**	241
Plan settlements	**(293)**	85
Foreign exchange rate changes	**(1,876)**	(5,045)
Actuarial loss from changes in demographic assumptions	**2,283**	65
Actuarial (gain) loss from changes in financial assumptions	**(18,421)**	30,523
Actuarial (gain) loss from experience adjustments	**(555)**	315
Accrued benefit obligation at end of year	**$ 381,108**	$ 414,084

	2021	2020
Change in plan assets		
Plan assets at beginning of year	**$ 362,721**	$ 343,819
Administration fee	**(1,896)**	(2,405)
Interest income	**7,116**	9,633
Employer contributions	**6,045**	5,467
Employee contributions	**370**	387
Benefits paid	**(25,331)**	(23,321)
Foreign exchange rate changes	**(1,469)**	(4,372)
Plan settlements	**(293)**	85
Return on plan assets, excluding interest income	**8,585**	33,428
Plan assets at end of year	**$ 355,848**	$ 362,721

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

16. EMPLOYEE BENEFITS (continued):

The asset mix in the plan is approximately 68.0% bonds (2020 - 61.0%), approximately 23.0% equity securities (2020 - 30.0%) and approximately 9.0% other investments (2020 - 9.0%).

Assumed discount rates, inflation rates and mortality rates have an effect on the amounts recognized on the consolidated statements of financial position. Holding other assumptions constant, changes in key assumptions that are reasonably possible would have affected the defined benefit obligation by the amounts shown below:

	Defined benefit obligation	
	Increase	**Decrease**
Discount rate (1% movement)	**$ (38,797)**	**$ 47,111**
Inflation rate (1% movement)	**$ 12,000**	**$ (3,636)**
Mortality rate (10% movement)	**$ (10,978)**	**$ 12,123**

17. 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:

	2021		2020	
	Number of Units	**Amount**	**Number of Units**	**Amount**
Balance – January 1	93,169,158	$ 1,465,029	92,601,062	$ 1,462,116
Conversion of unsecured subordinated convertible debentures	—	—	35	1
Issuance of units for cash	9,800,000	70,070	—	—
Issuance costs, net of tax recovery of $1,188	—	(2,484)	—	—
Issuance of units under the DRIP	1,253,404	8,968	568,061	2,912
Balance – December 31	**104,222,562**	**$1,541,583**	93,169,158	$ 1,465,029

On March 10, 2021, Chemtrade completed an equity offering of 9,800,000 units at a price of $7.15 per unit, resulting in total gross proceeds of $70,070. Chemtrade incurred issuance costs of $2,484, net of tax recovery of $1,188, which included underwriters' fees and other expenses relating to the offering. Proceeds from the offering were used to repay outstanding indebtedness under the Credit Facilities and for general trust purposes.

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

(b) Contributed surplus

Chemtrade's contributed surplus relates to the re-purchase of units under a normal course issuer bid.

(c) Accumulated other comprehensive income ("AOCI")

AOCI is comprised of the following separate components of equity:

Cumulative translation account

The cumulative translation account comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Unrealized gains/losses on cash flow and net investment hedges

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred. The reserve also comprises the cumulative foreign currency differences arising on the translation of Chemtrade's U.S. dollar-denominated long-term debt, which is designated as the hedge of the net investment in foreign operations that use the U.S. dollar.

Change in fair value of convertible debentures due to credit risk

The Debentures are recognized initially at fair value. Subsequent to initial recognition, the Debentures are measured at fair value at each period end date with the changes recorded in comprehensive income. Any changes in the fair value due to Chemtrade's own credit risk are presented in other comprehensive income rather than net earnings.

(d) Distributions:

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

On July 13, 2020, Chemtrade announced the commencement of a DRIP. Under the terms of the DRIP, eligible Unitholders may elect to reinvest all or a portion of their regular monthly distributions in additional units of Chemtrade, without paying any commissions, service charges or brokerage fees under the DRIP. Units purchased for participants under the DRIP may be newly issued by Chemtrade from treasury or may be existing units purchased on the open market through the facilities of a stock exchange. Under the DRIP, the Board determines which of these two sources will be used and currently the units are issued from treasury. Currently, the participants receive bonus distributions of units equal to 3% of the amount of the cash distribution reinvested, as determined by the Board.

Distributions paid for the year ended December 31, 2021 were $60,912 (2020 - $69,582) or $0.60 per unit (2020 - $0.75 per unit). Of the distributions paid for the year ended December 31, 2021, $51,944 (2020 - $66,670) were in cash and $8,968 (2020 - $2,912) were reinvested in

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

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

additional units pursuant to the DRIP. All of Chemtrade's distributions are discretionary and subject to Board approval.

Distributions declared, including the DRIP bonus distributions for the year ended December 31, 2021 were $61,467 (2020 - $64,998) or $0.60 per unit (2020 - $0.70 per unit).

As at December 31, 2021, Chemtrade had $5,232 distributions payable (2020 - $4,677) . On January 26, 2022, distributions of $4,503 were paid in cash and $729 were reinvested in additional units pursuant to the DRIP. On January 20, 2022, Chemtrade declared a cash distribution of $0.05 per unit for the month of January 2022 payable on February 23, 2022 to Unitholders of record at the close of business on January 31, 2022.

(e) 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:

	2021	2020
Numerator		
Net loss	**$ (235,209)**	$ (167,478)
Net interest and fair value adjustment on the Debentures [1]	**—**	—
Net fair value adjustment on deferred unit plan [1]	**—**	—
Diluted net loss	**$ (235,209)**	$ (167,478)

[1] For the years ended December 31, 2021 and 2020, the potential conversion of the Debentures and deferred units have not been included as the effect on net loss per unit would be anti-dilutive.

	2021	2020
Denominator		
Weighted average number of units	**101,730,342**	92,686,735
Weighted average Debentures dilutive units [1]	**—**	—
Weighted average deferred unit plan dilutive units [1]	**—**	—
Weighted average number of diluted units	**101,730,342**	92,686,735

[1] For the years ended December 31, 2021 and 2020, the potential conversion of the Debentures and deferred units have not been included as the effect on net loss per unit would be anti-dilutive.

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

18. SHARE-BASED PAYMENTS:

Chemtrade operates a LTIP, which grants cash awards based on certain criteria. The 2019 - 2021, 2020 - 2022 and 2021 - 2023 LTIP awards have a performance based component and a RSU component. The performance based component of the 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 of companies comprising the S&P/TSX Dividend Composite Index. The performance based component of the 2020 - 2022 and 2021 - 2023 LTIP awards is based on return on investment capital improvement and total return to Chemtrade's Unitholders relative to the total return of companies comprising the S&P/TSX Dividend Composite Index. Total Unitholder return consists of changes in unit price and distributions paid to Unitholders from the beginning of performance periods. The RSU component of the LTIP awards is a phantom plan which is payable in cash at the end of the performance period.

As at December 31, 2021, a liability of $39,492 (December 31, 2020 - $19,384) has been recorded, of which $13,047 (December 31, 2020 - $5,126) is included in trade and other payables and $26,445 (December 31, 2020 - $14,258) is included in other long-term liabilities. For the year ended December 31, 2021, Chemtrade recorded an expense of $25,693 (2020 - expense of $6,828) in selling and administrative expenses related to the fair value adjustments on the LTIP.

The following rights under these plans are outstanding:

	Number of rights	
	2021	**2020**
Balance – January 1	3,700,080	1,777,530
Grants – new grants	686,060	2,525,755
– distribution equivalents	259,119	411,288
Forfeitures	(52,625)	(801,723)
Settlements	(995,716)	(212,770)
Balance – December 31	**3,596,918**	**3,700,080**

Chemtrade has in place a deferred unit plan ("DUP") for non-employee trustees and directors ("Participants"), pursuant to which the Participants can elect to take all or a portion of their compensation in the form of deferred units of Chemtrade, with the remainder as a cash payment. On May 14, 2020, the DUP was amended. Prior to the amendment, deferred units could be redeemed for cash or units of the Fund purchased on the secondary market. Following the amendment, deferred units are settled in units of the Fund issued from treasury or in cash at the Participant's request. Currently, the Participants are required to take a minimum of 50% of their compensation in the form of deferred units of Chemtrade. As at December 31, 2021, 569,017 deferred units at a value of $4,239 were outstanding (December 31, 2020 - 556,948 deferred units at a value of $3,286).

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

18. SHARE-BASED PAYMENTS (continued):

The following rights under DUP are outstanding:

	Number of rights	
	2021	**2020**
Balance – January 1	556,948	282,218
Grants – new grants	83,667	224,767
– distribution equivalents	43,961	49,963
Settlements	(115,559)	—
Balance – December 31	569,017	556,948

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.

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

	December 31, 2021	December 31, 2020
Chemtrade units:		
Average base price	**$10.15**	$14.01
Period-end unit price	**$7.40**	$5.83
Average expected volatility	**25.56%**	57.18%
Average risk free interest rate	**0.05%**	0.10%
Average expected remaining term	**1.50 years**	1.50 years

19. COMMITMENTS AND CONTINGENCIES:

(a) Purchase commitments

Chemtrade has contractual commitments for the purchase of electricity in Brazil, of which approximately 90 to 100 percent of the cost is passed onto one major customer, and minimum purchase commitments under some multi-year salt supply contracts. Chemtrade's outstanding purchase commitments as at December 31, 2021 are as follows:

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

19. COMMITMENTS AND CONTINGENCIES (continued):

2022	$	47,684
2023		14,760
2024		14,760
2025		14,760
	$	91,964

(b) Environmental clean-up costs

Chemtrade's operations are subject to numerous laws, regulations and guidelines relating to air emissions, water discharges, solid and hazardous wastes, transportation and handling of hazardous substances and employee health and safety in Canada, the United States and other countries where they operate. These environmental regulations are continually changing and are generally becoming more restrictive.

(c) Other claims

Chemtrade is involved in certain claims arising from the ordinary course and conduct of its business which, in the opinion of management, will not have a material impact upon the financial position of Chemtrade.

20. REVENUE:

The components of revenue are as follows:

		2021		2020
Sales of products	**$**	**1,207,953**	$	1,218,981
Processing services		**160,526**		160,658
Revenue	**$**	**1,368,479**	$	1,379,639

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

21. SELLING AND ADMINISTRATIVE EXPENSES:

The components of selling and administrative expenses are as follows:

	2021	2020
Wages, salaries and benefits, including bonuses	$ 65,504	$ 61,609
Share-based payments (note 18)	25,693	6,828
Other selling and administrative expenses	23,999	32,322
Realized foreign exchange (gain) loss	(2,135)	5,869
Unrealized foreign exchange loss	7,493	833
Depreciation (note 22)	3,337	3,478
Lawsuit settlement	(17,709)	—
Government grants	(5,971)	(2,563)
	$ 100,211	$ 108,376

Lawsuit settlement

During the fourth quarter of 2021, Chemtrade settled a lawsuit (the "NATO Lawsuit") in which it was the plaintiff for $21,000. The lawsuit related to the North American Terminal Operations (NATO) assets belonging to Chemtrade's acquired entity, Canexus Corporation ("Canexus"). As a result, selling and administrative expenses for the year ended December 31, 2021 include a net recovery of $17,709 relating to the settlement proceeds less legal and other costs of $3,291.

Government grants

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

The Canada Emergency Rent Subsidy ("CERS") provides rent and mortgage support to businesses affected by COVID-19. Under this program, businesses that experience a revenue drop will be eligible to claim a subsidy on eligible expenses. CERS is administered by the Canada Revenue Agency on a period-by-period basis. Each CERS claim period is four weeks, and businesses can generally submit a claim the day after the period has ended. The subsidy is available on a sliding scale (with a maximum amount of 65%) for businesses that can demonstrate a revenue loss from September 27, 2020 to October 23, 2021.

During the year ended December 31, 2021, Chemtrade received CEWS of $7,604 and CERS of $761. As at December 31, 2021, Chemtrade had no outstanding receivables for CEWS and CERS (December 31, 2020 - CEWS and CERS receivables of $2,395 and nil, respectively).

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

22. DEPRECIATION AND AMORTIZATION:

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

	2021	2020
Cost of sales and services:		
Depreciation expense on PPE (note 7)	**$ 130,560**	$ 136,270
Depreciation expense on ROU assets (note 8)	**46,487**	49,297
Amortization expense (note 10)	**59,238**	64,867
Selling and administrative expenses (note 21):		
Depreciation expense on PPE (note 7)	**1,573**	1,613
Depreciation expense on ROU assets (note 8)	**1,764**	1,865
Total depreciation and amortization expense	**$ 239,622**	$ 253,912

23. NET FINANCE COSTS:

The components of net finance costs are as follows:

	2021	2020
Interest expense on long-term debt	**$ 34,736**	$ 36,432
Debt extinguishment costs (note 13)	**5,104**	—
Interest expense on convertible debentures (note 14)	**30,934**	30,905
Transaction costs on issuance of convertible debentures (note 14)	**5,927**	4,013
Change in the fair value of convertible debentures (note 14)	**19,944**	55,790
Interest expense on lease liabilities (note 8)	**6,741**	8,211
Ineffective portion of change in the fair value of cash flow hedges	**(3,609)**	—
Loss reclassified from other comprehensive income due to termination of original swaps	**13,226**	—
Accretion expense on financing transaction costs (note 13)	**1,121**	982
Accretion of provisions (note 12)	**1,825**	2,734
Pension interest (note 16)	**949**	1,551
Interest income	**(716)**	(322)
Net finance costs	**$ 116,182**	$ 140,296

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

24. 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, it expects that its income distributed to Unitholders will not be subject to SIFT tax.

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

(a) Income tax (expense) recovery

	2021		2020
Taxes recognized in net earnings	**(3,544)**	$	(7,313)
Current tax expense from disposal of assets held for sale (note 6)	**(5,093)**	$	—
Current tax expense	**(8,637)**	$	(7,313)
Deferred tax recovery:			
Origination and reversal of temporary differences	**(21,069)**		54,777
Deferred tax recovery from disposal of assets held for sale (note 6)	**14,737**		—
Deferred tax (expense) recovery	**(6,332)**	$	54,777
Total tax (expense) recovery	**(14,969)**	$	47,464

(b) Reconciliation of the effective tax rate

The provision for income taxes in comprehensive income represents an effective rate different than the Canadian corporate statutory rate of 25.60% (2020 - 26.02%). The differences are as follows:

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

24. INCOME TAXES (continued):

	2021	2020
Net loss before income tax	$ **(220,240)**	$ (214,942)
Computed income tax recovery at Canadian statutory rate	**56,381**	55,924
Difference resulting from:		
Income of trust taxed directly to unitholders	**22,201**	30,528
Difference in substantially enacted tax rate	**(11,513)**	(16,249)
International income tax differences	**(7,851)**	(3,934)
Recognition of previously unrecognized deferred tax (liability) asset	**—**	(3,701)
Tax adjustments related to prior years	**(2,057)**	437
Goodwill impairment	**(10,962)**	(13,063)
Disposal of assets held for sale	**(23,179)**	—
Valuation allowance	**(35,418)**	—
Other	**(2,571)**	(2,478)
Total income tax (expense) recovery	$ **(14,969)**	$ 47,464

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

24. INCOME TAXES (continued):

(c) Recognized deferred tax assets and liabilities

Recognized deferred tax assets and liabilities are attributed to the following:

		2021		2020
Deferred tax assets:				
Other assets	**$**	**51,983**	$	64,959
Losses available for carryforward		**127,588**		193,411
Long-term debt and deferred interest		**50,426**		60,205
Other long-term liabilities and employee benefits		**38,488**		41,973
		268,485		360,548
Reclassification to deferred tax liabilities		**(143,387)**		(240,566)
Total deferred tax assets	**$**	**125,098**	$	119,982
Deferred tax liabilities:				
PPE		**138,277**		183,015
Intangible assets		**18,387**		32,664
Other liabilities		**5,480**		38,316
		162,144		253,995
Reclassification from deferred tax assets		**(143,387)**		(240,566)
Total deferred tax liabilities	**$**	**18,757**	$	13,429

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

24. INCOME TAXES (continued):

(d) Movements in deferred tax balances

Movements in deferred tax balances during the year are as follows:

	Balance January 1, 2021	Recognized in net earnings [1]	Foreign exchange rate changes	Recognized in other comprehensive income	Assets held for sale	Balance December 31, 2021
PPE	$ (183,015)	$ 41,828	$ 1,990	$ —	$ 920	$ (138,277)
Intangible assets	(32,664)	13,557	720	—	—	(18,387)
Net other assets and liabilities	26,643	18,474	1,386	—	—	46,503
Losses available for carryforward	193,411	(64,842)	(981)	—	—	127,588
Long-term debt and deferred interest	60,205	(6,759)	—	(3,020)	—	50,426
Other long-term liabilities and employee benefits	41,973	(23,327)	(891)	20,733	—	38,488
	$ 106,553	**$ (21,069)**	**$ 2,224**	**$ 17,713**	**$ 920**	**$ 106,341**

[1] Excludes deferred tax recovery on disposal of assets held for sale of $14,737. See note 6.

	Balance January 1, 2020	Recognized in net earnings	Foreign exchange rate changes	Recognized in other comprehensive income	Assets held for sale	Balance December 31, 2020
PPE	$ (195,967)	$ 10,998	$ 1,976	$ —	$ (22)	$ (183,015)
Intangible assets	(41,004)	7,604	736	—	—	(32,664)
Net other assets and liabilities	10,009	16,846	(212)	—	—	26,643
Losses available for carryforward	195,504	(888)	(1,205)	—	—	193,411
Long-term debt and deferred interest	69,124	(10,447)	—	1,528	—	60,205
Other long-term liabilities and employee benefits	37,474	30,664	(1,711)	(24,454)	—	41,973
	$ 75,140	**$ 54,777**	**$ (416)**	**$ (22,926)**	**$ (22)**	**$ 106,553**

(e) Unrecognized deferred tax assets

For the year ended December 31, 2021, Chemtrade did not recognize $38,045 (2020 - $13,516) of deferred tax assets as management did not believe that it is probable that the deductible temporary differences giving rise to the deferred tax assets will be utilized.

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

25. FINANCIAL INSTRUMENTS:

(a) Categories of financial assets and liabilities

The carrying values of Chemtrade's financial instruments are as follows:

	IFRS 9 Classification	2021	2020
Cash-settled unit swaps	Fair value - hedging instrument	**1,508**	—
Interest rate swap liability (note 15)	Fair value - hedging instrument	**—**	22,164
Interest rate swap liability (note 15)	Fair value through profit and loss	**9,616**	—
Foreign exchange contracts asset	Fair value through profit and loss	**$ 1,070**	$ —
Convertible unsecured subordinated debentures (note 14) [1]	Fair value through profit and loss	**670,173**	445,895
Trade and other receivables (note 4)	Amortized cost	**96,371**	86,259
Trade and other payables (note 11)	Other financial liabilities	**229,985**	207,948
Distributions payable	Other financial liabilities	**5,232**	4,677
Long-term debt (note 13)	Other financial liabilities	**373,531**	776,914

[1] Any changes in the fair value due to Chemtrade's own credit risk are presented in other comprehensive income rather than net earnings.

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

25. FINANCIAL INSTRUMENTS (continued):

(b) Derivatives and hedging:

	December 31, 2021			December 31, 2020		
	Notional Amount	**Fair Value Asset**	**Fair Value Liability**	Notional Amount	Fair Value Asset	Fair Value Liability
Derivatives designated in a formal hedging relationship						
Interest rate swaps	**—**	**—**	**—**	US$ 575,000	$ —	$ 22,164
Cash-settled unit swaps	**—**	**1,508**	**$ —**	—	—	—
Derivatives not designated in a formal hedging relationship						
Interest rate swaps	**US$ 325,000**	**$ —**	**$ 9,616**	—	—	—
Foreign exchange contracts [1]	**—**	**1,070**	**—**	—	—	—
Total		**$ 2,578**	**$ 9,616**		$ —	$ 22,164

[1] See below for notional amounts.

On January 24, 2019, Chemtrade entered into swap arrangements which fixed the LIBOR components of its interest rates on US$175,000 of its outstanding term bank debt until December 2023. Chemtrade entered into additional swap arrangements which were effective August 24, 2019 and which fixed the LIBOR components of its interest rates on US$150,000 of its outstanding term bank debt until December 2023. On April 24, 2020, Chemtrade entered into a swap arrangement which fixed the LIBOR components of its interest rates on up to US$250,000 of its outstanding revolving credit under its long term debt until it expired on April 24, 2021. These swaps were formally designated as cash flow hedges at the date of inception and any changes in the fair value of the effective portion of the swaps are recognized in other comprehensive income.

During the first quarter of 2021, Chemtrade blended and extended its existing US$175,000 and US$150,000 interest rate swaps on its outstanding term bank debt. Effective March 24, 2021, the terms of these swaps were extended until October 2024 to align with the maturity date of the term bank debt. Chemtrade recognized the blend and extend as a termination of the original swaps and execution of new swaps. As a result, hedge accounting on the original swaps were discontinued prospectively. To continue the benefits of hedge accounting, Chemtrade designated the new blend and extend swaps in new hedge relationships. Since the interest payments that were being hedged are still expected to occur, the fair values of the original swaps as of the termination date will remain in accumulated other comprehensive income and were reclassified into net earnings over the term of original swaps.

On December 24, 2021, Chemtrade amended its credit agreement by converting the entire facility into a revolving credit facility. This resulted in the de-recognition of the term bank debt which had been designated as the hedged item for the purpose of hedge accounting. As a result of the amendment and de-designation of the hedged item, Chemtrade reclassified $8,105

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

25. FINANCIAL INSTRUMENTS (continued):

relating to the fair value of the effective portion of the swaps which were previously recorded in other comprehensive income to net earnings.

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

For the year ended December 31, 2021, a foreign exchange gain of $6,603 (2020 - gain of $18,175) on the revaluation of the U.S. dollar-denominated debt related to this hedging strategy was recognized in other comprehensive income, net of tax.

During the third quarter of 2021, Chemtrade entered into cash-settled unit swap arrangements which fixed the unit price on a portion of the RSU component of its LTIP awards. The RSU component of the LTIP awards is a phantom plan which is payable in cash at the end of the performance period. The arrangements are based on a portion of RSUs outstanding for all its existing LTIP awards. As at December 31, 2021, the notional number of units hedged was 2,577,166 with maturity dates ranging between March 2022 and March 2024. Distributions on the hedged units are reinvested in these swap arrangements. These swaps are formally designated as cash flow hedges at the date of inception and any changes in the fair value of the unvested portion of the RSUs are recognized in other comprehensive income.

Chemtrade has entered into foreign exchange contracts to manage some of its exposure to foreign currencies. Chemtrade buys and sells specific amounts of currencies at pre-determined dates and exchange rates, which are matched with the anticipated operational cash flows. Contracts in place at December 31, 2021 include future contracts to sell the following amounts for periods through to January 2023:

Amount	Maturity	Exchange rate range
US$103,546	Q1 2022	$1.25 - $1.28
US$18,015	Q2 2022	$1.26 - $1.28
US$17,247	Q3 2022	$1.25 - $1.28
US$10,000	Q4 2022	$1.27 - $1.28
US$4,116	Q1 2023	$1.28 - $1.29

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

25. FINANCIAL INSTRUMENTS (continued):

(c) Fair values of financial instruments:

Fair value is the value that would be agreed upon in an arm's length transaction between willing and knowledgeable counter-parties. The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables and distributions payable approximate their fair values because of the short-term maturity of these financial instruments. The carrying amount of long-term debt, excluding transaction costs, approximates fair value as the debt accrues interest at variable interest rates.

For fair value estimates relating to the Debentures and derivatives, Chemtrade classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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 following is a summary of the fair value hierarchy levels of Chemtrade's financial instruments:

2021	**Level 1**	**Level 2**	**Level 3**	**Total**
Instruments at fair value through profit and loss				
Interest rate swaps	—	(9,616)	—	(9,616)
Foreign exchange contracts	$ —	$ 1,070	$ —	$ 1,070
Convertible unsecured subordinated debentures	(670,173)	—	—	(670,173)
Instruments at fair value through other comprehensive income				
Cash-settled unit swaps	—	1,508	—	1,508
Total	**$ (670,173)**	**$ (7,038)**	**$ —**	**$ (677,211)**

25. FINANCIAL INSTRUMENTS (continued):

2020	Level 1	Level 2	Level 3	Total
Instruments designated as fair value through profit and loss				
Convertible unsecured subordinated debentures	(445,895)	—	—	(445,895)
Instruments designated as fair value through other comprehensive income				
Interest rate swaps	—	(22,164)	—	(22,164)
Total	**$ (445,895)**	**$ (22,164)**	**$ —**	**$ (468,059)**

The Fund's Debentures are classified within Level 1 because they are actively traded on the TSX and the fair value is based on the quoted prices on the TSX. Any changes in the fair value of the Debentures are recognized in net earnings except for changes due to the Fund's own credit risk which are recorded in other comprehensive income.

All of Chemtrade's derivative financial instruments are classified within Level 2 because they are based on rates quoted by banks and other public data sources. These derivatives are recorded in prepaid expenses and other assets, trade and other payables, and other long-term liabilities on the statements of financial position.

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

The fair value of the interest rate swap arrangements is the difference between the forward interest rates and the contract rates discounted. The liability is recorded in other long-term liabilities in the statements of financial position. Any changes in the effective portion of fair value of these arrangements are recognized in other comprehensive income.

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

(d) 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

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

25. FINANCIAL INSTRUMENTS (continued):

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 the COVID-19 pandemic. 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, notwithstanding the impact of the COVID-19 pandemic.

The undiscounted cash flow requirements for financial liabilities as at December 31, 2021 are as follows:

	Carrying Value	Total	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years
Trade and other payables (note 11)	$ 229,985	$ 229,985	$ 229,985	$ —	$ —	$ —
Distributions payable	5,232	5,232	5,232	—	—	—
Lease liabilities (note 8)	148,074	161,619	51,611	66,210	24,896	18,902
Long-term debt (note 13)	373,531	373,531	—	—	373,531	—
Interest on long-term debt	—	81,910	16,436	32,872	32,602	—
Convertible unsecured subordinated debentures (note 14)	670,173	661,115	143,750	201,115	186,250	130,000
Interest on Debentures	—	130,921	34,404	57,443	33,665	5,409
Total	**$ 1,426,995**	**$ 1,644,313**	**$ 481,418**	**$ 357,640**	**$ 650,944**	**$ 154,311**

25. FINANCIAL INSTRUMENTS (continued):

(iii) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and price risk (unit and other). Chemtrade's market risks are as follows:

(a) 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. At December 31, 2021, on an unhedged basis, Chemtrade estimates that a one-cent change in the exchange rate would have an impact on the translation of net earnings of approximately $2,000 per annum. At December 31, 2021, on an unhedged basis, a one-cent change in the exchange rate would also have an impact of approximately $2,800 on Chemtrade's net earnings because of the translation of its US dollar-denominated long-term debt. 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.

(b) Interest rate risk

Chemtrade has a credit facility with long-term debt which bears variable rates of interest. As at December 31, 2021, on an unhedged basis, a change in interest rates of 1% per annum would have an impact of approximately $3,700 on Chemtrade's net earnings per annum. As at December 31, 2021, Chemtrade had fixed interest rates on 100% of its senior debt until October 2024 and 0% thereafter until December 2026.

Managing interest rate benchmark reform and associated risks

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some IBORs with alternative nearly RFR. Chemtrade has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. There is uncertainty over the timing and the methods of transition in some jurisdictions that Chemtrade operates in.

25. FINANCIAL INSTRUMENTS (continued):

The IBOR reform impacts Chemtrade's operational and risk management processes and hedge accounting. The main risks to which Chemtrade is exposed as a result of the IBOR reform are operational. This includes renegotiating borrowing contracts through bilateral negotiation with counterparties, implementing new fallback clauses with its derivative counterparties, updating contractual terms and revising operational controls related to the reform. Financial risk is predominantly limited to interest rate risk. Hedging relationships may experience ineffectiveness due to uncertainty about when and how replacement may occur with respect to the relevant hedged item and hedging instrument or the difference in the timing of a replacement.

Chemtrade monitors the progress of transition from IBORs to new benchmark rates by reviewing the total amounts of contracts that have yet to transition to an alternative benchmark rate and the amounts of such contracts that include an appropriate fallback clause. Chemtrade considers that a contract is not yet transitioned to an alternative benchmark rate when interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform, even if it includes a fallback clause that deals with the cessation of the existing IBOR (referred to as an ‘unreformed contract’). Chemtrade’s Credit Facilities bear variable rates of interest based on the US LIBOR and Canadian Bankers' Acceptance rates. US LIBOR comes under the purview of the IBOR reform. However, the reference rate reform is not expected to have a significant impact (with respect to the Credit Facilities) on the consolidated financial statements of Chemtrade. Chemtrade will continue to monitor developments relating to the reform.

Derivatives

Chemtrade held interest rate swaps for risk management purposes which were de-designated prior to December 31, 2021. The interest rate swaps had floating legs that were indexed to 1-month LIBOR. Chemtrade’s derivative instruments are governed by contracts based on the International Swaps and Derivatives Association (ISDA)’s master agreements.

ISDA is currently reviewing its standardized contracts in the IBOR reform and plans to amend certain floating-rate options in the 2006 ISDA definitions to include fallback clauses that would apply on the permanent discontinuation of certain key IBORs. ISDA is expected to publish an IBOR fallback supplement to amend the 2006 ISDA definitions and an IBOR fallback protocol to facilitate multilateral amendments to include the amended floating-rate options in derivative transactions that were entered into before the date of the supplement. Chemtrade will adhere to the protocol if and when it is finalized and monitor whether its counterparties will adhere. If this plan changes or there are counterparties who will not adhere to the protocol, Chemtrade will negotiate with them bilaterally about including new fallback clauses.

25. FINANCIAL INSTRUMENTS (continued):

Hedge accounting

Chemtrade held hedging instruments that were indexed to 1-month LIBOR, however, these were de-designated prior to December 31, 2021. These benchmark rates were quoted each day and the IBOR cash flows were exchanged with counterparties as usual.

The IBOR reform had no impact on the consolidated financial statements of Chemtrade. Chemtrade intends to use the RFR for its risk management and hedge accounting in future periods if it becomes applicable. Chemtrade will actively monitor the IBOR reform and consider circumstances as it becomes party to new or revised interest rate swaps.

(c) Unit price risk

Unit price risk is the risk that changes in Chemtrade's own unit price affect earnings and cash flows. Earnings and cash flows from operating activities are affected when outstanding cash-settled RSUs, issued under Chemtrade's LTIP awards, are revalued each period based on Chemtrade's unit price. Net cash flows from operating activities are affected when these cash-settled RSUs are ultimately settled. Chemtrade enters into cash-settled unit swap arrangements to fix the unit price on a portion of the RSU component of its LTIP awards to mitigate a portion of the unit price risk.

(d) Other price risks

Product Price and Sales Volume Risk -

Every $50 change in the price per metric tonne ("MT") of North American produced sodium chlorate would have an impact on earnings before income taxes of approximately $18,050 per annum. Every $100 change in the price per MECU of chlor-alkali products produced in North America would have an impact on earnings before income taxes of approximately $18,100 per annum. These sensitivities to changes in prices are based on approximately 361,000 MT of North American sodium chlorate sales and 181,000 MECU of North American chlor-alkali sales for the year ended December 31, 2021, respectively.

A change in sales volumes for North American sodium chlorate of 10,000 MT would have an impact on earnings before income taxes of approximately $3,000 per annum. A change in sales volumes for North American chlor-alkali products of 5,000 MECU would have an impact on earnings before income taxes of approximately $2,600 per annum.

25. FINANCIAL INSTRUMENTS (continued):

Electricity Price Risk -

Every four percent change in the price of electricity in North America would have an impact on earnings before income taxes of approximately $4,600 per annum. This sensitivity to changes in electricity prices is based on North American electricity consumption of approximately 2,386,000 megawatt hours for the year ended December 31, 2021. A four percent change in the price of electricity in North America is considered reasonable given historical price changes and market expectations for future movement.

Sulphuric acid pricing -

At December 31, 2021, a change in sulphuric acid pricing, net of freight, of $10 per tonne, would have an impact on annual revenues in North America of approximately $9,500. In any specific period, the exact impact would depend upon the volume that is subject to sales contracts where pricing has been fixed for a period of time. The magnitude of realized price changes also depends upon regional market dynamics. It is difficult to reliably estimate the impact of price changes on earnings as this depends upon the volume subject to risk-sharing supply contracts and changes in sulphur costs for manufactured sulphuric acid. These factors lessen the impact of price changes on earnings relative to revenue.

Salt costs -

Chemtrade uses salt in the manufacturing of its sodium chlorate and chlor-alkali products. At current operating levels, an increase of $2 per tonne of salt prices in North America would have an impact of approximately $1,000 per annum on earnings before income taxes.

Sulphur costs -

Chemtrade uses sulphur in the manufacturing of several of its products, including sulphuric acid. At operating levels as at December 31, 2021, an increase of $10 per tonne would have an impact of approximately $1,500 per annum on cost of sales and services. It is important to note that a change in the cost of sulphur is likely to lead to a change in the price for sulphuric acid as this is a key input cost in the manufacturing of sulphuric acid. Thus, the net impact on earnings of changes in sulphur costs would depend upon changes in sulphuric acid pricing.

26. CAPITAL MANAGEMENT:

Chemtrade's objective when managing its capital is to safeguard Chemtrade's assets and its ability to continue as a going concern, to meet external capital requirements related to its credit facilities, and to maximize the growth of its business and the returns to its Unitholders. Chemtrade's capital structure is comprised of units, Debentures and long-term debt. The long-term debt does not require payment until December 2026.

The Debentures have maturity dates ranging from August 2023 to August 2027, with the Fund 2016 5.00% Debentures having been redeemed during January 2022, as discussed in note 30. Chemtrade intends to maintain a flexible capital structure consistent with the objectives stated above and to respond to changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, Chemtrade may purchase units for cancellation, issue new units, raise debt (secured, unsecured, convertible and/or other types of available debt instruments) or refinance existing debt with different characteristics.

Chemtrade utilizes annual capital and operating expenditure budgets to facilitate the management of its capital requirement. These budgets are approved by the Board. Budgets are updated if there are significant changes in fundamental underlying assumptions during a period.

Chemtrade is subject to certain covenants on its credit facilities, which include a Net Debt to EBITDA ratio and an Interest Coverage ratio (as all terms are defined in the credit agreement). Chemtrade monitors these ratios and reports them to its lenders on a quarterly basis. As at December 31, 2021 and December 31, 2020, Chemtrade was in compliance with the above covenants.

There were no changes in Chemtrade's approach to managing capital during the year.

27. REPORTABLE SEGMENTS:

During 2021, Chemtrade operated in four reportable segments: SPPC, WSSC, EC, and Corp. See note 30 for changes which will be effective in the first quarter of 2022. The 2021 reportable segments of Chemtrade are strategic business groups that offer products and services to target markets, as described below.

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 and phosphorus pentasulphide. WSSC also manufactured and marketed potassium chloride (KCl) and vaccine adjuvants until the sale of those businesses on November 2, 2021. 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)

27. REPORTABLE SEGMENTS (continued):

Year Ended December 31, 2021

	SPPC	WSSC	EC	Corp	Total
Revenue	$ 419,070	$ 426,163	$ 523,246	$ —	**$1,368,479**
Inter-segment revenues	26,456	—	3,930	—	**30,386**
Operating income (loss)	46,524	39,079	(119,555)	(70,106)	**(104,058)**
Net finance costs					**(116,182)**
Income tax expense [(1)]					**(14,969)**
Net loss [(1)]					**(235,209)**
Depreciation and amortization	82,431	41,365	115,826	—	**239,622**
Net loss (gain) on disposal and write-down of PPE	593	(1,096)	130	—	**(373)**
Loss on disposal of assets held for sale [(1)]	—	7,135	—	—	**7,135**
Change in environmental liability	—	561	—	—	**561**
Impairment of PPE	—	—	48,343	—	**48,343**
Impairment of intangible assets	—	—	81,657	—	**81,657**
Capital expenditures	27,289	25,313	32,365	1,174	**86,141**

[(1)] Net loss includes a gain of $7,602 as a result of sale of KCl and vaccine adjuvants assets during the fourth quarter of 2021. The gain has been recorded as a loss on disposal of $7,135 in the WSSC segment and a deferred income tax recovery of $14,737.

Year ended December 31, 2020

	SPPC	WSSC	EC	Corp	Total
Revenue	$ 423,027	$ 445,897	$ 510,715	$ —	$1,379,639
Inter-segment revenues	16,989	—	4,242	—	21,231
Operating income (loss)	11,546	(9,112)	1,725	(78,805)	(74,646)
Net finance costs					(140,296)
Income tax recovery					47,464
Net loss					(167,478)
Depreciation and amortization	92,843	46,967	114,102	—	253,912
Net loss on disposal and write-down of PPE [(1)]	20,524	433	42	—	20,999
Change in environmental liability	—	8,170	—	—	8,170
Impairment of goodwill	—	56,000	—	—	56,000
Capital expenditures	28,377	15,242	32,324	1,145	77,088

[(1)] Net loss on disposal and write-down of PPE includes a write-down of $19,193 in the SPPC segment as a result of the decision to rationalize sulphuric acid capacity and has been recorded in cost of sales and services.

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

27. REPORTABLE SEGMENTS (continued):

December 31, 2021

		SPPC		WSSC		EC		Corp		Other [1]		Total
Total assets	$	787,904	$	416,339	$	725,739	$	(6,110)	$	125,098	**$**	**2,048,970**
Total liabilities		220,004		137,547		197,518		51,592		1,062,461		**1,669,122**
Intangible assets		337,358		160,216		106,999		—		—		**604,573**

[1] The "Other" column includes deferred tax assets, deferred tax liabilities and all outstanding debt (including the Debentures).

December 31, 2020

		SPPC		WSSC		EC		Corp		Other [1]		Total
Total assets	$	862,605	$	607,728	$	906,249	$	3,762	$	119,982	$	2,500,326
Total liabilities		220,755		172,240		215,235		50,043		1,236,238		1,894,511
Intangible assets		361,469		169,939		216,662		—		—		748,070

[1] The "Other" column includes deferred tax assets, deferred tax liabilities and all outstanding debt (including the Debentures).

Geographic segments:

Chemtrade operates primarily in Canada, the United States and South America. Revenue is attributed to customers based on location of sale.

Revenue

		2021		2020
Canada	**$**	**433,154**	$	454,246
United States		**867,156**		860,916
South America		**68,169**		64,477
	$	**1,368,479**	$	1,379,639

PPE, ROU assets and intangible assets

		December 31, 2021		December 31, 2020
Canada	**$**	**795,084**	$	997,912
United States		**786,304**		834,705
South America		**104,194**		117,683
	$	**1,685,582**	$	1,950,300

28. RELATED PARTIES:

Key management personnel compensation

Key management personnel is comprised of trustees and the senior leadership team of Chemtrade. Trustees receive compensation in the form of an annual retainer. In addition to their salaries, Chemtrade also provides other benefits to the senior leadership team. One such benefit is the contribution to a post-employment DC plan on their behalf. Chemtrade provides a basic contribution of 4% of base salary for plan participants. They can make additional voluntary contributions up to 2% of their base salary, and Chemtrade matches each dollar contributed up to 2% for a total of 6% of base salary. Contributions to the DC plan vest immediately. These plans for the senior leadership team are identical to the plans offered to all employees in the same jurisdiction.

The Annual Incentive Compensation (“Annual IC”) plan entitles the senior leadership team to annual cash awards based on (i) Chemtrade's success in achieving financial objectives (financial achievement is weighted at 65% of the total Annual IC award); and (ii) their individual success in accomplishing personal objectives (weighted at 35% of the total Annual IC award) as set out in their objectives for the fiscal year.

The LTIP as described in note 18 is designed to align the interests of the participants with the interests of Unitholders. It is a cash plan where payment is triggered upon the successful achievement of pre-defined performance criteria. Each year the Compensation and Corporate Governance Committee of the Board determines the performance period over which performance will be measured. The annual LTIP awards granted have been based on a three-year performance period and the awards vest at the end of the three-year period, other than the 2020-2022 LTIP which has various performance and vesting periods ranging between 15 and 27 months. The value of this compensation is re-measured at each reporting period based upon changes in the fair value of the awards.

Certain members of the senior leadership team are subject to a mutual term of notice upon termination of employment without cause; they are entitled to termination benefits of 12 to 18 months gross salary. In addition they are entitled to either their target Annual IC or a value based on the most recently completed financial year.

Chemtrade has in place a deferred unit compensation plan for its trustees, pursuant to which the trustees can elect to take all or a portion of their compensation in the form of deferred units of Chemtrade, with the remainder as a cash payment. Currently, the trustees are required to take 50% of their compensation in the form of deferred units of Chemtrade. As at December 31, 2021, the market value of these deferred units, which is included in trade and other payables was $4,239 (2020 - $3,286).

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

28. RELATED PARTIES (continued):

The key management personnel compensation expense including retirements costs, which is recorded in comprehensive income, is as follows:

		2021		2020
Short-term compensation	**$**	**14,212**	$	9,535
LTIP		**15,495**		4,785
	$	**29,707**	$	14,320

29. RECLASSIFICATION OF PRIOR PERIOD PRESENTATION:

Certain amounts reported in prior periods in the consolidated financial statements have been reclassified to conform to the current period's presentation.

30. SUBSEQUENT EVENTS:

Redemption of the Fund 2016 5.00% Debentures

During the fourth quarter of 2021, Chemtrade announced the redemption of all of the outstanding Fund 2016 5.00% Debentures, with an effective redemption date of January 25, 2022. On January 25, 2022, the debentures were redeemed for $146,645. The debentures were redeemed at their par value. Chemtrade used the net proceeds from the Fund 2021 6.25% Debentures offering and its Credit Facilities to fund the redemption. These debentures have been presented as current liabilities in the Consolidated Statements of Financial Position at December 31, 2021.

Operating segments reconfiguration

As a result of the sale of KCl and vaccine adjuvants businesses in November 2021, Chemtrade is in the process of reconfiguring its operating segments which will be effective in the first quarter of 2022. SPPC will be combined with the remaining products of the WSSC segment to form a new segment called Sulphur and Water Chemicals (SWC). The EC and Corporate segments will remain unchanged.

Information for unitholders

Management

Scott Rook
President & Chief Executive Officer

Rohit Bhardwaj
Chief Financial Officer

Tejinder Kaushik
Vice-President,
Information Technology

Tim Montgomery
Group Vice-President, Manufacturing and Engineering

Susan Paré
Corporate Secretary
General Counsel

Emily Powers
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Stock symbol: CHE.UN

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Investor information

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

Rohit Bhardwaj
Chief Financial Officer
(416) 496-4177

Annual meeting

The annual meeting of unitholders will be held on May 10, 2022 at 10:00 a.m. Virtual-only meeting via live webcast at https://meetnow.global/MHKRXAY

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