2023

Chemtrade Logistics Income Fund

2023 First Quarter Report

CHEMTRADE LOGISTICS INCOME FUND

Management's Discussion and Analysis

For the Three Months Ended March 31, 2023

May 10, 2023

Q1 2023

CHEMTRADE

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

This MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements of Chemtrade for the three months ended March 31, 2023, the audited consolidated financial statements of Chemtrade for the year ended December 31, 2022 and the annual MD&A for the year ended December 31, 2022.

Chemtrade's financial statements are prepared in accordance with IFRS. Chemtrade's reporting currency is the CAD. In this MD&A, amounts are presented in thousands of CAD unless otherwise indicated. This MD&A is current as at May 10, 2023 and was approved by the Board on that date.

This MD&A contains certain non-IFRS financial measures and ratios which do not have standard meanings under IFRS. Therefore they may not be comparable to similar measures presented by other issuers. Further information and reconciliations of these measures to the most directly comparable measures under IFRS may be found at **Non-IFRS and Other Financial Measures** on page 33.

This MD&A also contains statements and information about our expectations about the future. Please refer to the cautionary statement in **Caution Regarding Forward Looking Statements** on page 31.

Definitions

MD&A means Management's Discussion & Analysis

Fund means Chemtrade Logistics Income Fund

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

*IFR*S means International Financial Reporting Standards

SWC means our Sulphur and Water Chemicals reportable segment

EC means our Electrochemicals reportable segment

More terms and definitions are explained on page 39.

Where to find it

About Chemtrade

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

Sulphur and Water Chemicals (SWC) and **Electrochemicals (EC).**

SWC markets, removes and/or produces merchant, Regen and ultra pure sulphuric acid, sodium hydrosulphite, elemental sulphur, liquid sulphur dioxide, hydrogen sulphide, sodium bisulphite, and sulphides, and provides other processing services. SWC also manufactures and markets a variety of inorganic coagulants used in water treatment, including aluminum sulphate, aluminum chlorohydrate, polyaluminum chloride, and ferric sulphate; and a number of specialty chemicals, including sodium nitrite and phosphorus pentasulphide. SWC products are marketed primarily to North American customers.

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

FINANCIAL HIGHLIGHTS

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

	Three months ended			
($'000 except per unit amounts)		**March 31, 2023**		March 31, 2022
Revenue	$	471,245	$	390,345
Net earnings	$	79,533	$	10,686
Net earnings per unit [1]	$	0.69	$	0.10
Diluted net earnings per unit [1]	$	0.32	$	0.10
Total assets	$	2,225,905	$	2,042,876
Long-term debt	$	327,784	$	524,065
Convertible unsecured subordinated debentures	$	622,926	$	537,375
Adjusted EBITDA [2]	$	131,669	$	107,832
Cash flows from operating activities	$	54,372	$	37,133
Distributable cash after maintenance capital expenditures[2]	$	87,575	$	63,269
Distributable cash after maintenance capital expenditures per unit [1][2]	$	0.76	$	0.61
Distributions declared	$	17,440	$	15,735
Distributions declared per unit [3]	$	0.15	$	0.15
Distributions paid, net of distributions reinvested	$	14,708	$	13,353

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

[2] See **Non-IFRS and Other Financial Measures** on page 33.

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

FIRST QUARTER 2023 HIGHLIGHTS

- Revenue of $471.2 million, an increase of $80.9 million or 20.7% year-over-year, reflecting strong double-digit growth in both operating segments.
- Net earnings of $79.5 million, an increase of $68.8 million year-over-year.
- Adjusted EBITDA of $131.7 million, an increase of $23.8 million or 22.1% year-over-year, primarily owing to increased revenue.
- Cash flows from operating activities of $54.4 million, an increase of $17.2 million or 46.4% year-over-year.
- Distributable cash after maintenance capital expenditures of $87.6 million, an increase of $24.3 million or 38.4% year-over-year.

RECENT DEVELOPMENTS

Superior Lawsuit Judgment

In December 2022, we received a judgment in our favour related to a $25.0 million lawsuit against Superior. The lawsuit involved the failed attempt by Superior to acquire Canexus, prior to our 2017 acquisition of Canexus. During the first quarter of 2023, we received a payment of $27.7 million including interest. However, Superior has filed an appeal against the judgment. We have established a provision of $27.7 million due to uncertainty associated with the outcome of the appeal.

Issuance of the Fund 2023 7.00% Debentures

During the first quarter of 2023, we completed a public offering of $110.0 million principal amount of convertible unsecured subordinated debentures, at a price of $1,000 per debenture, with an interest rate of 7.00% per annum (the "Fund 2023 7.00% Debentures"). The Fund 2023 7.00% Debentures will mature on June 30, 2028 and are convertible, at the option of the holder, into trust units of the Fund at a conversion price of $12.85 per unit. We incurred transaction costs of $5.0 million which included underwriters' fees and other expenses relating to the offering. On May 4, 2023, we used $100.0 million of the net proceeds of the issuance to partially redeem our outstanding 4.75% convertible unsecured subordinated debentures ("the Fund 2017 4.75% Debentures").

Redemption of the Fund 2017 4.75% Debentures

During the first quarter of 2023, we announced the partial redemption of $100.0 million aggregate principal amount of the outstanding Fund 2017 4.75% Debentures. On May 4, 2023, the debentures were redeemed at their par value, including accrued interest for a total of $102.0 million. We used the net proceeds of the Fund 2023 7.00% Debentures to fund this redemption.

On May 10, 2023, we announced the redemption of the remaining principal amount ($101.1 million) of the Fund 2017 4.75% Debentures, with an effective redemption date of June 30, 2023. The debentures will be redeemed at their par value. We will use our Credit Facilities together with cash on hand, to fund this redemption. This will result in a reduction of $91.1 million in the principal amount of convertible debentures outstanding compared to December 31, 2022.

CONSOLIDATED OPERATING RESULTS

	Q1 2023 vs Q1 2022
F/X Rate	US$1.00 = $1.35 in 2023 compared with US$1.00 = $1.27 in 2022. The weaker Canadian dollar during 2023 compared with 2022 had a positive impact on consolidated revenue, gross profit and EBITDA of $19.9 million, $7.8 million and $8.7 million, respectively.
Revenue	Consolidated revenue for 2023 was $471.2 million, which was $80.9 million higher than revenue for 2022. The increase was primarily due to: • higher selling prices of chlor-alkali products and sodium chlorate in the EC segment, and • higher selling prices of water solutions products, sodium nitrite, Regen acid and merchant acid in the SWC segment.
Adjusted EBITDA	Adjusted EBITDA for 2023 was $23.8 million higher than the Adjusted EBITDA for the same period of 2022. The increase in Adjusted EBITDA was primarily due to: • increased gross profit for sodium chlorate and chlor-alkali products in the EC segment, partially offset by: • improved results for water products which were more than offset by higher costs and reduced sales due to higher maintenance turn around activities for acid products in the SWC segment, and • higher corporate costs.
Net Earnings (loss)	Net earnings for 2023 were $68.8 million higher than 2022 primarily due to: • net finance income during 2023 compared with net finance costs during 2022 (see **Net Finance Costs** on page 12), • higher Adjusted EBITDA, and • lower income tax expenses recorded during 2023 compared with the same period of 2022 (see **Income Taxes** on page 13).

RESULTS OF OPERATIONS BY REPORTABLE SEGMENT

SULPHUR AND WATER CHEMICALS (SWC)

	Three months ended	
($'000)	**March 31, 2023**	**March 31, 2022**
Revenue	$ 262,536	$ 228,988
Gross profit	30,694	39,302
Adjusted EBITDA	55,438	62,464

	SWC OPERATING RESULTS
	Q1 2023 vs Q1 2022
Revenue	The increase shown above was primarily due to: • higher selling prices of water solutions products, sodium nitrite, Regen acid and merchant acid, partially offset by: • lower Regen acid volumes and lower selling prices of sulphur products.
Gross Profit	Gross profit shown above was lower due to: • lower demand for Regen acid as several key customers completed significant maintenance turnarounds, • higher costs related to the maintenance turnarounds at the Beaumont and Richmond plants during Q1 2023, and • lower selling prices of sulphur products, partially offset by: • higher selling prices of water solutions products, sodium nitrite, Regen acid and merchant acid.
Adjusted EBITDA	The factors that affected gross profit also resulted in lower Adjusted EBITDA in 2023.

ELECTROCHEMICALS (EC)

($'000)	Three months ended March 31, 2023	March 31, 2022
North American sales volumes:		
Sodium chlorate sales volumes (000's MT)	82	87
Chlor-alkali sales volumes (000's MECU)	43	40
Revenue	$ 208,709	$ 161,357
Gross profit	79,161	39,517
Adjusted EBITDA	99,894	65,596

	EC OPERATING RESULTS Q1 2023 vs Q1 2022
Revenue	The higher revenue shown above was primarily due to: • an increase in selling prices for all three chlor-alkali products (caustic soda, chlorine and HCl) and a stronger USD relative to the CAD resulting in an increase of approximately $550 in realized MECU netbacks (i.e. selling price less freight). Selling prices for all three chlor-alkali products were significantly higher due to improved market conditions for chlorine in North America, increased demand for HCl from oil and gas fracking in North America and caustic soda pricing in NE Asia, • a significant increase in selling prices for sodium chlorate reflecting the global shift in operating rates, and • higher revenue in Brazil due to favourable market conditions for most products.
Gross Profit	Gross profit shown above was higher due to: • stronger USD relative to the CAD, • higher selling prices for all three chlor-alkali products, • higher selling prices for sodium chlorate, and • higher revenue in Brazil.
Adjusted EBITDA	The factors that affected gross profit also resulted in higher Adjusted EBITDA in 2023. Realized MECU netbacks during Q1 2023 were approximately $550 higher than Q1 2022. The stronger USD relative to the CAD accounted for approximately 20% of the improvement in realized MECU netbacks. Approximately 60% of the higher realized MECU netbacks was due to higher realized prices for chlorine and HCl and the balance due to higher realized prices for caustic soda. Chlorine benefited from reduced supply in the industry. Demand for HCl was strong due to increased fracking activity in North America. Asian caustic soda fundamentals (which drive our selling price) were supported by reduced supply in Europe due to very high costs for electricity, the main input cost for chlor-alkali.

Corporate Costs

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

	Three months ended	
($'000)	**March 31, 2023**	**March 31, 2022**
Cost of services (Adjusted EBITDA)	(23,663)	(20,228)

	CORPORATE COSTS
	Q1 2023 vs Q1 2022
Cost of Services	Corporate costs shown above were higher primarily due to: • a realized foreign exchange loss of $0.6 million in 2023 as compared to a gain of $2.1 million in 2022, and • $1.6 million higher short-term incentive compensation costs compared to 2022, partially offset by: • $0.8 million of reserves created for legal proceedings during Q1 2022.

Foreign Exchange

We have certain operating subsidiaries that use the USD as their functional currency. As we report in CAD, our reported net earnings are exposed to fluctuations in the CAD/USD exchange rate. If the CAD weakened by one-cent (for example, from $1.35 to $1.36 for US$1.00), on an unhedged basis, this would have the impact as below:

Measure	Impact
Annual net earnings	+ $3.0 million
Adjusted EBITDA	+ $4.0 million
Annual distributable cash after maintenance capital expenditures	+ $2.9 million

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

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

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

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

All foreign exchange contracts are under ISDA agreements. Contracts in place at March 31, 2023 include future contracts to sell the following amounts for periods through to August 2024:

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

The purpose of these contracts is to manage foreign exchange risk on specific transactions in a foreign currency. The amount of the related derivative is recorded at fair value at the period end and is included with prepaid expenses and other assets or trade and other payables on the condensed consolidated interim statements of financial position. The resultant non-cash charge or gain is included in selling and administrative expenses. The impact of this non-cash charge or gain is excluded from Adjusted EBITDA and Distributable cash after maintenance capital expenditures. See Non-IFRS and Other Financial Measures on page 33.

We have hedged our investments in foreign operations that use the USD as their functional currency with our USD-denominated bank debt. As a result, any gains and losses arising from the USD-denominated debt will be offset by the foreign currency gain or loss arising from the investment in the foreign operations. The gains and losses on the translation of the designated amount of USD-denominated debt and investment in foreign operations are recognized on a net basis in other comprehensive income. The changes recorded in the accumulated other comprehensive income account since December 31, 2022 were a result of changes in the CAD/USD exchange rate between December 31, 2022 and March 31, 2023. For the three months ended March 31, 2023, a foreign exchange loss of $0.4 million on the revaluation of the USD-denominated debt and investment in foreign operations was recognized in other comprehensive income, compared with foreign exchange gain of $4.2 million during the three months ended March 31, 2022.

The rate of exchange used to translate USD-denominated balances has decreased from a rate of US$1.00 = $1.36 at December 31, 2022 to US$1.00 = $1.35 at March 31, 2023. See **Risks and Uncertainties** in our 2022 MD&A for additional comments on foreign exchange.

NET FINANCE COSTS AND INCOME TAXES

Net Finance Costs

During the three months ended March 31, 2023, net finance income was $12.7 million compared with net finance costs of $28.8 million during the same period of 2022.

Q1 2023 vs Q1 2022
Net finance costs were $41.6 million lower during the first quarter of 2023 relative to 2022. The decrease was primarily due to: • $33.2 million gain related to the change in fair value of Debentures during the first quarter of 2023 compared with a loss of $15.6 million during the same period of 2022 (additional details are shown below), • $1.9 million higher interest income during the first quarter of 2023 relative to 2022, • $1.8 million income reclassified from other comprehensive income due to the de-designation of swaps during 2022, and • lower interest on long-term debt due to lower borrowings, partially offset by: • $3.9 million of losses related to the change in the fair value of interest rate swaps during the first quarter of 2023 compared with gains of $1.9 million during the same period of 2022, and • $5.0 million of transaction costs on the issuance of Debentures during the first quarter of 2023.

The Debentures are recognized at fair value with changes in fair value due to changes in the risk free interest rate presented in net finance costs and changes in our own credit risk presented in other comprehensive income rather than net earnings. During the three months ended March 31, 2023, the fair value of the Fund's Debentures decreased by $20.2 million and increased by $10.9 million during the same period of 2022.

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

($ million)	Recorded in	Q1 2023	Q1 2022	Variance
(Decrease) increase due to a change in risk free rate and a change in the conversion option fair value	Net finance costs	$ (33.2)	$ 15.6	$ (48.8)
Increase (decrease) due to a change in our credit risk, net of taxes	Other comprehensive income	14.6	(13.4)	28.0
Tax recovery (expense) recovery due to credit risk	Other comprehensive income	(1.6)	8.7	(10.3)
(Decrease) increase in fair value of Debentures		$ (20.2)	$ 10.9	$ (31.1)

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

The weighted average effective annual interest rate of the Credit Facilities at March 31, 2023 was 3.4% (December 31, 2022 - 3.1%). See Liquidity and Capital Resources - Financial Instruments for information concerning swap arrangements on page 16.

Income Taxes

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

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

	Q1 2023 vs Q1 2022
Current Income taxes	Current income tax expense for the first quarter of 2023 was $2.1 million lower than the same period of 2022. The change was primarily due to: • lower operating income in the U.S.
Deferred Income taxes	Deferred income tax expense for the first quarter of 2023 was $1.8 million lower than the same period of 2022. The change was primarily due to: • a reversal of unrecognized deferred tax assets associated with the unrealized fair value losses on the Debentures, and • lower operating income in the U.S., partially offset by: • utilization of loss carry forwards to offset operating income in Canada.

	As at March 31, 2023 vs December 31, 2022
Deferred tax assets and liabilities	Deferred tax assets decreased by $14.8 million which was primarily due to: • the utilization of loss carry forwards to offset operating income in Canada, partially offset by: • an increase in deferred tax assets as a result of legislation changes to tax depreciation rules associated with U.S. fixed assets. Deferred tax liabilities decreased by $1.2 million, which was primarily due to: • the depreciation of non-deductible fixed assets in Brazil.
Income taxes receivable	Income taxes receivable increased by $21.1 million, of which $24.7 million has been included in Other assets in the Condensed Consolidated Interim Statements of Financial Position, primarily due to: • Canadian income taxes paid relating to the 2022 taxation year. We are disputing the deductibility of certain Canadian tax losses with the CRA which would offset the taxes owed for 2022 and result in the tax payment being refunded.

The effective tax rate for the first quarter of 2023 differs from the statutory tax rate primarily due to the deduction of taxable income distributed to Unitholders, difference in domestic corporate and trust tax rates, international income tax rate differences, reversal of unrecognized deferred tax assets associated with the unrealized fair value losses on the Debentures, unrecognized deferred tax assets associated with the limitation of business interest expense deduction and certain permanent differences.

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

DISTRIBUTIONS

Distributions to Unitholders, including bonus distributions, for the three months ended March 31, 2023 were declared as follows:

Record Date	Payment Date	Distribution Per Unit [1]	Total ($'000)
Three months ended March 31:			
January 31, 2023	February 23, 2023	$ 0.05	$ 5,810
February 28, 2023	March 28, 2023	0.05	5,811
March 31, 2023	April 25, 2023	0.05	5,819
Total for the three months ended March 31, 2023		**$ 0.15**	**$ 17,440**

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

Distributions to Unitholders, including bonus distributions, for the three months ended March 31, 2022 were declared as follows:

Record Date	Payment Date		Distribution Per Unit [1]		Total ($'000)
Three months ended March 31:					
January 31, 2022	February 23, 2022	$	0.05	$	5,241
February 28, 2022	March 28, 2022		0.05		5,245
March 31, 2022	April 26, 2022		0.05		5,249
Total for the three months ended March 31, 2022		**$**	**0.15**	**$**	**15,735**

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

Treatment of our distributions for Canadian income tax purposes for 2022 and 2023 is as follows:

	Other Income	Dividends [1]	Foreign Non-Business Income	Total
2022	0.0%	36.0%	64.0%	100%
2023 [2]	6.0%	24.0%	70.0%	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 2023 distributions will be determined by Feb 29, 2024.

CASH FLOWS

	Three months ended	
($'000)	**March 31, 2023**	**March 31, 2022**
Net cash flows from (used in):		
Operating activities	$ 54,372	$ 37,133
Investing activities	(27,903)	(16,168)
Financing activities	33,747	(15,128)
Increase in cash and cash equivalents	60,216	5,837
Effect of exchange rates on cash held in foreign currencies	(70)	(214)
Cash and cash equivalents, beginning of the period	72,569	13,908
Cash and cash equivalents, end of the period	$ 132,715	$ 19,531

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

Operating Activities

Cash flows from operating activities for the first quarter of 2023 were an inflow of $54.4 million, compared with $37.1 million for the same period of 2022. The increase in cash flows from operating activities of $17.2 million was primarily due to higher Adjusted EBITDA, changes in working capital and higher interest received, partially offset by higher income taxes paid.

Investing Activities

Capital expenditures were $27.9 million in the first quarter of 2023, compared with $16.2 million in the first quarter of 2022. These amounts included $17.5 million in the first quarter of 2023 and $14.2 million in the first quarter of 2022 for maintenance capital expenditures[1]. Non-maintenance capital expenditures[2] were $10.4 million during the first quarter of 2023, compared with $2.0 million during the first quarter of 2022. Most of the non-maintenance capital spending during the first quarter of 2023 was for the expansion at our facility in Cairo, OH, with some limited spending for our water organic growth opportunities.

Financing Activities

Cash flows from financing activities for the first quarter of 2023 were an inflow of $33.7 million, compared with an outflow of $15.1 million for the same period of 2022. The increase in cash flows from financing activities of $48.9 million was primarily due to the issuance of the Fund 2023 7.00% Debentures, partially offset by a net decrease in borrowings from our Credit Facilities.

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

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

During the first quarter of 2023, we completed a public offering of the Fund 2023 7.00% Debentures, at a price of $1,000 per debenture, resulting in total gross proceeds of $110.0 million. The Fund 2023 7.00% Debentures are convertible, at the option of the holder, into trust units of the Fund at a conversion price of $12.85 per unit. Chemtrade incurred transaction costs of $5.0 million which included underwriters' fees and other expenses relating to the offering (see Recent Developments on page 5). During the first quarter of 2022, we redeemed all of the outstanding Fund 2016 5.00% Debentures for their par value, including accrued interest for a total of $146.6 million.

There was a net decrease in borrowings from our Credit Facilities of $42.5 million during the three months ended March 31, 2023 compared with a net increase of $154.8 million during the same period of 2022. The decrease in borrowings during the three months ended March 31, 2023 was funded from cash flows from operations. During the fourth quarter of 2021, we issued a new series of Debentures and used the net proceeds of $130.0 million to temporarily repay our Credit Facility, so the net increase in our borrowings for the first quarter of 2022 was $24.8 million as opposed to $154.8 million. During the first quarter of 2022, we used the additional borrowings to redeem all of the Fund 2016 5.00% Debentures at a total aggregate redemption price of $146.6 million.

Distributions paid to Unitholders, net of distributions reinvested during the three months ended March 31, 2023 were $14.7 million compared to $13.4 million for the same period of 2022. The increase in distributions paid for the three months ended March 31, 2023 relative to 2022 was primarily due to an increase in the number of units following the equity offering in the third quarter of 2022.

LIQUIDITY AND CAPITAL RESOURCES

Cash and Cash Equivalents

At March 31, 2023, we had cash and cash equivalents of $132.7 million (December 31, 2022 - $72.6 million) and a working capital deficit of $26.8 million (December 31, 2022 - $29.8 million). The working capital deficiency is amply covered by availability on the Credit Facilities. We define working capital as current assets less current liabilities. Cash we generate will be used to fund cash distributions to Unitholders, capital requirements, interest, general trust purposes and other legal obligations.

Future Liquidity

Our future liquidity is primarily dependent on cash flows of our operating subsidiaries. These cash flows will be used to finance ongoing expenditures, including maintenance capital, distributions to Unitholders and normal course financial commitments. Cash flows are sensitive to changes in volumes, sales prices and input costs and any changes in these may impact future liquidity. Management believes that cash flows from operating activities will be sufficient for us to meet future obligations and commitments that arise in the normal course of business activities. In addition, we have revolving Credit Facilities which can be used for general trust purposes, including to fund capital expenditures and organic growth opportunities. See Capital Resources below for more details.

Capital Resources

($'000)		March 31, 2023		December 31, 2022
Long-term debt [1]	$	327,784	$	370,024
Debentures [1]		627,297		517,365
Total Debt	$	955,081	$	887,389

[1] Principal outstanding amount

At March 31, 2023, we had Credit Facilities of approximately $878.5 million (US$650.0 million). At March 31, 2023, we had drawn $327.8 million on our Credit Facilities. Additionally, we had committed a total of $19.5 million of our Credit Facilities towards standby letters of credit. At March 31, 2023, we had undrawn US$393.1 million on our Credit Facilities.

At March 31, 2023, we had five series of Debentures outstanding with an aggregate par value of $627.3 million (market value of $622.9 million) and maturity dates ranging from May 31, 2024 to June 30, 2028. During the first quarter of 2023, we completed a public offering of the Fund 2023 7.00% Debentures, at a price of $1,000 per debenture (see Recent Developments on page 5). The Fund 2017 4.75% Debentures were partially redeemed during May 2023 and the remaining Fund 2017 4.75% Debentures are expected to be redeemed in June 2023.(see Recent Developments on page 5). Following the full redemption of the Fund 2017 4.75% Debentures, we will have four series of Debentures outstanding with an aggregate par value of $426.2 million.

Debt Covenants

As at March 31, 2023, we were compliant with all debt covenants contained in our credit agreement.

Financial Instruments

As of January 1, 2022, we had swap arrangements in place to fix the LIBOR components of our interest rates on US$325.0 million of our revolving credit facility until October 2024. During the first quarter of 2022, we formally designated the interest rate swaps as cash flow hedges. Subsequent to the designation, changes in the fair value of the effective portion of the swaps were recognized in other comprehensive income.

During the third quarter of 2022, we de-designated our interest rate swaps and hedge accounting on these swaps was discontinued prospectively. During the first quarter of 2023, we reclassified $1.8 million (2022 - nil) relating to the changes in fair value of the effective portion of the swaps from other comprehensive income to net earnings, as a result of the de-designation. During the first quarter of 2023, we recognized a loss of $3.9 million (2022 - gain of $1.9 million) relating to the changes in the fair value of the de-designated swaps, in net earnings.

We hedge our investment in foreign operations that use the USD as their functional currency with our USD-denominated bank debt. Any gains and losses arising from the USD-denominated bank debt will be offset by the foreign currency gain or loss arising from the investment in the foreign operations. The gains and losses on the translation of the designated amount of USD-denominated debt and investment in foreign operations are recognized in other comprehensive income.

During 2021, we entered into cash-settled unit swap arrangements which fixed the unit price on a portion of the RSU component of our LTIP awards. During the first quarter of 2022, we rolled over the hedged units maturing on March 31, 2022, into 2023, 2024 and 2025. In addition to a portion of the RSU component of our LTIP awards, these arrangements fixed the unit price of a portion of the PSU component of our 2022 - 2024 LTIP awards. During the first quarter of 2023, Chemtrade rolled over the hedged units maturing on March 31, 2023, into 2024, 2025 and 2026. In addition to a portion of the RSU component of its LTIP awards, these arrangements fixed the unit price of the PSU component of its 2023 - 2025 LTIP awards and deferred units awarded under the DUP. The RSU component of our LTIP awards is a phantom plan which is payable in cash at the end of the performance period. The PSU component of our LTIP awards gives a right to the participants to receive cash payments upon the achievement of performance goals during the performance periods. The swap arrangements are based on a portion of RSUs and PSUs outstanding for all of our existing LTIP awards. As at March 31, 2023, the notional number of units hedged was 2.3 million with maturity dates ranging between March 2024 and March 2026. Distributions on the hedged units are reinvested in these swap arrangements. These RSU and PSU swaps are formally designated as cash flow hedges at the date of inception and any changes in the fair value of the unvested portion of the RSUs and PSUs are recognized in other comprehensive income. We have in place a DUP for non-employee trustees ("Participants"), pursuant to which the Participants can elect to take all or a portion of their compensation in the form of our deferred units, with the remainder as a cash payment. These deferred units are settled in our units 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. The swaps which fix the unit price on deferred units are not formally designated as cash flow hedges and any changes in the fair value of these deferred units swaps are recognized in net earnings. As at March 31, 2023, the notional number of units not hedged was 0.5 million maturing in March 2024.

FINANCIAL CONDITION REVIEW

The condensed consolidated interim statements of financial position contain certain categories as set out below. Since December 31, 2022, there have been material variances in these categories, which are explained below.

($'000)	**March 31, 2023**	December 31, 2022	$ Change	% Change
ASSETS				
Cash and cash equivalents	$ 132,715	$ 72,569	60,146	83
Trade and other receivables	143,317	123,214	20,103	16
Other assets	57,231	36,334	20,897	58
Deferred tax assets	67,935	82,711	(14,776)	(18)
LIABILITIES and UNITHOLDERS' EQUITY				
Trade and other payables	254,317	316,437	(62,120)	(20)
Provisions [1]	50,382	22,822	27,560	121
Convertible unsecured subordinated debentures [1]	98,500	—	98,500	100
Long-term debt	327,784	370,024	(42,240)	(11)
Long-term lease liabilities	107,757	94,071	13,686	15

[1] Included in Current liabilities

Cash and cash equivalents	Increase is due to the issuance of the Fund 2023 7.00% Debentures and cash flows from operations, partially offset by the cash flows used in investing activities and to repay the Credit Facilities.
Trade and other receivables	Increase is primarily due to higher revenue in SWC and EC segments during the first quarter of 2023 relative to the fourth quarter of 2022.
Other assets	Increase is primarily due to Canadian income taxes paid relating to the 2022 taxation year. We are disputing the deductibility of certain Canadian tax losses with the CRA which would offset the taxes owed for 2022 and result in the tax payment being refunded. This was partially offset by changes in the fair value of the interest rate swaps during the first quarter of 2023.
Deferred tax assets	Decrease is primarily due to the utilization of loss carry forwards to offset operating income in Canada, partially offset by an increase in deferred tax assets as a result of legislation changes to tax depreciation rules associated with U.S. fixed assets.

Trade and other payables	Decrease is primarily due to payment of 2020 - 2022 LTIP awards and short-term incentive compensation relating to 2022 during first quarter of 2023 and lower inventory volumes and lower raw material costs contained within certain inventories in SWC and EC segments during the first quarter of 2023 relative to the fourth quarter of 2022.
Provisions [1]	Increase is primarily due to a $27.7 million provision established against the payment received in January 2023 related to a lawsuit against Superior. Since Superior has filed an appeal against the judgment, there is uncertainty associated with the outcome of the appeal.
Convertible unsecured subordinated debentures [1]	Increase is due to presenting a portion of the Fund 2017 4.75% Debentures as current liabilities as they are to be redeemed in May 2023.
Long-term debt	Decrease is primarily due to repayment of Credit Facilities out of cash flows from operations.
Long-term lease liabilities	Increase is primarily due to new leases and renewal of expiring leases.

[1] Included in Current liabilities

SUMMARY OF QUARTERLY RESULTS

($ millions)	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
Revenue	$ 471.3	$ 456.7	$ 519.9	$ 446.4	$ 390.3	$ 353.8	$ 365.0	$ 337.3
Cost of sales and services	(361.4)	(370.7)	(410.7)	(366.5)	(311.5)	(447.8)	(320.0)	(313.0)
Gross profit (loss)	109.9	86.0	109.2	79.9	78.8	(94.1)	45.0	24.3
Selling and administrative expenses:								
Unrealized foreign exchange gain (loss)	3.8	10.9	(17.2)	(5.7)	2.4	2.7	(4.0)	(5.8)
Realized foreign exchange (loss) gain	(0.4)	(3.3)	(2.8)	(2.0)	5.5	1.3	(1.7)	3.4
LTIP	(4.1)	(6.9)	(3.8)	(6.0)	(4.2)	(7.2)	(9.5)	(3.3)
Lawsuit settlement	—	—	—	—	—	17.7	—	—
Other	(27.8)	(28.2)	(23.1)	(24.8)	(25.2)	(22.1)	(23.1)	(20.1)
Total selling and administrative expenses	(28.5)	(27.5)	(46.8)	(38.5)	(21.5)	(7.6)	(38.3)	(25.8)
Share of loss from joint venture	(0.7)	(0.4)	—	—	—	—	—	—
Operating income (loss)	80.7	58.1	62.3	41.3	57.3	(101.7)	6.7	(1.6)
Net finance costs:								
Mark-to-market on Debentures	33.2	(25.2)	28.8	4.4	(15.6)	(18.9)	0.9	0.3
Debt issuance and extinguishment costs	(5.0)	—	—	—	—	(11.0)	—	—
Income (loss) reclassified from other comprehensive income	1.8	1.8	4.2	—	—	(9.8)	—	—
Change in the fair value of interest rate swaps	(3.9)	0.9	7.9	—	1.9	—	—	—
Other	(13.4)	(14.7)	(15.0)	(14.2)	(15.1)	(17.2)	(19.6)	(19.4)
Total net finance costs	12.7	(37.2)	25.9	(9.8)	(28.8)	(56.9)	(18.7)	(19.1)
Income tax (expense) recovery	(13.9)	(32.7)	(12.9)	3.3	(17.8)	(21.9)	(8.2)	6.6
Net earnings (loss)	$ 79.5	$ (11.7)	$ 75.3	$ 34.8	$ 10.7	$ (180.5)	$ (20.2)	$ (14.1)
Adjusted EBITDA	$ 131.7	$ 104.3	$ 137.1	$ 81.7	$ 107.8	$ 92.5	$ 67.3	$ 65.2
Net earnings (loss) per unit	$ 0.69	$ (0.10)	$ 0.69	$ 0.33	$ 0.10	$ (1.74)	$ (0.19)	$ (0.14)
Diluted net earnings (loss) per unit	$ 0.32	$ (0.10)	$ 0.38	$ 0.18	$ 0.10	$ (1.74)	$ (0.19)	$ (0.14)

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 first quarter of 2023 was higher due to higher selling prices for all three chlor-alkali products in the EC segment and higher selling prices for sodium chlorate. Gross profit for all the periods during 2022 was higher due to business conditions, particularly in the EC segment which were significantly better during 2022 relative to 2021. Gross profit for the fourth quarter of 2021 was lower due to a $130.0 million impairment of intangible assets and PPE related to the sodium chlorate business due to a decline in sodium chlorate demand combined with increased competitive pressure resulting in lower levels of gross profit and lowered expectations of business recovery to pre-pandemic levels. In addition, a loss of $7.1 million was recorded in SWC's cost of sales and services related to the sale of the KCl and vaccine adjuvants businesses during the fourth quarter of 2021.

Selling and Administrative Expenses

Selling and administrative expenses for the fourth quarter of 2021 included a net recovery of $17.7 million relating to the settlement of the NATO lawsuit. The change in fair value of our LTIP obligation recorded in any quarter depends on changes in the various factors used in arriving at the fair value of the obligation.

Net Finance Costs

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

Net finance costs include income (loss) reclassified from other comprehensive income. The amount recorded in any quarter is as a result of de-designation of interest rate swaps and discontinuation of hedge accounting prospectively. As a result of the de-designation, any changes relating to the fair value of the effective portion of the swaps are re-classified from accumulated other comprehensive income to net earnings. The fair value changes of these de-designated swaps are recognized in net earnings. Net finance costs for the first quarter of 2023 included $5.0 million of transaction costs on the issuance of the Fund 2023 7.00% Debentures (see **Recent Developments** on page 5). Net finance costs for the fourth quarter of 2021 included $5.9 million of transaction costs on the issuance of Debentures and $5.1 million of debt extinguishment costs relating to the substantial modification of the credit agreement.

OUTSTANDING SECURITIES OF THE FUND

As at May 9, 2023 and March 31, 2023, the following units and securities convertible into our units were issued and outstanding:

	May 9, 2023			March 31, 2023	
	Convertible Securities	Units		Convertible Securities	Units
Units outstanding		**115,845,845**			**115,845,845**
4.75% Debentures [(1)]	**101,115**	**3,787,079**		**201,115**	**7,532,397**
6.50% Debentures [(2)]	**100,000**	**6,329,114**		**100,000**	**6,329,114**
8.50% Debentures [(3)]	**86,182**	**11,725,443**		**86,182**	**11,725,443**
6.25% Debentures [(4)]	**130,000**	**13,000,000**		**130,000**	**13,000,000**
7.00% Debentures [(5)]	**110,000**	**8,560,311**		**110,000**	**8,560,311**
Units outstanding and issuable upon conversion of Debentures		**159,247,792**			**162,993,110**
Deferred units plan [(6)(7)]	**$ 4,082**	**558,381**	**$**	**4,355**	**554,788**
Units outstanding and issuable upon conversion of Debentures and Deferred units		**159,806,173**			**163,547,898**

(1) Convertible at $26.70 per unit. On May 10, 2023, we announced the redemption of the remaining principal amount ($101.1 million) of the Fund 2017 4.75% Debentures, with an effective redemption date of June 30, 2023. (see **Recent Developments** on page 5)

(2) Convertible at $15.80 per unit

(3) Convertible at $7.35 per unit

(4) Convertible at $10.00 per unit

(5) Convertible at $12.85 per unit

(6) Based on $7.31 and $7.85, the closing price of a unit on the TSX on May 9, 2023 and March 31, 2023, respectively

(7) 441,619 and 445,212 deferred units were available for future grants as at May 9, 2023 and March 31, 2023, respectively

CONTRACTUAL OBLIGATIONS

Information concerning contractual obligations at March 31, 2023 is shown below:

Contractual Obligations *($'000)*	**Total**	**Less Than 1 Year**	**1-3 Years**	**4-5 Years**	**After 5 Years**
Long-term debt	$ 327,784	$ —	$ —	$ 327,784	$ —
Debentures	627,297	100,000	187,297	230,000	110,000
Purchase commitments	67,463	38,935	28,528	—	—
Interest on Debentures	124,047	34,882	56,464	30,760	1,941
Interest on long-term debt	56,661	11,257	32,238	13,166	—
Lease payments	172,261	54,003	70,035	35,355	12,868
Trade and other payables	254,317	254,317	—	—	—
Distributions payable	5,819	5,819	—	—	—
Total contractual obligations	$ 1,635,649	$ 499,213	$ 374,562	$ 637,065	$ 124,809

FINANCIAL OUTLOOK

2022 Adjusted EBITDA of $430.9 million is the highest level of annual Adjusted EBITDA we ever generated. We are now expecting Adjusted EBITDA for 2023 to be at or above the level achieved in 2022. Below is the formal revised guidance for 2023.

($ million)	Revised 2023 Guidance	Prior 2023 Guidance	2022 Actual	Three months ended Actual	
				March 31, 2023	March 31, 2022
Adjusted EBITDA	At or above 2022 Actual	$360.0 - $400.0	$430.9	$131.7	$107.8
Maintenance capital expenditures [(1)]	$80.0 - $105.0	$80.0 - $105.0	$99.8	$17.5	$14.2
Growth capital expenditures [(1)]	$110.0 - $140.0	$110.0 - $140.0	$21.6	$10.4	$2.0
Lease payments	$50.0 - $60.0	$50.0 - $60.0	$52.4	$14.1	$12.9
Cash interest [(1)]	$50.0 - $55.0	$50.0 - $55.0	$51.7	$10.9	$13.8
Cash tax [(1)]	$10.0 - $20.0	$10.0 - $20.0	$12.0	$1.6	$3.7

[(1)] Maintenance capital expenditures, Cash interest and Cash tax are supplementary financial measures. Growth capital expenditures is a non-IFRS financial measure. See **Non-IFRS and Other Financial Measures** on page 33.

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

- There will be no significant lockdowns or stay-at-home orders issued in North America due to a resurgence of COVID-19 pandemic during 2023.
- None of the principal manufacturing facilities (as set out in our AIF) incurs significant unplanned downtime.
- No labour disruptions at any of our principal manufacturing facilities (as set out in our AIF).

Key Assumptions	Revised 2023 Assumptions	Prior 2023 Assumptions	2022 Actual	2021 Actual
Approximate North American MECU sales volumes	185,000	170,000	184,000	181,000
2023 realized MECU netback being lower than 2022 (per MECU)	$60	$340	N/A	N/A
2023 average CMA NE Asia Caustic spot price index being lower per tonne than the 2022 average	US$185 [(1)]	US$185	N/A	N/A
Approximate North American production volumes of sodium chlorate	285,000	310,000	343,000	361,000
USD to CAD average foreign exchange rate	1.330	1.280	1.302	1.254
LTIP costs (in millions)	$10.0 - $20.0	$10.0 - $15.0	$20.2	$25.7

[(1)] Implies that the index used for pricing H2 2023 will be approximately US$390 per tonne.

Update on Organic Growth Projects

Our objective is to deliver sustained earnings growth and generate value for investors over the long-term. To accomplish this, we have identified a number of organic growth projects, including two large ultrapure sulphuric acid growth expansion projects in Cairo, OH and Casa Grande, AZ. With respect to the Casa Grande project, the FEED study is now complete and is currently being analyzed. Not surprisingly, we are seeing the same inflationary pressures on capital equipment and commercial construction as being experienced at a macro-level in the U.S. and we now expect the aggregate capital costs to be significantly higher than the top end of the previously estimated range (US$175.0 million to US$250.0 million). As previously communicated, we expect to provide an update on this project towards the middle of 2023. The project in Cairo continues to progress on schedule and on budget, with construction completion expected in the first quarter of 2024 and commissioning and start-up expected later in 2024.

We are targeting to achieve an incremental $45.0 million in Adjusted EBITDA growth by year-end 2025 and $75.0 million in Adjusted EBITDA growth by year-end 2027 as a result of our organic growth projects. In 2023, we plan to allocate $110.0 million to $140.0 million for Growth capital expenditures to support these organic growth projects.

RISKS AND UNCERTAINTIES

There are a number of risks and uncertainties that warrant additional disclosure which are discussed in detail in our annual MD&A for the year ended December 31, 2022. There have been no material changes to our business that require an update to the discussion of these risks and uncertainties.

SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

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

Significant judgments

Information about judgments that have a significant risk of resulting in a material adjustment within the next financial year are discussed in detail in our MD&A for the year ended December 31, 2022. There have been no material changes to our business that require an update to the discussion of these significant judgments.

Key Sources of Estimation Uncertainty

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are discussed in detail in our MD&A for the year ended December 31, 2022. There have been no material changes to our business that require an update to the discussion of these sources of estimation uncertainty.

STANDARDS AND INTERPRETATIONS

(a) Standards and interpretations adopted during the period:

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

- IFRS 17, *Insurance Contracts*, a replacement of IFRS 4, Insurance Contracts, that aims to provide consistency in the application of accounting for insurance contracts.

- Amendments to IAS 1, *Presentation of Financial Statements - Disclosure of Accounting Policies*, requiring entities to disclose material, instead of significant, accounting policy information.

- Amendments to IAS 8, *Accounting Policies - Changes in Accounting Estimates and Errors*, clarifying the definition of "accounting policies" and "accounting estimates".

- Amendments to IAS 12, *Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction*, narrowing the scope for exemption when recognizing deferred taxes.

(b) Standards and interpretations not yet adopted:

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

- Amendments to IAS 1, *Presentation of Financial Statements* - *Classification of Liabilities as Current or Non-current*, clarifying requirements for the classification of liabilities as non-current (effective for annual periods beginning on or after January 1, 2024).

- Amendments to IFRS 10, and IAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture,* addressing the conflict in dealing with the sale or contribution of assets between an investor and its associate or joint venture (deferred indefinitely with an option of early adoption).

- Amendments to IFRS 16, *Lease liability in a Sale and Leaseback*, specifying how a seller-lessee accounts for variable lease payments that arise in a sale-and-leaseback transaction (effective for annual periods beginning on or after January 1, 2024).

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

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

We maintain a set of disclosure controls and procedures designed to ensure that information required to be disclosed in the reports that the Fund publicly files is recorded, processed, summarized and reported within a timely manner and that such information is accumulated and communicated to our Management, including our CEO and CFO, as appropriate, to allow timely decisions regarding disclosure. Our CEO and CFO have evaluated our disclosure controls procedures as of March 31, 2023 through inquiry and review. Our CEO and CFO have concluded that, as at March 31, 2023, our design and implementation of the controls were effective.

We also maintain a system of internal controls over financial reporting designed under the supervision of our CEO and CFO to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Our Management, including our CEO and CFO, is responsible for establishing and maintaining adequate internal control over financial reporting and evaluating its effectiveness. Management has used the COSO framework (2013) to evaluate the effectiveness of our internal control over financial reporting as of March 31, 2023. There have been no changes to the design of internal controls over financial reporting that occurred during the three months ended March 31, 2023 that have materially affected or are reasonably likely to materially affect the internal controls over financial reporting.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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

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

- It typically includes words about the future, such as anticipate, continue, estimate, expect, expected, intend, may, will, intend, project, plan, should, believe and others (see examples below).
- It represents our current views, and can change significantly.
- It is based on a number of material assumptions, including those we have listed below, which may prove to be incorrect.
- Actual results and events may be significantly different from what we expect, due to the risks associated with our business. We recommend you review other parts of this document, including **Risks and Uncertainties**, which starts on page 26, which includes a discussion of material risks that could cause actual results to differ significantly from our current expectations.

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

Examples of forward-looking information in this MD&A

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

- our intention to redeem the Fund 2017 4.75% Debentures and the timing thereof and our intention to use our Credit Facilities and cash on hand to fund this redemption;
- the effect of changes in interest rates and exchange rates and our ability to offset USD denominated debt;
- our ability to access tax losses and tax attributes;
- the tax characterization of planned distributions;
- sources, use, availability and sufficiency of cash flows;
- statements in the Financial Outlook section, including:
    - that our expected Adjusted EBITDA for 2023 will be at or above the level achieved in 2022;
    - the expected stated range of Maintenance capital expenditures and Growth capital expenditures, lease payments, cash interest, and cash tax;
    - our ability to achieve our long-term objective of sustained earnings growth and unitholder value generation via growth projects including two large ultrapure sulphuric acid projects;
    - with respect to the Casa Grande project, our expected timing of providing an update;
    - our expectation regarding the increase in aggregate capital costs for the Casa Grande project;
    - with respect to the Cairo ultrapure acid expansion project, our expected timing of construction completion, commissioning and start-up;
    - our targeted incremental Adjusted EBITDA growth by 2025 and 2027;

    - our planned allocation of funds toward Growth capital expenditures.
- the effectiveness of disclosure controls procedures and internal controls and of their design and implementation;
- our expectation of the impact of the amendments to IAS on the presentation of our Debentures; and
- long-term incentive compensation amounts.

Material assumptions

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

- certain key elements as set out in the Financial Outlook section, including:
    - there being no significant North American lockdowns or stay-at-home orders issued due to a 2023 COVID-19 resurgence;
    - there being no significant unplanned downtime nor labour disruptions affecting Chemtrade's principal manufacturing facilities;
    - the stated North American MECU sales volumes;
    - the 2023 MECU netback being lower than the 2022 average per MECU;
    - the stated 2023 average CMA NE Asia caustic spot price index;
    - the stated sodium chlorate production volumes;
    - the stated U.S. dollar foreign exchange rate; and
    - the stated range of LTIP costs.
- no significant disruptions affect our operations, whether they arise from labour disruptions, supply disruptions, power disruptions, transportation disruptions, damage to equipment, or otherwise;
- that we are able to sell products at prices consistent with current levels or in line with our expectations;
- we are able to obtain products, raw materials, equipment, transportation, services and supplies in a timely manner to carry out our activities, and at prices consistent with current levels or in line with our expectations;
- required regulatory approvals are received in a timely fashion;
- the cost of regulatory and environmental compliance is consistent with current levels or in line with our expectations;
- we are able to access tax losses and tax attributes;
- we are able to obtain financing on acceptable terms;
- currency, exchange and interest rates are consistent with current levels or in line with our expectations; and
- the global economy performs as expected.

NON-IFRS AND OTHER FINANCIAL MEASURES

Non-IFRS financial measures and non-IFRS ratios

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

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

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

Distributable cash after maintenance capital expenditures

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

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

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

Distributable cash after maintenance capital expenditures per unit

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

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

Payout ratio

Definition: Payout ratio is calculated as Distributions declared per unit divided by Distributable cash after maintenance capital expenditures per unit.

Why we use the measure and why it is useful to investors: It provides useful information related to our cash flows including our ability to pay distributions to Unitholders.

	Three months ended	
($'000)	**March 31, 2023**	**March 31, 2022**
Cash flows from operating activities	$ 54,372	$ 37,133
(Less) Add:		
Lease payments net of sub-lease receipts	(14,083)	(12,856)
Increase in working capital	45,174	57,751
Changes in other items [(1)]	19,643	(4,567)
Maintenance capital expenditures	(17,531)	(14,192)
Distributable cash after maintenance capital expenditures	**$ 87,575**	**$ 63,269**
Divided by:		
Weighted average number of units outstanding	115,657,409	104,347,274
Distributable cash after maintenance capital expenditures per unit	$ 0.76	$ 0.61
Distributions declared per unit	$ 0.15	$ 0.15
Payout ratio (%)	20 %	25 %

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

Excess cash flows and net earnings over distributions paid

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

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

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

	Three months ended	
($'000)	**March 31, 2023**	**March 31, 2022**
Cash flows from operating activities	$ 54,372	$ 37,133
Net earnings	$ 79,533	$ 10,686
Cash distributions paid during period	$ 14,708	$ 13,353
Excess of cash flows from operating activities over cash distributions paid	$ 39,664	$ 23,780
Excess (shortfall) excess of net earnings over cash distributions paid	$ 64,825	$ (2,667)

Net debt

Most directly comparable IFRS financial measure: Total long-term debt, Debentures, lease liabilities, long-term lease liabilities, less cash and cash equivalents.

Definition: Net debt is calculated as the total of long-term debt, the principal value of Debentures, lease liabilities and long-term lease liabilities, less cash and cash equivalents.

Why we use the measure and why it is useful to investors: It provides useful information related to our aggregate debt balances.

($'000)		March 31, 2023		December 31, 2022
Long-term debt [1]	$	327,784	$	370,024
Add (Less):				
Debentures [1]		627,297		517,365
Long-term lease liabilities		107,757		94,071
Lease liabilities [2]		47,866		45,571
Cash and cash equivalents		(132,715)		(72,569)
Net debt	$	977,989	$	954,462

(1) Principal outstanding amount

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

Growth capital expenditures

Most directly comparable IFRS financial measure: Capital expenditures

Definition: Growth capital expenditures are calculated as capital expenditures less Maintenance capital expenditures, plus investments in a joint venture.

Why we use the measure and why it is useful to investors: It provides useful information related to the capital spending and investments intended to grow earnings.

		Three months ended		
($'000)		March 31, 2023		March 31, 2022
Capital expenditures	$	27,903	$	16,168
Maintenance capital expenditures		(17,531)		(14,192)
Non-maintenance capital expenditures		10,372		1,976
Investment in a joint venture		—		—
Growth capital expenditures	$	10,372	$	1,976

Total of segments measures

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

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

Adjusted EBITDA

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

_($'000)_	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
Net earnings (loss)	$ 79,533	$ (11,747)	$ 75,341	$ 34,835	$ 10,686	$ (180,524)	$ (20,159)	$ (14,078)
Add (less):								
Depreciation and amortization	52,140	54,922	56,598	53,229	52,201	60,068	56,590	60,571
Net finance (income) costs	(12,736)	37,187	(25,864)	9,801	28,845	56,905	18,657	19,122
Income tax expense (recovery)	13,875	32,669	12,870	(3,287)	17,816	21,932	8,248	(6,615)
Impairment of intangible assets	—	—	—	—	—	81,657	—	—
Impairment of PPE	—	—	—	—	—	48,343	—	—
Change in environmental liability	894	—	—	(66)	66	561	—	404
Net loss (gain) on disposal and write-down of PPE	1,787	2,152	895	(18,282)	(69)	(796)	(132)	—
(Gain) loss on disposal of assets held for sale	—	—	—	(238)	716	7,135	—	—
Unrealized foreign exchange (gain) loss	(3,824)	(10,933)	17,217	5,737	(2,429)	(2,746)	4,049	5,760
Adjusted EBITDA	$ 131,669	$ 104,250	$ 137,057	$ 81,729	$ 107,832	$ 92,535	$ 67,253	$ 65,164

Capital management measures

Capital management measures are financial measures disclosed by an entity that (a) are intended to enable an individual to evaluate an entity's objectives, policies and processes for managing the entity's capital, (b) are not a component of a line item disclosed in the primary financial statements of the entity, (c) are disclosed in the notes of the financial statements of the entity, and (d) are not disclosed in the primary financial statements of the entity.

Net debt to Adjusted EBITDA

Definition: Net debt to Adjusted EBITDA is calculated as Net debt divided by LTM Adjusted EBITDA. LTM Adjusted EBITDA represents the last twelve months' Adjusted EBITDA and is calculated from Adjusted EBITDA reported in the MD&A.

Why we use the measure and why it is useful to investors: It provides useful information related to our debt leverage and our ability to service debt. We monitor Net debt to Adjusted EBITDA as a part of liquidity management to sustain future investment in the growth of the business and make decisions about capital.

Supplementary financial measures

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

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

Maintenance capital expenditures

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

Non-maintenance capital expenditures

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

Cash interest

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

Cash tax

Represents current income tax expense.

TERMS AND DEFINITIONS

Terms

AIF	Annual Information Form
AZ	Arizona
BC	British Columbia
BEAT	Base Erosion and Anti-Abuse Tax
Board	Board of Trustees
CAD	Canadian Dollar
CANEXUS	Canexus Corporation
CEO	Chief Executive Officer
CERS	Canada Emergency Rent Subsidy
CEWS	Canada Emergency Wage Subsidy
CMA	Chemical Market Analytics by OPIS, a Dow Jones Company (formerly IHS Markit Base Chemical)
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CFO	Chief Financial Officer
CRA	Canada Revenue Agency
DUP	Deferred Unit Plan
ESG	Environmental, Social and Governance
FEED	Front End Engineering Design
GA	Georgia
HCl	Hydrochloric acid
IASB	International Accounting Standards Board
ISDA	International Swap and Derivatives Association
KCl	Potassium Chloride
LIBOR	London Interbank Offered Rate
LTIP	Long Term Incentive Plan
LTM	Last Twelve Months
MB	Manitoba
MECU	MECU is a Metric Electrochemical Unit, consisting of 1.0 tonne of chlorine and 1.1 tonnes of caustic soda
MT	Metric Tonne
NATO	North American Terminal Operations
OH	Ohio
PPE	Property, Plant and Equipment
PSU	Performance Share Unit
Q1	First Quarter
Q2	Second Quarter
Q3	Third Quarter
Q4	Fourth Quarter
QC	Quebec
REGEN	Regenerated Acid Services
ROU	Right-of-use
RSU	Restricted Share Unit

SOFR	Secured Overnight Financing Rate
SIFT	Specified investment flow-through trust
SUPERIOR	Superior Plus Corporation
TSX	Toronto Stock Exchange
USD	U.S. Dollar

Definitions

Credit Facilities	Revolving credit facilities
Debentures	We have $201,115 principal amount of 4.75% of convertible unsecured subordinated debentures outstanding (the "Fund 2017 4.75% Debentures"), $100,000 principal amount of 6.50% of convertible unsecured subordinated debentures outstanding (the "Fund 2019 6.50% Debentures"), $86,250 principal amount of 8.50% of convertible unsecured subordinated debentures outstanding (the "Fund 2020 8.50% Debentures"), $130,000 principal amount of 6.25% of convertible unsecured subordinated debentures outstanding (the "Fund 2021 6.25% Debentures") and $110,000 principal amount of 7.00% of convertible unsecured subordinated debentures outstanding (the "Fund 2023 7.00% Debentures").
KPCT joint venture	KPCT Holdings LLC, a joint venture between Chemtrade Advanced Chemicals LLC and KPPC Advanced Chemicals Inc. and/or its operating subsidiary, KPCT Advanced Chemicals LLC.
LTIP costs	Corporate costs include LTIP expenses, which relate to the 2021 - 2023, 2022 - 2024 and 2023 - 2025 LTIPs which we operate and pursuant to which we grant cash awards based on certain criteria. The 2021 - 2023 LTIP payout is payable in the first quarter of 2024. The 2022 - 2024 LTIP payout is payable in the first quarter of 2025. The 2023-2025 LTIP payout is payable in the first quarter of 2026. The 2021 - 2023 LTIP awards have a performance based component and RSU component. The 2022 - 2024 and 2023 - 2025 LTIP awards have a performance based PSU component and a RSU component. The performance based component of the 2021 - 2023 LTIP awards and the performance based PSU component are based on return on investment capital improvement and total return to Chemtrade's Unitholders relative to the total return of companies comprising the S&P/TSX Dividend Composite Index. Total Unitholder return consists of changes in unit price and distributions paid to Unitholders over the course of the performance periods. The performance based PSU component under the 2022 - 2024 LTIP and 2023 - 2025 LTIP awards are also adjusted for achievement of ESG goals to be achieved by the end of performance period. The RSU component of the LTIP awards is a phantom plan which is payable in cash at the end of the performance period. The nature of these calculations makes it difficult to forecast the amount of LTIP expenses that will be recorded in any period, as it is based upon a valuation model which considers several variables.

OTHER

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

May 10, 2023

CHEMTRADE LOGISTICS INCOME FUND

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

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

CHEMTRADE LOGISTICS INCOME FUND

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

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

For subsequent events, see *Note 18*.

CHEMTRADE LOGISTICS INCOME FUND

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

	Notes	Units	Contributed surplus	Deficit	Cumulative translation account*	Unrealized (gains) losses on cash flow and net investment hedges*	Change in fair value of convertible debentures due to credit risk*	Total unitholders' equity
Balance at January 1, 2023		**$ 1,635,683**	**$ 9,720**	**$ (1,334,524)**	**$ 217,970**	**$ (4,262)**	**$ 41,620**	**$ 566,207**
Issuance of units upon conversion of unsecured subordinated convertible debentures	**13,14**	68	—	—	—	—	—	68
Issuance of units under the Distribution Reinvestment Plan ("DRIP")	**14**	2,717	—	—	—	—	—	2,717
Net earnings		—	—	79,533	—	—	—	79,533
Other comprehensive income (loss)		—	—	1,946	(2,057)	(2,020)	(14,541)	(16,672)
Distributions	**14**	—	—	(17,440)	—	—	—	(17,440)
Balance at March 31, 2023		**$ 1,638,468**	**$ 9,720**	**$ (1,270,485)**	**$ 215,913**	**$ (6,282)**	**$ 27,079**	**$ 614,413**

	Notes	Units	Contributed surplus	Deficit	Cumulative translation account*	Unrealized (gains) losses on cash flow and net investment hedges*	Change in fair value of convertible debentures due to credit risk*	Total unitholders' equity
Balance at January 1, 2022		**$ 1,541,583**	**$ 9,720**	**$ (1,379,076)**	**$ 157,393**	**$ 13,329**	**$ 36,899**	**$ 379,848**
Issuance of units under the DRIP	**14**	2,365	—	—	—	—	—	2,365
Net earnings		—	—	10,686	—	—	—	10,686
Other comprehensive income (loss)		—	—	7,738	(8,970)	13,277	13,358	25,403
Distributions	**14**	—	—	(15,735)	—	—	—	(15,735)
Balance at March 31, 2022		**$ 1,543,948**	**$ 9,720**	**$ (1,376,387)**	**$ 148,423**	**$ 26,606**	**$ 50,257**	**$ 402,567**

* Accumulated other comprehensive income.

CHEMTRADE LOGISTICS INCOME FUND

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

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

1. CORPORATE INFORMATION:

Chemtrade Logistics Income Fund (the "Fund") is a publicly listed Income Trust formed in Ontario, Canada and its units are listed on the Toronto Stock Exchange ("TSX"). The term "Chemtrade" refers to the Fund, its consolidated subsidiaries and equity accounted investments, including joint ventures. Chemtrade commenced operations on July 18, 2001 when it completed an initial public offering. Chemtrade operates a diversified business providing industrial chemicals and services to customers in North America and around the world. Chemtrade is one of North America's largest suppliers of sulphuric acid, spent acid processing services, inorganic coagulants for water treatment, sodium chlorate, sodium nitrite, sodium hydrosulphite, and phosphorus pentasulphide. Chemtrade is a leading regional supplier of sulphur, chlor-alkali products, liquid sulphur dioxide and zinc oxide. Additionally, Chemtrade provides industrial services such as processing by-products and waste streams. Chemtrade operates in two reportable segments: Sulphur and Water Chemicals ("SWC") and Electrochemicals ("EC"). In addition to the above two reportable segments, Chemtrade discloses results of corporate activities separately. For additional information regarding Chemtrade's reportable segments, see note 3.

Chemtrade is an entity domiciled in Canada. The head office, principal address, and registered and records office of the Fund are located at 155 Gordon Baker Road, Suite 300, Toronto, Ontario, M2H 3N5.

Chemtrade's condensed consolidated interim financial statements include all of its controlled subsidiaries and equity accounted investments and have been prepared on a going concern basis, which contemplates the realization of assets and settlements of liabilities in the normal course of business.

2. BASIS OF PREPARATION:

(a) Statement of compliance:

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting as issued by International Accounting Standards Board ("IASB"), using the same accounting policies and standards as were used for Chemtrade's 2022 annual consolidated financial statements. Certain amendments and interpretations apply for the first time in 2023, but do not have an impact on these condensed consolidated interim financial statements, see note 19.

These condensed consolidated interim financial statements should be read in conjunction with Chemtrade's 2022 annual consolidated financial statements.

2. BASIS OF PREPARATION (continued):

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

(b) Basis of measurement:

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

- Derivative financial instruments, convertible unsecured subordinated debentures (the "Debentures") and liabilities for cash settled share-based payment arrangements are measured at fair value;
- The defined benefit liability is recognized as the present value of the defined benefit obligation net of the fair value of the plan assets; and
- Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to temporary differences when they reverse.

(c) Presentation currency:

These condensed consolidated interim financial statements are presented in thousands of Canadian dollars, except for net earnings per unit information which is presented in Canadian dollars.

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

3. REPORTABLE SEGMENTS:

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

Chemtrade’s chief operating decision maker (“CODM”) is the Chief Executive Officer (“CEO”). The CODM regularly reviews the operations and performance by segment and considers Adjusted EBITDA as an indirect measure of net earnings (loss) for the purpose of assessing performance of each segment and to make decisions about the allocation of resources. Adjusted EBITDA is defined as net earnings before any deduction for net finance costs, income taxes, depreciation, amortization and other non-cash charges such as impairment, change in environmental liability, net gains and losses on the disposal and write-down of PPE, and unrealized foreign exchange gains and losses. Adjusted EBITDA is not intended to be representative of cash flow from operations or financial performance determined in accordance with IFRS or cash available for distribution. The remaining net earnings (loss) items and the balance sheet are reviewed on a consolidated basis by the CODM and therefore are not included in the segmented information below.

Three months ended March 31, 2023

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

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

3. REPORTABLE SEGMENTS (continued):

Three months ended March 31, 2022

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

Capital expenditures	9,586	6,350	232	16,168

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

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

3. REPORTABLE SEGMENTS (continued):

Geographic segments:

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

Revenue

	Three months ended March 31,	
	2023	2022
Canada	**$ 155,902**	**$ 127,967**
United States	**289,123**	**238,757**
South America	**26,220**	**23,621**
	$ 471,245	**$ 390,345**

PPE, ROU assets and intangible assets

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

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

4. REVENUE:

The components of revenue are as follows:

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

5. SELLING AND ADMINISTRATIVE EXPENSES:

The components of selling and administrative expenses are as follows:

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

6. DEPRECIATION AND AMORTIZATION:

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

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

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

7. NET FINANCE COSTS:

The components of net finance costs are as follows:

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

8. INCOME TAXES:

Chemtrade is a mutual fund trust and a specified investment flow-through trust ("SIFT") for income tax purposes. Chemtrade is subject to current income taxes at the top marginal tax rate applicable to individuals of approximately 53.5% on all taxable income not distributed to Unitholders.

Chemtrade is also subject to current income taxes on all taxable income, other than dividends, earned from Canadian corporate and flow-through subsidiaries (other than Canadian subsidiaries that earn certain investment income) at a tax rate similar to the corporate tax rate.

Chemtrade will not be subject to tax on income received from non-Canadian subsidiaries, provided that the income is distributed to Unitholders during the year. Based on the current organization of Chemtrade and its subsidiaries, Chemtrade expects that its income distributed to Unitholders will not be subject to SIFT tax.

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period. Chemtrade calculates the consolidated estimated effective annual tax rate by determining the amount of current and deferred income taxes as a percentage of income before tax. Chemtrade's consolidated estimated effective tax rate for the three months ended March 31, 2023 was 14.9% (2022 - 62.5%), compared to a statutory rate of 25.3% (2022 - 25.6%). Chemtrade made payments of $24,700 of Canadian income taxes relating to the 2022 taxation year, of which $21,500 was paid during the three months ended March 31, 2023 and $3,200 was paid during 2022. These payments have been included in Other assets in the Condensed Consolidated Interim Statements of Financial Position. Chemtrade is disputing the deductibility of certain Canadian tax losses with the Canada Revenue Agency which would offset the taxes owed for 2022 and result in the tax payment being refunded.

The effective tax rate for the first quarter of 2023 differs from the statutory tax rate primarily due to the deduction of taxable income distributed to Unitholders, difference in domestic corporate and trust tax rates, international income tax rate differences, reversal of unrecognized deferred tax assets associated with the unrealized fair value losses on the Debentures, unrecognized deferred tax assets associated with the limitation of business interest expense deduction and certain permanent differences.

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

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

9. NET EARNINGS PER UNIT:

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

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

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

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

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

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

10. CASH AND CASH EQUIVALENTS:

The components of cash and cash equivalents are as follows:

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

11. PROVISIONS:

Superior Lawsuit Judgment

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

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

12. LONG-TERM DEBT:

Changes in long-term debt are as follows:

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

(1) At March 31, 2023, Chemtrade had committed a total of $19,486 of the revolving credit facilities ("Credit Facilities") towards standby letters of credit.
(2) At March 31, 2023, Cdn$ limit of the Credit Facilities was $878,540 (US$650,000) and Chemtrade had drawn US$242,516 and Cdn$ nil on the Credit Facilities.

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

(1) At March 31, 2022, Chemtrade had committed a total of $19,095 of the Credit Facilities towards standby letters of credit.
(2) At March 31, 2022, Cdn$ limit of the Credit Facilities was $812,825 (US$650,000) and Chemtrade had drawn US$376,000 and Cdn$53,878 on the Credit Facilities.

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

Prior to September 2022, Chemtrade's Credit Facilities bore variable rates of interest based on the US LIBOR and Canadian Bankers' Acceptance rates. In September 2022, Chemtrade amended certain terms of its Credit Facilities and interest rate swap arrangements to replace US LIBOR with Secured Overnight Financing Rate ("SOFR").

The Credit Facilities are secured by substantially all of Chemtrade's assets. At March 31, 2023, the weighted average effective interest rate of the facilities was 3.4% (December 31, 2022 - 3.1%). Interest rates on the Credit Facilities are based on SOFR and Canadian Bankers' Acceptance rates, adjusted by Chemtrade's credit spread.

Chemtrade is subject to certain covenants pursuant to its Credit Facilities, which include a Net debt to EBITDA ratio and an Interest Coverage ratio (as such terms are defined in the credit agreement). Chemtrade monitors these ratios and reports them to its lenders on a quarterly basis. As at March 31, 2023 and December 31, 2022, Chemtrade was in compliance with all covenants.

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

13. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES:

Changes in convertible unsecured subordinated debentures are as follows:

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

[1] The Fund 2017 4.75% Debentures, the Fund 2019 6.50% Debentures, the Fund 2020 8.50% Debentures, the Fund 2021 6.25% Debentures, the Fund 2023 7.00% Debentures and the Fund 2016 5.00% Debentures which were redeemed during the first quarter of 2022 are collectively referred to as the "Debentures". Chemtrade has designated the Debentures as financial liabilities at fair value through profit or loss.

[2] During the first quarter of 2023, Chemtrade announced the partial redemption of $100,000 aggregate principal amount of the outstanding Fund 2017 4.75% Debentures. On May 4, 2023, the debentures were redeemed at their par value, including accrued interest for a total of $102,017. On May 10, 2023, Chemtrade announced the redemption of remaining principal amount of $101,115 of the Fund 2017 4.75% Debentures, see note 18.

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

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

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

13. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES (continued):

	Convertible unsecured subordinated debentures					
	Fund 2016 5.00% Debentures	**Fund 2017 4.75% Debentures**	**Fund 2019 6.50% Debentures**	**Fund 2020 8.50% Debentures**	**Fund 2021 6.25% Debentures[1]**	**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, 2022	143,750	201,115	100,000	86,250	130,000	661,115
Principal outstanding at March 31, 2022	—	201,115	100,000	86,250	130,000	517,365
Balance at January 1, 2022	143,894	197,796	101,150	97,463	129,870	670,173
Redemption [1]	(143,750)	—	—	—	—	(143,750)
Change in fair value recognized in profit or loss	(144)	(6,547)	(5,760)	3,222	24,853	15,624
Change in fair value due to own credit risk [2]	—	9,926	6,110	1,090	(21,798)	(4,672)
Balance at March 31, 2022	—	201,175	101,500	101,775	132,925	537,375

[1] During the first quarter of 2022, Chemtrade redeemed all of the outstanding Fund 2016 5.00% Debentures for their par value, including accrued interest for a total of $146,645. Chemtrade used the net proceeds from the Fund 2021 6.25% Debentures offering and its Credit Facilities to fund the redemption.

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

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

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

14. UNITS AND OTHER COMPONENTS OF EQUITY:

(a) Units:

Chemtrade has authorized an unlimited number of units. Chemtrade's units have no par value. The following table presents the number of units outstanding:

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

(b) Distributions:

Distributions paid for the three months ended March 31, 2023 were $17,425 (2022 - $15,718) or $0.15 per unit (2022 - $0.15 per unit). Of the distributions paid for the three months ended March 31, 2023, $14,708 (2022 - $13,353) were in cash and $2,717 (2022 - $2,365) were reinvested in additional units pursuant to the DRIP. All of Chemtrade's distributions are discretionary and subject to Board approval.

Distributions declared, including the DRIP bonus distributions for the three months ended March 31, 2023 were $17,440 (2022 - $15,735) or $0.15 per unit (2022 - $0.15 per unit).

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

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

15. SHARE-BASED PAYMENTS:

Chemtrade operates a Long-term Incentive Plan ("LTIP"), which grants cash awards based on certain criteria. The 2021 - 2023 LTIP awards have a performance based component and a Restricted Share Unit ("RSU") component. The 2022 - 2024 and 2023 - 2025 LTIP awards have a performance based Performance Share Unit ("PSU") component and a RSU component. The performance based component of the 2021 - 2023 LTIP awards and performance based PSU component of the 2022 - 2024 and 2023 - 2025 LTIP are based on return on investment capital improvement and total return to Chemtrade's Unitholders relative to the total return of companies comprising the S&P/TSX Dividend Composite Index. Total Unitholder return consists of changes in unit price and distributions paid to Unitholders over the course of the performance periods. The performance based PSU component under 2022 - 2024 and 2023 - 2025 LTIP awards is also adjusted by Environmental, Social and Governance goals to be achieved by the end of the performance period. The RSU component of the LTIP awards is a phantom plan which is payable in cash at the end of the performance period.

As at March 31, 2023, a liability of $18,631 (December 31, 2022 - $52,327) has been recorded, of which $10,659 (December 31, 2022 - $35,681) is included in trade and other payables and $7,972 (December 31, 2022 - $16,646) is included in other long-term liabilities. During the three months ended March 31, 2023, Chemtrade paid $36,311 to settle the 2020 - 2022 LTIP awards. For the three months ended March 31, 2023, Chemtrade recorded an expense of $4,136 (2022 - $4,236) in selling and administrative expenses related to the fair value adjustments on the LTIP.

The following RSUs under these plans are outstanding:

	Number of rights	
	2023	**2022**
Balance – January 1	3,293,965	3,596,918
Grants – new grants	627,935	715,280
– distribution equivalents	85,174	66,225
Forfeitures	(29,722)	—
Settlements	(1,803,167)	(1,153,047)
Balance – March 31	**2,174,185**	**3,225,375**

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

15. SHARE-BASED PAYMENTS (continued):

The following PSUs under these plans are outstanding:

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

Chemtrade has in place a deferred unit plan ("DUP") for non-employee trustees ("Participants"), pursuant to which the Participants can elect to take all or a portion of their compensation in the form of deferred units of Chemtrade, with the remainder as a cash payment. The deferred units are settled in units of the Fund issued from treasury or in cash at the Participant's request. Currently, the Participants are required to take a minimum of 50% of their compensation in the form of deferred units of Chemtrade. As at March 31, 2023, 554,788 deferred units at a value of $4,355 were outstanding (December 31, 2022 - 583,501 deferred units at a value of $5,234).

The following rights under the DUP are outstanding:

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

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

15. SHARE-BASED PAYMENTS (continued):

Inputs for measurement of fair values

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

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

16. FINANCIAL INSTRUMENTS:

(a) Derivatives and hedging:

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

[1] Current portion of assets is included in Prepaid expenses and other assets, non-current portion of assets is included in Other assets, current portion of liabilities is included in Trade and other payables and non-current portion of liabilities is included in Other long-term liabilities in the Condensed Consolidated Interim Statements of Financial Position as of March 31, 2023 and December 31, 2022.
[2] See below for notional amounts.

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

16. FINANCIAL INSTRUMENTS (continued):

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

In September 2022, Chemtrade amended certain terms of its Credit Facilities and interest rate swap arrangements to replace US LIBOR with SOFR.

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

For the three months ended March 31, 2023, a foreign exchange loss of $392 (2022 - gain of $4,197) on the revaluation of the U.S. dollar-denominated debt related to this hedging strategy was recognized in other comprehensive income, net of tax.

During 2021, Chemtrade entered into cash-settled unit swap arrangements which fixed the unit price on a portion of the RSU component of its LTIP awards. During the first quarter of 2022, Chemtrade rolled over the hedged units maturing on March 31, 2022, into 2023, 2024 and 2025. In addition to a portion of the RSU component of its LTIP awards, these arrangements fixed the unit price of a portion of the PSU component of its 2022 - 2024 LTIP awards. During the first quarter of 2023, Chemtrade rolled over the hedged units maturing on March 31, 2023, into 2024, 2025 and 2026. In addition to a portion of the RSU component of its LTIP awards, these arrangements fixed the unit price of the PSU component of its 2023 - 2025 LTIP awards and deferred units awarded under the DUP. The RSU component of the LTIP awards is a phantom plan which is payable in cash at the end of the performance period. The PSU component of the LTIP awards gives a right to the participants to receive cash payments upon the achievement of performance goals during the performance periods. The arrangements are based on a portion of RSUs and PSUs outstanding for all its existing LTIP awards. As at March 31, 2023, the notional number of units hedged was 2,312,075 with maturity dates ranging between March 2024 and March 2026. Distributions on the hedged units are reinvested in these swap arrangements. The RSU and PSU swaps are formally designated as cash flow hedges at the date of inception and any changes in the fair value of the unvested portion of the RSUs and PSUs are recognized in other comprehensive income. However, the swaps which fix the unit price on deferred units are not formally designated as cash flow hedges and any

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

16. FINANCIAL INSTRUMENTS (continued):

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

Chemtrade has entered into foreign exchange contracts to manage some of its exposure to foreign currencies. Chemtrade buys and sells specific amounts of currencies at pre-determined dates and exchange rates, which are matched with the anticipated operational cash flows. Contracts in place at March 31, 2023 include future contracts to sell the following amounts for periods through to August 2024:

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

(b) Fair values of financial instruments:

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

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

Level 1 - Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

16. FINANCIAL INSTRUMENTS (continued):

Level 3 - Significant unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

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

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

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

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

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

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

17. CAPITAL MANAGEMENT:

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

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

[1] Principal outstanding amount
[2] Presented as current liabilities in the condensed consolidated interim statements of financial position
[3] LTM Adjusted EBITDA represents the last twelve months Adjusted EBITDA.

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

18. SUBSEQUENT EVENTS:

Partial Redemption of the Fund 2017 4.75% Debentures

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

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

19. SIGNIFICANT ACCOUNTING POLICIES:

(a) Standards and interpretations adopted during the period:

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

- IFRS 17, *Insurance Contracts*, a replacement of IFRS 4, Insurance Contracts, that aims to provide consistency in the application of accounting for insurance contracts.

- Amendments to IAS 1, *Presentation of Financial Statements - Disclosure of Accounting Policies*, requiring entities to disclose material, instead of significant, accounting policy information.

- Amendments to IAS 8, *Accounting Policies - Changes in Accounting Estimates and Errors*, clarifying the definition of "accounting policies" and "accounting estimates".

- Amendments to IAS 12, *Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction*, narrowing the scope for exemption when recognizing deferred taxes.

(b) Standards and interpretations not yet adopted:

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

- Amendments to IAS 1, *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current*, clarifying requirements for the classification of liabilities as non-current (effective for annual periods beginning on or after January 1, 2024).

- Amendments to IFRS 10, and IAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture,* addressing the conflict in dealing with the sale or contribution of assets between an investor and its associate or joint venture (deferred indefinitely with an option of early adoption).

- Amendments to IFRS 16, *Lease liability in a Sale and Leaseback*, specifying how a seller-lessee accounts for variable lease payments that arise in a sale-and-leaseback transaction (effective for annual periods beginning on or after January 1, 2024).

19. SIGNIFICANT ACCOUNTING POLICIES (continued):

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

Information for Unitholders

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