2023

Chemtrade Logistics Income Fund

2023 Third Quarter Report

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

This MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements of Chemtrade for the three and nine months ended September 30, 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 November 14, 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 41.

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 39.

Definitions

MD&A means Management's Discussion & Analysis

Fund means Chemtrade Logistics Income Fund

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

IFRS means International Financial Reporting Standards

SWC means our Sulphur and Water Chemicals reportable segment

EC means our Electrochemicals reportable segment

More terms and definitions are explained on page 47.

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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. Until November 8, 2023, SWC also manufactured phosphorus pentasulphide, see **Recent Development** on page 5. 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.

($'000 except per unit amounts)	Three months ended **September 30, 2023**	 September 30, 2022	Nine months ended **September 30, 2023**	 September 30, 2022
Revenue	$ 483,532	$ 519,920	$ 1,424,750	$ 1,356,637
Net earnings [1]	$ 70,784	$ 75,341	$ 237,642	$ 120,862
Net earnings per unit [1][2]	$ 0.61	$ 0.69	$ 2.05	$ 1.14
Diluted net earnings per unit [1][2]	$ 0.41	$ 0.38	$ 1.30	$ 0.84
Total assets	$ 2,159,605	$ 2,160,530	$ 2,159,605	$ 2,160,530
Long-term debt	$ 314,986	$ 377,532	$ 314,986	$ 377,532
Convertible unsecured subordinated debentures	$ 425,424	$ 498,676	$ 425,424	$ 498,676
Adjusted EBITDA [3]	$ 142,118	$ 137,057	$ 417,989	$ 326,618
Cash flows from operating activities	$ 129,166	$ 143,472	$ 302,856	$ 264,581
Distributable cash after maintenance capital expenditures [2]	$ 86,465	$ 82,529	$ 269,501	$ 171,716
Distributable cash after maintenance capital expenditures per unit [1][2]	$ 0.74	$ 0.75	$ 2.32	$ 1.62
Distributions declared	$ 17,566	$ 16,841	$ 52,509	$ 48,360
Distributions declared per unit [4]	$ 0.15	$ 0.15	$ 0.45	$ 0.45
Distributions paid, net of distributions reinvested	$ 14,421	$ 13,630	$ 43,650	$ 40,289

[1] Results for the nine months ended September 30, 2022 include a gain of $17.4 million or $0.16 per unit relating to sale of an idled acid plant in Augusta, GA.

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

[3] See **Non-IFRS and Other Financial Measures** on page 41.

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

THIRD QUARTER 2023 HIGHLIGHTS

- Adjusted EBITDA of $142.1 million, an increase of $5.1 million or 3.7% year-over-year reflecting improved margins for several products, which more than offset reduced revenues.
- Cash flows from operating activities of $129.2 million, a decrease of $14.3 million or 10.0% year-over-year mainly due to working capital not declining as much in the third quarter of 2023 as it did in Q2, 2023 and due to higher income taxes paid during Q3, 2023.
- Distributable cash after maintenance capital expenditures of $86.5 million, an increase of $3.9 million or 4.8% year-over-year, reflecting improved business results.
- Revenue of $483.5 million, a decrease of $36.4 million or 7.0% year-over-year driven by lower prices for sulphur and caustic soda, which was partially offset by higher prices for water products, sodium chlorate, Regen acid and chlorine.
- Net earnings of $70.8 million, a decrease of $4.6 million or 6.0% year-over-year, mainly due to non-cash expenses resulting from an increase in the market value of Debentures.

NINE MONTHS 2023 HIGHLIGHTS

- Revenue of $1,424.8 million, an increase of $68.1 million or 5.0% year-over-year, mainly due to the weaker Canadian dollar during 2023 compared with 2022. Higher selling prices across numerous key products offset lower volumes of merchant acid and sodium chlorate.
- Net earnings of $237.6 million, an increase of $116.8 million or 96.6% year-over-year.
- Adjusted EBITDA of $418.0 million, an increase of $91.4 million or 28.0% year-over-year, primarily owing to increased revenue.
- Cash flows from operating activities of $302.9 million, an increase of $38.3 million or 14.5% year-over-year.
- Distributable cash after maintenance capital expenditures of $269.5 million, an increase of $97.8 million or 56.9% year-over-year.
- Continued balance sheet improvement, as demonstrated by a Net debt/Adjusted EBITDA ratio of 1.7x at September 30, 2023, a significant reduction from the end of 2022 when it was 2.2x.
- Adjusted EBITDA for 2023 is expected to exceed $490.0 million, which will be the highest annual amount ever achieved in our history.

RECENT DEVELOPMENTS

Sale of P_2S_5 business

On November 8, 2023, we completed the sale of our phosphorus pentasulphide (P_2S_5) business for gross proceeds of approximately US$43.0 million, which consisted of cash of approximately US$39.4 million and the assumption of Indebtedness (as defined in the sales agreement) of approximately US$3.6 million. An estimated pre-tax gain on the sale of this business of approximately US$14.0 million will be recorded during the fourth quarter of 2023. The net proceeds will be used to reduce borrowings from the Credit Facilities.

CONSOLIDATED OPERATING RESULTS

	Three months ended September 30, 2023 vs 2022	Nine months ended September 30, 2023 vs 2022
F/X Rate	US$1.00 = $1.34 in 2023 compared with US$1.00 = $1.31 in 2022. The weaker Canadian dollar during 2023 compared with 2022 had a positive impact on consolidated revenue, gross profit and Adjusted EBITDA of $9.7 million, $4.4 million and $3.8 million, respectively.	US$1.00 = $1.35 in 2023 compared with US$1.00 = $1.28 in 2022. The weaker Canadian dollar during 2023 compared with 2022 had a positive impact on consolidated revenue, gross profit and Adjusted EBITDA of $54.2 million, $24.4 million and $21.1 million, respectively.
General comments	—	There were two events during the second quarter of 2022 that had a negative impact on the results. The biennial maintenance turnaround at the North Vancouver chlor-alkali plant had a negative impact of approximately $15.0 million on revenue and approximately $17.1 million on gross profit and Adjusted EBITDA. Additionally, the decision to close our Beauharnois, QC sodium chlorate facility had a negative impact of approximately $3.9 million on gross profit and Adjusted EBITDA in 2022.
Revenue	Consolidated revenue for 2023 was $483.5 million, which was $36.4 million lower than revenue for 2022. Excluding the impact of foreign exchange, revenue was $46.1 million lower primarily due to: • lower selling prices for merchant acid and sulphur products due to lower sulphur costs and lower sales volumes of merchant acid in the SWC segment, and • significantly lower prices for caustic soda and lower sales volumes of sodium chlorate in the EC segment, partially offset by: • higher selling prices for chlorine, HCl and sodium chlorate in the EC segment, and • higher selling prices for water solutions products and higher volumes of Regen acid in the SWC segment.	Consolidated revenue for 2023 was $1,424.8 million, which was $68.1 million higher than revenue for 2022. Excluding the impact of foreign exchange and the other items noted above, revenue was $1.1 million lower primarily due to: • a decrease in sales volumes of sodium chlorate in the EC segment, and • lower selling prices for merchant acid and sulphur products due to lower sulphur costs in the SWC segment, partially offset by: • higher selling prices for water solutions products and Regen acid in the SWC segment, and • higher selling prices for chlorine, HCl and sodium chlorate in the EC segment.

<table>
<tr><th></th><th>Three months ended September 30, 2023 vs 2022</th><th>Nine months ended September 30, 2023 vs 2022</th></tr>
<tr><td>Adjusted EBITDA</td><td>Adjusted EBITDA for 2023 was $142.1 million, which was $5.1 million higher than the Adjusted EBITDA for 2022. Excluding the impact of foreign exchange, Adjusted EBITDA was $1.2 million higher primarily due to:
a significant improvement in gross profit for water solutions products and higher volumes of Regen acid in the SWC segment, and
increased gross profit for sodium chlorate, chlorine and HCl in the EC segment,
partially offset by:
higher corporate costs.</td><td>Adjusted EBITDA for 2023 was $418.0 million, which was $91.4 million higher than the Adjusted EBITDA for the same period of 2022. Excluding the impact of foreign exchange and the other items noted above, Adjusted EBITDA was $49.3 million higher primarily due to:
increased gross profit for sodium chlorate, chlorine and HCl in the EC segment, and
higher gross profit for water solutions products and Regen acid in the SWC segment,
partially offset by:
higher corporate costs.</td></tr>
<tr><td>Net Earnings</td><td>Net earnings for 2023 were $4.6 million lower than 2022 primarily due to:
lower net finance income during 2023 mainly due to non-cash expenses resulting from an increase in the market value of Debentures. (see Net Finance (Income) Costs on page 17), and
higher income tax expenses recorded during 2023 (see Income Taxes on page 18),
partially offset by:
higher Adjusted EBITDA, and
lower unrealized foreign exchange losses during 2023 compared with the same period of 2022.</td><td>Net earnings for 2023 were $116.8 million higher than 2022 primarily due to:
higher Adjusted EBITDA, and
net finance income during 2023 compared with net finance costs during 2022 (see Net Finance (Income) Costs on page 17),
partially offset by:
higher income tax expenses recorded during 2023 compared with the same period of 2022 (see Income Taxes on page 18).</td></tr>
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RESULTS OF OPERATIONS BY REPORTABLE SEGMENT

SULPHUR AND WATER CHEMICALS (SWC)

($'000)	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Revenue	$ 290,498	$ 311,527	$ 833,322	$ 810,008
Gross profit	58,076	45,427	137,843	135,839
Adjusted EBITDA	83,724	69,471	212,388	186,723

	SWC OPERATING RESULTS	
	Three months ended September 30, 2023 vs 2022	**Nine months ended September 30, 2023 vs 2022**
F/X Rate	The weaker Canadian dollar during 2023 compared with 2022 had a positive impact on revenue, gross profit and Adjusted EBITDA of $5.9 million, $1.6 million and $1.2 million, respectively.	The weaker Canadian dollar during 2023 compared with 2022 had a positive impact on revenue, gross profit and Adjusted EBITDA of $31.5 million, $8.2 million and $5.7 million, respectively.
General comments	—	The sale of an idled plant during the second quarter of 2022 resulted in a gain $17.4 million which was included in gross profit for 2022.
Revenue	Revenue for 2023 was $290.5 million, which was $21.0 million lower than revenue for 2022. Excluding the impact of foreign exchange, revenue was $26.9 million lower primarily due to: • lower selling prices for merchant acid and sulphur products due to lower sulphur costs, and • lower volumes of merchant acid and ultrapure sulphuric acid, partially offset by: • higher selling prices for water solutions products, • higher volumes of Regen acid, and • higher selling prices for Regen acid.	Revenue for 2023 was $833.3 million, which was $23.3 million higher than revenue for 2022. Excluding the impact of foreign exchange, revenue was $8.2 million lower primarily due to: • lower selling prices for merchant acid and sulphur products due to lower sulphur costs, and • lower volumes of merchant acid, partially offset by: • higher selling prices for water solutions products and Regen acid.

	SWC OPERATING RESULTS	
	Three months ended September 30, 2023 vs 2022	**Nine months ended September 30, 2023 vs 2022**
Gross Profit	Gross profit for 2023 was $58.1 million, which was $12.6 million higher than gross profit for 2022. The improvement over 2022 was primarily from water solutions products. Excluding the impact of foreign exchange, gross profit was $11.0 million higher primarily due to: • a significant improvement in margins for water solutions products, partially offset by: • lower volumes of merchant acid and ultrapure sulphuric acid. Lower selling prices for merchant acid and sulphur products were offset by lower costs for sulphur and by reduced costs due to risk shared supply contracts, where selling price changes are shared with suppliers.	Gross profit for 2023 was $137.8 million, which was $2.0 million higher than gross profit for 2022. The improvement over 2022 was primarily from water solutions products. Excluding the impact of foreign exchange and the gain recorded in 2022 related to the sale of an idled plant in Augusta, GA, gross profit was $11.2 million higher primarily due to: • higher selling prices and lower raw material costs for water solutions products and higher selling prices for Regen acid, partially offset by: • lower volumes of merchant acid and ultrapure sulphuric acid. Lower selling prices for merchant acid and sulphur products were offset by lower costs for sulphur and by risk shared supply contracts.
Adjusted EBITDA	Adjusted EBITDA for 2023 was $83.7 million, which was $14.3 million higher than Adjusted EBITDA for 2022. Excluding the impact of foreign exchange, Adjusted EBITDA was $13.1 million higher primarily due to: • higher gross profit in water solutions products due to significantly higher selling prices, and • higher gross profit for Regen acid due to higher volumes and higher selling prices, which more than offset: • lower volumes of merchant acid. Lower selling prices for merchant acid and sulphur products were offset by lower costs for sulphur and by reduced costs for product as changes in selling prices are shared with suppliers due to risk shared supply contracts.	Adjusted EBITDA for 2023 was $212.4 million, which was $25.7 million higher than Adjusted EBITDA for 2022. Excluding the impact of foreign exchange, Adjusted EBITDA was $20.0 million higher due to: • higher gross profit for water solutions products and Regen acid due to higher selling prices.

ELECTROCHEMICALS (EC)

($'000)	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
North American sales volumes:				
Sodium chlorate sales volumes (000's MT)	67	91	211	263
Chlor-alkali sales volumes (000's MECU)	49	52	140	138
Revenue	$ 193,034	$ 208,393	$ 591,428	$ 546,629
Gross profit	70,589	63,757	220,665	132,060
Adjusted EBITDA	84,234	88,221	277,445	204,531

	EC OPERATING RESULTS	
	Three months ended September 30, 2023 vs 2022	**Nine months ended September 30, 2023 vs 2022**
F/X Rate	The weaker Canadian dollar during 2023 compared with 2022 had a positive impact on revenue, gross profit and Adjusted EBITDA of $3.8 million, $2.8 million and $2.9 million, respectively.	The weaker Canadian dollar during 2023 compared with 2022 had a positive impact on revenue, gross profit and Adjusted EBITDA of $22.7 million, $16.1 million and $16.6 million, respectively.
General comments	—	Revenue, gross profit and Adjusted EBITDA for 2022 were negatively affected by the North Vancouver maintenance turnaround and Beauharnois closure costs as noted above in the consolidated operating results section.

	EC OPERATING RESULTS	
	Three months ended September 30, 2023 vs 2022	**Nine months ended September 30, 2023 vs 2022**
Revenue	Revenue for 2023 was $193.0 million, which was $15.4 million lower than revenue for 2022. Excluding the impact of foreign exchange, revenue was $19.2 million lower primarily due to: • significantly lower selling prices of caustic soda, and • lower sales volumes of sodium chlorate, partially offset by: • higher selling prices for chlorine and HCl, and • higher selling prices for sodium chlorate. MECU netbacks declined by approximately $160, excluding the impact of foreign exchange. Higher netbacks for chlorine and HCl offset approximately half of the decline in caustic soda.	Revenue for 2023 was $591.4 million, which was $44.8 million higher than revenue for 2022. Excluding the impact of foreign exchange and the other items noted above, revenue was $7.1 million higher primarily due to: • higher selling prices for chlorine and HCl resulting in an increase of approximately $114 in realized MECU netbacks (i.e. selling price less freight). Selling prices for chlorine and HCl products were significantly higher due to improved market conditions for chlorine in North America and increased demand for HCl from oil and gas fracking in North America, • 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, partially offset by: • a decrease in sales volumes of sodium chlorate.

<table>
<tr><th></th><th colspan="2">EC OPERATING RESULTS</th></tr>
<tr><th></th><th>Three months ended September 30, 2023 vs 2022</th><th>Nine months ended September 30, 2023 vs 2022</th></tr>
<tr><td>Gross Profit</td><td>Gross profit for 2023 was $70.6 million, which was $6.8 million higher than gross profit for 2022. Excluding the impact of foreign exchange, gross profit was $4.1 million higher than 2022. The increase in gross profit was primarily due to:
significantly higher selling prices for sodium chlorate, and
higher selling prices for chlorine and HCl,
partially offset by:
significantly lower caustic soda price, and
lower sales volumes of sodium chlorate.
MECU netbacks declined by approximately $160, excluding the impact of foreign exchange. Higher netbacks for chlorine and HCl offset approximately half of the decline in caustic soda.</td><td>Gross profit for 2023 was $220.7 million, which was $88.6 million higher than gross profit for 2022. Excluding the impact of foreign exchange and the other items noted above, gross profit was $51.5 million higher than 2022. Approximately 80% of the improvement over 2022 was from sodium chlorate with the balance from chlor-alkali products and Brazil. The increase in gross profit was primarily due to:
higher selling prices for sodium chlorate,
higher selling prices for chlorine and HCl, and
higher revenue in Brazil,
partially offset by:
a decrease in sales volumes of sodium chlorate.
Realized MECU netbacks during 2023 were approximately $114 higher than 2022 despite realized pricing for caustic soda being slightly lower than 2022. A large part of the increase in realized MECU netbacks was due to chlorine which continued to benefit from reduced supply in the industry. Demand for HCl was strong due to increased fracking activity in North America.</td></tr>
</table>

	EC OPERATING RESULTS	
	Three months ended September 30, 2023 vs 2022	**Nine months ended September 30, 2023 vs 2022**
Adjusted EBITDA	Adjusted EBITDA for 2023 was $84.2 million, which was $4.0 million lower than Adjusted EBITDA for 2022. Excluding the impact of foreign exchange, Adjusted EBITDA was $6.9 million lower due to: • significantly lower caustic soda price, and • lower sales volumes of sodium chlorate, partially offset by: • significantly higher selling prices for sodium chlorate, and • higher selling prices for chlorine and HCl. MECU netbacks declined by approximately $160, excluding the impact of foreign exchange. Higher netbacks for chlorine and HCl offset approximately half of the decline in caustic soda.	Adjusted EBITDA for 2023 was $277.4 million, which was $72.9 million higher than Adjusted EBITDA for 2022. Excluding the impact of foreign exchange and the other items noted above, Adjusted EBITDA was $35.3 million higher. The factors that affected gross profit also resulted in higher Adjusted EBITDA in 2023. Realized MECU netbacks during 2023 were approximately $114 higher than 2022 despite realized pricing for caustic soda being slightly lower than 2022. A large part of the increase in realized MECU netbacks was due to chlorine which continued to benefit from reduced supply in the industry. Demand for HCl was strong due to increased fracking activity in North America.

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		Nine months ended	
($'000)	**September 30, 2023**	**September 30, 2022**	**September 30, 2023**	**September 30, 2022**
Cost of services (Adjusted EBITDA)	(25,840)	(20,635)	(71,844)	(64,636)

	CORPORATE COSTS	
	Three months ended September 30, 2023 vs 2022	**Nine months ended September 30, 2023 vs 2022**
Cost of Services	Corporate costs shown above were higher primarily due to: • provisions recorded for non-income tax related audits during Q3 2023, • $1.1 million higher short-term incentive compensation costs compared to 2022, and • higher discretionary expenses, partially offset by: • $1.3 million lower realized foreign exchange losses in 2023 relative to 2022.	Corporate costs shown above were higher primarily due to: • provisions recorded for non-income tax related audits during Q3 2023, • $3.3 million higher short-term incentive compensation costs compared to 2022, and • higher discretionary expenses, partially offset by: • $1.9 million lower LTIP costs.

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 $1.36 to $1.37 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	+ $4.1 million
Annual distributable cash after maintenance capital expenditures	+ $3.0 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 September 30, 2023 include future contracts to sell the following amounts for periods through to January 2025:

Amount ($'000)	Maturity	Exchange rate
US$41,051	Q4 2023	$1.34
US$27,147	Q1 2024	$1.35
US$19,147	Q2 2024	$1.34
US$14,232	Q3 2024	$1.34
US$7,116	Q4 2024	$1.35
US$2,000	Q1 2025	$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 41.

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 September 30, 2023. For the three and nine months ended September 30, 2023, foreign exchange losses of $8.9 million and $3.0 million, respectively, on the revaluation of the USD-denominated debt and investment in foreign operations was recognized in other comprehensive income, compared with $28.9 million and $38.6 million, respectively, during the three and nine months ended September 30, 2022.

The rate of exchange used to translate USD-denominated balances has remained unchanged at US$1.00 = $1.36 at December 31, 2022 and September 30, 2023. See **Risks and Uncertainties** in our 2022 MD&A for additional comments on foreign exchange.

NET FINANCE (INCOME) COSTS AND INCOME TAXES

Net Finance (Income) Costs

During the three months ended September 30, 2023, net finance income was $2.4 million compared with $25.9 million during the same period of 2022. During the nine months ended September 30, 2023, net finance income was $9.7 million compared with net finance costs of $12.8 million during the same period of 2022.

Three months ended September 30, 2023 vs 2022	Nine months ended September 30, 2023 vs 2022
Net finance income was $23.4 million lower during the third quarter of 2023 relative to 2022. The decrease was primarily due to: • $14.3 million lower gains related to the change in fair value of Debentures during the third quarter of 2023 compared with the same period of 2022 (additional details are shown below), • $2.1 million of losses related to the change in the fair value of interest rate swaps during the third quarter of 2023 compared with gains of $7.9 million during the same period of 2022, and • $1.8 million income reclassified from other comprehensive income due to the de-designation of swaps during 2022 compared with $4.2 million during the same period of 2022, partially offset by: • lower interest on long-term debt during the same period of 2023 relative to 2022.	During 2023, net finance income was $9.7 million compared with net finance costs of $12.8 million during 2022. The change was primarily due to: • $35.4 million higher gains related to the change in fair value of Debentures during the first nine months of 2023 compared with the same period of 2022 (additional details are shown below), and • lower interest on long-term debt during the same period of 2023 relative to 2022, partially offset by: • $4.5 million of losses related to the change in the fair value of interest rate swaps during the first first nine months of 2023 compared with gains of $9.8 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 (income) costs and changes in our own credit risk presented in other comprehensive income rather than net earnings. During the three and nine months ended September 30, 2023, the fair value of the Fund's Debentures decreased by $9.5 million and $16.1 million, respectively, and decreased by $17.3 million and $27.8 million, respectively, during the same periods of 2022.

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

		Three months ended September 30,			Nine months ended September 30,		
($ million)	**Recorded in**	**2023**	**2022**	**Variance**	**2023**	**2022**	**Variance**
(Decrease) increase due to a change in risk free rate and a change in the conversion option fair value	Net finance (income) costs	$ (14.5)	$ (28.8)	$ 14.3	$ (53.0)	$ (17.6)	$ (35.4)
Increase (decrease) due to a change in our credit risk, net of taxes	Other comprehensive income	4.9	9.9	(5.0)	33.8	(6.2)	40.0
Tax recovery (expense) due to credit risk	Other comprehensive income	0.1	1.6	(1.5)	3.1	(3.9)	7.0
(Decrease) increase in fair value of Debentures		$ (9.5)	$ (17.3)	$ 7.8	$ (16.1)	$ (27.8)	$ 11.7

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

The weighted average effective annual interest rate of the Credit Facilities at September 30, 2023 was 3.1% (December 31, 2022 - 3.1%). See **Liquidity and Capital Resources - Financial Instruments** for information concerning swap arrangements on page 22.

Income Taxes

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

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

	Three months ended September 30, 2023 vs 2022	Nine months ended September 30, 2023 vs 2022
Income taxes	Income tax expense for the third quarter of 2023 was $3.8 million higher than the same period of 2022. The change was primarily due to: • impacts of unrecognized deferred tax assets related to certain interest amounts that are limited in their current deductibility, • lower amounts of deferred tax recovery associated with the change in fair value of Debentures in 2023 relative to 2022, and • unfavourable taxable foreign exchange impacts in Brazil, partially offset by: • utilization of previously unrecognized tax losses.	Income tax expense for the nine months ended September 30, 2023 was $4.5 million higher than the same period of 2022. The change was primarily due to: • increased income tax due to higher operating income in 2023, and • impacts of unrecognized deferred tax assets related to certain interest amounts that are limited in their current deductibility, partially offset by: • higher amounts of deferred tax recovery associated with the change in fair value of Debentures in 2023 relative to 2022, • utilization of previously unrecognized tax losses, and • favourable taxable foreign exchange impacts in Brazil.

	As at September 30, 2023 vs December 31, 2022
Deferred tax assets and liabilities	Net deferred tax assets decreased by $17.1 million which was primarily due to: • impacts of unrecognized deferred tax assets related to certain interest amounts that are limited in their current deductibility, and • utilization of loss carryforwards previously recognized as deferred tax assets to offset operating income earned in 2023, partially offset by: • an increase in deferred tax assets as a result of favourable taxable foreign exchange impacts in Brazil.
Income taxes receivable (recorded within Other Assets)	We made income tax payments of $39.5 million in the first nine months of 2023 to the CRA. As we are disputing the deductibility of certain Canadian tax losses with the CRA which would offset the taxes owed for 2021, 2022 and 2023, we have accounted for these payments as non-current income taxes receivable and have recorded these payments in Other Assets in the Condensed Consolidated Interim Statements of Financial Position. We have appealed this assessment by the CRA and the resolution of this matter in our favour would result in significant taxes paid on our account to be refunded. We believe that our asserted position is appropriate and would be sustained upon full examination by tax authorities and, if necessary, upon consideration by judicial process. The cumulative amount of taxes paid to CRA related to this matter and recorded in Other Assets is $42.8 million.

Our income tax expense for the first nine months of 2023 was $31.9 million. As compared to the statutory tax rate of 25.1%, the tax expense was favourably impacted primarily by $19.4 million for the net deferred tax impact associated with the change in fair value of Debentures and non-taxability to the Fund of the income distributed to Unitholders, income earned in foreign jurisdictions taxed at lower rates of $2.5 million, and the net impact of $16.1 million related to the utilization of previously unrecognized tax losses partially offset by the non-recognition of deferred tax assets related to certain carryforward amounts of business interest expense deductions.

DISTRIBUTIONS

Distributions to Unitholders, including bonus distributions pursuant to the DRIP, for the three and nine months ended September 30, 2023 were declared as follows:

Record Date	Payment Date		Distribution Per Unit (1)		Total ($'000)
Three months ended September 30:					
July 31, 2023	August 28, 2023	$	0.05	$	5,848
August 31, 2023	September 26, 2023		0.05		5,854
September 29, 2023	October 26, 2023		0.05		5,864
Sub-total			0.15		17,566
Three months ended June 30, 2023		$	0.15	$	17,503
Three months ended March 31, 2023		$	0.15	$	17,440
Total for the nine months ended September 30, 2023		**$**	**0.45**	**$**	**52,509**

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

Distributions to Unitholders, including bonus distributions pursuant to the DRIP, for the three and nine months ended September 30, 2022 were declared as follows:

Record Date	Payment Date		Distribution Per Unit (1)		Total ($'000)
Three months ended September 30:					
July 29, 2022	August 26, 2022	$	0.05	$	5,271
August 31, 2022	September 27, 2022		0.05		5,784
September 29, 2022	October 26, 2022		0.05		5,786
Sub-total			0.15		16,841
Three months ended June 30, 2022		$	0.15	$	15,784
Three months ended March 31, 2022		$	0.15	$	15,735
Total for the nine months ended September 30, 2022		**$**	**0.45**	**$**	**48,360**

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

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

($'000)	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Net cash flows from (used in):				
Operating activities	$ 129,166	$ 143,472	$ 302,856	$ 264,581
Investing activities	(37,530)	(37,613)	(98,997)	(68,996)
Financing activities	(90,873)	(94,189)	(240,695)	(174,851)
Increase (decrease) in cash and cash equivalents	763	11,670	(36,836)	20,734
Effect of exchange rates on cash held in foreign currencies	688	1,880	62	2,249
Cash and cash equivalents, beginning of the period	34,344	23,341	72,569	13,908
Cash and cash equivalents, end of the period	$ 35,795	$ 36,891	$ 35,795	$ 36,891

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 third quarter of 2023 were an inflow of $129.2 million, compared with $143.5 million for the same period of 2022. The decrease in cash flows from operating activities of $14.3 million was primarily due to changes in working capital and higher income taxes paid, partially offset by higher Adjusted EBITDA and lower interest paid.

Cash flows from operating activities for the first nine months of 2023 were an inflow of $302.9 million, compared with $264.6 million for the same period of 2022. The increase in cash flows from operating activities of $38.3 million was primarily due to higher Adjusted EBITDA and higher interest received, partially offset by higher income taxes paid and changes in working capital.

Investing Activities

Capital expenditures were $37.5 million in the third quarter of 2023, compared with $31.7 million in the third quarter of 2022. These amounts included $25.8 million in the third quarter of 2023 and $26.7 million in the third quarter of 2022 for maintenance capital expenditures[1]. Non-maintenance capital expenditures[2] were $11.7 million during the third quarter of 2023, compared with $5.0 million during the third quarter of 2022. Most of the non-maintenance capital spending during the third quarter of 2023 was for the expansion at our facility in Cairo, OH, with some limited spending for our water organic growth opportunities.

[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

Capital expenditures were $99.0 million for the first nine months of 2023, compared with $75.6 million for the first nine months of 2022. These amounts included $60.6 million in the first nine months of 2023 and $67.1 million for the first nine months of 2022 for maintenance capital expenditures[1]. Non-maintenance capital expenditures[2] were $38.4 million during the first nine months of 2023, compared with $8.5 million during the first nine months of 2022. Most of the non-maintenance capital spending during the first nine months of 2023 was for the expansion at our facility in Cairo, OH, with some limited spending for our water organic growth opportunities.

During the second quarter of 2022, we completed the sale of an idled acid plant in Augusta, GA for cash proceeds of $12.5 million (US$10.0 million).

During the third quarter of 2022, we contributed $5.9 million (US$4.5 million) in capital to the KPCT joint venture.

Financing Activities

Cash flows from financing activities for the third quarter of 2023 were an outflow of $90.9 million, compared with $94.2 million for the same period of 2022. The decrease in cash used in financing activities of $3.3 million was primarily due to an equity offering during the third quarter of 2022 and related issuance costs, partially offset by lower reductions in the Credit Facilities, as a result of the equity offering.

Cash flows from financing activities for the first nine months of 2023 were an outflow of $240.7 million, compared with $174.9 million for the same period of 2022. The increase in cash flows used in financing activities of $65.8 million was primarily due to reduced borrowings from our Credit Facilities, higher amounts of redemption of the Fund 2017 4.75% Debentures during 2023 compared with the Fund 2016 5.00% Debentures during 2022 and an equity offering during the third quarter of 2022, partially offset by the issuance of the Fund 2023 7.00% Debentures.

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. During the first quarter of 2022, we redeemed all of the outstanding Fund 2016 5.00% Debentures for their par value, including accrued interest for a total of $146.6 million.

During the second quarter of 2023, we redeemed $201.0 million principal amount of the outstanding Fund 2017 4.75% Debentures at a total aggregate redemption price of $203.5 million, being equal to the principal amount of debentures redeemed, plus accrued and unpaid interest to, but excluding, the redemption date.

During the third quarter of 2022, we completed an equity offering of 10,005,000 units at a price of $8.65 per unit, resulting in total gross proceeds of $86.5 million. We incurred issuance costs of $2.9 million, net of tax recovery of $1.2 million, which included underwriters' fees and other expenses relating to the offering. Proceeds from the offering were used to temporarily repay outstanding indebtedness under the Credit Facilities.

There was a net decrease in borrowings from our Credit Facilities of $62.0 million and $57.9 million, respectively, during the three and nine months ended September 30, 2023 compared with a net decrease of $149.7 million and

$34.5 million, respectively, during the same periods of 2022. The decrease in borrowings for the third quarter of 2022 was a result of an equity offering plus cash flows from operations. During the fourth quarter of 2021, we issued a new series of Debentures and used the net proceeds of $130.0 million to temporarily repay our Credit Facilities. These funds were then drawn from our Credit Facilities during the first quarter of 2022 to finance the redemption of the Fund 2016 5.00% Debentures. Excluding this, the net decrease in borrowings from our Credit Facilities for the nine months ended September 30, 2022 was $164.5 million as opposed to the $34.5 million noted above. The decrease was as a result of an equity offering plus cash flows from operations.

Distributions paid to Unitholders, net of distributions reinvested during the three and nine months ended September 30, 2023 were $14.4 million and $43.7 million, respectively, compared to $13.6 million and $40.3 million, respectively, for the same periods of 2022. The increase in distributions paid for the three and nine months ended September 30, 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 September 30, 2023, we had cash and cash equivalents of $35.8 million (December 31, 2022 - $72.6 million) and a working capital deficit of $42.5 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)		**September 30, 2023**		**December 31, 2022**
Long-term debt [1]	$	314,986	$	370,024
Debentures [1]		425,720		517,365
Total Debt	$	740,706	$	887,389

[1] Principal outstanding amount

At September 30, 2023, we had Credit Facilities of approximately $882.5 million (US$650.0 million). At September 30, 2023, we had drawn $315.0 million on our Credit Facilities. Additionally, we had committed a total of $18.8 million of our Credit Facilities towards standby letters of credit. At September 30, 2023, we had undrawn US$404.1 million on our Credit Facilities.

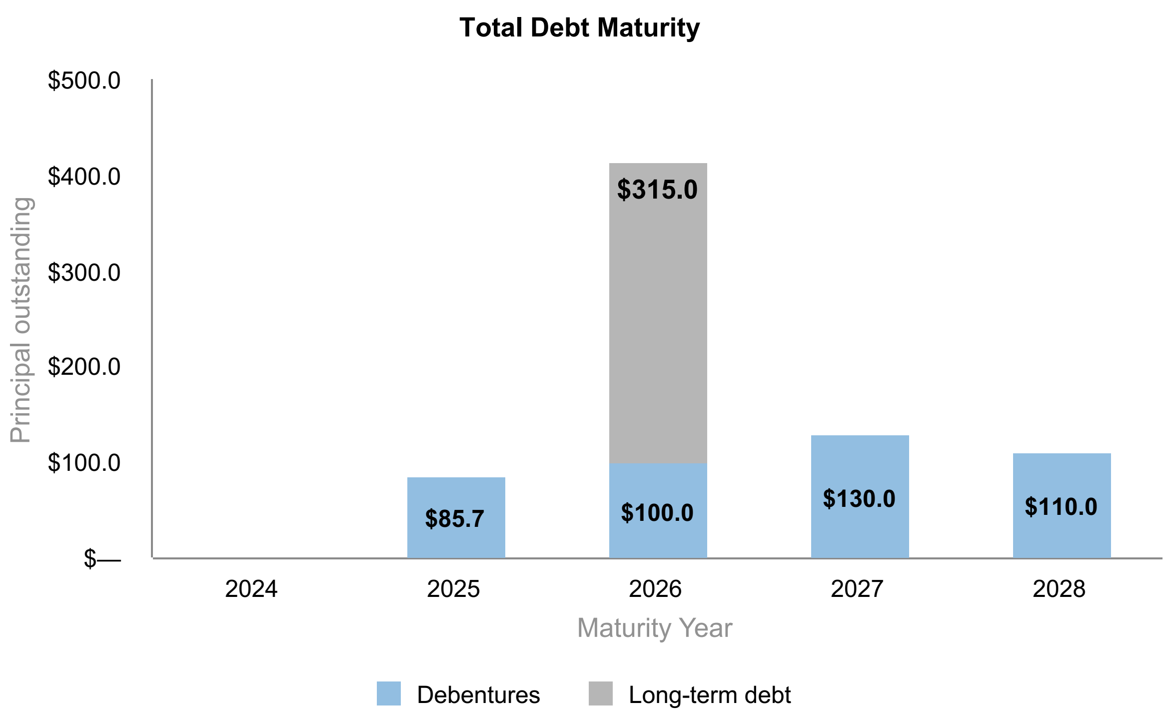
Our Debentures as of the date of this MD&A are described in the table below:

	Fund 2019 6.50% Debentures	Fund 2020 8.50% Debentures	Fund 2021 6.25% Debentures	Fund 2023 7.00% Debentures [1]	Total
Maturity	October 31, 2026	September 30, 2025	August 31, 2027	June 30, 2028	
Interest Rate	6.50 %	8.50 %	6.25 %	7.00 %	
Principal outstanding at September 30, 2023	$ 100.0	$ 85.7	$ 130.0	$ 110.0	$ 425.7 [2]
Conversion Price per unit	$ 15.80	$ 7.35	$ 10.00	$ 12.85	

[1] 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. During the second quarter of 2023, we redeemed all of the Fund 2017 4.75% Debentures. Following the full redemption of the Fund 2017 4.75% Debentures, we have four series of Debentures outstanding with an aggregate par value of $425.7 million.

[2] At September 30, 2023, the market value of the outstanding Debentures was $425.4 million.

The graph below shows the maturity of our Total Debt:



Debt Covenants

As at September 30, 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 Credit Facilities 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. For the three and nine months ended September 30, 2023, we reclassified $1.8 million and $5.3 million, respectively, (2022 - $4.2 million and $4.2 million, respectively) 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 and nine months ended September 30, 2023, we recognized a loss of $2.1 million and $4.5 million, respectively, (2022 - gain of $7.9 million and $9.8 million, respectively) 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, Chemtrade 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 September 30, 2023, the notional number of units hedged was 2.4 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 September 30, 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)	**September 30, 2023**	December 31, 2022	$ Change	% Change
ASSETS				
Cash and cash equivalents	$ 35,795	$ 72,569	(36,774)	(51)
Trade and other receivables	155,915	123,214	32,701	27
Right-of-use assets	162,027	127,603	34,424	27
Other assets	75,010	36,334	38,676	106
Deferred tax assets	62,896	82,711	(19,815)	(24)
LIABILITIES and UNITHOLDERS' EQUITY				
Trade and other payables	276,643	316,437	(39,794)	(13)
Provisions (1)	54,718	22,822	31,896	140
Long-term debt	314,986	370,024	(55,038)	(15)
Convertible unsecured subordinated debentures	425,424	533,218	(107,794)	(20)
Long-term lease liabilities	130,687	94,071	36,616	39
Provisions	116,436	135,626	(19,190)	(14)
Deficit	(1,142,065)	(1,334,524)	192,459	(14)
Accumulated other comprehensive income	216,047	255,328	(39,281)	(15)

(1) Included in Current liabilities

Cash and cash equivalents	Decrease is due to the cash flows used in financing and investing activities, partially offset by the cash flows from operating activities.
Trade and other receivables	Increase is primarily due to higher revenue in SWC and EC segments during the third quarter of 2023 relative to fourth quarter of 2022.
Right-of use assets	Increase is primarily due to ROU asset additions from new leases and renewal of expiring leases, partially offset by depreciation.
Other assets	Increase is primarily due to Canadian income taxes paid relating to the 2021, 2022 and 2023 taxation years. We are disputing the deductibility of certain Canadian tax losses with the CRA which would offset the taxes owed for 2021, 2022 and 2023. We have appealed this assessment by the CRA and the resolution of this matter in our favour would result in significant taxes paid on account to be refunded. This was partially offset by changes in the fair value of the interest rate swaps during the first nine months of 2023.
Deferred tax assets	Decrease is primarily due to the impacts of unrecognized deferred tax assets related to certain interest amounts that are limited in their current deductibility and utilization of loss carryforwards previously recognized as deferred tax assets to offset operating income earned in 2023.

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 nine months of 2023 and lower inventory volumes and lower raw material costs contained within certain inventories in SWC and EC segments during the third quarter of 2023 relative to the fourth quarter of 2022.
Provisions [(1)]	Increase is primarily due to a $28.1 million provision established against the payments received in 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.
Long-term debt	Decrease is primarily due to repayment of Credit Facilities out of cash flows from operations.
Convertible unsecured subordinated debentures	Decrease is due to the redemption of the Fund 2017 4.75% Debentures and change in fair value of Debentures, partially offset by the issuance of the Fund 2023 7.00% Debentures.
Long-term lease liabilities	Increase is primarily due to leases of additional assets for water products and the renewal of expiring leases at higher rates, given higher interest rates.
Provisions	Decrease is due to lower decommissioning liabilities primarily due to: • increased discount rates at September 30, 2023 relative to December 31, 2022, and • reclassification of decommissioning and environmental liabilities from non-current to current liabilities.
Deficit	Decrease is primarily due to: • net earnings for the nine months ended September 30, 2023, partially offset by: • distributions declared during 2023.
Accumulated other comprehensive income	Decrease is primarily due to: • the change in fair value of the Debentures due to own credit risk, • cash flow hedges reclassified to earnings, and • a loss on the net investment hedge of foreign operations, partially offset by: • foreign currency translation differences for foreign operations.

[(1)] Included in Current liabilities

SUMMARY OF QUARTERLY RESULTS

($ millions)	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021
Revenue	$ 483.5	$ 470.0	$ 471.3	$ 456.7	$ 519.9	$ 446.4	$ 390.3	$ 353.8
Cost of sales and services	(354.9)	(350.0)	(361.4)	(370.7)	(410.7)	(366.5)	(311.5)	(447.8)
Gross profit (loss)	128.6	120.0	109.9	86.0	109.2	79.9	78.8	(94.1)
Selling and administrative expenses:								
Unrealized foreign exchange (loss) gain	(5.3)	4.3	3.8	10.9	(17.2)	(5.7)	2.4	2.7
Realized foreign exchange (loss) gain	(1.2)	2.5	(0.4)	(3.3)	(2.8)	(2.0)	5.5	1.3
LTIP	(4.0)	(4.0)	(4.1)	(6.9)	(3.8)	(6.0)	(4.2)	(7.2)
Lawsuit settlement	—	—	—	—	—	—	—	17.7
Other	(33.1)	(28.0)	(27.8)	(28.2)	(23.1)	(24.8)	(25.2)	(22.1)
Total selling and administrative expenses	(43.6)	(25.2)	(28.5)	(27.5)	(46.8)	(38.5)	(21.5)	(7.6)
Share of loss from joint venture	(0.1)	(0.6)	(0.7)	(0.4)	—	—	—	—
Operating income (loss)	85.0	94.2	80.7	58.1	62.3	41.3	57.3	(101.7)
Net finance income (costs):								
Mark-to-market on Debentures	14.5	5.3	33.2	(25.2)	28.8	4.4	(15.6)	(18.9)
Debt issuance and extinguishment costs	—	—	(5.0)	—	—	—	—	(11.0)
Income (loss) reclassified from other comprehensive income	1.8	1.8	1.8	1.8	4.2	—	—	(9.8)
Change in the fair value of interest rate swaps	(2.1)	1.6	(3.9)	0.9	7.9	—	1.9	—
Other	(11.8)	(14.2)	(13.4)	(14.7)	(15.0)	(14.2)	(15.1)	(17.2)
Total net finance income (costs)	2.4	(5.5)	12.7	(37.2)	25.9	(9.8)	(28.8)	(56.9)
Income tax (expense) recovery	(16.7)	(1.4)	(13.9)	(32.7)	(12.9)	3.3	(17.8)	(21.9)
Net earnings (loss)	$ 70.8	$ 87.3	$ 79.5	$ (11.7)	$ 75.3	$ 34.8	$ 10.7	$ (180.5)
Adjusted EBITDA	$ 142.1	$ 144.2	$ 131.7	$ 104.3	$ 137.1	$ 81.7	$ 107.8	$ 92.5
Net earnings (loss) per unit	$ 0.61	$ 0.75	$ 0.69	$ (0.10)	$ 0.69	$ 0.33	$ 0.10	$ (1.74)
Diluted net earnings (loss) per unit	$ 0.41	$ 0.57	$ 0.32	$ (0.10)	$ 0.38	$ 0.18	$ 0.10	$ (1.74)

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 2023 relative to 2022 was higher due to higher selling prices for sodium chlorate, chlorine and HCl in the EC segment and higher selling prices and lower raw material costs for water solutions products and higher selling prices for Regen acid in the SWC segment. Gross profit for the fourth quarter of 2021 was lower due to a $130.0 million impairment of intangible assets and PPE related to the sodium chlorate business due to a decline in sodium chlorate demand combined with increased competitive pressure resulting in lower levels of gross profit and lowered expectations of business recovery to pre-pandemic levels. In addition, a loss of $7.1 million was recorded in SWC's cost of sales and services related to the sale of the KCl and vaccine adjuvants businesses during the fourth quarter of 2021.

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 (Income) Costs

Net finance (income) 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 (income) costs is interest from our Credit Facilities and Debentures.

Net finance (income) 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 (income) costs for the first quarter of 2023 included $5.0 million of transaction costs on the issuance of the Fund 2023 7.00% Debentures. Net finance (income) 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 November 13, 2023 and September 30, 2023, the following units and securities convertible into our units were issued and outstanding:

	November 13, 2023		September 30, 2023	
	Convertible Securities	Units	Convertible Securities	Units
Units outstanding		**116,773,941**		**116,642,156**
6.50% Debentures [(1)]	**100,000**	**6,329,114**	**100,000**	**6,329,114**
8.50% Debentures [(2)]	**85,720**	**11,662,586**	**85,720**	**11,662,586**
6.25% Debentures [(3)]	**130,000**	**13,000,000**	**130,000**	**13,000,000**
7.00% Debentures [(4)]	**110,000**	**8,560,311**	**110,000**	**8,560,311**
Units outstanding and issuable upon conversion of Debentures		**156,325,952**		**156,194,167**
Deferred units plan [(5)(6)]	**$ 5,508**	**640,437**	**$ 5,144**	**636,585**
Units outstanding and issuable upon conversion of Debentures and Deferred units		**156,966,389**		**156,830,752**

[(1)] Convertible at $15.80 per unit

[(2)] Convertible at $7.35 per unit

[(3)] Convertible at $10.00 per unit

[(4)] Convertible at $12.85 per unit

[(5)] Based on $8.60 and $8.08, the closing price of a unit on the TSX on November 13, 2023 and September 30, 2023, respectively

[(6)] 359,563 and 363,415 deferred units were available for future grants as at November 13, 2023 and September 30, 2023, respectively

CONTRACTUAL OBLIGATIONS

Information concerning contractual obligations at September 30, 2023 is shown below:

Contractual Obligations *($'000)*	**Total**	**Less Than 1 Year**	**1-3 Years**	**4-5 Years**	**After 5 Years**
Long-term debt	$ 314,986	$ —	$ —	$ 314,986	$ —
Debentures	425,720	—	85,720	340,000	—
Purchase commitments	76,997	56,528	20,469	—	—
Interest on Debentures	103,076	29,611	51,936	21,529	—
Interest on long-term debt	54,081	9,856	39,487	4,738	—
Lease payments	186,243	54,651	77,689	41,130	12,773
Trade and other payables	276,643	276,643	—	—	—
Distributions payable	5,864	5,864	—	—	—
Total contractual obligations	$ 1,443,610	$ 433,153	$ 275,301	$ 722,383	$ 12,773

FINANCIAL OUTLOOK

Following our strong results for the first nine months, we are now expecting Adjusted EBITDA for 2023 to exceed $490.0 million which will be the highest annual amount ever achieved in our history. Below is the formal revised guidance for 2023.

($ million)	Revised 2023 Guidance	Prior 2023 Guidance	2022 Actual	Nine months ended Actual September 30, 2023	Nine months ended Actual September 30, 2022
Adjusted EBITDA	Above $490.0	Above $475.0	$430.9	$418.0	$326.6
Maintenance capital expenditures [(1)]	$80.0 - $105.0	$80.0 - $105.0	$99.8	$60.6	$67.1
Growth capital expenditures [(1)]	$50.0 - $75.0	$70.0 - $100.0	$21.6	$38.4	$14.4
Lease payments	$50.0 - $60.0	$50.0 - $60.0	$52.4	$43.0	$38.8
Cash interest [(1)]	$42.0 - $48.0	$45.0 - $50.0	$51.7	$32.8	$39.5
Cash tax [(1)]	$15.0 - $25.0	$10.0 - $20.0	$12.0	$12.0	$9.5

(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 41.

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	180,000	180,000	184,000	181,000
2023 realized MECU netback being higher or (lower) than 2022 (per MECU)	$90	($60)	N/A	N/A
Average CMA NE Asia Caustic spot price index per tonne [(1)]	US$455 [(2)]	US$445 [(2)]	US$650	US$290
Approximate North American production volumes of sodium chlorate	285,000	285,000	343,000	361,000
USD to CAD average foreign exchange rate	1.334	1.340	1.302	1.254
LTIP costs (in millions)	$10.0 - $20.0	$10.0 - $20.0	$20.2	$25.7

(1) The average CMA NE Asia Caustic spot price for 2023, 2022 and 2021 is the average spot price of the four quarters ending with the third quarter of that year as the majority of our pricing is based on a one quarter lag.
(2) Implies that the index used for pricing Q4 2023 will be approximately US$365 per tonne compared with approximately US$580 during Q4 2022.

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, a joint venture with KPCT Advanced Chemicals LLC. 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 with commercial ramp-up expected in 2025. With respect to the Casa Grande project, the joint venture analyzed the results of the FEED study and has looked for cost savings where possible. The aggregate capital costs for this project are estimated to range between US$300.0 million and US$380.0 million, which represents an increase of approximately 50% over the original estimate. Roughly half of the increased cost is due to labour costs to build the plant, with the balance due to equipment costs and some changes in scope to ensure compliance with regulations. Together with our joint venture partner, we have made the decision to put the project on hold until we can be assured the project generates an acceptable level of return. Discussions with customers are on-going.

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 has 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 IAS 7 and IFRS 7, *Supplier Finance Arrangements,* specifying the disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. (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).

- Amendments to IAS 21, *Lack of exchangeability*, specifying how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking (effective for annual periods beginning on or after January 1, 2025).

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. The terms of our Debentures do not provide us with 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. While these will be presented as current liabilities, debenture holders do not have the right to demand their repayment prior to maturity, which for all the outstanding series is more than twelve months in the future.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

We maintain a set of disclosure controls and procedures designed to ensure that information required to be disclosed in the reports that the Fund publicly files is recorded, processed, summarized and reported within a timely manner and that such information is accumulated and communicated to our Management, including our CEO and CFO, as appropriate, to allow timely decisions regarding disclosure. Our CEO and CFO have evaluated our disclosure controls procedures as of September 30, 2023 through inquiry and review. Our CEO and CFO have concluded that, as at September 30, 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 September 30, 2023. There have been no changes to the design of internal controls over financial reporting that occurred during the three and nine months ended September 30, 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 34, 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 expectation that 2023 Adjusted EBITDA will exceed $490.0 million and be the highest annual amount ever achieved;
- the effect of changes in exchange rates and our ability to offset USD denominated debt;
- our ability to access tax losses and tax attributes;
- our belief that our asserted position against the CRA is appropriate and will prevail;
- 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 exceed $490.0 million and be the highest annual amount ever achieved;
    - the expected stated range of maintenance capital expenditures and growth capital expenditures, lease payments, cash interest, and cash tax;
    - the quantum of the gain on sale of the P_2S_5 business and the intended use of proceeds of such sale;
    - our ability to achieve our long-term objective of sustained earnings growth and investor value generation via growth projects including two large ultrapure sulphuric acid projects;
    - with respect to the Cairo ultrapure acid expansion project, our expected timing of construction completion, commissioning and start-up and commercial ramp-up;

    - with respect to the Casa Grande project, the stated range of estimated aggregate capital costs and their sources and our ability to obtain an acceptable level of return;
- our belief that the IAS 1 amendments will impact the presentation of our Debentures;
- the effectiveness of disclosure controls procedures and internal controls and of their design and implementation; and
- long-term incentive compensation amounts and accruals.

Material assumptions

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

- certain key elements as set out in the Financial Outlook section, including:
    - there being no significant North American lockdowns or stay-at-home orders issued due to a 2023 COVID-19 resurgence;
    - there being no significant unplanned downtime nor labour disruptions affecting our principal manufacturing facilities;
    - the stated North American MECU sales volumes;
    - the 2023 realized MECU netback being higher or (lower) than 2022 per MECU;
    - the stated average CMA NE Asia caustic spot price index per tonne;
    - the stated sodium chlorate production volumes;
    - the stated USD foreign exchange rate; and
    - the stated range of LTIP costs.

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		Nine months ended	
($'000)	**September 30, 2023**	**September 30, 2022**	**September 30, 2023**	**September 30, 2022**
Cash flows from operating activities	$ 129,166	$ 143,472	$ 302,856	$ 264,581
(Less) Add:				
Lease payments net of sub-lease receipts	(14,435)	(13,358)	(43,025)	(38,800)
(Decrease) increase in working capital	(7,317)	(22,572)	34,321	11,195
Changes in other items [1]	4,816	1,657	35,963	1,798
Maintenance capital expenditures	(25,765)	(26,670)	(60,614)	(67,058)
Distributable cash after maintenance capital expenditures	**$ 86,465**	**$ 82,529**	**$ 269,501**	**$ 171,716**
Divided by:				
Weighted average number of units outstanding	116,378,970	109,315,091	116,010,315	106,122,712
Distributable cash after maintenance capital expenditures per unit	$ 0.74	$ 0.75	$ 2.32	$ 1.62
Distributions declared per unit	$ 0.15	$ 0.15	$ 0.45	$ 0.45
Payout ratio (%)	20 %	20 %	19 %	28 %

[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		Nine months ended	
($'000)	**September 30, 2023**	**September 30, 2022**	**September 30, 2023**	**September 30, 2022**
Cash flows from operating activities	$ 129,166	$ 143,472	$ 302,856	$ 264,581
Net earnings	$ 70,784	$ 75,341	$ 237,642	$ 120,862
Cash distributions paid during period	$ 14,421	$ 13,630	$ 43,650	$ 40,289
Excess of cash flows from operating activities over cash distributions paid	$ 114,745	$ 129,842	$ 259,206	$ 224,292
Excess of net earnings over cash distributions paid	$ 56,363	$ 61,711	$ 193,992	$ 80,573

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)		September 30, 2023		December 31, 2022
Long-term debt [1]	$	314,986	$	370,024
Add (Less):				
Debentures [1]		425,720		517,365
Long-term lease liabilities		130,687		94,071
Lease liabilities [2]		51,310		45,571
Cash and cash equivalents		(35,795)		(72,569)
Net debt	$	886,908	$	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				Nine months ended			
($'000)		September 30, 2023		September 30, 2022		September 30, 2023		September 30, 2022
Capital expenditures	$	37,530	$	31,682	$	98,997	$	75,559
Maintenance capital expenditures		(25,765)		(26,670)		(60,614)		(67,058)
Non-maintenance capital expenditures		11,765		5,012		38,383		8,501
Investment in a joint venture		—		5,931		—		5,931
Growth capital expenditures	$	11,765	$	10,943	$	38,383	$	14,432

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)	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021
Net earnings (loss)	$ 70,784	$ 87,325	$ 79,533	$ (11,747)	$ 75,341	$ 34,835	$ 10,686	$ (180,524)
Add (less):								
Depreciation and amortization	54,741	53,186	52,140	54,922	56,598	53,229	52,201	60,068
Net finance (income) costs	(2,429)	5,457	(12,736)	37,187	(25,864)	9,801	28,845	56,905
Income tax expense (recovery)	16,669	1,388	13,875	32,669	12,870	(3,287)	17,816	21,932
Impairment of intangible assets	—	—	—	—	—	—	—	81,657
Impairment of PPE	—	—	—	—	—	—	—	48,343
Change in environmental liability	—	—	894	—	—	(66)	66	561
Net loss (gain) on disposal and write-down of PPE	606	1,152	1,787	2,152	895	(18,282)	(69)	(796)
Remeasurement of decommissioning liability	(3,504)	—	—	—	—	—	—	—
(Gain) loss on disposal of assets held for sale	—	—	—	—	—	(238)	716	7,135
Unrealized foreign exchange loss (gain)	5,251	(4,306)	(3,824)	(10,933)	17,217	5,737	(2,429)	(2,746)
Adjusted EBITDA	$ 142,118	$144,202	$131,669	$104,250	$137,057	$ 81,729	$ 107,832	$ 92,535

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
NE	Northeast
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
TX	Texas
USD	U.S. Dollar

Definitions

Credit Facilities	Revolving credit facilities
Debentures	We have $100,000 principal amount of 6.50% of convertible unsecured subordinated debentures outstanding (the "Fund 2019 6.50% Debentures"), $85,720 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 the performance periods. The RSU component of the LTIP awards is a phantom plan which is payable in cash at the end of the performance period. 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.sedarplus.ca.

November 14, 2023

CHEMTRADE LOGISTICS INCOME FUND

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

	Notes	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Revenue	4	**$ 483,532**	$ 519,920	**$1,424,750**	$1,356,637
Cost of sales and services	6	**(354,867)**	(410,736)	**(1,066,242)**	(1,088,738)
Gross profit		**128,665**	109,184	**358,508**	267,899
Selling and administrative expenses	5	**(43,582)**	(46,837)	**(97,262)**	(106,856)
Share of loss from joint venture		**(59)**	—	**(1,380)**	—
Operating income		**85,024**	62,347	**259,866**	161,043
Net finance income (costs)	7	**2,429**	25,864	**9,708**	(12,782)
Income before income tax		**87,453**	88,211	**269,574**	148,261
Income tax expense	8				
Current		**(4,878)**	(1,494)	**(12,044)**	(9,538)
Deferred		**(11,791)**	(11,376)	**(19,888)**	(17,861)
		(16,669)	(12,870)	**(31,932)**	(27,399)
Net earnings		**$ 70,784**	$ 75,341	**$ 237,642**	$ 120,862
Other comprehensive (loss) income					
Items that may subsequently be reclassified to earnings:					
Loss on net investment hedge of foreign operations, net of tax recovery of $1,116 and $355 (2022 - net of tax recovery of $3,656 and $4,881)	12,16	**(7,760)**	(25,240)	**(2,671)**	(33,694)
Foreign currency translation differences for foreign operations, net of tax (expense) of $nil (2022 - $nil)		**20,545**	63,291	**1,218**	78,660
Effective portion of change in the fair value of cash flow hedges, net of tax recovery of $30 and recovery of $39 (2022 - net of tax (expense) of ($181) and ($4,561))		**(87)**	538	**(113)**	13,467
Cash flow hedges reclassified to earnings, net of tax expense of $441 and $1,344 (2022 - expense of $1,062 and $1,062)	7	**(1,314)**	(3,137)	**(3,919)**	(3,137)
Items that will not be reclassified to earnings:					
Defined benefit plan adjustments, net of tax (expense) of ($179) and ($2,013) (2022 - net of tax recovery of $766 and tax (expense) of ($1,865))		**597**	664	**7,326**	4,022
Change in fair value of convertible debentures due to own credit risk, net of tax recovery of $126 and $3,083 (2022 - net of tax recovery of $1,576 and (expense) of ($3,936))	13	**(4,868)**	(9,937)	**(33,796)**	6,185
Other comprehensive income (loss)		**7,113**	26,179	**(31,955)**	65,503
Total comprehensive income		**$ 77,897**	$ 101,520	**$ 205,687**	$ 186,365
Net earnings per unit	9				
Basic net earnings per unit		**$ 0.61**	$ 0.69	**$ 2.05**	$ 1.14
Diluted net earnings per unit		**$ 0.41**	$ 0.38	**$ 1.30**	$ 0.84

CHEMTRADE LOGISTICS INCOME FUND

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

	Notes		September 30, 2023		December 31, 2022
ASSETS					
Current assets					
Cash and cash equivalents	**10**	**$**	**35,795**	$	72,569
Trade and other receivables			**155,915**		123,214
Inventories			**139,440**		147,380
Income taxes receivable	**8**		**4,900**		5,434
Prepaid expenses and other assets			**9,996**		12,272
Total current assets			**346,046**		360,869
Non-current assets					
Property, plant and equipment			**951,654**		957,606
Right-of-use assets			**162,027**		127,603
Investment in a joint venture			**4,116**		5,495
Other assets	**8**		**75,010**		36,334
Intangible assets			**557,856**		586,455
Deferred tax assets	**8**		**62,896**		82,711
Total non-current assets			**1,813,559**		1,796,204
Total assets		**$**	**2,159,605**	$	2,157,073
LIABILITIES AND UNITHOLDERS' EQUITY					
Current liabilities					
Trade and other payables		**$**	**276,643**	$	316,437
Distributions payable	**14**		**5,864**		5,805
Provisions	**11**		**54,718**		22,822
Lease liabilities			**51,310**		45,571
Total current liabilities			**388,535**		390,635
Non-current liabilities					
Long-term debt	**12**		**314,986**		370,024
Convertible unsecured subordinated debentures	**13**		**425,424**		533,218
Other long-term liabilities			**18,947**		21,571
Long-term lease liabilities			**130,687**		94,071
Employee benefits			**20,379**		27,555
Provisions			**116,436**		135,626
Deferred tax liabilities	**8**		**15,496**		18,166
Total non-current liabilities			**1,042,355**		1,200,231
Total liabilities			**1,430,890**		1,590,866
Unitholders' equity					
Units	**14**		**1,645,013**		1,635,683
Contributed surplus			**9,720**		9,720
Deficit			**(1,142,065)**		(1,334,524)
Accumulated other comprehensive income			**216,047**		255,328
Total unitholders' equity			**728,715**		566,207
Total liabilities and unitholders' equity		**$**	**2,159,605**	$	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 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**	530	—	—	—	—	—	530
Issuance of units under the Distribution Reinvestment Plan ("DRIP")	**14**	8,800	—	—	—	—	—	8,800
Net earnings		—	—	237,642	—	—	—	237,642
Other comprehensive income (loss)		—	—	7,326	1,218	(6,703)	(33,796)	(31,955)
Distributions	**14**	—	—	(52,509)	—	—	—	(52,509)
Balance at September 30, 2023		**$ 1,645,013**	**$ 9,720**	**$ (1,142,065)**	**$ 219,188**	**$ (10,965)**	**$ 7,824**	**$ 728,715**

	Notes	Units	Contributed surplus	Deficit	Cumulative translation account*	Unrealized gains (losses) on cash flow and net investment hedges*	Change in fair value of convertible debentures due to credit risk*	Total unitholders' equity
Balance at January 1, 2022		**$ 1,541,583**	**$ 9,720**	**$ (1,379,076)**	**$ 157,393**	**$ 13,329**	**$ 36,899**	**$ 379,848**
Issuance of units for cash, net of transaction costs	**14**	83,666	—	—	—	—	—	83,666
Issuance of units under the DRIP	**14**	7,516	—	—	—	—	—	7,516
Net earnings		—	—	120,862	—	—	—	120,862
Other comprehensive income (loss)		—	—	4,022	78,660	(23,364)	6,185	65,503
Distributions	**14**	—	—	(48,360)	—	—	—	(48,360)
Balance at September 30, 2022		**$ 1,632,765**	**$ 9,720**	**$ (1,302,552)**	**$ 236,053**	**$ (10,035)**	**$ 43,084**	**$ 609,035**

* 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 September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Cash flows from operating activities:					
Net earnings		**$ 70,784**	$ 75,341	**$ 237,642**	$ 120,862
Adjustments for:					
Depreciation and amortization	**6**	**54,741**	56,598	**160,067**	162,028
Net loss (gain) on disposal and write-down of property, plant and equipment ("PPE")		**606**	895	**3,545**	(17,456)
Remeasurement of decommissioning liability		**(3,504)**	—	**(3,504)**	—
Adjustment to net proceeds from assets sold		**—**	—	**—**	478
Change in environmental liability		**—**	—	**894**	—
Income tax expense	**8**	**16,669**	12,870	**31,932**	27,399
Net finance (income) costs	**7**	**(2,429)**	(25,864)	**(9,708)**	12,782
Unrealized foreign exchange loss (gain)	**5**	**5,251**	17,217	**(2,879)**	20,525
		142,118	137,057	**417,989**	326,618
Decrease (increase) in working capital		**7,317**	22,572	**(34,321)**	(11,195)
Interest paid		**(8,096)**	(11,389)	**(34,414)**	(37,029)
Interest received		**1,293**	630	**5,426**	1,620
Net income tax paid		**(13,466)**	(5,398)	**(51,824)**	(15,433)
Net cash flows from operating activities		**129,166**	143,472	**302,856**	264,581
Cash flows from investing activities:					
Capital expenditures		**(37,530)**	(31,682)	**(98,997)**	(75,559)
Net proceeds from disposal of assets		**—**	—	**—**	12,494
Investment in a joint venture		**—**	(5,931)	**—**	(5,931)
Net cash flows used in investing activities		**(37,530)**	(37,613)	**(98,997)**	(68,996)
Cash flows from financing activities:					
Distributions to unitholders, net of distributions reinvested	**14**	**(14,421)**	(13,630)	**(43,650)**	(40,289)
Repayment of convertible debentures	**13**	**—**	—	**(201,115)**	(143,750)
Issuance of units	**14**	**—**	86,543	**—**	86,543
Transaction costs related to the issuance of units	**14**	**—**	(4,091)	**—**	(4,091)
Issuance of convertible debentures	**13**	**—**	—	**110,000**	—
Transaction costs related to the issuance of convertible debentures	**13**	**—**	—	**(4,980)**	—
Repayment of lease liability, net of sub-lease receipts		**(14,435)**	(13,358)	**(43,025)**	(38,800)
Net change in revolving credit facility	**12**	**(62,017)**	(149,653)	**(57,925)**	(34,464)
Net cash flows used in financing activities		**(90,873)**	(94,189)	**(240,695)**	(174,851)
Increase (decrease) in cash and cash equivalents		**763**	11,670	**(36,836)**	20,734
Cash and cash equivalents, beginning of the period		**34,344**	23,341	**72,569**	13,908
Effect of exchange rates on cash held in foreign currencies		**688**	1,880	**62**	2,249
Cash and cash equivalents, end of the period		**$ 35,795**	$ 36,891	**$ 35,795**	$ 36,891

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 a material 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 November 14, 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 (income) 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 Statements of Financial Position are reviewed on a consolidated basis by the CODM and therefore are not included in the segmented information below.

Three months ended September 30, 2023

	SWC	EC	Corporate items and eliminations	Total
Revenue - third party	$ 290,498	$ 193,034	$ —	**$ 483,532**
- inter-segment	50	2,247	(2,297)	**—**
Revenue - total	290,548	195,281	(2,297)	**483,532**
Cost of sales and services	(232,472)	(124,692)	2,297	**(354,867)**
Gross profit	58,076	70,589	—	**128,665**
Selling and administrative expenses	(5,917)	(6,574)	(31,091)	**(43,582)**
Share of loss from joint venture	(59)	—	—	**(59)**
Operating income (loss)	52,100	64,015	(31,091)	**85,024**
Depreciation and amortization	31,331	23,410	—	**54,741**
Net loss (gain) on disposal and write-down of PPE	659	(53)	—	**606**
Remeasurement of decommissioning liability	(366)	(3,138)	—	**(3,504)**
Unrealized foreign exchange loss	—	—	5,251	**5,251**
Adjusted EBITDA	83,724	84,234	(25,840)	**142,118**

Capital expenditures	24,315	12,713	502	**37,530**

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

3. REPORTABLE SEGMENTS (continued):

Three months ended September 30, 2022

	SWC	EC	Corporate items and eliminations	Total
Revenue - third party	$ 311,527	$ 208,393	$ —	$ 519,920
- inter-segment	175	1,654	(1,829)	—
Revenue - total	311,702	210,047	(1,829)	519,920
Cost of sales and services	(266,275)	(146,290)	1,829	(410,736)
Gross profit	45,427	63,757	—	109,184
Selling and administrative expenses	(5,116)	(3,869)	(37,852)	(46,837)
Operating income (loss)	40,311	59,888	(37,852)	62,347
Depreciation and amortization	28,307	28,291	—	56,598
Net loss on disposal and write-down of PPE	853	42	—	895
Unrealized foreign exchange loss	—	—	17,217	17,217
Adjusted EBITDA	69,471	88,221	(20,635)	137,057

Capital expenditures	18,842	12,260	580	31,682

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

3. REPORTABLE SEGMENTS (continued):

Nine months ended September 30, 2023

	SWC	EC	Corporate items and eliminations	Total
Revenue - third party	$ 833,322	$ 591,428	$ —	**$ 1,424,750**
- inter-segment	166	6,198	(6,364)	**—**
Revenue - total	833,488	597,626	(6,364)	**1,424,750**
Cost of sales and services	(695,645)	(376,961)	6,364	**(1,066,242)**
Gross profit	137,843	220,665	—	**358,508**
Selling and administrative expenses	(18,343)	(9,954)	(68,965)	**(97,262)**
Share of loss from joint venture	(1,380)	—	—	**(1,380)**
Operating income (loss)	118,120	210,711	(68,965)	**259,866**
Depreciation and amortization	90,148	69,919	—	**160,067**
Net loss (gain) on disposal and write-down of PPE	3,592	(47)	—	**3,545**
Remeasurement of decommissioning liability	(366)	(3,138)	—	**(3,504)**
Change in environmental liability	894	—	—	**894**
Unrealized foreign exchange gain	—	—	(2,879)	**(2,879)**
Adjusted EBITDA	212,388	277,445	(71,844)	**417,989**

Capital expenditures	70,921	27,036	1,040	**98,997**

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

3. REPORTABLE SEGMENTS (continued):

Nine months ended September 30, 2022

	SWC	EC	Corporate items and eliminations	Total
Revenue - third party	$ 810,008	$ 546,629	$ —	$ 1,356,637
- inter-segment	421	4,392	(4,813)	—
Revenue - total	810,429	551,021	(4,813)	1,356,637
Cost of sales and services	(674,590)	(418,961)	4,813	(1,088,738)
Gross profit	135,839	132,060	—	267,899
Selling and administrative expenses	(14,867)	(6,828)	(85,161)	(106,856)
Operating income (loss)	120,972	125,232	(85,161)	161,043
Depreciation and amortization	82,911	79,117	—	162,028
Net (gain) loss on disposal and write-down of PPE	(17,638)	182	—	(17,456)
Adjustment to net proceeds from assets sold	478	—	—	478
Unrealized foreign exchange loss	—	—	20,525	20,525
Adjusted EBITDA	186,723	204,531	(64,636)	326,618

Capital expenditures	43,941	30,350	1,268	75,559

(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 September 30,		Nine months ended September 30,	
	2023	2022	**2023**	2022
Canada	**$ 146,485**	$ 161,967	**$ 449,445**	$ 436,000
United States	**308,923**	330,939	**894,272**	842,684
South America	**28,124**	27,014	**81,033**	77,953
	$ 483,532	$ 519,920	**$1,424,750**	$1,356,637

PPE, ROU assets and intangible assets

	September 30, 2023	December 31, 2022
Canada	**$ 728,845**	$ 748,519
United States	**849,976**	823,078
South America	**92,716**	100,067
	$ 1,671,537	$ 1,671,664

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

4. REVENUE:

The components of revenue are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	**2023**	2022
Sale of products	**$ 417,372**	$ 462,844	**$1,251,789**	$1,207,215
Processing services	**66,160**	57,076	**172,961**	149,422
Revenue	**$ 483,532**	$ 519,920	**$1,424,750**	$1,356,637

5. SELLING AND ADMINISTRATIVE EXPENSES:

The components of selling and administrative expenses are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	**2023**	2022
Wages, salaries and benefits, including bonuses and other	**$ 34,288**	$ 26,275	**$ 96,949**	$ 84,455
Realized foreign exchange loss (gain)	**1,176**	2,750	**(928)**	(809)
Unrealized foreign exchange loss (gain)	**5,251**	17,217	**(2,879)**	20,525
Reserve for legal proceedings	**2,563**	—	**2,867**	781
Depreciation (note 6)	**304**	595	**1,253**	1,904
	$ 43,582	$ 46,837	**$ 97,262**	$ 106,856

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 September 30,		Nine months ended September 30,	
	2023	2022	**2023**	2022
Cost of sales and services:				
Depreciation expense on PPE	**$ 33,226**	$ 34,323	**$ 93,248**	$ 95,537
Depreciation expense on ROU assets	**11,821**	11,274	**36,472**	33,682
Amortization expense	**9,390**	10,406	**29,094**	30,905
Selling and administrative expenses (note 5):				
Depreciation expense on PPE	**56**	308	**500**	926
Depreciation expense on ROU assets	**248**	287	**753**	978
Total depreciation and amortization expense	**$ 54,741**	$ 56,598	**$ 160,067**	$ 162,028

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

7. NET FINANCE (INCOME) COSTS:

The components of net finance (income) costs are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	**2023**	2022
Interest expense on long-term debt	**$ 2,637**	$ 5,511	**$ 10,959**	$ 16,542
Interest expense on convertible debentures (note 13)	**7,455**	7,949	**24,741**	24,062
Transaction costs on issuance of convertible debentures (note 13)	**—**	—	**4,980**	—
Change in the fair value of convertible debentures (note 13)	**(14,532)**	(28,825)	**(53,028)**	(17,626)
Interest expense on lease liabilities	**1,947**	1,402	**5,768**	4,377
Income reclassified from other comprehensive income relating to the fair value of the interest rate swaps (note 16)	**(1,755)**	(4,199)	**(5,263)**	(4,199)
Change in the fair value of interest rate swaps (note 16)	**2,147**	(7,874)	**4,487**	(9,775)
Ineffective portion of change in the fair value of interest rate swaps	**—**	(232)	**—**	(1,466)
Accretion of provisions	**589**	859	**1,944**	1,966
Pension interest	**376**	175	**1,130**	521
Interest income	**(1,293)**	(630)	**(5,426)**	(1,620)
Net finance (income) costs	**$ (2,429)**	$ (25,864)	**$ (9,708)**	$ 12,782

8. INCOME TAXES:

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

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

The Fund 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 , the Fund expects that its income distributed to Unitholders will not be subject to SIFT tax.

Income tax expense or recovery 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, taking into account the tax effect of certain items recognized in the interim period. Chemtrade calculates the consolidated estimated effective annual tax rate by determining the amount of annual current and deferred income taxes as a percentage of estimated annual income before tax.

Chemtrade's income tax expense for the first nine months of 2023 was $31,932. As compared to a tax expense notionally computed at the statutory tax rate of 25.1%, the tax expense was favourably impacted primarily by $19,449 for net deferred tax impacts associated with the change in fair value of the Debentures and the non-taxability to the Fund of income distributed to Unitholders, income earned in foreign jurisdictions taxed at lower rates of $2,547, and the net impact of $16,094 related to the utilization of previously unrecognized tax losses partially offset by the non-recognition of deferred tax assets related to certain carryforward amounts of business interest expense deductions.

Chemtrade is subject to challenges 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 assessments of additional amounts of tax, interest and possibly penalties. Chemtrade accrues and accounts for any probable assessments of tax; however, there can be no assurance as to the final resolution of any tax authority positions.

Chemtrade is disputing the deductibility of certain Canadian tax losses with the Canada Revenue Agency ("CRA") which would offset the taxes owed for 2021, 2022 and 2023. Chemtrade has appealed this assessment by the CRA and the resolution of this matter in Chemtrade’s favour would result in significant taxes paid on its account to be refunded.

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

8. INCOME TAXES (continued):

Chemtrade made Canadian income tax payments of $6,668 and $39,519 during the three and nine months ended September 30, 2023, respectively, and $3,239 during 2022 relating to the 2021, 2022 and 2023 taxation years. Chemtrade believes that its asserted position is appropriate and would be sustained upon full examination by tax authorities and, if necessary, upon consideration by judicial process. Accordingly, these payments have been included in Other assets in the Condensed Consolidated Interim Statements of Financial Position.

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 September 30,		Nine months ended September 30,	
	2023	2022	**2023**	2022
Numerator				
Net earnings	**70,784**	$ 75,341	**237,642**	$ 120,862
Net interest and fair value adjustment on the Debentures	**(7,221)**	(18,445)	**(31,090)**	1,343
Net fair value adjustment on deferred unit plan	**16**	(343)	**(125)**	85
Diluted net earnings	**$ 63,579**	$ 56,553	**$ 206,427**	$ 122,290

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	**2023**	2022
Denominator				
Weighted average number of units	**116,378,970**	109,315,091	**116,010,315**	106,122,712
Weighted average Debentures dilutive units	**39,547,608**	38,596,205	**41,688,360**	39,083,561
Weighted average deferred unit plan dilutive units	**300,685**	616,506	**572,672**	597,656
Weighted average number of diluted units	**156,227,263**	148,527,802	**158,271,347**	145,803,929

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

10. CASH AND CASH EQUIVALENTS:

The components of cash and cash equivalents are as follows:

	September 30, 2023	December 31, 2022
Cash	$ 12,333	$ 16,555
Cash equivalents		
Guaranteed investment certificates	—	40,000
Certificate of deposits	23,462	16,014
Total cash and cash equivalents	**$ 35,795**	$ 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 nine months of 2023, Chemtrade received a payment of $28,119 including interest. However, Superior has filed an appeal against the judgment. Chemtrade has established a provision of $28,119 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		(57,925)		**(57,925)**
Loss on net investment hedge of foreign operations		3,026		**3,026**
Foreign exchange rate changes		(139)		**(139)**
Balance at September 30, 2023	**$**	**314,986**	**$**	**314,986**

[1] At September 30, 2023, Chemtrade had committed a total of $18,849 of the revolving credit facilities ("Credit Facilities") towards standby letters of credit.
[2] At September 30, 2023, Cdn$ limit of the Credit Facilities was $882,505 (US$650,000) and Chemtrade had drawn US$232,000 and Cdn$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		(30,959)		(3,505)		(34,464)
Loss on net investment hedge of foreign operations		38,575		—		38,575
Foreign exchange rate changes		(110)		—		(110)
Balance at September 30, 2022	**$**	**377,532**	**$**	**—**	**$**	**377,532**

[1] At September 30, 2022, Chemtrade had committed a total of $19,999 of the Credit Facilities towards standby letters of credit.
[2] At September 30, 2022, Cdn$ limit of the Credit Facilities was $898,885 (US$650,000) and Chemtrade had drawn US$273,000 and Cdn$nil 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 September 30, 2023, the weighted average effective interest rate of the facilities was 3.1% (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

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

12. LONG-TERM DEBT (continued):

these ratios and reports them to its lenders on a quarterly basis. As at September 30, 2023 and December 31, 2022, Chemtrade was in compliance with all covenants.

13. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES:

Changes in convertible unsecured subordinated debentures are as follows:

	Convertible unsecured subordinated debentures [1]					
	Fund 2017 4.75% Debentures	**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 September 30, 2023	—	100,000	85,720	130,000	110,000	**425,720**
Balance at January 1, 2023	195,283	97,510	107,812	132,613	—	**533,218**
Issuance [2]	—	—	—	—	110,000	**110,000**
Redemption [3]	(201,115)	—	—	—	**—**	**(201,115)**
Conversion	—	—	(530)	—	**—**	**(530)**
Change in fair value recognized in profit or loss	4,992	(3,948)	(25,678)	(16,411)	(11,983)	**(53,028)**
Change in fair value due to own credit risk [4]	840	4,488	13,545	11,523	6,483	**36,879**
Balance at September 30, 2023	—	98,050	95,149	127,725	104,500	**425,424**

[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 latter Debentures 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 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.

[3] During the second quarter of 2023, Chemtrade redeemed all of the outstanding Fund 2017 4.75% Debentures for their par value, including accrued interest for a total of $203,527. Chemtrade used the net proceeds from the Fund 2023 7.00% Debentures offering, a portion of its Credit Facilities and cash on hand to fund the redemption.

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

(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 September 30, 2022	—	201,115	100,000	86,250	130,000	517,365

Balance at January 1, 2022	143,894	197,796	101,150	97,463	129,870	670,173
Redemption [1]	(143,750)	—	—	—	—	(143,750)
Change in fair value recognized in profit or loss	(144)	(13,795)	(10,689)	(11,067)	18,069	(17,626)
Change in fair value due to own credit risk [2]	—	10,075	3,539	3,304	(27,039)	(10,121)
Balance at September 30, 2022	—	194,076	94,000	89,700	120,900	498,676

[1] 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.

For the three and nine months ended September 30, 2023, interest expense of $7,455 and $24,741, respectively, (2022 - $7,949 and $24,062, respectively) and transaction costs of $nil and $4,980, respectively, (2022 - $nil and $nil) relating to the Debentures were recognized in net finance (income) 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
Issuance of units for cash	—		—	10,005,000		86,543
Issuance costs, net of tax recovery of $nil (2022 - $1,214)	—		—	—		(2,877)
Conversion of unsecured subordinated convertible debentures	72,107		530	—		—
Issuance of units under the DRIP	1,033,381		8,800	962,938		7,516
Balance – September 30	**116,642,156**	**$**	**1,645,013**	115,190,500	$	1,632,765

On August 22, 2022, Chemtrade completed an equity offering of 10,005,000 units at a price of $8.65 per unit, resulting in total gross proceeds of $86,543. Chemtrade incurred issuance costs of $2,877, net of tax recovery of $1,214, which included underwriters' fees and other expenses relating to the offering. Proceeds from the offering were used to repay outstanding indebtedness under the Credit Facilities.

(b) Distributions:

Distributions paid for the three and nine months ended September 30, 2023 were $17,544 and $52,450, respectively, (2022 - $16,321 and $47,805, respectively) or $0.15 and $0.45 per unit, respectively, (2022 - $0.15 and $0.45 per unit, respectively). Of the distributions paid for the three and nine months ended September 30, 2023, $14,421 and $43,650, respectively, (2022 - $13,630 and $40,289, respectively) were in cash and $3,123 and $8,800, respectively, (2022 - $2,691 and $7,516, respectively) were reinvested in additional units pursuant to the DRIP. All of Chemtrade's distributions are discretionary and subject to Board approval.

Distributions declared, including the DRIP bonus distributions for the three and nine months ended September 30, 2023 were $17,566 and $52,509, respectively (2022 - $16,841 and $48,360, respectively) or $0.15 and $0.45 per unit, respectively (2022 - $0.15 and $0.45 per unit, respectively).

As at September 30, 2023, Chemtrade had distributions payable of $5,864 (December 31, 2022 - $5,805). On October 26, 2023, distributions of $4,779 were paid in cash and $1,085 were reinvested in additional units pursuant to the DRIP. On October 20, 2023, Chemtrade declared a cash distribution of $0.05 per unit for the month of October 2023 payable on November 27, 2023 to Unitholders of record at the close of business on October 31, 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 September 30, 2023, a liability of $27,476 (December 31, 2022 - $52,327) has been recorded, of which $13,449 (December 31, 2022 - $35,681) is included in trade and other payables and $14,027 (December 31, 2022 - $16,646) is included in other long-term liabilities. During the first quarter of 2023, Chemtrade paid $36,311 to settle the 2020 - 2022 LTIP awards. For the three and nine months ended September 30, 2023, Chemtrade recorded an expense of $4,016 and $12,143, respectively, (2022 - $3,751 and $14,017, respectively) in selling and administrative expenses related to the fair value adjustments on the LTIP.

The following RSUs under these plans are outstanding:

	Number of rights	
	2023	**2022**
Balance – January 1	3,293,965	3,596,918
Grants – new grants	647,758	808,820
– distribution equivalents	133,083	197,259
Forfeitures	(65,087)	(25,846)
Settlements	(1,816,237)	(1,295,212)
Balance – September 30	**2,193,482**	**3,281,939**

(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	637,656	720,300
– estimated performance adjustment	420,810	444,281
– distribution equivalents	110,767	68,458
Forfeitures	(70,026)	—
Balance – September 30	**2,497,845**	**1,233,039**

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 September 30, 2023, 636,585 deferred units at a value of $5,144 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	92,202	73,183
– distribution equivalents	30,303	34,375
Settlements	(69,421)	(65,000)
Balance – September 30	636,585	611,575

(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:

	September 30, 2023	December 31, 2022
Chemtrade units:		
Average base price	$7.84	$6.35
Period-end unit price	$8.08	$8.97
Average expected volatility	32.50%	32.47%
Average risk free interest rate	4.93%	4.20%
Average expected remaining term	1.25 years	1.50 years

16. FINANCIAL INSTRUMENTS:

(a) Derivatives and hedging:

	September 30, 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]	—	$ 4,938	—	—	$ 6,982	—
Derivatives not designated in a formal hedging relationship						
Interest rate swaps [1]	US$ 325,000	$ 16,581	—	US$ 325,000	$ 21,067	—
Foreign exchange contracts [1] [2]	—	—	$ 1,214	—	—	$ 3,752
Cash-settled unit swaps [1]	—	$ 1,025	—	—	—	—
Total		$ 22,544	$ 1,214		$ 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 September 30, 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 and nine months ended September 30, 2023, Chemtrade reclassified $1,755 and $5,263, respectively, (2022 - $4,199 and $4,199) 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 and nine months ended September 30, 2023, Chemtrade recognized a loss of $2,147 and $4,487, respectively, (2022 - gain of $7,874 and $9,775, respectively) 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 and nine months ended September 30, 2023, a foreign exchange loss of $8,876 and $3,026, respectively, (2022 - $28,896 and $38,575, respectively) on the revaluation of the U.S. dollar-denominated debt related to this hedging strategy was recognized in other comprehensive income, net of tax.

During 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 September 30, 2023, the notional number of units hedged was 2,396,309 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

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

16. FINANCIAL INSTRUMENTS (continued):

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 changes in the fair value of these deferred units swaps are recognized in net earnings. As at September 30, 2023, the notional number of units not hedged was 538,944 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 September 30, 2023 include future contracts to sell the following amounts for periods through to January 2025:

Amount	Maturity	Exchange rate
US$41,051	Q4 2023	$1.34
US$27,147	Q1 2024	$1.35
US$19,147	Q2 2024	$1.34
US$14,232	Q3 2024	$1.34
US$7,116	Q4 2024	$1.35
US$2,000	Q1 2025	$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 are 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.

	September 30, 2023	December 31, 2022
Long-term debt [1]	$ 314,986	$ 370,024
Add (Less):		
Debentures [1]	425,720	517,365
Long-term lease liabilities	130,687	94,071
Lease liabilities [2]	51,310	45,571
Cash and cash equivalents	(35,795)	(72,569)
Net debt	886,908	954,462
LTM Adjusted EBITDA [3]	$ 522,239	$ 430,868
Net debt to Adjusted EBITDA	1.70	2.22

[1] Principal outstanding amount, see note 13.
[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 nine months ended September 30, 2023.

18. SUBSEQUENT EVENTS:

Sale of P_2S_5 business

On November 8, 2023, Chemtrade completed the sale of its phosphorus pentasulphide (P_2S_5) business for gross proceeds of approximately US$43,000, which consisted of cash of approximately US$39,400 and the assumption of Indebtedness (as defined in the sales agreement) of approximately US$3,600.

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 IAS 7 and IFRS 7, *Supplier Finance Arrangements,* specifying the disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. (effective for annual periods beginning on or after January 1, 2024).

19. SIGNIFICANT ACCOUNTING POLICIES (continued):

- 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).

- Amendments to IAS 21, *Lack of exchangeability*, specifying how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking (effective for annual periods beginning on or after January 1, 2025).

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. While these will be presented as current liabilities, debenture holders do not have the right to demand their repayment prior to maturity, which for all the outstanding series is more than twelve months in the future.

Information for Unitholders

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