CHEMTRADE LOGISTICS INCOME FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2021

The information in this Management's Discussion and Analysis, or MD&A, is intended to assist the reader in the understanding and assessment of the trends and significant changes in the results of operations and financial condition of Chemtrade Logistics Income Fund (the "Fund"). Throughout this MD&A, the term "Chemtrade" refers to the Fund and its consolidated subsidiaries. The terms "we", "us" or "our" similarly refer to Chemtrade. This MD&A should be read in conjunction with the audited consolidated financial statements of Chemtrade for the year ended December 31, 2021.

Chemtrade's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). Chemtrade's reporting currency is the Canadian dollar. In this MD&A, per unit amounts are calculated using the weighted average number of units outstanding for the applicable period unless otherwise indicated. This MD&A is current as at February 22, 2022 and was approved by the Board of Trustees (the "Board") on that date.

Caution Regarding Forward-Looking Statements

Certain statements contained in this MD&A constitute forward-looking statements within the meaning of certain securities laws, including the *Securities Act* (Ontario). Forward-looking statements can be generally identified by the use of words such as "anticipate", "continue", "estimate", "expect", "expected", "intend", "may", "will", "project", "plan", "should", "believe" and similar expressions. Specifically, forward-looking statements in this MD&A include statements respecting certain future expectations about: statements relating to the impact of the COVID-19 pandemic on Chemtrade (employees, product demand, operations, transportation, ability to raise capital) and on its other risk factors; the amount of any long-term incentive compensation and accruals therefor; the effect of changes in the interest rate, the exchange rate and the Fund's ability to offset US dollar denominated debt; the ability of Chemtrade to access tax losses and tax attributes; the tax characterization of planned distributions; capital expenditures; sources, use, availability and sufficiency of cash flows; the effect of changes in the price and volume of certain products (sodium chlorate, chlor-alkali and sulphuric acid) and in the price of certain key inputs (electricity, salt and sulphur)*;* the ability to resolve the North Vancouver lease issues; the adoption and timing of certain accounting rules and their anticipated effect; the intention to adopt IBOR reform and its impacts; the effectiveness of disclosure controls procedures and internal controls and of their design and implementation*;* statements in the Financial Outlook section, including: the Fund's expected adjusted EBITDA range for 2022; and the stated range of cash interest, cash taxes and lease payments. Forward-looking statements in this MD&A describe the expectations of Chemtrade as of the date hereof. These statements are based on assumptions and involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements for a variety of reasons, including without limitation the risks and uncertainties detailed under the "RISK FACTORS" section of the Fund's latest Annual Information Form and the "RISKS AND UNCERTAINTIES" section below.

Although Chemtrade believes the expectations reflected in these forward-looking statements and the assumptions upon which they are based are reasonable, no assurance can be given that actual results will be consistent with such forward-looking statements, and they should not be unduly relied upon. With respect to the forward-looking statements contained in this MD&A, Chemtrade has made assumptions regarding: certain key elements as set out in the Financial Outlook section, including there being no significant North American lockdowns or stay-at-home orders issued; there being no significant disruptions affecting Chemtrade's principal manufacturing facilities; the stated North American MECU sales volumes; the length and timing of the North Vancouver facility's turnaround and the quantum of its EBITDA impact; the 2022 average NE Asia caustic spot price index; the stated sodium chlorate production volumes; and the stated U.S. dollar foreign exchange rate; there being no significant disruptions affecting the operations of Chemtrade, whether due to labour disruptions, supply disruptions, power disruptions, transportation disruptions, damage to equipment or otherwise; the ability of Chemtrade to obtain products, raw materials, equipment, transportation, services and supplies in a timely manner to carry out its activities and at prices consistent with current levels or in line with Chemtrade's expectations; the timely receipt of required regulatory approvals; the cost of regulatory and environmental compliance being consistent with current levels or in line with Chemtrade's expectations; the ability of Chemtrade to successfully access tax losses and tax attributes; the ability of Chemtrade to obtain financing on acceptable terms; currency, exchange and interest rates being consistent with current levels or in line with Chemtrade's expectations; and global economic performance.

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

Recent Developments

Assets Held For Sale

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

Operating segments reconfiguration

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

Lawsuit Settlement

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

Issuance of the Fund 2021 6.25% Debentures

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

Amendment of Credit Facilities' terms

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

Redemption of the Fund 2016 5.00% Debentures

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

COVID-19 Pandemic

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

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

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

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

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

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

Financial Highlights

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

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

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

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

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

(4) Based on weighted average number of units outstanding for the period of:	104,036,397	92,913,950	101,730,342	92,686,735	92,596,685

(5) See **Non-IFRS and Other Financial Measures**.

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

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

(8) Based on actual number of units eligible for cash distributions on record date.

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

Non-IFRS and Other Financial Measures

Net loss, EBITDA and Adjusted EBITDA -

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

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

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

EBITDA by segment is as follows:

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

[1] See Net Loss to EBITDA reconciliation above.

Adjusted EBITDA by segment is as follows:

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

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

Cash Flow -

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

($'000)	Three months ended December 31, 2021	Three months ended December 31, 2020	Year ended December 31, 2021	Year ended December 31, 2020	Year ended December 31, 2019
Cash flows from operating activities [1]	$ 93,229	$ 81,221	$ 219,039	$ 270,183	$ 163,911
(Less) Add:					
Lease payments net of sub-lease receipts	(12,764)	(13,592)	(51,563)	(56,010)	(56,815)
(Decrease) increase in working capital [1]	(23,651)	(60,910)	(10,078)	(80,041)	64,489
Changes in other items [2]	4,769	4,225	1,972	(753)	(6,774)
Adjusted cash flows from operating activities	**61,583**	**10,944**	**159,370**	**133,379**	**164,811**
Less:					
Maintenance capital expenditures	35,906	33,967	75,265	74,411	82,743
Distributable cash after maintenance capital expenditures	**25,677**	**(23,023)**	**84,105**	**58,968**	**82,068**
Less:					
Non-maintenance capital expenditures[3]	3,606	394	10,876	2,677	13,556
Distributable cash after all capital expenditures	**$ 22,071**	**$ (23,417)**	**$ 73,229**	**$ 56,291**	**$ 68,512**

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

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

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

Gross profit (loss) by segment is as follows:

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

Consolidated Operating Results

2021 vs 2020

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

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

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

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

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

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

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

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

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

2020 vs 2019

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

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

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

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

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

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

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

Results of Operations by Reportable Segment

SPPC -

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

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

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

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

Chemtrade's largest by-product sulphuric acid supplier, Vale, experienced a work stoppage starting June 1, 2021 and resumed production towards the end of the third quarter. This had a negative impact of approximately $6.0 million on results for 2021.

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

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

WSSC -

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

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

WSSC manufactures and markets a variety of inorganic coagulants used in water treatment, including aluminum sulphate, aluminum chlorohydrate, polyaluminum chloride, and ferric sulphate; and a number of specialty chemicals, including sodium nitrite and phosphorus pentasulphide. WSSC also manufactured and marketed potassium chloride (KCl) and vaccine adjuvants until the sale of those businesses on November 2, 2021. These products are marketed primarily to North American customers.

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

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

Gross profit for the year ended December 31, 2021 was $48.6 million compared with a gross profit of $0.9 million for the same period of 2020. This is primarily due to a $56.0 million impairment of goodwill for water solutions products recorded during the first quarter of 2020 (see **Goodwill Impairment**), partially offset by a $7.1 million loss on sale of the KCl and vaccine adjuvant businesses in 2021 as described above (see **Recent Developments**).

The stronger Canadian dollar negatively affected Adjusted EBITDA for the three months and year ended December 31, 2021 by $0.2 million and $3.0 million, respectively. In addition to the stronger Canadian dollar, lower sales volumes for water products and specialty chemicals products also resulted in Adjusted EBITDA for the three months and year ended December 31, 2021 being $4.3 million and $15.4 million lower, respectively, than the same periods of 2020.

EC -

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

[(1)] EBITDA and Adjusted EBITDA are not recognized measures under IFRS. Chemtrade's method of calculating EBITDA and Adjusted EBITDA may differ from methods used by other income trusts or companies, and accordingly may not be comparable to similar measures presented by other organizations. See **Non-IFRS and Other Financial Measures** for further details and a reconciliation of EBITDA and Adjusted EBITDA.
[(2)] Amounts for the three months and year ended December 31, 2020 have been restated to include realized foreign exchange gains of $0.4 million and losses of $2.0 million, respectively, relating to Chemtrade's Brazil subsidiary.

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

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

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

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

Corporate -

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

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

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

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

For the three months and year ended December 31, 2021, cost of services were $23.6 million and $13.4 million lower, respectively, than the same periods of 2020.

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

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

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

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

Chemtrade has hedged its investments in foreign operations that use the U.S. dollar as their functional currency with its U.S. dollar-denominated bank debt. As a result, any gains and losses arising from the U.S. dollar-denominated debt will be offset by the foreign currency gain or loss arising from the investment in the foreign operations. The gains and losses on the translation of the designated amount of U.S. dollar-denominated debt and investment in foreign operations are recognized on a net basis in other comprehensive income. For the three months and year ended December 31, 2021, foreign exchange gains of $3.2 million and $6.6 million, respectively, on the revaluation of the U.S. dollar-denominated debt and investment in foreign operations was recognized in other comprehensive income, compared with a foreign exchange gains of $31.1 million and $18.2 million, respectively, during the three months and year ended ended December 31, 2020.

Reserve for legal proceedings

General Chemical (which was acquired by Chemtrade) was a subject of an investigation by the U.S. Department of Justice concerning alleged anti-competitive conduct in the water treatment chemicals industry, for which General Chemical obtained the benefit of conditional amnesty from criminal charges. General Chemical and Chemtrade were also defendants in class action lawsuits and a few civil proceedings relating to the same conduct. The main class action civil lawsuit was settled for US$56.0 million and was paid out during 2019. By the third quarter of 2019, additional settlements were negotiated and paid. The remaining ex-employee initiated derivative actions were settled in March 2021, at close to the amount previously reserved for this matter. These lawsuits were settled and were paid out during the fourth quarter of 2021.

Assets Held For Sale

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

Goodwill Impairment

During the first quarter of 2020, as a result of changes in macro-economic conditions which resulted in a significant increase in discount rates, combined with consideration of historic and forecast performance of each cash-generating unit ("CGU"), Chemtrade performed a test for goodwill impairment for the water solutions group of CGUs ("CGU group") in WSSC. Although the water solutions CGU group's operating performance had been improving, as a result of applying the higher discount rate, this CGU group's carrying value exceeded its recoverable amount by $56.0 million and therefore an impairment loss of $56.0 million was fully allocated to goodwill and recognized in cost of sales and services. Following the impairment recognized in the water solutions CGU group, its recoverable amount equalled its carrying value.

Chemtrade performed its annual test for goodwill impairment in the fourth quarter of 2021. The recoverable amount of all CGUs and CGU groups exceeded their carrying values except for the sodium chlorate CGU (the "Chlorate CGU"). Due to the recent decline in sodium chlorate demand combined with increased competitive pressure resulting in lower levels of gross profit and lowered expectations of business recovery to pre-pandemic levels, the Chlorate CGU's carrying value exceeded its recoverable amount by $130.0 million and therefore, impairment losses of $42.8 million, $38.9 million and $48.3 million were allocated to goodwill, customer relationships and PPE, respectively in cost of sales and services. Following the impairment recognized in the Chlorate CGU, its recoverable amount equalled its carrying value.

Foreign Exchange

Chemtrade has certain operating subsidiaries that use the U.S. dollar as their functional currency. As Chemtrade reports in Canadian dollars, its reported net earnings are exposed to fluctuations in the Canadian/U.S. dollar exchange rate. If the Canadian dollar weakened by one-cent (for example, from $1.26 to $1.27), on an unhedged basis, this would have a positive impact on annual net earnings of approximately $2.0 million, and vice-versa. The impact on annual Adjusted EBITDA and Distributable cash after maintenance capital expenditures would be approximately $3.1 million and $2.2 million, respectively, and vice-versa.

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

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

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

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

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

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

The investment in the U.S. dollar-denominated foreign operations has been hedged by Chemtrade's U.S. dollar-denominated Credit Facilities. Any gains and losses from the translation of U.S. dollar-denominated borrowings on the Credit Facilities will be offset by the foreign currency gain or loss arising from the investment in the U.S. foreign operations. The gains and losses on the translation of the designated amount of bank debt and investment in foreign operations are recorded in other comprehensive income. The changes recorded in the accumulated other comprehensive income account since December 31, 2020 were a result of changes in the Canadian/U.S. dollar exchange rate between December 31, 2020 and December 31, 2021.

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

Net Finance Costs

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

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

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

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

For the year ended December 31, 2021, Chemtrade recorded a pre-tax loss of $19.9 million in net finance costs due to a change in the conversion option fair value and passage of time, offset by an increase in the risk free interest rate, and a loss of $47.4 million, net of tax recovery of $27.0 million, in other comprehensive income due to a decrease in Chemtrade's own credit risk. During the comparable period of 2020, Chemtrade recorded a pre-tax loss of $55.8 million in net finance costs due to a decrease in the risk free interest rate, and a gain of $80.2 million, net of tax expense of $23.8 million, in other comprehensive income due to an increase in Chemtrade's own credit risk.

The weighted average effective annual interest rate of the Credit Facilities at December 31, 2021 was 4.4% (December 31, 2020 - 4.3%). See **Liquidity and Capital Resources** - *Financing Activities* - *Financial Instruments* for information concerning swap arrangements.

Income Taxes

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

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

Current income tax for the fourth quarter and year ended December 31, 2021 was an expense of $7.3 million and $8.6 million, respectively, compared with $2.0 million and $7.3 million, respectively, during the same periods of 2020. The increase in current income tax expense is primarily due to increase in Base Erosion and Anti-Abuse Tax ("BEAT tax") and the taxes of the gain resulting from disposal of PPE in U.S., partially offset by the tax recoveries resulting from the deduction of unrealized foreign exchange losses in Brazil.

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

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

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

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

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

Net loss, Cash flows from operating activities, Excess Cash Flows and Net Earnings Over Distributions Paid

The following table presents excess cash flows from operating activities and net earnings over distributions paid for the three months and year ended December 31, 2021, and for the years ended December 31, 2020 and December 31, 2019:

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

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

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

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

Distributions -

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

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

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

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

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

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

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

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

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

	Other Income	Dividends [1]	Foreign Non-Business Income	Total
2020	1.0%	12.0%	87.0%	100%
2021 [2]	0.0%	32.0%	68.0%	100%

[1] These dividends are not considered to be eligible dividends for Canadian resident Unitholders and therefore not eligible for the enhanced tax credit.
[2] Represents anticipated tax characterization of planned distributions. The actual tax treatment of 2021 distributions will be determined by March 1, 2022.

Liquidity and Capital Resources

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

Cash Flows from Operating Activities

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

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

Investing Activities

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

Non-maintenance capital expenditures were $3.6 million during the fourth quarter of 2021, compared with $0.4 million during the fourth quarter of 2020. Investment in non-maintenance capital expenditures was $10.9 million for the year ended December 31, 2021, compared with $2.7 million for the year ended December 31, 2020. Non-maintenance capital expenditures are: (i) pre-identified or pre-funded, usually as part of a significant acquisition and related financing; (ii) considered to expand or improve the capacity of Chemtrade's operations; (iii) significant environmental capital expenditures that are considered to be non-recurring; or (iv) capital expenditures to be reimbursed by a third party.

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

Financing Activities

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

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

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

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

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

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

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

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

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

Financial Instruments -

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

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

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

During the third quarter of 2021, Chemtrade entered into cash-settled unit swap arrangements which fixed the unit price on a portion of the RSU component of its LTIP awards. The RSU component of the LTIP awards is a phantom plan which is payable in cash at the end of the performance period. The arrangements are based on a portion of RSUs outstanding for all its existing LTIP awards. As at December 31, 2021, the notional number of units hedged was 2.6 million with maturity dates ranging between March 2022 and March 2024. Distributions on the hedged units are reinvested in these swap arrangements. These swaps are formally designated as cash flow hedges at the date of inception and any changes in the fair value of the unvested portion of the RSUs are recognized in other comprehensive income.

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

Cash Balances -

At December 31, 2021, Chemtrade had net cash balances of $13.9 million and a working capital deficit of $71.7 million. Comparable figures for December 31, 2020 were $12.5 million and a working capital deficit of $62.6 million. Chemtrade defines working capital to exclude cash, assets held for sale, distributions payable, current portion of long-term debt and Debentures, and liabilities directly associated with assets held for sale. Cash generated by Chemtrade will be used to fund cash distributions to Unitholders, capital requirements, interest, general corporate purposes and other legal obligations.

Future Liquidity -

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

Capital Resources -

At December 31, 2021, Chemtrade had Credit Facilities of approximately $821.4 million (US$650.0 million). At December 31, 2021, Chemtrade had drawn $373.5 million on its Credit Facilities. Additionally, it had committed a total of $19.3 million of its Credit Facilities towards standby letters of credit.

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

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

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

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

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

During the fourth quarter of 2020, Chemtrade redeemed the remaining $26.5 million principal amount of the Fund 2014 5.25% Debentures at a total aggregate redemption price of $26.9 million, being equal to 100% of the principal amount of debentures outstanding, plus accrued and unpaid interest to, but excluding, the redemption date. This represented a redemption in full of the Fund 2014 5.25% Debentures. Chemtrade used a portion of the net proceeds from the Fund 2020 8.5% Debentures offering, its Credit Facilities and a portion of the proceeds received from its A/R Facility to fund the redemption.

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

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

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

Debt Covenants -

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

Summary of Quarterly Results

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

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

Revenue and Gross Profit

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

Selling and Administrative Expenses

Selling and administrative expenses for the fourth quarter of 2021 include a net recovery of $17.7 million relating to the settlement of the NATO Lawsuit. Selling and administrative expenses for the second quarter of 2021 included $3.4 million of realized foreign exchange gains. The change in fair value of Chemtrade's LTIP obligation is included in selling and administrative expenses. The amount of the expense recorded in any quarter depends on changes in the various factors used in arriving at the fair value of the obligation.

Net Finance Costs

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

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

Outstanding Securities of the Fund

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

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

[1] Convertible at $24.85 per unit

[2] Convertible at $26.70 per unit

[3] Convertible at $15.80 per unit

[4] Convertible at $7.35 per unit

[5] Convertible at $10.00 per unit

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

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

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

Contractual Obligations

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

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

Related Parties

Key Management Personnel Compensation

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

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

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

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

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

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

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

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

Risks and Uncertainties

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

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

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

Commodity Price, Raw Materials & Other Input Cost Exposure -

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

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

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

Sales price and volumes for sodium chlorate and chlor-alkali

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

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

Sulphuric Acid Pricing

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

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

Electricity Price

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

Salt Costs

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

Sulphur Costs

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

Reliance on Key Facilities -

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

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

Cyclicality of the Electrochemicals Segment -

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

Exchange Rates -

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

Uncertainty regarding tax treatment

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

Interest Deductibility

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

Risk of Pandemic

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

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

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

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

Credit risk

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

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Chemtrade manages liquidity risk by maintaining adequate cash and cash equivalent balances, and by appropriately utilizing its lines of credit. Chemtrade believes that cash flows from operating activities, together with cash on hand, cash from receivables and borrowings available under the revolving credit facility are sufficient to fund its currently anticipated financial obligations, and will remain available in the current environment, notwithstanding the impact of the COVID-19 pandemic.

Currency risk

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

Unit price risk

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

Interest rate risk

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

Managing interest rate benchmark reform and associated risks

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

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

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

Derivatives

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

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

Hedge accounting

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

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

Significant Judgments and Sources of Estimation Uncertainty

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

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

Significant judgments

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

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

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

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

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

Key sources of estimation uncertainty

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

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

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

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

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

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

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

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

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

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

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

Chemtrade obtains actuarial valuations for its post employment benefits.

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

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

Standards and interpretations adopted during the period

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

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

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

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

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

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

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

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

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

Standards and interpretations not yet adopted:

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

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

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

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

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

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

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

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

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

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

Chemtrade maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed in the reports that the Fund publicly files is recorded, processed, summarized and reported within a timely manner and that such information is accumulated and communicated to Chemtrade's Management, including its CEO and Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding disclosure. The CEO and the CFO have evaluated Chemtrade's disclosure controls procedures as of December 31, 2021 through inquiry and review. The CEO and the CFO have concluded that, as at December 31, 2021, Chemtrade's design and implementation of the controls were effective.

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

Chemtrade's Management, including the CEO and the CFO, is responsible for establishing and maintaining adequate internal control over financial reporting and evaluating its effectiveness. Management has used The Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) framework (2013) to evaluate the effectiveness of Chemtrade's internal control over financial reporting as of December 31, 2021. Based on this evaluation, Management has concluded that as at December 31, 2021, Chemtrade's internal controls over financial reporting were effective. There have been no changes to the design of internal controls over financial reporting that occurred during the year ended December 31, 2021 that have materially affected or are reasonably likely to materially affect the internal controls over financial reporting.

Financial Outlook

Chemtrade expects its 2022 Adjusted EBITDA guidance to range between $265.0 million and $295.0 million compared to 2021 Adjusted EBITDA of $280.4 million. When comparing 2022’s Adjusted EBITDA guidance range with the actual Adjusted EBITDA for 2021, it should be noted that 2021 included approximately $19.0 million of EBITDA relating to the KCl and vaccine adjuvants businesses prior to their sale in November 2021 and a net recovery of $17.7 million relating to the NATO Lawsuit settled during the fourth quarter of 2021.

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

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

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

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

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

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

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

Other

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

February 22, 2022