CHEMTRADE LOGISTICS INCOME FUND

2022 Annual Financial Statements

Where to find it

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

Scott Rook
President & Chief Executive Officer

Rohit Bhardwaj
Chief Financial Officer

Toronto, Canada
February 22, 2023

INDEPENDENT AUDITOR'S REPORT

To the Unitholders' of Chemtrade Logistics Income Fund

Opinion

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

- the consolidated statements of financial position as at December 31, 2022 and December 31, 2021
- the consolidated statements of comprehensive income for the years then ended
- the consolidated statements of changes in unitholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2022 and December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

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

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Evaluation of impairment of goodwill

Description of the matter

We draw attention to Notes 2(d)(ii),18 and 32(n)(ii) to the financial statements. The Entity has recorded a goodwill balance of $477,189 thousand. The Entity performs a goodwill impairment test on an annual basis or more frequently when events or changes in circumstances indicate that the carrying amount of a cash generating unit (CGU) or CGU group likely exceeds its recoverable amount. The recoverable amount of each CGU or CGU group is based on the higher of its value in use and its fair value less costs to sell. The Entity's significant estimates in determining its value in use include forecast operating margins, maintenance and other capital expenditures, terminal growth rates and discount rates.

Why the matter is a key audit matter

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

How the matter was addressed in the audit

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

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

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

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

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

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

Other Information

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

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "2022 Annual Report".

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

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

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

We have nothing to report in this regard.

The information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "2022 Annual Report" is expected to be made available to us after the date of this auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

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

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

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

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

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

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

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

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

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

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

Vaughan, Canada

February 22, 2023

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

	Notes	Year ended December 31, 2022	2021
Revenue	**4**	**$ 1,813,383**	$ 1,368,479
Cost of sales and services	**6,12,13,14,18**	**(1,459,479)**	(1,372,326)
Gross profit (loss)		**353,904**	(3,847)
Selling and administrative expenses	**5**	**(134,316)**	(100,211)
Share of loss from joint venture	**16**	**(436)**	—
Operating income (loss)		**219,152**	(104,058)
Net finance costs	**7**	**(49,969)**	(116,182)
Income (loss) before income tax		**169,183**	(220,240)
Income tax expense	**8**		
Current		**(11,958)**	(8,637)
Deferred		**(48,110)**	(6,332)
		(60,068)	(14,969)
Net earnings (loss)		**$ 109,115**	$ (235,209)
Other comprehensive (loss) income			
Items that may subsequently be reclassified to earnings:			
(Loss) gain on net investment hedge of foreign operations, net of tax recovery of $3,955 (2021 - $2,746)	**21,28**	**(27,300)**	9,349
Foreign currency translation differences for foreign operations, net of tax expense of nil (2021 - nil)		**60,577**	(3,560)
Effective portion of change in the fair value of cash flow hedges, net of tax expense of $4,795 (2021 - $2,389)		**14,156**	6,840
Cash flow hedges reclassified to earnings, net of tax recovery of $1,506 (2021 - expense of $3,386)	**7**	**(4,447)**	9,840
Items that will not be reclassified to earnings:			
Defined benefit plan adjustments, net of tax expense of $492 (2021 - $6,223)	**24**	**1,197**	19,055
Change in fair value of convertible debentures due to own credit risk, net of tax recovery of $3,893 (2021 - $26,965)	**22**	**4,721**	(47,369)
Other comprehensive income (loss)		**48,904**	(5,845)
Total comprehensive income (loss)		**$ 158,019**	$ (241,054)
Net earnings (loss) per unit	**9**		
Basic net earnings (loss) per unit		**$ 1.01**	$ (2.31)
Diluted net earnings (loss) per unit		**$ 0.99**	$ (2.31)

CHEMTRADE LOGISTICS INCOME FUND

Consolidated Statements of Financial Position
(In thousands of Canadian dollars)

	Notes		December 31, 2022		December 31, 2021
ASSETS					
Current assets					
Cash and cash equivalents	**10**	**$**	**72,569**	$	13,908
Trade and other receivables	**11**		**123,214**		96,371
Inventories	**12**		**147,380**		111,742
Income taxes receivable			**5,434**		1,433
Prepaid expenses and other assets			**12,272**		7,520
Total current assets			**360,869**		230,974
Non-current assets					
Property, plant and equipment	**14**		**957,606**		940,574
Right-of-use assets	**15**		**127,603**		140,435
Investment in a joint venture	**16**		**5,495**		—
Other assets	**17**		**36,334**		7,316
Intangible assets	**18**		**586,455**		604,573
Deferred tax assets	**8**		**82,711**		125,098
Total non-current assets			**1,796,204**		1,817,996
Total assets		**$**	**2,157,073**	$	2,048,970
LIABILITIES AND UNITHOLDERS' EQUITY					
Current liabilities					
Trade and other payables	**19**	**$**	**316,437**	$	229,985
Distributions payable	**25**		**5,805**		5,232
Provisions	**20**		**22,822**		11,535
Lease liabilities	**15**		**45,571**		47,211
Convertible unsecured subordinated debentures	**22**		**—**		143,894
Total current liabilities			**390,635**		437,857
Non-current liabilities					
Long-term debt	**21**		**370,024**		373,531
Convertible unsecured subordinated debentures	**22**		**533,218**		526,279
Other long-term liabilities	**23**		**21,571**		40,527
Long-term lease liabilities	**15**		**94,071**		100,863
Employee benefits	**24**		**27,555**		25,260
Provisions	**20**		**135,626**		146,048
Deferred tax liabilities	**8**		**18,166**		18,757
Total non-current liabilities			**1,200,231**		1,231,265
Total liabilities			**1,590,866**		1,669,122
Unitholders' equity					
Units	**25**		**1,635,683**		1,541,583
Contributed surplus			**9,720**		9,720
Deficit			**(1,334,524)**		(1,379,076)
Accumulated other comprehensive income			**255,328**		207,621
Total unitholders' equity			**566,207**		379,848
Total liabilities and unitholders' equity		**$**	**2,157,073**	$	2,048,970

For commitment and contingencies, see *Note 27*.
For subsequent events, see *Note 31*.

On behalf of the Board of Trustees

Douglas Muzyka   Daniella Dimitrov

CHEMTRADE LOGISTICS INCOME FUND

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

	Notes	Units	Contributed surplus	Deficit	Cumulative translation account*	Unrealized (gains) losses on cash flow and net investment hedges*	Change in fair value of convertible debentures due to credit risk*	Total unitholders' equity
Balance at January 1, 2021		**$ 1,465,029**	**$ 9,720**	**$ (1,101,455)**	**$ 160,953**	**$ (12,700)**	**$ 84,268**	**$ 605,815**
Issuance of units for cash, net of transaction costs	**25**	67,586	—	—	—	—	—	67,586
Issuance of units under the Distribution Reinvestment Plan ("DRIP")	**25**	8,968	—	—	—	—	—	8,968
Net loss		—	—	(235,209)	—	—	—	(235,209)
Other comprehensive income (loss)		—	—	19,055	(3,560)	26,029	(47,369)	(5,845)
Distributions	**25**	—	—	(61,467)	—	—	—	(61,467)
Balance at December 31, 2021		**$ 1,541,583**	**$ 9,720**	**$ (1,379,076)**	**$ 157,393**	**$ 13,329**	**$ 36,899**	**$ 379,848**
Issuance of units for cash, net of transaction costs	**25**	83,666	—	—	—	—	—	83,666
Issuance of units under the DRIP	**25**	10,434	—	—	—	—	—	10,434
Net earnings		—	—	109,115	—	—	—	109,115
Other comprehensive income (loss)		—	—	1,197	60,577	(17,591)	4,721	48,904
Distributions	**25**	—	—	(65,760)	—	—	—	(65,760)
Balance at December 31, 2022		**$ 1,635,683**	**$ 9,720**	**$ (1,334,524)**	**$ 217,970**	**$ (4,262)**	**$ 41,620**	**$ 566,207**

* Accumulated other comprehensive income.

CHEMTRADE LOGISTICS INCOME FUND

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

	Notes	Year ended December 31, 2022	2021
Cash flows from operating activities:			
Net earnings (loss)		**$ 109,115**	$ (235,209)
Adjustments for:			
Depreciation and amortization	**6**	**216,950**	239,622
Net gain on disposal and write-down of property, plant and equipment ("PPE")	**14**	**(15,304)**	(373)
Loss on disposal of assets held for sale	**13**	**478**	7,135
Impairment of PPE	**14,18**	**—**	48,343
Impairment of intangible assets	**18**	**—**	81,657
Change in environmental liability	**20**	**—**	561
Income tax expense	**8**	**60,068**	14,969
Net finance costs	**7**	**49,969**	116,182
Unrealized foreign exchange loss	**5**	**9,592**	7,493
		430,868	280,380
Decrease in working capital		**5,989**	10,078
Interest paid		**(53,407)**	(66,312)
Interest received		**2,395**	716
Net income tax paid		**(16,654)**	(5,823)
Net cash flows from operating activities		**369,191**	219,039
Cash flows from investing activities:			
Additions to PPE	**14**	**(115,440)**	(86,141)
Net proceeds from disposal of assets	**13**	**12,494**	182,674
Investment in a joint venture	**16**	**(5,931)**	—
Net cash flows (used in) from investing activities		**(108,877)**	96,533
Cash flows from financing activities:			
Distributions to unitholders, net of distributions reinvested	**25**	**(54,753)**	(51,944)
Repayment of convertible debentures	**22**	**(143,750)**	—
Issuance of convertible debentures	**22**	**—**	130,000
Transaction costs related to the issuance of convertible debentures	**7,22**	**—**	(5,927)
Issuance of units	**25**	**86,543**	70,070
Transaction costs related to the issuance of units	**25**	**(4,091)**	(3,672)
Repayment of term bank debt	**21**	**—**	(417,495)
Repayment of lease liability, net of sub-lease receipts	**15**	**(52,360)**	(51,563)
Net change in revolving credit facility	**21**	**(34,593)**	18,291
Financing transaction costs	**21**	**—**	(1,884)
Net cash flows used in financing activities		**(203,004)**	(314,124)
Increase in cash and cash equivalents		**57,310**	1,448
Cash and cash equivalents, beginning of the period		**13,908**	12,511
Effect of exchange rates on cash held in foreign currencies		**1,351**	(51)
Cash and cash equivalents, end of the period	**10**	**$ 72,569**	$ 13,908

1. CORPORATE INFORMATION:

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

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

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

2. BASIS OF PREPARATION:

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements were authorized for issue by the Board of Trustees ("Board") on February 22, 2023.

(b) Basis of measurement

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

2. BASIS OF PREPARATION (continued):

- Derivative financial instruments, convertible unsecured subordinated debentures (the "Debentures") and liabilities for cash settled share-based payment arrangements are measured at fair value;

- The defined benefit liability is recognized as the present value of the defined benefit obligation net of the fair value of the plan assets; and

- Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to temporary differences when they reverse.

(c) Presentation currency

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

(d) Significant judgments and sources of estimation uncertainty

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

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

(i) Significant judgments

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

2. BASIS OF PREPARATION (continued):

Income taxes (note 8):

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 probability 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.

Leases (note 15):

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.

Investment in a joint venture (note 16):

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Chemtrade applies judgment in determining whether it has joint control of the joint venture.

Intangible assets (note 18):

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

Provisions (note 20):

Chemtrade recognizes provisions for the present value of anticipated costs of future decommissioning and environmental liabilities. 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

2. BASIS OF PREPARATION (continued):

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.

Financial instruments (note 28):

Chemtrade makes significant judgments in determining whether its financial instruments qualify for hedge accounting, including its determination of hedge effectiveness. These judgments include assessing whether the forecast transactions designated as hedged items in hedging relationships will materialize as forecast, whether the hedging relationships designated as effective hedges for accounting purposes continue to qualitatively be effective, and determining the methodology to determine the fair values used in testing the effectiveness of hedging relationships.

(ii) Key sources of estimation uncertainty

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

Property, plant and equipment (note 14):

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.

Leases (note 15):

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.

2. BASIS OF PREPARATION (continued):

Intangible assets (note 18):

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

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

Provisions (note 20):

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 requires 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.

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.

2. BASIS OF PREPARATION (continued):

Employee Benefits (note 24):

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 benefit plans.

Share-based payments (note 26):

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

Financial instruments (note 28):

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

3. REPORTABLE SEGMENTS:

During 2021, Chemtrade had operated in three reportable segments: Sulphur Products & Performance Chemicals ("SPPC"), Water Solutions & Specialty Chemicals ("WSSC") and Electrochemicals ("EC"). However, as a result of changes in the organization, Chemtrade reconfigured its operating segments during the first quarter of 2022 which resulted in aggregating the operating segments in the SPPC reportable segment with the remaining operating segments in the WSSC reportable segment to form a new reportable segment called Sulphur and Water Chemicals ("SWC") and the EC segment remained unchanged.

The reportable segments of Chemtrade are strategic business groups that offer products and services to target markets, as described below.

SWC markets, removes and/or produces merchant, regenerated and ultra pure sulphuric acid, sodium hydrosulphite, elemental sulphur, liquid sulphur dioxide, hydrogen sulphide, sodium bisulphite, and sulphides, and provides other processing services. SWC also manufactures and markets a variety of inorganic coagulants used in water treatment, including aluminum sulphate, aluminum chlorohydrate, polyaluminum chloride, and ferric sulphate; and a number of specialty chemicals, including sodium nitrite and phosphorus pentasulphide. SWC products are marketed primarily to North American customers. SWC is comprised of several operating segments which are aggregated into a single reportable segment as they have similar economic characteristics, the products and services are similar in nature, employ similar production processes and use similar distribution methods to deliver products to customers.

EC manufactures and markets sodium chlorate and chlor-alkali products including caustic soda, chlorine and hydrochloric acid (HCl), largely for the pulp and paper, oil and gas and water treatment industries. These products are marketed primarily to North American and South American customers. EC is comprised of several operating segments which are aggregated into a single reportable segment as they have similar economic characteristics, the products and services are similar in nature, employ similar production processes and use similar distribution methods to deliver products to customers.

Corporate items and eliminations include centralized services, such as treasury, finance, information technology, human resources, legal and risk management, and environmental, health and safety support, and eliminations of inter-segment revenues and costs.

Chemtrade's chief operating decision maker ("CODM") is the Chief Executive Officer ("CEO"). The CODM regularly reviews the operations and performance by segment and considers Adjusted EBITDA as an indirect measure of net earnings (loss) for the purpose of assessing performance of each segment and to make decisions about the allocation of

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

3. REPORTABLE SEGMENTS (continued):

resources. Adjusted EBITDA is defined as net earnings before any deduction for net finance costs, income taxes, depreciation, amortization and other non-cash charges such as impairment, change in environmental liability, net gains and losses on the disposal and write-down of PPE, and unrealized foreign exchange gains and losses. Adjusted EBITDA is not intended to be representative of cash flow from operations or financial performance determined in accordance with IFRS or cash available for distribution. The remaining net earnings (loss) items and the balance sheet are reviewed on a consolidated basis by the CODM and therefore are not included in the segmented information below.

Year ended December 31, 2022

	SWC	EC	Corporate items and eliminations	Total
Revenue - third party	$1,074,732	$ 738,651	$ —	**$ 1,813,383**
- inter-segment	485	5,639	(6,124)	**—**
Revenue - total	1,075,217	744,290	(6,124)	**1,813,383**
Cost of sales and services	(908,750)	(556,853)	6,124	**(1,459,479)**
Gross profit	166,467	187,437	—	**353,904**
Selling and administrative expenses	(19,100)	(9,875)	(105,341)	**(134,316)**
Share of loss from joint venture	(436)	—	—	**(436)**
Operating income (loss)	146,931	177,562	(105,341)	**219,152**
Depreciation and amortization	112,135	104,815	—	**216,950**
Net (gain) loss on disposal and write-down of PPE	(15,720)	416	—	**(15,304)**
Loss on disposal of assets held for sale [(1)]	478	—	—	**478**
Unrealized foreign exchange loss	—	—	9,592	**9,592**
Adjusted EBITDA	243,824	282,793	(95,749)	**430,868**
Capital expenditures	69,935	42,862	2,643	**115,440**

(1) For additional information, see note 13.

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

3. REPORTABLE SEGMENTS (continued):

Year ended December 31, 2021

	SWC	EC	Corporate items and eliminations	Total
Revenue - third party	$ 845,233	$ 523,246	$ —	$ 1,368,479
- inter-segment	183	3,930	(4,113)	—
Revenue - total	845,416	527,176	(4,113)	1,368,479
Cost of sales and services	(741,205)	(635,234)	4,113	(1,372,326)
Gross profit (loss)	104,211	(108,058)	—	(3,847)
Selling and administrative expenses	(18,608)	(11,497)	(70,106)	(100,211)
Operating income (loss) [(1)]	85,603	(119,555)	(70,106)	(104,058)
Depreciation and amortization	123,796	115,826	—	239,622
Net (gain) loss on disposal and write-down of PPE	(503)	130	—	(373)
Loss on disposal of assets held for sale [(1)]	7,135	—	—	7,135
Change in environmental liability	561	—	—	561
Impairment of PPE	—	48,343	—	48,343
Impairment of intangible assets	—	81,657	—	81,657
Unrealized foreign exchange loss	—	—	7,493	7,493
Adjusted EBITDA	216,592	126,401	(62,613)	280,380

Capital expenditures	52,602	32,365	1,174	86,141

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

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

3. REPORTABLE SEGMENTS (continued):

Geographic segments:

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

Revenue

	2022	2021
Canada	**$ 584,095**	$ 433,154
United States	**1,127,152**	867,156
South America	**102,136**	68,169
	$ 1,813,383	$ 1,368,479

PPE, ROU assets and intangible assets

	December 31, 2022	December 31, 2021
Canada	**$ 748,519**	$ 795,084
United States	**823,078**	786,304
South America	**100,067**	104,194
	$ 1,671,664	$ 1,685,582

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

4. REVENUE:

The components of revenue are as follows:

		2022		2021
Sale of products	$	1,611,712	$	1,207,953
Processing services		201,671		160,526
Revenue	$	**1,813,383**	$	1,368,479

5. SELLING AND ADMINISTRATIVE EXPENSES:

The components of selling and administrative expenses are as follows:

		2022		2021
Wages, salaries and benefits, including bonuses	$	62,983	$	65,504
Share-based payments (note 26)		20,971		25,693
Other selling and administrative expenses		34,917		23,999
Realized foreign exchange loss (gain)		2,484		(2,135)
Unrealized foreign exchange loss		9,592		7,493
Reserve for legal proceedings (note 20)		922		—
Depreciation (note 6)		2,447		3,337
Lawsuit settlement		—		(17,709)
Government grants		—		(5,971)
	$	134,316	$	100,211

Lawsuit settlement

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

Government grants

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

The Canada Emergency Rent Subsidy ("CERS") provided rent and mortgage support to businesses affected by COVID-19. Under this program, businesses could claim a subsidy on eligible expenses (with a maximum amount of 65%) if they could demonstrate a revenue loss during the eligible claim periods.

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

5. SELLING AND ADMINISTRATIVE EXPENSES (continued):

During the year ended December 31, 2022, Chemtrade did not claim CEWS and CERS and there were no outstanding receivables as of December 31, 2022 (December 31, 2021 - nil). During the year ended December 31, 2021, Chemtrade received CEWS of $7,604 and CERS of $761.

6. DEPRECIATION AND AMORTIZATION:

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

	2022	2021
Cost of sales and services:		
Depreciation expense on PPE (note 14)	**$ 127,868**	$ 130,560
Depreciation expense on ROU assets (note 15)	**45,174**	46,487
Amortization expense (note 18)	**41,461**	59,238
Selling and administrative expenses (note 5):		
Depreciation expense on PPE (note 14)	**1,216**	1,573
Depreciation expense on ROU assets (note 15)	**1,231**	1,764
Total depreciation and amortization expense	**$ 216,950**	$ 239,622

7. NET FINANCE COSTS:

The components of net finance costs are as follows:

	2022	2021
Interest expense on long-term debt	**$ 21,362**	$ 34,736
Debt extinguishment costs (note 21)	**—**	$ 5,104
Interest expense on convertible debentures (note 22)	**32,004**	30,934
Transaction costs on issuance of convertible debentures (note 22)	**—**	5,927
Change in the fair value of convertible debentures (note 22)	**7,623**	19,944
Interest expense on lease liabilities (note 15)	**5,893**	6,741
(Income) loss reclassified from other comprehensive income relating to the fair value of the interest rate swaps (note 28)	**(5,953)**	13,226
Change in the fair value of interest rate swaps (note 28)	**(10,692)**	—
Ineffective portion of change in the fair value of interest rate swaps	**(1,466)**	(3,609)
Accretion expense on financing transaction costs (note 21)	**—**	1,121
Accretion of provisions (note 20)	**2,892**	1,825
Pension interest (note 24)	**701**	949
Interest income	**(2,395)**	(716)
Net finance costs	**$ 49,969**	$ 116,182

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

8. INCOME TAXES:

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

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

(a) Income tax expense

	2022		2021
Taxes recognized in net earnings	**(11,958)**	$	(3,544)
Current tax expense from disposal of assets held for sale (note 13)	—	$	(5,093)
Current tax expense	**(11,958)**	$	(8,637)
Deferred tax (expense) recovery:			
Origination and reversal of temporary differences	**(48,110)**		(21,069)
Deferred tax recovery from disposal of assets held for sale (note 13)	—		14,737
Deferred tax expense	**(48,110)**	$	(6,332)
Total tax expense	**(60,068)**	$	(14,969)

(b) Reconciliation of the effective tax rate

The provision for income taxes in comprehensive income represents an effective rate different than the Canadian corporate statutory rate of 25.31% (2021 - 25.60%). The differences are as follows:

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

8. INCOME TAXES (continued):

	2022	2021
Net income (loss) before income tax	$ **169,183**	$ (220,240)
Computed income tax (expense) recovery at Canadian statutory rate	**(42,820)**	56,381
Difference resulting from:		
Income of trust taxed directly to unitholders	**22,541**	22,201
Difference in substantially enacted tax rate	**(6,516)**	(11,513)
International income tax differences	**735**	(7,851)
Tax adjustments related to prior years	**(1,274)**	(2,057)
Goodwill impairment	**—**	(10,962)
Disposal of assets held for sale	**—**	(23,179)
Unrecognized deferred tax assets	**(31,245)**	(35,418)
Other	**(1,489)**	(2,571)
Total income tax expense	$ **(60,068)**	$ (14,969)

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

8. INCOME TAXES (continued):

(c) Recognized deferred tax assets and liabilities

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

		2022		2021
Deferred tax assets:				
Other assets	**$**	**26,596**	$	51,983
Losses available for carryforward		**70,153**		127,588
Long-term debt and deferred interest		**57,676**		50,426
Other long-term liabilities and employee benefits		**42,443**		38,488
		196,868		268,485
Reclassification from deferred tax liabilities		**(114,157)**		(143,387)
Total deferred tax assets	**$**	**82,711**	$	125,098
Deferred tax liabilities:				
PPE		**109,430**		138,277
Intangible assets		**14,200**		18,387
Other liabilities		**8,693**		5,480
		132,323		162,144
Reclassification to deferred tax assets		**(114,157)**		(143,387)
Total deferred tax liabilities	**$**	**18,166**	$	18,757

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

8. INCOME TAXES (continued):

(d) Movements in deferred tax balances

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

	Balance January 1, 2022	Recognized in net earnings	Foreign exchange rate changes	Recognized in other comprehensive income	Recognized directly in equity	Balance December 31, 2022
PPE	$ (138,277)	$ 34,214	$ (5,367)	$ —	$ —	$ (109,430)
Intangible assets	(18,387)	5,554	(1,367)	—	—	(14,200)
Net other assets and liabilities	46,503	(32,037)	(456)	3,893	—	17,903
Losses available for carryforward	127,588	(58,300)	865	—	—	70,153
Long-term debt and deferred interest	50,426	3,101	2,936	—	1,213	57,676
Other long-term liabilities and employee benefits	38,488	(642)	4,423	174	—	42,443
	$ 106,341	**$ (48,110)**	**$ 1,034**	**$ 4,067**	**$ 1,213**	**$ 64,545**

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

(1) Excludes deferred tax recovery on disposal of assets held for sale of $14,737. See note 13.

(e) Unrecognized deferred tax assets

For the year ended December 31, 2022, the non-capital losses are expected to be fully utilized before the expiration date. However, Chemtrade did not recognize $65,064 (2021 - $38,045) of deferred tax assets as management did not believe that it is probable that the deductible temporary differences giving rise to the deferred tax assets will be utilized.

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

9. NET EARNINGS (LOSS) PER UNIT:

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

		2022		2021
Numerator				
Net earnings (loss)		**109,115**	$	(235,209)
Net interest and fair value adjustment on the Debentures [(1)]		**36,631**		—
Net fair value adjustment on deferred unit plan [(2)]		**—**		—
Diluted net earnings (loss)	**$**	**145,746**	$	(235,209)

[(1)] For the year ended December 31, 2021, the potential conversion of the Debentures has not been included as the effect on net earnings (loss) per unit would be anti-dilutive.
[(2)] For the years ended December 31, 2022 and 2021, the potential conversion of the deferred units have not been included as the effect on net earnings (loss) per unit would be anti-dilutive.

	2022	2021
Denominator		
Weighted average number of units	**108,445,732**	101,730,342
Weighted average Debentures dilutive units [(1)]	**38,960,721**	—
Weighted average deferred unit plan dilutive units [(2)]	**—**	—
Weighted average number of diluted units	**147,406,452**	101,730,342

[(1)] For the year ended December 31, 2021, the potential conversion of the Debentures has not been included as the effect on net earnings (loss) per unit would be anti-dilutive.
[(2)] For the years ended December 31, 2022 and 2021, the potential conversion of the deferred units have not been included as the effect on net earnings (loss) per unit would be anti-dilutive.

10. CASH AND CASH EQUIVALENTS:

The components of cash and cash equivalents are as follows:

		2022		2021
Cash	**$**	**16,555**	$	4,680
Cash equivalents				
Guaranteed investment certificates		**40,000**		—
Certificate of deposits		**16,014**		9,228
Total cash and cash equivalents	**$**	**72,569**	$	13,908

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

11. TRADE AND OTHER RECEIVABLES:

		2022		2021
Trade and other receivables before expected credit losses	**$**	**124,198**	$	97,112
Less: expected credit losses		**(984)**		(741)
Trade and other receivables	**$**	**123,214**	$	96,371

As disclosed in note 28, Chemtrade is exposed to normal credit and currency risks with respect to its accounts receivable. At December 31, 2022, 94.2% (2021 - 94.4%) of accounts receivable are less than 30 days past due, and less than 1% (2021 - less than 1%) of accounts receivable are greater than 120 days past due that are not provided for.

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

		2022		2021
Balance at beginning of year	**$**	**741**	$	760
Adjustments made during the year		**93**		(30)
Recovery		**150**		11
Balance at end of year	**$**	**984**	$	741

Receivables Purchase Facility

Chemtrade has a factoring facility of up to $100,000 (the "A/R Facility") with HSBC Bank Canada. The A/R Facility is an uncommitted receivables purchase facility for the purchase of eligible receivables owed to Chemtrade from trade debtors on an undisclosed basis with no recourse. As at December 31, 2022, trade receivables sold under the A/R Facility were $42,706 (2021 - $32,339).

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

12. INVENTORIES:

Chemtrade's inventories are as follows:

		2022		2021
Raw materials	$	67,702	$	44,844
Finished goods		46,247		35,267
Operating supplies		33,431		31,631
Total inventories	$	147,380	$	111,742

The amount of inventories recognized as an expense in cost of sales and services during the year ended December 31, 2022 was $1,156,674 (2021 - $946,185).

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

13. ASSETS HELD FOR SALE:

On November 2, 2021, Chemtrade completed the sale of its KCl and vaccine adjuvants businesses. These businesses were sold to Vertellus Holdings LLC, a manufacturer of specialty products for various consumer goods, food and agriculture, healthcare and industrial markets. The proceeds from this sale were finalized during the second quarter of 2022 and as a result, Chemtrade recorded a loss of $478.

The following are details regarding the assets held for sale and the associated liabilities as at the time of sale:

Assets held for sale		**November 2, 2021**
Trade and other receivables	$	7,788
Inventories		5,342
Prepaid expenses and other assets		94
PPE		55,504
ROU assets		266
Intangible assets		124,377
Total	**$**	**193,371**
Liabilities directly associated with assets held for sale		
Trade and other payables	$	3,474
Lease liabilities		88
Deferred tax liabilities		14,737
Total	**$**	**18,299**
Net Assets	**$**	**175,072**

The details of the sale are as follows:

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

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

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

14. PROPERTY, PLANT AND EQUIPMENT:

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

	Land	Plant and equipment	Facilities and equipment under construction	Total
Cost				
Balance at January 1, 2021	$ 87,341	$ 1,821,541	$ 76,013	$ 1,984,895
Additions	—	—	86,141	86,141
Decommissioning provisions	—	(10,359)	—	(10,359)
Transfers	—	65,530	(65,530)	—
Adjustments	1,424	531	78	2,033
Asset retirements and write-downs	75	(27,771)	(455)	(28,151)
Foreign exchange rate changes	(280)	(9,306)	21	(9,565)
Balance at December 31, 2021	$ 88,560	$ 1,840,166	$ 96,268	$ 2,024,994
Additions	—	—	115,440	115,440
Decommissioning provisions	—	(6,124)	—	(6,124)
Transfers	—	73,203	(73,203)	—
Asset retirements and write-downs	—	(12,848)	—	(12,848)
Foreign exchange rate changes	2,356	79,097	6,113	87,566
Balance at December 31, 2022	$ 90,916	$ 1,973,494	$ 144,618	$ 2,209,028
Accumulated depreciation				
Balance at January 1, 2021	$ —	$ (934,588)	$ —	$ (934,588)
Depreciation	—	(132,133)	—	(132,133)
Adjustments	—	(224)	—	(224)
Asset retirements and write-downs	—	27,115	—	27,115
Impairment (note 18)	—	(48,343)	—	(48,343)
Foreign exchange rate changes	—	3,237	—	3,237
Depreciation allocated to inventory	—	516	—	516
Balance at December 31, 2021	$ —	$ (1,084,420)	$ —	$ (1,084,420)
Depreciation	—	(129,084)	—	(129,084)
Asset retirements and write-downs	—	12,709	—	12,709
Foreign exchange rate changes	—	(50,604)	—	(50,604)
Depreciation allocated to inventory	—	(23)	—	(23)
Balance at December 31, 2022	$ —	$ (1,251,422)	$ —	$ (1,251,422)
Net carrying amount				
December 31, 2021	$ 88,560	$ 755,746	$ 96,268	$ 940,574
December 31, 2022	$ 90,916	$ 722,072	$ 144,618	$ 957,606

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

14. PROPERTY, PLANT AND EQUIPMENT (continued):

On April 4, 2022, Chemtrade completed the sale of an idled acid plant in Augusta, GA. The details of the sale are as follows:

	Total
Net cash proceeds (US$9,985)	**$ 12,494**
Non-cash proceeds [1] - Acid supply contract (US$1,362)	**1,762**
- Fair value of buildings to be completed in the future (US$2,502)	**3,236**
Total proceeds (US$13,849)	**17,492**
Net carrying amount of PPE sold (US$58)	**(74)**
Gain on sale recorded in cost of sales and services (US$13,791)	**$ 17,418**

[1] Non-cash proceeds are included in Other assets in the Consolidated Statement of Financial Position as at December 31, 2022.

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

15. LEASES:

(i) ROU assets

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

	Rail cars	Private Fleet	Real Estate	Vehicles	Other[1]	Total
Balance at January 1, 2021	$ 118,919	$ 3,232	$ 23,564	$ 593	$ 5,615	$ 151,923
Depreciation	(39,784)	(1,759)	(2,877)	(492)	(3,339)	(48,251)
Additions	29,990	1,959	7,293	288	4,387	43,917
Early terminations and others [2]	(4,031)	—	(2,039)	(22)	(704)	(6,796)
Foreign exchange rate changes	(267)	(19)	(25)	(7)	(40)	(358)
Balance at December 31, 2021	104,827	3,413	25,916	360	5,919	140,435
Depreciation	(38,814)	(1,190)	(2,390)	(440)	(3,571)	(46,405)
Additions	30,160	5,762	—	656	1,141	37,719
Early terminations and others [2]	(1,362)	(1,854)	(2,243)	(368)	(908)	(6,735)
Foreign exchange rate changes	1,421	301	741	3	123	2,589
Balance at December 31, 2022	96,232	6,432	22,024	211	2,704	127,603

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

(ii) Lease liabilities

Chemtrade's lease liabilities are composed of the following:

	2022	2021
Balance at beginning of year	$ 148,074	$ 161,483
Additions	37,719	43,917
Interest expense	5,893	6,741
Principal and interest repayment [1]	(56,546)	(56,966)
Early terminations and others [2]	(3,630)	(6,165)
Foreign exchange rate changes	8,132	(936)
Total	139,642	148,074
Less: Current portion	45,571	47,211
Balance at end of year	$ 94,071	$ 100,863

[1] Excludes sub-lease receipts of $4,257 (2021 - $4,085).
[2] Includes early terminations, reclassifications and other adjustments.

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

15. LEASES (continued):

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

	December 31, 2022	December 31, 2021
Less than one year	$ 50,950	$ 51,611
One to five years	88,859	91,106
More than five years	13,298	18,902
Total undiscounted lease liabilities	$ 153,107	$ 161,619

(iii) Amounts recognized in profit or loss

	December 31, 2022	December 31, 2021
Depreciation	$ 46,405	$ 48,251
Interest expense (included in net finance costs)	5,893	6,741
Income from sub-leasing ROU assets	(76)	(111)
Expenses relating to short-term leases	3,731	4,375
Expenses relating to leases of low value assets, excluding short-term leases of low value assets	494	376

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

16. INVESTMENT IN A JOINT VENTURE:

Chemtrade owns a 49% interest in KPCT Holdings LLC ("KPCT Holdings"), a joint venture for the greenfield construction of a high purity sulphuric acid plant in Casa Grande, AZ with an expected start-up in 2025. Privately held KPPC Advanced Chemicals Inc. ("KPPC") owns the remaining 51% interest in the joint venture. During the third quarter of 2022, Chemtrade made a capital contribution of $5,931 (US$4,550) towards its interest in KPCT Holdings. Chemtrade's interest in KPCT Holdings is accounted for using the equity method in the consolidated financial statements. The carrying amount of the investment as of December 31, 2022 was $5,495 (US$4,215) which includes Chemtrade's share of loss of $436 (US$334) from the joint venture.

17. OTHER ASSETS:

Chemtrade's other assets are as follows:

	December 31, 2022	December 31, 2021
Interest rate swaps (note 28)	**$ 21,067**	—
Non-cash proceeds from sale of PPE (note 14)	**5,237**	—
Cash-settled unit swaps (note 28)	**2,599**	676
Deferred charges	**3,141**	3,155
Long-term receivables	**3,241**	2,463
Other	**1,049**	1,022
	$ 36,334	$ 7,316

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

18. INTANGIBLE ASSETS:

Chemtrade's intangible assets and goodwill are as follows:

		Goodwill		Customer Relationships		Other		Total
Cost								
Balance at January 1, 2021	$	500,783	$	721,134	$	2,425	$	1,224,342
Additions		—		—		108		108
Impairment		(42,822)		—		—		(42,822)
Foreign exchange rate changes		(2,056)		(1,660)		(9)		(3,725)
Balance at December 31, 2021	$	455,905	$	719,474	$	2,524	$	1,177,903
Additions		—		—		212		212
Foreign exchange rate changes		21,284		17,305		92		38,681
Balance at December 31, 2022	$	477,189	$	736,779	$	2,828	$	1,216,796
Accumulated Amortization								
Balance at January 1, 2021	$	—	$	(474,268)	$	(2,004)	$	(476,272)
Impairment		—		(38,835)		—		(38,835)
Amortization		—		(59,099)		(139)		(59,238)
Foreign exchange rate changes		—		1,010		5		1,015
Balance at December 31, 2021	$	—	$	(571,192)	$	(2,138)	$	(573,330)
Amortization		—		(41,295)		(166)		(41,461)
Foreign exchange rate changes		—		(15,473)		(77)		(15,550)
Balance at December 31, 2022	$	—	$	(627,960)	$	(2,381)	$	(630,341)
Net carrying amount								
December 31, 2021	$	455,905	$	148,282	$	386	$	604,573
December 31, 2022	$	477,189	$	108,819	$	447	$	586,455

Impairment testing for cash-generating units containing goodwill

During the fourth quarter of 2021, Chemtrade performed its annual test for goodwill impairment in accordance with its policy described in note 32. 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 decline in sodium chlorate demand combined with increased competitive pressure resulting in lower levels of gross profit and lowered expectations of business recovery to pre-pandemic levels, the Chlorate CGU's carrying value exceeded its recoverable amount by $130,000 and therefore, impairment losses of $42,822, $38,835 and $48,343 were allocated to goodwill, customer relationships and PPE, respectively, in cost of sales and services. Following the impairment recognized in the Chlorate CGU, its recoverable amount equalled its carrying value.

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

18. INTANGIBLE ASSETS (continued):

Chemtrade performed its annual test for goodwill impairment in the fourth quarter of 2022 in accordance with its policy described in note 32. The recoverable amount of all CGUs and CGU groups exceeded their carrying values. The test was performed using a pre-tax discount rate of 12.9% to 14.3% (2021 – 12.1% to 13.6%) and a terminal growth rate of 3.0% (2021 – 2.5%). Assumptions used in the forecast operating margins and maintenance and other expenditures consider financial budgets, past experience, future growth trends such as GDP growth and inflation, associated economic risk assumptions and estimates of achieving key operating initiatives, covering a five year period.

The carrying value of goodwill for the SWC segment is $477,189 (2021 - $455,905) and for the EC segment is nil (2021 - nil).

The Water CGU's recoverable amount exceeds its carrying value by $9,732, which is 3.2% of the carrying value. Goodwill is more susceptible to impairment risk if business operating results or economic conditions deteriorate and Chemtrade does not meet its forecasts. An increase in the pre-tax discount rate, reduction in terminal growth rate or a decrease in forecast operating margins could cause an impairment in the future. The following table indicates the percentage by which key assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying value:

	Change required for carrying value to equal recoverable amount
Key assumptions	
Pre-tax discount rate (%)	0.3% increase
Terminal growth rate (%)	0.3% decrease
Forecast operating margins (%)	1.6% decrease

19. TRADE AND OTHER PAYABLES:

Chemtrade's payables are as follows:

	2022	2021
Trade payables	**$ 168,632**	$ 136,349
Non-trade payables and accrued expenses	**147,805**	93,636
	$ 316,437	$ 229,985

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

20. PROVISIONS:

	Onerous Contracts	Decommissioning liability	Environmental Liability	Legal Provision	Total
Balance at January 1, 2021	$ —	$ 100,054	$ 65,878	$ 8,906	$ 174,838
Adjustments(1)	—	(10,359)	561	—	(9,798)
Additions	—	477	—	996	1,473
Accretion	—	1,279	546	—	1,825
(Payments) recovery	—	(1,238)	350	(9,059)	(9,947)
Foreign exchange rate changes	—	(241)	(412)	(155)	(808)
	—	89,972	66,923	688	157,583
Less: Current portion	—	1,373	9,474	688	11,535
Balance at December 31, 2021	$ —	$ 88,599	$ 57,449	$ —	$ 146,048
Balance at January 1, 2022		89,972	66,923	688	157,583
Adjustments(1)	—	(6,124)	—	—	(6,124)
Additions	3,941	1,536	—	922	6,399
Accretion	—	1,888	1,004	—	2,892
Payments	—	(3,887)	(4,527)	—	(8,414)
Foreign exchange rate changes	—	1,454	4,549	109	6,112
	3,941	84,839	67,949	1,719	158,448
Less: Current portion	3,941	3,985	13,177	1,719	22,822
Balance at December 31, 2022	$ —	$ 80,854	$ 54,772	$ —	$ 135,626

(1) Includes adjustments due to change in discount rates in 2022 and 2021.

(a) Onerous contracts

During the second quarter of 2022, Chemtrade announced its intention to close its sodium chlorate facility in Beauharnois, QC. The sodium chlorate volumes from the facility have been absorbed primarily by Chemtrade's Brandon, MB and Prince George, BC facilities. To fulfill a contractual obligation, the brine processing portion of the facility will continue to run until November 2023. During the second quarter of 2022, Chemtrade recorded an expense of $3,941 (2021 - nil) related to the provisions for an onerous contract in cost of sales and services which is included in the current portion of provisions as at December 31, 2022 (December 31, 2021 - nil).

(b) Decommissioning liability

Chemtrade has estimated a decommissioning liability for its plants and has accrued for this obligation. Decommissioning is expected to occur on dates ranging from 2023 to 2050.

20. PROVISIONS (continued):

(c) Environmental liability

Chemtrade has estimated a provision for its environmental liability in association with its sites. Expenditures are expected to occur on dates ranging from 2023 to 2052.

(d) Legal provision

Chemtrade has estimated an overall provision for litigation. Provisions are calculated based on a current estimate of the amounts that will be incurred in settling outstanding legal matters.

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

21. LONG-TERM DEBT:

Changes in long-term debt are as follows:

		Revolving credit (US$ denominated)[1][2]		Revolving credit (Cdn$ denominated)[1][2]		Total
Maturity		December 24, 2026		December 24, 2026		
Balance at January 1, 2022	$	370,026	$	3,505	$	**373,531**
Net change		(31,088)		(3,505)		**(34,593)**
Loss on net investment hedge of foreign operations		31,255		—		**31,255**
Foreign exchange rate changes		(169)		—		**(169)**
Balance at December 31, 2022	**$**	**370,024**	**$**	**—**	**$**	**370,024**

[1] At December 31, 2022, Chemtrade had committed a total of $19,796 of the revolving credit facility towards standby letters of credit.

[2] At December 31, 2022, Cdn$ limit of the senior credit facilities ("Credit Facilities") was $881,010 (US$650,000) and Chemtrade had drawn US$273,000 on the Credit Facilities.

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

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

[2] At December 31, 2021, Cdn$ limit of the Credit Facilities was $821,405 (US$650,000) and Chemtrade had drawn US$292,812 and $3,505 on the Credit Facilities.

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

[4] Chemtrade recorded debt extinguishment costs of $5,104 consisting of $3,804 of previously deferred financing transaction costs and $1,300 of financing transaction costs relating to the December 2021 amendment.

21. LONG-TERM DEBT (continued):

In December 2021, Chemtrade amended certain terms of its Credit Facilities by converting the entire facility into a revolving credit facility, reducing the facility size by US$200,000 and extending the maturity of the facility to December 24, 2026. Chemtrade also amended its covenant package and pricing to pre-pandemic levels.

In June 2022, Chemtrade amended certain terms of its Credit Facilities to allow for the investment in a joint venture with KPPC (see note 16) and to recognize any cash distributions received from this joint venture in the calculation of EBITDA for debt covenant purposes.

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

The Credit Facilities are secured by substantially all of Chemtrade's assets. At December 31, 2022, the weighted average effective interest rate of the facilities was 3.1% (December 31, 2021 - 4.4%). Interest rates on the Credit Facilities are based on SOFR and Canadian Bankers' Acceptance rates, adjusted by Chemtrade's credit spread.

Chemtrade is subject to certain covenants pursuant to its Credit Facilities, which include a Net Debt to EBITDA ratio and an Interest Coverage ratio (as such terms are defined in the credit agreement). Chemtrade monitors these ratios and reports them to its lenders on a quarterly basis. As at December 31, 2022 and 2021, Chemtrade was in compliance with all covenants.

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

22. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES:

Changes in convertible unsecured subordinated debentures are as follows:

	Convertible unsecured subordinated debentures [1]					
	Fund 2016 5.00% Debentures	Fund 2017 4.75% Debentures	Fund 2019 6.50% Debentures	Fund 2020 8.50% Debentures	Fund 2021 6.25% Debentures	Total
Maturity	August 31, 2023	May 31, 2024	October 31, 2026	September 30, 2025	August 31, 2027	
Interest rate	5.00 %	4.75 %	6.50 %	8.50 %	6.25 %	
Principal outstanding at January 1, 2022	143,750	201,115	100,000	86,250	130,000	**661,115**
Principal outstanding at December 31, 2022	—	201,115	100,000	86,250	130,000	**517,365**
Balance at January 1, 2022	143,894	197,796	101,150	97,463	129,870	**670,173**
Redemption [2]	(143,750)	—	—	—	—	**(143,750)**
Change in fair value recognized in profit or loss	(144)	(12,502)	(8,858)	15,131	13,996	**7,623**
Change in fair value due to own credit risk[3]	—	9,989	5,218	(4,782)	(11,253)	**(828)**
Balance at December 31, 2022	—	195,283	97,510	107,812	132,613	**533,218**

[1] The Fund 2016 5.00% Debentures, the Fund 2017 4.75% Debentures, the Fund 2019 6.50% Debentures, the Fund 2020 8.50% Debentures and the Fund 2021 6.25% Debentures are collectively referred to as the "Debentures". Chemtrade has designated the Debentures as financial liabilities at fair value through profit or loss.

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

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

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

22. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES (continued):

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

(1) During the fourth quarter of 2021, Chemtrade completed a public offering of the Fund 2021 6.25% Debentures, at a price of $1,000 per debenture. The Fund 2021 6.25% Debentures are convertible, at the option of the holder, into trust units of the Fund at a conversion price of $10.00 per unit. Chemtrade incurred transaction costs of $5,927 which included underwriters' fees and other expenses relating to the offering.
(2) 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.
(3) The change in fair value of the Debentures due to Chemtrade's own credit risk has been presented in other comprehensive income, net of taxes, rather than net earnings.

For the year ended December 31, 2022, interest expense of $32,004 (2021 - $30,934) and transaction costs of nil (2021- $5,927) relating to the Debentures was recognized in net finance costs.

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

23. OTHER LONG-TERM LIABILITIES:

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

		2022		2021
Long-term portion of LTIP liability (note 26)	$	16,646	$	26,445
Interest rate swap liability (note 28)		—		9,616
Other		4,925		4,466
	$	21,571	$	40,527

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

24. EMPLOYEE BENEFITS:

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

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

Certain hourly employees participate in the Pulp and Paper Industry Pension Trust Fund, a multi-employer, negotiated costs defined benefit plan. The plan is funded by employer and employee contributions. The employer-related expense under this plan in 2022 was $265 (2021 - $288).

All eligible Canadian employees participate in a defined contribution pension ("DC") plan. The DC plan is self-directed. Participants choose from a range of investment options offered by the plan administrator. Chemtrade provides a basic contribution of 4% of base salary for participants. Participants can make additional voluntary contributions up to 2% of their base salary, and Chemtrade matches each dollar contributed up to 2% for a total of 6% of base salary. Chemtrade's contributions to the DC plan vest immediately. The employer-related expense under this plan in 2022 was $2,936 (2021 - $2,741).

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

Short-term employee benefits for current employees, such as salaries, paid absences, bonuses and other benefits, are accounted for on an accrual basis over the period in which the employees provide the related services. In 2022, $179,880 (2021 - $167,380) of short-term employee benefits were recognized in cost of sales and services, and $62,383 (2021 - $65,503) were recognized in selling and administrative expenses.

Chemtrade expects $2,136 in contributions to be paid to its defined benefit plans in 2023.

	2022	2021
Present value of unfunded obligations	**$ 6,856**	$ 8,534
Present value of funded obligations	**271,176**	372,574
Total present value of obligations	**278,032**	381,108
Fair value of plan assets	**(252,036)**	(355,848)
Recognized liability for defined benefit obligations prior to asset ceiling	**25,996**	25,260
Effect of asset ceiling	**1,559**	—
Recognized liability for defined benefit obligations	**$ 27,555**	$ 25,260

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

24. EMPLOYEE BENEFITS (continued):

		2022		2021
Components of net periodic benefit cost				
Current service cost	**$**	**2,278**	$	2,782
Net interest cost		**701**		949
Administration costs		**1,780**		1,896
Plan settlements		**171**		—
Net periodic benefit cost recognized	**$**	**4,930**	$	5,627

		2022		2021
Net periodic benefit cost allocation				
Cost of sales and services	**$**	**2,170**	$	2,661
Selling and administrative expenses		**2,059**		2,017
Net finance costs		**701**		949
Net periodic benefit cost recognized	**$**	**4,930**	$	5,627

		2022		2021
Other comprehensive income				
Return on plan assets, excluding interest income	**$**	**65,377**	$	(8,585)
Actuarial gains		**(68,625)**		(16,693)
Effect of asset ceiling		**1,559**		—
Gain recognized in OCI during the year	**$**	**(1,689)**	$	(25,278)

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

24. EMPLOYEE BENEFITS (continued):

	2022	2021
Weighted average assumptions		
Discount rate	**5.09 %**	2.81 %
Ultimate other medical trend rate	**4.50 %**	4.50 %
Salary escalation	**3.00 %**	3.00 %

	2022	2021
Change in accrued benefit obligation		
Accrued benefit obligation at beginning of year	**$ 381,108**	$ 414,084
Current service cost	**2,278**	2,782
Interest cost	**9,380**	8,065
Employee contributions	**249**	370
Benefits paid	**(26,609)**	(25,331)
Plan settlements	**(33,517)**	(293)
Foreign exchange rate changes	**13,768**	(1,876)
Actuarial loss from changes in demographic assumptions	**3,328**	2,283
Actuarial gain from changes in financial assumptions	**(78,996)**	(18,421)
Actuarial loss (gain) from experience adjustments	**7,043**	(555)
Accrued benefit obligation at end of year	**$ 278,032**	$ 381,108

	2022	2021
Change in plan assets		
Plan assets at beginning of year	**$ 355,848**	$ 362,721
Administration fee	**(1,839)**	(1,896)
Interest income	**8,679**	7,116
Employer contributions	**2,366**	6,045
Employee contributions	**249**	370
Benefits paid	**(26,609)**	(25,331)
Foreign exchange rate changes	**12,407**	(1,469)
Plan settlements	**(33,688)**	(293)
Return on plan assets, excluding interest income	**(65,377)**	8,585
Plan assets at end of year	**$ 252,036**	$ 355,848

	2022	2021
Change in asset ceiling		
Asset ceiling at beginning of year	**$ —**	$ —
Change in asset ceiling	**1,559**	—
Asset ceiling at end of year	**$ 1,559**	$ —

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

24. EMPLOYEE BENEFITS (continued):

In 2022 and 2021, Chemtrade completed annuity purchases with respect to former employees. These activities are designed to reduce Chemtrade's defined benefit plan obligations and decrease future risks and volatility associated with these obligations. Chemtrade paid $33,688 (2021 - $293) from the impacted plans' assets to settle $33,517 (2021 - $293) of pension obligations and recorded $171 (2021 – nil) settlement charge in selling and administrative expenses. The settlement charges resulted from the difference between the amount paid for the annuity purchases and the value of Chemtrade's defined benefit plan obligations related to these annuity purchases at the time of the settlement.

The asset mix in the plan is approximately 64.9% bonds (2021 - 68.0%), approximately 24.4% equity securities (2021 - 23.0%) and approximately 10.7% other investments (2021 - 9.0%).

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

	Defined benefit obligation	
	Increase	**Decrease**
Discount rate (1% movement)	**$ (30,226)**	**$ 35,728**
Inflation rate (1% movement)	**$ 7,737**	**$ (2,374)**
Mortality rate (10% movement)	**$ (9,326)**	**$ 10,231**

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

25. UNITS AND OTHER COMPONENTS OF EQUITY:

(a) Units:

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

	2022		2021	
	Number of Units	**Amount**	**Number of Units**	**Amount**
Units				
Balance - January 1	104,222,562	$ 1,541,583	93,169,158	$ 1,465,029
Issuance of units for cash	10,005,000	86,543	9,800,000	70,070
Issuance costs, net of tax recovery of $1,214 (2021-$1,188)	—	(2,877)	—	(2,484)
Issuance of units under the DRIP	1,309,106	10,434	1,253,404	8,968
Balance – December 31	**115,536,668**	**$ 1,635,683**	104,222,562	$ 1,541,583

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

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

(b) Contributed surplus

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

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

AOCI is comprised of the following separate components of equity:

Cumulative translation account

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

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

Unrealized gains/losses on cash flow and net investment hedges

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

Change in fair value of convertible debentures due to credit risk

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

(d) Distributions:

Distributions paid for the year ended December 31, 2022 were $65,187 (2021 - $60,912) or $0.60 per unit (2021 - $0.60 per unit). Of the distributions paid for the year ended December 31, 2022, $54,753 (2021 - $51,944) were in cash and $10,434 (2021 - $8,968) were reinvested in additional units pursuant to the DRIP. All of Chemtrade's distributions are discretionary and subject to Board approval.

Distributions declared, including the DRIP bonus distributions for the year ended December 31, 2022 were $65,760 (2021 - $61,467) or $0.60 per unit (2021 - $0.60 per unit).

As at December 31, 2022, Chemtrade had $5,805 (2021 - $5,232) distributions payable. On January 26, 2023, distributions of $4,854 were paid in cash and $951 were reinvested in additional units pursuant to the DRIP. On January 20, 2023, Chemtrade declared a cash distribution of $0.05 per unit for the month of January 2023 payable on February 23, 2023 to Unitholders of record at the close of business on January 31, 2023.

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

26. SHARE-BASED PAYMENTS:

Chemtrade operates a Long-term Incentive Plan ("LTIP"), which grants cash awards based on certain criteria. The 2020 - 2022 and 2021 - 2023 LTIP awards have a performance based component and a RSU component. The 2022 - 2024 LTIP awards have a performance based PSU component and a RSU component. The performance based component of the 2020 - 2022 and 2021 - 2023 LTIP awards and performance based PSU component of the 2022 - 2024 LTIP are based on return on investment capital improvement and total return to Chemtrade's Unitholders relative to the total return of companies comprising the S&P/TSX Dividend Composite Index. Total Unitholder return consists of changes in unit price and distributions paid to Unitholders over the course of the performance periods. The performance based PSU component under 2022 - 2024 LTIP awards is also adjusted by Environmental, Social and Governance goals to be achieved by the end of the performance period. The RSU component of the LTIP awards is a phantom plan which is payable in cash at the end of the performance period.

As at December 31, 2022, a liability of $52,327 (December 31, 2021 - $39,492) has been recorded, of which $35,681 (December 31, 2021 - $13,047) is included in trade and other payables and $16,646 (December 31, 2021 - $26,445) is included in other long-term liabilities. For the year ended December 31, 2022, Chemtrade recorded an expense of $20,971 (2021 - $25,693) in selling and administrative expenses related to the fair value adjustments on the LTIP.

The following RSUs under these plans are outstanding:

	Number of rights	
	2022	**2021**
Balance – January 1	3,596,918	3,700,080
Grants – new grants	813,870	686,060
– distribution equivalents	254,733	259,119
Forfeitures	(49,375)	(52,625)
Settlements	(1,322,181)	(995,716)
Balance – December 31	**3,293,965**	**3,596,918**

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

26. SHARE-BASED PAYMENTS (continued):

The following PSUs under these plans are outstanding:

	Number of rights
	2022
Balance – January 1	—
Grants – new grants	728,040
– estimated performance adjustment	604,206
– distribution equivalents	102,174
Forfeitures	(29,437)
Settlements	(6,345)
Balance – December 31	**1,398,638**

Chemtrade has in place a DUP for non-employee trustees and directors ("Participants"), pursuant to which the Participants can elect to take all or a portion of their compensation in the form of deferred units of Chemtrade, with the remainder as a cash payment. The deferred units are settled in units of the Fund issued from treasury or in cash at the Participant's request. Currently, the Participants are required to take a minimum of 50% of their compensation in the form of deferred units of Chemtrade. As at December 31, 2022, 583,501 deferred units at a value of $5,234 were outstanding (December 31, 2021 - 569,017 deferred units at a value of $4,239).

The following rights under the DUP are outstanding:

	Number of rights	
	2022	**2021**
Balance – January 1	569,017	556,948
Grants – new grants	99,461	83,667
– distribution equivalents	45,023	43,961
Settlements	(130,000)	(115,559)
Balance – December 31	583,501	569,017

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

26. SHARE-BASED PAYMENTS (continued):

Inputs for measurement of fair values

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

	December 31, 2022	December 31, 2021
Chemtrade units:		
Average base price	**$6.35**	$10.15
Period-end unit price	**$8.97**	$7.40
Average expected volatility	**32.47%**	25.56%
Average risk free interest rate	**4.20%**	0.05%
Average expected remaining term	**1.50 years**	1.50 years

27. COMMITMENTS AND CONTINGENCIES:

(a) Purchase commitments

Chemtrade has contractual commitments for the purchase of electricity in Brazil, of which approximately 90 to 100 percent of the cost is passed onto one major customer, and minimum purchase commitments under some multi-year salt supply contracts. Chemtrade's outstanding purchase commitments as at December 31, 2022 are as follows:

2023		50,517
2024		16,347
2025		16,347
	$	83,211

(b) Environmental clean-up costs

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

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

27. COMMITMENTS AND CONTINGENCIES (continued):

(c) Other claims

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

(d) Contingent assets

In December 2022, Chemtrade received a judgment in its favour related to a $25,000 lawsuit against Superior Plus Corporation ("Superior"). The lawsuit involved the failed attempt by Superior to acquire Canexus Corporation ("Canexus"), prior to Chemtrade's 2017 acquisition of Canexus. In January 2023, Chemtrade received a payment of $25,000; however, Superior has filed an appeal against the judgment. Chemtrade has not recorded any gain due to the uncertainty associated with the outcome of the appeal.

28. FINANCIAL INSTRUMENTS:

(a) Categories of financial assets and liabilities

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

	IFRS 9 Classification	2022	2021
Cash-settled unit swaps	Fair value - hedging instrument	**$ 6,982**	$ 1,508
Interest rate swap asset (liability) (notes 17,23)	Fair value through profit and loss	**21,067**	(9,616)
Foreign exchange contracts (liability) asset	Fair value through profit and loss	**(3,752)**	1,070
Convertible unsecured subordinated debentures (note 22) [(1)]	Fair value through profit and loss	**533,218**	670,173
Trade and other receivables (note 11)	Amortized cost	**123,214**	96,371
Trade and other payables (note 19)	Other financial liabilities	**316,437**	229,985
Distributions payable (note 25)	Other financial liabilities	**5,805**	5,232
Long-term debt (note 21)	Other financial liabilities	**370,024**	373,531

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

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

28. FINANCIAL INSTRUMENTS (continued):

(b) Derivatives and hedging:

	December 31, 2022			December 31, 2021		
		Fair Value			Fair Value	
	Notional Amount	**Asset**	**Liability**	Notional Amount	Asset	Liability
Derivatives designated in a formal hedging relationship						
Cash-settled unit swaps [1]	—	$ 6,982	$ —	—	$ 1,508	$ —
Derivatives not designated in a formal hedging relationship						
Interest rate swaps [1]	US$ 325,000	21,067	—	US$ 325,000	—	9,616
Foreign exchange contracts [1][2]	—	—	3,752	—	1,070	—
Total		$ 28,049	$ 3,752		$ 2,578	$ 9,616

[1] Current portion of assets is included in Prepaid expenses and other assets, non-current portion of assets is included in Other assets, current portion of liabilities is included in Trade and other payables and non-current portion of liabilities is included in Other long-term liabilities in the Consolidated Statements of Financial Position as of December 31, 2022 and December 31, 2021.
[2] See below for notional amounts.

In 2019, Chemtrade entered into swap arrangements which fixed the LIBOR components of its interest rates on US$325,000 of its outstanding term bank debt until December 2023. On April 24, 2020, Chemtrade entered into a swap arrangement which fixed the LIBOR components of its interest rates on up to US$250,000 of its outstanding revolving credit under its long term debt until it expired on April 24, 2021. These swaps were formally designated as cash flow hedges at the date of inception and any changes in the fair value of the effective portion of the swaps were recognized in other comprehensive income.

During the first quarter of 2021, Chemtrade blended and extended its existing US$325,000 interest rate swaps 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 was 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 changes in fair values of the original swaps as of the termination date remained in accumulated other comprehensive income and reclassified into net earnings over the term of original swaps until December 24, 2021, when Chemtrade reclassified these changes in fair values to net earnings.

28. FINANCIAL INSTRUMENTS (continued):

On December 24, 2021, Chemtrade amended its credit agreement by converting the entire facility into a revolving credit facility. This resulted in the de-recognition of the term bank debt which had been designated as the hedged item for the purpose of hedge accounting. As a result of the amendment and de-designation of the hedged item, Chemtrade reclassified $8,105 relating to the fair value of the effective portion of the swaps from other comprehensive income to net earnings.

During the first quarter of 2022, Chemtrade re-designated its interest rate swaps to continue the benefits of hedge accounting. Subsequent to the re-designation, any changes in the fair value of the effective portion of the swaps were recognized in other comprehensive income.

During the third quarter of 2022, Chemtrade de-designated its interest rate swaps and hedge accounting on these swaps was discontinued prospectively. As a result of the de-designation, Chemtrade reclassified $5,953 relating to the changes in fair value of the effective portion of the swaps during 2022 from other comprehensive income to net earnings. During 2022, Chemtrade recognized a gain of $10,692 relating to the changes in the fair value of the de-designated swaps, in net earnings.

The above interest rate swaps were indexed to 1-month LIBOR. In September 2022, Chemtrade amended certain terms of its Credit Facilities and interest rate swap arrangements to replace US LIBOR with SOFR.

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

For the year ended December 31, 2022, a foreign exchange loss of $31,255 (2021 - gain of $6,603) on the revaluation of the U.S. dollar-denominated debt related to this hedging strategy was recognized in other comprehensive income, net of tax.

During the third quarter of 2021, Chemtrade entered into cash-settled unit swap arrangements which fixed the unit price on a portion of the RSU component of its LTIP awards. During the first quarter of 2022, Chemtrade rolled over the hedged units maturing on March 31, 2022, into 2023, 2024 and 2025. In addition to a portion of the RSU component of its LTIP awards, these arrangements fixed the unit price of a portion of the PSU component of its 2022 - 2024 LTIP awards. The RSU component of the LTIP awards is a phantom plan which is payable in cash at the end of the performance period. The PSU component of the LTIP awards gives a right to the

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

28. FINANCIAL INSTRUMENTS (continued):

participants to receive cash payments upon the achievement of performance goals during the performance periods. The arrangements are based on a portion of RSUs and PSUs outstanding for all Chemtrade's existing LTIP awards. As at December 31, 2022, the notional number of units hedged was 2,786,100 with maturity dates ranging between March 2023 and March 2025. 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 and PSUs are recognized in other comprehensive income.

Chemtrade has entered into foreign exchange contracts to manage some of its exposure to foreign currencies. Chemtrade buys and sells specific amounts of currencies at pre-determined dates and exchange rates, which are matched with the anticipated operational cash flows. Contracts in place at December 31, 2022 include future contracts to sell the following amounts for periods through to March 2024:

Amount	Maturity	Exchange rate range
US$50,046	Q1 2023	$1.30 - $1.35
US$32,147	Q2 2023	$1.30 - $1.32
US$24,116	Q3 2023	$1.31 - $1.33
US$15,000	Q4 2023	$1.32 - $1.35
US$8,000	Q1 2024	$1.37 - $1.37

(c) Fair values of financial instruments:

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

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

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

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

28. FINANCIAL INSTRUMENTS (continued):

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

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

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

2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Instruments designated as fair value through profit and loss				
Interest rate swaps	$ —	$ 21,067	$ —	$ 21,067
Foreign exchange contracts	—	(3,752)	—	(3,752)
Convertible unsecured subordinated debentures	(533,218)	—	—	(533,218)
Instruments designated as fair value through other comprehensive income				
Cash-settled unit swaps	—	6,982	—	6,982
Total	**$ (533,218)**	**$ 24,297**	**$ —**	**$ (508,921)**

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

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

28. FINANCIAL INSTRUMENTS (continued):

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

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

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

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

(d) Risks associated with financial instruments

(i) Credit risk

Credit risk arises from the non-performance by counter-parties of their contractual financial obligations. Chemtrade manages credit risk for trade and other receivables through established credit monitoring activities. Chemtrade does not have a significant concentration of credit risk with any single counter-party. The primary counter-parties related to the foreign exchange forward contracts and interest rate swaps carry investment grade ratings. Chemtrade believes its credit risk of counterparty non-performance continues to be relatively low. 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, 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.

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

28. FINANCIAL INSTRUMENTS (continued):

(ii) Liquidity risk

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

The undiscounted cash flow requirements for financial liabilities as at December 31, 2022 are as follows:

	Carrying Value	Total	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years
Trade and other payables (note 19)	$ 316,437	$ 316,437	$ 316,437	$ —	$ —	$ —
Distributions payable (note 25)	5,805	5,805	5,805	—	—	—
Lease liabilities (note 15)	139,642	153,107	50,950	62,041	26,818	13,298
Long-term debt (note 21)	370,024	370,024	—	—	370,024	—
Interest on long-term debt	—	66,148	11,591	34,091	20,466	—
Convertible unsecured subordinated debentures (note 22)	533,218	517,365	—	287,365	230,000	—
Interest on Debentures	—	96,517	31,509	46,042	18,966	—
Total	**$ 1,365,126**	**$ 1,525,403**	**$ 416,292**	**$ 429,539**	**$ 666,274**	**$ 13,298**

(iii) Market risk

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

(a) Currency risk

Chemtrade is exposed to fluctuations in the exchange rate of the U.S. dollar relative to the Canadian dollar as a portion of Chemtrade's earnings are in U.S. dollars, with earnings positively affected when the U.S. dollar strengthens relative to the Canadian dollar. At December 31, 2022, on an unhedged basis, Chemtrade estimates that a one-cent change in the exchange rate would have an impact on the translation of net earnings of approximately $3,000 per annum. At December 31, 2022, on an unhedged basis, a one-cent change in the exchange rate would also have an impact of approximately $2,700 on Chemtrade's net earnings because of the translation of

28. FINANCIAL INSTRUMENTS (continued):

its U.S. dollar-denominated long-term debt. Chemtrade cannot predict changes in currency exchange rates, the impact of exchange rate changes on Chemtrade's operating results, nor the degree to which Chemtrade will be able to manage the impact of currency exchange rate changes. Such changes could have an impact on Chemtrade's business, results of operations and financial condition.

(b) Interest rate risk

Chemtrade has a credit facility with long-term debt which bears variable rates of interest. As at December 31, 2022, on an unhedged basis, a change in interest rates of 1% per annum would have an impact of approximately $3,700 on Chemtrade's net earnings per annum. As at December 31, 2022, Chemtrade had fixed interest rates on 100% of its Credit Facilities until October 2024 through interest rate swaps and 0% thereafter until December 2026.

(c) Unit price risk

Unit price risk is the risk that changes in Chemtrade's own unit price affect earnings and cash flows. Earnings and cash flows from operating activities are affected when outstanding cash-settled RSUs and PSUs, 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 and PSUs are ultimately settled. Chemtrade enters into cash-settled unit swap arrangements to fix the unit price on a portion of the RSU and PSU components of its LTIP awards to mitigate a portion of the unit price risk.

(d) Other price risks

Product Price and Sales Volume Risk -

Every $50 change in the price per metric tonne ("MT") of North American produced sodium chlorate would have an impact on earnings before income taxes of approximately $17,150 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 $18,400 per annum. These sensitivities to changes in prices are based on approximately 343,000 MT of North American sodium chlorate sales and 184,000 MECU of North American chlor-alkali sales for the year ended December 31, 2022, respectively.

A change in sales volumes for North American sodium chlorate of 10,000 MT would have an impact on earnings before income taxes of approximately $2,850 per annum. A change in sales volumes for North American chlor-alkali products of 5,000

28. FINANCIAL INSTRUMENTS (continued):

MECU would have an impact on earnings before income taxes of approximately $7,000 per annum.

Electricity Price Risk -

Every four percent change in the price of electricity in North America would have an impact on earnings before income taxes of approximately $4,400 per annum. This sensitivity to changes in electricity prices is based on North American electricity consumption of approximately 2,236,000 megawatt hours for the year ended December 31, 2022. A four percent change in the price of electricity in North America is considered reasonable given historical price changes and market expectations for future movement.

Sulphuric acid pricing -

At December 31, 2022, 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 $10,200. In any specific period, the exact impact would depend upon the volume that is subject to sales contracts where pricing has been fixed for a period of time. The magnitude of realized price changes also depends upon regional market dynamics. It is difficult to reliably estimate the impact of price changes on earnings as this depends upon the volume subject to risk-sharing supply contracts and changes in sulphur costs for manufactured sulphuric acid. These factors lessen the impact of price changes on earnings relative to revenue.

Salt costs -

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

Sulphur costs -

Chemtrade uses sulphur in the manufacturing of several of its products, including sulphuric acid. At operating levels as at December 31, 2022, an increase of $10 per tonne would have an impact of approximately $1,500 per annum on cost of sales and services. It is important to note that a change in the cost of sulphur is likely to lead to a change in the price for sulphuric acid as this is a key input cost in the manufacturing of sulphuric acid. Thus, the net impact on earnings of changes in sulphur costs would depend upon changes in sulphuric acid pricing.

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

29. CAPITAL MANAGEMENT:

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

The Debentures have maturity dates ranging from May 2024 to August 2027. Chemtrade intends to maintain a flexible capital structure consistent with the objectives stated above and to respond to changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, Chemtrade may purchase units for cancellation, issue new units, raise debt (secured, unsecured, convertible and/or other types of available debt instruments) or refinance existing debt with different characteristics.

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

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

	December 31, 2022	December 31, 2021
Long-term debt [1]	$ 370,024	$ 373,531
Add (Less):		
Debentures [1]	517,365	661,115
Long-term lease liabilities	94,071	100,863
Lease liabilities [2]	45,571	47,211
Cash and cash equivalents	(72,569)	(13,908)
Net Debt	954,462	1,168,812
LTM Adjusted EBITDA [3]	$ 430,868	$ 280,380
Net Debt / Adjusted EBITDA	2.22	4.17

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

29. CAPITAL MANAGEMENT (continued):

Chemtrade is subject to certain covenants on its credit facilities, which include a Net Debt to EBITDA ratio and an Interest Coverage ratio (as all terms are defined in the credit agreement). Chemtrade monitors these ratios and reports them to its lenders on a quarterly basis. As at December 31, 2022 and December 31, 2021, Chemtrade was in compliance with the above covenants.

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

30. RELATED PARTIES:

Key management personnel compensation

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

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

The LTIP as described in note 26 is designed to align the interests of the participants with the interests of Unitholders. It is a cash plan where payment is triggered upon the successful achievement of pre-defined performance criteria. Each year the Compensation and Corporate Governance Committee of the Board determines the performance period over which performance will be measured. The annual LTIP awards granted have been based on a three-year performance period and the awards vest at the end of the three-year period, other than the 2020-2022 LTIP which had 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 non-management trustees, pursuant to which the trustees can elect to take all or a portion of their compensation in the form of deferred units of Chemtrade, with the remainder as a cash payment. Currently, the trustees are required to take 50% of their compensation in the form of deferred units of Chemtrade.

As at December 31, 2022, the market value of these deferred units, which is included in trade and other payables was $5,234 (2021 - $4,239).

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

30. RELATED PARTIES (continued):

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

	2022	2021
Short-term compensation	$ 9,919	$ 14,212
LTIP	10,489	15,495
	$ 20,408	$ 29,707

Investment in a Joint Venture

Transactions related to the investment in a joint venture are in note 16.

31. SUBSEQUENT EVENTS:

Sale-and-leaseback transaction

Due to the recent sharp decline in the real estate sector, Chemtrade has elected to suspend the sale-and-leaseback process of its North Vancouver chlor-alkali facility.

32. SIGNIFICANT ACCOUNTING POLICIES:

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

(a) Basis of consolidation

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

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

(i) Business combinations:

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

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

(ii) Transactions eliminated on consolidation:

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

32. SIGNIFICANT ACCOUNTING POLICIES (continued):

(b) Foreign currency

(i) Foreign currency transactions:

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

(ii) Foreign operations:

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

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

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

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

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

32. SIGNIFICANT ACCOUNTING POLICIES (continued):

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

(c) Segment reporting

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

(d) Revenue recognition

(i) Sale of products:

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

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

32. SIGNIFICANT ACCOUNTING POLICIES (continued):

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

(ii) Processing services:

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

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

(e) Government grants

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

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

(f) Finance income and finance costs

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

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

32. SIGNIFICANT ACCOUNTING POLICIES (continued):

(g) Income tax

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

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

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

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

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

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

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

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

32. SIGNIFICANT ACCOUNTING POLICIES (continued):

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

(h) Earnings per unit

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

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

(i) Inventories

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

(j) Property, plant and equipment

(i) Recognition and measurement:

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

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

32. SIGNIFICANT ACCOUNTING POLICIES (continued):

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

(ii) Subsequent costs:

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

(iii) Depreciation:

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

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

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

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

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

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

(k) Leases

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

32. SIGNIFICANT ACCOUNTING POLICIES (continued):

(i) Definition of a lease

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

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

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

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

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

    - it has the right to operate the asset; or

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

(ii) As a lessee

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

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

32. SIGNIFICANT ACCOUNTING POLICIES (continued):

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

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

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

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

(iii) As a lessor

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

(l) Investment in a joint venture

Chemtrade uses the equity method to account for its investment in a joint venture. Under the equity method, Chemtrade initially recognizes its investment in a joint venture at cost and subsequently increases or decreases the carrying amounts based on its share of each entity's income or loss. Distributions received from these entities reduce the carrying amount of the investment. Chemtrade eliminates unrealized gains and losses

32. SIGNIFICANT ACCOUNTING POLICIES (continued):

from its investment in a joint venture against its investment, up to the amount of its interest in the entities.

(m) Intangible assets

(i) Goodwill:

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

(ii) Other intangible assets:

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

(iii) Amortization of intangibles:

Amortization of intangible assets, excluding goodwill, is calculated over the estimated useful life upon recognition of the asset. Amortization is recognized in comprehensive income on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the assets. The estimated useful lives for the current and comparative period are as follows:

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

(n) Impairment

(i) Trade and other receivables:

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

32. SIGNIFICANT ACCOUNTING POLICIES (continued):

the allowance account when they are assessed as uncollectible. Any subsequent reversal of an impairment loss is recognized in comprehensive income.

(ii) Goodwill:

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

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

Valuation techniques

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

Value in use approach

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

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

Forecast Operating Margins and Maintenance and Other Capital Expenditures

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

32. SIGNIFICANT ACCOUNTING POLICIES (continued):

Terminal Growth Rate

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

Discount rates

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

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

Fair value less costs to sell approach

Fair value less costs to sell is the amount obtainable from the sale of a CGU or CGU group in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. The estimated market price is based on a historical multiplier based on earnings before interest, taxes, depreciation and amortization and market capitalization.

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

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

32. SIGNIFICANT ACCOUNTING POLICIES (continued):

(o) Provisions

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

(i) Onerous contracts:

A provision for onerous contracts is recognized when the expected benefits to be derived by Chemtrade from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, Chemtrade considers whether an impairment loss on the assets associated with that contract needs to be recognized, and if appropriate recognizes such loss.

(ii) Decommissioning liabilities:

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

(iii) Environmental liabilities:

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

(iv) Legal provisions:

Provisions for legal claims are recognized when Chemtrade has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions for legal claims are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate

32. SIGNIFICANT ACCOUNTING POLICIES (continued):

that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized in the statement of comprehensive income as selling and administrative expenses. Changes in the estimated timing or amount of the expenditure or discount rate are recognized in profit or loss when the changes arise.

(p) Employee benefits

(i) Defined contribution plans:

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

(ii) Defined benefit plans:

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

Chemtrade deducts the fair values of plan assets from the defined benefit plan obligations to arrive at the net defined benefit plan obligations (assets). For plans that result in a net defined benefit asset, the recognized asset is limited to the present value of economic benefits available in the form of future refunds from the plan or reductions in future contributions to the plan (“asset ceiling”). If it is anticipated that Chemtrade will not be able to recover the value of the net defined asset, after considering minimum funding requirements for future service, it reduces the net defined benefit asset to the amount of the asset ceiling. When the payment in the future of minimum funding requirements related to the past service would result in a net defined surplus or an increase in a surplus, the minimum funding requirements are recognized as a liability to the extent that the surplus would not be fully available as a refund or a reduction in future contributions.

32. SIGNIFICANT ACCOUNTING POLICIES (continued):

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

(iii) Multi-employer plan:

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

(iv) Share-based compensation:

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

(q) Financial instruments

(i) Non-derivative financial assets:

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

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

32. SIGNIFICANT ACCOUNTING POLICIES (continued):

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

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

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

Cash is composed of cash at banks and on hand. Cash equivalents are highly liquid investments and are measured at amortized cost.

(ii) Non-derivative financial liabilities:

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

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

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

32. SIGNIFICANT ACCOUNTING POLICIES (continued):

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

(iii) Units:

The Fund units meet the definition of a financial liability under IFRS as the redemption feature of the Fund units creates an unavoidable contractual obligation to pay cash. The Fund units are considered to be "puttable instruments" because of the redemption feature. IFRS provides a very limited exemption to allow puttable instruments to be presented as equity provided certain criteria are met.

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

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

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

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

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

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

32. SIGNIFICANT ACCOUNTING POLICIES (continued):

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

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

Chemtrade recognizes the liabilities for unpaid cash distributions, distributions opted to be reinvested and bonuses thereon at the time such distributions are declared. Liabilities for distributions opted to be reinvested and bonuses thereon are de-recognized when such units are issued to the participants.

(iv) Derivative financial instruments:

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

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

(v) Hedging:

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

32. SIGNIFICANT ACCOUNTING POLICIES (continued):

Cash flow hedges

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

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

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

IFRS 9 accounting policy choice for hedge accounting

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

(r) Standards and interpretations adopted during the period:

Several amendments and interpretations apply for the first time in 2022, but did not have an impact on Chemtrade's consolidated financial statements.

32. SIGNIFICANT ACCOUNTING POLICIES (continued):

(s) Standards and interpretations not yet adopted:

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

- Amendments to IAS 1, *Presentation of Financial Statements* and *IFRS Practice Statement 2 Making Materiality Judgments - 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, 2024).

- Amendments to IAS 8, *Accounting Policies - Definition of Accounting Estimates*, clarifying the definition of "accounting policies" and "accounting estimates" (effective for annual periods beginning on or after January 1, 2023).

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

- Amendments to 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 and offsetting temporary differences (effective for annual periods beginning on or after January 1, 2023).

- Amendments to IFRS 16, *Lease liability in a Sale and Leaseback,* specifying the requirements that a seller-lessee should use in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains (effective for annual periods beginning on or after January1, 2024).

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